

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

**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, 2006

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

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Audit Highlights

Annual Financial Report
Sequatchie County, Tennessee
For the Year Ended June 30, 2006

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, 2006.

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 12 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 total appropriations approved by the County Commission in the Drug Control Fund.
- ◆ The office did not provide documentation to support reservations of fund balance in the General Fund and the Drug Control Fund.
- ◆ The salary of one employee was charged to three accounts between two funds without documentation to support the allocations. Supplemental payments to some employees were not made through the county's payroll system.
- ◆ Purchase orders were not issued in some required instances. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. Also, competitive bids were not solicited for the purchase of food for the jail.

- ◆ Inventory records were not maintained for some assets owned by the general county government.
-

OFFICE OF HIGHWAY SUPERVISOR

- ◆ Purchase orders were not issued in some required instances. In some instances, purchase orders were issued after purchases were made or without descriptions and dollar amounts of purchases. Furthermore, in several instances, invoices were paid without documentation that goods had been received or services had been rendered. Also, the office paid some invoices without canceling or marking them paid.
 - ◆ Supervisors did not sign the employees' time sheets or time cards as evidence of review and approval. In some instances, employees did not sign their time sheets or time cards to attest to their accuracy.
 - ◆ A summary of changes to the prior-year county road list was not submitted to the County Commission.
-

OFFICE OF SHERIFF

- ◆ Bank statements were not reconciled with cash journal controls. The official cash journal was not properly maintained. Fees and county revenues 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 Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Sequatchie County Officials

June 30, 2006

Officials

David Barker, County Executive
Roy Johnson, Highway Supervisor
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
Donald 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

September 19, 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, 2006, as shown on pages 15 through 39, 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, 2006, 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, 2006, 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 September 19, 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.

The budgetary comparison information on pages 43 through 49 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, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Sequatchie County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2006

| | Major Funds | | | | | | Nonmajor Funds | Total Govern- mental Funds |
|----------------------------------------------------------------|---------------------|--------------------------------|----------------------|------------------------------|----------------------------|--------------------------------|-------------------------------------|-------------------------------------|
| | General | Solid Waste / Sanitation | Ambulance Service | Highway / Public Works | General Debt Service | General Capital Projects | Other Govern- mental Funds | |
| <u>ASSETS</u> | | | | | | | | |
| Cash | \$ 11,421 | \$ 0 | \$ 548 | \$ 0 | \$ 0 | \$ 0 | \$ 300 | \$ 12,269 |
| Equity in Pooled Cash and Investments | 948,815 | 194,047 | 28,359 | 102,715 | 240,411 | 74,486 | 52,251 | 1,641,084 |
| Accounts Receivable | 0 | 0 | 1,530,083 | 180 | 0 | 0 | 743 | 1,531,006 |
| Allowance for Uncollectibles | 0 | 0 | (610,699) | 0 | 0 | 0 | 0 | (610,699) |
| Due from Other Governments | 53,070 | 17,489 | 0 | 228,166 | 0 | 0 | 179 | 298,904 |
| Due from Other Funds | 1,043 | 0 | 0 | 0 | 0 | 0 | 0 | 1,043 |
| Property Taxes Receivable | 1,554,470 | 342,898 | 0 | 0 | 388,617 | 0 | 0 | 2,285,985 |
| Allowance for Uncollectible Property Taxes | (75,695) | (16,698) | 0 | 0 | (18,924) | 0 | 0 | (111,317) |
| Total Assets | \$ 2,493,124 | \$ 537,736 | \$ 948,291 | \$ 331,061 | \$ 610,104 | \$ 74,486 | \$ 53,473 | \$ 5,048,275 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | | |
| <u>Liabilities</u> | | | | | | | | |
| Accounts Payable | \$ 3,674 | \$ 1,596 | \$ 91 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 5,361 |
| Contracts Payable | 0 | 0 | 0 | 0 | 0 | 34,665 | 0 | 34,665 |
| Retainage Payable | 0 | 0 | 0 | 0 | 0 | 19,454 | 0 | 19,454 |
| Due to Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 1,043 | 1,043 |
| Deferred Revenue - Current Property Taxes | 1,424,761 | 314,285 | 0 | 0 | 356,190 | 0 | 0 | 2,095,236 |
| Deferred Revenue - Delinquent Property Taxes | 47,609 | 10,502 | 0 | 0 | 11,902 | 0 | 0 | 70,013 |
| Other Deferred Revenues | 15,000 | 0 | 880,994 | 113,762 | 0 | 0 | 0 | 1,009,756 |
| Total Liabilities | \$ 1,491,044 | \$ 326,383 | \$ 881,085 | \$ 113,762 | \$ 368,092 | \$ 54,119 | \$ 1,043 | \$ 3,235,528 |
| <u>Fund Balances</u> | | | | | | | | |
| Reserved for Encumbrances | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 4,185 | \$ 0 | \$ 4,185 |
| Reserved for Purchase of Electronic Fingerprint Imaging System | 0 | 0 | 0 | 0 | 0 | 0 | 8,966 | 8,966 |
| Reserved for Alcohol and Drug Treatment | 5,818 | 0 | 0 | 0 | 0 | 0 | 0 | 5,818 |
| Reserved for Computer System - Register | 25,477 | 0 | 0 | 0 | 0 | 0 | 0 | 25,477 |
| Reserved for Automation Purposes - Circuit Court | 1,263 | 0 | 0 | 0 | 0 | 0 | 0 | 1,263 |
| Reserved for Automation Purposes - General Sessions Court | 7,986 | 0 | 0 | 0 | 0 | 0 | 0 | 7,986 |
| Reserved for Automation Purposes - Chancery Court | 430 | 0 | 0 | 0 | 0 | 0 | 0 | 430 |

(Continued)

Exhibit A

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

| | Major Funds | | | | | | Nonmajor | Total |
|----------------------------------------------|---------------------|--------------------------------|----------------------|------------------------------|----------------------------|--------------------------------|-------------------------------------|---------------------|
| | General | Solid Waste / Sanitation | Ambulance Service | 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 | \$ 5,284 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 5,284 |
| Reserved for State Reappraisal Grant | 7,601 | 0 | 0 | 0 | 0 | 0 | 0 | 7,601 |
| Reserved for Capital Outlay | 148,576 | 0 | 0 | 0 | 0 | 0 | 0 | 148,576 |
| Other Federal Reserves | 75,421 | 0 | 0 | 0 | 0 | 0 | 0 | 75,421 |
| Unreserved, Reported In: | | | | | | | | |
| General Fund | 724,224 | 0 | 0 | 0 | 0 | 0 | 0 | 724,224 |
| Special Revenue Funds | 0 | 211,353 | 67,206 | 217,299 | 0 | 0 | 43,464 | 539,322 |
| Debt Service Funds | 0 | 0 | 0 | 0 | 242,012 | 0 | 0 | 242,012 |
| Capital Projects Funds | 0 | 0 | 0 | 0 | 0 | 16,182 | 0 | 16,182 |
| Total Fund Balances | <u>\$ 1,002,080</u> | <u>\$ 211,353</u> | <u>\$ 67,206</u> | <u>\$ 217,299</u> | <u>\$ 242,012</u> | <u>\$ 20,367</u> | <u>\$ 52,430</u> | <u>\$ 1,812,747</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,493,124</u> | <u>\$ 537,736</u> | <u>\$ 948,291</u> | <u>\$ 331,061</u> | <u>\$ 610,104</u> | <u>\$ 74,486</u> | <u>\$ 53,473</u> | <u>\$ 5,048,275</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, 2006

| | Major Funds | | | | | | Nonmajor Funds | Total Governmental Funds |
|------------------------------------------------------|--------------|--------------------------------|----------------------|------------------------------|----------------------------|--------------------------------|-------------------------------------|--------------------------------|
| | General | Solid Waste / Sanitation | Ambulance Service | Highway / Public Works | General Debt Service | General Capital Projects | Other Govern- mental Funds | |
| <u>Revenues</u> | | | | | | | | |
| Local Taxes | \$ 1,851,631 | \$ 324,729 | \$ 0 | \$ 0 | \$ 369,123 | \$ 0 | \$ 18,864 | \$ 2,564,347 |
| Licenses and Permits | 18,730 | 0 | 0 | 0 | 0 | 0 | 0 | 18,730 |
| Fines, Forfeitures, and Penalties | 56,011 | 200 | 0 | 0 | 0 | 0 | 24,515 | 80,726 |
| Charges for Current Services | 17,033 | 0 | 552,885 | 0 | 0 | 0 | 6,370 | 576,288 |
| Other Local Revenues | 108,179 | 26,061 | 0 | 11,685 | 189,362 | 2 | 400 | 335,689 |
| Fees Received from County Officials | 598,737 | 0 | 0 | 0 | 0 | 0 | 0 | 598,737 |
| State of Tennessee | 397,512 | 58,793 | 0 | 1,515,388 | 16,866 | 0 | 1,965 | 1,990,524 |
| Federal Government | 438,555 | 0 | 0 | 0 | 0 | 0 | 0 | 438,555 |
| Other Governments and Citizens Groups | 29,254 | 0 | 0 | 0 | 0 | 0 | 0 | 29,254 |
| Total Revenues | \$ 3,515,642 | \$ 409,783 | \$ 552,885 | \$ 1,527,073 | \$ 575,351 | \$ 2 | \$ 52,114 | \$ 6,632,850 |
| <u>Expenditures</u> | | | | | | | | |
| Current: | | | | | | | | |
| General Government | \$ 530,659 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 17,629 | \$ 548,288 |
| Finance | 364,427 | 0 | 0 | 0 | 0 | 0 | 6,367 | 370,794 |
| Administration of Justice | 332,788 | 0 | 0 | 0 | 0 | 0 | 3 | 332,791 |
| Public Safety | 1,452,405 | 0 | 0 | 0 | 0 | 0 | 51,482 | 1,503,887 |
| Public Health and Welfare | 56,387 | 286,982 | 609,693 | 0 | 0 | 0 | 0 | 953,062 |
| Social, Cultural, and Recreational Services | 115,757 | 0 | 0 | 0 | 0 | 0 | 0 | 115,757 |
| Agricultural and Natural Resources | 53,866 | 0 | 0 | 0 | 0 | 0 | 0 | 53,866 |
| Other Operations | 378,042 | 25,209 | 0 | 0 | 0 | 0 | 329,924 | 733,175 |
| Highways | 0 | 0 | 0 | 1,807,945 | 0 | 0 | 0 | 1,807,945 |
| Debt Service: | | | | | | | | |
| Principal on Debt | 8,032 | 0 | 0 | 0 | 347,806 | 0 | 0 | 355,838 |
| Interest on Debt | 0 | 0 | 0 | 0 | 192,639 | 0 | 0 | 192,639 |
| Other Debt Service | 0 | 0 | 0 | 0 | 9,088 | 0 | 0 | 9,088 |
| Capital Projects | 0 | 0 | 0 | 0 | 0 | 3,925,790 | 0 | 3,925,790 |
| Total Expenditures | \$ 3,292,363 | \$ 312,191 | \$ 609,693 | \$ 1,807,945 | \$ 549,533 | \$ 3,925,790 | \$ 405,405 | \$ 10,902,920 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 223,279 | \$ 97,592 | \$ (56,808) | \$ (280,872) | \$ 25,818 | \$ (3,925,788) | \$ (353,291) | \$ (4,270,070) |
| <u>Other Financing Sources (Uses)</u> | | | | | | | | |
| Capital Leases Issued | \$ 22,758 | \$ 0 | \$ 62,725 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 85,483 |
| Other Loans Issued | 0 | 0 | 0 | 0 | 0 | 4,313,557 | 0 | 4,313,557 |

(Continued)

Exhibit B

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

| | Major Funds | | | | | | Nonmajor Funds | Total Governmental Funds |
|-----------------------------------------------|--------------|--------------------------------|----------------------|------------------------------|----------------------------|--------------------------------|-------------------------------------|--------------------------------|
| | General | Solid Waste / Sanitation | Ambulance Service | Highway / Public Works | General Debt Service | General Capital Projects | Other Govern- mental Funds | |
| <u>Other Financing Sources (Uses) (Cont.)</u> | | | | | | | | |
| Transfers In | \$ 0 | \$ 0 | \$ 20,000 | \$ 0 | \$ 0 | \$ 300,000 | \$ 0 | \$ 320,000 |
| Transfers Out | (20,000) | 0 | 0 | 0 | (300,000) | 0 | 0 | (320,000) |
| Total Other Financing Sources (Uses) | \$ 2,758 | \$ 0 | \$ 82,725 | \$ 0 | \$ (300,000) | \$ 4,613,557 | \$ 0 | \$ 4,399,040 |
| Net Change in Fund Balances | \$ 226,037 | \$ 97,592 | \$ 25,917 | \$ (280,872) | \$ (274,182) | \$ 687,769 | \$ (353,291) | \$ 128,970 |
| Fund Balance, July 1, 2005 | 776,043 | 113,761 | 41,289 | 498,171 | 516,194 | (667,402) | 405,721 | 1,683,777 |
| Fund Balance, June 30, 2006 | \$ 1,002,080 | \$ 211,353 | \$ 67,206 | \$ 217,299 | \$ 242,012 | \$ 20,367 | \$ 52,430 | \$ 1,812,747 |

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, 2006

| | <u>Agency Funds</u> |
|-------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 699,351 |
| Due from Other Governments | <u>45,427</u> |
| Total Assets | <u>\$ 744,778</u> |
| <u>LIABILITIES</u> | |
| Due to Other Taxing Units | \$ 45,427 |
| Due to Litigants, Heirs, and Others | <u>699,351</u> |
| Total Liabilities | <u>\$ 744,778</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, 2006

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, the county does not have any 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.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized

when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

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

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. Most income from these pooled investments is assigned to the General Purpose School Fund, the General Fund, and the General Debt Service Fund. 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. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 2.66 percent of total taxes levied.

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

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

an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

Retainage payable 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, except for the Highway Department, does not allow for the accumulation of unused vacation and sick leave days beyond year-end.

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

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

6. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded the total appropriations approved by the County Commission by \$18,702 in the Drug Control Fund (a nonmajor special revenue fund).

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues and available fund balance.

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 represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts

are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, 2006, 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>\$ 3,729,154</u> |
| Total | | <u><u>\$ 3,729,154</u></u> |

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Sequatchie County has no

investment policy that would further limit its investment choices. As of June 30, 2006, Sequatchie County's investment in the State Treasurer's Investment Pool was unrated.

B. Construction Commitments

At June 30, 2006, Sequatchie County had uncompleted construction commitments of \$4,185 for a justice center construction project. Funding has been received for these future expenditures.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|------------------------|-----------------------|---------------|
| General | Nonmajor governmental | \$ 1,043 |

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, 2006, consisted of the following amounts:

| <u>Transfers Out</u> | <u>Transfers In</u> | |
|---------------------------|------------------------------|----------------------------------------|
| | Ambulance Service Fund | General Capital Projects Fund |
| General Fund | \$ 20,000 | \$ 0 |
| General Debt Service Fund | 0 | 300,000 |
| Total | <u>\$ 20,000</u> | <u>\$ 300,000</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.

The county made a one-time transfer of \$300,000 from the General Fund to the General Capital Projects Fund to complete the justice center building project.

D. Capital Leases

On July 1, 2005, Sequatchie County entered into a three-year lease-purchase agreement for a patrol car for the Sheriff's Department. The terms of the agreement require total lease payments of \$22,758 plus interest of six percent. Title to the patrol car transfers to Sequatchie County at the end of the lease period. The lease payments are made by the General Fund.

On August 16, 2005, Sequatchie County entered into a four-year lease-purchase agreement for an ambulance. The terms of the agreement require total lease payments of \$62,725 plus interest of 4.89 percent. Title to the ambulance transfers to Sequatchie County at the end of the lease period. The General Debt Service Fund is making the lease payments.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

| <u>Year Ending June 30</u> | <u>Governmental Funds</u> |
|------------------------------------------------|-------------------------------|
| 2007 | \$ 25,676 |
| 2008 | 25,676 |
| 2009 | <u>17,644</u> |
| Total Minimum Lease Payments | \$ 68,996 |
| Amount Representing Interest | <u>(6,122)</u> |
| Present Value of Minimum Lease Payments | <u>\$ 62,874</u> |

E. 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.

Notes and Other Loans

The county issues 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.

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, 2006, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

| Type | Interest Rate | Original Amount of Issue | Balance 6-30-06 |
|----------------------|------------------|--------------------------------|--------------------|
| Capital Outlay Notes | 2.103 % | \$ 171,000 | \$ 58,090 |
| Other Loans | variable | 6,500,000 | 6,340,000 |
| Capital Leases | 4.89 to 6 | 85,483 | 62,874 |

In prior years, Sequatchie County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$6,500,000 to Sequatchie County for construction of a justice center. 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, 2006, the variable interest rate was 3.7 percent, and other fees amounted to approximately .25 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, 2006, including interest payments and other fees, are presented in the table on page 33:

| Year Ending June 30 | Notes | |
|------------------------|-----------|----------|
| | Principal | Interest |
| 2007 | \$ 58,090 | \$ 1,324 |
| Total | \$ 58,090 | \$ 1,324 |

| Year Ending June 30 | Other Loan (\$6,500,000) | | | Total |
|------------------------|--------------------------|--------------|------------|---------------|
| | Principal | Interest | Other Fees | |
| 2007 | \$ 165,000 | \$ 234,580 | \$ 22,122 | \$ 421,702 |
| 2008 | 169,000 | 228,475 | 21,577 | 419,052 |
| 2009 | 174,000 | 222,222 | 21,020 | 417,242 |
| 2010 | 180,000 | 215,784 | 20,446 | 416,230 |
| 2011 | 185,000 | 209,124 | 19,852 | 413,976 |
| 2012-2016 | 1,012,000 | 938,727 | 89,724 | 2,040,451 |
| 2017-2021 | 1,174,000 | 739,889 | 71,990 | 1,985,879 |
| 2022-2026 | 1,360,000 | 545,602 | 53,071 | 1,958,673 |
| 2027-2031 | 1,577,000 | 444,407 | 42,092 | 2,063,499 |
| 2032 | 344,000 | 74,222 | 7,160 | 425,382 |
| Total | \$ 6,340,000 | \$ 3,853,032 | \$ 369,054 | \$ 10,562,086 |

There is \$242,012 available in the General Debt Service Fund to service long-term debt. Total debt per capita, including notes, other loans, and capital leases amounted to \$568, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

| Governmental Activities: | | | |
|-----------------------------|------------|----------------|-------------------|
| | Notes | Other Loans | Capital Leases |
| Balance, July 1, 2005 | \$ 231,319 | \$ 2,186,443 | \$ 0 |
| Additions | 0 | 4,313,557 | 85,483 |
| Deductions | (173,229) | (160,000) | (22,609) |
| Balance, June 30, 2006 | \$ 58,090 | \$ 6,340,000 | \$ 62,874 |
| Balance Due Within One Year | \$ 58,090 | \$ 165,000 | \$ 22,439 |

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, 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 Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of

Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Sequatchie County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Sequatchie County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Sequatchie County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Sequatchie County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Sequatchie County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Sequatchie County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Transfer of Fund Assets

Sequatchie County has maintained a Community Development/Industrial Park Fund which was used to account for the financial activities of a loan program administered by the Southeast Tennessee Development District. On June 19, 2006, the Sequatchie County Commission voted to transfer, to Southeast Tennessee Development District, the cash balance of \$329,745 of the Community Development/Industrial Park Fund and five outstanding loans totaling \$22,391.

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. Subsequent Events

On August 31, 2006, Roy Johnson retired from the Office of Highway Supervisor and was succeeded by Ardell Johnson. On September 5, 2006, Ardell Johnson resigned from the Office of Highway Supervisor. On September 6, 2006, the county executive appointed Ray Johnson to serve as Highway Supervisor until the County Commission could appoint an interim Supervisor. On September 18, 2006, the County Commission appointed Roy Johnson to serve as Highway Supervisor until the general election on November 7, 2006.

F. 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 did not contribute to the operation of the board during the year examined. 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, 2006, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

G. 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, 2006, 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, 2006, Sequatchie County's annual pension cost of \$192,363 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 | \$192,363 | 100% | \$0 |
| 6-30-05 | 176,995 | 100 | 0 |
| 6-30-04 | 109,006 | 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) |
|--------------------------------|----------------------------------------|---------------------------------------------------|----------------------------------------|--------------------------|---------------------------|---------------------------------------------------------------|
| 6-30-05 | \$8,224 | \$8,224 | \$0 | 100% | \$3,661 | 0% |
| 6-30-03 | 7,440 | 7,440 | 0 | 100 | 2,769 | 0 |
| 6-30-01 | 6,883 | 6,883 | 0 | 100 | 2,711 | 0 |

H. Purchasing Laws

Office of County Executive

Purchasing procedures for the Sequatchie County Executive's Office are governed by the County Purchasing Law of 1983, Section 5-14-201, Tennessee Code Annotated, (TCA). This act provides for all purchases exceeding \$5,000 (excluding emergency purchases) to be based on competitive bids solicited through newspaper advertisement.

Office of Highway Supervisor

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 and Budget
General Fund
For the Year Ended June 30, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|---------------------|---------------------|---------------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 1,851,631 | \$ 1,752,912 | \$ 1,752,912 | \$ 98,719 |
| Licenses and Permits | 18,730 | 19,140 | 19,140 | (410) |
| Fines, Forfeitures, and Penalties | 56,011 | 51,230 | 51,230 | 4,781 |
| Charges for Current Services | 17,033 | 21,200 | 21,200 | (4,167) |
| Other Local Revenues | 108,179 | 96,300 | 96,300 | 11,879 |
| Fees Received from County Officials | 598,737 | 543,000 | 543,000 | 55,737 |
| State of Tennessee | 397,512 | 328,402 | 328,402 | 69,110 |
| Federal Government | 438,555 | 42,000 | 42,000 | 396,555 |
| Other Governments and Citizens Groups | 29,254 | 15,920 | 15,920 | 13,334 |
| Total Revenues | \$ 3,515,642 | \$ 2,870,104 | \$ 2,870,104 | \$ 645,538 |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| County Commission | \$ 119,618 | \$ 120,354 | \$ 121,004 | \$ 1,386 |
| Board of Equalization | 1,036 | 3,400 | 3,400 | 2,364 |
| Beer Board | 795 | 305 | 1,180 | 385 |
| Budget and Finance Committee | 2,500 | 2,500 | 2,500 | 0 |
| County Mayor/Executive | 114,741 | 111,928 | 116,623 | 1,882 |
| County Attorney | 7,800 | 7,800 | 7,800 | 0 |
| Election Commission | 49,392 | 69,588 | 69,588 | 20,196 |
| Register of Deeds | 98,324 | 98,928 | 99,288 | 964 |
| County Buildings | 136,453 | 130,040 | 151,137 | 14,684 |
| <u>Finance</u> | | | | |
| Property Assessor's Office | 113,784 | 113,494 | 114,180 | 396 |
| Reappraisal Program | 8,272 | 6,211 | 9,211 | 939 |
| County Trustee's Office | 97,444 | 92,830 | 101,870 | 4,426 |
| County Clerk's Office | 144,927 | 138,664 | 146,233 | 1,306 |
| <u>Administration of Justice</u> | | | | |
| Circuit Court | 140,711 | 125,497 | 140,730 | 19 |
| General Sessions Court | 59,695 | 60,108 | 60,108 | 413 |
| Chancery Court | 67,723 | 66,146 | 67,936 | 213 |
| Juvenile Court | 52,299 | 48,076 | 59,076 | 6,777 |
| Judicial Commissioners | 12,360 | 12,360 | 12,360 | 0 |
| <u>Public Safety</u> | | | | |
| Sheriff's Department | 514,464 | 476,646 | 550,109 | 35,645 |
| Jail | 544,919 | 355,180 | 557,965 | 13,046 |
| Fire Prevention and Control | 22,000 | 22,000 | 22,000 | 0 |
| Rescue Squad | 2,500 | 2,500 | 2,500 | 0 |
| Other Emergency Management | 107,731 | 30,480 | 110,480 | 2,749 |
| County Coroner/Medical Examiner | 6,412 | 6,800 | 6,800 | 388 |
| Public Safety Grant Programs | 254,379 | 0 | 329,800 | 75,421 |
| <u>Public Health and Welfare</u> | | | | |
| Local Health Center | 51,979 | 72,695 | 72,695 | 20,716 |

(Continued)

Exhibit D-1

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

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|----------------------------------------------------|--------------|------------------|--------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Expenditures (Cont.)</u> | | | | |
| <u>Public Health and Welfare (Cont.)</u> | | | | |
| Crippled Children Services | \$ 1,026 | \$ 1,026 | \$ 1,026 | \$ 0 |
| Appropriation to State | 3,382 | 19,032 | 19,032 | 15,650 |
| <u>Social, Cultural, and Recreational Services</u> | | | | |
| Senior Citizens Assistance | 7,000 | 7,000 | 7,000 | 0 |
| Libraries | 67,736 | 66,335 | 67,835 | 99 |
| Parks and Fair Boards | 38,521 | 38,540 | 38,540 | 19 |
| Other Social, Cultural, and Recreational | 2,500 | 2,500 | 2,500 | 0 |
| <u>Agriculture & Natural Resources</u> | | | | |
| Agriculture Extension Service | 45,350 | 46,029 | 46,029 | 679 |
| Soil Conservation | 8,516 | 8,516 | 8,516 | 0 |
| <u>Other Operations</u> | | | | |
| Tourism | 10,500 | 10,500 | 10,500 | 0 |
| Industrial Development | 666 | 700 | 700 | 34 |
| Other Economic and Community Development | 64,800 | 75,000 | 75,000 | 10,200 |
| Veterans' Services | 5,414 | 7,378 | 7,378 | 1,964 |
| Other Charges | 66,431 | 59,832 | 65,913 | (518) |
| Employee Benefits | 230,231 | 220,900 | 231,759 | 1,528 |
| <u>Principal on Debt</u> | | | | |
| General Government | 8,032 | 0 | 8,032 | 0 |
| Total Expenditures | \$ 3,292,363 | \$ 2,737,818 | \$ 3,526,333 | \$ 233,970 |
| Excess (Deficiency) of Revenues | | | | |
| Over Expenditures | \$ 223,279 | \$ 132,286 | \$ (656,229) | \$ 879,508 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Capital Leases Issued | \$ 22,758 | \$ 0 | \$ 22,758 | \$ 0 |
| Transfers Out | (20,000) | (105,000) | (105,000) | 85,000 |
| Total Other Financing Sources (Uses) | \$ 2,758 | \$ (105,000) | \$ (82,242) | \$ 85,000 |
| Net Change in Fund Balance | | | | |
| Fund Balance, July 1, 2005 | \$ 776,043 | \$ 778,727 | \$ 778,727 | \$ (2,684) |
| Fund Balance, June 30, 2006 | \$ 1,002,080 | \$ 806,013 | \$ 40,256 | \$ 961,824 |

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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------------------|-------------------|-------------------|-------------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 324,729 | \$ 298,915 | \$ 298,915 | \$ 25,814 |
| Fines, Forfeitures, and Penalties | 200 | 0 | 0 | 200 |
| Charges for Current Services | 0 | 10 | 10 | (10) |
| Other Local Revenues | 26,061 | 59,600 | 59,600 | (33,539) |
| State of Tennessee | 58,793 | 41,037 | 41,037 | 17,756 |
| Total Revenues | <u>\$ 409,783</u> | <u>\$ 399,562</u> | <u>\$ 399,562</u> | <u>\$ 10,221</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Sanitation Education/Information | \$ 28,440 | \$ 29,237 | \$ 29,237 | \$ 797 |
| Waste Pickup | 53,111 | 71,042 | 71,042 | 17,931 |
| Convenience Centers | 87,454 | 92,940 | 92,940 | 5,486 |
| Other Waste Collection | 117,977 | 115,000 | 118,500 | 523 |
| Landfill Operation and Maintenance | 0 | 4,200 | 4,200 | 4,200 |
| <u>Other Operations</u> | | | | |
| Other Charges | 6,455 | 5,600 | 6,700 | 245 |
| Employee Benefits | 18,754 | 19,300 | 19,300 | 546 |
| Total Expenditures | <u>\$ 312,191</u> | <u>\$ 337,319</u> | <u>\$ 341,919</u> | <u>\$ 29,728</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 97,592</u> | <u>\$ 62,243</u> | <u>\$ 57,643</u> | <u>\$ 39,949</u> |
| Net Change in Fund Balance | \$ 97,592 | \$ 62,243 | \$ 57,643 | \$ 39,949 |
| Fund Balance, July 1, 2005 | <u>113,761</u> | <u>125,309</u> | <u>125,309</u> | <u>(11,548)</u> |
| Fund Balance, June 30, 2006 | <u>\$ 211,353</u> | <u>\$ 187,552</u> | <u>\$ 182,952</u> | <u>\$ 28,401</u> |

Exhibit D-3

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------------------|-------------|------------------|--------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Charges for Current Services | \$ 552,885 | \$ 460,000 | \$ 460,000 | \$ 92,885 |
| Total Revenues | \$ 552,885 | \$ 460,000 | \$ 460,000 | \$ 92,885 |
| <u>Expenditures</u> | | | | |
| <u>Public Health and Welfare</u> | | | | |
| Ambulance/Emergency Medical Services | \$ 609,693 | \$ 574,545 | \$ 637,270 | \$ 27,577 |
| Total Expenditures | \$ 609,693 | \$ 574,545 | \$ 637,270 | \$ 27,577 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (56,808) | \$ (114,545) | \$ (177,270) | \$ 120,462 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Capital Leases Issued | \$ 62,725 | \$ 0 | \$ 62,725 | \$ 0 |
| Transfers In | 20,000 | 105,000 | 105,000 | (85,000) |
| Total Other Financing Sources (Uses) | \$ 82,725 | \$ 105,000 | \$ 167,725 | \$ (85,000) |
| Net Change in Fund Balance | \$ 25,917 | \$ (9,545) | \$ (9,545) | \$ 35,462 |
| Fund Balance, July 1, 2005 | 41,289 | 34,318 | 34,318 | 6,971 |
| Fund Balance, June 30, 2006 | \$ 67,206 | \$ 24,773 | \$ 24,773 | \$ 42,433 |

Exhibit D-4

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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------------------|---------------------|---------------------|---------------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Other Local Revenues | \$ 11,685 | \$ 16,500 | \$ 23,291 | \$ (11,606) |
| State of Tennessee | 1,515,388 | 1,692,805 | 1,793,530 | (278,142) |
| Total Revenues | <u>\$ 1,527,073</u> | <u>\$ 1,709,305</u> | <u>\$ 1,816,821</u> | <u>\$ (289,748)</u> |
| <u>Expenditures</u> | | | | |
| <u>Highways</u> | | | | |
| Administration | \$ 124,084 | \$ 114,989 | \$ 125,845 | \$ 1,761 |
| Highway and Bridge Maintenance | 1,017,383 | 575,005 | 1,029,117 | 11,734 |
| Operation and Maintenance of Equipment | 197,241 | 212,593 | 199,318 | 2,077 |
| Other Charges | 43,865 | 50,300 | 46,400 | 2,535 |
| Employee Benefits | 217,929 | 189,600 | 218,630 | 701 |
| Capital Outlay | 207,443 | 507,119 | 208,319 | 876 |
| Total Expenditures | <u>\$ 1,807,945</u> | <u>\$ 1,649,606</u> | <u>\$ 1,827,629</u> | <u>\$ 19,684</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (280,872)</u> | <u>\$ 59,699</u> | <u>\$ (10,808)</u> | <u>\$ (270,064)</u> |
| Net Change in Fund Balance | \$ (280,872) | \$ 59,699 | \$ (10,808) | \$ (270,064) |
| Fund Balance, July 1, 2005 | <u>498,171</u> | <u>402,862</u> | <u>402,862</u> | <u>95,309</u> |
| Fund Balance, June 30, 2006 | <u>\$ 217,299</u> | <u>\$ 462,561</u> | <u>\$ 392,054</u> | <u>\$ (174,755)</u> |

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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 Mayor/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 schedule.

**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.

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, 2006

| | <u>Special Revenue Funds</u> | | | |
|----------------------------------------------------------------|---------------------------------------|------------------|--------------------------------------------|--------------------------------------------|
| | Courthouse and Jail Maintenance | Drug Control | Constitu - tional Officers - Fees | Total Nonmajor Governmental Funds |
| <u>ASSETS</u> | | | | |
| Cash | \$ 0 | \$ 0 | \$ 300 | \$ 300 |
| Equity in Pooled Cash and Investments | 29,186 | 23,065 | 0 | 52,251 |
| Accounts Receivable | 0 | 0 | 743 | 743 |
| Due from Other Governments | 0 | 179 | 0 | 179 |
| Total Assets | <u>\$ 29,186</u> | <u>\$ 23,244</u> | <u>\$ 1,043</u> | <u>\$ 53,473</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | |
| <u>Liabilities</u> | | | | |
| Due to Other Funds | \$ 0 | \$ 0 | \$ 1,043 | \$ 1,043 |
| Total Liabilities | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 1,043</u> | <u>\$ 1,043</u> |
| <u>Fund Balances</u> | | | | |
| Reserved for Purchase of Electronic Fingerprint Imaging System | \$ 0 | \$ 8,966 | \$ 0 | \$ 8,966 |
| Unreserved | 29,186 | 14,278 | 0 | 43,464 |
| Total Fund Balances | <u>\$ 29,186</u> | <u>\$ 23,244</u> | <u>\$ 0</u> | <u>\$ 52,430</u> |
| Total Liabilities and Fund Balances | <u>\$ 29,186</u> | <u>\$ 23,244</u> | <u>\$ 1,043</u> | <u>\$ 53,473</u> |

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, 2006

| | Special Revenue Funds | | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|------------------------------------------------------|---------------------------------------|--------------------|--------------------------------------------|--------------------|-------------------------------------------------|--------------------------------------------|
| | Courthouse and Jail Maintenance | Drug Control | Constitu - tional Officers - Fees | Total | Community Development/ Industrial Park | |
| <u>Revenues</u> | | | | | | |
| Local Taxes | \$ 18,864 | \$ 0 | \$ 0 | \$ 18,864 | \$ 0 | \$ 18,864 |
| Fines, Forfeitures, and Penalties | 0 | 24,515 | 0 | 24,515 | 0 | 24,515 |
| Charges for Current Services | 0 | 0 | 6,370 | 6,370 | 0 | 6,370 |
| Other Local Revenues | 0 | 400 | 0 | 400 | 0 | 400 |
| State of Tennessee | 0 | 1,965 | 0 | 1,965 | 0 | 1,965 |
| Total Revenues | <u>\$ 18,864</u> | <u>\$ 26,880</u> | <u>\$ 6,370</u> | <u>\$ 52,114</u> | <u>\$ 0</u> | <u>\$ 52,114</u> |
| <u>Expenditures</u> | | | | | | |
| Current: | | | | | | |
| General Government | \$ 17,629 | \$ 0 | \$ 0 | \$ 17,629 | \$ 0 | \$ 17,629 |
| Finance | 0 | 0 | 6,367 | 6,367 | 0 | 6,367 |
| Administration of Justice | 0 | 0 | 3 | 3 | 0 | 3 |
| Public Safety | 0 | 51,482 | 0 | 51,482 | 0 | 51,482 |
| Other Operations | 179 | 0 | 0 | 179 | 329,745 | 329,924 |
| Total Expenditures | <u>\$ 17,808</u> | <u>\$ 51,482</u> | <u>\$ 6,370</u> | <u>\$ 75,660</u> | <u>\$ 329,745</u> | <u>\$ 405,405</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 1,056</u> | <u>\$ (24,602)</u> | <u>\$ 0</u> | <u>\$ (23,546)</u> | <u>\$ (329,745)</u> | <u>\$ (353,291)</u> |
| Net Change in Fund Balances | \$ 1,056 | \$ (24,602) | \$ 0 | \$ (23,546) | \$ (329,745) | \$ (353,291) |
| Fund Balance, July 1, 2005 | 28,130 | 47,846 | 0 | 75,976 | 329,745 | 405,721 |
| Fund Balance, June 30, 2006 | <u>\$ 29,186</u> | <u>\$ 23,244</u> | <u>\$ 0</u> | <u>\$ 52,430</u> | <u>\$ 0</u> | <u>\$ 52,430</u> |

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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------------------|-----------|------------------|------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 18,864 | \$ 17,213 | \$ 17,213 | \$ 1,651 |
| Total Revenues | \$ 18,864 | \$ 17,213 | \$ 17,213 | \$ 1,651 |
| <u>Expenditures</u> | | | | |
| <u>General Government</u> | | | | |
| County Buildings | \$ 17,629 | \$ 16,000 | \$ 18,000 | \$ 371 |
| <u>Other Operations</u> | | | | |
| Other Charges | 179 | 250 | 250 | 71 |
| Total Expenditures | \$ 17,808 | \$ 16,250 | \$ 18,250 | \$ 442 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 1,056 | \$ 963 | \$ (1,037) | \$ 2,093 |
| Net Change in Fund Balance | \$ 1,056 | \$ 963 | \$ (1,037) | \$ 2,093 |
| Fund Balance, July 1, 2005 | 28,130 | 29,168 | 29,168 | (1,038) |
| Fund Balance, June 30, 2006 | \$ 29,186 | \$ 30,131 | \$ 28,131 | \$ 1,055 |

Exhibit E-4

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|------------------------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Fines, Forfeitures, and Penalties | \$ 24,515 | \$ 2,050 | \$ 2,050 | \$ 22,465 |
| Other Local Revenues | 400 | 0 | 0 | 400 |
| State of Tennessee | 1,965 | 0 | 0 | 1,965 |
| Total Revenues | <u>\$ 26,880</u> | <u>\$ 2,050</u> | <u>\$ 2,050</u> | <u>\$ 24,830</u> |
| <u>Expenditures</u> | | | | |
| <u>Public Safety</u> | | | | |
| Sheriff's Department | \$ 0 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| Drug Enforcement | 51,482 | 26,780 | 31,280 | (20,202) |
| Total Expenditures | <u>\$ 51,482</u> | <u>\$ 28,280</u> | <u>\$ 32,780</u> | <u>\$ (18,702)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (24,602)</u> | <u>\$ (26,230)</u> | <u>\$ (30,730)</u> | <u>\$ 6,128</u> |
| Net Change in Fund Balance | \$ (24,602) | \$ (26,230) | \$ (30,730) | \$ 6,128 |
| Fund Balance, July 1, 2005 | <u>47,846</u> | <u>69,142</u> | <u>69,142</u> | <u>(21,296)</u> |
| Fund Balance, June 30, 2006 | <u><u>\$ 23,244</u></u> | <u><u>\$ 42,912</u></u> | <u><u>\$ 38,412</u></u> | <u><u>\$ (15,168)</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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|------------------------------------------------------|---------------------|---------------------|---------------------|--------------------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 369,123 | \$ 333,078 | \$ 333,078 | \$ 36,045 |
| Other Local Revenues | 189,362 | 170,450 | 170,450 | 18,912 |
| State of Tennessee | 16,866 | 11,800 | 11,800 | 5,066 |
| Total Revenues | <u>\$ 575,351</u> | <u>\$ 515,328</u> | <u>\$ 515,328</u> | <u>\$ 60,023</u> |
| <u>Expenditures</u> | | | | |
| <u>Principal on Debt</u> | | | | |
| General Government | \$ 347,806 | \$ 242,858 | \$ 358,481 | \$ 10,675 |
| <u>Interest on Debt</u> | | | | |
| General Government | 192,639 | 207,440 | 214,297 | 21,658 |
| <u>Other Debt Service</u> | | | | |
| General Government | 9,088 | 0 | 10,000 | 912 |
| Total Expenditures | <u>\$ 549,533</u> | <u>\$ 450,298</u> | <u>\$ 582,778</u> | <u>\$ 33,245</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 25,818</u> | <u>\$ 65,030</u> | <u>\$ (67,450)</u> | <u>\$ 93,268</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers Out | \$ (300,000) | \$ 0 | \$ (300,000) | \$ 0 |
| Total Other Financing Sources (Uses) | <u>\$ (300,000)</u> | <u>\$ 0</u> | <u>\$ (300,000)</u> | <u>\$ 0</u> |
| Net Change in Fund Balance | \$ (274,182) | \$ 65,030 | \$ (367,450) | \$ 93,268 |
| Fund Balance, July 1, 2005 | 516,194 | 1,045,207 | 1,045,207 | (529,013) |
| Fund Balance, June 30, 2006 | <u>\$ 242,012</u> | <u>\$ 1,110,237</u> | <u>\$ 677,757</u> | <u>\$ (435,745)</u> |

Exhibit G-1

Sequatchie County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

| | <u>Agency Funds</u> | | |
|-------------------------------------|--------------------------|---------------------------------------------|-------------------|
| | Cities - Sales Tax | Constitu- tional Officers - Agency | Total |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 699,351 | \$ 699,351 |
| Due from Other Governments | 45,427 | 0 | 45,427 |
| Total Assets | <u>\$ 45,427</u> | <u>\$ 699,351</u> | <u>\$ 744,778</u> |
| <u>LIABILITIES</u> | | | |
| Due to Other Taxing Units | \$ 45,427 | \$ 0 | \$ 45,427 |
| Due to Litigants, Heirs, and Others | 0 | 699,351 | 699,351 |
| Total Liabilities | <u>\$ 45,427</u> | <u>\$ 699,351</u> | <u>\$ 744,778</u> |

Exhibit G-2

Sequatchie County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2006

| | Beginning Balance | Additions | Deductions | Ending Balance |
|----------------------------------------------|----------------------|--------------|--------------|-------------------|
| <u>Cities - Sales Tax Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 279,245 | \$ 279,245 | \$ 0 |
| Due From Other Governments | 47,637 | 45,427 | 47,637 | 45,427 |
| Total Assets | \$ 47,637 | \$ 324,672 | \$ 326,882 | \$ 45,427 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 47,637 | \$ 324,672 | \$ 326,882 | \$ 45,427 |
| Total Liabilities | \$ 47,637 | \$ 324,672 | \$ 326,882 | \$ 45,427 |
| <u>Constitutional Officers - Agency Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 673,682 | \$ 2,866,053 | \$ 2,840,384 | \$ 699,351 |
| Due From Other Funds | 425 | 0 | 425 | 0 |
| Cash Shortage | 1,480 | 0 | 1,480 | 0 |
| Total Assets | \$ 675,587 | \$ 2,866,053 | \$ 2,842,289 | \$ 699,351 |
| <u>Liabilities</u> | | | | |
| Due to Litigants, Heirs, and Others | \$ 675,587 | \$ 2,866,053 | \$ 2,842,289 | \$ 699,351 |
| Total Liabilities | \$ 675,587 | \$ 2,866,053 | \$ 2,842,289 | \$ 699,351 |
| <u>Totals - All Agency Funds</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 279,245 | \$ 279,245 | \$ 0 |
| Cash | 673,682 | 2,866,053 | 2,840,384 | 699,351 |
| Due From Other Governments | 47,637 | 45,427 | 47,637 | 45,427 |
| Due From Other Funds | 425 | 0 | 425 | 0 |
| Cash Shortage | 1,480 | 0 | 1,480 | 0 |
| Total Assets | \$ 723,224 | \$ 3,190,725 | \$ 3,169,171 | \$ 744,778 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 47,637 | \$ 324,672 | \$ 326,882 | \$ 45,427 |
| Due to Litigants, Heirs, and Others | 675,587 | 2,866,053 | 2,842,289 | 699,351 |
| Total Liabilities | \$ 723,224 | \$ 3,190,725 | \$ 3,169,171 | \$ 744,778 |

MISCELLANEOUS SCHEDULES

Exhibit H-1

Sequatchie County, Tennessee
Schedule of Changes in Long-term Notes, Capital Leases, and Other Loans
For the Year Ended June 30, 2006

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-05 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-06 |
|-------------------------------------------------|--------------------------------|------------------|---------------------|--------------------------|-----------------------|----------------------------|--------------------------------------------|------------------------|
| <u>NOTES PAYABLE</u> | | | | | | | | |
| <u>Payable though General Debt Service Fund</u> | | | | | | | | |
| Medical Plaza | \$ 1,395,436 | 5.98 % | 3-1-1994 | 3-1-06 | \$ 116,290 | \$ 0 | \$ 116,290 | \$ 0 |
| Bledsoe/Sequatchie Landfill Closure | 171,000 | 2.103 | 8-29-03 | 8-29-06 | 115,029 | 0 | 56,939 | 58,090 |
| Total Notes Payable | | | | | <u>\$ 231,319</u> | <u>\$ 0</u> | <u>\$ 173,229</u> | <u>\$ 58,090</u> |
| <u>CAPITAL LEASES PAYABLE</u> | | | | | | | | |
| <u>Payable though General Fund</u> | | | | | | | | |
| Patrol Car | 22,758 | 6 | 8-16-05 | 8-18-07 | \$ 0 | \$ 22,758 | \$ 8,032 | \$ 14,726 |
| <u>Payable though General Debt Service Fund</u> | | | | | | | | |
| Ambulance | 62,725 | 4.89 | 7-1-05 | 6-13-09 | 0 | 62,725 | 14,577 | 48,148 |
| Total Capital Leases Payable | | | | | <u>\$ 0</u> | <u>\$ 85,483</u> | <u>\$ 22,609</u> | <u>\$ 62,874</u> |
| <u>OTHER LOANS PAYABLE</u> | | | | | | | | |
| <u>Payable though General Debt Service Fund</u> | | | | | | | | |
| Justice Center | 6,500,000 | Variable | 11-1-04 | 5-25-32 | <u>\$ 2,186,443</u> | <u>\$ 4,313,557</u> | <u>\$ 160,000</u> | <u>\$ 6,340,000</u> |

Exhibit H-2

Sequatchie County, Tennessee
Schedule of Changes in Notes Receivable
For the Year Ended June 30, 2006

| Description | Debtor | Original Amount of Note | Date of Issue | Date of Transfer | Interest Rate | Balance 7-1-05 | Adjustments (1) | Balance 6-30-06 |
|---------------------------------------------------|---------|-------------------------------|---------------------|------------------------|------------------|-------------------|--------------------|--------------------|
| <u>Community Development/Industrial Park Fund</u> | | | | | | | | |
| Housing Loan | Dangler | \$ 6,454 | 8-31-1992 | 6-19-06 | 0 % | \$ 3,692 | \$ (3,692) | \$ 0 |
| Housing Loan | Fiske | 11,358 | 11-29-03 | 6-19-06 | 0 | 9,790 | (9,790) | 0 |
| Housing Loan | Roberts | 3,970 | 2-1-1994 | 6-19-06 | 0 | 3,474 | (3,474) | 0 |
| Revolving Loan | Barker | 35,000 | 3-28-00 | 6-19-06 | 0 | 2,492 | (2,492) | 0 |
| Housing Loan | Panter | 3,002 | 3-30-1993 | 6-19-06 | 0 | 2,943 | (2,943) | 0 |
| Total Community Development/Industrial Park Fund | | | | | | \$ 22,391 | \$ (22,391) | \$ 0 |

(1) - These loans have been transferred to the Southeast Tennessee Development District by resolution of the County Commission and will no longer be presented as part of the county's financial statements.

Exhibit H-3

Sequatchie County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|----------------------|--------------------------|------------------|--------------------------|
| General | Ambulance Service | Operations | \$ 20,000 |
| General Debt Service | General Capital Projects | Capital projects | <u>300,000</u> |
| Total Transfers | | | <u><u>\$ 320,000</u></u> |

Exhibit H-4

Sequatchie County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2006

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|------------------------------------|------------------------------|---------------------------|-----------|-----------------------------------------------|
| County Executive | Section 8-24-102, <u>TCA</u> | \$ 51,452 | \$ 25,000 | Western Surety Company |
| Highway Supervisor | Section 8-24-102, <u>TCA</u> | 49,002 | 100,000 | " |
| Trustee | Section 8-24-102, <u>TCA</u> | 44,548 | 380,000 | RLI Insurance Company |
| Assessor of Property | Section 8-24-102, <u>TCA</u> | 44,548 | 10,000 | Western Surety Company |
| County Clerk | Section 8-24-102, <u>TCA</u> | 44,548 | 25,000 | " |
| Circuit Court Clerk | Section 8-24-102, <u>TCA</u> | 44,548 | 25,000 | " |
| Clerk and Master | Section 8-24-102, <u>TCA</u> | 44,548 | 25,000 | State Farm Fire and Casualty Company |
| Register | Section 8-24-102, <u>TCA</u> | 44,548 | 15,000 | Western Surety Company |
| Sheriff | Section 8-24-102, <u>TCA</u> | 49,521 (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 Insurance Pool |

(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, 2006

| | 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 | \$ 1,295,703 | \$ 0 | \$ 285,819 | \$ 0 | \$ 0 |
| Trustee's Collections - Prior Year | 88,925 | 0 | 18,291 | 0 | 0 |
| Circuit/Clerk & Master Collections - Prior Years | 58,134 | 0 | 11,891 | 0 | 0 |
| Interest and Penalty | 14,791 | 0 | 3,067 | 0 | 0 |
| Pick-up Taxes | 33 | 0 | 7 | 0 | 0 |
| Payments in-Lieu-of Taxes - T.V.A. | 2,355 | 0 | 519 | 0 | 0 |
| Payments in-Lieu-of Taxes - Local Utilities | 8,139 | 0 | 1,665 | 0 | 0 |
| <u>County Local Option Taxes</u> | | | | | |
| Local Option Sales Tax | 185,967 | 0 | 0 | 0 | 0 |
| Hotel/Motel Tax | 14,846 | 0 | 0 | 0 | 0 |
| Litigation Tax - General | 47,794 | 0 | 0 | 0 | 0 |
| Litigation Tax - Special Purpose | 0 | 18,864 | 0 | 0 | 0 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 14,505 | 0 | 0 | 0 | 0 |
| Business Tax | 58,581 | 0 | 0 | 0 | 0 |
| <u>Statutory Local Taxes</u> | | | | | |
| Bank Excise Tax | 15,732 | 0 | 3,470 | 0 | 0 |
| Wholesale Beer Tax | 44,879 | 0 | 0 | 0 | 0 |
| Interstate Telecommunications Tax | 1,247 | 0 | 0 | 0 | 0 |
| Total Local Taxes | \$ 1,851,631 | \$ 18,864 | \$ 324,729 | \$ 0 | \$ 0 |
| <u>Licenses and Permits</u> | | | | | |
| <u>Licenses</u> | | | | | |
| Cable TV Franchise | \$ 17,020 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| <u>Permits</u> | | | | | |
| Beer Permits | 1,710 | 0 | 0 | 0 | 0 |
| Total Licenses and Permits | \$ 18,730 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | |
| <u>Circuit Court</u> | | | | | |
| Fines | \$ 10,502 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Officers Costs | 3,416 | 0 | 0 | 0 | 0 |
| Drug Control Fines | 0 | 0 | 0 | 0 | 1,495 |

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 | \$ 1,876 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| DUI Treatment Fines | 463 | 0 | 0 | 0 | 0 |
| Data Entry Fee - Circuit Court | 396 | 0 | 0 | 0 | 0 |
| <u>General Sessions Court</u> | | | | | |
| Fines | 17,341 | 0 | 0 | 0 | 0 |
| Officers Costs | 14,686 | 0 | 0 | 0 | 0 |
| Game and Fish Fines | 531 | 0 | 0 | 0 | 0 |
| Drug Control Fines | 0 | 0 | 0 | 0 | 1,714 |
| Jail Fees | 1,656 | 0 | 0 | 0 | 0 |
| DUI Treatment Fines | 1,753 | 0 | 0 | 0 | 0 |
| Data Entry Fee - General Sessions Court | 2,755 | 0 | 0 | 0 | 0 |
| <u>Chancery Court</u> | | | | | |
| Officers Costs | 504 | 0 | 0 | 0 | 0 |
| Data Entry Fee - Chancery Court | 132 | 0 | 0 | 0 | 0 |
| <u>Other Courts - In-county</u> | | | | | |
| Fines for Littering | 0 | 0 | 200 | 0 | 0 |
| <u>Other Fines, Forfeitures, and Penalties</u> | | | | | |
| Proceeds from Confiscated Property | 0 | 0 | 0 | 0 | 21,306 |
| Total Fines, Forfeitures, and Penalties | \$ 56,011 | \$ 0 | \$ 200 | \$ 0 | \$ 24,515 |
| <u>Charges for Current Services</u> | | | | | |
| <u>General Service Charges</u> | | | | | |
| Patient Charges | \$ 0 | \$ 0 | \$ 0 | \$ 552,885 | \$ 0 |
| Work Release Charges for Board | 5,260 | 0 | 0 | 0 | 0 |
| <u>Fees</u> | | | | | |
| Copy Fees | 432 | 0 | 0 | 0 | 0 |
| Telephone Commissions | 19 | 0 | 0 | 0 | 0 |
| Vending Machine Collections | 422 | 0 | 0 | 0 | 0 |
| Constitutional Officers' Fees and Commissions | 0 | 0 | 0 | 0 | 0 |
| Data Processing Fee - Register | 8,544 | 0 | 0 | 0 | 0 |
| Data Processing Fee - Sheriff | 2,356 | 0 | 0 | 0 | 0 |
| Total Charges for Current Services | \$ 17,033 | \$ 0 | \$ 0 | \$ 552,885 | \$ 0 |

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 | \$ 83,269 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Lease/Rentals | 5,280 | 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 | 25,818 | 0 | 0 |
| Miscellaneous Refunds | 19,630 | 0 | 243 | 0 | 0 |
| <u>Nonrecurring Items</u> | | | | | |
| Insurance Recovery | 0 | 0 | 0 | 0 | 0 |
| Contributions & Gifts | 0 | 0 | 0 | 0 | 400 |
| Total Other Local Revenues | <u>\$ 108,179</u> | <u>\$ 0</u> | <u>\$ 26,061</u> | <u>\$ 0</u> | <u>\$ 400</u> |
| <u>Fees Received from County Officials</u> | | | | | |
| <u>Fees-In-Lieu of Salary</u> | | | | | |
| County Clerk | \$ 156,982 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Circuit Court Clerk | 48,289 | 0 | 0 | 0 | 0 |
| General Sessions Court Clerk | 81,157 | 0 | 0 | 0 | 0 |
| Clerk and Master | 38,049 | 0 | 0 | 0 | 0 |
| Register | 109,326 | 0 | 0 | 0 | 0 |
| Sheriff | 4,358 | 0 | 0 | 0 | 0 |
| Trustee | 160,576 | 0 | 0 | 0 | 0 |
| Total Fees Received from County Officials | <u>\$ 598,737</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 | 6,198 | 0 | 0 | 0 | 0 |
| <u>Public Safety Grants</u> | | | | | |
| Law Enforcement Training Programs | 5,187 | 0 | 0 | 0 | 0 |
| Safe and Drug - Free Schools and Communities | 46,491 | 0 | 0 | 0 | 0 |
| <u>Health and Welfare Grants</u> | | | | | |
| Health Department Programs | 46,659 | 0 | 0 | 0 | 0 |

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> | | | | | |
| State Aid Program | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 0 |
| Litter Program | 0 | 0 | 44,302 | 0 | 0 |
| <u>Other State Revenues</u> | | | | | |
| Income Tax | 7,023 | 0 | 0 | 0 | 0 |
| Beer Tax | 17,212 | 0 | 0 | 0 | 0 |
| Alcoholic Beverage Tax | 19,016 | 0 | 0 | 0 | 0 |
| State Revenue Sharing - T.V.A. | 82,344 | 0 | 0 | 0 | 0 |
| Contracted Prisoner Boarding | 142,002 | 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 | 14,491 | 0 | 179 |
| Other State Revenues | 0 | 0 | 0 | 0 | 1,786 |
| Total State of Tennessee | <u>\$ 397,512</u> | <u>\$ 0</u> | <u>\$ 58,793</u> | <u>\$ 0</u> | <u>\$ 1,965</u> |
| <u>Federal Government</u> | | | | | |
| <u>Federal Through State</u> | | | | | |
| Disaster Relief | \$ 3,767 | \$ 0 | \$ 0 | \$ 0 | 0 |
| Homeland Security Grants | 104,988 | 0 | 0 | 0 | 0 |
| <u>Direct Federal Revenue</u> | | | | | |
| Public Safety Partnership and Community Policing - COPS | 329,800 | 0 | 0 | 0 | 0 |
| Total Federal Government | <u>\$ 438,555</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| <u>Other Governments and Citizens Groups</u> | | | | | |
| <u>Other Governments</u> | | | | | |
| Contributions | \$ 25,000 | \$ 0 | \$ 0 | \$ 0 | 0 |
| Contracted Services | 4,254 | 0 | 0 | 0 | 0 |
| Total Other Governments and Citizens Groups | <u>\$ 29,254</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| Total | <u>\$ 3,515,642</u> | <u>\$ 18,864</u> | <u>\$ 409,783</u> | <u>\$ 552,885</u> | <u>\$ 26,880</u> |

Exhibit H-5

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

| | Special Revenue Funds | | Debt Service Fund | Capital Projects Fund | Total |
|--------------------------------------------------|--------------------------------|------------------------|----------------------|--------------------------|--------------|
| | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | |
| <u>Local Taxes</u> | | | | | |
| <u>County Property Taxes</u> | | | | | |
| Current Property Tax | \$ 0 | \$ 0 | \$ 323,925 | \$ 0 | \$ 1,905,447 |
| Trustee's Collections - Prior Year | 0 | 0 | 21,293 | 0 | 128,509 |
| Circuit/Clerk & Master Collections - Prior Years | 0 | 0 | 13,873 | 0 | 83,898 |
| Interest and Penalty | 0 | 0 | 3,560 | 0 | 21,418 |
| Pick-up Taxes | 0 | 0 | 8 | 0 | 48 |
| Payments in-Lieu-of Taxes - T.V.A. | 0 | 0 | 589 | 0 | 3,463 |
| Payments in-Lieu-of Taxes - Local Utilities | 0 | 0 | 1,942 | 0 | 11,746 |
| <u>County Local Option Taxes</u> | | | | | |
| Local Option Sales Tax | 0 | 0 | 0 | 0 | 185,967 |
| Hotel/Motel Tax | 0 | 0 | 0 | 0 | 14,846 |
| Litigation Tax - General | 0 | 0 | 0 | 0 | 47,794 |
| Litigation Tax - Special Purpose | 0 | 0 | 0 | 0 | 18,864 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 0 | 0 | 0 | 0 | 14,505 |
| Business Tax | 0 | 0 | 0 | 0 | 58,581 |
| <u>Statutory Local Taxes</u> | | | | | |
| Bank Excise Tax | 0 | 0 | 3,933 | 0 | 23,135 |
| Wholesale Beer Tax | 0 | 0 | 0 | 0 | 44,879 |
| Interstate Telecommunications Tax | 0 | 0 | 0 | 0 | 1,247 |
| Total Local Taxes | \$ 0 | \$ 0 | \$ 369,123 | \$ 0 | \$ 2,564,347 |
| <u>Licenses and Permits</u> | | | | | |
| <u>Licenses</u> | | | | | |
| Cable TV Franchise | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 17,020 |
| <u>Permits</u> | | | | | |
| Beer Permits | 0 | 0 | 0 | 0 | 1,710 |
| Total Licenses and Permits | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 18,730 |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | |
| <u>Circuit Court</u> | | | | | |
| Fines | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 10,502 |
| Officers Costs | 0 | 0 | 0 | 0 | 3,416 |
| Drug Control Fines | 0 | 0 | 0 | 0 | 1,495 |

Exhibit H-5

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

| | Special Revenue Funds | | Debt Service Fund | Capital Projects Fund | Total |
|--------------------------------------------------|------------------------------|------------------------|----------------------|--------------------------|---------|
| | Constitutional Officers Fees | Highway / Public Works | General Debt Service | General Capital Projects | |
| <u>Fines, Forfeitures, and Penalties (Cont.)</u> | | | | | |
| <u>Circuit Court (Cont.)</u> | | | | | |
| Jail Fees | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 1,876 |
| DUI Treatment Fines | 0 | 0 | 0 | 0 | 463 |
| Data Entry Fee - Circuit Court | 0 | 0 | 0 | 0 | 396 |
| <u>General Sessions Court</u> | | | | | |
| Fines | 0 | 0 | 0 | 0 | 17,341 |
| Officers Costs | 0 | 0 | 0 | 0 | 14,686 |
| Game and Fish Fines | 0 | 0 | 0 | 0 | 531 |
| Drug Control Fines | 0 | 0 | 0 | 0 | 1,714 |
| Jail Fees | 0 | 0 | 0 | 0 | 1,656 |
| DUI Treatment Fines | 0 | 0 | 0 | 0 | 1,753 |
| Data Entry Fee - General Sessions Court | 0 | 0 | 0 | 0 | 2,755 |
| <u>Chancery Court</u> | | | | | |
| Officers Costs | 0 | 0 | 0 | 0 | 504 |
| Data Entry Fee - Chancery Court | 0 | 0 | 0 | 0 | 132 |
| <u>Other Courts - In-county</u> | | | | | |
| Fines for Littering | 0 | 0 | 0 | 0 | 200 |
| <u>Other Fines, Forfeitures, and Penalties</u> | | | | | |
| Proceeds from Confiscated Property | 0 | 0 | 0 | 0 | 21,306 |
| Total Fines, Forfeitures, and Penalties | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 80,726 |
| <u>Charges for Current Services</u> | | | | | |
| <u>General Service Charges</u> | | | | | |
| Patient Charges | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 552,885 |
| Work Release Charges for Board | 0 | 0 | 0 | 0 | 5,260 |
| <u>Fees</u> | | | | | |
| Copy Fees | 0 | 0 | 0 | 0 | 432 |
| Telephone Commissions | 0 | 0 | 0 | 0 | 19 |
| Vending Machine Collections | 0 | 0 | 0 | 0 | 422 |
| Constitutional Officers' Fees and Commissions | 6,370 | 0 | 0 | 0 | 6,370 |
| Data Processing Fee - Register | 0 | 0 | 0 | 0 | 8,544 |
| Data Processing Fee - Sheriff | 0 | 0 | 0 | 0 | 2,356 |
| Total Charges for Current Services | \$ 6,370 | \$ 0 | \$ 0 | \$ 0 | 576,288 |

Exhibit H-5

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

| | Special Revenue Funds | | Debt Service Fund | Capital Projects Fund | Total |
|----------------------------------------------|--------------------------------|------------------------|----------------------|--------------------------|------------|
| | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | |
| <u>Other Local Revenues</u> | | | | | |
| <u>Recurring Items</u> | | | | | |
| Investment Income | \$ 0 | \$ 0 | \$ 24,589 | \$ 2 | \$ 107,860 |
| Lease/Rentals | 0 | 0 | 134,140 | 0 | 139,420 |
| Sale of Materials and Supplies | 0 | 3,862 | 0 | 0 | 3,862 |
| Sale of Gasoline | 0 | 1,064 | 0 | 0 | 1,064 |
| Sale of Recycled Materials | 0 | 0 | 0 | 0 | 25,818 |
| Miscellaneous Refunds | 0 | 685 | 0 | 0 | 20,558 |
| <u>Nonrecurring Items</u> | | | | | |
| Insurance Recovery | 0 | 6,074 | 0 | 0 | 6,074 |
| Contributions & Gifts | 0 | 0 | 30,633 | 0 | 31,033 |
| Total Other Local Revenues | \$ 0 | \$ 11,685 | \$ 189,362 | \$ 2 | \$ 335,689 |
| <u>Fees Received from County Officials</u> | | | | | |
| <u>Fees-In-Lieu of Salary</u> | | | | | |
| County Clerk | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 156,982 |
| Circuit Court Clerk | 0 | 0 | 0 | 0 | 48,289 |
| General Sessions Court Clerk | 0 | 0 | 0 | 0 | 81,157 |
| Clerk and Master | 0 | 0 | 0 | 0 | 38,049 |
| Register | 0 | 0 | 0 | 0 | 109,326 |
| Sheriff | 0 | 0 | 0 | 0 | 4,358 |
| Trustee | 0 | 0 | 0 | 0 | 160,576 |
| Total Fees Received from County Officials | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 598,737 |
| <u>State of Tennessee</u> | | | | | |
| <u>General Government Grants</u> | | | | | |
| Juvenile Services Program | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 9,000 |
| State Reappraisal Grant | 0 | 0 | 0 | 0 | 6,198 |
| <u>Public Safety Grants</u> | | | | | |
| Law Enforcement Training Programs | 0 | 0 | 0 | 0 | 5,187 |
| Safe and Drug - Free Schools and Communities | 0 | 0 | 0 | 0 | 46,491 |
| <u>Health and Welfare Grants</u> | | | | | |
| Health Department Programs | 0 | 0 | 0 | 0 | 46,659 |

Exhibit H-5

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

| | Special Revenue Funds | | Debt Service Fund | Capital Projects Fund | Total |
|---------------------------------------------------------|--------------------------------|------------------------|----------------------|--------------------------|--------------|
| | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | |
| <u>State of Tennessee (Cont.)</u> | | | | | |
| <u>Public Works Grants</u> | | | | | |
| State Aid Program | \$ 0 | \$ 143,354 | \$ 0 | \$ 0 | \$ 143,354 |
| Litter Program | 0 | 0 | 0 | 0 | 44,302 |
| <u>Other State Revenues</u> | | | | | |
| Income Tax | 0 | 0 | 0 | 0 | 7,023 |
| Beer Tax | 0 | 0 | 0 | 0 | 17,212 |
| Alcoholic Beverage Tax | 0 | 0 | 0 | 0 | 19,016 |
| State Revenue Sharing - T.V.A. | 0 | 0 | 16,866 | 0 | 99,210 |
| Contracted Prisoner Boarding | 0 | 0 | 0 | 0 | 142,002 |
| Gasoline and Motor Fuel Tax | 0 | 1,362,887 | 0 | 0 | 1,362,887 |
| Petroleum Special Tax | 0 | 9,147 | 0 | 0 | 9,147 |
| Registrar's Salary Supplement | 0 | 0 | 0 | 0 | 16,380 |
| Other State Grants | 0 | 0 | 0 | 0 | 14,670 |
| Other State Revenues | 0 | 0 | 0 | 0 | 1,786 |
| Total State of Tennessee | \$ 0 | \$ 1,515,388 | \$ 16,866 | \$ 0 | \$ 1,990,524 |
| <u>Federal Government</u> | | | | | |
| <u>Federal Through State</u> | | | | | |
| Disaster Relief | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,767 |
| Homeland Security Grants | 0 | 0 | 0 | 0 | 104,988 |
| <u>Direct Federal Revenue</u> | | | | | |
| Public Safety Partnership and Community Policing - COPS | 0 | 0 | 0 | 0 | 329,800 |
| Total Federal Government | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 438,555 |
| <u>Other Governments and Citizens Groups</u> | | | | | |
| <u>Other Governments</u> | | | | | |
| Contributions | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 25,000 |
| Contracted Services | 0 | 0 | 0 | 0 | 4,254 |
| Total Other Governments and Citizens Groups | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 29,254 |
| Total | \$ 6,370 | \$ 1,527,073 | \$ 575,351 | \$ 2 | \$ 6,632,850 |

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

| | | | |
|-------------------------------------------|----|---------------|------------|
| Board and Committee Members Fees | \$ | 32,400 | |
| Audit Services | | 2,598 | |
| Dues and Memberships | | 6,800 | |
| Legal Services | | 1,060 | |
| Legal Notices, Recording, and Court Costs | | 1,828 | |
| Travel | | 556 | |
| Other Contracted Services | | 1,022 | |
| Liability Insurance | | <u>73,354</u> | |
| Total County Commission | | | \$ 119,618 |

Board of Equalization

| | | | |
|----------------------------------|----|-----------|-------|
| Board and Committee Members Fees | \$ | 950 | |
| Travel | | <u>86</u> | |
| Total Board of Equalization | | | 1,036 |

Beer Board

| | | | |
|-------------------------------------------|----|-----------|-----|
| Board and Committee Members Fees | \$ | 750 | |
| Legal Notices, Recording, and Court Costs | | <u>45</u> | |
| Total Beer Board | | | 795 |

Budget and Finance Committee

| | | | |
|------------------------------------|----|--------------|-------|
| Board and Committee Members Fees | \$ | <u>2,500</u> | |
| Total Budget and Finance Committee | | | 2,500 |

County Mayor/Executive

| | | | |
|----------------------------------------|----|--------------|---------|
| County Official/Administrative Officer | \$ | 51,452 | |
| Assistant(s) | | 40,563 | |
| In-Service Training | | 1,218 | |
| Communication | | 5,242 | |
| Data Processing Services | | 3,391 | |
| Maintenance Agreements | | 642 | |
| Postal Charges | | 2,004 | |
| Travel | | 1,719 | |
| Office Supplies | | 6,010 | |
| Office Equipment | | <u>2,500</u> | |
| Total County Mayor/Executive | | | 114,741 |

County Attorney

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

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

| | | | |
|-------------------------------------------|----|--------|-----------|
| County Official/Administrative Officer | \$ | 35,638 | |
| Clerical Personnel | | 1,429 | |
| Election Commission | | 3,300 | |
| Election Workers | | 120 | |
| In-Service Training | | 1,917 | |
| Communication | | 834 | |
| Legal Notices, Recording, and Court Costs | | 280 | |
| Postal Charges | | 1,045 | |
| Printing, Stationery, and Forms | | 1,136 | |
| Other Contracted Services | | 2,400 | |
| Office Supplies | | 841 | |
| Office Equipment | | 452 | |
| Total Election Commission | | | \$ 49,392 |

Register of Deeds

| | | | |
|----------------------------------------|----|--------|--------|
| County Official/Administrative Officer | \$ | 44,548 | |
| Deputy(ies) | | 37,414 | |
| In-Service Training | | 727 | |
| Communication | | 2,194 | |
| Data Processing Services | | 7,476 | |
| Dues and Memberships | | 373 | |
| Postal Charges | | 600 | |
| Rentals | | 897 | |
| Travel | | 400 | |
| Duplicating Supplies | | 597 | |
| Office Supplies | | 2,998 | |
| Premiums on Corporate Surety Bonds | | 100 | |
| Total Register of Deeds | | | 98,324 |

County Buildings

| | | |
|-------------------------------------------|----|--------|
| Custodial Personnel | \$ | 18,033 |
| Maintenance Personnel | | 687 |
| Communication | | 550 |
| Maintenance Agreements | | 10,833 |
| Maintenance & Repair Services - Buildings | | 12,293 |
| Rentals | | 3,064 |
| Duplicating Supplies | | 661 |
| Electricity | | 35,156 |
| Natural Gas | | 36,492 |
| Water and Sewer | | 15,653 |

(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.)

| | | |
|------------------------------|----------|------------|
| Other Supplies and Materials | \$ 3,031 | |
| Total County Buildings | | \$ 136,453 |

Finance

Property Assessor's Office

| | | |
|----------------------------------------|-----------|---------|
| County Official/Administrative Officer | \$ 44,548 | |
| Secretary(ies) | 38,805 | |
| Audit Services | 7,777 | |
| Communication | 2,188 | |
| Data Processing Services | 4,369 | |
| Dues and Memberships | 921 | |
| Postal Charges | 1,116 | |
| Printing, Stationery, and Forms | 269 | |
| Travel | 2,370 | |
| Other Contracted Services | 10,351 | |
| Office Supplies | 670 | |
| Office Equipment | 400 | |
| Total Property Assessor's Office | | 113,784 |

Reappraisal Program

| | | |
|---------------------------|--------|-------|
| Communication | \$ 153 | |
| Postal Charges | 37 | |
| Other Contracted Services | 8,082 | |
| Total Reappraisal Program | | 8,272 |

County Trustee's Office

| | | |
|--------------------------------------------------|-----------|--------|
| County Official/Administrative Officer | \$ 44,548 | |
| Deputy(ies) | 34,192 | |
| Overtime Pay | 941 | |
| Communication | 1,401 | |
| Data Processing Services | 2,770 | |
| Dues and Memberships | 488 | |
| Legal Notices, Recording, and Court Costs | 135 | |
| Maintenance & Repair Services - Office Equipment | 4,112 | |
| Postal Charges | 3,987 | |
| Travel | 270 | |
| Office Supplies | 3,199 | |
| Premiums on Corporate Surety Bonds | 944 | |
| Office Equipment | 457 | |
| Total County Trustee's Office | | 97,444 |

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

| | | | |
|--------------------------------------------------|----|--------|------------|
| County Official/Administrative Officer | \$ | 44,548 | |
| Deputy(ies) | | 75,841 | |
| Communication | | 2,737 | |
| Dues and Memberships | | 378 | |
| Maintenance & Repair Services - Office Equipment | | 10,698 | |
| Postal Charges | | 6,024 | |
| Travel | | 1,011 | |
| Office Supplies | | 1,364 | |
| Premiums on Corporate Surety Bonds | | 100 | |
| Office Equipment | | 2,226 | |
| Total County Clerk's Office | | | \$ 144,927 |

Administration of Justice

Circuit Court

| | | | |
|----------------------------------------|----|--------|---------|
| County Official/Administrative Officer | \$ | 44,548 | |
| Deputy(ies) | | 37,940 | |
| Jury and Witness Fees | | 14,430 | |
| Communication | | 2,495 | |
| Data Processing Services | | 4,175 | |
| Dues and Memberships | | 278 | |
| Postal Charges | | 1,768 | |
| Rentals | | 3,233 | |
| Travel | | 500 | |
| Other Contracted Services | | 14,475 | |
| Office Supplies | | 16,781 | |
| Premiums on Corporate Surety Bonds | | 88 | |
| Total Circuit Court | | | 140,711 |

General Sessions Court

| | | | |
|------------------------------|----|--------|--------|
| Judge(s) | \$ | 58,808 | |
| In-Service Training | | 387 | |
| Travel | | 500 | |
| Total General Sessions Court | | | 59,695 |

Chancery Court

| | | |
|----------------------------------------|----|--------|
| County Official/Administrative Officer | \$ | 44,548 |
| Assistant(s) | | 19,019 |
| Communication | | 545 |
| Dues and Memberships | | 338 |
| Postal Charges | | 334 |

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

| | | | |
|----------------------|----|-------|-----------|
| Travel | \$ | 100 | |
| Office Supplies | | 2,839 | |
| Total Chancery Court | | | \$ 67,723 |

Juvenile Court

| | | | |
|---------------------------|----|--------|--------|
| Youth Service Officer(s) | \$ | 35,110 | |
| In-Service Training | | 255 | |
| Communication | | 2,312 | |
| Dues and Memberships | | 80 | |
| Postal Charges | | 76 | |
| Travel | | 697 | |
| Other Contracted Services | | 12,600 | |
| Office Supplies | | 855 | |
| Other Equipment | | 314 | |
| Total Juvenile Court | | | 52,299 |

Judicial Commissioners

| | | | |
|----------------------------------------|----|--------|--------|
| County Official/Administrative Officer | \$ | 12,360 | |
| Total Judicial Commissioners | | | 12,360 |

Public Safety

Sheriff's Department

| | | | |
|-------------------------------------------|----|---------|--|
| County Official/Administrative Officer | \$ | 49,521 | |
| Deputy(ies) | | 252,733 | |
| Investigator(s) | | 26,840 | |
| Accountants/Bookkeepers | | 3,281 | |
| Salary Supplements | | 4,668 | |
| Dispatchers/Radio Operators | | 1,376 | |
| Overtime Pay | | 15,946 | |
| Other Salaries & Wages | | 911 | |
| In-Service Training | | 8,998 | |
| Other Fringe Benefits | | 17,498 | |
| Communication | | 12,843 | |
| Dues and Memberships | | 1,075 | |
| Maintenance & Repair Services - Equipment | | 306 | |
| Maintenance & Repair Services - Vehicles | | 28,358 | |
| Postal Charges | | 673 | |
| Travel | | 3,606 | |
| Drugs and Medical Supplies | | 969 | |
| Gasoline | | 49,500 | |

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

| | | | |
|------------------------------------|----|--------|------------|
| Office Supplies | \$ | 3,755 | |
| Uniforms | | 4,194 | |
| Premiums on Corporate Surety Bonds | | 2,016 | |
| Data Processing Equipment | | 2,264 | |
| Motor Vehicles | | 23,133 | |
| Total Sheriff's Department | | | \$ 514,464 |

Jail

| | | | |
|-------------------------------------------|----|---------|---------|
| Supervisor/Director | \$ | 25,536 | |
| Guards | | 191,057 | |
| Part-time Personnel | | 20,865 | |
| Overtime Pay | | 42,125 | |
| In-Service Training | | 1,200 | |
| Other Fringe Benefits | | 15,785 | |
| Laundry Service | | 326 | |
| Maintenance & Repair Services - Buildings | | 8,091 | |
| Maintenance & Repair Services - Equipment | | 1,012 | |
| Rentals | | 1,250 | |
| Transportation - Other than Students | | 869 | |
| Disposal Fees | | 2,218 | |
| Drugs and Medical Supplies | | 162,172 | |
| Food Supplies | | 60,910 | |
| Law Enforcement Supplies | | 2,699 | |
| Uniforms | | 5,804 | |
| Other Supplies and Materials | | 2,500 | |
| Premiums on Corporate Surety Bonds | | 500 | |
| Total Jail | | | 544,919 |

Fire Prevention and Control

| | | | |
|--------------------------------------|----|--------|--------|
| Contracts with Other Public Agencies | \$ | 1,000 | |
| Contributions | | 21,000 | |
| Total Fire Prevention and Control | | | 22,000 |

Rescue Squad

| | | | |
|--------------------|----|-------|-------|
| Contributions | \$ | 2,500 | |
| Total Rescue Squad | | | 2,500 |

Other Emergency Management

| | | | |
|----------------------------------------|----|-------|--|
| County Official/Administrative Officer | \$ | 7,497 | |
| Communication | | 1,010 | |

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

| | | | |
|----------------------------------|----|--------|------------|
| Postal Charges | \$ | 46 | |
| Travel | | 1,273 | |
| Office Supplies | | 320 | |
| Law Enforcement Equipment | | 97,585 | |
| Total Other Emergency Management | | | \$ 107,731 |

County Coroner/Medical Examiner

| | | | |
|---------------------------------------|----|-------|-------|
| Other Contracted Services | \$ | 6,412 | |
| Total County Coroner/Medical Examiner | | | 6,412 |

Public Safety Grant Programs

| | | | |
|------------------------------------|----|--------|---------|
| Investigator(s) | \$ | 41,040 | |
| Accountants/Bookkeepers | | 16,490 | |
| Overtime Pay | | 17,252 | |
| In-Service Training | | 23,860 | |
| Social Security | | 4,534 | |
| State Retirement | | 2,696 | |
| Unemployment Compensation | | 451 | |
| Employer Medicare | | 1,060 | |
| Other Fringe Benefits | | 2,808 | |
| Payments to Schools - Other | | 9,490 | |
| Postal Charges | | 429 | |
| Other Contracted Services | | 21,300 | |
| Data Processing Supplies | | 38,179 | |
| Law Enforcement Supplies | | 36,999 | |
| Office Supplies | | 10,091 | |
| Motor Vehicles | | 27,700 | |
| Total Public Safety Grant Programs | | | 254,379 |

Public Health and Welfare

Local Health Center

| | | | |
|-------------------------------------------|----|--------|--|
| Medical Personnel | \$ | 35,714 | |
| Employer Medicare | | 2,499 | |
| Communication | | 2,659 | |
| Dues and Memberships | | 100 | |
| Maintenance & Repair Services - Buildings | | 795 | |
| Postal Charges | | 600 | |
| Travel | | 4,206 | |
| Disposal Fees | | 105 | |
| Other Contracted Services | | 3,000 | |

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

| | | |
|------------------------------|--------|-----------|
| Office Supplies | \$ 873 | |
| Other Supplies and Materials | 1,428 | |
| Total Local Health Center | | \$ 51,979 |

Crippled Children Services

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

Appropriation to State

| | | |
|------------------------------|----------|-------|
| Contributions | \$ 3,382 | |
| Total Appropriation to State | | 3,382 |

Social, Cultural, and Recreational Services

Senior Citizens Assistance

| | | |
|----------------------------------|----------|-------|
| Contributions | \$ 7,000 | |
| Total Senior Citizens Assistance | | 7,000 |

Libraries

| | | |
|---------------------------|-----------|--------|
| Supervisor/Director | \$ 29,842 | |
| Clerical Personnel | 18,889 | |
| Contributions | 15,800 | |
| Other Contracted Services | 2,308 | |
| Other Equipment | 897 | |
| Total Libraries | | 67,736 |

Parks and Fair Boards

| | | |
|-----------------------------|----------|--------|
| Supervisor/Director | \$ 2,000 | |
| Custodial Personnel | 18,521 | |
| Contributions | 18,000 | |
| Total Parks and Fair Boards | | 38,521 |

Other Social, Cultural, and Recreational

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

Agriculture & Natural Resources

Agriculture Extension Service

| | | |
|----------------------------|-----------|--|
| Salary Supplements | \$ 35,031 | |
| Extension Service Medicare | 5,870 | |
| Communication | 2,787 | |

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

| | | | |
|-------------------------------------|----|-----|-----------|
| Contributions | \$ | 600 | |
| Office Supplies | | 272 | |
| Other Equipment | | 790 | |
| Total Agriculture Extension Service | | | \$ 45,350 |

Soil Conservation

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

Other Operations

Tourism

| | | | |
|---------------|----|--------|--------|
| Contributions | \$ | 10,500 | |
| Total Tourism | | | 10,500 |

Industrial Development

| | | | |
|------------------------------|----|-----|-----|
| Dues and Memberships | \$ | 666 | |
| Total Industrial Development | | | 666 |

Other Economic and Community Development

| | | | |
|------------------------------------------------|----|--------|--------|
| Contracts with Other Public Agencies | \$ | 64,800 | |
| Total Other Economic and Community Development | | | 64,800 |

Veterans' Services

| | | | |
|--------------------------|----|-------|-------|
| Communication | \$ | 948 | |
| Postal Charges | | 101 | |
| Travel | | 1,102 | |
| Office Supplies | | 514 | |
| Other Equipment | | 2,749 | |
| Total Veterans' Services | | | 5,414 |

Other Charges

| | | | |
|---------------------------------|----|--------|--------|
| Trustee's Commission | \$ | 36,218 | |
| Workers' Compensation Insurance | | 30,213 | |
| Total Other Charges | | | 66,431 |

Employee Benefits

| | | | |
|---------------------------|----|--------|--|
| Social Security | \$ | 94,957 | |
| State Retirement | | 66,948 | |
| Medical Insurance | | 38,523 | |
| Unemployment Compensation | | 7,595 | |

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits (Cont.)

| | | |
|-------------------------|-----------|------------|
| Employer Medicare | \$ 22,208 | |
| Total Employee Benefits | | \$ 230,231 |

Principal on Debt

General Government

| | | |
|-----------------------------|----------|--------------|
| Principal on Capital Leases | \$ 8,032 | |
| Total General Government | | <u>8,032</u> |

| | | | |
|--------------------|--|--|--------------|
| Total General Fund | | | \$ 3,292,363 |
|--------------------|--|--|--------------|

Courthouse & Jail Maintenance Fund

General Government

County Buildings

| | | |
|-------------------------------------------|-----------|-----------|
| Maintenance & Repair Services - Buildings | \$ 17,629 | |
| Total County Buildings | | \$ 17,629 |

Other Operations

Other Charges

| | | |
|----------------------|--------|------------|
| Trustee's Commission | \$ 179 | |
| Total Other Charges | | <u>179</u> |

| | | | |
|------------------------------------------|--|--|--------|
| Total Courthouse & Jail Maintenance Fund | | | 17,808 |
|------------------------------------------|--|--|--------|

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

| | | |
|------------------------------------------|--------------|-----------|
| Laborers | \$ 15,780 | |
| Clerical Personnel | 2,700 | |
| Social Security | 1,082 | |
| Employer Medicare | 254 | |
| Maintenance & Repair Services - Vehicles | 797 | |
| Gasoline | 1,496 | |
| Instructional Supplies and Materials | 4,300 | |
| Other Supplies and Materials | <u>2,031</u> | |
| Total Sanitation Education/Information | | \$ 28,440 |

Waste Pickup

| | |
|------------------------------------------|-----------|
| Equipment Operators | \$ 22,112 |
| Other Salaries & Wages | 3,123 |
| Maintenance & Repair Services - Vehicles | 7,853 |

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

| | | |
|--------------------|-----------|-----------|
| Diesel Fuel | \$ 18,857 | |
| Gasoline | 1,166 | |
| Total Waste Pickup | | \$ 53,111 |

Convenience Centers

| | | |
|-------------------------------------------|-----------|--------|
| Attendants | \$ 77,216 | |
| Communication | 2,162 | |
| Maintenance & Repair Services - Buildings | 1,720 | |
| Other Contracted Services | 1,082 | |
| Custodial Supplies | 32 | |
| Electricity | 3,597 | |
| Water and Sewer | 1,366 | |
| Other Supplies and Materials | 279 | |
| Total Convenience Centers | | 87,454 |

Other Waste Collection

| | | |
|-----------------------------------|-----------|---------|
| Contracts with Private Agencies | \$ 18,220 | |
| Contracts for Landfill Facilities | 99,757 | |
| Total Other Waste Collection | | 117,977 |

Other Operations

Other Charges

| | | |
|----------------------|----------|-------|
| Trustee's Commission | \$ 6,455 | |
| Total Other Charges | | 6,455 |

Employee Benefits

| | | |
|---------------------------|----------|--------|
| Social Security | \$ 6,018 | |
| State Retirement | 3,371 | |
| Medical Insurance | 6,405 | |
| Unemployment Compensation | 1,554 | |
| Employer Medicare | 1,406 | |
| Total Employee Benefits | | 18,754 |

Total Solid Waste/Sanitation Fund \$ 312,191

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

| | |
|---------------------|-----------|
| Supervisor/Director | \$ 36,046 |
| Medical Personnel | 326,733 |

(Continued)

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.)

| | | | |
|--------------------------------------------|----|--------|------------|
| Clerical Personnel | \$ | 17,793 | |
| In-Service Training | | 6,710 | |
| Social Security | | 22,762 | |
| State Retirement | | 16,753 | |
| Employee and Dependent Insurance | | 9,799 | |
| Unemployment Compensation | | 1,636 | |
| Employer Medicare | | 5,323 | |
| Communication | | 4,384 | |
| Data Processing Services | | 2,629 | |
| Dues and Memberships | | 140 | |
| Licenses | | 650 | |
| Maintenance & Repair Services - Buildings | | 981 | |
| Maintenance & Repair Services - Equipment | | 2,689 | |
| Maintenance & Repair Services - Vehicles | | 10,382 | |
| Medical and Dental Services | | 867 | |
| Postal Charges | | 1,051 | |
| Travel | | 507 | |
| Data Processing Supplies | | 56 | |
| Drugs and Medical Supplies | | 26,418 | |
| Electricity | | 3,477 | |
| Gasoline | | 25,038 | |
| Natural Gas | | 2,576 | |
| Office Supplies | | 1,277 | |
| Tires and Tubes | | 728 | |
| Uniforms | | 3,478 | |
| Other Supplies and Materials | | 10,628 | |
| Trustee's Commission | | 5,457 | |
| Motor Vehicles | | 62,725 | |
| Total Ambulance/Emergency Medical Services | | | \$ 609,693 |
| Total Ambulance Service Fund | | | \$ 609,693 |

Drug Control Fund

Public Safety

Drug Enforcement

| | | |
|------------------------------------------|----|--------|
| Data Processing Services | \$ | 998 |
| Confidential Drug Enforcement Payments | | 5,000 |
| Maintenance & Repair Services - Vehicles | | 3,000 |
| Other Supplies and Materials | | 15,219 |
| Trustee's Commission | | 241 |

(Continued)

Exhibit H-6

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

| | | |
|------------------------|-----------|-----------|
| Motor Vehicles | \$ 27,024 | |
| Total Drug Enforcement | | \$ 51,482 |

| | | |
|-------------------------|--|-----------|
| Total Drug Control Fund | | \$ 51,482 |
|-------------------------|--|-----------|

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

| | | |
|---------------------------------------------|----------|----------|
| Constitutional Officers' Operating Expenses | \$ 6,367 | |
| Total County Clerk's Office | | \$ 6,367 |

Administration of Justice

Circuit Court

| | | |
|---------------------------------------------|------|---|
| Constitutional Officers' Operating Expenses | \$ 3 | |
| Total Circuit Court | | 3 |

| | | |
|-------------------------------------------|--|-------|
| Total Constitutional Officers - Fees Fund | | 6,370 |
|-------------------------------------------|--|-------|

Highway/Public Works Fund

Highways

Administration

| | | |
|--------------------------------------------------|-----------|------------|
| County Official/Administrative Officer | \$ 49,002 | |
| Accountants/Bookkeepers | 28,949 | |
| Clerical Personnel | 24,061 | |
| Other Salaries & Wages | 12,741 | |
| Data Processing Services | 4,058 | |
| Dues and Memberships | 1,927 | |
| Evaluation and Testing | 900 | |
| Legal Notices, Recording, and Court Costs | 270 | |
| Maintenance & Repair Services - Office Equipment | 592 | |
| Postal Charges | 265 | |
| Rentals | 75 | |
| Travel | 196 | |
| Data Processing Supplies | 265 | |
| Office Supplies | 233 | |
| Furniture and Fixtures | 550 | |
| Total Administration | | \$ 124,084 |

Highway and Bridge Maintenance

| | | |
|---------|-----------|--|
| Foremen | \$ 30,251 | |
|---------|-----------|--|

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

| | | | |
|--------------------------------------|----|---------|--------------|
| Equipment Operators | \$ | 84,772 | |
| Truck Drivers | | 83,740 | |
| Laborers | | 95,846 | |
| Other Contracted Services | | 29,503 | |
| Asphalt - Cold Mix | | 46 | |
| Asphalt - Hot Mix | | 522,836 | |
| Asphalt - Liquid | | 43,840 | |
| Concrete | | 79 | |
| Crushed Stone | | 107,455 | |
| Fertilizer, Lime, and Seed | | 138 | |
| Other Road Supplies | | 50 | |
| Pipe - Metal | | 6,929 | |
| Road Signs | | 3,374 | |
| Salt | | 7,617 | |
| Small Tools | | 907 | |
| Total Highway and Bridge Maintenance | | | \$ 1,017,383 |

Operation and Maintenance of Equipment

| | | | |
|----------------------------------------------|----|--------|---------|
| Mechanic(s) | \$ | 29,183 | |
| Nightwatchmen | | 53,582 | |
| Maintenance & Repair Services - Equipment | | 14,204 | |
| Diesel Fuel | | 33,309 | |
| Equipment and Machinery Parts | | 23,329 | |
| Garage Supplies | | 5,442 | |
| Gasoline | | 26,176 | |
| Lubricants | | 2,990 | |
| Propane Gas | | 553 | |
| Small Tools | | 446 | |
| Tires and Tubes | | 6,529 | |
| Other Supplies and Materials | | 1,498 | |
| Total Operation and Maintenance of Equipment | | | 197,241 |

Other Charges

| | | | |
|------------------------------------|----|--------|--|
| Communication | \$ | 2,007 | |
| Electricity | | 2,634 | |
| Natural Gas | | 2,129 | |
| Water and Sewer | | 439 | |
| Liability Insurance | | 9,000 | |
| Premiums on Corporate Surety Bonds | | 350 | |
| Trustee's Commission | | 13,776 | |

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

| | | |
|---------------------------------|-----------|-----------|
| Vehicle and Equipment Insurance | \$ 13,530 | |
| Total Other Charges | | \$ 43,865 |

Employee Benefits

| | | |
|----------------------------------|-----------|---------|
| Social Security | \$ 37,648 | |
| State Retirement | 22,616 | |
| Employee and Dependent Insurance | 106,067 | |
| Unemployment Compensation | 2,797 | |
| Workers' Compensation Insurance | 48,502 | |
| Other Charges | 299 | |
| Total Employee Benefits | | 217,929 |

Capital Outlay

| | | |
|-------------------------------------------|----------|---------|
| Maintenance & Repair Services - Buildings | \$ 9,602 | |
| Other Supplies and Materials | 100 | |
| Communication Equipment | 377 | |
| Highway Construction | 3,012 | |
| Other Construction | 194,352 | |
| Total Capital Outlay | | 207,443 |

| | | |
|---------------------------------|--|--------------|
| Total Highway/Public Works Fund | | \$ 1,807,945 |
|---------------------------------|--|--------------|

General Debt Service Fund

Principal on Debt

General Government

| | | |
|-----------------------------|------------|------------|
| Principal on Notes | \$ 173,229 | |
| Principal on Capital Leases | 14,577 | |
| Principal on Other Loans | 160,000 | |
| Total General Government | | \$ 347,806 |

Interest on Debt

General Government

| | | |
|----------------------------|----------|---------|
| Interest on Notes | \$ 8,665 | |
| Interest on Capital Leases | 3,067 | |
| Interest on Other Loans | 180,907 | |
| Total General Government | | 192,639 |

Other Debt Service

General Government

| | | |
|--------------------------|----------|-------|
| Trustee's Commission | \$ 9,088 | |
| Total General Government | | 9,088 |

| | | |
|---------------------------------|--|---------|
| Total General Debt Service Fund | | 549,533 |
|---------------------------------|--|---------|

(Continued)

Exhibit H-6

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

| | | |
|---------------------------------------------------|-------------------|----------------------|
| <u>General Capital Projects Fund</u> | | |
| <u>Capital Projects</u> | | |
| <u>Administration of Justice Projects</u> | | |
| Architects | \$ 36,482 | |
| Other Charges | 25,609 | |
| Building Construction | <u>3,863,699</u> | |
| Total Administration of Justice Projects | | <u>\$ 3,925,790</u> |
| Total General Capital Projects Fund | | \$ 3,925,790 |
| <u>Community Development/Industrial Park Fund</u> | | |
| <u>Other Operations</u> | | |
| <u>Other Economic and Community Development</u> | | |
| Contributions | <u>\$ 329,745</u> | |
| Total Other Economic and Community Development | | <u>\$ 329,745</u> |
| Total Community Development/Industrial Park Fund | | <u>329,745</u> |
| Total Governmental Funds - Primary Government | | <u>\$ 10,902,920</u> |

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, 2006

| | Cities - Sales Tax Fund |
|------------------------------------------------------------|-------------------------------|
| <hr/> | |
| <u>Cash Receipts</u> | |
| Local Option Sales Tax | \$ 279,245 |
| Total Cash Receipts | <u>\$ 279,245</u> |
| | |
| <u>Cash Disbursements</u> | |
| Remittance of Revenues Collected | \$ 276,452 |
| Trustee's Commission | <u>2,793</u> |
| Total Cash Disbursements | <u>\$ 279,245</u> |
| | |
| Excess of Cash Receipts Over (Under) Cash Disbursements | \$ 0 |
| Cash Balance, July 1, 2005 | <u>0</u> |
| | |
| Cash Balance, June 30, 2006 | <u><u>\$ 0</u></u> |

ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF SEQUATCHIE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

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

MICHAEL FORD, CPA, CGFM
Auditor 4

MELODIE C. WHEELER
JENI PALADENI
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, 2006

Scope

We have audited the basic financial statements of the Sequatchie County School Department as of and for the year ended June 30, 2006.

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, recommendations, and management's response are included in the Single Audit section of this report.

Findings

The following is a summary of the audit findings:

- ◆ Expenditures exceeded appropriations approved by the Sequatchie County Commission in five major categories in the General Purpose School Fund.
- ◆ 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, 2006

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

September 19, 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, the 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, 2006, 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, the major fund,

and the aggregate remaining fund information of the Sequatchie County School Department as of June 30, 2006, 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.

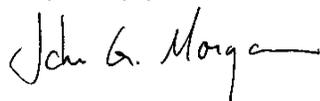
In accordance with Government Auditing Standards, we have also issued our report dated September 19, 2006, on our consideration of the Sequatchie County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

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,



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, 2006

| | <u>Governmental Activities</u> |
|-------------------------------------------------|------------------------------------|
| <u>ASSETS</u> | |
| Equity in Pool Cash and Investments | \$ 5,143,957 |
| Cash | 1,584 |
| Accounts Receivable | 20,673 |
| Due from Other Governments | 777,691 |
| Property Taxes Receivable | 2,583,163 |
| Allowance for Uncollectible Property Taxes | (125,788) |
| Assets Not Depreciated: | |
| Land | 225,650 |
| Construction in Progress | 333,905 |
| Assets Net of Accumulated Depreciation: | |
| Buildings and Improvements | 17,265,821 |
| Infrastructure | 273,827 |
| Other Capital Assets | 617,153 |
| Total Assets | <u>\$ 27,117,636</u> |
| <u>LIABILITIES</u> | |
| Accounts Payable | \$ 162,785 |
| Payroll Deductions Payable | 332,683 |
| Contracts Payable | 158,216 |
| Retainage Payable | 19,461 |
| Accrued Interest Payable | 154,610 |
| Deferred Revenue - Current Property Taxes | 2,367,617 |
| Noncurrent Liabilities: | |
| Due Within One Year | 794,200 |
| Due in More Than One Year | 8,683,000 |
| Total Liabilities | <u>\$ 12,672,572</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, Net of Related Debt | \$ 9,239,156 |
| Restricted for: | |
| Capital Projects | 220,341 |
| Other Purposes: | |
| Basic Education Program | 2,949,736 |
| Cafeteria | 129,170 |
| Other | 414,895 |
| Unrestricted | <u>1,491,766</u> |
| Total Net Assets | <u>\$ 14,445,064</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, 2006

| 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 | \$ 8,407,409 | \$ 81,809 | \$ 1,626,299 | \$ (6,699,301) |
| Support Services | 3,770,748 | 0 | 0 | (3,770,748) |
| Operation of Non-Instructional Services | 1,625,254 | 316,718 | 612,403 | (696,133) |
| Other Debt Service | 398,098 | 0 | 0 | (398,098) |
| Total Governmental Activities | \$ 14,201,509 | \$ 398,527 | \$ 2,238,702 | \$ (11,564,280) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property taxes levied for general purposes | | | | \$ 2,348,884 |
| Local option sales tax | | | | 1,247,725 |
| Other local taxes | | | | 1,969 |
| Grants & contributions not restricted for specific programs | | | | 9,635,877 |
| Interest income | | | | 100,411 |
| Miscellaneous | | | | 114,505 |
| Total General Revenues | | | | \$ 13,449,371 |
| Change in net assets | | | | \$ 1,885,091 |
| Net assets, July 1, 2005 | | | | 12,559,973 |
| Net assets, June 30, 2006 | | | | \$ 14,445,064 |

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, 2006

| | <u>Major Fund</u> | <u>Nonmajor Funds</u> | <u>Total</u> |
|---------------------------------------------------------|------------------------------|-------------------------------------|----------------------------|
| | General Purpose School | Other Govern- mental Funds | Govern- mental Funds |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 1,584 | \$ 1,584 |
| Equity in Pooled Cash and Investments | 4,586,743 | 557,214 | 5,143,957 |
| Accounts Receivable | 10,682 | 9,991 | 20,673 |
| Due from Other Governments | 762,974 | 14,717 | 777,691 |
| Property Taxes Receivable | 2,583,163 | 0 | 2,583,163 |
| Allowance for Uncollectible Property Taxes | (125,788) | 0 | (125,788) |
| Total Assets | <u>\$ 7,817,774</u> | <u>\$ 583,506</u> | <u>\$ 8,401,280</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 162,785 | \$ 0 | \$ 162,785 |
| Payroll Deductions Payable | 332,683 | 0 | 332,683 |
| Contracts Payable | 0 | 158,216 | 158,216 |
| Retainage Payable | 0 | 19,461 | 19,461 |
| Deferred Revenue - Current Property Taxes | 2,367,617 | 0 | 2,367,617 |
| Deferred Revenue - Delinquent Property Taxes | 79,114 | 0 | 79,114 |
| Other Deferred Revenues | 143,779 | 7,627 | 151,406 |
| Total Liabilities | <u>\$ 3,085,978</u> | <u>\$ 185,304</u> | <u>\$ 3,271,282</u> |
| <u>Fund Balances</u> | | | |
| Reserved for Encumbrances | \$ 0 | \$ 3,181,337 | \$ 3,181,337 |
| Reserved for Unemployment Compensation | 15,000 | 0 | 15,000 |
| Reserved for Vocational Projects | 42,706 | 0 | 42,706 |
| Other Local Education Reserves | 358,901 | 0 | 358,901 |
| Reserved for Career Ladder - Extended Contract | 44,643 | 0 | 44,643 |
| Reserved for Technology | 43,094 | 0 | 43,094 |
| Reserved for Basic Education Program | 2,949,736 | 0 | 2,949,736 |
| Other State Education Reserves | 16,470 | 0 | 16,470 |
| Reserved for Title I Grants to Local Education Agencies | 0 | 22,066 | 22,066 |
| Reserved for Innovative Education Program Strategies | 0 | 1,005 | 1,005 |
| Reserved for Special Education - Grants to States | 0 | 2,418 | 2,418 |
| Other Federal Reserves | 0 | 8,722 | 8,722 |
| Unreserved, Reported In: | | | |
| General Fund | 1,261,246 | 0 | 1,261,246 |
| Special Revenue Funds | 0 | 143,650 | 143,650 |
| Capital Projects Funds (Deficit) | 0 | (2,960,996) | (2,960,996) |
| Total Fund Balances | <u>\$ 4,731,796</u> | <u>\$ 398,202</u> | <u>\$ 5,129,998</u> |
| Total Liabilities and Fund Balances | <u>\$ 7,817,774</u> | <u>\$ 583,506</u> | <u>\$ 8,401,280</u> |

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, 2006

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) | | \$ | 5,129,998 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | |
| Add: land | \$ | 225,650 | |
| Add: construction in progress | | 333,905 | |
| Add: buildings and improvements net of accumulated depreciation | | 17,265,821 | |
| Add: infrastructure net of accumulated depreciation | | 273,827 | |
| Add: other capital assets net of accumulated depreciation | | <u>617,153</u> | 18,716,356 |
| (2) Long-term liabilities are not due in the current period and therefore not reported in the funds. | | | |
| Less: bonds payable | \$ | (9,380,000) | |
| Less: other loans payable | | (97,200) | |
| Less: accrued interest on bonds and other loans | | <u>(154,610)</u> | (9,631,810) |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. | | | |
| | | | <u>230,520</u> |
| Net assets of governmental activities (Exhibit A) | | \$ | <u><u>14,445,064</u></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, 2006

| | <u>Major Fund</u> | <u>Nonmajor</u> <u>Funds</u> | |
|------------------------------------------------------|------------------------------|-------------------------------------|--------------------------------|
| | General Purpose School | Other Govern- mental Funds | Total Governmental Funds |
| <u>Revenues</u> | | | |
| Local Taxes | \$ 3,676,700 | \$ 0 | \$ 3,676,700 |
| Licenses and Permits | 1,558 | 0 | 1,558 |
| Charges for Current Services | 18,703 | 379,939 | 398,642 |
| Other Local Revenues | 146,966 | 101,129 | 248,095 |
| State of Tennessee | 9,223,722 | 12,131 | 9,235,853 |
| Federal Government | 708,082 | 1,806,614 | 2,514,696 |
| Total Revenues | \$ 13,775,731 | \$ 2,299,813 | \$ 16,075,544 |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | \$ 7,079,418 | \$ 998,137 | \$ 8,077,555 |
| Support Services | 3,233,744 | 266,397 | 3,500,141 |
| Operation of Non-Instructional Services | 538,599 | 982,579 | 1,521,178 |
| Capital Outlay | 254,533 | 0 | 254,533 |
| Debt Service: | | | |
| Principal on Debt | 754,200 | 0 | 754,200 |
| Interest on Debt | 413,277 | 0 | 413,277 |
| Other Debt Service | 963 | 0 | 963 |
| Capital Projects | 0 | 505,357 | 505,357 |
| Total Expenditures | \$ 12,274,734 | \$ 2,752,470 | \$ 15,027,204 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ 1,500,997 | \$ (452,657) | \$ 1,048,340 |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | \$ 66,657 | \$ 504,226 | \$ 570,883 |
| Transfers Out | (504,226) | (66,657) | (570,883) |
| Total Other Financing Sources (Uses) | \$ (437,569) | \$ 437,569 | \$ 0 |
| Net Change in Fund Balances | \$ 1,063,428 | \$ (15,088) | \$ 1,048,340 |
| Fund Balance, July 1, 2005 | 3,668,368 | 413,290 | 4,081,658 |
| Fund Balance, June 30, 2006 | \$ 4,731,796 | \$ 398,202 | \$ 5,129,998 |

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, 2006

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) | | \$ 1,048,340 |
| <p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays differ from depreciation is itemized as follows:</p> | | |
| Add: capital assets purchased in the current period | \$ 690,420 | |
| Less: current year depreciation | <u>(589,149)</u> | 101,271 |
| <p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p> | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2006 | \$ 230,520 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2005 | <u>(265,382)</u> | (34,862) |
| <p>(3) The issuance of long-term debt (e.g., bonds, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p> | | |
| Add: principal payments on bonds | \$ 735,000 | |
| Add: principal payments on other loans | <u>19,200</u> | 754,200 |
| <p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p> | | |
| Change in accrued interest payable | | <u>16,142</u> |
| Change in net assets of governmental activities (Exhibit B) | | <u>\$ 1,885,091</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, 2006

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 a component unit of Sequatchie County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the 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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the 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. An emphasis is placed on major funds within the governmental category. However, the School Department does not have any proprietary or fiduciary funds to report.

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.

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

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.

Additionally, the School Department reports the following fund types:

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.

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

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

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

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 are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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. Most income from these pooled investments is assigned to the General Purpose School Fund, the General Fund, and the General Debt Service Fund. 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. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.66 percent of total taxes levied.

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

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

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

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

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

Retainage payable represents amounts withheld from payments made to contractors 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.

Capital assets, which include property, plant, equipment, and infrastructure 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. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

In 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 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.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes - Other (\$414,895) consists of restrictions for various federal and state assistance programs, primarily the other local education reserve (\$358,901) and the reserve for technology (\$43,094).

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 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. **Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Exhibit D-2 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the capital projects funds which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and

encumbrances may not legally exceed appropriations authorized by the 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 schedule.

B. Fund Deficit

The Education Capital Projects Fund had a fund deficit of \$2,960,996 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$3,181,337 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the General Purpose School Fund and/or the issuance of debt.

C. Expenditures Exceeded Appropriations

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

| | |
|------------------------------------------------|----------|
| Support Services – Other Student Support | \$ 3,141 |
| Support Services – Regular Instruction Program | 3,264 |
| Support Services – Director of Schools | 679 |
| Support Services – Fiscal Services | 389 |
| Transfers | 4,226 |

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

IV. 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 represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, 2006, 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 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>\$ 3,729,154</u> |
| Total | | <u><u>\$ 3,729,154</u></u> |

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Sequatchie County has no investment policy that would further limit its investment choices. As of June 30, 2006, Sequatchie County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

| | Balance 7-1-05 | Increases | Decreases | Balance 6-30-06 |
|------------------------------------------------|----------------------|-------------------|---------------------|----------------------|
| Capital Assets Not Depreciated: | | | | |
| Land | \$ 145,000 | \$ 80,650 | \$ 0 | \$ 225,650 |
| Construction in Progress | 345,768 | 333,905 | (345,768) | 333,905 |
| Total Capital Assets Not Depreciated | <u>\$ 490,768</u> | <u>\$ 414,555</u> | <u>\$ (345,768)</u> | <u>\$ 559,555</u> |
| Capital Assets Depreciated: | | | | |
| Buildings and Improvements | \$ 22,354,662 | \$ 574,440 | \$ 0 | \$ 22,929,102 |
| Infrastructure | 575,193 | 0 | 0 | 575,193 |
| Other Capital Assets | 2,180,005 | 47,193 | 0 | 2,227,198 |
| Total Capital Assets Depreciated | <u>\$ 25,109,860</u> | <u>\$ 621,633</u> | <u>\$ 0</u> | <u>\$ 25,731,493</u> |
| Less Accumulated Depreciated For: | | | | |
| Buildings and Improvements | \$ 5,213,237 | \$ 450,044 | \$ 0 | \$ 5,663,281 |
| Infrastructure | 280,487 | 20,879 | 0 | 301,366 |
| Other Capital Assets | 1,491,819 | 118,226 | 0 | 1,610,045 |
| Total Accumulated Depreciation | <u>\$ 6,985,543</u> | <u>\$ 589,149</u> | <u>\$ 0</u> | <u>\$ 7,574,692</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 18,124,317</u> | <u>\$ 32,484</u> | <u>\$ 0</u> | <u>\$ 18,156,801</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 18,615,085</u> | <u>\$ 447,039</u> | <u>\$ (345,768)</u> | <u>\$ 18,716,356</u> |

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

Governmental Activities:

| | |
|---------------------------------------------------------|-------------------|
| Instruction | \$ 486,417 |
| Support Services | 44,574 |
| Operation of Non-Instructional Services | <u>58,158</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 589,149</u> |

C. Construction Commitments

At June 30, 2006, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$3,181,337 for the various building projects. Funding for these future expenditures is expected to be received from the General Purpose School Fund and/or the issuance of debt.

D. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

| Transfers Out | Transfers In | |
|-----------------------------|-----------------------------|-----------------------------|
| | General Purpose School Fund | Nonmajor governmental Funds |
| General Purpose School Fund | \$ 0 | \$ 504,226 |
| Nonmajor governmental funds | 66,657 | 0 |
| Total | <u>\$ 66,657</u> | <u>\$ 504,226</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.

The School Department made a one-time transfer of \$500,000 from the General Purpose School Fund to the Education Capital Projects Fund to provide funding for various building projects.

E. 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, 2006, will be retired from the General Purpose School Fund.

General obligation bonds and other loans outstanding as of June 30, 2006, are as follows:

| Type | Interest Rate | Original Amount of Issue | Balance 6-30-06 |
|--------------------------------------|---------------|--------------------------|-----------------|
| General Obligation Bonds | 3.3 to 4.15 % | \$ 7,500,000 | \$ 7,060,000 |
| General Obligation Bonds - Refunding | 3.8 to 4.85 | 7,405,000 | 2,320,000 |
| Other Loans | 0 | 192,000 | 97,200 |

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, 2006, 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 |
| 2007 | \$ 775,000 | \$ 380,800 | \$ 9,000 | \$ 10,200 |
| 2008 | 815,000 | 346,875 | 9,000 | 10,200 |
| 2009 | 855,000 | 310,815 | 9,000 | 10,200 |
| 2010 | 890,000 | 272,243 | 9,000 | 10,200 |
| 2011 | 935,000 | 231,500 | 0 | 10,200 |
| 2012-2016 | 5,110,000 | 562,080 | 0 | 10,200 |
| Total | \$ 9,380,000 | \$ 2,104,313 | \$ 36,000 | \$ 61,200 |

Bonded debt per capita amounted to \$825, based on the 2000 federal census. Total debt per capita, including bonds and other loans amounted to \$834, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

| Governmental Activities: | Bonds | Other Loans |
|-----------------------------|---------------|----------------|
| | <hr/> | <hr/> |
| Balance, July 1, 2005 | \$ 10,115,000 | \$ 116,400 |
| Deductions | (735,000) | (19,200) |
| | <hr/> | <hr/> |
| Balance, June 30, 2006 | \$ 9,380,000 | \$ 97,200 |
| | <hr/> | <hr/> |
| Balance Due Within One Year | \$ 775,000 | \$ 19,200 |
| | <hr/> | <hr/> |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|-------------------------------------------------------------------|---------------------|
| Total Noncurrent Liabilities, June 30, 2006 | \$ 9,477,200 |
| Less: Balance Due Within One Year | <u>(794,200)</u> |
| Noncurrent Liabilities - Due In More Than One Year - Exhibit A | <u>\$ 8,683,000</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

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year

ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Sequatchie County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Sequatchie County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The Sequatchie County School Department had no net assets restricted by enabling legislation to disclose at June 30, 2006. But it is reasonably expected that the Sequatchie County School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement

No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The Sequatchie County School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the Sequatchie County School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Contingent Liabilities

According to the School Department's attorney there were no pending lawsuits in which the School Department is involved.

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.G. 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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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, 2006, 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, 2006, 2005, and 2004, were \$351,665, \$330,470, and \$189,771, 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 \$10,000.

**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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|------------------------------------------------|----------------------|----------------------|----------------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 3,676,700 | \$ 3,500,222 | \$ 3,587,620 | \$ 89,080 |
| Licenses and Permits | 1,558 | 1,500 | 1,500 | 58 |
| Charges for Current Services | 18,703 | 24,000 | 24,000 | (5,297) |
| Other Local Revenues | 146,966 | 50,200 | 59,691 | 87,275 |
| State of Tennessee | 9,223,722 | 8,681,808 | 8,681,808 | 541,914 |
| Federal Government | 708,082 | 448,036 | 831,950 | (123,868) |
| Total Revenues | \$ 13,775,731 | \$ 12,705,766 | \$ 13,186,569 | \$ 589,162 |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 5,314,560 | \$ 5,466,334 | \$ 5,462,334 | \$ 147,774 |
| Alternative Instruction Program | 59,273 | 64,056 | 64,056 | 4,783 |
| Special Education Program | 1,473,245 | 1,548,868 | 1,553,290 | 80,045 |
| Vocational Education Program | 161,579 | 220,782 | 211,782 | 50,203 |
| Student Body Education Program | 14,738 | 16,862 | 16,862 | 2,124 |
| Adult Education Program | 56,023 | 60,077 | 60,077 | 4,054 |
| <u>Support Services</u> | | | | |
| Attendance | 81,712 | 82,311 | 82,508 | 796 |
| Health Services | 38,770 | 40,403 | 40,403 | 1,633 |
| Other Student Support | 220,901 | 207,369 | 217,760 | (3,141) |
| Regular Instruction Program | 401,981 | 398,717 | 398,717 | (3,264) |
| Special Education Program | 131,022 | 144,352 | 144,352 | 13,330 |
| Vocational Education Program | 8,366 | 0 | 9,000 | 634 |
| Adult Programs | 68,595 | 70,544 | 70,544 | 1,949 |
| Board of Education | 190,670 | 180,574 | 193,775 | 3,105 |
| Director of Schools | 138,862 | 135,483 | 138,183 | (679) |
| Office of the Principal | 474,527 | 481,246 | 481,346 | 6,819 |
| Fiscal Services | 111,336 | 127,147 | 110,947 | (389) |
| Operation of Plant | 930,587 | 855,020 | 947,020 | 16,433 |
| Maintenance of Plant | 136,876 | 129,162 | 137,162 | 286 |
| Transportation | 289,039 | 295,253 | 295,253 | 6,214 |
| Central and Other | 10,500 | 20,000 | 10,500 | 0 |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Community Services | 538,599 | 258,956 | 638,448 | 99,849 |
| <u>Capital Outlay</u> | | | | |
| Regular Capital Outlay | 254,533 | 3,328,002 | 2,828,002 | 2,573,469 |
| <u>Principal on Debt</u> | | | | |
| Education | 754,200 | 754,200 | 754,200 | 0 |
| <u>Interest on Debt</u> | | | | |
| Education | 413,277 | 414,055 | 414,055 | 778 |
| <u>Other Debt Service</u> | | | | |
| Education | 963 | 1,500 | 1,500 | 537 |
| Total Expenditures | \$ 12,274,734 | \$ 15,301,273 | \$ 15,282,076 | \$ 3,007,342 |

(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 | \$ 1,500,997 | \$ (2,595,507) | \$ (2,095,507) | \$ 3,596,504 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 66,657 | \$ 68,885 | \$ 68,885 | \$ (2,228) |
| Transfers Out | (504,226) | 0 | (500,000) | (4,226) |
| Total Other Financing Sources (Uses) | \$ (437,569) | \$ 68,885 | \$ (431,115) | \$ (6,454) |
| Net Change in Fund Balance | \$ 1,063,428 | \$ (2,526,622) | \$ (2,526,622) | \$ 3,590,050 |
| Fund Balance, July 1, 2005 | 3,668,368 | 3,668,368 | 3,668,368 | 0 |
| Fund Balance, June 30, 2006 | \$ 4,731,796 | \$ 1,141,746 | \$ 1,141,746 | \$ 3,590,050 |

**SEQUATCHIE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006**

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 schedule.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

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

| | |
|------------------------------------------------|----------|
| Support Services - Other Student Support | \$ 3,141 |
| Support Services - Regular Instruction Program | 3,264 |
| Support Services - Director of Schools | 679 |
| Support Services - Fiscal Services | 389 |
| Transfers Out | 4,226 |

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

**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.

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.

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

Exhibit F-1

Sequatchie County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Sequatchie County School Department
June 30, 2006

| | <u>Special Revenue Funds</u> | | | | <u>Capital</u> | <u>Total</u> |
|---------------------------------------------------------|------------------------------|-------------------|------------------|-------------------|-------------------|---------------------|
| | <u>School</u> | <u>Central</u> | <u>Other</u> | <u>Total</u> | <u>Projects</u> | |
| | <u>Federal</u> | <u>Cafeteria</u> | <u>Education</u> | | <u>Capital</u> | <u>Nonmajor</u> |
| | <u>Projects</u> | | <u>Special</u> | | <u>Projects</u> | <u>Governmental</u> |
| | | | <u>Revenue</u> | | | <u>Funds</u> |
| <u>ASSETS</u> | | | | | | |
| Cash | \$ 0 | \$ 1,584 | \$ 0 | \$ 1,584 | \$ 0 | \$ 1,584 |
| Equity in Pooled Cash and Investments | 19,494 | 125,222 | 14,480 | 159,196 | 398,018 | 557,214 |
| Accounts Receivable | 0 | 9,991 | 0 | 9,991 | 0 | 9,991 |
| Due from Other Governments | 14,717 | 0 | 0 | 14,717 | 0 | 14,717 |
| Total Assets | \$ 34,211 | \$ 136,797 | \$ 14,480 | \$ 185,488 | \$ 398,018 | \$ 583,506 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | |
| <u>Liabilities</u> | | | | | | |
| Contracts Payable | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 158,216 | \$ 158,216 |
| Retainage Payable | 0 | 0 | 0 | 0 | 19,461 | 19,461 |
| Other Deferred Revenues | 0 | 7,627 | 0 | 7,627 | 0 | 7,627 |
| Total Liabilities | \$ 0 | \$ 7,627 | \$ 0 | \$ 7,627 | \$ 177,677 | \$ 185,304 |
| <u>Fund Balances</u> | | | | | | |
| Reserved for Encumbrances | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,181,337 | \$ 3,181,337 |
| Reserved for Title I Grants to Local Education Agencies | 22,066 | 0 | 0 | 22,066 | 0 | 22,066 |
| Reserved for Innovative Education Program Strategies | 1,005 | 0 | 0 | 1,005 | 0 | 1,005 |
| Reserved for Special Education - Grants to States | 2,418 | 0 | 0 | 2,418 | 0 | 2,418 |
| Other Federal Reserves | 8,722 | 0 | 0 | 8,722 | 0 | 8,722 |
| Unreserved (Deficit) | 0 | 129,170 | 14,480 | 143,650 | (2,960,996) | (2,817,346) |
| Total Fund Balances | \$ 34,211 | \$ 129,170 | \$ 14,480 | \$ 177,861 | \$ 220,341 | \$ 398,202 |
| Total Liabilities and Fund Balances | \$ 34,211 | \$ 136,797 | \$ 14,480 | \$ 185,488 | \$ 398,018 | \$ 583,506 |

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, 2006

| | Special Revenue Funds | | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|------------------------------------------------------|-------------------------------|----------------------|------------------------------------------|---------------------|----------------------------------|--------------------------------------------|
| | School Federal Projects | Central Cafeteria | Other Education Special Revenue | Total | Education Capital Projects | |
| <u>Revenues</u> | | | | | | |
| Charges for Current Services | \$ 0 | \$ 316,833 | \$ 63,106 | \$ 379,939 | \$ 0 | \$ 379,939 |
| Other Local Revenues | 0 | 4,914 | 212 | 5,126 | 96,003 | 101,129 |
| State of Tennessee | 0 | 12,131 | 0 | 12,131 | 0 | 12,131 |
| Federal Government | 1,252,260 | 554,354 | 0 | 1,806,614 | 0 | 1,806,614 |
| Total Revenues | <u>\$ 1,252,260</u> | <u>\$ 888,232</u> | <u>\$ 63,318</u> | <u>\$ 2,203,810</u> | <u>\$ 96,003</u> | <u>\$ 2,299,813</u> |
| <u>Expenditures</u> | | | | | | |
| Current: | | | | | | |
| Instruction | \$ 998,137 | \$ 0 | \$ 0 | \$ 998,137 | \$ 0 | \$ 998,137 |
| Support Services | 266,397 | 0 | 0 | 266,397 | 0 | 266,397 |
| Operation of Non-Instructional Services | 0 | 924,504 | 58,075 | 982,579 | 0 | 982,579 |
| Capital Projects | 0 | 0 | 0 | 0 | 505,357 | 505,357 |
| Total Expenditures | <u>\$ 1,264,534</u> | <u>\$ 924,504</u> | <u>\$ 58,075</u> | <u>\$ 2,247,113</u> | <u>\$ 505,357</u> | <u>\$ 2,752,470</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (12,274)</u> | <u>\$ (36,272)</u> | <u>\$ 5,243</u> | <u>\$ (43,303)</u> | <u>\$ (409,354)</u> | <u>\$ (452,657)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Transfers In | \$ 4,226 | \$ 0 | \$ 0 | \$ 4,226 | \$ 500,000 | \$ 504,226 |
| Transfers Out | (27,107) | (38,197) | (1,353) | (66,657) | 0 | (66,657) |
| Total Other Financing Sources (Uses) | <u>\$ (22,881)</u> | <u>\$ (38,197)</u> | <u>\$ (1,353)</u> | <u>\$ (62,431)</u> | <u>\$ 500,000</u> | <u>\$ 437,569</u> |
| Net Change in Fund Balances | \$ (35,155) | \$ (74,469) | \$ 3,890 | \$ (105,734) | \$ 90,646 | \$ (15,088) |
| Fund Balance, July 1, 2005 | 69,366 | 203,639 | 10,590 | 283,595 | 129,695 | 413,290 |
| Fund Balance, June 30, 2006 | <u>\$ 34,211</u> | <u>\$ 129,170</u> | <u>\$ 14,480</u> | <u>\$ 177,861</u> | <u>\$ 220,341</u> | <u>\$ 398,202</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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|------------------------------------------------------|--------------|------------------|--------------|--------------------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Federal Government | \$ 1,252,260 | \$ 1,262,038 | \$ 1,339,244 | \$ (86,984) |
| Total Revenues | \$ 1,252,260 | \$ 1,262,038 | \$ 1,339,244 | \$ (86,984) |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 561,425 | \$ 616,941 | \$ 633,415 | \$ 71,990 |
| Special Education Program | 376,505 | 378,650 | 379,142 | 2,637 |
| Vocational Education Program | 60,207 | 0 | 60,207 | 0 |
| <u>Support Services</u> | | | | |
| Other Student Support | 917 | 1,900 | 1,900 | 983 |
| Regular Instruction Program | 108,154 | 137,842 | 136,763 | 28,609 |
| Special Education Program | 105,570 | 114,459 | 114,459 | 8,889 |
| Transportation | 51,756 | 56,625 | 56,625 | 4,869 |
| Total Expenditures | \$ 1,264,534 | \$ 1,306,417 | \$ 1,382,511 | \$ 117,977 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (12,274) | \$ (44,379) | \$ (43,267) | \$ 30,993 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 4,226 | \$ 0 | \$ 4,226 | \$ 0 |
| Transfers Out | (27,107) | 0 | (30,327) | 3,220 |
| Total Other Financing Sources (Uses) | \$ (22,881) | \$ 0 | \$ (26,101) | \$ 3,220 |
| Net Change in Fund Balance | \$ (35,155) | \$ (44,379) | \$ (69,368) | \$ 34,213 |
| Fund Balance, July 1, 2005 | 69,366 | 99,339 | 99,339 | (29,973) |
| Fund Balance, June 30, 2006 | \$ 34,211 | \$ 54,960 | \$ 29,971 | \$ 4,240 |

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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|------------------------------------------------------|--------------------|---------------------|---------------------|--------------------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Charges for Current Services | \$ 316,833 | \$ 311,000 | \$ 311,000 | \$ 5,833 |
| Other Local Revenues | 4,914 | 6,500 | 6,500 | (1,586) |
| State of Tennessee | 12,131 | 12,000 | 12,000 | 131 |
| Federal Government | 554,354 | 518,000 | 518,000 | 36,354 |
| Total Revenues | <u>\$ 888,232</u> | <u>\$ 847,500</u> | <u>\$ 847,500</u> | <u>\$ 40,732</u> |
| <u>Expenditures</u> | | | | |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Food Service | \$ 924,504 | \$ 1,012,657 | \$ 1,012,657 | \$ 88,153 |
| Total Expenditures | <u>\$ 924,504</u> | <u>\$ 1,012,657</u> | <u>\$ 1,012,657</u> | <u>\$ 88,153</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (36,272)</u> | <u>\$ (165,157)</u> | <u>\$ (165,157)</u> | <u>\$ 128,885</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers Out | \$ (38,197) | \$ (38,197) | \$ (38,197) | \$ 0 |
| Total Other Financing Sources (Uses) | <u>\$ (38,197)</u> | <u>\$ (38,197)</u> | <u>\$ (38,197)</u> | <u>\$ 0</u> |
| Net Change in Fund Balance | \$ (74,469) | \$ (203,354) | \$ (203,354) | \$ 128,885 |
| Fund Balance, July 1, 2005 | <u>203,639</u> | <u>203,354</u> | <u>203,354</u> | <u>285</u> |
| Fund Balance, June 30, 2006 | <u>\$ 129,170</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 129,170</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, 2006

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------------------|-------------------------|-------------------------|-------------------------|--------------------------------------------------|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Charges for Current Services | \$ 63,106 | \$ 67,000 | \$ 67,000 | \$ (3,894) |
| Other Local Revenues | 212 | 0 | 0 | 212 |
| Total Revenues | <u>\$ 63,318</u> | <u>\$ 67,000</u> | <u>\$ 67,000</u> | <u>\$ (3,682)</u> |
| <u>Expenditures</u> | | | | |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Community Services | \$ 58,075 | \$ 67,000 | \$ 65,607 | \$ 7,532 |
| Total Expenditures | <u>\$ 58,075</u> | <u>\$ 67,000</u> | <u>\$ 65,607</u> | <u>\$ 7,532</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 5,243</u> | <u>\$ 0</u> | <u>\$ 1,393</u> | <u>\$ 3,850</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers Out | \$ (1,353) | \$ 0 | \$ (1,393) | \$ 40 |
| Total Other Financing Sources (Uses) | <u>\$ (1,353)</u> | <u>\$ 0</u> | <u>\$ (1,393)</u> | <u>\$ 40</u> |
| Net Change in Fund Balance | \$ 3,890 | \$ 0 | \$ 0 | \$ 3,890 |
| Fund Balance, July 1, 2005 | <u>10,590</u> | <u>10,591</u> | <u>10,591</u> | <u>(1)</u> |
| Fund Balance, June 30, 2006 | <u><u>\$ 14,480</u></u> | <u><u>\$ 10,591</u></u> | <u><u>\$ 10,591</u></u> | <u><u>\$ 3,889</u></u> |

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, 2006

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-05 | Paid and/or Matured During Period | Outstanding 6-30-06 |
|----------------------------------------------------|--------------------------------|------------------|---------------------|--------------------------|-----------------------|--------------------------------------------|------------------------|
| <u>BONDS PAYABLE</u> | | | | | | | |
| <u>Payable through General Purpose School Fund</u> | | | | | | | |
| School Refunding Bonds - Series 1997 | \$ 7,405,000 | 3.8 to 4.85 % | 8-1-1997 | 2-1-10 | \$ 2,830,000 | \$ 510,000 | \$ 2,320,000 |
| School Bonds - Series 1998 | 5,000,000 | 4.15 | 10-15-1998 | 2-1-14 | 4,785,000 | 225,000 | 4,560,000 |
| 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>\$ 10,115,000</u> | <u>\$ 735,000</u> | <u>\$ 9,380,000</u> |
| <u>OTHER LOANS PAYABLE</u> | | | | | | | |
| <u>Payable through General Purpose School Fund</u> | | | | | | | |
| Rural Development Loan - Lighting | 90,000 | 0 | 5-3-00 | 5-3-09 | \$ 45,000 | \$ 9,000 | \$ 36,000 |
| Rural Development Loan - Technology | 102,000 | 0 | 1-1-03 | 1-1-13 | 71,400 | 10,200 | 61,200 |
| Total Other Loans Payable | | | | | <u>\$ 116,400</u> | <u>\$ 19,200</u> | <u>\$ 97,200</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 |
|---------------------------|----------------------|--------------------------|-----------------------|
| 2007 | \$ 775,000 | \$ 380,800 | \$ 1,155,800 |
| 2008 | 815,000 | 346,875 | 1,161,875 |
| 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 | 193,633 | 1,173,633 |
| 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 | \$ 9,380,000 | \$ 2,104,313 | \$ 11,484,313 |

Exhibit G-3

Sequatchie County, Tennessee
Schedule of Transfers
Sequatchie County School Department
For the Year Ended June 30, 2006

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|---------------------------------|----------------------------|------------------|-------------------|
| School Federal Projects | General Purpose School | Indirect costs | \$ 27,107 |
| Central Cafeteria | " | " | 38,197 |
| Other Education Special Revenue | " | " | 1,353 |
| General Purpose School | School Federal Projects | Reimbursements | 4,226 |
| " | Education Capital Projects | Building project | <u>500,000</u> |
| Total Transfers | | | <u>\$ 570,883</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, 2006

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|--------------------------------------------------------|-------------------------------------------------------------------------|------------------------------------|------------|-----------------------------------------------|
| Director of Schools | State Board of Education and Sequatchie County Board of Education | \$ 80,323 (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, 2006

| | 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 | \$ 2,153,152 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 2,153,152 |
| Trustee's Collections - Prior Year | 145,676 | 0 | 0 | 0 | 0 | 145,676 |
| Circuit/Clerk & Master Collections - Prior Years | 95,128 | 0 | 0 | 0 | 0 | 95,128 |
| Interest and Penalty | 24,270 | 0 | 0 | 0 | 0 | 24,270 |
| Pick-up Taxes | 54 | 0 | 0 | 0 | 0 | 54 |
| Payments in-Lieu-of Taxes - T.V.A. | 3,913 | 0 | 0 | 0 | 0 | 3,913 |
| Payments in-Lieu-of Taxes - Local Utilities | 13,319 | 0 | 0 | 0 | 0 | 13,319 |
| <u>County Local Option Taxes</u> | | | | | | |
| Local Option Sales Tax | 1,213,076 | 0 | 0 | 0 | 0 | 1,213,076 |
| <u>Statutory Local Taxes</u> | | | | | | |
| Bank Excise Tax | 26,143 | 0 | 0 | 0 | 0 | 26,143 |
| Interstate Telecommunications Tax | 1,969 | 0 | 0 | 0 | 0 | 1,969 |
| Total Local Taxes | \$ 3,676,700 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,676,700 |
| <u>Licenses and Permits</u> | | | | | | |
| <u>Licenses</u> | | | | | | |
| Marriage Licenses | \$ 1,558 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 1,558 |
| Total Licenses and Permits | \$ 1,558 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 1,558 |
| <u>Charges for Current Services</u> | | | | | | |
| <u>Education Charges</u> | | | | | | |
| Tuition - Regular Day Students | \$ 550 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 550 |
| Tuition - Adult Education | 770 | 0 | 0 | 0 | 0 | 770 |
| Tuition - Other | 0 | 0 | 0 | 63,106 | 0 | 63,106 |
| Lunch Payments - Children | 0 | 0 | 197,997 | 0 | 0 | 197,997 |
| Lunch Payments - Adults | 0 | 0 | 21,688 | 0 | 0 | 21,688 |
| Income from Breakfast | 0 | 0 | 23,435 | 0 | 0 | 23,435 |
| A la carte Sales | 0 | 0 | 73,713 | 0 | 0 | 73,713 |
| Receipts from Individual Schools | 17,383 | 0 | 0 | 0 | 0 | 17,383 |
| Total Charges for Current Services | \$ 18,703 | \$ 0 | \$ 316,833 | \$ 63,106 | \$ 0 | \$ 398,642 |
| <u>Other Local Revenues</u> | | | | | | |
| <u>Recurring Items</u> | | | | | | |
| Investment Income | \$ 99,036 | \$ 0 | \$ 1,358 | \$ 0 | \$ 17 | \$ 100,411 |
| Miscellaneous Refunds | 8,065 | 0 | 784 | 212 | 95,986 | 105,047 |

(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> | | | | | | |
| Insurance Recovery | \$ 519 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 519 |
| Sale of Equipment | 272 | 0 | 0 | 0 | 0 | 272 |
| Sale of Property | 500 | 0 | 0 | 0 | 0 | 500 |
| Damages Recovered from Individuals | 8,167 | 0 | 0 | 0 | 0 | 8,167 |
| Contributions & Gifts | 589 | 0 | 0 | 0 | 0 | 589 |
| <u>Other Local Revenues</u> | 29,818 | 0 | 2,772 | 0 | 0 | 32,590 |
| Total Other Local Revenues | \$ 146,966 | \$ 0 | \$ 4,914 | \$ 212 | \$ 96,003 | \$ 248,095 |
| <u>State of Tennessee</u> | | | | | | |
| <u>State Education Funds</u> | | | | | | |
| Basic Education Program | \$ 8,936,056 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 8,936,056 |
| School Food Service | 0 | 0 | 12,131 | 0 | 0 | 12,131 |
| Driver Education | 2,370 | 0 | 0 | 0 | 0 | 2,370 |
| Other State Education Funds | 14,120 | 0 | 0 | 0 | 0 | 14,120 |
| Career Ladder Program | 101,345 | 0 | 0 | 0 | 0 | 101,345 |
| Career Ladder - Extended Contract | 57,724 | 0 | 0 | 0 | 0 | 57,724 |
| <u>Other State Revenues</u> | 112,107 | 0 | 0 | 0 | 0 | 112,107 |
| Total State of Tennessee | \$ 9,223,722 | \$ 0 | \$ 12,131 | \$ 0 | \$ 0 | \$ 9,235,853 |
| <u>Federal Government</u> | | | | | | |
| <u>Federal Through State</u> | | | | | | |
| USDA School Lunch Program | \$ 0 | \$ 0 | 426,282 | \$ 0 | \$ 0 | 426,282 |
| Breakfast | 0 | 0 | 124,229 | 0 | 0 | 124,229 |
| USDA - Other | 0 | 0 | 3,843 | 0 | 0 | 3,843 |
| Adult Education State Grant Program | 79,625 | 0 | 0 | 0 | 0 | 79,625 |
| Vocational Education - Basic Grants to States | 0 | 60,207 | 0 | 0 | 0 | 60,207 |
| Title I Grants to Local Education Agencies | 0 | 442,318 | 0 | 0 | 0 | 442,318 |
| Innovative Education Program Strategies | 0 | 67,284 | 0 | 0 | 0 | 67,284 |
| Special Education - Grants to States | 4,422 | 501,760 | 0 | 0 | 0 | 506,182 |
| Special Education Preschool Grants | 0 | 39,047 | 0 | 0 | 0 | 39,047 |
| Eisenhower Professional Development State Grants | 0 | 118,511 | 0 | 0 | 0 | 118,511 |
| Other Federal through State | 624,035 | 23,133 | 0 | 0 | 0 | 647,168 |
| Total Federal Government | \$ 708,082 | \$ 1,252,260 | \$ 554,354 | \$ 0 | \$ 0 | \$ 2,514,696 |
| Total | \$ 13,775,731 | \$ 1,252,260 | \$ 888,232 | \$ 63,318 | \$ 96,003 | \$ 16,075,544 |

Exhibit G-6

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Sequatchie County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

| | | | |
|-------------------------------------------|----|-----------|--------------|
| Teachers | \$ | 3,643,082 | |
| Career Ladder Program | | 55,475 | |
| Career Ladder Extended Contracts | | 44,500 | |
| Homebound Teachers | | 7,263 | |
| Educational Assistants | | 121,371 | |
| Certified Substitute Teachers | | 47,719 | |
| Non-certified Substitute Teachers | | 54,684 | |
| Social Security | | 228,380 | |
| State Retirement | | 210,306 | |
| Medical Insurance | | 462,018 | |
| Employer Medicare | | 53,886 | |
| Contracts with Other School Systems | | 550 | |
| Maintenance & Repair Services - Equipment | | 14,932 | |
| Instructional Supplies and Materials | | 84,980 | |
| Textbooks | | 131,874 | |
| Other Charges | | 3,100 | |
| Regular Instruction Equipment | | 150,440 | |
| Total Regular Instruction Program | | | \$ 5,314,560 |

Alternative Instruction Program

| | | | |
|---------------------------------------|----|--------|--------|
| Teachers | \$ | 38,166 | |
| Educational Assistants | | 10,163 | |
| Social Security | | 2,953 | |
| State Retirement | | 2,583 | |
| Medical Insurance | | 4,082 | |
| Employer Medicare | | 691 | |
| Other Supplies and Materials | | 338 | |
| Other Charges | | 297 | |
| Total Alternative Instruction Program | | | 59,273 |

Special Education Program

| | | |
|----------------------------------|----|---------|
| Teachers | \$ | 855,750 |
| Career Ladder Program | | 16,502 |
| Career Ladder Extended Contracts | | 5,000 |
| Homebound Teachers | | 15,425 |
| Clerical Personnel | | 20,587 |
| Educational Assistants | | 102,200 |
| Other Salaries & Wages | | 22,986 |
| Certified Substitute Teachers | | 21,466 |

(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.)

| | | | |
|--------------------------------------|----|---------|--------------|
| Non-certified Substitute Teachers | \$ | 13,068 | |
| Social Security | | 60,212 | |
| State Retirement | | 56,635 | |
| Medical Insurance | | 182,232 | |
| Unemployment Compensation | | 5,513 | |
| Employer Medicare | | 14,082 | |
| Communication | | 2,388 | |
| Travel | | 1,578 | |
| Other Contracted Services | | 25,010 | |
| Instructional Supplies and Materials | | 6,078 | |
| Other Supplies and Materials | | 171 | |
| Other Charges | | 45,362 | |
| Special Education Equipment | | 1,000 | |
| Total Special Education Program | | | \$ 1,473,245 |

Vocational Education Program

| | | | |
|--------------------------------------|----|---------|---------|
| Teachers | \$ | 105,020 | |
| Career Ladder Program | | 1,000 | |
| Social Security | | 5,867 | |
| State Retirement | | 5,831 | |
| Medical Insurance | | 23,105 | |
| Employer Medicare | | 1,372 | |
| Instructional Supplies and Materials | | 3,846 | |
| Other Charges | | 395 | |
| Vocational Instruction Equipment | | 15,143 | |
| Total Vocational Education Program | | | 161,579 |

Student Body Education Program

| | | | |
|--------------------------------------|----|--------|--------|
| Other Salaries & Wages | \$ | 13,394 | |
| Certified Substitute Teachers | | 47 | |
| Social Security | | 783 | |
| State Retirement | | 330 | |
| Employer Medicare | | 184 | |
| Total Student Body Education Program | | | 14,738 |

Adult Education Program

| | | | |
|------------------------|----|--------|--|
| Teachers | \$ | 21,464 | |
| Clerical Personnel | | 18,451 | |
| Other Salaries & Wages | | 4,346 | |

(Continued)

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.)

| | | | |
|--------------------------------------|----|-------|-----------|
| Social Security | \$ | 2,735 | |
| State Retirement | | 2,062 | |
| Employer Medicare | | 640 | |
| Instructional Supplies and Materials | | 6,325 | |
| Total Adult Education Program | | | \$ 56,023 |

Support Services

Attendance

| | | | |
|-----------------------|----|--------|--------|
| Supervisor/Director | \$ | 52,831 | |
| Career Ladder Program | | 1,000 | |
| Clerical Personnel | | 6,253 | |
| Social Security | | 3,331 | |
| State Retirement | | 3,258 | |
| Medical Insurance | | 12,786 | |
| Employer Medicare | | 779 | |
| Travel | | 1,374 | |
| Other Charges | | 100 | |
| Total Attendance | | | 81,712 |

Health Services

| | | | |
|-----------------------|----|--------|--------|
| Medical Personnel | \$ | 34,381 | |
| Social Security | | 1,988 | |
| State Retirement | | 1,891 | |
| Employer Medicare | | 465 | |
| Other Charges | | 45 | |
| Total Health Services | | | 38,770 |

Other Student Support

| | | | |
|----------------------------------|----|---------|--|
| Career Ladder Program | \$ | 3,000 | |
| Guidance Personnel | | 123,502 | |
| Career Ladder Extended Contracts | | 1,000 | |
| School Resource Officer | | 1,608 | |
| Other Salaries & Wages | | 10,923 | |
| Social Security | | 8,239 | |
| State Retirement | | 7,532 | |
| Medical Insurance | | 8,086 | |
| Employer Medicare | | 1,927 | |
| Evaluation and Testing | | 9,206 | |
| Travel | | 221 | |

(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.)

Other Student Support (Cont.)

| | | | |
|------------------------------|----|--------|------------|
| Other Contracted Services | \$ | 12,600 | |
| Other Supplies and Materials | | 8,836 | |
| Other Charges | | 600 | |
| Other Equipment | | 23,621 | |
| Total Other Student Support | | | \$ 220,901 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|---------|---------|
| Supervisor/Director | \$ | 61,648 | |
| Career Ladder Program | | 7,000 | |
| Career Ladder Extended Contracts | | 2,000 | |
| Librarians | | 123,942 | |
| Instructional Computer Personnel | | 49,629 | |
| Clerical Personnel | | 13,451 | |
| Other Salaries & Wages | | 24,740 | |
| Social Security | | 16,357 | |
| State Retirement | | 15,250 | |
| Medical Insurance | | 24,709 | |
| Employer Medicare | | 3,825 | |
| Travel | | 4,339 | |
| Library Books/Media | | 12,000 | |
| Other Supplies and Materials | | 30,000 | |
| In Service/Staff Development | | 5,865 | |
| Other Charges | | 7,226 | |
| Total Regular Instruction Program | | | 401,981 |

Special Education Program

| | | | |
|---------------------------------|----|--------|---------|
| Supervisor/Director | \$ | 55,496 | |
| Career Ladder Program | | 2,000 | |
| Psychological Personnel | | 42,249 | |
| Social Security | | 5,789 | |
| State Retirement | | 5,486 | |
| Medical Insurance | | 12,444 | |
| Employer Medicare | | 1,354 | |
| Travel | | 4,046 | |
| Other Contracted Services | | 226 | |
| Other Supplies and Materials | | 320 | |
| In Service/Staff Development | | 952 | |
| Other Charges | | 660 | |
| Total Special Education Program | | | 131,022 |

(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.)

Vocational Education Program

| | | |
|------------------------------------|----------|----------|
| Other Contracted Services | \$ 8,366 | |
| Total Vocational Education Program | | \$ 8,366 |

Adult Programs

| | | |
|------------------------------|-----------|--------|
| Supervisor/Director | \$ 43,650 | |
| Career Ladder Program | 1,000 | |
| Clerical Personnel | 1,500 | |
| Social Security | 2,500 | |
| State Retirement | 2,527 | |
| Medical Insurance | 8,134 | |
| Employer Medicare | 585 | |
| Travel | 1,752 | |
| In Service/Staff Development | 2,378 | |
| Other Charges | 4,569 | |
| Total Adult Programs | | 68,595 |

Board of Education

| | | |
|------------------------------------------------|-----------|---------|
| Board and Committee Members Fees | \$ 15,941 | |
| Social Security | 988 | |
| Employer Medicare | 231 | |
| Audit Services | 4,500 | |
| Dues and Memberships | 8,974 | |
| Legal Services | 5,682 | |
| Travel | 10,451 | |
| Liability Insurance | 14,406 | |
| Trustee's Commission | 86,375 | |
| Workers' Compensation Insurance | 35,875 | |
| Refund to Applicant for Criminal Investigation | 1,776 | |
| Other Charges | 5,471 | |
| Total Board of Education | | 190,670 |

Director of Schools

| | |
|----------------------------------------|-----------|
| County Official/Administrative Officer | \$ 79,323 |
| Assistant(s) | 2,784 |
| Career Ladder Program | 1,000 |
| Secretary(ies) | 11,681 |
| Social Security | 5,558 |
| State Retirement | 5,127 |
| Medical Insurance | 8,505 |

(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.)

Director of Schools (Cont.)

| | | | |
|------------------------------|----|--------------|------------|
| Employer Medicare | \$ | 1,300 | |
| Communication | | 11,559 | |
| Postal Charges | | 3,378 | |
| Travel | | 3,552 | |
| Office Supplies | | 2,684 | |
| Other Supplies and Materials | | 547 | |
| Other Charges | | <u>1,864</u> | |
| Total Director of Schools | | | \$ 138,862 |

Office of the Principal

| | | | |
|----------------------------------|----|------------|---------|
| Principals | \$ | 172,879 | |
| Career Ladder Program | | 3,995 | |
| Accountants/Bookkeepers | | 23,260 | |
| Career Ladder Extended Contracts | | 6,000 | |
| Assistant Principals | | 147,730 | |
| Secretary(ies) | | 36,880 | |
| Social Security | | 22,928 | |
| State Retirement | | 21,046 | |
| Medical Insurance | | 34,187 | |
| Employer Medicare | | 5,362 | |
| Travel | | <u>260</u> | |
| Total Office of the Principal | | | 474,527 |

Fiscal Services

| | | | |
|--------------------------|----|------------|---------|
| Supervisor/Director | \$ | 49,565 | |
| Clerical Personnel | | 24,228 | |
| Other Salaries & Wages | | 6,603 | |
| Social Security | | 5,654 | |
| State Retirement | | 4,589 | |
| Medical Insurance | | 11,740 | |
| Employer Medicare | | 1,322 | |
| Data Processing Services | | 6,905 | |
| Travel | | 307 | |
| Data Processing Supplies | | <u>423</u> | |
| Total Fiscal Services | | | 111,336 |

Operation of Plant

| | | | |
|---------------------|----|---------|--|
| Custodial Personnel | \$ | 234,054 | |
| Social Security | | 13,900 | |

(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.)

Operation of Plant (Cont.)

| | | | |
|---------------------------------|----|---------|------------|
| State Retirement | \$ | 11,141 | |
| Medical Insurance | | 42,670 | |
| Employer Medicare | | 3,251 | |
| Other Contracted Services | | 36,740 | |
| Custodial Supplies | | 27,392 | |
| Electricity | | 396,102 | |
| Natural Gas | | 48,731 | |
| Water and Sewer | | 51,280 | |
| Other Supplies and Materials | | 21,739 | |
| Boiler Insurance | | 2,160 | |
| Building and Contents Insurance | | 39,351 | |
| Other Charges | | 2,076 | |
| Total Operation of Plant | | | \$ 930,587 |

Maintenance of Plant

| | | | |
|-------------------------------------------|----|--------|---------|
| Supervisor/Director | \$ | 30,269 | |
| Maintenance Personnel | | 56,929 | |
| Social Security | | 5,079 | |
| State Retirement | | 4,057 | |
| Medical Insurance | | 15,729 | |
| Employer Medicare | | 1,188 | |
| Maintenance & Repair Services - Buildings | | 3,392 | |
| Maintenance & Repair Services - Equipment | | 685 | |
| Travel | | 580 | |
| Other Supplies and Materials | | 16,045 | |
| Other Charges | | 2,923 | |
| Total Maintenance of Plant | | | 136,876 |

Transportation

| | | | |
|-----------------------------|----|---------|--|
| Mechanic(s) | \$ | 30,269 | |
| Bus Drivers | | 127,054 | |
| Other Salaries & Wages | | 1,670 | |
| In-Service Training | | 732 | |
| Social Security | | 9,835 | |
| State Retirement | | 6,556 | |
| Employer Medicare | | 2,300 | |
| Communication | | 467 | |
| Medical and Dental Services | | 1,486 | |
| Travel | | 1,341 | |

(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.)

| | | | |
|---------------------------------|----|--------|------------|
| Other Contracted Services | \$ | 5,169 | |
| Diesel Fuel | | 42,585 | |
| Gasoline | | 4,761 | |
| Lubricants | | 2,006 | |
| Tires and Tubes | | 6,021 | |
| Vehicle Parts | | 29,268 | |
| Other Supplies and Materials | | 1,046 | |
| Vehicle and Equipment Insurance | | 12,150 | |
| Other Charges | | 4,123 | |
| Transportation Equipment | | 200 | |
| Total Transportation | | | \$ 289,039 |

Central and Other

| | | | |
|---------------------------|----|--------|--------|
| Other Contracted Services | \$ | 10,500 | |
| Total Central and Other | | | 10,500 |

Operation of Non-Instructional Services

Community Services

| | | | |
|--------------------------------------|----|---------|---------|
| Supervisor/Director | \$ | 7,680 | |
| Teachers | | 79,676 | |
| Bus Drivers | | 5,990 | |
| Educational Assistants | | 39,524 | |
| Other Salaries & Wages | | 16,635 | |
| Social Security | | 7,743 | |
| State Retirement | | 6,543 | |
| Employer Medicare | | 1,808 | |
| Communication | | 1,176 | |
| Postal Charges | | 400 | |
| Travel | | 1,899 | |
| Other Contracted Services | | 4,000 | |
| Instructional Supplies and Materials | | 17,424 | |
| Refunds | | 335,320 | |
| In Service/Staff Development | | 249 | |
| Other Charges | | 382 | |
| Other Equipment | | 12,150 | |
| Total Community Services | | | 538,599 |

(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.)

Capital Outlay

Regular Capital Outlay

| | | |
|------------------------------|------------|------------|
| Building Improvements | \$ 254,533 | |
| Total Regular Capital Outlay | | \$ 254,533 |

Principal on Debt

Education

| | | |
|--------------------|------------|---------|
| Principal on Bonds | \$ 735,000 | |
| Principal on Notes | 19,200 | |
| Total Education | | 754,200 |

Interest on Debt

Education

| | | |
|--------------------|------------|---------|
| Interest on Bonds | \$ 412,555 | |
| Other Debt Service | 722 | |
| Total Education | | 413,277 |

Other Debt Service

Education

| | | |
|--------------------|--------|-----|
| Other Debt Service | \$ 963 | |
| Total Education | | 963 |

Total General Purpose School Fund \$ 12,274,734

School Federal Projects Fund

Instruction

Regular Instruction Program

| | | |
|--------------------------------------|------------|------------|
| Teachers | \$ 324,032 | |
| Educational Assistants | 71,364 | |
| Other Salaries & Wages | 4,954 | |
| Certified Substitute Teachers | 24 | |
| Non-certified Substitute Teachers | 2,350 | |
| Social Security | 23,383 | |
| State Retirement | 21,219 | |
| Medical Insurance | 45,907 | |
| Unemployment Compensation | 1,987 | |
| Employer Medicare | 5,469 | |
| Instructional Supplies and Materials | 20,554 | |
| Other Charges | 1,868 | |
| Regular Instruction Equipment | 38,314 | |
| Total Regular Instruction Program | | \$ 561,425 |

(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.)

Instruction (Cont.)

Special Education Program

| | | | |
|--------------------------------------|----|---------|------------|
| Teachers | \$ | 1,357 | |
| Educational Assistants | | 231,717 | |
| Certified Substitute Teachers | | 47 | |
| Social Security | | 13,066 | |
| State Retirement | | 10,592 | |
| Medical Insurance | | 55,060 | |
| Unemployment Compensation | | 1,164 | |
| Employer Medicare | | 3,056 | |
| Contracts with Private Agencies | | 14,993 | |
| Other Contracted Services | | 26,767 | |
| Instructional Supplies and Materials | | 12,489 | |
| Other Charges | | 6,197 | |
| Total Special Education Program | | | \$ 376,505 |

Vocational Education Program

| | | | |
|--------------------------------------|----|--------|--------|
| Instructional Supplies and Materials | \$ | 6,157 | |
| Vocational Instruction Equipment | | 54,050 | |
| Total Vocational Education Program | | | 60,207 |

Support Services

Other Student Support

| | | | |
|-----------------------------|----|-----|-----|
| Other Charges | \$ | 917 | |
| Total Other Student Support | | | 917 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|--------|---------|
| Supervisor/Director | \$ | 52,634 | |
| Clerical Personnel | | 12,092 | |
| Social Security | | 3,903 | |
| State Retirement | | 3,470 | |
| Medical Insurance | | 3,848 | |
| Unemployment Compensation | | 323 | |
| Employer Medicare | | 913 | |
| Other Supplies and Materials | | 1,458 | |
| In Service/Staff Development | | 29,210 | |
| Other Charges | | 303 | |
| Total Regular Instruction Program | | | 108,154 |

Special Education Program

| | | | |
|-------------------------|----|--------|--|
| Psychological Personnel | \$ | 45,274 | |
|-------------------------|----|--------|--|

(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.)

Special Education Program (Cont.)

| | | | |
|---------------------------------|----|--------|------------|
| Clerical Personnel | \$ | 7,338 | |
| Other Salaries & Wages | | 25,965 | |
| Social Security | | 4,438 | |
| State Retirement | | 4,099 | |
| Medical Insurance | | 12,444 | |
| Unemployment Compensation | | 263 | |
| Employer Medicare | | 1,038 | |
| In Service/Staff Development | | 4,464 | |
| Other Charges | | 247 | |
| Total Special Education Program | | | \$ 105,570 |

Transportation

| | | | |
|---------------------------|----|--------|-----------|
| Bus Drivers | \$ | 32,355 | |
| Social Security | | 1,929 | |
| State Retirement | | 1,540 | |
| Medical Insurance | | 4,199 | |
| Unemployment Compensation | | 161 | |
| Employer Medicare | | 451 | |
| Diesel Fuel | | 7,534 | |
| Lubricants | | 300 | |
| Tires and Tubes | | 390 | |
| Vehicle Parts | | 992 | |
| Other Charges | | 1,905 | |
| Total Transportation | | | \$ 51,756 |

Total School Federal Projects Fund \$ 1,264,534

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

| | | |
|-------------------------|----|---------|
| Supervisor/Director | \$ | 72,135 |
| Accountants/Bookkeepers | | 18,143 |
| Clerical Personnel | | 27,847 |
| Cafeteria Personnel | | 201,939 |
| Maintenance Personnel | | 19,243 |
| Temporary Personnel | | 14,521 |
| Overtime Pay | | 9,249 |
| Social Security | | 20,189 |
| State Retirement | | 16,358 |

(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.)

| | | | |
|--------------------------------------------|----|---------|------------|
| Medical Insurance | \$ | 91,149 | |
| Unemployment Compensation | | 121 | |
| Employer Medicare | | 4,722 | |
| Communication | | 3,614 | |
| Maintenance & Repair Services - Equipment | | 4,605 | |
| Transportation - Other than Students | | 4,810 | |
| Travel | | 2,457 | |
| Other Contracted Services | | 6,263 | |
| Food Preparation Supplies | | 3,705 | |
| Food Supplies | | 331,268 | |
| Office Supplies | | 4,461 | |
| Other Supplies and Materials | | 26,743 | |
| In Service/Staff Development | | 2,356 | |
| Criminal Investigation of Applicants - TBI | | 432 | |
| Other Charges | | 2,815 | |
| Food Service Equipment | | 35,359 | |
| Total Food Service | | | \$ 924,504 |

Total Central Cafeteria Fund \$ 924,504

Other Education Special Revenue Fund

Operation of Non-Instructional Services

Community Services

| | | | |
|-----------------------------------|----|--------|-----------|
| Supervisor/Director | \$ | 12,570 | |
| Clerical Personnel | | 1,281 | |
| Other Salaries & Wages | | 24,090 | |
| Certified Substitute Teachers | | 170 | |
| Non-certified Substitute Teachers | | 1,201 | |
| Social Security | | 2,202 | |
| State Retirement | | 1,604 | |
| Medical Insurance | | 8,295 | |
| Unemployment Compensation | | 196 | |
| Employer Medicare | | 515 | |
| Other Contracted Services | | 278 | |
| Other Supplies and Materials | | 5,419 | |
| In Service/Staff Development | | 70 | |
| Other Charges | | 184 | |
| Total Community Services | | | \$ 58,075 |

Total Other Education Special Revenue Fund 58,075

(Continued)

Exhibit G-6

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

| | | | |
|--------------------------------------------------------------------|----|----------------|---------------------------------|
| <u>Education Capital Projects Fund</u> | | | |
| <u>Capital Projects</u> | | | |
| <u>Education Capital Projects</u> | | | |
| Other Contracted Services | \$ | <u>505,357</u> | |
| Total Education Capital Projects | | | \$ <u>505,357</u> |
| Total Education Capital Projects Fund | | | \$ <u>505,357</u> |
| Total Governmental Funds - Sequatchie County School Department | | | \$ <u><u>15,027,204</u></u> |

SINGLE AUDIT REPORT
SEQUATCHIE COUNTY, TENNESSEE
AND
SEQUATCHIE COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006

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

MICHAEL FORD, CPA, CGFM
Auditor 4

MELODIE C. WHEELER
JENI PALADENI
State Auditors

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

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

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

September 19, 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, the major fund, and the aggregate remaining fund information of the Sequatchie County School Department, as of and for the year ended June 30, 2006, 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 September 19, 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 06.03, 06.04(A), 06.05(A,B), 06.06, 06.07, 06.08, 06.11, 06.12(A,B), 06.13, and 06.14.

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, we believe none of the reportable conditions described above is a material weakness.

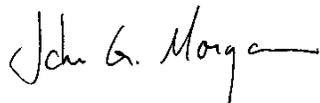
Compliance and Other Matters

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 06.01, 06.02, 06.04(B), 06.05(C), 06.09, 06.10, and 06.12(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
PHONE (615) 401-7841

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

September 19, 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, 2006. 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, 2006.

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.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Sequatchie County School Department's ability to administer major federal programs in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.14 and 06.15.

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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants 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. Our consideration of the internal control over compliance 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, we believe none of the reportable conditions described above is a material weakness.

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, the major fund, and the aggregate remaining fund information of the Sequatchie County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated September 19, 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, 2006

| 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 | \$ 45,918 |
| Passed-through State Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | N/A | 124,229 |
| National School Lunch Program | 10.555 | N/A | 426,282 |
| Passed-through State Department of Human Services: | | | |
| Child and Adult Care Food Program | 10.558 | (2) | 3,843 |
| Total U.S. Department of Agriculture | | | \$ 600,272 |
| U.S. Department of Justice: | | | |
| Direct Program: | | | |
| Public Safety Partnership and Community Policing Grants | 16.710 | N/A | \$ 254,379 |
| U.S. Department of Education: | | | |
| Passed-through State Department of Labor and Workforce Development: | | | |
| Adult Education - State Grant Program | 84.002 | Z-06-027753-00 | \$ 79,625 |
| Passed-through State Department of Education: | | | |
| Title I Grants to Local Educational Agencies | 84.010 | N/A | 477,525 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | N/A | 511,089 |
| Special Education - Preschool Grants | 84.173 | N/A | 39,603 |
| Vocational Education - Basic Grants to States | 84.048 | N/A | 60,207 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | (2) | 27,316 |
| Twenty-First Century Community Learning Centers | 84.287 | (2) | 514,941 |
| State Grants for Innovative Programs | 84.298 | N/A | 66,835 |
| Education Technology State Grants | 84.318 | (2) | 113,488 |
| Total U.S. Department of Education | | | \$ 1,890,629 |
| 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-06-0272170-00 | \$ 19,861 |
| U.S. Department of Homeland Security: | | | |
| Passed-through State Department of Military: | | | |
| State Domestic Preparedness Equipment Support Program | 97.004 | (3) | \$ 104,988 |
| Total Expenditures of Federal Awards | | | \$ 2,870,129 |
| <u>State Grants</u> | | <u>Contract Number</u> | |
| Juvenile Justice - State Commission on Children and Youth | N/A | (2) | \$ 9,000 |
| Litter Program - State Department of Transportation | N/A | Z-05-021546-00 | 14,583 |
| Litter Program - State Department of Transportation | N/A | Z-06-028007-00 | 29,719 |
| Safe Schools Act - State Department of Education | N/A | (2) | 60,611 |
| Health Access Community Grants - State Department of Health | N/A | (2) | 46,659 |
| State Reappraisal Program - Comptroller of the Treasury | N/A | (2) | 6,198 |
| Waste Tire Grant - State Department of Environment and Conservation | N/A | (2) | 14,491 |
| Drivers Education - State Department of Education | N/A | (2) | 2,370 |
| Total State Grants | | | \$ 183,631 |

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

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

(2) Information not available.

(3) Z-04-022491-02: \$57,251; Z-05-025206-00: \$47,737

Sequatchie County, Tennessee and the Sequatchie County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

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, 2005, which have not been corrected.

SEQUATCHIE COUNTY

| Finding Number | Page Number | Subject |
|----------------|-------------|---------------------------------------------------------------------------------------------------------------------|
| 05.01 | 12 | Government-wide financial statements were not presented in accordance with generally accepted accounting principles |

OFFICE OF COUNTY EXECUTIVE

| Finding Number | Page Number | Subject |
|----------------|-------------|------------------------------------------------------------------------|
| 05.02(A) | 13 | Expenditures exceeded appropriations in the Drug Control Fund |
| 05.03(B) | 14 | Documentation was not provided to support reservations of fund balance |
| 05.04(A,B) | 15 | Deficiencies were noted in purchasing procedures |
| 05.05 | 16 | Inventory records were not maintained |

OFFICE OF DIRECTOR OF SCHOOLS

| Finding Number | Page Number | Subject |
|----------------|-------------|-----------------------------------------------------------------|
| 05.08 | 17 | The mechanical warrant-signing machine's counter could be reset |

OFFICE OF SHERIFF

| Finding Number | Page Number | Subject |
|----------------|-------------|--------------------------------------------------------|
| 05.10 | 19 | Fees were not remitted to the county on a timely basis |

OTHER FINDINGS

| Finding Number | Page Number | Subject |
|-------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 05.11 | 20 | A central system of accounting, budgeting, and purchasing had not been adopted |
| 05.12 | 20 | Duties were not segregated adequately in the Offices of County Executive, Highway Supervisor, 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, 2006

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. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Sequatchie County. The audit disclosed no instances of noncompliance that were material to the financial statements of the Sequatchie County School Department.
4. One reportable condition in internal control over major programs was disclosed by the audit.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit disclosed one finding that is 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 director of schools are quoted 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 06.01 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 (DIRECT QUOTE)

We are working on GASB compliance. We are about 60 percent complete.

OFFICE OF COUNTY EXECUTIVE

FINDING 06.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

Expenditures exceeded total appropriations approved by the County Commission in the Drug Control Fund by \$18,702. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by greater than anticipated revenues and available fund balance.

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

RECOMMENDATION

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

MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

I have discussed this with the sheriff, and he will follow proper procedure in the use of these funds.

FINDING 06.03 **THE OFFICE DID NOT PROVIDE DOCUMENTATION TO SUPPORT RESERVATIONS OF FUND BALANCES IN THE GENERAL FUND AND THE DRUG CONTROL FUND**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Reservations of fund balances were reflected in the accounting records of the General Fund and the Drug Control Fund at June 30, 2006; however, the office did not provide documentation to support these reservations. Documentation is necessary to support reservations of fund balances for unexpended amounts of legally restricted revenues. We performed additional audit procedures and determined that the reservations of fund balance were materially correct.

RECOMMENDATION

Officials should document reservations of all legally restricted revenues.

MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

A new spreadsheet has been started to keep track of the reserve accounts.

FINDING 06.04

THE OFFICE HAD PAYROLL DEFICIENCIES

(A. Internal Control – Reportable Condition Under Government Auditing Standards; B. Noncompliance Under Government Auditing Standards)

Our examination of payments made to various employees of the office revealed the following deficiencies:

- A. The salary paid to the county mayor’s bookkeeper was coded to three different salary accounts between two separate funds. The office did not have any documentation to support the allocation of the salary among the various accounts and funds.
- B. A Sheriff’s Department employee received \$3,500 for serving as a translator at the jail and in court, and a library employee received \$1,384 for cleaning the library. These amounts were not paid through the county’s payroll system and were in addition to the employees’ regular salaries. Since these supplemental payments were not paid through the county’s payroll system, the payments were not subjected to income tax, social security, and Medicare deductions. Also, the county did not report and pay its required matching social security and Medicare associated with these supplemental payments.

RECOMMENDATION

Adequate payroll records should be maintained to document the correct allocations for employees paid from multiple expenditure accounts. All payroll related payments to employees should be paid through the county’s payroll system to properly reflect the employee’s total salary. Also, all wages should be subjected to the proper employee payroll taxes and the county’s matching portions.

MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

- A. Most small counties cannot employ people to handle all the grants. All work must be completed during regular business hours in order to call in claims to banks etc.
- B. Both of these employees have been placed on regular payroll.

FINDING 06.05

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance 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. Competitive bids were not solicited for the purchase of jail food (\$41,807). Section 5-14-201 et seq., Tennessee Code Annotated, requires that sealed bids be solicited on purchases exceeding \$5,000.

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. Competitive bids should be solicited for all purchases exceeding \$5,000.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE (DIRECT QUOTE)

- A. A warning letter has been mailed to all departments about the use of purchase orders.
- B. The same letter will require everyone to sign the bill on packing slips.
- C. We are in the process of bidding out the jail food service to a private company.

FINDING 06.06 **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 (DIRECT QUOTE)

We have a hard copy of the county inventory; however, we have not placed the bar codes on the property.

OFFICE OF HIGHWAY SUPERVISOR

FINDING 06.07 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- 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. Also, in some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. Furthermore, our examination of purchase orders disclosed that descriptions and dollar amounts of purchases were not listed on some purchase orders. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.
- B. 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 or services not received. We extended our audit procedures and determined that these goods and services were received.
- C. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.

RECOMMENDATION

The office should issue purchase orders before purchases are made and should include the dollar amounts and descriptions of items purchased. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. Also, all invoices should be cancelled when paid.

FINDING 06.08 **THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF PAYROLL RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of the office’s payroll procedures revealed the following deficiencies:

- A. Supervisors did not sign the employees' time sheets or time cards. If the supervisor does not review and approve time sheets, improper payments could result.
- B. In some instances, employees did not sign their time sheets or time cards. By signing their time sheets or time cards, employees attest that the information is accurate.

RECOMMENDATION

Employees should sign their time sheets or time cards to attest to their accuracy, and supervisors should sign the employees' time sheets or time cards as evidence of review and approval.

FINDING 06.09 **A SUMMARY OF CHANGES FROM THE PRIOR-YEAR COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

A list of all county roads was submitted to the County Commission for approval; however, a summary of changes from the prior-year county road list was not included. Section 54-10-103, Tennessee Code Annotated, requires the highway supervisor to submit a list of county roads to the County Commission for approval at the January session each year. This list must include the classification, width, distance of each county road maintained, and a summary of changes from the prior-year that provides the road name, date the change was approved by the County Commission, and the reason for the change.

RECOMMENDATION

The highway supervisor should submit to the County Commission a summary of changes from the prior-year county road list as required by state statute.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.10 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

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

| | <u>Amount Overspent</u> |
|------------------------------------------------|-----------------------------|
| Support Services - Other Student Support | \$ 3,141 |
| Support Services - Regular Instruction Program | 3,264 |
| Support Services - Director of Schools | 679 |
| Support Services - Fiscal Services | 389 |
| Transfers Out | 4,226 |

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

FINDING 06.11 **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 06.12 DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS
(A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)**

Our examination of accounting records revealed the following deficiencies:

- A. The Sheriff's Department maintained three bank accounts. Bank statements for these accounts had not been reconciled with cash journal controls. The bank balances for June 30, 2006, were determined by confirmations and alternative auditing procedures.
- B. The official cash journal was not properly maintained. Column totals were not forwarded from one page to the next, and ending balances for the month were not forwarded to the next month. It should be noted that cash receipts and disbursements for this office were determined by substantive testing and alternative auditing procedures.
- C. Fees and county revenues collected in the Sheriff's Office were not reported and paid to the county trustee by the fifteenth day of the month as required by Section 67-4-213, Tennessee Code Annotated.

RECOMMENDATION

Bank statements should be reconciled with cash journal accounts monthly. The official cash journal should be properly maintained with all columns properly totaled and balanced. Fees and county revenues should be remitted to the trustee by the fifteenth day of the month as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 06.13 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 adopting the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 06.14 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERVISOR, 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 and OMB Circular A-133)

Duties were not segregated adequately among employees in the Offices of County Executive, Highway Supervisor, 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 – DIRECTOR OF SCHOOLS (DIRECT QUOTE)

Due to limited amount of resources available at this time, management is not able to provide additional personnel in order to further segregate duties.

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

| Federal Agency | Finding Number | Federal CFDA Number | Criteria | Explanation | Amount Questioned |
|-------------------------------------------------------------------------------------|-------------------|---------------------------|----------|-------------|----------------------|
| U.S. Department of Agriculture: Passed-through State Department of Education: | 06.15 | | | | \$ 0 |
| Child Nutrition Cluster: | | | | | |
| School Breakfast Program | | 10.553 | | | |
| School Lunch Program | | 10.555 | | | |
| U.S. Department of Education: Passed-through State Department of Education: | | | | | |
| Title I Grants to Local Educational Agencies | | 84.010 | | | |
| Special Education Cluster: | | | | | |
| Special Education – Grants to States | | 84.027 | | | |
| Special Education – Preschool Grants | | 84.173 | | | |
| Twenty-First Century Community Learning Centers | | 84.287 | | | |

**SEQUATCHIE COUNTY, TENNESSEE, AND THE
SEQUATCHIE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006**

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

Director of Schools – Corrective Action Plan for Current Audit Findings

FINDINGS 06.14 and 06.15

Contact Person: Johnny Cordell

Corrective action planned: Due to limited amount of resources available at this time management is not able to provide additional personnel in order to further segregate duties.

Anticipated completion date: None