

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005**

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This financial report is available at www.comptroller.state.tn.us

SEQUATCHIE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Sequatchie County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Sequatchie County as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

SEQUATCHIE COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY EXECUTIVE

- ◆ Expenditures exceeded appropriations approved by the County Commission by \$20,213 in the Drug Control Fund. Expenditures and encumbrances exceeded appropriations in several major categories (the legal level of control) of the General, Courthouse and Jail Maintenance, Solid Waste/Sanitation, and General Debt Service Funds. Also, some budget amendments that had not been approved by the County Commission were posted to the accounting records.
- ◆ The office did not determine and record receivables and payables on the accounting records at June 30, 2005. Reservations of fund balances in the General Fund and Drug Control Fund were not documented. On several occasions, line-item budget amendments properly submitted to the office by various county officials were erroneously posted as transfers between expenditure accounts.

OFFICE OF COUNTY EXECUTIVE (CONT.)

- ◆ Purchase orders were not issued in some instances. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. Also, some invoices were not on file to support purchases, or did not adequately describe the purchases.
 - ◆ Inventory records were not maintained for some assets owned by the general county government.
 - ◆ The office did not maintain accounting records or monitor the program for Community Development Block Grant funds related to the low-income housing program. Instead, the Southeast Local Development Corporation maintained the records, disbursed the funds, and received administrative fees for these services.
-

OFFICE OF SHERIFF

- ◆ The office had a cash shortage of \$1,480.12 on June 30, 2005.
 - ◆ Some receipts and bank charges were not posted to the office cash journal, an annual financial report had not been prepared and filed, and fees collected had not been properly remitted to the county trustee.
-

OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Executive, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Sequatchie County Officials
June 30, 2005

Officials:

David Barker, County Executive
Roy Johnson, Highway Superintendent
Larry Lockhart, Trustee
James Condra, Assessor of Property
Charlotte Cagle, County Clerk
Karen Millsaps, Circuit and General Sessions Courts Clerk
Thomas Goins, Clerk and Master
Connie Green, Register
Ronnie Hitchcock, Sheriff

Board of County Commissioners:

Tommy Johnson, Chairman
Don Boynton
Charles Easterly
Brian Farley
John Gamble
Michael Griffith
Bryan Harmon
Mark Henry
Harry Hickey
Herman Hobbs
Randall Johnson
Ronnie Land
Claude Lewis
Paul Powell
Walter Thompson
Will Zimmerman

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 15, 2006

Sequatchie County Executive and
Board of County Commissioners
Sequatchie County, Tennessee

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 15 through 37, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Sequatchie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Sequatchie County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Sequatchie County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

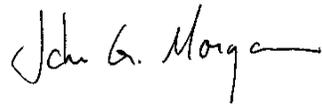
In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2006, on our consideration of Sequatchie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Sequatchie County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 41 through 47 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Sequatchie County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
ASSETS							
Cash	\$ 11,419	\$ 0	\$ 0	\$ 0	\$ 0	\$ 308,666	\$ 320,085
Equity in Pooled Cash and Investments	762,425	114,948	383,104	515,134	941	87,628	1,864,180
Accounts Receivable	0	0	188	1,060	0	31,324	32,572
Due from Other Governments	45,113	957	237,747	0	0	0	283,817
Due from Other Funds	890	0	0	0	0	0	890
Property Taxes Receivable	1,443,498	316,407	0	359,450	0	0	2,119,355
Allowance for Uncollectible Property Taxes	(68,060)	(14,458)	0	(16,622)	0	0	(99,140)
Notes Receivable - Long-Term	0	0	0	0	0	22,391	22,391
Total Assets	\$ 2,195,285	\$ 417,854	\$ 621,039	\$ 859,022	\$ 941	\$ 450,009	\$ 4,544,150
LIABILITIES AND FUND BALANCES							
<u>Liabilities</u>							
Accounts Payable	\$ 26,590	\$ 2,144	\$ 5,052	\$ 0	\$ 0	\$ 2,109	\$ 35,895
Contracts Payable	0	0	0	0	388,868	0	388,868
Retainage Payable	0	0	0	0	279,475	0	279,475
Due to Other Funds	425	0	0	0	0	890	1,315
Deferred Revenue - Current Property Taxes	1,284,682	283,385	0	321,170	0	0	1,889,237
Deferred Revenue - Delinquent Property Taxes	90,756	18,564	0	21,658	0	0	130,978
Other Deferred Revenues	16,789	0	117,816	0	0	0	134,605
Total Liabilities	\$ 1,419,242	\$ 304,093	\$ 122,868	\$ 342,828	\$ 668,343	\$ 2,999	\$ 2,860,373
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,904,366	\$ 0	\$ 3,904,366
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	8,966	8,966
Reserved for Alcohol and Drug Treatment	3,602	0	0	0	0	0	3,602
Reserved for Computer System - Register	16,933	0	0	0	0	0	16,933
Reserved for Automation Purposes - Circuit Court	868	0	0	0	0	0	868
Reserved for Automation Purposes - General Sessions Court	5,230	0	0	0	0	0	5,230
Reserved for Automation Purposes - Chancery Court	298	0	0	0	0	0	298

(Continued)

Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Reserved for Automation Purposes - Sheriff	\$ 2,928	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,928
Reserved for State Reappraisal Grant	9,675	0	0	0	0	0	9,675
Reserved for Capital Outlay	148,576	0	0	0	0	0	148,576
Unreserved, Reported In:							
General Fund	587,933	0	0	0	0	0	587,933
Special Revenue Funds	0	113,761	498,171	0	0	108,299	720,231
Debt Service Funds	0	0	0	516,194	0	0	516,194
Capital Projects Funds (Deficit)	0	0	0	0	(4,571,768)	329,745	(4,242,023)
Total Fund Balances	<u>\$ 776,043</u>	<u>\$ 113,761</u>	<u>\$ 498,171</u>	<u>\$ 516,194</u>	<u>\$ (667,402)</u>	<u>\$ 447,010</u>	<u>\$ 1,683,777</u>
Total Liabilities and Fund Balances	<u>\$ 2,195,285</u>	<u>\$ 417,854</u>	<u>\$ 621,039</u>	<u>\$ 859,022</u>	<u>\$ 941</u>	<u>\$ 450,009</u>	<u>\$ 4,544,150</u>

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

Exhibit B

Sequatchie County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 1,705,638	\$ 280,069	\$ 0	\$ 320,203	\$ 0	\$ 16,175	\$ 2,322,085
Licenses and Permits	18,294	0	0	0	0	0	18,294
Fines, Forfeitures, and Penalties	49,078	0	0	0	0	35,870	84,948
Charges for Current Services	19,783	10	0	0	0	511,868	531,661
Other Local Revenues	58,297	21,535	7,296	171,729	43	12,301	271,201
Fees Received from County Officials	551,080	0	0	0	0	0	551,080
State of Tennessee	299,882	59,788	1,390,016	15,796	0	0	1,765,482
Federal Government	104,886	0	0	0	0	15,000	119,886
Other Governments and Citizens Groups	22,920	0	0	0	0	0	22,920
Total Revenues	\$ 2,829,858	\$ 361,402	\$ 1,397,312	\$ 507,728	\$ 43	\$ 591,214	\$ 5,687,557
<u>Expenditures</u>							
Current:							
General Government	\$ 475,350	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,536	\$ 476,886
Finance	372,065	0	0	0	0	85	372,150
Administration of Justice	292,405	0	0	0	0	50	292,455
Public Safety	955,712	0	0	0	0	42,895	998,607
Public Health and Welfare	74,348	276,116	0	0	0	533,394	883,858
Social, Cultural, and Recreational Services	112,072	0	0	0	0	0	112,072
Agricultural and Natural Resources	52,364	0	0	0	0	0	52,364
Other Operations	250,691	23,640	0	0	0	5,870	280,201
Highways	0	0	1,159,832	0	0	0	1,159,832
Debt Service:							
Principal	0	0	0	172,257	0	0	172,257
Interest	0	0	0	37,850	0	0	37,850
Other Debt Service	0	0	0	8,245	45,500	0	53,745
Capital Projects	0	0	0	0	3,075,528	0	3,075,528
Total Expenditures	\$ 2,585,007	\$ 299,756	\$ 1,159,832	\$ 218,352	\$ 3,121,028	\$ 583,830	\$ 7,967,805
Excess (Deficiency) of Revenues Over Expenditures	\$ 244,851	\$ 61,646	\$ 237,480	\$ 289,376	\$ (3,120,985)	\$ 7,384	\$ (2,280,248)
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,186,443	\$ 0	\$ 2,186,443
Transfers In	0	0	0	0	0	22,000	22,000

(Continued)

Exhibit B

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers Out	\$ (22,000)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	(22,000)
Total Other Financing Sources (Uses)	\$ (22,000)	\$ 0	\$ 0	\$ 0	\$ 2,186,443	\$ 22,000	\$ 2,186,443
Net Change in Fund Balances	\$ 222,851	\$ 61,646	\$ 237,480	\$ 289,376	\$ (934,542)	\$ 29,384	\$ (93,805)
Fund Balance, July 1, 2004	553,192	52,115	260,691	731,818	267,140	417,626	2,282,582
Prior Period Adjustment	0	0	0	(505,000)	0	0	(505,000)
Fund Balance, June 30, 2005	\$ 776,043	\$ 113,761	\$ 498,171	\$ 516,194	\$ (667,402)	\$ 447,010	\$ 1,683,777

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

Exhibit C

Sequatchie County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 673,682
Due from Other Governments	47,637
Due from Other Funds	425
Cash Shortage	<u>1,480</u>
Total Assets	<u>\$ 723,224</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 47,637
Due to Litigants, Heirs, and Others	<u>675,587</u>
Total Liabilities	<u>\$ 723,224</u>

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

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sequatchie County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

Sequatchie County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Sequatchie County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Sequatchie County's auditor to issue an adverse opinion on the county's financial statements.

Although Sequatchie County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Sequatchie County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Sequatchie County (the primary government).

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

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Sequatchie County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

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

The Sequatchie County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Sequatchie County, and the Sequatchie 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 Sequatchie County School Department and the Sequatchie County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. Sequatchie County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Sequatchie County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Sequatchie County Emergency Communications District
325 Heard Street
Dunlap, TN 37327

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

Fund financial statements of Sequatchie County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Sequatchie County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Sequatchie 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.

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. Property taxes collected within 30 days of year-end are considered to be immaterial for reporting purposes. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Sequatchie County reports the following major governmental funds:

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

Solid Waste/Sanitation Fund – This fund is used to account for transactions relating to the disposal of solid waste.

Highway/Public Works Fund – This fund is used to account for transactions of the county Highway Department.

General Debt Service Fund – This fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

General Capital Projects Fund – This fund is used to account for financial resources to be used for the construction of a justice center.

Additionally, Sequatchie County reports the following fund type:

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

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Sequatchie County and Sequatchie County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments, except for income from the investment of education capital projects funds, is assigned to the General Purpose School Fund (47%), the General Fund (41%), and the General Debt Service Fund (12%). Sequatchie County and the Sequatchie County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not

registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.54 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 revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are not material for financial reporting purposes and are thus not 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.

Sequatchie County received Tennessee Housing Development Agency grant funds during prior years. These grant funds were used to provide interest-free housing loans to individuals meeting the grant requirements. Transactions relating to these loans are recorded in the Community Development/Industrial Park Fund, a nonmajor capital projects fund. The notes receivable amount of \$22,391 represents the total loan principal outstanding at June 30, 2005.

Contracts payable represent amounts owed to contractors for work completed on the county's justice center project as of June 30, 2005. Retainage payable represents amounts withheld from payments made to contractors on the justice center project to ensure contract performance.

3. Capital Assets

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

4. Compensated Absences

The general policy of Sequatchie County does not allow for the accumulation of unused vacation and sick leave days beyond year-end by general government employees.

The general policy for Highway Department employees allows for the accumulation of up to seven unused sick leave days beyond year-end. The payment of this unused sick leave is guaranteed; however, such amounts are not considered material to the county's financial statements.

5. Long-term Obligations

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

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

6. Fund Equity

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

7. Prior-period Adjustment

Beginning fund balance of the General Debt Service Fund was restated and reduced by \$505,000 in the current financial statements. In prior years, an agreement between the county and the nursing home provided for the nursing home to pay lease payments to the county in amounts equal to the annual principal and interest on the county bonds issued on March 1, 1977, for the construction of the nursing home. In prior years, these bonds have been reflected as a long-term liability of the county with an off-setting amount reflected as notes receivable in the county's financial statements. During the year examined, the nursing home retired the bonds directly; therefore, the prior year receivable has been reduced by the amount of the bond principal due at July 1, 2004.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Fund Deficit

The General Capital Projects Fund had a fund deficit of \$4,571,768 at June 30, 2005. This fund deficit resulted from the unperformed portions of construction projects of \$3,904,366 being reserved as encumbrances and unpaid amounts of completed portions of construction projects being set up as current liabilities at June 30, 2005. Funding for these current liabilities was received from loan proceeds in July 2005, and funding for future expenditures relating to these projects is expected to be received from available loan proceeds.

B. Cash Shortage

The Office of Sheriff had a cash shortage of \$1,480 as of June 30, 2005. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission by \$20,213 in the Drug Control Fund (a nonmajor special revenue fund).

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

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount</u>
General	Register of Deeds	\$ 2,525
"	Reappraisal Program	4,019
"	Sheriff's Department	16,038
"	Jail	23,919
Solid Waste/Sanitation	Convenience Centers	653
"	Other Waste Collection	1,551
"	Other Charges	176
Highway/Public Works	Employee Benefits	4,529
Courthouse & Jail Maint.	Other Charges	72
General Debt Service	Principal-General Government	50,257
"	Other Debt Service-General Government	3,245

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance in all of the above funds.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Sequatchie County and the Sequatchie County School Department participate in an internal cash and investment pool through the Office of Trustee. The Sequatchie County School Department meets the criteria for a discretely presented component unit of Sequatchie County. Since Sequatchie County is presenting fund financial statements only, the financial information for the Sequatchie County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2005, Sequatchie County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Sequatchie County and the discretely presented Sequatchie County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 3,586,508</u>
Total		<u><u>\$ 3,586,508</u></u>

B. Construction Commitments

At June 30, 2005, Sequatchie County had uncompleted construction commitments of \$3,904,366 for a justice center construction project. Funding for these future expenditures is expected to be received through approved public building authority loans.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 890
Fiduciary	General	425

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	<u>\$ 22,000</u>
Total	<u><u>\$ 22,000</u></u>

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 and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 13 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 notes and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Capital Outlay Notes	2.103 to 5.98 %	\$ 1,566,436	\$ 231,319
Other Loan	variable	6,500,000	2,186,443

In November 2004, Sequatchie County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provides for the authority to make \$6,500,000 available for loan to Sequatchie County on an as-needed basis for construction of a justice center. At June 30, 2005, Sequatchie County had borrowed \$2,186,443 for this project. This loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2005, the variable interest rate was 2.1 percent, and other fees amounted to approximately .4 percent (letter of credit fee) and .08 percent

(remarketing fee) of the outstanding loan principal plus \$1,200 (trustee fee) annually.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2005, including interest payments and other fees, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 173,225	\$ 9,429
2007	58,094	1,324
Total	\$ 231,319	\$ 10,753

Year Ending June 30	Other Loan (\$6,500,000)			Total
	Principal	Interest	Other Fees	
2006	\$ 160,000	\$ 45,915	\$ 11,695	\$ 217,610
2007	165,000	42,555	10,927	218,482
2008	169,000	39,090	10,135	218,225
2009	174,000	35,542	9,324	218,866
2010	180,000	31,887	8,488	220,375
2011-2015	982,000	100,490	28,969	1,111,459
2016-2020	356,443	10,456	4,790	371,689
Total	\$ 2,186,443	\$ 305,935	\$ 84,328	\$ 2,576,706

There is \$516,194 available in the General Debt Service Fund to service long-term debt. Total debt per capita, including notes and other loans, amounted to \$213, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:	Bonds	Notes	Other Loans
	Balance, July 1, 2004	\$ 505,000	\$ 403,576
Additions	0	0	2,186,443
Deductions	(505,000)	(172,257)	0
Balance, June 30, 2005	\$ 0	\$ 231,319	\$ 2,186,443
Balance Due Within One Year	\$ 0	\$ 173,225	\$ 160,000

IV. OTHER INFORMATION

A. Risk Management

The Sequatchie County general government's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Tennessee School Boards Risk Management Trust (TSB-RMT), a public entity risk pool established by the Tennessee School Boards Association. The Sequatchie County general government pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of this pool provides for it to be self-sustaining through member premiums.

The Sequatchie County Highway Department's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LGWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The Highway Department pays annual premiums to the LGPCF and LGWCF for its general liability, property, casualty losses, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF and LGWCF reinsures through commercial insurance companies for claims of more than \$100,000 for each insured event.

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

The Sequatchie County Highway Department provides employee health insurance coverage through a commercial insurance company. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

B. Accounting Change

During the year, Sequatchie County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk

disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Events

On August 18, 2005, Sequatchie County entered into a three-year lease-purchase agreement for a patrol car. The terms of the agreement require total lease payments of \$22,758 plus interest of six percent.

During the period July 1, 2005, through February 15, 2006, Sequatchie County received proceeds totaling \$1,963,574 from an approved \$6,500,000 loan agreement with the Public Building Authority of Montgomery County.

D. Contingent Liabilities

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

E. Joint Venture

The Bledsoe/Sequatchie Landfill Board operates a regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board, including the county mayor and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Sequatchie County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 28.5 percent of any deficits from operation. Sequatchie County contributed \$4,116 to the operation of the board during the year examined. In addition to this contribution, Bledsoe County also paid \$55,971 in principal on a capital outlay note issued in 2004 to finance the closure of the landfill site. Complete financial statements for the Bledsoe/Sequatchie Landfill Board can be obtained from the board's administrative office at the following address:

Administrative Office:

Bledsoe/Sequatchie Landfill
P. O. Box 149
Pikeville, TN 37367

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of

the Twelfth Judicial District and the municipalities within the district. The district is composed of Sequatchie, Bledsoe, Franklin, Grundy, Marion, and Rhea counties and various cities within these counties. 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. Sequatchie County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from their administrative office at the following address:

Administrative Office:

District Attorney General's Office
Twelfth Judicial District
375 Church Street, Suite 300
Dayton, TN 37321

F. Retirement Commitments

Plan Description

Employees of Sequatchie 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 Sequatchie 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Sequatchie County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 4.76 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Sequatchie County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Sequatchie County's annual pension cost of \$176,995 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Sequatchie 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, 2003, was 12 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$176,995	100%	\$0
6-30-04	109,006	100	0
6-30-03	100,062	100	0

Required Supplementary Information
Schedule of Funding Progress for Sequatchie County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$7,440	\$7,440	\$0	100%	\$2,769	0%
6-30-01	6,883	6,883	0	100	2,711	0
6-30-99	5,911	5,911	0	100	2,405	0

G. Purchasing Laws

Office of County Executive

Purchasing procedures for this office are governed by purchasing laws of 1983 as set forth in Section 5-14-204 through 5-14-206, Tennessee Code Annotated, (TCA), which provide for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Highway Superintendent

Purchasing procedures for this office are governed by Chapter 575, Private Acts of 1953, as amended, and provisions of the Uniform Road Law, Section 54-7-113, TCA. These statutes require all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Sequatchie County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,705,638	\$ 0	\$ 1,705,638	\$ 1,622,353	\$ 1,622,353	\$ 83,285
Licenses and Permits	18,294	0	18,294	15,500	15,500	2,794
Fines, Forfeitures, and Penalties	49,078	0	49,078	23,400	23,400	25,678
Charges for Current Services	19,783	0	19,783	12,600	12,600	7,183
Other Local Revenues	58,297	0	58,297	30,600	30,600	27,697
Fees Received from County Officials	551,080	0	551,080	466,000	466,000	85,080
State of Tennessee	299,882	0	299,882	220,825	220,825	79,057
Federal Government	104,886	0	104,886	0	0	104,886
Other Governments and Citizens Groups	22,920	0	22,920	1,600	1,600	21,320
Total Revenues	\$ 2,829,858	\$ 0	\$ 2,829,858	\$ 2,392,878	\$ 2,392,878	\$ 436,980
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 48,138	\$ 0	\$ 48,138	\$ 122,754	\$ 122,754	\$ 74,616
Board of Equalization	3,177	0	3,177	3,400	3,400	223
Beer Board	331	0	331	1,000	1,000	669
Budget and Finance Committee	3,500	0	3,500	3,500	3,500	0
County Executive	101,299	0	101,299	102,645	103,845	2,546
County Attorney	7,800	0	7,800	7,800	7,800	0
Election Commission	75,125	0	75,125	81,075	81,075	5,950
Register of Deeds	98,494	0	98,494	95,063	95,969	(2,525)
County Buildings	137,486	0	137,486	125,000	138,676	1,190
<u>Finance</u>						
Property Assessor's Office	108,430	0	108,430	110,155	110,155	1,725
Reappraisal Program	14,187	0	14,187	10,168	10,168	(4,019)
County Trustee's Office	101,433	0	101,433	98,139	102,996	1,563
County Clerk's Office	148,015	0	148,015	133,288	148,113	98

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 110,110	\$ 0	\$ 110,110	\$ 115,285	\$ 121,154	\$ 11,044
General Sessions Court	57,971	0	57,971	58,562	71,295	13,324
Chancery Court	63,028	0	63,028	63,188	63,188	160
Juvenile Court	49,296	0	49,296	41,353	50,703	1,407
Judicial Commissioners	12,000	0	12,000	12,000	12,000	0
<u>Public Safety</u>						
Sheriff's Department	586,494	0	586,494	502,439	570,456	(16,038)
Jail	269,359	0	269,359	199,665	245,440	(23,919)
Fire Prevention and Control	18,500	0	18,500	16,000	18,500	0
Other Emergency Management	75,406	(25,520)	49,886	10,270	75,270	25,384
County Coroner/Medical Examiner	5,953	0	5,953	6,200	6,200	247
<u>Public Health and Welfare</u>						
Local Health Center	54,290	(876)	53,414	113,082	113,082	59,668
Crippled Children Services	1,026	0	1,026	1,026	1,026	0
Appropriation to State	19,032	0	19,032	19,032	19,032	0
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	7,500	0	7,500	7,500	7,500	0
Libraries	64,330	0	64,330	63,879	64,344	14
Parks and Fair Boards	37,742	0	37,742	41,088	41,088	3,346
Other Social, Cultural, and Recreational	2,500	0	2,500	0	2,500	0
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	43,848	0	43,848	44,145	44,145	297
Soil Conservation	8,516	0	8,516	8,516	8,516	0
<u>Other Operations</u>						
Tourism	10,500	0	10,500	10,500	10,500	0
Veterans' Services	6,585	0	6,585	6,600	6,600	15

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Other Operations (Cont.)</u>						
Other Charges	\$ 33,117	\$ 0	\$ 33,117	\$ 53,200	\$ 53,200	\$ 20,083
Employee Benefits	200,489	0	200,489	169,500	210,932	10,443
Total Expenditures	<u>\$ 2,585,007</u>	<u>\$ (26,396)</u>	<u>\$ 2,558,611</u>	<u>\$ 2,457,017</u>	<u>\$ 2,746,122</u>	<u>\$ 187,511</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 244,851	\$ 26,396	\$ 271,247	\$ (64,139)	\$ (353,244)	\$ 624,491
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (22,000)	\$ 0	\$ (22,000)	\$ (65,000)	\$ (65,000)	\$ 43,000
Total Other Financing Sources (Uses)	<u>\$ (22,000)</u>	<u>\$ 0</u>	<u>\$ (22,000)</u>	<u>\$ (65,000)</u>	<u>\$ (65,000)</u>	<u>\$ 43,000</u>
Net Change in Fund Balance	\$ 222,851	\$ 26,396	\$ 249,247	\$ (129,139)	\$ (418,244)	\$ 667,491
Fund Balance, July 1, 2004	553,192	(26,396)	526,796	727,360	727,360	(200,564)
Fund Balance, June 30, 2005	<u>\$ 776,043</u>	<u>\$ 0</u>	<u>\$ 776,043</u>	<u>\$ 598,221</u>	<u>\$ 309,116</u>	<u>\$ 466,927</u>

Exhibit D-2

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 280,069	\$ 277,411	\$ 277,411	\$ 2,658
Charges for Current Services	10	58	58	(48)
Other Local Revenues	21,535	1,500	1,500	20,035
State of Tennessee	59,788	23,000	23,000	36,788
Total Revenues	<u>\$ 361,402</u>	<u>\$ 301,969</u>	<u>\$ 301,969</u>	<u>\$ 59,433</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 31,515	\$ 38,156	\$ 38,156	\$ 6,641
Waste Pickup	43,214	41,300	44,900	1,686
Convenience Centers	87,220	81,567	86,567	(653)
Other Waste Collection	110,051	95,000	108,500	(1,551)
Landfill Operation and Maintenance	4,116	34,750	38,866	34,750
<u>Other Operations</u>				
Other Charges	5,576	5,400	5,400	(176)
Employee Benefits	18,064	17,920	20,220	2,156
Total Expenditures	<u>\$ 299,756</u>	<u>\$ 314,093</u>	<u>\$ 342,609</u>	<u>\$ 42,853</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 61,646</u>	<u>\$ (12,124)</u>	<u>\$ (40,640)</u>	<u>\$ 102,286</u>
Net Change in Fund Balance	\$ 61,646	\$ (12,124)	\$ (40,640)	\$ 102,286
Fund Balance, July 1, 2004	<u>52,115</u>	<u>119,033</u>	<u>119,033</u>	<u>(66,918)</u>
Fund Balance, June 30, 2005	<u><u>\$ 113,761</u></u>	<u><u>\$ 106,909</u></u>	<u><u>\$ 78,393</u></u>	<u><u>\$ 35,368</u></u>

Exhibit D-3

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 7,296	\$ 16,500	\$ 16,500	\$ (9,204)
State of Tennessee	1,390,016	1,608,071	1,608,071	(218,055)
Total Revenues	<u>\$ 1,397,312</u>	<u>\$ 1,624,571</u>	<u>\$ 1,624,571</u>	<u>\$ (227,259)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 103,985	\$ 109,129	\$ 109,429	\$ 5,444
Highway and Bridge Maintenance	673,738	584,255	683,580	9,842
Operation and Maintenance of Equipment	143,619	204,028	208,378	64,759
Other Charges	47,558	49,800	50,050	2,492
Employee Benefits	178,888	173,125	174,359	(4,529)
Capital Outlay	12,044	392,527	287,068	275,024
Total Expenditures	<u>\$ 1,159,832</u>	<u>\$ 1,512,864</u>	<u>\$ 1,512,864</u>	<u>\$ 353,032</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 237,480</u>	<u>\$ 111,707</u>	<u>\$ 111,707</u>	<u>\$ 125,773</u>
Net Change in Fund Balance	\$ 237,480	\$ 111,707	\$ 111,707	\$ 125,773
Fund Balance, July 1, 2004	260,691	210,565	210,565	50,126
Fund Balance, June 30, 2005	<u>\$ 498,171</u>	<u>\$ 322,272</u>	<u>\$ 322,272</u>	<u>\$ 175,899</u>

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Executive, 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 generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

Fund	Major Appropriation Category	Amount
General	Register of Deeds	\$ 2,525
"	Reappraisal Program	4,019
"	Sheriff's Department	16,038
"	Jail	23,919
Solid Waste/Sanitation	Convenience Centers	653
"	Other Waste Collection	1,551
"	Other Charges	176
Highway/Public Works	Employee Benefits	4,529

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation. The proceeds of the tax must be used to pay for improvements or maintenance on the courthouse and jail.

Ambulance Service Fund – The Ambulance Service Fund is used to account for transactions involving patient transportation.

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 transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are remitted to the county's General Fund.

Capital Projects Fund

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for the financial activities of a loan program administered by Southeast Tennessee Development District.

Exhibit E-1

Sequatchie County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Total	Community Development/ Industrial Park	
<u>ASSETS</u>							
Cash	\$ 0	\$ 1,012	\$ 0	\$ 300	\$ 1,312	\$ 307,354	\$ 308,666
Equity in Pooled Cash and Investments	28,130	11,652	47,846	0	87,628	0	87,628
Accounts Receivable	0	30,734	0	590	31,324	0	31,324
Notes Receivable - Long-Term	0	0	0	0	0	22,391	22,391
Total Assets	\$ 28,130	\$ 43,398	\$ 47,846	\$ 890	\$ 120,264	\$ 329,745	\$ 450,009
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 0	\$ 2,109	\$ 0	\$ 0	\$ 2,109	\$ 0	\$ 2,109
Due to Other Funds	0	0	0	890	890	0	890
Total Liabilities	\$ 0	\$ 2,109	\$ 0	\$ 890	\$ 2,999	\$ 0	\$ 2,999
<u>Fund Balances</u>							
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 8,966	\$ 0	\$ 8,966	\$ 0	\$ 8,966
Unreserved	28,130	41,289	38,880	0	108,299	329,745	438,044
Total Fund Balances	\$ 28,130	\$ 41,289	\$ 47,846	\$ 0	\$ 117,265	\$ 329,745	\$ 447,010
Total Liabilities and Fund Balances	\$ 28,130	\$ 43,398	\$ 47,846	\$ 890	\$ 120,264	\$ 329,745	\$ 450,009

Exhibit E-2

Sequatchie County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Ambulance Service	Drug Control	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	
<u>Revenues</u>							
Local Taxes	\$ 16,175	\$ 0	\$ 0	\$ 0	\$ 16,175	\$ 0	\$ 16,175
Fines, Forfeitures, and Penalties	0	0	35,870	0	35,870	0	35,870
Charges for Current Services	0	511,251	0	617	511,868	0	511,868
Other Local Revenues	0	731	3,575	0	4,306	7,995	12,301
Federal Government	0	0	15,000	0	15,000	0	15,000
Total Revenues	\$ 16,175	\$ 511,982	\$ 54,445	\$ 617	\$ 583,219	\$ 7,995	\$ 591,214
<u>Expenditures</u>							
Current:							
General Government	\$ 1,536	\$ 0	\$ 0	\$ 0	\$ 1,536	\$ 0	\$ 1,536
Finance	0	0	0	85	85	0	85
Administration of Justice	0	0	0	50	50	0	50
Public Safety	0	0	42,413	482	42,895	0	42,895
Public Health and Welfare	0	533,394	0	0	533,394	0	533,394
Other Operations	172	0	0	0	172	5,698	5,870
Total Expenditures	\$ 1,708	\$ 533,394	\$ 42,413	\$ 617	\$ 578,132	\$ 5,698	\$ 583,830
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,467	\$ (21,412)	\$ 12,032	\$ 0	\$ 5,087	\$ 2,297	\$ 7,384
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 22,000	\$ 0	\$ 0	\$ 22,000	\$ 0	\$ 22,000
Total Other Financing Sources (Uses)	\$ 0	\$ 22,000	\$ 0	\$ 0	\$ 22,000	\$ 0	\$ 22,000
Net Change in Fund Balances	\$ 14,467	\$ 588	\$ 12,032	\$ 0	\$ 27,087	\$ 2,297	\$ 29,384
Fund Balance, July 1, 2004	13,663	40,701	35,814	0	90,178	327,448	417,626
Fund Balance, June 30, 2005	\$ 28,130	\$ 41,289	\$ 47,846	\$ 0	\$ 117,265	\$ 329,745	\$ 447,010

Exhibit E-3

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Courthouse & Jail Maintenance Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 16,175	\$ 10,000	\$ 10,000	\$ 6,175
Total Revenues	\$ 16,175	\$ 10,000	\$ 10,000	\$ 6,175
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 1,536	\$ 9,768	\$ 9,768	\$ 8,232
<u>Other Operations</u>				
Other Charges	172	100	100	(72)
Total Expenditures	\$ 1,708	\$ 9,868	\$ 9,868	\$ 8,160
Excess (Deficiency) of Revenues Over Expenditures	\$ 14,467	\$ 132	\$ 132	\$ 14,335
Net Change in Fund Balance	\$ 14,467	\$ 132	\$ 132	\$ 14,335
Fund Balance, July 1, 2004	13,663	3,688	3,688	9,975
Fund Balance, June 30, 2005	\$ 28,130	\$ 3,820	\$ 3,820	\$ 24,310

Exhibit E-4

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 511,251	\$ 500,000	\$ 500,000	\$ 11,251
Other Local Revenues	731	0	0	731
Total Revenues	<u>\$ 511,982</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>	<u>\$ 11,982</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 533,394	\$ 594,150	\$ 609,150	\$ 75,756
Total Expenditures	<u>\$ 533,394</u>	<u>\$ 594,150</u>	<u>\$ 609,150</u>	<u>\$ 75,756</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (21,412)</u>	<u>\$ (94,150)</u>	<u>\$ (109,150)</u>	<u>\$ 87,738</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 22,000	\$ 70,000	\$ 85,000	\$ (63,000)
Total Other Financing Sources (Uses)	<u>\$ 22,000</u>	<u>\$ 70,000</u>	<u>\$ 85,000</u>	<u>\$ (63,000)</u>
Net Change in Fund Balance	\$ 588	\$ (24,150)	\$ (24,150)	\$ 24,738
Fund Balance, July 1, 2004	<u>40,701</u>	<u>27,607</u>	<u>27,607</u>	<u>13,094</u>
Fund Balance, June 30, 2005	<u>\$ 41,289</u>	<u>\$ 3,457</u>	<u>\$ 3,457</u>	<u>\$ 37,832</u>

Exhibit E-5

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 35,870	\$ 1,000	\$ 1,000	\$ 34,870
Other Local Revenues	3,575	500	500	3,075
Federal Government	15,000	0	0	15,000
Total Revenues	<u>\$ 54,445</u>	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 52,945</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 42,413	\$ 12,200	\$ 22,200	\$ (20,213)
Total Expenditures	<u>\$ 42,413</u>	<u>\$ 12,200</u>	<u>\$ 22,200</u>	<u>\$ (20,213)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 12,032</u>	<u>\$ (10,700)</u>	<u>\$ (20,700)</u>	<u>\$ 32,732</u>
Net Change in Fund Balance	\$ 12,032	\$ (10,700)	\$ (20,700)	\$ 32,732
Fund Balance, July 1, 2004	<u>35,814</u>	<u>36,949</u>	<u>36,949</u>	<u>(1,135)</u>
Fund Balance, June 30, 2005	<u><u>\$ 47,846</u></u>	<u><u>\$ 26,249</u></u>	<u><u>\$ 16,249</u></u>	<u><u>\$ 31,597</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 320,203	\$ 317,271	\$ 317,271	\$ 2,932
Other Local Revenues	171,729	221,630	221,630	(49,901)
State of Tennessee	15,796	10,000	10,000	5,796
Total Revenues	<u>\$ 507,728</u>	<u>\$ 548,901</u>	<u>\$ 548,901</u>	<u>\$ (41,173)</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 172,257	\$ 122,000	\$ 122,000	\$ (50,257)
<u>Interest</u>				
General Government	37,850	121,264	121,264	83,414
<u>Other Debt Service</u>				
General Government	8,245	5,000	5,000	(3,245)
Total Expenditures	<u>\$ 218,352</u>	<u>\$ 248,264</u>	<u>\$ 248,264</u>	<u>\$ 29,912</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 289,376	\$ 300,637	\$ 300,637	\$ (11,261)
Net Change in Fund Balance	\$ 289,376	\$ 300,637	\$ 300,637	\$ (11,261)
Fund Balance, July 1, 2004	731,818	779,852	779,852	(48,034)
Prior-period Adjustment	(505,000)	0	0	(505,000)
Fund Balance, June 30, 2005	<u>\$ 516,194</u>	<u>\$ 1,080,489</u>	<u>\$ 1,080,489</u>	<u>\$ (564,295)</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county 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.

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

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

Exhibit G-1

Sequatchie County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 673,682	\$ 673,682
Due from Other Governments	47,637	0	47,637
Due from Other Funds	0	425	425
Cash Shortage	0	1,480	1,480
Total Assets	<u>\$ 47,637</u>	<u>\$ 675,587</u>	<u>\$ 723,224</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 47,637	\$ 0	\$ 47,637
Due to Litigants, Heirs, and Others	0	675,587	675,587
Total Liabilities	<u>\$ 47,637</u>	<u>\$ 675,587</u>	<u>\$ 723,224</u>

Exhibit G-2

Sequatchie County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 270,857	\$ 270,857	\$ 0
Due From Other Governments	45,094	47,637	45,094	47,637
Total Assets	\$ 45,094	\$ 318,494	\$ 315,951	\$ 47,637
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 45,094	\$ 318,494	\$ 315,951	\$ 47,637
Total Liabilities	\$ 45,094	\$ 318,494	\$ 315,951	\$ 47,637
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 593,356	\$ 2,330,973	\$ 2,250,647	\$ 673,682
Due From Other Funds	0	425	0	425
Cash Shortage	0	1,480	0	1,480
Total Assets	\$ 593,356	\$ 2,332,878	\$ 2,250,647	\$ 675,587
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 593,356	\$ 2,332,878	\$ 2,250,647	\$ 675,587
Total Liabilities	\$ 593,356	\$ 2,332,878	\$ 2,250,647	\$ 675,587
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 270,857	\$ 270,857	\$ 0
Cash	593,356	2,330,973	2,250,647	673,682
Due From Other Governments	45,094	47,637	45,094	47,637
Due From Other Funds	0	425	0	425
Cash Shortage	0	1,480	0	1,480
Total Assets	\$ 638,450	\$ 2,651,372	\$ 2,566,598	\$ 723,224
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 45,094	\$ 318,494	\$ 315,951	\$ 47,637
Due to Litigants, Heirs, and Others	593,356	2,332,878	2,250,647	675,587
Total Liabilities	\$ 638,450	\$ 2,651,372	\$ 2,566,598	\$ 723,224

MISCELLANEOUS SCHEDULES

Exhibit H-1

Sequatchie County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable though General Debt Service Fund</u>								
Medical Plaza	\$ 1,395,436	5.98 %	3-1-1994	3-1-07	\$ 232,576	\$ 0	\$ 116,286	\$ 116,290
Bledsoe/Sequatchie Landfill Closure	171,000	2.103	8-29-03	8-29-06	171,000	0	55,971	115,029
Total Notes Payable					\$ 403,576	\$ 0	\$ 172,257	\$ 231,319
<u>OTHER LOANS PAYABLE</u>								
<u>Payable though General Debt Service Fund</u>								
Justice Center	(2)	Variable	11-1-04	5-25-32	\$ 0	\$ 2,186,443	\$ 0	\$ 2,186,443
<u>BONDS PAYABLE</u>								
<u>Payable though General Debt Service Fund</u>								
Nursing Home	900,000	5	3-1-77	8-1-04	\$ 505,000	\$ 0	\$ 505,000 (1)	\$ 0

- (1) In prior years, a private company leased the nursing home building from the county and reimbursed the county for the amount the county paid annually for the retirement of this bond under a lease-purchase agreement. In August 2004, the company exercised a purchase option and retired the outstanding bonds with a direct payment; therefore, the payment shown in the above schedule is not included in the expenditures of the county for the year ended June 30, 2005.
- (2) The total amount available under this Public Building Authority Loan Agreement is \$6,500,000, of which, \$4,313,557 had not been drawn as of June 30, 2005.

Exhibit H-2

Sequatchie County, Tennessee
Schedule of Changes in Notes Receivable - All Funds
For the Year Ended June 30, 2005

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 7-1-04	Adjustments	Received and/or Matured During Period	Balance 6-30-05
<u>General Debt Service Fund</u>									
Nursing Home Construction Bonds	Sequatchie Health Care Center, Inc.	\$ 900,000	3-1-1977	1-1-17	5 %	\$ 505,000	\$ (505,000) (1)	\$ 0	\$ 0
<u>Community Development/ Industrial Park Fund</u>									
Housing Loan	Dangler	6,454	8-31-1992	8-31-22	0	\$ 3,932	\$ 0	\$ 240	\$ 3,692
Housing Loan	Tabor	8,973	11-19-1992	6-30-05	0	900	0	900	0
Housing Loan	Fiske	11,358	11-29-03	10-29-23	0	9,790	0	0	9,790
Housing Loan	Roberts	3,970	2-1-1994	2-1-24	0	3,474	0	0	3,474
Revolving Loan	Barker	35,000	3-28-00	3-28-06	0	11,834	0	9,342	2,492
Housing Loan	Smith	8,050	5-22-04	6-30-05	0	7,005	(7,005) (2)	0	0
Housing Loan	Alpha	50,082	6-30-03	6-30-05	3	48,592	0	48,592	0
Housing Loan	Panter	3,002	3-30-1993	3-21-23	0	0	2,943 (3)	0	2,943
Total Community Development/ Industrial Park Fund						\$ 85,527	\$ (4,062)	\$ 59,074	\$ 22,391

- (1) In prior years, a private company leased the nursing home building from the county and reimbursed the county for the amount the county paid annually for the retirement of a bond under a lease-purchase (note) agreement. In August 2004, the company exercised a purchase option and retired the outstanding bonds with a direct payment; therefore, this amount is reflected as a prior-period adjustment in the financial statements of the General Debt Service Fund in this report.
- (2) This amount was reflected in error in the prior audit. It was written-off during the 1999-00 year.
- (3) This amount is reflected in the year-end report provided by the Southeast Local Development Corporation. It was written-off in error during a prior year.

Exhibit H-3

Sequatchie County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Ambulance Service	Operations	<u>\$ 22,000</u>
Total Transfers			<u><u>\$ 22,000</u></u>

Exhibit H-4

Sequatchie County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 49,051	\$ 25,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u>	46,715	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	42,469	380,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	42,469	25,000	State Farm Fire and Casualty Company
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	47,235 (1)	25,000	"
Employee Dishonesty Bond Coverage:				
General County Employees			150,000	Tennessee School Boards Risk Management Trust
Highway Department Employees			150,000	Local Government Property and Casualty Fund

(1) Includes law enforcement training supplement of \$519.

Exhibit H-5

Sequatchie County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 1,237,476	\$ 0	\$ 253,119	\$ 0	\$ 0
Trustee's Collections - Prior Year	69,277	0	14,171	0	0
Circuit/Clerk & Master Collections - Prior Years	27,390	0	5,603	0	0
Interest and Penalty	12,492	0	2,556	0	0
Pick-up Taxes	848	0	173	0	0
Payments in Lieu of Taxes - T.V.A.	2,395	0	490	0	0
Payments in Lieu of Taxes - Local Utilities	7,688	0	1,573	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	180,935	0	0	0	0
Hotel/Motel Tax	6,018	0	0	0	0
Litigation Tax - General	39,120	0	0	0	0
Litigation Tax - Special Purpose	0	16,175	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	12,058	0	0	0	0
Business Tax	60,948	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	11,656	0	2,384	0	0
Wholesale Beer Tax	36,157	0	0	0	0
Interstate Telecommunications Tax	1,180	0	0	0	0
Total Local Taxes	\$ 1,705,638	\$ 16,175	\$ 280,069	\$ 0	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 17,154	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	1,140	0	0	0	0
Total Licenses and Permits	\$ 18,294	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 4,567	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	2,503	0	0	0	0
Drug Control Fines	0	0	0	0	1,450

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Circuit Court (Cont.)</u>					
Jail Fees	\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 0
DUI Treatment Fines	57	0	0	0	0
Data Entry Fee - Circuit Court	334	0	0	0	0
<u>General Sessions Court</u>					
Fines	20,508	0	0	0	0
Officers Costs	14,652	0	0	0	0
Game and Fish Fines	169	0	0	0	0
Drug Control Fines	0	0	0	0	570
Jail Fees	1,403	0	0	0	0
DUI Treatment Fines	149	0	0	0	0
Data Entry Fee - General Sessions Court	2,763	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	357	0	0	0	0
Data Entry Fee - Chancery Court	116	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	33,850
Total Fines, Forfeitures, and Penalties	\$ 49,078	\$ 0	\$ 0	\$ 0	\$ 35,870
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fee	\$ 0	\$ 0	10 \$	0 \$	0
Patient Charges	0	0	0	511,251	0
Work Release Charges for Board	6,770	0	0	0	0
<u>Fees</u>					
Copy Fees	2,044	0	0	0	0
Telephone Commissions	1,386	0	0	0	0
Vending Machine Collections	77	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	7,462	0	0	0	0
Data Processing Fee - Sheriff	1,804	0	0	0	0
Sexual Offender Registration Fee	240	0	0	0	0
Total Charges for Current Services	\$ 19,783	\$ 0	10 \$	511,251 \$	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 35,768	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	9,920	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0
Sale of Recycled Materials	0	0	20,822	0	0
Miscellaneous Refunds	8,926	0	713	211	0
<u>Nonrecurring Items</u>					
Insurance Recovery	3,508	0	0	520	3,575
Damages Recovered from Individuals	175	0	0	0	0
Total Other Local Revenues	<u>\$ 58,297</u>	<u>\$ 0</u>	<u>\$ 21,535</u>	<u>\$ 731</u>	<u>\$ 3,575</u>
<u>Fees Received from County Officials</u>					
<u>Fees In Lieu of Salary</u>					
County Clerk	\$ 178,576	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	27,505	0	0	0	0
General Sessions Court Clerk	82,850	0	0	0	0
Clerk and Master	16,351	0	0	0	0
Register	91,958	0	0	0	0
Sheriff	4,291	0	0	0	0
Trustee	149,549	0	0	0	0
Total Fees Received from County Officials	<u>\$ 551,080</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	10,168	0	0	0	0
Solid Waste Grants	0	0	17,561	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	5,187	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	42,693	0	0	0	0

(Continued)

Exhibit H-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>Public Works Grants</u>					
Litter Program	\$ 0	\$ 0	\$ 31,781	\$ 0	\$ 0
Other Public Works Grants	0	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	3,060	0	304	0	0
Beer Tax	16,778	0	0	0	0
Alcoholic Beverage Tax	17,150	0	0	0	0
State Revenue Sharing - T.V.A.	79,734	0	0	0	0
Contracted Prisoner Boarding	98,770	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	0	0	10,142	0	0
Other State Revenues	962	0	0	0	0
Total State of Tennessee	\$ 299,882	\$ 0	\$ 59,788	\$ 0	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Disaster Relief	\$ 67,303	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal through State	0	0	0	0	15,000
<u>Direct Federal Revenue</u>					
Public Safety Partnership and Community Policing - COPS	37,583	0	0	0	0
Total Federal Government	\$ 104,886	\$ 0	\$ 0	\$ 0	\$ 15,000
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 6,920	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	16,000	0	0	0	0
Total Other Governments and Citizens Groups	\$ 22,920	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 2,829,858	\$ 16,175	\$ 361,402	\$ 511,982	\$ 54,445

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total
	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 295,312	\$ 0	\$ 0	\$ 1,785,907
Trustee's Collections - Prior Year	0	0	12,595	0	0	96,043
Circuit/Clerk & Master Collections - Prior Years	0	0	4,980	0	0	37,973
Interest and Penalty	0	0	2,412	0	0	17,460
Pick-up Taxes	0	0	154	0	0	1,175
Payments in Lieu of Taxes - T.V.A.	0	0	571	0	0	3,456
Payments in Lieu of Taxes - Local Utilities	0	0	1,398	0	0	10,659
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	180,935
Hotel/Motel Tax	0	0	0	0	0	6,018
Litigation Tax - General	0	0	0	0	0	39,120
Litigation Tax - Special Purpose	0	0	0	0	0	16,175
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	12,058
Business Tax	0	0	0	0	0	60,948
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	2,781	0	0	16,821
Wholesale Beer Tax	0	0	0	0	0	36,157
Interstate Telecommunications Tax	0	0	0	0	0	1,180
Total Local Taxes	\$ 0	\$ 0	\$ 320,203	\$ 0	\$ 0	\$ 2,322,085
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 17,154
<u>Permits</u>						
Beer Permits	0	0	0	0	0	1,140
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,294
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,567
Officers Costs	0	0	0	0	0	2,503
Drug Control Fines	0	0	0	0	0	1,450

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Jail Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,500
DUI Treatment Fines	0	0	0	0	0	57
Data Entry Fee - Circuit Court	0	0	0	0	0	334
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	20,508
Officers Costs	0	0	0	0	0	14,652
Game and Fish Fines	0	0	0	0	0	169
Drug Control Fines	0	0	0	0	0	570
Jail Fees	0	0	0	0	0	1,403
DUI Treatment Fines	0	0	0	0	0	149
Data Entry Fee - General Sessions Court	0	0	0	0	0	2,763
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	357
Data Entry Fee - Chancery Court	0	0	0	0	0	116
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	33,850
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	84,948
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Solid Waste Disposal Fee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10
Patient Charges	0	0	0	0	0	511,251
Work Release Charges for Board	0	0	0	0	0	6,770
<u>Fees</u>						
Copy Fees	0	0	0	0	0	2,044
Telephone Commissions	0	0	0	0	0	1,386
Vending Machine Collections	0	0	0	0	0	77
Constitutional Officers' Fees and Commissions	617	0	0	0	0	617
Data Processing Fee - Register	0	0	0	0	0	7,462
Data Processing Fee - Sheriff	0	0	0	0	0	1,804
Sexual Offender Registration Fee	0	0	0	0	0	240
Total Charges for Current Services	\$ 617	\$ 0	\$ 0	\$ 0	\$ 0	531,661

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 10,469	\$ 0	\$ 7,995	\$ 54,232
Lease/Rentals	0	0	161,260	0	0	171,180
Sale of Materials and Supplies	0	1,505	0	0	0	1,505
Sale of Gasoline	0	529	0	0	0	529
Sale of Recycled Materials	0	0	0	0	0	20,822
Miscellaneous Refunds	0	866	0	43	0	10,759
<u>Nonrecurring Items</u>						
Insurance Recovery	0	4,396	0	0	0	11,999
Damages Recovered from Individuals	0	0	0	0	0	175
Total Other Local Revenues	\$ 0	\$ 7,296	\$ 171,729	\$ 43	\$ 7,995	\$ 271,201
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 178,576
Circuit Court Clerk	0	0	0	0	0	27,505
General Sessions Court Clerk	0	0	0	0	0	82,850
Clerk and Master	0	0	0	0	0	16,351
Register	0	0	0	0	0	91,958
Sheriff	0	0	0	0	0	4,291
Trustee	0	0	0	0	0	149,549
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 551,080
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	0	0	0	0	0	10,168
Solid Waste Grants	0	0	0	0	0	17,561
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	5,187
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	42,693

(Continued)

Exhibit H-5

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

	Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>State of Tennessee (Cont.)</u>						
<u>Public Works Grants</u>						
Litter Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,781
Other Public Works Grants	0	19,788	0	0	0	19,788
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	3,364
Beer Tax	0	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	0	17,150
State Revenue Sharing - T.V.A.	0	0	15,796	0	0	95,530
Contracted Prisoner Boarding	0	0	0	0	0	98,770
Gasoline and Motor Fuel Tax	0	1,361,082	0	0	0	1,361,082
Petroleum Special Tax	0	9,146	0	0	0	9,146
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	10,142
Other State Revenues	0	0	0	0	0	962
Total State of Tennessee	\$ 0	\$ 1,390,016	\$ 15,796	\$ 0	\$ 0	\$ 1,765,482
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,303
Other Federal through State	0	0	0	0	0	15,000
<u>Direct Federal Revenue</u>						
Public Safety Partnership and Community Policing - COPS	0	0	0	0	0	37,583
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 119,886
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,920
Contracted Services	0	0	0	0	0	16,000
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,920
Total	\$ 617	\$ 1,397,312	\$ 507,728	\$ 43	\$ 7,995	\$ 5,687,557

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	31,800	
Audit Services		2,832	
Dues and Memberships		5,600	
Legal Services		154	
Legal Notices, Recording, and Court Costs		4,905	
Postal Charges		600	
Travel		378	
Office Equipment		<u>1,869</u>	
Total County Commission			\$ 48,138

Board of Equalization

Board and Committee Members Fees	\$	2,961	
Travel		<u>216</u>	
Total Board of Equalization			3,177

Beer Board

Board and Committee Members Fees	\$	250	
Legal Notices, Recording, and Court Costs		<u>81</u>	
Total Beer Board			331

Budget and Finance Committee

Board and Committee Members Fees	\$	<u>3,500</u>	
Total Budget and Finance Committee			3,500

County Executive

County Official/Administrative Officer	\$	49,051	
Assistant(s)		15,647	
Accountants/Bookkeepers		19,097	
In-Service Training		1,647	
Communication		5,633	
Data Processing Services		3,200	
Maintenance Agreements		241	
Postal Charges		1,280	
Travel		1,872	
Office Supplies		2,070	
Premiums on Corporate Surety Bonds		150	
Office Equipment		<u>1,411</u>	
Total County Executive			101,299

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

Consultants	\$ 7,800	
Total County Attorney	<u>7,800</u>	\$ 7,800

Election Commission

County Official/Administrative Officer	\$ 33,975	
Clerical Personnel	8,788	
Election Commission	6,700	
Election Workers	7,920	
In-Service Training	2,496	
Communication	526	
Legal Notices, Recording, and Court Costs	2,419	
Postal Charges	605	
Printing, Stationery and Forms	7,679	
Rentals	800	
Other Contracted Services	2,400	
Office Supplies	478	
Premiums on Corporate Surety Bonds	50	
Office Equipment	<u>289</u>	
Total Election Commission		75,125

Register of Deeds

County Official/Administrative Officer	\$ 42,469	
Deputy(ies)	36,000	
In-Service Training	400	
Communication	2,296	
Data Processing Services	10,729	
Dues and Memberships	400	
Postal Charges	600	
Rentals	1,000	
Travel	400	
Duplicating Supplies	600	
Office Supplies	3,500	
Premiums on Corporate Surety Bonds	<u>100</u>	
Total Register of Deeds		98,494

County Buildings

Maintenance Personnel	\$ 17,936
Communication	300
Maintenance Agreements	11,000
Maintenance & Repair Services- Buildings	38,345

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Rentals	\$	2,179	
Duplicating Supplies		800	
Electricity		31,712	
Natural Gas		16,931	
Water and Sewer		14,908	
Other Supplies and Materials		3,375	
Total County Buildings			\$ 137,486

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
Secretary(s)		37,006	
Audit Services		6,490	
Communication		2,094	
Data Processing Services		4,300	
Dues and Memberships		921	
Postal Charges		1,000	
Printing, Stationery, and Forms		500	
Travel		2,304	
Other Contracted Services		10,000	
Office Supplies		696	
Premiums on Corporate Surety Bonds		250	
Office Equipment		400	
Total Property Assessor's Office			108,430

Reappraisal Program

Communication	\$	111	
Maintenance & Repair Services- Equipment		2,469	
Postal Charges		1,735	
Other Contracted Services		6,708	
Office Supplies		73	
Data Processing Equipment		3,091	
Total Reappraisal Program			14,187

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		37,848	
Communication		1,256	
Data Processing Services		2,500	
Dues and Memberships		520	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Legal Notices, Recording, and Court Costs	\$	250	
Maintenance & Repair Services- Office Equipment		4,000	
Postal Charges		3,764	
Travel		995	
Office Supplies		2,000	
Premiums on Corporate Surety Bonds		975	
Office Equipment		4,856	
Total County Trustee's Office			\$ 101,433

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		68,678	
Communication		2,896	
Dues and Memberships		357	
Maintenance & Repair Services- Office Equipment		9,736	
Postal Charges		4,800	
Travel		786	
Office Supplies		2,500	
Premiums on Corporate Surety Bonds		168	
Office Equipment		15,625	
Total County Clerk's Office			148,015

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		36,686	
Jury and Witness Fees		4,019	
Communication		1,850	
Dues and Memberships		300	
Postal Charges		1,999	
Rentals		2,068	
Other Contracted Services		8,375	
Office Supplies		12,219	
Premiums on Corporate Surety Bonds		125	
Total Circuit Court			110,110

General Sessions Court

Judge(s)	\$	57,262	
In-Service Training		50	
Travel		459	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Office Supplies	\$ 200	
Total General Sessions Court		\$ 57,971

Chancery Court

County Official/Administrative Officer	\$ 42,469	
Assistant(s)	18,469	
Communication	550	
Dues and Memberships	317	
Postal Charges	498	
Office Supplies	725	
Total Chancery Court		63,028

Juvenile Court

Youth Service Officer(s)	\$ 34,091	
In-Service Training	195	
Communication	2,279	
Dues and Memberships	75	
Postal Charges	52	
Travel	872	
Other Contracted Services	10,500	
Office Supplies	883	
Other Equipment	349	
Total Juvenile Court		49,296

Judicial Commissioners

County Official/Administrative Officer	\$ 12,000	
Total Judicial Commissioners		12,000

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 47,235	
Deputy(ies)	227,042	
Investigator(s)	26,075	
Accountants/Bookkeepers	28,584	
Salary Supplements	7,944	
Dispatchers/Radio Operators	66,870	
Part-time Personnel	500	
Overtime Pay	18,574	
Other Salaries & Wages	4,992	
In-Service Training	10,000	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Fringe Benefits	\$	15,887	
Communication		13,355	
Dues and Memberships		1,326	
Maintenance & Repair Services- Equipment		990	
Maintenance & Repair Services- Vehicles		23,381	
Postal Charges		595	
Rentals		494	
Travel		4,500	
Drugs and Medical Supplies		2,000	
Gasoline		36,000	
Office Supplies		4,500	
Uniforms		3,494	
Premiums on Corporate Surety Bonds		1,966	
Data Processing Equipment		7,690	
Motor Vehicles		32,500	
Total Sheriff's Department			\$ 586,494

Jail

Supervisor/Director	\$	7,865	
Guards		84,934	
Part-time Personnel		6,500	
Overtime Pay		14,675	
In-Service Training		1,111	
Other Fringe Benefits		6,878	
Laundry Service		1,500	
Maintenance & Repair Services- Buildings		9,884	
Maintenance & Repair Services- Equipment		1,397	
Rentals		1,540	
Transportation - Other than Students		1,200	
Disposal Fees		2,200	
Drugs and Medical Supplies		71,887	
Food Supplies		51,000	
Law Enforcement Supplies		2,499	
Uniforms		1,192	
Other Supplies and Materials		2,500	
Premiums on Corporate Surety Bonds		597	
Total Jail			269,359

Fire Prevention and Control

Contracts with Other Public Agencies	\$	1,000	
--------------------------------------	----	-------	--

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Contributions	\$ 17,500	
Total Fire Prevention and Control		\$ 18,500

Other Emergency Management

County Official/Administrative Officer	\$ 7,497	
Communication	596	
Postal Charges	205	
Travel	1,000	
Office Supplies	330	
Other Supplies and Materials	40,258	
Law Enforcement Equipment	25,520	
Total Other Emergency Management		75,406

County Coroner/Medical Examiner

Contributions	\$ 5,953	
Total County Coroner/Medical Examiner		5,953

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 37,887	
Communication	2,316	
Dues and Memberships	100	
Maintenance & Repair Services- Buildings	6,211	
Postal Charges	600	
Travel	1,766	
Disposal Fees	102	
Other Contracted Services	3,000	
Office Supplies	681	
Other Supplies and Materials	1,627	
Total Local Health Center		54,290

Crippled Children Services

Contributions	\$ 1,026	
Total Crippled Children Services		1,026

Appropriation to State

Contracts with Government Agencies	\$ 19,032	
Total Appropriation to State		19,032

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 7,500	
Total Senior Citizens Assistance		\$ 7,500

Libraries

Supervisor/Director	\$ 27,519	
Clerical Personnel	18,327	
Contributions	14,800	
Other Contracted Services	2,787	
Other Equipment	897	
Total Libraries		64,330

Parks and Fair Boards

Supervisor/Director	\$ 667	
Custodial Personnel	18,075	
Contributions	19,000	
Total Parks and Fair Boards		37,742

Other Social, Cultural, and Recreational

Contributions	\$ 2,500	
Total Other Social, Cultural, and Recreational		2,500

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 33,826	
Employer Medicare	5,619	
Communication	2,821	
Contributions	600	
Office Supplies	100	
Other Equipment	882	
Total Agriculture Extension Service		43,848

Soil Conservation

Contributions	\$ 8,516	
Total Soil Conservation		8,516

Other Operations

Tourism

Contributions	\$ 10,500	
Total Tourism		10,500

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Clerical Personnel	\$	6,034	
Communication		335	
Postal Charges		116	
Office Supplies		100	
Total Veterans' Services			\$ 6,585

Other Charges

Trustee's Commission	\$	33,117	
Total Other Charges			33,117

Employee Benefits

Social Security	\$	88,813	
State Retirement		55,264	
Medical Insurance		25,542	
Unemployment Compensation		7,500	
Employer Medicare		23,370	
Total Employee Benefits			200,489

Total General Fund \$ 2,585,007

Courthouse & Jail Maintenance Fund

General Government

County Buildings

Maintenance & Repair Services- Buildings	\$	1,536	
Total County Buildings			\$ 1,536

Other Operations

Other Charges

Trustee's Commission	\$	172	
Total Other Charges			172

Total Courthouse & Jail Maintenance Fund 1,708

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$	15,249	
Secretary(s)		2,500	
Social Security		1,200	
Employer Medicare		360	

(Continued)

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Maintenance & Repair Services- Vehicles	\$	2,933	
Food Supplies		1,000	
Gasoline		1,156	
Instructional Supplies and Materials		4,700	
Uniforms		300	
Other Supplies and Materials		2,117	
Total Sanitation Education/Information			\$ 31,515

Waste Pickup

Equipment Operators	\$	21,382	
Other Salaries & Wages		1,632	
Maintenance & Repair Services- Vehicles		4,297	
Other Contracted Services		153	
Diesel Fuel		13,500	
Gasoline		1,736	
Lubricants		429	
Office Supplies		85	
Total Waste Pickup			43,214

Convenience Centers

Attendants	\$	57,038	
Part-time Personnel		18,129	
Communication		2,231	
Maintenance & Repair Services- Buildings		698	
Other Contracted Services		3,355	
Custodial Supplies		414	
Electricity		2,995	
Water and Sewer		962	
Other Supplies and Materials		991	
Other Equipment		407	
Total Convenience Centers			87,220

Other Waste Collection

Contracts with Private Agencies	\$	15,190	
Contracts for Landfill Facilities		94,861	
Total Other Waste Collection			110,051

Landfill Operation and Maintenance

Contracts for Postclosure Care Costs	\$	4,116	
Total Landfill Operation and Maintenance			4,116

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 5,576	
Total Other Charges		\$ 5,576

Employee Benefits

Social Security	\$ 5,643	
State Retirement	3,195	
Medical Insurance	5,619	
Unemployment Compensation	1,400	
Employer Medicare	2,207	
Total Employee Benefits		<u>18,064</u>

Total Solid Waste/Sanitation Fund		\$ 299,756
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Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 35,000
Medical Personnel	290,000
Clerical Personnel	17,500
In-Service Training	7,676
Social Security	26,888
State Retirement	19,724
Medical Insurance	26,902
Unemployment Compensation	3,416
Employer Medicare	5,885
Communication	6,000
Data Processing Services	2,055
Dues and Memberships	150
Licenses	650
Maintenance & Repair Services- Buildings	45
Maintenance & Repair Services- Equipment	3,186
Maintenance & Repair Services- Office Equipment	805
Maintenance & Repair Services- Vehicles	9,994
Medical and Dental Services	954
Postal Charges	700
Travel	500
Permits	500
Data Processing Supplies	300
Drugs and Medical Supplies	20,000
Electricity	3,125

(Continued)

Exhibit H-6

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Gasoline	\$	10,000	
Natural Gas		2,138	
Office Supplies		850	
Tires and Tubes		2,620	
Uniforms		3,000	
Other Supplies and Materials		13,498	
Trustee's Commission		4,810	
Motor Vehicles		<u>14,523</u>	
Total Ambulance/Emergency Medical Services			<u>\$ 533,394</u>

Total Ambulance Service Fund \$ 533,394

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	3,500	
Dues and Memberships		994	
Other Supplies and Materials		98	
Trustee's Commission		359	
Law Enforcement Equipment		21,296	
Motor Vehicles		<u>16,166</u>	
Total Drug Enforcement			<u>\$ 42,413</u>

Total Drug Control Fund 42,413

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	<u>85</u>	
Total County Clerk's Office			\$ 85

Administration of Justice

General Sessions Court

Constitutional Officers' Operating Expenses	\$	<u>50</u>	
Total General Sessions Court			50

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$	<u>482</u>	
Total Sheriff's Department			<u>482</u>

Total Constitutional Officers - Fees Fund 617

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	46,715	
Accountants/Bookkeepers		26,149	
Clerical Personnel		21,251	
Data Processing Services		3,685	
Dues and Memberships		1,687	
Evaluation and Testing		800	
Legal Services		500	
Legal Notices, Recording, and Court Costs		702	
Maintenance & Repair Services- Office Equipment		241	
Postal Charges		305	
Printing, Stationery and Forms		482	
Rentals		75	
Travel		455	
Data Processing Supplies		492	
Office Supplies		446	
Total Administration			\$ 103,985

Highway and Bridge Maintenance

Foremen	\$	28,369	
Equipment Operators		78,374	
Truck Drivers		72,345	
Laborers		68,968	
Other Contracted Services		38,769	
Asphalt - Cold Mix		44	
Asphalt - Hot Mix		321,837	
Asphalt - Liquid		6,680	
Concrete		50	
Crushed Stone		35,133	
Fertilizer, Lime and Seed		1,324	
Other Road Supplies		500	
Pipe		3,395	
Pipe - Metal		11,185	
Road Signs		3,869	
Salt		2,132	
Sand		714	
Small Tools		50	
Total Highway and Bridge Maintenance			673,738

Operation and Maintenance of Equipment

Mechanic(s)	\$	29,859	
-------------	----	--------	--

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Nightwatchmen	\$	45,366	
Maintenance & Repair Services- Equipment		10,070	
Other Contracted Services		349	
Diesel Fuel		18,166	
Equipment and Machinery Parts		16,228	
Garage Supplies		4,214	
Gasoline		12,396	
Lubricants		1,332	
Propane Gas		506	
Small Tools		446	
Tires and Tubes		3,579	
Other Supplies and Materials		<u>1,108</u>	
Total Operation and Maintenance of Equipment	\$		143,619

Other Charges

Communication	\$	2,225	
Electricity		2,454	
Natural Gas		1,675	
Water and Sewer		465	
Liability Insurance		9,000	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		13,643	
Vehicle and Equipment Insurance		<u>17,746</u>	
Total Other Charges			47,558

Employee Benefits

Social Security	\$	31,931	
State Retirement		19,194	
Employee and Dependent Insurance		88,403	
Unemployment Compensation		2,458	
Workers' Compensation Insurance		36,834	
Other Charges		<u>68</u>	
Total Employee Benefits			178,888

Capital Outlay

Maintenance & Repair Services- Buildings	\$	160	
Other Supplies and Materials		131	
Bridge Construction		<u>11,753</u>	
Total Capital Outlay			<u>12,044</u>

Total Highway/Public Works Fund \$ 1,159,832

(Continued)

Exhibit H-6

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

<u>General Debt Service Fund</u>		
<u>Principal</u>		
<u>General Government</u>		
Principal on Notes	\$ 172,257	
Total General Government		\$ 172,257
<u>Interest</u>		
<u>General Government</u>		
Interest on Notes	\$ 17,387	
Interest on Other Loans Payable	20,463	
Total General Government		37,850
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 8,245	
Total General Government		8,245
Total General Debt Service Fund		\$ 218,352
<u>General Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Other Debt Issuance Charges	\$ 45,500	
Total General Government		\$ 45,500
<u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Architects	\$ 274,217	
Liability Insurance	6,565	
Building Construction	2,794,746	
Total Administration of Justice Projects		3,075,528
Total General Capital Projects Fund		3,121,028
<u>Community Development/Industrial Park Fund</u>		
<u>Other Operations</u>		
<u>Housing and Urban Development</u>		
Accounting Services	\$ 1,173	
Other Charges	4,525	
Total Housing and Urban Development		\$ 5,698
Total Community Development/Industrial Park Fund		5,698
Total Governmental Funds - Primary Government		\$ 7,967,805

Exhibit H-7

Sequatchie County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 270,857
Total Cash Receipts	<u>\$ 270,857</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 268,147
Trustee's Commission	<u>2,710</u>
Total Cash Disbursements	<u>\$ 270,857</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2004	<u>0</u>
Cash Balance, June 30, 2005	<u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Sequatchie County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

Year	Amount
1994	\$ 8,638
1995	11,450
1996	11,461
1997	14,828
1998	16,594
1999	7,020
2000	17,592
2001	19,079
2002	59,388
2003	89,189
Total	<u>\$ 255,239</u>

Table 2

Sequatchie County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.91	\$ 0.96	\$ 1.03	\$ 0.98	\$ 0.76	\$ 0.80	\$ 0.83	\$ 0.88	\$ 0.88	\$ 0.88
Solid Waste/Sanitation	0.13	0.13	0.14	0.14	0.18	0.18	0.18	0.18	0.18	0.18
General Purpose School	1.30	1.45	1.53	1.53	1.24	1.32	1.44	1.44	1.44	1.44
General Debt Service	0.17	0.17	0.17	0.22	0.24	0.24	0.21	0.16	0.16	0.21
Total Tax Rate	\$ 2.51	\$ 2.71	\$ 2.87	\$ 2.87	\$ 2.42	\$ 2.54	\$ 2.66	\$ 2.66	\$ 2.66	\$ 2.71
<u>Assessed Valuations</u>										
Real and Personal	\$ 75,106,743	\$ 77,567,783	\$ 80,648,519	\$ 80,332,123	\$ 116,307,315	\$ 120,955,746	\$ 125,358,971	\$ 130,530,789	\$ 136,167,255	\$ 145,394,679
Public Utilities	6,705,558	6,740,518	5,887,682	5,578,570	9,018,997	8,618,330	9,489,704	9,694,425	8,465,137	9,056,235
Total Assessed Valuation	\$ 81,812,301	\$ 84,308,301	\$ 86,536,201	\$ 85,910,693	\$ 125,326,312	\$ 129,574,076	\$ 134,848,675	\$ 140,225,214	\$ 144,632,392	\$ 154,450,914

ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF SEQUATCHIE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

MELODIE C. WHEELER
JIMMY HODGES, CFE
JENI BOYETTE
State Auditors

This financial report is available at www.comptroller.state.tn.us

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

Annual Financial Report
Sequatchie County School Department
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of the basic financial statements of the Sequatchie County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Sequatchie County School Department's financial statements is unqualified.

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

Findings

The following is a summary of the audit findings:

- ◆ The Board of Education approved change orders totaling \$518,000 which materially alter the existing construction contract without soliciting competitive bids.
- ◆ The mechanical warrant-signing machine's counter could be manually reset.
- ◆ Officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

INTRODUCTORY SECTION

Sequatchie County School Officials
June 30, 2005

Official:

Johnny Cordell, Director of Schools

Board of Education:

Charles Rollins, Chairman

Shelli Boynton

Steven Harmon

William Johnson

Dianne Mounce

Jo Ann Shepherd

Grover Skyles

Barry Smith

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

February 15, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sequatchie County School Department, a component unit of Sequatchie County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the Sequatchie County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sequatchie County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund,

and the aggregate remaining fund information of the Sequatchie County School Department as of June 30, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2006, on our consideration of the Sequatchie County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., the Sequatchie County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include government-wide financial statements.

As described in Note V.B., the Sequatchie County School Department has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of the Sequatchie County School Department did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 39 through 41 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sequatchie County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Sequatchie County, Tennessee
Statement of Net Assets
Sequatchie County School Department
June 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pool Cash and Investments	\$ 4,124,419
Cash	2,293
Accounts Receivable	83,047
Due from Other Governments	445,687
Property Taxes Receivable	2,395,569
Allowance for Uncollectible Property Taxes	(112,221)
Assets Not Depreciated:	
Land	145,000
Construction in Progress	345,768
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	17,141,425
Infrastructure	294,706
Other Capital Assets	688,186
Total Assets	<u>\$ 25,553,879</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 119,531
Payroll Deductions Payable	337,385
Accrued Interest Payable	170,752
Deferred Revenue - Current Property Taxes	2,134,838
Noncurrent Liabilities:	
Due Within One Year	754,200
Due In More Than One Year	9,477,200
Total Liabilities	<u>\$ 12,993,906</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 8,383,685
Restricted for:	
Capital Projects	129,695
Other Purposes	238,953
Unrestricted	<u>3,807,640</u>
Total Net Assets	<u>\$ 12,559,973</u>

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

Exhibit B

Sequatchie County, Tennessee
Statement of Activities
Sequatchie County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets Total Governmental Activities
Governmental Activities:				
Instruction	\$ 8,678,935	\$ 97,165	\$ 1,608,991	\$ (6,972,779)
Support Services	3,690,792	0	0	(3,690,792)
Operation of Non-Instructional Services	1,388,929	304,739	542,989	(541,201)
Other Debt Service	431,913	0	0	(431,913)
Total Governmental Activities	\$ 14,190,569	\$ 401,904	\$ 2,151,980	\$ (11,636,685)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 2,201,533
Local option sales tax				1,179,292
Other local taxes				1,865
Grants & Contributions not restricted for specific programs				8,743,459
Interest Income				55,879
Miscellaneous				20,070
Special Items				4,081
Total General Revenues				\$ 12,206,179
Change in net assets				\$ 569,494
Net assets, July 1, 2004				11,990,479
Net assets, June 30, 2005				\$ 12,559,973

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

Exhibit C-1

Sequatchie County, Tennessee
Balance Sheet - Governmental Funds
Sequatchie County School Department
June 30, 2005

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>Education</u>	<u>Other</u>	
	<u>Purpose</u>	<u>Capital</u>	<u>Govern-</u>	<u>mental</u>
	<u>School</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,293	\$ 2,293
Equity in Pooled Cash and Investments	3,789,970	110,112	224,337	4,124,419
Accounts Receivable	31,222	0	51,825	83,047
Due from Other Governments	432,805	0	12,882	445,687
Due from Other Funds	0	19,583	0	19,583
Property Taxes Receivable	2,395,569	0	0	2,395,569
Allowance for Uncollectible Property Taxes	(112,221)	0	0	(112,221)
Total Assets	\$ 6,537,345	\$ 129,695	\$ 291,337	\$ 6,958,377
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 119,531	\$ 0	\$ 0	\$ 119,531
Payroll Deductions Payable	337,385	0	0	337,385
Due to Other Funds	19,583	0	0	19,583
Deferred Revenue - Current Property Taxes	2,134,838	0	0	2,134,838
Deferred Revenue - Delinquent Property Taxes	148,510	0	0	148,510
Other Deferred Revenues	109,130	0	7,742	116,872
Total Liabilities	\$ 2,868,977	\$ 0	\$ 7,742	\$ 2,876,719
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 129,695	\$ 0	\$ 129,695
Reserved for Unemployment Compensation	10,827	0	0	10,827
Reserved for Vocational Projects	28,141	0	0	28,141
Reserved for Career Ladder - Extended Contract	54,228	0	0	54,228
Reserved for Technology	32,914	0	0	32,914
Reserved for Title I Grants to Local Education Agencies	0	0	57,273	57,273
Reserved for Innovative Education Program Strategies	0	0	556	556
Reserved for Special Education - Grants to States	0	0	7,881	7,881
Other Federal Reserves	0	0	3,656	3,656
Unreserved, Reported In:				
General Fund	3,542,258	0	0	3,542,258
Special Revenue Funds	0	0	214,229	214,229
Total Fund Balances	\$ 3,668,368	\$ 129,695	\$ 283,595	\$ 4,081,658
Total Liabilities and Fund Balances	\$ 6,537,345	\$ 129,695	\$ 291,337	\$ 6,958,377

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

Exhibit C-2

Sequatchie County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Sequatchie County School Department
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	\$ 4,081,658
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	18,615,085
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.	(10,402,152)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	<u>265,382</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 12,559,973</u>

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

Exhibit D-1

Sequatchie County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Sequatchie County School Department
For the Year Ended June 30, 2005

	Major Funds		Nonmajor	Total
	General Purpose School	Education Capital Projects	Funds Other Governmental Funds	
Revenues				
Local Taxes	\$ 3,384,497	\$ 0	\$ 0	\$ 3,384,497
Licenses and Permits	29,982	0	0	29,982
Charges for Current Services	30,720	0	369,692	400,412
Other Local Revenues	206,564	6,112	5,479	218,155
State of Tennessee	8,250,540	0	11,504	8,262,044
Federal Government	671,436	0	1,714,735	2,386,171
Total Revenues	\$ 12,573,739	\$ 6,112	\$ 2,101,410	\$ 14,681,261
Expenditures				
Current:				
Instruction	\$ 6,837,446	\$ 0	\$ 923,139	\$ 7,760,585
Support Services	3,258,142	82	233,227	3,491,451
Operation of Non-Instructional Services	461,276	0	831,562	1,292,838
Capital Outlay	317,215	0	0	317,215
Debt Service:				
Principal	734,200	0	0	734,200
Interest	443,118	0	0	443,118
Other Debt Service	1,444	0	0	1,444
Capital Projects	0	2,078,220	0	2,078,220
Total Expenditures	\$ 12,052,841	\$ 2,078,302	\$ 1,987,928	\$ 16,119,071
Excess (Deficiency) of Revenues Over Expenditures	\$ 520,898	\$ (2,072,190)	\$ 113,482	\$ (1,437,810)
Other Financing Sources (Uses)				
Transfers In	\$ 104,509	\$ 651,339	\$ 0	\$ 755,848
Transfers Out	(551,340)	0	(204,508)	(755,848)
Total Other Financing Sources (Uses)	\$ (446,831)	\$ 651,339	\$ (204,508)	\$ 0
Net Change in Fund Balances	\$ 74,067	\$ (1,420,851)	\$ (91,026)	\$ (1,437,810)
Fund Balance, July 1, 2004	3,594,301	1,550,546	374,621	5,519,468
Fund Balance, June 30, 2005	\$ 3,668,368	\$ 129,695	\$ 283,595	\$ 4,081,658

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

Exhibit D-2

Sequatchie County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Sequatchie County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ (1,437,810)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	1,225,197
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	35,258
(3) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	734,200
(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 governmental funds.	<u>12,649</u>
Change in net assets of governmental activities (Exhibit B)	<u><u>\$ 569,494</u></u>

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

SEQUATCHIE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sequatchie County School Department'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 the School Department:

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. 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 School Department does not have any business-type activities to report.

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.

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. 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 the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department does not have any proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements.

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

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable

(reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental funds:

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

Education Capital Projects Fund – This fund is used to account for construction projects of the School Department.

Additionally, the School Department reports the following fund type:

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

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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they become available.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds of Sequatchie County and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments, except for income from the investment of education capital projects funds, is assigned to the General Purpose School Fund (47%), the General Fund (41%), and the General Debt Service Fund (12%). Sequatchie County and the School Department have adopted a policy of reporting U.S.

Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.54 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are not material for financial reporting purposes and are thus not accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not

included in taxes receivable since they are neither measurable nor available.

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

3. 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, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than three years. 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 School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-50
Other Capital Assets	5-15
Infrastructure	10-20

4. Compensated Absences

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end for professional personnel. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

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 compensated absences are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Exhibit C-2 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$10,402,152 difference are as follows:

Bonds payable	\$ (10,115,000)
Accrued interest payable	(170,752)
Other loans payable	<u>(116,400)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (10,402,152)</u>

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

Exhibit D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$1,225,197 difference are as follows:

Capital outlay	\$ 1,836,285
Depreciation expense	<u>(611,088)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,225,197</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt

consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this \$734,200 difference are as follows:

Principal repayments:	
Bonds	\$ 715,000
Other Loans	<u>19,200</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u>\$ 734,200</u>

Another element of that reconciliation states that 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 governmental funds. The \$12,649 difference is due to the net change in accrued interest on bonds.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Expenditures Exceeded Appropriations

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

<u>Major Appropriation Category</u>	<u>Amount</u>
Instruction – Special Education Program	\$ 2,814
Support Services – Director of Schools	3,275
Support Services – Maintenance of Plant	2,526
Transfers	19,583

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Sequatchie County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments.

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. Sequatchie County, the School Department's primary government, is authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Sequatchie County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Sequatchie County and the discretely

presented Sequatchie County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	Daily	\$ 3,586,508
Total		<u>\$ 3,586,508</u>

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 145,000	\$ 0	\$ 0	\$ 145,000
Construction in Progress	0	345,768	0	345,768
Total Capital Assets Not Depreciated	<u>\$ 145,000</u>	<u>\$ 345,768</u>	<u>\$ 0</u>	<u>\$ 490,768</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 20,967,978	\$ 1,732,452	\$ (345,768)	\$ 22,354,662
Infrastructure	575,193	0	0	575,193
Other Capital Assets	2,076,172	103,833	0	2,180,005
Total Capital Assets Depreciated	<u>\$ 23,619,343</u>	<u>\$ 1,836,285</u>	<u>\$ (345,768)</u>	<u>\$ 25,109,860</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 4,750,111	\$ 463,126	\$ 0	\$ 5,213,237
Infrastructure	256,387	24,100	0	280,487
Other Capital Assets	1,367,957	123,862	0	1,491,819
Total Accumulated Depreciation	<u>\$ 6,374,455</u>	<u>\$ 611,088</u>	<u>\$ 0</u>	<u>\$ 6,985,543</u>
Total Capital Assets Depreciated, Net	<u>\$ 17,244,888</u>	<u>\$ 1,225,197</u>	<u>\$ (345,768)</u>	<u>\$ 18,124,317</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,389,888</u>	<u>\$ 1,570,965</u>	<u>\$ (345,768)</u>	<u>\$ 18,615,085</u>

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 456,550
Support Services	95,491
Operation of Non-Instructional Services	<u>59,047</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 611,088</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Education Capital Projects	General Purpose School	\$ 19,583

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	Education Capital Projects Fund
General Purpose School Fund	\$ 0	\$ 551,339
Nonmajor governmental funds	<u>104,509</u>	<u>100,000</u>
Total	<u><u>\$ 104,509</u></u>	<u><u>\$ 651,339</u></u>

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 in accordance with budgetary authorizations.

D. Long-term Debt

General Obligation Bonds and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans were issued for original terms of up to 16 years for bonds and up to ten 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 and other loans included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund.

General obligation bonds and other loans outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3.3 to 4.15 %	\$ 7,500,000	\$ 7,285,000
General Obligation Bonds - Refunding	3.8 to 4.85	7,405,000	2,830,000
Other Loans	0	192,000	116,400

In prior years, Sequatchie County entered into loan agreements with the Sequatchie Valley Electric Cooperative. Under these loan agreements, the cooperative loaned proceeds to the School Department for rural development. These loans are repayable at zero percent interest.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Other Loan (90,000)	Other Loan (102,000)
	Principal	Interest	Principal	Principal
2006	\$ 735,000	\$ 412,555	\$ 9,000	\$ 10,200
2007	775,000	380,799	9,000	10,200
2008	815,000	346,874	9,000	10,200
2009	855,000	310,815	9,000	10,200

Year Ending June 30	Bonds		Other Loan (90,000)	Other Loan (102,000)
	Principal	Interest	Principal	Principal
2010	\$ 890,000	\$ 272,243	\$ 9,000	\$ 10,200
2011-2015	5,090,000	760,154	0	20,400
2016	955,000	33,425	0	0
Total	<u>\$ 10,115,000</u>	<u>\$ 2,516,865</u>	<u>\$ 45,000</u>	<u>\$ 71,400</u>

Bonded debt per capita amounted to \$890, based on the 2000 federal census. Total debt per capita, including bonds and other loans amounted to \$900, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Other Loans
Balance, July 1, 2004	\$ 10,830,000	\$ 135,600
Deductions	(715,000)	(19,200)
Balance, June 30, 2005	<u>\$ 10,115,000</u>	<u>\$ 116,400</u>
Balance Due Within One Year	<u>\$ 735,000</u>	<u>\$ 19,200</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 10,231,400
Less: Balance Due Within One Year	<u>(754,200)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 9,477,200</u>

V. OTHER INFORMATION

A. Risk Management

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in the Tennessee School Boards Risk Management Trust (TSB-RMT), a public entity risk pool established by the Tennessee School Boards Association. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of this pool provides for it to be self-sustaining through member premiums.

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

B. Accounting Changes

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department’s previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

There are several pending lawsuits in which the School Department is involved. The School Department’s attorney estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the School Department’s financial statements.

D. Retirement Commitments

Plan Description

Employees of Sequatchie County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member’s high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of

service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Sequatchie 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

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

SCHOOL TEACHERS

Plan Description

The Sequatchie 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 SETHEPP. 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.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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 Sequatchie County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Sequatchie County 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, 2005, 2004, and 2003, were \$330,470, \$189,771, and \$167,440, respectively, equal to the required contributions for each year.

E. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and 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 \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Sequatchie County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,384,497	\$ 3,330,267	\$ 3,330,267	\$ 54,230
Licenses and Permits	29,982	1,500	1,500	28,482
Charges for Current Services	30,720	24,000	24,000	6,720
Other Local Revenues	206,564	42,700	156,424	50,140
State of Tennessee	8,250,540	8,107,171	8,192,672	57,868
Federal Government	671,436	184,640	724,640	(53,204)
Total Revenues	<u>\$ 12,573,739</u>	<u>\$ 11,690,278</u>	<u>\$ 12,429,503</u>	<u>\$ 144,236</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 5,145,429	\$ 5,181,593	\$ 5,206,721	\$ 61,292
Alternative Instruction Program	76,164	70,464	76,167	3
Special Education Program	1,429,115	1,417,676	1,426,301	(2,814)
Vocational Education Program	111,342	137,319	150,848	39,506
Student Body Education Program	16,339	16,862	16,862	523
Adult Education Program	59,057	62,950	80,502	21,445
<u>Support Services</u>				
Attendance	68,949	68,558	69,087	138
Health Services	38,124	38,843	39,372	1,248
Other Student Support	325,599	232,114	368,701	43,102
Regular Instruction Program	369,504	376,660	381,303	11,799
Special Education Program	149,553	166,650	167,708	18,155
Adult Programs	76,055	72,243	78,442	2,387
Board of Education	208,009	186,100	208,100	91
Director of Schools	126,925	121,121	123,650	(3,275)
Office of the Principal	457,110	449,064	457,207	97
Fiscal Services	116,984	122,871	123,400	6,416
Operation of Plant	802,545	822,309	806,309	3,764
Maintenance of Plant	153,227	124,701	150,701	(2,526)
Transportation	347,558	350,463	350,463	2,905
Central and Other	18,000	20,000	20,000	2,000
<u>Operation of Non-Instructional Services</u>				
Community Services	461,276	5,000	545,000	83,724
<u>Capital Outlay</u>				
Regular Capital Outlay	317,215	3,064,172	2,468,112	2,150,897
<u>Principal</u>				
Education	734,200	734,200	734,200	0
<u>Interest</u>				
Education	443,118	443,118	443,118	0
<u>Other Debt Service</u>				
Education	1,444	1,200	1,445	1
Total Expenditures	<u>\$ 12,052,841</u>	<u>\$ 14,286,251</u>	<u>\$ 14,493,719</u>	<u>\$ 2,440,878</u>

(Continued)

Exhibit E

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 520,898	\$ (2,595,973)	\$ (2,064,216)	\$ 2,585,114
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 104,509	\$ 55,262	\$ 55,262	\$ 49,247
Transfers Out	(551,340)	0	(531,757)	(19,583)
Total Other Financing Sources (Uses)	\$ (446,831)	\$ 55,262	\$ (476,495)	\$ 29,664
Net Change in Fund Balance	\$ 74,067	\$ (2,540,711)	\$ (2,540,711)	\$ 2,614,778
Fund Balance, July 1, 2004	3,594,301	3,594,903	3,594,903	(602)
Fund Balance, June 30, 2005	\$ 3,668,368	\$ 1,054,192	\$ 1,054,192	\$ 2,614,176

**SEQUATCHIE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Instruction - Regular Instruction Program, Instruction - Special Education Program, Support Services - Board of Education, Support Services - Director of Schools, etc.). Management may make revisions within major categories, but only the Sequatchie County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

<u>Major Appropriation Category</u>	<u>Amount</u>
Instruction – Special Education Program	\$ 2,814
Support Services – Director of Schools	3,275
Support Services – Maintenance of Plant	2,526
Transfers	19,583

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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.

Other Education Special Revenue Fund – The Other Education Special Revenue Fund is used to account for transactions of a pre-school program for children.

Exhibit F-1

Sequatchie County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Sequatchie County School Department
June 30, 2005

	<u>Special Revenue Funds</u>			
	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Total Nonmajor Governmental Funds
<u>ASSETS</u>				
Cash	\$ 0	\$ 2,293	\$ 0	\$ 2,293
Equity in Pooled Cash and Investments	56,484	157,263	10,590	224,337
Accounts Receivable	0	51,825	0	51,825
Due from Other Governments	12,882	0	0	12,882
Total Assets	\$ 69,366	\$ 211,381	\$ 10,590	\$ 291,337
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Other Deferred Revenues	\$ 0	\$ 7,742	\$ 0	\$ 7,742
Total Liabilities	\$ 0	\$ 7,742	\$ 0	\$ 7,742
<u>Fund Balances</u>				
Reserved for Title I Grants to Local Education Agencies	\$ 57,273	\$ 0	\$ 0	\$ 57,273
Reserved for Innovative Education Program Strategies	556	0	0	556
Reserved for Special Education - Grants to States	7,881	0	0	7,881
Other Federal Reserves	3,656	0	0	3,656
Unreserved	0	203,639	10,590	214,229
Total Fund Balances	\$ 69,366	\$ 203,639	\$ 10,590	\$ 283,595
Total Liabilities and Fund Balances	\$ 69,366	\$ 211,381	\$ 10,590	\$ 291,337

Exhibit F-2

Sequatchie County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Sequatchie County School Department
For the Year Ended June 30, 2005

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Other Education Special Revenue	
<u>Revenues</u>				
Charges for Current Services	\$ 0	\$ 303,247	\$ 66,445	\$ 369,692
Other Local Revenues	0	5,479	0	5,479
State of Tennessee	0	11,504	0	11,504
Federal Government	1,226,794	487,941	0	1,714,735
Total Revenues	<u>\$ 1,226,794</u>	<u>\$ 808,171</u>	<u>\$ 66,445</u>	<u>\$ 2,101,410</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 923,139	\$ 0	\$ 0	\$ 923,139
Support Services	233,227	0	0	233,227
Operation of Non-Instructional Services	0	767,959	63,603	831,562
Total Expenditures	<u>\$ 1,156,366</u>	<u>\$ 767,959</u>	<u>\$ 63,603</u>	<u>\$ 1,987,928</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 70,428</u>	<u>\$ 40,212</u>	<u>\$ 2,842</u>	<u>\$ 113,482</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (40,455)	\$ (162,787)	\$ (1,266)	\$ (204,508)
Total Other Financing Sources (Uses)	<u>\$ (40,455)</u>	<u>\$ (162,787)</u>	<u>\$ (1,266)</u>	<u>\$ (204,508)</u>
Net Change in Fund Balances	\$ 29,973	\$ (122,575)	\$ 1,576	\$ (91,026)
Fund Balance, July 1, 2004	<u>39,393</u>	<u>326,214</u>	<u>9,014</u>	<u>374,621</u>
Fund Balance, June 30, 2005	<u>\$ 69,366</u>	<u>\$ 203,639</u>	<u>\$ 10,590</u>	<u>\$ 283,595</u>

Exhibit F-3

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Sequatchie County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,226,794	\$ 1,358,728	\$ 1,353,405	\$ (126,611)
Total Revenues	\$ 1,226,794	\$ 1,358,728	\$ 1,353,405	\$ (126,611)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 511,465	\$ 616,986	\$ 615,053	\$ 103,588
Special Education Program	411,674	435,411	417,846	6,172
<u>Support Services</u>				
Other Student Support	830	1,900	1,900	1,070
Regular Instruction Program	113,675	196,169	195,658	81,983
Special Education Program	76,046	77,838	77,605	1,559
Transportation	42,676	46,068	42,676	0
Total Expenditures	\$ 1,156,366	\$ 1,374,372	\$ 1,350,738	\$ 194,372
Excess (Deficiency) of Revenues Over Expenditures	\$ 70,428	\$ (15,644)	\$ 2,667	\$ 67,761
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (40,455)	\$ (23,749)	\$ (42,060)	\$ 1,605
Total Other Financing Sources (Uses)	\$ (40,455)	\$ (23,749)	\$ (42,060)	\$ 1,605
Net Change in Fund Balance	\$ 29,973	\$ (39,393)	\$ (39,393)	\$ 69,366
Fund Balance, July 1, 2004	39,393	39,393	39,393	0
Fund Balance, June 30, 2005	\$ 69,366	\$ 0	\$ 0	\$ 69,366

Exhibit F-4

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Sequatchie County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 303,247	\$ 289,000	\$ 289,000	\$ 14,247
Other Local Revenues	5,479	7,000	7,000	(1,521)
State of Tennessee	11,504	11,000	11,000	504
Federal Government	487,941	474,000	474,000	13,941
Total Revenues	<u>\$ 808,171</u>	<u>\$ 781,000</u>	<u>\$ 781,000</u>	<u>\$ 27,171</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 767,959	\$ 1,045,339	\$ 917,518	\$ 149,559
Total Expenditures	<u>\$ 767,959</u>	<u>\$ 1,045,339</u>	<u>\$ 917,518</u>	<u>\$ 149,559</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 40,212</u>	<u>\$ (264,339)</u>	<u>\$ (136,518)</u>	<u>\$ 176,730</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (162,787)	\$ (35,661)	\$ (163,482)	\$ 695
Total Other Financing Sources (Uses)	<u>\$ (162,787)</u>	<u>\$ (35,661)</u>	<u>\$ (163,482)</u>	<u>\$ 695</u>
Net Change in Fund Balance	\$ (122,575)	\$ (300,000)	\$ (300,000)	\$ 177,425
Fund Balance, July 1, 2004	<u>326,214</u>	<u>300,000</u>	<u>300,000</u>	<u>26,214</u>
Fund Balance, June 30, 2005	<u>\$ 203,639</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 203,639</u>

Exhibit F-5

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Sequatchie County School Department
Other Education Special Revenue Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 66,445	\$ 71,200	\$ 71,200	\$ (4,755)
Total Revenues	\$ 66,445	\$ 71,200	\$ 71,200	\$ (4,755)
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Community Services	\$ 63,603	\$ 71,200	\$ 69,934	\$ 6,331
Total Expenditures	\$ 63,603	\$ 71,200	\$ 69,934	\$ 6,331
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,842	\$ 0	\$ 1,266	\$ 1,576
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (1,266)	\$ 0	\$ (1,266)	\$ 0
Total Other Financing Sources (Uses)	\$ (1,266)	\$ 0	\$ (1,266)	\$ 0
Net Change in Fund Balance	\$ 1,576	\$ 0	\$ 0	\$ 1,576
Fund Balance, July 1, 2004	9,014	0	0	9,014
Fund Balance, June 30, 2005	\$ 10,590	\$ 0	\$ 0	\$ 10,590

MISCELLANEOUS SCHEDULES

Exhibit G-1

Sequatchie County, Tennessee
Schedule of Changes in Long-term Bonds and Other Loans
Sequatchie County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>BONDS PAYABLE</u>							
Payable through General Purpose School Fund:							
School Refunding Bonds-Series 1997	\$ 7,405,000	3.8 to 4.85 %	8-1-1997	2-1-10	\$ 3,330,000	\$ 500,000	\$ 2,830,000
School Bonds-Series 1998	5,000,000	4.15	10-15-1998	2-1-14	5,000,000	215,000	4,785,000
School Bonds Series - 2003	2,500,000	3.3 to 3.5	5-21-03	2-1-16	2,500,000	0	2,500,000
Total Bonds Payable					<u>\$ 10,830,000</u>	<u>\$ 715,000</u>	<u>\$ 10,115,000</u>
<u>OTHER LOANS PAYABLE</u>							
Payable through General Purpose School Fund:							
Rural Development Loan - Lighting	90,000	0	5-3-00	5-3-09	\$ 54,000	\$ 9,000	\$ 45,000
Rural Development Loan - Technology	102,000	0	1-1-03	1-1-13	81,600	10,200	71,400
Total Other Loans Payable					<u>\$ 135,600</u>	<u>\$ 19,200</u>	<u>\$ 116,400</u>

Exhibit G-2

Sequatchie County, Tennessee
Schedule of Bond and Interest Requirements by Year
Sequatchie County School Department

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 735,000	\$ 412,555	\$ 1,147,555
2007	775,000	380,799	1,155,799
2008	815,000	346,874	1,161,874
2009	855,000	310,815	1,165,815
2010	890,000	272,243	1,162,243
2011	935,000	231,500	1,166,500
2012	980,000	193,632	1,173,632
2013	1,025,000	153,452	1,178,452
2014	1,055,000	110,915	1,165,915
2015	1,095,000	70,655	1,165,655
2016	955,000	33,425	988,425
Total	\$ 10,115,000	\$ 2,516,865	\$ 12,631,865

Exhibit G-3

Sequatchie County, Tennessee
Schedule of Transfers - All Funds
Sequatchie County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 22,098
Central Cafeteria	"	"	34,966
Other Education Special Revenue	"	"	1,266
School Federal Projects	"	Reimbursements	18,357
Central Cafeteria	"	"	27,822
General Purpose School	Education Capital Projects	Building project	551,340
Central Cafeteria	"	"	<u>99,999</u>
Total Transfers			<u>\$ 755,848</u>

Exhibit G-4

Sequatchie County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Sequatchie County School Department
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Sequatchie County Board of Education	\$ 78,421 (1)	(2)	
Employee Dishonesty Bond Coverage: School Employees			\$ 150,000	Tennessee School Boards Risk Management Trust

(1) Includes chief executive officer training supplement of \$1,000.
(2) The director of schools is covered under the employee dishonesty bond.

Exhibit G-5

Sequatchie County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Sequatchie County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,024,964	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,024,964
Trustee's Collections - Prior Year	113,362	0	0	0	0	113,362
Circuit/Clerk & Master Collections - Prior Years	16,282	0	0	0	0	16,282
Interest and Penalty	20,442	0	0	0	0	20,442
Pick-up Taxes	1,387	0	0	0	0	1,387
Payments in Lieu of Taxes - T.V.A.	3,919	0	0	0	0	3,919
Payments in Lieu of Taxes - Local Utilities	12,580	0	0	0	0	12,580
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,170,622	0	0	0	0	1,170,622
<u>Statutory Local Taxes</u>						
Bank Excise Tax	19,074	0	0	0	0	19,074
Interstate Telecommunications Tax	1,865	0	0	0	0	1,865
Total Local Taxes	\$ 3,384,497	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,384,497
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 29,982	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,982
Total Licenses and Permits	\$ 29,982	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,982
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Regular Day Students	\$ 3,321	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,321
Tuition - Other	0	0	0	66,445	0	66,445
Lunch Payments - Children	0	0	182,496	0	0	182,496
Lunch Payments - Adults	0	0	22,923	0	0	22,923
Income from Breakfast	0	0	19,969	0	0	19,969
A la carte Sales	0	0	77,859	0	0	77,859
Receipts from Individual Schools	27,399	0	0	0	0	27,399
Total Charges for Current Services	\$ 30,720	\$ 0	\$ 303,247	\$ 66,445	\$ 0	\$ 400,412
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 47,076	\$ 0	\$ 2,691	\$ 0	\$ 6,112	\$ 55,879
Miscellaneous Refunds	20,070	0	0	0	0	20,070

(Continued)

Exhibit G-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Sale of Equipment	\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,500
Sale of Property	1,241	0	0	0	0	1,241
Damages Recovered from Individuals	1,340	0	0	0	0	1,340
Contributions & Gifts	101,698	0	0	0	0	101,698
<u>Other Local Revenues</u>						
Other Local Revenues	33,639	0	2,788	0	0	36,427
Total Other Local Revenues	\$ 206,564	\$ 0	\$ 5,479	\$ 0	\$ 6,112	\$ 218,155
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 7,887,605	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,887,605
School Food Service	0	0	11,504	0	0	11,504
Driver Education	3,180	0	0	0	0	3,180
Other State Education Funds	91,645	0	0	0	0	91,645
Career Ladder Program	102,044	0	0	0	0	102,044
Career Ladder - Extended Contract	57,748	0	0	0	0	57,748
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	108,318	0	0	0	0	108,318
Total State of Tennessee	\$ 8,250,540	\$ 0	\$ 11,504	\$ 0	\$ 0	\$ 8,262,044
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 375,859	\$ 0	\$ 0	\$ 375,859
Breakfast	0	0	109,317	0	0	109,317
USDA - Other	0	0	2,765	0	0	2,765
Adult Education State Grant Program	175,764	0	0	0	0	175,764
Title I Grants to Local Education Agencies	0	483,977	0	0	0	483,977
Innovative Education Program Strategies	0	59,879	0	0	0	59,879
Special Education - Grants to States	0	517,102	0	0	0	517,102
Special Education Preschool Grants	0	42,488	0	0	0	42,488
Eisenhower Professional Development State Grants	0	123,348	0	0	0	123,348
Other Federal through State	495,672	0	0	0	0	495,672
Total Federal Government	\$ 671,436	\$ 1,226,794	\$ 487,941	\$ 0	\$ 0	\$ 2,386,171
Total	\$ 12,573,739	\$ 1,226,794	\$ 808,171	\$ 66,445	\$ 6,112	\$ 14,681,261

Exhibit G-6

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Sequatchie County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	3,544,985	
Career Ladder Program		52,510	
Career Ladder Extended Contracts		53,500	
Homebound Teachers		10,363	
Educational Assistants		122,970	
Other Salaries & Wages		90	
Certified Substitute Teachers		48,852	
Social Security		221,117	
State Retirement		202,299	
Medical Insurance		458,487	
Employer Medicare		52,112	
Contracts with Other School Systems		3,321	
Maintenance & Repair Services- Equipment		14,791	
Travel		119	
Instructional Supplies and Materials		82,035	
Textbooks		135,355	
Other Charges		2,395	
Regular Instruction Equipment		140,128	
Total Regular Instruction Program			\$ 5,145,429

Alternative Instruction Program

Teachers	\$	49,021	
Career Ladder Program		1,000	
Educational Assistants		10,465	
Social Security		3,500	
State Retirement		3,249	
Medical Insurance		7,847	
Employer Medicare		819	
Other Charges		263	
Total Alternative Instruction Program			76,164

Special Education Program

Teachers	\$	808,905	
Career Ladder Program		20,378	
Career Ladder Extended Contracts		3,000	
Homebound Teachers		4,792	
Clerical Personnel		20,477	
Educational Assistants		124,796	
Other Salaries & Wages		54,023	

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	17,047	
Social Security		59,392	
State Retirement		54,528	
Medical Insurance		161,148	
Employer Medicare		14,050	
Communication		2,452	
Travel		5,786	
Other Contracted Services		34,743	
Instructional Supplies and Materials		7,438	
Other Supplies and Materials		229	
Other Charges		35,652	
Special Education Equipment		279	
Total Special Education Program			\$ 1,429,115

Vocational Education Program

Teachers	\$	69,630	
Career Ladder Program		1,000	
Social Security		3,910	
State Retirement		3,885	
Medical Insurance		15,058	
Employer Medicare		976	
Instructional Supplies and Materials		16,883	
Total Vocational Education Program			111,342

Student Body Education Program

Other Salaries & Wages	\$	14,504	
Certified Substitute Teachers		360	
Social Security		889	
State Retirement		376	
Employer Medicare		210	
Total Student Body Education Program			16,339

Adult Education Program

Teachers	\$	20,982	
Clerical Personnel		17,656	
Other Salaries & Wages		3,133	
Social Security		2,561	
State Retirement		1,967	
Medical Insurance		1,246	

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Employer Medicare	\$	599	
Instructional Supplies and Materials		10,913	
Total Adult Education Program			\$ 59,057

Support Services

Attendance

Supervisor/Director	\$	51,445	
Career Ladder Program		1,000	
Social Security		2,998	
State Retirement		2,884	
Medical Insurance		8,609	
Employer Medicare		701	
Travel		1,282	
Other Charges		30	
Total Attendance			68,949

Health Services

Medical Personnel	\$	33,470	
Social Security		1,934	
State Retirement		1,841	
Employer Medicare		452	
Travel		327	
Other Charges		100	
Total Health Services			38,124

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		116,239	
Other Salaries & Wages		11,718	
Social Security		7,742	
State Retirement		7,300	
Medical Insurance		16,456	
Employer Medicare		1,762	
Evaluation and Testing		9,078	
Other Charges		16,893	
Other Equipment		135,411	
Total Other Student Support			325,599

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	56,300	
Career Ladder Program		6,000	
Career Ladder Extended Contracts		4,000	
Librarians		121,607	
Instructional Computer Personnel		48,599	
Clerical Personnel		12,907	
Other Salaries & Wages		17,366	
Social Security		15,710	
State Retirement		14,449	
Medical Insurance		21,764	
Employer Medicare		3,674	
Travel		3,846	
Library Books/Media		12,000	
Other Supplies and Materials		27,046	
In Service/Staff Development		3,005	
Other Charges		1,102	
Other Equipment		129	
Total Regular Instruction Program			\$ 369,504

Special Education Program

Supervisor/Director	\$	54,224	
Career Ladder Program		2,000	
Psychological Personnel		40,969	
Secretary(s)		16,756	
Social Security		6,417	
State Retirement		6,143	
Medical Insurance		19,989	
Employer Medicare		1,501	
Travel		896	
Other Supplies and Materials		349	
In Service/Staff Development		120	
Other Charges		189	
Total Special Education Program			149,553

Adult Programs

Supervisor/Director	\$	43,367	
Career Ladder Program		2,000	
Clerical Personnel		2,700	
Social Security		2,685	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs (Cont.)

State Retirement	\$	2,644	
Medical Insurance		7,889	
Employer Medicare		628	
Travel		1,352	
In Service/Staff Development		3,583	
Other Charges		9,207	
Total Adult Programs			\$ 76,055

Board of Education

Board and Committee Members Fees	\$	15,476	
Social Security		960	
Unemployment Compensation		7,270	
Employer Medicare		224	
Audit Services		8,724	
Dues and Memberships		6,476	
Travel		10,034	
Other Contracted Services		1,250	
Boiler Insurance		1,930	
Liability Insurance		12,936	
Trustee's Commission		80,836	
Workers' Compensation Insurance		56,161	
Refund to Applicant for Criminal Investigation		1,680	
Other Charges		4,052	
Total Board of Education			208,009

Director of Schools

County Official/Administrative Officer	\$	77,421	
Assistant(s)		2,651	
Career Ladder Program		1,000	
Secretary(s)		11,280	
Social Security		5,463	
State Retirement		4,996	
Employer Medicare		1,278	
Communication		11,364	
Postal Charges		3,049	
Travel		2,840	
Office Supplies		1,945	
Other Supplies and Materials		182	
Other Charges		3,456	
Total Director of Schools			126,925

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	169,409	
Career Ladder Program		4,000	
Accountants/Bookkeepers		20,065	
Career Ladder Extended Contracts		6,000	
Assistant Principals		146,989	
Secretary(s)		35,944	
Other Salaries & Wages		99	
Social Security		22,676	
State Retirement		20,557	
Medical Insurance		25,893	
Employer Medicare		5,303	
Travel		175	
Total Office of the Principal	\$		457,110

Fiscal Services

Supervisor/Director	\$	48,470	
Clerical Personnel		23,595	
Other Salaries & Wages		4,359	
Social Security		5,445	
State Retirement		4,399	
Medical Insurance		17,817	
Employer Medicare		1,273	
Data Processing Services		4,991	
Travel		447	
Data Processing Supplies		4,054	
Office Supplies		220	
Other Charges		42	
Administration Equipment		1,872	
Total Fiscal Services			116,984

Operation of Plant

Custodial Personnel	\$	221,030	
Social Security		12,962	
State Retirement		10,483	
Medical Insurance		46,871	
Employer Medicare		3,031	
Other Contracted Services		28,289	
Custodial Supplies		22,408	
Electricity		345,680	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Natural Gas	\$	28,798	
Water and Sewer		46,310	
Other Supplies and Materials		1,000	
Building and Contents Insurance		35,151	
Other Charges		532	
Total Operation of Plant			\$ 802,545

Maintenance of Plant

Supervisor/Director	\$	29,387	
Maintenance Personnel		52,882	
Social Security		4,824	
State Retirement		3,916	
Medical Insurance		11,727	
Employer Medicare		1,128	
Maintenance & Repair Services- Buildings		5,461	
Maintenance & Repair Services- Equipment		605	
Travel		449	
Other Contracted Services		687	
Other Supplies and Materials		31,256	
Other Charges		10,905	
Total Maintenance of Plant			153,227

Transportation

Mechanic(s)	\$	29,387	
Bus Drivers		131,279	
Other Salaries & Wages		1,305	
In-Service Training		576	
Social Security		9,798	
State Retirement		7,125	
Medical Insurance		7,470	
Employer Medicare		2,291	
Communication		702	
Maintenance & Repair Services- Vehicles		263	
Medical and Dental Services		2,510	
Travel		831	
Other Contracted Services		5,115	
Diesel Fuel		37,501	
Gasoline		4,028	
Lubricants		451	

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Tires and Tubes	\$	2,079	
Vehicle Parts		30,560	
Other Supplies and Materials		192	
Vehicle and Equipment Insurance		10,852	
Other Charges		1,546	
Transportation Equipment		61,697	
Total Transportation			\$ 347,558

Central and Other

Other Contracted Services	\$	18,000	
Total Central and Other			18,000

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	7,680	
Teachers		62,334	
Bus Drivers		3,975	
Educational Assistants		41,986	
Social Security		5,840	
State Retirement		4,938	
Local Retirement		152	
Employer Medicare		1,214	
Travel		536	
Instructional Supplies and Materials		6,920	
Refunds		296,364	
Other Charges		15,532	
Other Equipment		13,805	
Total Community Services			461,276

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	317,215	
Total Regular Capital Outlay			317,215

Principal

Education

Principal on Bonds	\$	715,000	
Principal on Notes		19,200	
Total Education			734,200

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Interest

Education

Interest on Bonds	\$ 443,118	
Total Education		\$ 443,118

Other Debt Service

Education

Other Debt Service	\$ 1,444	
Total Education		<u>1,444</u>

Total General Purpose School Fund		\$ 12,052,841
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 275,075	
Educational Assistants	68,174	
Certified Substitute Teachers	3,848	
Social Security	20,383	
State Retirement	18,374	
Medical Insurance	41,049	
Employer Medicare	4,772	
Instructional Supplies and Materials	16,177	
Regular Instruction Equipment	<u>63,613</u>	
Total Regular Instruction Program		\$ 511,465

Special Education Program

Educational Assistants	\$ 278,198	
Social Security	16,274	
State Retirement	12,645	
Medical Insurance	44,640	
Employer Medicare	3,806	
Contracts with Private Agencies	17,899	
Other Contracted Services	9,006	
Instructional Supplies and Materials	26,926	
Special Education Equipment	<u>2,280</u>	
Total Special Education Program		411,674

Support Services

Other Student Support

Other Charges	\$ 830	
Total Other Student Support		830

(Continued)

Exhibit G-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	50,978	
Secretary(s)		5,640	
Social Security		3,510	
State Retirement		3,072	
Unemployment Compensation		2	
Employer Medicare		821	
Other Supplies and Materials		398	
In Service/Staff Development		48,105	
Other Equipment		1,149	
Total Regular Instruction Program			\$ 113,675

Special Education Program

Psychological Personnel	\$	43,969	
Clerical Personnel		5,640	
Other Salaries & Wages		3,150	
Social Security		2,969	
State Retirement		2,860	
Medical Insurance		8,609	
Employer Medicare		694	
In Service/Staff Development		8,155	
Total Special Education Program			76,046

Transportation

Bus Drivers	\$	30,978	
Social Security		1,866	
State Retirement		1,467	
Medical Insurance		2,426	
Employer Medicare		436	
Tires and Tubes		82	
Vehicle Parts		5,370	
Other Charges		51	
Total Transportation			42,676

Total School Federal Projects Fund \$ 1,156,366

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	40,707	
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(Continued)

Exhibit G-6

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Accountants/Bookkeepers	\$	17,620	
Clerical Personnel		24,139	
Cafeteria Personnel		155,785	
Maintenance Personnel		12,314	
Temporary Personnel		37,576	
Overtime Pay		489	
Social Security		16,798	
State Retirement		11,625	
Medical Insurance		47,466	
Unemployment Compensation		100	
Employer Medicare		3,929	
Communication		2,607	
Maintenance & Repair Services- Equipment		3,536	
Transportation - Other than Students		4,480	
Travel		2,129	
Penalties		479	
Other Contracted Services		9,414	
Food Preparation Supplies		3,509	
Food Supplies		315,646	
Office Supplies		2,856	
Other Supplies and Materials		25,654	
In Service/Staff Development		2,025	
Criminal Investigation of Applicants - TBI		816	
Other Charges		1,613	
Food Service Equipment		24,647	
Total Food Service			\$ 767,959

Total Central Cafeteria Fund \$ 767,959

Other Education Special Revenue Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	14,384	
Clerical Personnel		1,500	
Other Salaries & Wages		29,082	
Certified Substitute Teachers		2,409	
Social Security		2,733	
State Retirement		2,137	
Medical Insurance		6,295	

(Continued)

Exhibit G-6

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

<u>Other Education Special Revenue Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Community Services (Cont.)</u>		
Employer Medicare	\$	639
Other Contracted Services		368
Other Supplies and Materials		3,773
Other Charges		283
Total Community Services		<u>\$ 63,603</u>
Total Other Education Special Revenue Fund	\$	63,603
<u>Education Capital Projects Fund</u>		
<u>Support Services</u>		
<u>Board of Education</u>		
Trustee's Commission	\$	82
Total Board of Education	\$	82
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Other Contracted Services	\$	2,078,220
Total Education Capital Projects		<u>2,078,220</u>
Total Education Capital Projects Fund		<u>2,078,302</u>
Total Governmental Funds - Sequatchie County School Department	\$	<u>16,119,071</u>

SINGLE AUDIT REPORT
SEQUATCHIE COUNTY, TENNESSEE
AND
SEQUATCHIE COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

STEVE REEDER, CPA, CGFM, CFE
Auditor 4

MELODIE C. WHEELER
TIMOTHY SCOTTON
JIMMY HODGES, CFE
JENI BOYETTE
State Auditors

This report is available at www.comptroller.state.tn.us

SINGLE AUDIT REPORT TABLE OF CONTENTS

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

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

February 15, 2006

Sequatchie County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Sequatchie County, Tennessee

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Sequatchie County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Sequatchie County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Sequatchie County's and the Sequatchie County School Department's basic financial statements and have issued our reports thereon dated February 15, 2006. Our report on the financial statements of Sequatchie County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Sequatchie County School Department expresses an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sequatchie County's and the Sequatchie County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable

conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Sequatchie County's and the Sequatchie County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03(A,B,C), 05.04, 05.05, 05.06, 05.08, 05.09, 05.10(A), 05.11, and 05.12.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we believe item 05.03(A) is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequatchie County's and the Sequatchie County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02, 05.07, and 05.10(B,C).

We also noted certain other matters that we reported to the management of Sequatchie County and the Sequatchie County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

February 15, 2006

Sequatchie County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Sequatchie County, Tennessee

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

Compliance

We have audited the compliance of Sequatchie County and the Sequatchie County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Sequatchie County's and the Sequatchie County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Sequatchie County's and the Sequatchie County School Department's management. Our responsibility is to express an opinion on Sequatchie County's and the Sequatchie County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Sequatchie County's and the Sequatchie County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sequatchie County's and the Sequatchie County School Department's compliance with those requirements.

In our opinion, Sequatchie County and the Sequatchie County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Sequatchie County and the Sequatchie County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sequatchie County's and the Sequatchie County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

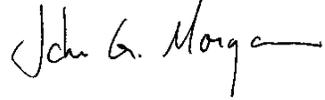
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Sequatchie County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Sequatchie County School Department as of and for the year ended June 30, 2005, and have issued our reports thereon dated February 15, 2006. Our report on the financial statements of Sequatchie County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Sequatchie County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

Sequatchie County, Tennessee, and the Sequatchie County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 43,544
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	109,317
National School Lunch Program	10.555	N/A	375,859
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.559	(2)	2,765
Total U.S. Department of Agriculture			<u>\$ 531,485</u>
U.S. Department of Justice:			
Direct Program:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 37,583
Passed through State Office of Criminal Justice Programs:			
Byrne Formula Grant Program	16.579	Z-01-098960-00	15,000
Total U.S. Department of Justice			<u>\$ 52,583</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-03-010365-00	\$ 80,182
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	95,582
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	459,245
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	514,593
Special Education - Grants to States - Preschool	84.173	N/A	42,572
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	12,747
Twenty-First Century Community Learning Centers	84.287	(2)	455,526
State Grants for Innovative Programs	84.298	N/A	9,872
Education Technology State Grants	84.318	(2)	7,871
Rural Education	84.358	(2)	49,551
Improving Teacher Quality State Grants	84.367	N/A	113,118
Total U.S. Department of Education			<u>\$ 1,840,859</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022262-00	\$ 27,399
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017798-00	\$ 365
State Domestic Preparedness Equipment Support Program	97.004	Z-03-019266-00	4,561
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020143-00	25,468
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022491-00	36,909
Total U.S. Department of Homeland Security			<u>\$ 67,303</u>
Total Expenditures of Federal Awards			<u>\$ 2,519,629</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Expenditures
<u>State Grants</u>			
Health Access Community Grants - State Department of Health	N/A	Z-05-020548-00	\$ 42,693
Litter Program - State Department of Transportation	N/A	(2)	31,781
Guardrail Grant - State Department of Transportation	N/A	(2)	19,788
Safe Schools Act - State Department of Education	N/A	(2)	12,645
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	10,168
Youth Services Program - State Commission on Children and Youth	N/A	Z-05-020426-00	9,000
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	17,561
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>10,142</u>
Total State Grants			<u>\$ 153,778</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.

Sequatchie County, Tennessee and the Sequatchie County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Sequatchie County, Tennessee, and the Sequatchie County School Department for the year ended June 30, 2004, which have not been corrected.

SEQUATCHIE COUNTY

Finding Number	Page Number	Subject
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY EXECUTIVE

Finding Number	Page Number	Subject
04.04(A,B)	14	Deficiencies were noted in budget operations
04.05	15	Receivables and payables were not determined and posted to the accounting records
04.06(B)	16	Invoices were paid without documentation that goods had been received or services rendered
04.09	17	Inventory records were not maintained
04.10	18	Accounting records were not maintained for community development funds

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
04.05(A,C,D)	21	Deficiencies were noted in the maintenance of accounting records

OTHER FINDINGS AND RECOMMENDATIONS

Finding Number	Page Number	Subject
04.16	21	A central system of accounting, budgeting, and purchasing had not been adopted
04.17	22	Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Sequatchie County. Our report on the financial statements of the Sequatchie County School Department is unqualified.
2. The audit of the financial statements of Sequatchie County and the Sequatchie County School Department disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness in Sequatchie County.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Sequatchie County, and one instance of noncompliance that was material to the financial statements of the Sequatchie County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and Twenty-First Century Community Learning Centers (CFDA No. 84.287) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Sequatchie County and the Sequatchie County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

SEQUATCHIE COUNTY

FINDING 05.01 GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Sequatchie County's financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We are in the process of complying with GASB requirements. We have adopted a capital assets' policy, ordered new software, scheduled training, and are in the process of valuing all county buildings.

OFFICE OF COUNTY EXECUTIVE

FINDING 05.02 **THE OFFICE HAD BUDGET DEFICIENCIES
(Noncompliance Under Government Auditing Standards)**

Our examination noted the following deficiencies in budget operations:

- A. Expenditures exceeded appropriations approved by the County Commission in the Drug Control Fund by \$20,213.

- B. Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) in the General Fund, Courthouse and Jail Maintenance Fund, Solid Waste/Sanitation Fund, and General Debt Service Fund as follows:

<u>General Fund</u>	
Register of Deeds	\$ 2,525
Reappraisal Program	4,019
Sheriff's Department	16,038
Jail	23,919
<u>Courthouse and Jail Maintenance Fund</u>	
Other Charges	72
<u>Solid Waste/Sanitation Fund</u>	
Convenience Centers	653
Other Waste Collection	1,551
Other Charges	176
<u>General Debt Service Fund</u>	
Principal - General Government	50,257
Other Debt Service - General Government	3,245

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

Section 5-9-401, Tennessee Code Annotated (TCA), states that "All funds ... including ... but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county government shall be appropriated to such use by the county legislative bodies."

- C. Some budget amendments posted to the accounting records were not approved by the County Commission. Section 5-9-407, TCA, requires the County Commission's approval for budget amendments that affect a major category. We have presented audit adjustments to management to properly

reflect appropriations approved by the County Commission in the financial statements of this report.

RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission, and budget amendments affecting major appropriation categories should be approved by the County Commission.

FINDING 05.03 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
 (A. Internal Control – Material Weakness Under Government Auditing Standards; B. and C. Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of the accounting records revealed the following deficiencies:

- A. Receivables and payables were not determined and recorded on the accounting records at June 30, 2005, for various funds administered by the county executive. We performed additional audit procedures and determined the following receivables and payables existed at June 30, 2005:

Fund	Receivables	Payables
General	\$ 94,252	\$ 6,749
Solid Waste/Sanitation	3,591	2,130
Ambulance Service	30,734	2,109
General Debt Service	1,060	0
General Capital Projects	0	388,868

We have presented audit adjustments to management for their approval and posting to properly present receivables and payables in the financial statements of this report.

- B. Reservations of fund balances were reflected in the accounting records of the General Fund and the Drug Control Fund at June 30, 2005; however, the office did not provide documentation to support these reservations. Documentation is necessary as evidence to support reservations of fund balances for unexpended amounts of legally restricted revenues. We performed additional audit procedures and determined the reservations of fund balance were materially correct.
- C. On several occasions, requests for line-item budget amendments were properly submitted to the office by county officials for approval by the county executive. However, several of these budget amendments were posted as transfers between expenditure accounts rather than as transfers between

appropriation accounts. These posting errors resulted in misclassifications in several expenditure line-items in the General Fund, Solid Waste/Sanitation Fund, and Ambulance Service Fund. Such errors diminish the usefulness of the county's accounting records to function as a management tool. However, we determined that these posting errors did not materially misstate the major appropriations categories (the legal level of control); therefore, adjustments have not been posted to correct these line-item expenditure accounts.

RECOMMENDATION

Receivables and payables should be properly determined and accurately recorded in the financial statements each June 30. Also, officials should document reservations of all legally restricted revenues. Furthermore, officials should ensure that approved line-item budget amendments are properly posted to the budgetary accounts.

FINDING 05.04 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit noted the following deficiencies in purchasing procedures:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. Several invoices were paid without documentation that goods had been received and/or services had been rendered. This practice could result in the office paying for items not received or paying invoices more than once. We extended our audit procedures and determined that these goods and services were received.
- C. Some invoices were not on file to support purchases, and some invoices did not adequately describe the purchases. We extended our audit procedures and determined that these expenditures were for the benefit of the county.

RECOMMENDATION

The office should issue purchase orders in all applicable instances. Documentation should be on file indicating that goods have been received and/or services have been rendered before invoices are paid. Detailed invoices should be on file to support all purchases.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

We have implemented a purchase order system and a plan to track invoices. Also, we have addressed various purchasing problems and made improvements since year-end, and we feel our procedures are working well at this time.

FINDING 05.05 **INVENTORY RECORDS WERE NOT MAINTAINED**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Inventory records were not maintained for all assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles.

RECOMMENDATION

The office should maintain inventory records of all assets as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE

We have received an inventory listing from each county office and are in the process of compiling it on our accounting system.

FINDING 05.06 **ACCOUNTING RECORDS WERE NOT MAINTAINED FOR COMMUNITY DEVELOPMENT FUNDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The County Executive’s Office did not maintain accounting records or monitor the program for the Community Development Block Grant funds related to low-income housing. Instead, the county passed these funds to the Southeast Local Development Corporation (SLDC). The SLDC disbursed the funds, maintained the accounting records, and received administrative fees for these services. Community Development financial transactions have been reflected in the Community Development/Industrial Park Fund in the financial statements of this report.

RECOMMENDATION

Community Development Block Grant funds should be deposited with the county trustee in a dedicated fund administered by the County Executive’s Office or the county should require quarterly monitoring reports from the SLDC as a sub-recipient. The county could continue to use the expertise and assistance of the SLDC in its low-income housing program; however, the county as grantee is responsible for the administration of the funds.

MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE

We contracted with the local development district to keep these funds some 20 years ago. We do not have the manpower to keep these funds in our office; however, we do now require the SLDC to provide us quarterly reports.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.07 COMPETITIVE BIDS WERE NOT SOLICITED FOR THE CONSTRUCTION OF FOUR CLASSROOM ADDITIONS
(Material Noncompliance Under Governmental Auditing Standards)

In August 2004, the Board of Education approved change orders totaling \$518,000 which materially altered existing construction contracts without soliciting competitive bids. Section 49-2-203, Tennessee Code Annotated, requires competitive bids for purchases exceeding \$5,000. The board's existing contracts (\$3,036,000) were for the construction of a new central office building and a cafeteria at an elementary school. The change orders were for the construction of additional classrooms at the county's high school. Therefore, these change orders were not related to the original contracts, but were new projects which should have been competitively bid.

RECOMMENDATION

Competitive bids should be solicited for purchases exceeding \$5,000 as required by state statute.

FINDING 05.08 THE MECHANICAL WARRANT-SIGNING MACHINE'S COUNTER COULD BE RESET
(Internal Control – Reportable Condition Under Government Auditing Standards)

The Board of Education used a mechanical warrant-signing machine to affix the signatures of the director of schools and chairman of the Board of Education. The mechanical counter on the machine could be reset; therefore, we could not ensure that the office accounted for all warrants.

RECOMMENDATION

The mechanical warrant-signing machine should have a counter that cannot be reset to ensure that the total number of warrants processed are accounted for accurately.

OFFICE OF SHERIFF

FINDING 05.09

THE OFFICE HAD A CASH SHORTAGE OF \$1,480.12

(Internal Control – Reportable Condition Under Government Auditing Standards)

The Sheriff's Office had a cash shortage of \$1,480.12 at June 30, 2005, resulting from official receipts exceeding the total of funds deposited to the office bank account. Four receipts totaling \$463.73 were specifically identified by receipt number that had not been accounted for or deposited in the office bank account. The balance of the cash shortage, \$1,016.39, resulted from differences in total collections receipted and amounts deposited to the office bank account that could not be specifically reconciled with specific receipts. The sheriff liquidated this cash shortage with personal funds subsequent to June 30, 2005. We have reviewed this cash shortage with the district attorney general.

RECOMMENDATION

To strengthen internal control over cash collections and deposits, the sheriff should receipt all collections, deposit all collections intact within three days of collection, and disburse all funds by official prenumbered check.

MANAGEMENT'S RESPONSE – SHERIFF

As sheriff of Sequatchie County, I understand that I am ultimately responsible for the actions of all Sheriff's Department employees. While I had no direct contact with the funds in question, I accept responsibility for the cash shortage as the elected representative for this agency and agree to reimburse the county from my personal funds for the loss incurred.

Between January and December 2004, we experienced serious employee turnover in the accounting office at the Sheriff's Department. In fact, there were a total of four separate bookkeepers employed during that 12 month period. As a result, the books were very poorly maintained for most of that year. We discovered that employees failed to make deposits, failed to make appropriate payments to the County Trustee's Office, and failed to properly record data in the cash journal. That was serious misconduct, but did not appear to be conduct of a criminal nature.

While it appeared that no money was actually missing, there were numerous instances where cash had been accepted, then passed directly to a third party instead of being deposited. For instance, two persons were arrested by my staff for warrants issued from Bledsoe County, Tennessee. Officials from Bledsoe County asked that we accept a cash bond for them and forward the cash to the Bledsoe County Sheriff's Office. Cash was accepted and receipted in the official receipt book, but was not deposited. In fact, my deputy took the cash to the county line and gave it to a deputy from Bledsoe County. That, of course, made the receipts total more than the deposits. Another example is that many times cash was accepted and receipted for wrecker companies, then passed directly to the wrecker owner. Again, receipts totaled more than deposits.

While no theft or other crime has occurred, the bookkeeping methods make it appear that cash is missing. As stated previously, I accept responsibility as sheriff for the actions of my employees, and I agree to pay the shortage from my personal funds so the county does not experience any deficit.

The audit recommendations will be followed.

FINDING 05.10 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. and C. Noncompliance Under Government Auditing Standards)

Our examination of accounting records revealed the following deficiencies:

- A. Some receipts and some bank charges were not posted to the office cash journal; therefore, the cash journal did not reflect all financial transactions of the office.
- B. The sheriff did not prepare and file an annual financial report with the county executive and county clerk as required by Section 5-8-505, Tennessee Code Annotated (TCA).
- C. The sheriff collected fees each month; however, the office only remitted the fees to the county trustee in four of the 12 months examined. Also, the sheriff paid miscellaneous operating expenses totaling \$223 directly from the fees collected. Section 8-24-103, TCA, requires all fees collected by the office to be reported and paid to the county trustee monthly, and all expenses of the office to be paid through the county’s General Fund.

RECOMMENDATION

The office cash journal should reflect all financial transactions of the Sheriff’s Department. Also, an annual financial report should be prepared and filed with the county executive and county clerk. Furthermore, all fees collected by the office should be remitted to the county trustee monthly, and all operating expenses should be paid through the county’s General Fund.

MANAGEMENT’S RESPONSE – SHERIFF

I agree with the finding, and the recommendations will be followed. As noted in my response to Finding 05.09, employee turnover and bookkeeping problems contributed to this deficiency.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.11 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The county looked at adopting a centralized system; however the necessary space and funding were not approved. We also received very strong opposition from the public.

REBUTTAL

Establishing a central system of accounting, budgeting, and purchasing would significantly improve internal controls and could lead to decreased costs and improved efficiency.

FINDING 05.12 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among employees in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

Small counties cannot afford more employees. This finding should not be listed because most counties consider it a poor use of taxpayer funds.

MANAGEMENT'S RESPONSE – SHERIFF

This is a completely unrealistic expectation especially in small agencies such as ours. I have no way to comply with this finding, since there is no funding to hire three people to do what a single person can do adequately.

REBUTTAL

Adequately segregated duties do not necessarily translate into more employees and increased costs. Our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

**SEQUATCHIE COUNTY, TENNESSEE, AND THE
SEQUATCHIE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

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

Prior Year – Director of Schools

Finding 04.14 – Sequatchie County officials closely monitored the invoices submitted by the counties in the consortium to ensure that no ineligible expenditures were submitted as matching contributions to receive federal funds.