

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

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**SINGLE AUDIT REPORT**



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



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

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

*DIVISION OF COUNTY AUDIT*  
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*Assistant to the Comptroller*

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*Director*

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*TIMOTHY SCOTTON, CGFM*  
*JENI PALADENI*  
*State Auditors*

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

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## SEQUATCHIE COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Sequatchie County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	17-18
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	19
Notes to the Financial Statements		21-37
REQUIRED SUPPLEMENTARY INFORMATION:		39
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	D-1	41-42
Ambulance Service Fund	D-2	43
Highway/Public Works Fund	D-3	44
Schedule of Funding Progress – Pension Plan	D-4	45
Notes to the Required Supplementary Information		47
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		49
Nonmajor Governmental Funds:		51
Combining Balance Sheet	E-1	53
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	54
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Courthouse and Jail Maintenance Fund	E-3	55
Solid Waste/Sanitation Fund	E-4	56
Drug Control Fund	E-5	57

	Exhibit	Page(s)
Major Governmental Fund:		59
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	61
Fiduciary Funds:		63
Combining Statement of Fiduciary Assets and Liabilities	G-1	65
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	66
Miscellaneous Schedules:		67
Schedule of Changes in Long-term Notes, Capital Leases, and Other Loans	H-1	69
Schedule of Transfers	H-2	70
Schedule of Salaries and Official Bonds of Principal Officials	H-3	71
Schedule of Detailed Revenues – All Governmental Fund Types	H-4	72-81
Schedule of Detailed Expenditures – All Governmental Fund Types	H-5	82-96
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-6	97

# ***Audit Highlights***

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

## ***Scope***

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

## ***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 (GASB) Statement No. 34.

Our audit resulted in 15 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.
- ◆ The office failed to perform steps set forth in the timeline included in its GASB Statement No. 34 implementation plan filed with the Comptroller's Office.

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### **OFFICE OF COUNTY EXECUTIVE**

- ◆ Appropriations exceeded estimated available funding in the General Fund causing a budget deficit of \$25,773.
  - ◆ The office did not provide documentation to support reservations of fund balances in the General Fund and the Drug Control Fund.
-

## **OFFICE OF HIGHWAY SUPERVISOR**

- ◆ 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.
  - ◆ Purchase orders were not issued in some required instances. In some instances, purchase orders were issued without dollar amounts of purchases. Furthermore, in several instances, invoices were paid without documentation that goods had been received or services had been rendered.
  - ◆ A summary of changes to the prior-year county road list was not submitted to the County Commission.
- 

## **OFFICE OF COUNTY CLERK**

- ◆ The county clerk's office did not review software generated audit logs.
- 

## **OFFICE OF SHERIFF**

- ◆ A cash shortage of \$8,669 existed in the commissary operations at June 30, 2007. This matter is under investigation by the Tennessee Bureau of Investigation.
  - ◆ The office had deficiencies in the operation of the commissary.
  - ◆ Several deficiencies were noted in the commissary computer application.
  - ◆ Deficiencies were noted in the maintenance of the general accounting records.
  - ◆ An annual financial report was not prepared.
- 

## **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.

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## INTRODUCTORY SECTION

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## Sequatchie County Officials

June 30, 2007

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### **Officials**

David Barker, County Executive  
Tommy Sims, 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  
Redgie Camp  
Charles Easterly  
Brian Farley  
Michael Griffith  
Bryan Harmon  
Mark Henry  
Gordon Hickey  
Herman Hobbs  
Michael Hudson  
Ronnie Land  
Claude Lewis  
Monty Long  
Paul Powell  
Will Zimmerman

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

March 6, 2008

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, 2007, as shown on pages 15 through 37, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Sequatchie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with 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, 2007, or the changes in its financial position for the year then ended.

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

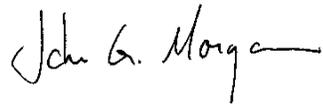
In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2008, on our consideration of Sequatchie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 and pension information on pages 41 through 47 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

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

	Major Funds				Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 10,569	\$ 3,172	\$ 0	\$ 0	\$ 254	\$ 13,995
Equity in Pooled Cash and Investments	746,263	22,153	395,848	181,484	418,518	1,764,266
Accounts Receivable	0	1,683,249	93	0	1,015	1,684,357
Allowance for Uncollectibles	0	(330,650)	0	0	0	(330,650)
Due from Other Governments	46,465	0	248,128	0	2,083	296,676
Due from Other Funds	1,269	0	0	0	0	1,269
Property Taxes Receivable	1,582,451	0	0	395,613	352,071	2,330,135
Allowance for Uncollectible Property Taxes	(80,508)	0	0	(20,127)	(17,760)	(118,395)
<b>Total Assets</b>	<b>\$ 2,306,509</b>	<b>\$ 1,377,924</b>	<b>\$ 644,069</b>	<b>\$ 556,970</b>	<b>\$ 756,181</b>	<b>\$ 5,641,653</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 8,455	\$ 0	\$ 2,029	\$ 0	\$ 1,505	\$ 11,989
Due to Other Funds	0	0	0	0	1,269	1,269
Due to Component Units	4,099	0	0	0	0	4,099
Deferred Revenue - Current Property Taxes	1,432,126	0	0	358,032	315,910	2,106,068
Deferred Revenue - Delinquent Property Taxes	63,575	0	0	15,893	17,024	96,492
Other Deferred Revenues	21,853	1,322,599	129,241	0	0	1,473,693
<b>Total Liabilities</b>	<b>\$ 1,530,108</b>	<b>\$ 1,322,599</b>	<b>\$ 131,270</b>	<b>\$ 373,925</b>	<b>\$ 335,708</b>	<b>\$ 3,693,610</b>
<u>Fund Balances</u>						
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,966	\$ 8,966
Reserved for Alcohol and Drug Treatment	9,884	0	0	0	0	9,884
Reserved for Computer System - Register	34,903	0	0	0	0	34,903
Reserved for Automation Purposes - Circuit Court	1,674	0	0	0	0	1,674
Reserved for Automation Purposes - General Sessions Court	10,813	0	0	0	0	10,813
Reserved for Automation Purposes - Chancery Court	536	0	0	0	0	536
Reserved for Automation Purposes - Sheriff	4,800	0	0	0	0	4,800
Reserved for State Reappraisal Grant	9,544	0	0	0	0	9,544

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Reserved for Capital Outlay  
 Unreserved, Reported In:  
     General Fund  
     Special Revenue Funds  
     Debt Service Funds  
     Capital Projects Funds  
 Total Fund Balances

Total Liabilities and Fund Balances

	Major Funds				Nonmajor Funds	Total Governmen- tal Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Reserved for Capital Outlay	\$ 148,576	\$ 0	\$ 0	\$ 0	\$ 184,400	\$ 332,976
Unreserved, Reported In:						
General Fund	555,671	0	0	0	0	555,671
Special Revenue Funds	0	55,325	512,799	0	211,372	779,496
Debt Service Funds	0	0	0	183,045	0	183,045
Capital Projects Funds	0	0	0	0	15,735	15,735
<b>Total Fund Balances</b>	<b>\$ 776,401</b>	<b>\$ 55,325</b>	<b>\$ 512,799</b>	<b>\$ 183,045</b>	<b>\$ 420,473</b>	<b>\$ 1,948,043</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,306,509</b>	<b>\$ 1,377,924</b>	<b>\$ 644,069</b>	<b>\$ 556,970</b>	<b>\$ 756,181</b>	<b>\$ 5,641,653</b>

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, 2007

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 1,891,020	\$ 0	\$ 0	\$ 367,269	\$ 339,978	\$ 2,598,267
Licenses and Permits	18,735	0	0	0	0	18,735
Fines, Forfeitures, and Penalties	68,020	0	0	0	71,664	139,684
Charges for Current Services	29,537	478,971	0	0	6,505	515,013
Other Local Revenues	170,362	0	7,816	77,730	31,411	287,319
Fees Received from County Officials	630,746	0	0	0	0	630,746
State of Tennessee	737,579	0	1,387,347	19,331	230,395	2,374,652
Federal Government	262,393	0	0	0	0	262,393
Other Governments and Citizens Groups	26,995	0	302	0	0	27,297
<b>Total Revenues</b>	<b>\$ 3,835,387</b>	<b>\$ 478,971</b>	<b>\$ 1,395,465</b>	<b>\$ 464,330</b>	<b>\$ 679,953</b>	<b>\$ 6,854,106</b>
<u>Expenditures</u>						
Current:						
General Government	\$ 793,210	\$ 0	\$ 0	\$ 0	\$ 24,051	\$ 817,261
Finance	443,184	0	0	0	6,459	449,643
Administration of Justice	328,576	0	0	0	16	328,592
Public Safety	1,665,788	0	0	0	59,895	1,725,683
Public Health and Welfare	147,626	614,386	0	0	423,200	1,185,212
Social, Cultural, and Recreational Services	117,327	0	0	0	0	117,327
Agriculture and Natural Resources	56,898	0	0	0	0	56,898
Other Operations	471,088	0	0	0	25,377	496,465
Highways	0	0	1,099,965	0	0	1,099,965
Debt Service:						
Principal on Debt	0	0	0	245,528	0	245,528
Interest on Debt	0	0	0	247,534	0	247,534
Other Debt Service	0	0	0	30,235	0	30,235
Capital Projects	0	0	0	0	179,632	179,632
<b>Total Expenditures</b>	<b>\$ 4,023,697</b>	<b>\$ 614,386</b>	<b>\$ 1,099,965</b>	<b>\$ 523,297</b>	<b>\$ 718,630</b>	<b>\$ 6,979,975</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (188,310)	\$ (135,415)	\$ 295,500	\$ (58,967)	\$ (38,677)	\$ (125,869)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 230,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 230,000
Insurance Recovery	30,567	598	0	0	0	31,165

(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	Ambulance Service	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers In	\$ 0	\$ 122,936	\$ 0	\$ 0	\$ 175,000	\$ 297,936
Transfers Out	(297,936)	0	0	0	0	(297,936)
Total Other Financing Sources (Uses)	\$ (37,369)	\$ 123,534	\$ 0	\$ 0	\$ 175,000	\$ 261,165
Net Change in Fund Balances	\$ (225,679)	\$ (11,881)	\$ 295,500	\$ (58,967)	\$ 136,323	\$ 135,296
Fund Balance, July 1, 2006	1,002,080	67,206	217,299	242,012	284,150	1,812,747
Fund Balance, June 30, 2007	\$ 776,401	\$ 55,325	\$ 512,799	\$ 183,045	\$ 420,473	\$ 1,948,043

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 691,313
Due from Other Governments	63,432
Cash Shortage	<u>8,669</u>
Total Assets	<u>\$ 763,414</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 63,432
Due to Litigants, Heirs, and Others	<u>699,982</u>
Total Liabilities	<u>\$ 763,414</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, 2007**

**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 No. 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 No. 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of 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 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. The 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.

**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’s Highway Department.

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

Additionally, Sequatchie County reports the following fund types:

**Capital Projects Fund** – The General Capital Projects Fund is used to account for various capital projects within the county.

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in 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 School Department’s General Purpose School Fund and the primary government’s General and General Debt Service funds. 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 2.74 percent of total taxes levied.

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

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

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

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

**3. Capital Assets**

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

**4. Compensated Absences**

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

**5. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including notes 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.

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 General Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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

The budgetary level of control is at the major category level established by the 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. Appropriations Exceeded Available Funding

The budget and subsequent amendments submitted to and approved by the County Commission for the General Fund resulted in appropriations exceeding available funding causing a budget deficit of \$25,773.

### C. Expenditures Exceeded Appropriations

Expenditures of the General Fund exceeded appropriations approved by the County Commission in the County Coroner/Medical Examiner major appropriation category (the legal level of control) by \$1,370.

Expenditures of the General Debt Service Fund exceeded appropriations approved by the County Commission in the Interest on Debt – General Government major appropriation category by \$589.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by appropriations exceeding expenditures in other major appropriation categories.

**D. Cash Shortage**

The Office of Sheriff had a cash shortage of \$8,669 as of June 30, 2007. The Tennessee Bureau of Investigation and the Office of District Attorney General are investigating this shortage. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

**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, 2007, 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	\$ 3,945,783

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Sequatchie County has no investment policy that would further limit its investment choices. As of June 30, 2007, Sequatchie County’s investment in the State Treasurer’s Investment Pool was unrated.

**B. Insurance Recoveries**

During the period examined, the county had some damage to a fire station, a fire truck, and a patrol car. Insurance recoveries of \$30,567 were received and used to repair the damages.

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

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

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,269

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.

**Due to Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit: General Purpose School	Primary Government: General	\$ 4,099

**Interfund Transfers:**

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

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Ambulance Service Fund</u>	<u>Nonmajor Governmental Fund</u>
General Fund	\$ 122,936	\$ 175,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them 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 \$175,000 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 from 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.

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

Year Ending June 30	Governmental Funds
2008	\$ 25,677
2009	17,644
Total Minimum Lease Payments	\$ 43,321
Amount Representing Interest	<u>(2,885)</u>
Present Value of Minimum Lease Payments	<u>\$ 40,436</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 three 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, 2007, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Notes	4.19 %	\$ 230,000	\$ 230,000
Other Loans	variable	6,500,000	6,175,000
Capital Leases	4.89 to 6	85,483	40,436

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, 2007, the variable interest rate was 3.87 percent, and other fees amounted to approximately .25 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal plus \$1,020 (trustee) annually.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 74,318	\$ 8,449
2009	76,244	6,523
2010	79,438	3,328
Total	<u>\$ 230,000</u>	<u>\$ 18,300</u>

Year Ending June 30	Other Loan (\$6,500,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 169,000	\$ 238,973	\$ 21,398	\$ 429,371
2009	174,000	232,432	20,840	427,272
2010	180,000	225,698	20,266	425,964
2011	185,000	218,732	19,671	423,403
2012	191,000	211,573	19,061	421,634
2013-2017	1,042,000	942,693	85,485	2,070,178
2018-2022	1,209,000	728,450	67,216	2,004,666
2023-2027	1,401,000	544,161	47,726	1,992,887
2028-2032	1,624,000	410,065	36,414	2,070,479
<b>Total</b>	<b>\$ 6,175,000</b>	<b>\$ 3,752,777</b>	<b>\$ 338,077</b>	<b>\$ 10,265,854</b>

There is \$183,045 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes, other loans, and capital leases totaled \$567, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

Governmental Activities:	Notes	Other Loans	Capital Leases
Balance, July 1, 2006	\$ 58,090	\$ 6,340,000	\$ 62,874
Additions	230,000	0	0
Deductions	(58,090)	(165,000)	(22,438)
Balance, June 30, 2007	<u>\$ 230,000</u>	<u>\$ 6,175,000</u>	<u>\$ 40,436</u>
Balance Due Within One Year	<u>\$ 74,318</u>	<u>\$ 169,000</u>	<u>\$ 23,615</u>

#### **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 Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The Sequatchie County general government pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT 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 (LWCF), 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 LWCF 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 LWCF 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 was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by 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. Subsequent Event**

County Executive, David Barker, resigned from office on December 31, 2007, and was succeeded by Michael Hudson effective January 1, 2008.

**C. Contingent Liabilities**

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

**D. Changes in Administration**

On August 31, 2006, Roy Johnson left the Office of Road Supervisor and was succeeded by Ardell Johnson; however, on September 4, 2006, Ardell Johnson resigned. On September 5, 2006, the county executive appointed Ray Johnson as interim road supervisor until September 19, 2006, when the

County Commission appointed Roy Johnson to serve as interim road supervisor. On November 20, 2006, Tommy Sims, was elected to the Office of Road Supervisor.

**E. Joint Venture**

The Bledsoe/Sequatchie Landfill Board operates a regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board, including the county mayor and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Sequatchie County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 28.5 percent of any deficits from operation. Sequatchie County 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, 2007, 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

**F. Retirement Commitments**

**Employees**

**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 <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, 2007, was 7.13 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, 2007, Sequatchie County's annual pension cost of \$315,496 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the

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

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$315,496	100%	\$0
6-30-06	192,363	100	0
6-30-05	176,995	100	0

**G. Purchasing Laws**

Office of County Executive

Purchasing procedures for the Office of County Executive are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, (TCA). This act provides for all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) (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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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## 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,891,020	\$ 1,880,286	\$ 1,880,286	\$ 10,734
Licenses and Permits	18,735	18,800	18,800	(65)
Fines, Forfeitures, and Penalties	68,020	59,780	59,780	8,240
Charges for Current Services	29,537	17,300	17,300	12,237
Other Local Revenues	170,362	255,200	255,200	(84,838)
Fees Received from County Officials	630,746	595,500	595,500	35,246
State of Tennessee	737,579	498,101	448,021	289,558
Federal Government	262,393	545,000	595,080	(332,687)
Other Governments and Citizens Groups	26,995	11,000	11,000	15,995
Total Revenues	\$ 3,835,387	\$ 3,880,967	\$ 3,880,967	\$ (45,580)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 115,716	\$ 114,311	\$ 118,411	\$ 2,695
Board of Equalization	1,381	3,450	3,450	2,069
Beer Board	0	1,100	1,100	1,100
County Mayor/Executive	113,397	115,469	115,469	2,072
County Attorney	7,800	7,800	7,800	0
Election Commission	203,688	80,905	208,500	4,812
Register of Deeds	100,735	104,708	105,008	4,273
County Buildings	250,493	182,694	254,086	3,593
<u>Finance</u>				
Property Assessor's Office	183,678	123,305	193,255	9,577
Reappraisal Program	4,416	6,359	6,359	1,943
County Trustee's Office	103,744	105,773	106,053	2,309
County Clerk's Office	151,346	150,561	152,961	1,615
<u>Administration of Justice</u>				
Circuit Court	118,609	123,978	124,078	5,469
General Sessions Court	74,335	70,907	75,858	1,523
Chancery Court	69,433	70,313	70,313	880
Juvenile Court	51,699	47,678	52,128	429
Judicial Commissioners	14,500	14,500	14,500	0
<u>Public Safety</u>				
Sheriff's Department	719,282	575,307	764,006	44,724
Jail	789,252	673,096	847,996	58,744
Fire Prevention and Control	28,000	28,000	28,000	0
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	28,963	40,550	40,550	11,587
County Coroner/Medical Examiner	22,370	6,000	21,000	(1,370)
Public Safety Grant Programs	75,421	75,421	75,421	0
<u>Public Health and Welfare</u>				
Local Health Center	50,977	72,595	72,595	21,618
Ambulance/Emergency Medical Services	76,591	0	76,591	0

(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	19,032	19,032	19,032	0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	7,000	7,000	7,000	0
Libraries	68,792	68,810	68,810	18
Parks and Fair Boards	38,535	38,540	38,540	5
Other Social, Cultural, and Recreational	3,000	3,000	3,000	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	48,382	48,382	48,382	0
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	575,000	575,000	510,200
Veterans' Services	2,221	9,334	9,334	7,113
Other Charges	69,135	64,250	69,519	384
Employee Benefits	323,766	263,492	323,950	184
Total Expenditures	\$ 4,023,697	\$ 3,914,862	\$ 4,721,297	\$ 697,600
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (188,310)	\$ (33,895)	\$ (840,330)	\$ 652,020
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 230,000	\$ 0	\$ 230,000	\$ 0
Insurance Recovery	30,567	0	0	30,567
Transfers Out	(297,936)	(92,936)	(307,936)	10,000
Total Other Financing Sources (Uses)	\$ (37,369)	\$ (92,936)	\$ (77,936)	\$ 40,567
Net Change in Fund Balance				
Fund Balance, July 1, 2006	\$ 1,002,080	\$ 892,493	\$ 892,493	\$ 109,587
Fund Balance, June 30, 2007				
	\$ 776,401	\$ 765,662	\$ (25,773)	\$ 802,174

## Exhibit D-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 478,971	\$ 540,000	\$ 540,000	\$ (61,029)
Total Revenues	\$ 478,971	\$ 540,000	\$ 540,000	\$ (61,029)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 614,386	\$ 622,500	\$ 637,500	\$ 23,114
Total Expenditures	\$ 614,386	\$ 622,500	\$ 637,500	\$ 23,114
Excess (Deficiency) of Revenues Over Expenditures	\$ (135,415)	\$ (82,500)	\$ (97,500)	\$ (37,915)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 598	\$ 0	\$ 0	\$ 598
Transfers In	122,936	92,936	132,936	(10,000)
Total Other Financing Sources (Uses)	\$ 123,534	\$ 92,936	\$ 132,936	\$ (9,402)
Net Change in Fund Balance	\$ (11,881)	\$ 10,436	\$ 35,436	\$ (47,317)
Fund Balance, July 1, 2006	67,206	28,329	28,329	38,877
Fund Balance, June 30, 2007	\$ 55,325	\$ 38,765	\$ 63,765	\$ (8,440)

## Exhibit D-3

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 7,816	\$ 16,500	\$ 16,500	\$ (8,684)
State of Tennessee	1,387,347	1,678,055	1,678,055	(290,708)
Other Governments and Citizens Groups	302	0	0	302
Total Revenues	<u>\$ 1,395,465</u>	<u>\$ 1,694,555</u>	<u>\$ 1,694,555</u>	<u>\$ (299,090)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 131,294	\$ 145,122	\$ 145,407	\$ 14,113
Highway and Bridge Maintenance	501,373	712,710	755,173	253,800
Operation and Maintenance of Equipment	160,435	214,965	219,015	58,580
Other Charges	44,758	50,800	50,900	6,142
Employee Benefits	245,272	239,895	249,263	3,991
Capital Outlay	16,833	507,119	450,853	434,020
Total Expenditures	<u>\$ 1,099,965</u>	<u>\$ 1,870,611</u>	<u>\$ 1,870,611</u>	<u>\$ 770,646</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 295,500</u>	<u>\$ (176,056)</u>	<u>\$ (176,056)</u>	<u>\$ 471,556</u>
Net Change in Fund Balance	\$ 295,500	\$ (176,056)	\$ (176,056)	\$ 471,556
Fund Balance, July 1, 2006	<u>217,299</u>	<u>321,035</u>	<u>321,035</u>	<u>(103,736)</u>
Fund Balance, June 30, 2007	<u>\$ 512,799</u>	<u>\$ 144,979</u>	<u>\$ 144,979</u>	<u>\$ 367,820</u>

Exhibit D-4

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 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

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

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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.

**B. APPROPRIATIONS EXCEEDED AVAILABLE FUNDING**

The budget and subsequent amendments submitted to and approved by the County Commission for the General Fund resulted in appropriations exceeding available funding causing a budget deficit of \$25,773.

**C. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures in the General Fund exceeded appropriations approved by the County Commission in the County Coroner/Medical Examiner major appropriation category (the legal level of control) by \$1,370.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by appropriations exceeding expenditures in other major appropriation categories.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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.

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

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

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

## Capital Projects Fund

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

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

Exhibit E-1

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

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 254	\$ 254	\$ 0	\$ 254
Equity in Pooled Cash and Investments	20,881	152,604	44,898	0	218,383	200,135	418,518
Accounts Receivable	0	0	0	1,015	1,015	0	1,015
Due from Other Governments	0	2,083	0	0	2,083	0	2,083
Property Taxes Receivable	0	352,071	0	0	352,071	0	352,071
Allowance for Uncollectible Property Taxes	0	(17,760)	0	0	(17,760)	0	(17,760)
<b>Total Assets</b>	<b>\$ 20,881</b>	<b>\$ 488,998</b>	<b>\$ 44,898</b>	<b>\$ 1,269</b>	<b>\$ 556,046</b>	<b>\$ 200,135</b>	<b>\$ 756,181</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 0	\$ 1,505	\$ 0	\$ 0	\$ 1,505	\$ 0	\$ 1,505
Due to Other Funds	0	0	0	1,269	1,269	0	1,269
Deferred Revenue - Current Property Taxes	0	315,910	0	0	315,910	0	315,910
Deferred Revenue - Delinquent Property Taxes	0	17,024	0	0	17,024	0	17,024
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 334,439</b>	<b>\$ 0</b>	<b>\$ 1,269</b>	<b>\$ 335,708</b>	<b>\$ 0</b>	<b>\$ 335,708</b>
<u>Fund Balances</u>							
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 0	\$ 0	\$ 8,966	\$ 0	\$ 8,966	\$ 0	\$ 8,966
Reserved for Capital Outlay	0	0	0	0	0	184,400	184,400
Unreserved	20,881	154,559	35,932	0	211,372	15,735	227,107
<b>Total Fund Balances</b>	<b>\$ 20,881</b>	<b>\$ 154,559</b>	<b>\$ 44,898</b>	<b>\$ 0</b>	<b>\$ 220,338</b>	<b>\$ 200,135</b>	<b>\$ 420,473</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 20,881</b>	<b>\$ 488,998</b>	<b>\$ 44,898</b>	<b>\$ 1,269</b>	<b>\$ 556,046</b>	<b>\$ 200,135</b>	<b>\$ 756,181</b>

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, 2007

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>							
Local Taxes	\$ 15,915	\$ 324,063	\$ 0	\$ 0	\$ 339,978	\$ 0	\$ 339,978
Fines, Forfeitures, and Penalties	0	0	71,664	0	71,664	0	71,664
Charges for Current Services	0	30	0	6,475	6,505	0	6,505
Other Local Revenues	0	30,661	750	0	31,411	0	31,411
State of Tennessee	0	36,860	9,135	0	45,995	184,400	230,395
<b>Total Revenues</b>	<b>\$ 15,915</b>	<b>\$ 391,614</b>	<b>\$ 81,549</b>	<b>\$ 6,475</b>	<b>\$ 495,553</b>	<b>\$ 184,400</b>	<b>\$ 679,953</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 24,051	\$ 0	\$ 0	\$ 0	\$ 24,051	\$ 0	\$ 24,051
Finance	0	0	0	6,459	6,459	0	6,459
Administration of Justice	0	0	0	16	16	0	16
Public Safety	0	0	59,895	0	59,895	0	59,895
Public Health and Welfare	0	423,200	0	0	423,200	0	423,200
Other Operations	169	25,208	0	0	25,377	0	25,377
Capital Projects	0	0	0	0	0	179,632	179,632
<b>Total Expenditures</b>	<b>\$ 24,220</b>	<b>\$ 448,408</b>	<b>\$ 59,895</b>	<b>\$ 6,475</b>	<b>\$ 538,998</b>	<b>\$ 179,632</b>	<b>\$ 718,630</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,305)	\$ (56,794)	\$ 21,654	\$ 0	\$ (43,445)	\$ 4,768	\$ (38,677)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 175,000	\$ 175,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 175,000</b>	<b>\$ 175,000</b>
Net Change in Fund Balances	\$ (8,305)	\$ (56,794)	\$ 21,654	\$ 0	\$ (43,445)	\$ 179,768	\$ 136,323
Fund Balance, July 1, 2006	29,186	211,353	23,244	0	263,783	20,367	284,150
<b>Fund Balance, June 30, 2007</b>	<b>\$ 20,881</b>	<b>\$ 154,559</b>	<b>\$ 44,898</b>	<b>\$ 0</b>	<b>\$ 220,338</b>	<b>\$ 200,135</b>	<b>\$ 420,473</b>

Exhibit E-3

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Courthouse and Jail Maintenance Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 15,915	\$ 17,885	\$ 17,885	\$ (1,970)
Total Revenues	\$ 15,915	\$ 17,885	\$ 17,885	\$ (1,970)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 24,051	\$ 18,000	\$ 28,000	\$ 3,949
<u>Other Operations</u>				
Other Charges	169	200	200	31
Total Expenditures	\$ 24,220	\$ 18,200	\$ 28,200	\$ 3,980
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,305)	\$ (315)	\$ (10,315)	\$ 2,010
Net Change in Fund Balance	\$ (8,305)	\$ (315)	\$ (10,315)	\$ 2,010
Fund Balance, July 1, 2006	29,186	28,206	28,206	980
Fund Balance, June 30, 2007	\$ 20,881	\$ 27,891	\$ 17,891	\$ 2,990

Exhibit E-4

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 324,063	\$ 325,659	\$ 325,659	\$ (1,596)
Charges for Current Services	30	0	0	30
Other Local Revenues	30,661	23,200	23,200	7,461
State of Tennessee	36,860	41,895	41,895	(5,035)
Total Revenues	<u>\$ 391,614</u>	<u>\$ 390,754</u>	<u>\$ 390,754</u>	<u>\$ 860</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 29,231	\$ 29,237	\$ 29,237	\$ 6
Waste Pickup	169,711	57,400	170,475	764
Convenience Centers	96,164	103,387	103,387	7,223
Other Waste Collection	128,094	133,000	133,000	4,906
Landfill Operation and Maintenance	0	4,200	4,200	4,200
<u>Other Operations</u>				
Other Charges	6,454	6,800	6,800	346
Employee Benefits	18,754	20,300	20,299	1,545
Total Expenditures	<u>\$ 448,408</u>	<u>\$ 354,324</u>	<u>\$ 467,398</u>	<u>\$ 18,990</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (56,794)</u>	<u>\$ 36,430</u>	<u>\$ (76,644)</u>	<u>\$ 19,850</u>
Net Change in Fund Balance	\$ (56,794)	\$ 36,430	\$ (76,644)	\$ 19,850
Fund Balance, July 1, 2006	<u>211,353</u>	<u>203,333</u>	<u>203,333</u>	<u>8,020</u>
Fund Balance, June 30, 2007	<u>\$ 154,559</u>	<u>\$ 239,763</u>	<u>\$ 126,689</u>	<u>\$ 27,870</u>

Exhibit E-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 71,664	\$ 26,500	\$ 26,500	\$ 45,164
Other Local Revenues	750	0	0	750
State of Tennessee	9,135	0	0	9,135
Total Revenues	<u>\$ 81,549</u>	<u>\$ 26,500</u>	<u>\$ 26,500</u>	<u>\$ 55,049</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 59,895	\$ 21,200	\$ 66,200	\$ 6,305
Total Expenditures	<u>\$ 59,895</u>	<u>\$ 21,200</u>	<u>\$ 66,200</u>	<u>\$ 6,305</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,654</u>	<u>\$ 5,300</u>	<u>\$ (39,700)</u>	<u>\$ 61,354</u>
Net Change in Fund Balance	\$ 21,654	\$ 5,300	\$ (39,700)	\$ 61,354
Fund Balance, July 1, 2006	23,244	44,010	44,010	(20,766)
Fund Balance, June 30, 2007	<u>\$ 44,898</u>	<u>\$ 49,310</u>	<u>\$ 4,310</u>	<u>\$ 40,588</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit F

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 367,269	\$ 369,014	\$ 369,014	\$ (1,745)
Other Local Revenues	77,730	189,400	189,400	(111,670)
State of Tennessee	19,331	12,600	12,600	6,731
Total Revenues	<u>\$ 464,330</u>	<u>\$ 571,014</u>	<u>\$ 571,014</u>	<u>\$ (106,684)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 245,528	\$ 259,632	\$ 250,632	\$ 5,104
<u>Interest on Debt</u>				
General Government	247,534	227,196	246,945	(589)
<u>Other Debt Service</u>				
General Government	30,235	0	31,251	1,016
Total Expenditures	<u>\$ 523,297</u>	<u>\$ 486,828</u>	<u>\$ 528,828</u>	<u>\$ 5,531</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (58,967)</u>	<u>\$ 84,186</u>	<u>\$ 42,186</u>	<u>\$ (101,153)</u>
Net Change in Fund Balance	\$ (58,967)	\$ 84,186	\$ 42,186	\$ (101,153)
Fund Balance, July 1, 2006	<u>242,012</u>	<u>1,248,879</u>	<u>1,248,879</u>	<u>(1,006,867)</u>
Fund Balance, June 30, 2007	<u>\$ 183,045</u>	<u>\$ 1,333,065</u>	<u>\$ 1,291,065</u>	<u>\$ (1,108,020)</u>

# Fiduciary Funds

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

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

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

Exhibit G-1

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

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 691,313	\$ 691,313
Due from Other Governments	63,432	0	63,432
Cash Shortage	0	8,669	8,669
Total Assets	<u>\$ 63,432</u>	<u>\$ 699,982</u>	<u>\$ 763,414</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 63,432	\$ 0	\$ 63,432
Due to Litigants, Heirs, and Others	0	699,982	699,982
Total Liabilities	<u>\$ 63,432</u>	<u>\$ 699,982</u>	<u>\$ 763,414</u>

## Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 317,195	\$ 317,195	\$ 0
Due from Other Governments	45,427	63,432	45,427	63,432
Total Assets	\$ 45,427	\$ 380,627	\$ 362,622	\$ 63,432
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 45,427	\$ 380,627	\$ 362,622	\$ 63,432
Total Liabilities	\$ 45,427	\$ 380,627	\$ 362,622	\$ 63,432
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 699,351	\$ 2,598,496	\$ 2,606,534	\$ 691,313
Cash Shortage	0	8,669	0	8,669
Total Assets	\$ 699,351	\$ 2,607,165	\$ 2,606,534	\$ 699,982
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 699,351	\$ 2,607,165	\$ 2,606,534	\$ 699,982
Total Liabilities	\$ 699,351	\$ 2,607,165	\$ 2,606,534	\$ 699,982
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 317,195	\$ 317,195	\$ 0
Cash	699,351	2,598,496	2,606,534	691,313
Due from Other Governments	45,427	63,432	45,427	63,432
Cash Shortage	0	8,669	0	8,669
Total Assets	\$ 744,778	\$ 2,987,792	\$ 2,969,156	\$ 763,414
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 45,427	\$ 380,627	\$ 362,622	\$ 63,432
Due to Litigants, Heirs, and Others	699,351	2,607,165	2,606,534	699,982
Total Liabilities	\$ 744,778	\$ 2,987,792	\$ 2,969,156	\$ 763,414

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<b><u>NOTES PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Bledsoe/Sequatchie Landfill Closure	\$ 171,000	2.103 %	8-29-03	8-29-06	\$ 58,090	\$ 0	\$ 58,090	\$ 0
Recreational Facility	230,000	4.19	4-16-07	4-16-10	0	230,000	0	230,000
Total Notes Payable					\$ 58,090	\$ 230,000	\$ 58,090	\$ 230,000
<b><u>CAPITAL LEASES PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Patrol Car	22,758	6	8-16-05	8-18-07	\$ 14,726	\$ 0	\$ 7,148	\$ 7,578
Ambulance	62,725	4.89	7-1-05	6-13-09	48,148	0	15,290	32,858
Total Capital Leases Payable					\$ 62,874	\$ 0	\$ 22,438	\$ 40,436
<b><u>OTHER LOANS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Justice Center	6,500,000	Variable	11-1-04	5-25-32	\$ 6,340,000	\$ 0	\$ 165,000	\$ 6,175,000

Exhibit H-2

Sequatchie County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Ambulance Service	Operations	\$ 122,936
General	General Capital Projects	Capital projects	<u>175,000</u>
Total Transfers			<u>\$ 297,936</u>

Exhibit H-3

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 53,787	\$ 25,000	Western Surety Company
Highway Supervisor:				
Roy Johnson (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	8,538	100,000	"
Ardell Johnson (9-1-06 through 9-4-06)	Section 8-24-102, <u>TCA</u>	569	100,000	"
Ray Johnson (9-5-06 through 9-18-06)	Section 8-24-102, <u>TCA</u>	1,992	(2)	
Roy Johnson (9-19-06 through 11-19-06)	Section 8-24-102, <u>TCA</u> and County Commission	8,538	(2)	
Tommy Sims (11-20-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	31,874	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	46,569	488,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	46,569	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	46,569	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	46,569	25,000	State Farm Fire and Casualty Company
Register	Section 8-24-102, <u>TCA</u>	46,569	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	51,826 (1)	25,000	"
Employee Dishonesty Bond Coverage:				
General County Employees			150,000	Tennessee Risk Management Trust
Highway Department Employees			150,000	Local Government Insurance Pool

(1) Includes law enforcement training supplement of \$600.

(2) Interim Highway Supervisors were covered by the \$150,000 Highway Department employee blanket bond.

Exhibit H-4

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

	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	\$ 1,364,980	\$ 0	\$ 301,100	\$ 0	\$ 0
Trustee's Collections - Prior Year	48,729	0	10,749	0	0
Circuit/Clerk & Master Collections - Prior Years	26,593	0	4,270	0	0
Interest and Penalty	11,573	0	2,553	0	0
Payments in-Lieu-of Taxes - T.V.A.	964	0	213	0	0
Payments in-Lieu-of Taxes - Local Utilities	8,651	0	1,908	0	0
Payments in-Lieu-of Taxes - Other	307	0	68	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	217,130	0	0	0	0
Hotel/Motel Tax	17,656	0	0	0	0
Litigation Tax - General	54,218	0	0	0	0
Litigation Tax - Special Purpose	0	15,915	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	11,767	0	0	0	0
Business Tax	66,236	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	14,516	0	3,202	0	0
Wholesale Beer Tax	46,407	0	0	0	0
Interstate Telecommunications Tax	1,293	0	0	0	0
Total Local Taxes	\$ 1,891,020	\$ 15,915	\$ 324,063	\$ 0	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 18,070	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>					
Beer Permits	665	0	0	0	0
Total Licenses and Permits	\$ 18,735	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 11,587	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	5,135	0	0	0	0
Drug Control Fines	0	0	0	0	9,904

(Continued)

Exhibit H-4

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	\$ 1,917	\$ 0	\$ 0	\$ 0	0
DUI Treatment Fines	397	0	0	0	0
Data Entry Fee - Circuit Court	410	0	0	0	0
<u>General Sessions Court</u>					
Fines	23,205	0	0	0	0
Officers Costs	14,477	0	0	0	0
Game and Fish Fines	106	0	0	0	0
Drug Control Fines	0	0	0	0	3,281
Drug Court Fees	2,008	0	0	0	0
Jail Fees	2,045	0	0	0	0
DUI Treatment Fines	3,670	0	0	0	0
Data Entry Fee - General Sessions Court	2,828	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	82	0	0	0	0
Data Entry Fee - Chancery Court	106	0	0	0	0
<u>Other Courts - In-county</u>					
Fines	47	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	500
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	57,979
Total Fines, Forfeitures, and Penalties	\$ 68,020	\$ 0	\$ 0	\$ 0	71,664
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fees	\$ 0	\$ 0	\$ 30	\$ 0	0
Patient Charges	0	0	0	478,971	0
Work Release Charges for Board	14,402	0	0	0	0
Other General Service Charges	921	0	0	0	0
<u>Fees</u>					
Copy Fees	422	0	0	0	0
Telephone Commissions	1,118	0	0	0	0

(Continued)

Exhibit H-4

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>Charges for Current Services (Cont.)</u>					
<u>Fees (Cont.)</u>					
Vending Machine Collections	\$ 232	\$ 0	\$ 0	\$ 0	\$ 0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	8,226	0	0	0	0
Data Processing Fee - Sheriff	4,216	0	0	0	0
<b>Total Charges for Current Services</b>	<b>\$ 29,537</b>	<b>\$ 0</b>	<b>\$ 30</b>	<b>\$ 478,971</b>	<b>\$ 0</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 117,454	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	6,840	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	0
Sale of Gasoline	0	0	0	0	0
Sale of Maps	403	0	0	0	0
Sale of Recycled Materials	0	0	30,661	0	0
Miscellaneous Refunds	8,285	0	0	0	0
<u>Nonrecurring Items</u>					
Sale of Property	20,010	0	0	0	0
Contributions and Gifts	0	0	0	0	750
<u>Other Local Revenues</u>					
Other Local Revenues	17,370	0	0	0	0
<b>Total Other Local Revenues</b>	<b>\$ 170,362</b>	<b>\$ 0</b>	<b>\$ 30,661</b>	<b>\$ 0</b>	<b>\$ 750</b>
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 164,734	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	73,378	0	0	0	0
General Sessions Court Clerk	90,840	0	0	0	0
Clerk and Master	31,133	0	0	0	0
Register	102,314	0	0	0	0
Sheriff	5,412	0	0	0	0
Trustee	162,935	0	0	0	0
<b>Total Fees Received from County Officials</b>	<b>\$ 630,746</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

(Continued)

Exhibit H-4

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</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 11,060	\$ 0	\$ 0	\$ 0	0
State Reappraisal Grant	6,359	0	0	0	0
Other General Government Grants	0	0	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	7,200	0	0	0	0
Other Public Safety Grants	5,000	0	0	0	6,000
<u>Health and Welfare Grants</u>					
Health Department Programs	38,868	0	0	0	0
Other Health and Welfare Grants	6,000	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	0	0	24,860	0	0
<u>Other State Revenues</u>					
Income Tax	45,503	0	0	0	0
Beer Tax	18,753	0	0	0	0
Alcoholic Beverage Tax	20,856	0	0	0	0
State Revenue Sharing - T.V.A.	94,381	0	0	0	0
Contracted Prisoner Boarding	467,219	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	12,000	0	0
Other State Revenues	0	0	0	0	3,135
Total State of Tennessee	\$ 737,579	\$ 0	\$ 36,860	\$ 0	\$ 9,135
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 48,450	\$ 0	\$ 0	\$ 0	0
Disaster Relief	10,918	0	0	0	0
Homeland Security Grants	17,735	0	0	0	0
Other Federal through State	127,595	0	0	0	0
<u>Direct Federal Revenue</u>					
Public Safety Partnership and Community Policing - COPS	55,668	0	0	0	0

(Continued)

Exhibit H-4

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

	<u>Special Revenue Funds</u>				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue (Cont.)</u>					
Other Direct Federal Revenue	\$ 2,027	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	<u>\$ 262,393</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 1,995	\$ 0	\$ 0	\$ 0	\$ 0
Paving and Maintenance	0	0	0	0	0
Contributions	25,000	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 26,995</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 3,835,387</u>	<u>\$ 15,915</u>	<u>\$ 391,614</u>	<u>\$ 478,971</u>	<u>\$ 81,549</u>

(Continued)

Exhibit H-4

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	\$ 341,245	\$ 0	\$ 2,007,325
Trustee's Collections - Prior Year	0	0	12,182	0	71,660
Circuit/Clerk & Master Collections - Prior Years	0	0	4,839	0	35,702
Interest and Penalty	0	0	2,893	0	17,019
Payments in-Lieu-of Taxes - T.V.A.	0	0	241	0	1,418
Payments in-Lieu-of Taxes - Local Utilities	0	0	2,163	0	12,722
Payments in-Lieu-of Taxes - Other	0	0	77	0	452
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0	0	0	0	217,130
Hotel/Motel Tax	0	0	0	0	17,656
Litigation Tax - General	0	0	0	0	54,218
Litigation Tax - Special Purpose	0	0	0	0	15,915
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	11,767
Business Tax	0	0	0	0	66,236
<u>Statutory Local Taxes</u>					
Bank Excise Tax	0	0	3,629	0	21,347
Wholesale Beer Tax	0	0	0	0	46,407
Interstate Telecommunications Tax	0	0	0	0	1,293
Total Local Taxes	\$ 0	\$ 0	\$ 367,269	\$ 0	\$ 2,598,267
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,070
<u>Permits</u>					
Beer Permits	0	0	0	0	665
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,735
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,587
Officers Costs	0	0	0	0	5,135
Drug Control Fines	0	0	0	0	9,904

(Continued)

Exhibit H-4

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	1,917
DUI Treatment Fines	0	0	0	0	397
Data Entry Fee - Circuit Court	0	0	0	0	410
<u>General Sessions Court</u>					
Fines	0	0	0	0	23,205
Officers Costs	0	0	0	0	14,477
Game and Fish Fines	0	0	0	0	106
Drug Control Fines	0	0	0	0	3,281
Drug Court Fees	0	0	0	0	2,008
Jail Fees	0	0	0	0	2,045
DUI Treatment Fines	0	0	0	0	3,670
Data Entry Fee - General Sessions Court	0	0	0	0	2,828
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	82
Data Entry Fee - Chancery Court	0	0	0	0	106
<u>Other Courts - In-county</u>					
Fines	0	0	0	0	47
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	500
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	57,979
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>139,684</b>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Solid Waste Disposal Fees	\$ 0	\$ 0	\$ 0	\$ 0	30
Patient Charges	0	0	0	0	478,971
Work Release Charges for Board	0	0	0	0	14,402
Other General Service Charges	0	0	0	0	921
<u>Fees</u>					
Copy Fees	0	0	0	0	422
Telephone Commissions	0	0	0	0	1,118

(Continued)

Exhibit H-4

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	
<b>Charges for Current Services (Cont.)</b>					
<u>Fees (Cont.)</u>					
Vending Machine Collections	\$ 0	\$ 0	\$ 0	\$ 0	232
Constitutional Officers' Fees and Commissions	6,475	0	0	0	6,475
Data Processing Fee - Register	0	0	0	0	8,226
Data Processing Fee - Sheriff	0	0	0	0	4,216
<b>Total Charges for Current Services</b>	<b>\$ 6,475</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>515,013</b>
<b>Other Local Revenues</b>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 34,377	\$ 0	151,831
Lease/Rentals	0	0	12,720	0	19,560
Sale of Materials and Supplies	0	2,904	0	0	2,904
Sale of Gasoline	0	1,399	0	0	1,399
Sale of Maps	0	0	0	0	403
Sale of Recycled Materials	0	0	0	0	30,661
Miscellaneous Refunds	0	3,513	0	0	11,798
<u>Nonrecurring Items</u>					
Sale of Property	0	0	0	0	20,010
Contributions and Gifts	0	0	30,633	0	31,383
<b>Total Other Local Revenues</b>	<b>\$ 0</b>	<b>\$ 7,816</b>	<b>\$ 77,730</b>	<b>\$ 0</b>	<b>287,319</b>
<b>Fees Received from County Officials</b>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	164,734
Circuit Court Clerk	0	0	0	0	73,378
General Sessions Court Clerk	0	0	0	0	90,840
Clerk and Master	0	0	0	0	31,133
Register	0	0	0	0	102,314
Sheriff	0	0	0	0	5,412
Trustee	0	0	0	0	162,935
<b>Total Fees Received from County Officials</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>630,746</b>

(Continued)

Exhibit H-4

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</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	11,060
State Reappraisal Grant	0	0	0	0	6,359
Other General Government Grants	0	0	0	184,400	184,400
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	7,200
Other Public Safety Grants	0	0	0	0	11,000
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	38,868
Other Health and Welfare Grants	0	0	0	0	6,000
<u>Public Works Grants</u>					
Litter Program	0	0	0	0	24,860
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	45,503
Beer Tax	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	20,856
State Revenue Sharing - T.V.A.	0	0	19,331	0	113,712
Contracted Prisoner Boarding	0	0	0	0	467,219
Gasoline and Motor Fuel Tax	0	1,378,201	0	0	1,378,201
Petroleum Special Tax	0	9,146	0	0	9,146
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	12,000
Other State Revenues	0	0	0	0	3,135
<b>Total State of Tennessee</b>	<b>\$ 0</b>	<b>\$ 1,387,347</b>	<b>\$ 19,331</b>	<b>\$ 184,400</b>	<b>\$ 2,374,652</b>
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	48,450
Disaster Relief	0	0	0	0	10,918
Homeland Security Grants	0	0	0	0	17,735
Other Federal through State	0	0	0	0	127,595
<u>Direct Federal Revenue</u>					
Public Safety Partnership and Community Policing - COPS	0	0	0	0	55,668

(Continued)

Exhibit H-4

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

	<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	
	<u>Constitutional Officers - Fees</u>	<u>Highway / Public Works</u>	<u>General Debt Service</u>	<u>General Capital Projects</u>	<u>Total</u>
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue (Cont.)</u>					
Other Direct Federal Revenue	\$ 0	\$ 0	\$ 0	\$ 0	2,027
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	262,393
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	1,995
Paving and Maintenance	0	302	0	0	302
Contributions	0	0	0	0	25,000
Total Other Governments and Citizens Groups	\$ 0	\$ 302	\$ 0	\$ 0	27,297
Total	\$ 6,475	\$ 1,395,465	\$ 464,330	\$ 184,400	\$ 6,854,106

Exhibit H-5

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	34,900	
Audit Services		2,802	
Dues and Memberships		7,864	
Legal Services		5,071	
Legal Notices, Recording, and Court Costs		2,157	
Travel		615	
Other Contracted Services		96	
Liability Insurance		62,211	
Total County Commission			\$ 115,716

Board of Equalization

Board and Committee Members Fees	\$	1,275	
Travel		106	
Total Board of Equalization			1,381

County Mayor/Executive

County Official/Administrative Officer	\$	53,787	
Assistant(s)		41,372	
In-Service Training		728	
Communication		5,233	
Data Processing Services		4,354	
Postal Charges		2,343	
Travel		1,486	
Office Supplies		1,982	
Premiums on Corporate Surety Bonds		142	
Office Equipment		1,970	
Total County Mayor/Executive			113,397

County Attorney

Consultants	\$	7,800	
Total County Attorney			7,800

Election Commission

County Official/Administrative Officer	\$	37,255	
Clerical Personnel		9,756	
Election Commission		6,900	
Election Workers		8,365	
In-Service Training		1,475	
Communication		1,669	
Legal Notices, Recording, and Court Costs		3,275	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Postal Charges	\$	855	
Printing, Stationery, and Forms		2,617	
Rentals		800	
Travel		1,347	
Other Contracted Services		2,400	
Office Supplies		1,368	
Office Equipment		<u>125,606</u>	
Total Election Commission	\$		203,688

Register of Deeds

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		37,974	
In-Service Training		350	
Communication		2,200	
Data Processing Services		6,634	
Dues and Memberships		694	
Postal Charges		598	
Rentals		829	
Travel		800	
Duplicating Supplies		800	
Office Supplies		3,095	
Premiums on Corporate Surety Bonds		<u>192</u>	
Total Register of Deeds			100,735

County Buildings

Custodial Personnel	\$	5,950	
Maintenance Personnel		19,094	
Communication		615	
Maintenance Agreements		8,778	
Maintenance and Repair Services - Buildings		47,420	
Rentals		4,283	
Duplicating Supplies		1,135	
Electricity		97,195	
Natural Gas		41,321	
Water and Sewer		17,282	
Other Supplies and Materials		<u>7,420</u>	
Total County Buildings			250,493

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	46,569	
Secretary(ies)		46,759	
Audit Services		7,993	
Communication		4,546	
Data Processing Services		30,724	
Dues and Memberships		921	
Postal Charges		1,099	
Printing, Stationery, and Forms		392	
Travel		2,731	
Other Contracted Services		11,804	
Office Supplies		2,575	
Office Equipment		<u>27,565</u>	
Total Property Assessor's Office	\$		183,678

Reappraisal Program

Other Contracted Services	\$	3,116	
Office Supplies		50	
Data Processing Equipment		<u>1,250</u>	
Total Reappraisal Program			4,416

County Trustee's Office

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		38,587	
Overtime Pay		941	
Communication		1,025	
Data Processing Services		2,800	
Dues and Memberships		310	
Legal Notices, Recording, and Court Costs		250	
Maintenance and Repair Services - Office Equipment		4,991	
Postal Charges		4,000	
Travel		465	
Office Supplies		2,200	
Premiums on Corporate Surety Bonds		1,277	
Office Equipment		<u>329</u>	
Total County Trustee's Office			103,744

County Clerk's Office

County Official/Administrative Officer	\$	46,569
Deputy(ies)		76,397
Communication		3,325

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Dues and Memberships	\$	399	
Maintenance and Repair Services - Office Equipment		12,829	
Postal Charges		7,625	
Travel		1,177	
Office Supplies		2,150	
Premiums on Corporate Surety Bonds		125	
Office Equipment		750	
Total County Clerk's Office			\$ 151,346

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	46,569	
Deputy(ies)		36,131	
Jury and Witness Fees		5,434	
Communication		1,718	
Data Processing Services		4,279	
Dues and Memberships		299	
Postal Charges		2,460	
Rentals		3,500	
Other Contracted Services		7,350	
Office Supplies		10,669	
Premiums on Corporate Surety Bonds		200	
Total Circuit Court			118,609

General Sessions Court

Judge(s)	\$	73,615	
In-Service Training		266	
Dues and Memberships		100	
Travel		354	
Total General Sessions Court			74,335

Chancery Court

County Official/Administrative Officer	\$	46,569	
Assistant(s)		19,401	
Communication		524	
Dues and Memberships		299	
Postal Charges		480	
Rentals		709	
Office Supplies		894	
Premiums on Corporate Surety Bonds		557	
Total Chancery Court			69,433

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Youth Service Officer(s)	\$	35,818	
Communication		2,318	
Postal Charges		41	
Travel		1,115	
Other Contracted Services		11,250	
Office Supplies		612	
Other Equipment		545	
Total Juvenile Court			\$ 51,699

Judicial Commissioners

County Official/Administrative Officer	\$	14,500	
Total Judicial Commissioners			14,500

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	51,226	
Deputy(ies)		275,453	
Investigator(s)		68,364	
Salary Supplements		7,200	
Overtime Pay		16,902	
Other Salaries and Wages		456	
In-Service Training		9,443	
Other Fringe Benefits		23,767	
Communication		15,524	
Dues and Memberships		1,200	
Maintenance and Repair Services - Equipment		995	
Maintenance and Repair Services - Vehicles		42,174	
Postal Charges		852	
Rentals		575	
Travel		4,186	
Gasoline		50,000	
Law Enforcement Supplies		11,881	
Office Supplies		3,527	
Uniforms		5,110	
Premiums on Corporate Surety Bonds		2,500	
Data Processing Equipment		5,650	
Motor Vehicles		122,297	
Total Sheriff's Department			719,282

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Supervisor/Director	\$	29,370	
Guards		332,688	
Part-time Personnel		19,602	
Overtime Pay		65,083	
In-Service Training		3,236	
Other Fringe Benefits		33,115	
Maintenance and Repair Services - Equipment		1,160	
Rentals		2,837	
Transportation - Other than Students		2,714	
Disposal Fees		4,814	
Drugs and Medical Supplies		193,073	
Food Supplies		83,551	
Law Enforcement Supplies		4,500	
Uniforms		4,489	
Other Supplies and Materials		8,220	
Premiums on Corporate Surety Bonds		800	
Total Jail			\$ 789,252

Fire Prevention and Control

Contracts with Other Public Agencies	\$	1,000	
Contributions		27,000	
Total Fire Prevention and Control			28,000

Rescue Squad

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

Other Emergency Management

County Official/Administrative Officer	\$	7,922	
Communication		1,011	
Travel		126	
Gasoline		753	
Office Supplies		237	
Law Enforcement Equipment		18,914	
Total Other Emergency Management			28,963

County Coroner/Medical Examiner

Contributions	\$	22,370	
Total County Coroner/Medical Examiner			22,370

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Public Safety Grant Programs

Investigator(s)	\$	15,423	
Overtime Pay		32,218	
Social Security		2,397	
State Retirement		2,650	
Unemployment Compensation		350	
Employer Medicare		500	
Other Fringe Benefits		2,303	
Payments to Schools - Other		16,894	
Postal Charges		211	
Other Contracted Services		2,475	
Total Public Safety Grant Programs			\$ 75,421

Public Health and Welfare

Local Health Center

Medical Personnel	\$	35,461	
Employer Medicare		2,811	
Communication		2,861	
Dues and Memberships		100	
Maintenance and Repair Services - Buildings		145	
Travel		4,000	
Disposal Fees		142	
Other Contracted Services		3,000	
Drugs and Medical Supplies		35	
Office Supplies		870	
Other Supplies and Materials		1,552	
Total Local Health Center			50,977

Ambulance/Emergency Medical Services

Secretary to Board	\$	76,591	
Total Ambulance/Emergency Medical Services			76,591

Crippled Children Services

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

Appropriation to State

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

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Supervisor/Director	\$ 30,431	
Clerical Personnel	19,264	
Contributions	15,800	
Other Contracted Services	2,400	
Other Equipment	897	
Total Libraries		68,792

Parks and Fair Boards

Supervisor/Director	\$ 2,000	
Custodial Personnel	18,535	
Contributions	18,000	
Total Parks and Fair Boards		38,535

Other Social, Cultural, and Recreational

Contributions	\$ 3,000	
Total Other Social, Cultural, and Recreational		3,000

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 36,526	
Employer Medicare	6,443	
Communication	2,793	
Contributions	600	
Maintenance and Repair Services - Equipment	245	
Travel	495	
Office Supplies	297	
Other Equipment	983	
Total Agriculture Extension Service		48,382

Soil Conservation

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

Other Operations

Tourism

Contributions	\$ 10,500	
Total Tourism		10,500

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

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	\$ 1,060	
Data Processing Services	450	
Postal Charges	199	
Travel	213	
Office Supplies	299	
Total Veterans' Services		2,221

Other Charges

Trustee's Commission	\$ 37,616	
Workers' Compensation Insurance	31,519	
Total Other Charges		69,135

Employee Benefits

Social Security	\$ 114,779	
State Retirement	123,009	
Medical Insurance	51,230	
Unemployment Compensation	8,023	
Employer Medicare	26,725	
Total Employee Benefits		323,766

Total General Fund		\$ 4,023,697
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Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 24,051	
Total County Buildings		\$ 24,051

Other Operations

Other Charges

Trustee's Commission	\$ 169	
Total Other Charges		169

Total Courthouse and Jail Maintenance Fund		24,220
--	--	--------

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$	16,634	
Secretary(ies)		2,700	
Social Security		1,200	
Employer Medicare		270	
Maintenance and Repair Services - Vehicles		636	
Gasoline		2,173	
Instructional Supplies and Materials		4,300	
Other Supplies and Materials		1,318	
Total Sanitation Education/Information			\$ 29,231

Waste Pickup

Equipment Operators	\$	24,188	
Other Salaries and Wages		3,145	
Maintenance and Repair Services - Vehicles		10,421	
Diesel Fuel		18,673	
Gasoline		1,611	
Office Supplies		100	
Motor Vehicles		111,573	
Total Waste Pickup			169,711

Convenience Centers

Attendants	\$	80,776	
Part-time Personnel		2,400	
Communication		2,143	
Maintenance and Repair Services - Buildings		3,450	
Other Contracted Services		102	
Custodial Supplies		995	
Electricity		3,703	
Water and Sewer		1,638	
Other Supplies and Materials		957	
Total Convenience Centers			96,164

Other Waste Collection

Contracts with Private Agencies	\$	21,300	
Contracts for Landfill Facilities		106,794	
Total Other Waste Collection			128,094

Other Operations

Other Charges

Trustee's Commission	\$	6,454	
Total Other Charges			6,454

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	6,761	
State Retirement		6,205	
Medical Insurance		2,802	
Unemployment Compensation		1,393	
Employer Medicare		1,593	
Total Employee Benefits			\$ 18,754

Total Solid Waste/Sanitation Fund \$ 448,408

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	36,046
Medical Personnel		368,135
Clerical Personnel		17,456
In-Service Training		2,866
Social Security		24,882
State Retirement		25,683
Medical Insurance		10,884
Unemployment Compensation		1,960
Employer Medicare		5,884
Communication		6,111
Data Processing Services		5,200
Dues and Memberships		140
Licenses		1,350
Maintenance and Repair Services - Buildings		1,328
Maintenance and Repair Services - Equipment		5,022
Maintenance and Repair Services - Vehicles		20,249
Postal Charges		625
Travel		501
Permits		600
Data Processing Supplies		300
Drugs and Medical Supplies		24,754
Electricity		2,944
Gasoline		26,627
Natural Gas		3,091
Office Supplies		1,872
Tires and Tubes		386
Uniforms		3,400
Other Supplies and Materials		11,243

(Continued)

Exhibit H-5

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.)

Trustee's Commission	\$ 4,847	
Total Ambulance/Emergency Medical Services		\$ 614,386

Total Ambulance Service Fund		\$ 614,386
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Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 8,000	
Dues and Memberships	70	
Maintenance and Repair Services - Vehicles	215	
Other Supplies and Materials	45,939	
Trustee's Commission	721	
Motor Vehicles	4,950	
Total Drug Enforcement		\$ 59,895

Total Drug Control Fund		59,895
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Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 6,459	
Total County Clerk's Office		\$ 6,459

Administration of Justice

General Sessions Court

Constitutional Officers' Operating Expenses	\$ 16	
Total General Sessions Court		16

Total Constitutional Officers - Fees Fund		6,475
---	--	-------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 51,511
Accountants/Bookkeepers	29,319
Clerical Personnel	23,864
Other Salaries and Wages	17,615
Data Processing Services	3,651
Dues and Memberships	1,967

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Evaluation and Testing	\$	850	
Legal Notices, Recording, and Court Costs		410	
Maintenance and Repair Services - Office Equipment		241	
Postal Charges		266	
Printing, Stationery, and Forms		213	
Rentals		75	
Travel		989	
Data Processing Supplies		211	
Drugs and Medical Supplies		8	
Office Supplies		99	
Furniture and Fixtures		5	
Total Administration			\$ 131,294

Highway and Bridge Maintenance

Foremen	\$	30,982	
Equipment Operators		80,075	
Truck Drivers		77,943	
Laborers		111,678	
Other Contracted Services		10,355	
Asphalt - Hot Mix		100,006	
Asphalt - Liquid		9,124	
Concrete		2,142	
Crushed Stone		44,388	
Fertilizer, Lime, and Seed		694	
Other Road Supplies		226	
Pipe		43	
Pipe - Metal		16,978	
Road Signs		7,011	
Salt		8,563	
Sand		392	
Small Tools		703	
Wood Products		70	
Total Highway and Bridge Maintenance			501,373

Operation and Maintenance of Equipment

Mechanic(s)	\$	28,662	
Nightwatchmen		53,358	
Maintenance and Repair Services - Equipment		5,623	
Diesel Fuel		16,574	
Equipment and Machinery Parts		21,450	

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Garage Supplies	\$	7,141	
Gasoline		18,251	
Lubricants		1,893	
Propane Gas		416	
Small Tools		405	
Tires and Tubes		5,336	
Other Supplies and Materials		1,326	
Total Operation and Maintenance of Equipment			\$ 160,435

Other Charges

Communication	\$	2,717	
Electricity		2,667	
Natural Gas		1,398	
Water and Sewer		520	
Liability Insurance		7,000	
Premiums on Corporate Surety Bonds		400	
Trustee's Commission		13,852	
Vehicle and Equipment Insurance		16,204	
Total Other Charges			44,758

Employee Benefits

Social Security	\$	38,633	
State Retirement		34,077	
Employee and Dependent Insurance		112,334	
Unemployment Compensation		2,660	
Workers' Compensation Insurance		56,940	
Other Charges		628	
Total Employee Benefits			245,272

Capital Outlay

Maintenance and Repair Services - Buildings	\$	121	
Other Supplies and Materials		346	
Highway Equipment		14,513	
Plant Operation Equipment		1,100	
Other Construction		753	
Total Capital Outlay			16,833

Total Highway/Public Works Fund \$ 1,099,965

(Continued)

Exhibit H-5

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	58,090	
Principal on Capital Leases		22,438	
Principal on Other Loans		<u>165,000</u>	
Total General Government			\$ 245,528

Interest on Debt

General Government

Interest on Notes	\$	1,243	
Interest on Capital Leases		3,238	
Interest on Other Loans		<u>243,053</u>	
Total General Government			247,534

Other Debt Service

General Government

Trustee's Commission	\$	7,984	
Other Debt Issuance Charges		<u>22,251</u>	
Total General Government			<u>30,235</u>

Total General Debt Service Fund \$ 523,297

General Capital Projects Fund

Capital Projects

Social, Cultural, and Recreation Projects

Other Construction	\$	<u>179,632</u>	
Total Social, Cultural, and Recreation Projects			<u>\$ 179,632</u>

Total General Capital Projects Fund 179,632

Total Governmental Funds - Primary Government \$ 6,979,975

Exhibit H-6

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

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 317,195
Total Cash Receipts	<u>\$ 317,195</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 314,023
Trustee's Commission	<u>3,172</u>
Total Cash Disbursements	<u>\$ 317,195</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2006	<u>0</u>
Cash Balance, June 30, 2007	<u><u>\$ 0</u></u>

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

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*JIMMY HODGES, CFE*  
*KATHY CLEMENTS, CGFM*  
*TIMOTHY SCOTTON, CGFM*  
*JENI PALADENI*  
*State Auditors*

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

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**SEQUATCHIE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF SEQUATCHIE COUNTY, TENNESSEE  
TABLE OF CONTENTS**

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	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Sequatchie County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	18
Notes to the Financial Statements		19-36
REQUIRED SUPPLEMENTARY INFORMATION:		37
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	D-1	39-40
School Federal Projects Fund	D-2	41
Notes to the Required Supplementary Information		43
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		45
Nonmajor Governmental Funds:		47
Combining Balance Sheet	E-1	49
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	50

	Exhibit	Page(s)
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Central Cafeteria Fund	E-3	51
Other Education Special Revenue Fund	E-4	52
Miscellaneous Schedules:		53
Schedule of Changes in Long-term Bonds and Other Loans	F-1	55
Schedule of Bond and Interest Requirements by Year	F-2	56
Schedule of Transfers	F-3	57
Schedule of Salaries and Official Bonds of Principal Official	F-4	58
Schedule of Detailed Revenues – All Governmental Fund Types	F-5	59-60
Schedule of Detailed Expenditures – All Governmental Fund Types	F-6	61-73

# ***Audit Highlights***

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

## ***Scope***

We have audited the basic financial statements of the Sequatchie County School Department as of and for the year ended June 30, 2007.

## ***Results***

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

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

## ***Findings***

The following is a summary of the audit finding:

### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Daily backups of computer data were not stored in a secure location, and computer system backups were not stored off-site.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

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# INTRODUCTORY SECTION

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Sequatchie County School Officials  
June 30, 2007

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**Official**

Johnny Cordell, Director of Schools

**Board of Education**

Charles Rollins, Chairman

Shelli Dodson

Gregory Johnson

William Johnson

Dianne Mounce

Jo Ann Shepherd

Grover Skyles

Barry Smith

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

March 6, 2008

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sequatchie County School Department, a component unit of Sequatchie County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the Sequatchie County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Sequatchie County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

and the aggregate remaining fund information of the Sequatchie County School Department as of June 30, 2007, 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.

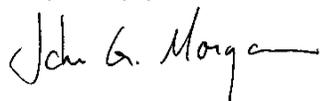
In accordance with Government Auditing Standards, we have also issued our report dated March 6, 2008, on our consideration of the Sequatchie County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 39 through 43 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Sequatchie County, Tennessee  
Statement of Net Assets  
Sequatchie County School Department  
June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 5,216,536
Cash	3,182
Accounts Receivable	12,469
Due from Other Governments	547,801
Due from Primary Government	4,099
Property Taxes Receivable	2,629,663
Allowance for Uncollectible Property Taxes	(133,786)
Deferred Charges - Debt Issuance Cost	20,397
Assets Not Depreciated:	
Land	925,148
Construction in Progress	3,271,281
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	16,820,504
Infrastructure	252,948
Other Capital Assets	554,084
Total Assets	<u>\$ 30,124,326</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 184,886
Payroll Deductions Payable	403,241
Contracts Payable	148,048
Retainage Payable	14,965
Accrued Interest Payable	150,743
Deferred Revenue - Current Property Taxes	2,379,856
Noncurrent Liabilities:	
Due Within One Year	937,200
Due in More Than One Year	9,547,243
Total Liabilities	<u>\$ 13,766,182</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 11,359,919
Restricted for:	
General Purposes	3,626,568
School Federal Projects	32,700
Central Cafeteria	109,656
Other Education Special Revenue	6,630
Capital Projects	78,098
Unrestricted	<u>1,144,573</u>
Total Net Assets	<u>\$ 16,358,144</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, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets Total Governmental Activities
<b>Governmental Activities:</b>				
Instruction	\$ 9,349,146	\$ 64,908	\$ 1,756,034	\$ (7,528,204)
Support Services	3,744,039	0	0	(3,744,039)
Operation of Non-Instructional Services	1,656,318	336,536	612,194	(707,588)
Other Debt Service	406,405	0	0	(406,405)
<b>Total Governmental Activities</b>	<b>\$ 15,155,908</b>	<b>\$ 401,444</b>	<b>\$ 2,368,228</b>	<b>\$ (12,386,236)</b>
<b>General Revenues:</b>				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,439,203
Local Option Sales Taxes				1,409,598
Other Local Taxes				1,915
Grants and Contributions Not Restricted to Specific Programs				10,279,078
Unrestricted Investment Income				137,787
Miscellaneous				31,735
<b>Total General Revenues</b>				<b>\$ 14,299,316</b>
Change in Net Assets				\$ 1,913,080
Net Assets, July 1, 2006				14,445,064
Net Assets, June 30, 2007				<b>\$ 16,358,144</b>

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, 2007

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	Education Capital Projects	Funds Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 3,182	\$ 3,182
Equity in Pooled Cash and Investments	4,720,057	121,746	241,111	133,622	5,216,536
Accounts Receivable	12,424	0	0	45	12,469
Due from Other Governments	305,413	231,125	0	11,263	547,801
Due from Other Funds	145,006	0	0	0	145,006
Due from Primary Government	4,099	0	0	0	4,099
Property Taxes Receivable	2,629,663	0	0	0	2,629,663
Allowance for Uncollectible Property Taxes	(133,786)	0	0	0	(133,786)
<b>Total Assets</b>	<b>\$ 7,682,876</b>	<b>\$ 352,871</b>	<b>\$ 241,111</b>	<b>\$ 148,112</b>	<b>\$ 8,424,970</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 4,900	\$ 179,986	\$ 0	\$ 0	\$ 184,886
Payroll Deductions Payable	376,236	0	0	27,005	403,241
Contracts Payable	0	0	148,048	0	148,048
Retainage Payable	0	0	14,965	0	14,965
Due to Other Funds	0	140,185	0	4,821	145,006
Deferred Revenue - Current Property Taxes	2,379,856	0	0	0	2,379,856
Deferred Revenue - Delinquent Property Taxes	105,648	0	0	0	105,648
Other Deferred Revenues	142,043	0	0	9,295	151,338
<b>Total Liabilities</b>	<b>\$ 3,008,683</b>	<b>\$ 320,171</b>	<b>\$ 163,013</b>	<b>\$ 41,121</b>	<b>\$ 3,532,988</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 417,667	\$ 0	\$ 417,667
Reserved for Unemployment Compensation	15,000	0	0	0	15,000
Reserved for Vocational Projects	79,278	0	0	0	79,278
Other Local Education Reserves	191,589	0	0	0	191,589
Reserved for Career Ladder - Extended Contract	40,901	0	0	0	40,901
Reserved for Technology	10,428	0	0	0	10,428
Reserved for Basic Education Program	3,279,571	0	0	0	3,279,571
Other State Education Reserves	9,801	0	0	0	9,801
Reserved for Title I Grants to Local Education Agencies	0	17,566	0	0	17,566
Reserved for Innovative Education Program Strategies	0	271	0	0	271
Reserved for Special Education - Grants to States	0	10,445	0	0	10,445
Other Federal Reserves	0	4,418	0	0	4,418
Unreserved, Reported In:					
General Fund	1,047,625	0	0	0	1,047,625
Special Revenue Funds	0	0	0	106,991	106,991
Capital Projects Funds (Deficit)	0	0	(339,569)	0	(339,569)
<b>Total Fund Balances</b>	<b>\$ 4,674,193</b>	<b>\$ 32,700</b>	<b>\$ 78,098</b>	<b>\$ 106,991</b>	<b>\$ 4,891,982</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,682,876</b>	<b>\$ 352,871</b>	<b>\$ 241,111</b>	<b>\$ 148,112</b>	<b>\$ 8,424,970</b>

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, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,891,982
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	925,148	
Add: construction in progress		3,271,281	
Add: buildings and improvements net of accumulated depreciation		16,820,504	
Add: infrastructure net of accumulated depreciation		252,948	
Add: other capital assets net of accumulated depreciation		<u>554,084</u>	21,823,965
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(8,605,000)	
Less: other loans payable		(1,879,443)	
Less: accrued interest on bonds and other loans		(150,743)	
Add: deferred charges - debt issuance costs		<u>20,397</u>	(10,614,789)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>256,986</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>16,358,144</u></u>

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

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 3,866,528	\$ 0	\$ 0	\$ 0	\$ 3,866,528
Licenses and Permits	1,444	0	0	0	1,444
Charges for Current Services	19,180	0	0	378,984	398,164
Other Local Revenues	189,051	0	26	10,556	199,633
State of Tennessee	9,869,541	0	0	12,602	9,882,143
Federal Government	168,439	1,926,579	0	567,600	2,662,618
Total Revenues	<u>\$ 14,114,183</u>	<u>\$ 1,926,579</u>	<u>\$ 26</u>	<u>\$ 969,742</u>	<u>\$ 17,010,530</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 7,521,578	\$ 1,024,637	\$ 0	\$ 0	\$ 8,546,215
Support Services	3,466,082	274,723	0	0	3,740,805
Operation of Non-Instructional Services	531	602,157	0	951,531	1,554,219
Capital Outlay	1,061,169	0	21,000	0	1,082,169
Debt Service:					
Principal on Debt	794,200	0	0	0	794,200
Interest on Debt	408,955	0	0	0	408,955
Other Debt Service	714	0	0	0	714
Capital Projects	0	0	2,922,712	0	2,922,712
Total Expenditures	<u>\$ 13,253,229</u>	<u>\$ 1,901,517</u>	<u>\$ 2,943,712</u>	<u>\$ 951,531</u>	<u>\$ 19,049,989</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 860,954</u>	<u>\$ 25,062</u>	<u>\$ (2,943,686)</u>	<u>\$ 18,211</u>	<u>\$ (2,039,459)</u>
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 0	\$ 1,801,443	\$ 0	\$ 1,801,443
Transfers In	81,443	0	1,000,000	0	1,081,443
Transfers Out	(1,000,000)	(26,573)	0	(54,870)	(1,081,443)
Total Other Financing Sources (Uses)	<u>\$ (918,557)</u>	<u>\$ (26,573)</u>	<u>\$ 2,801,443</u>	<u>\$ (54,870)</u>	<u>\$ 1,801,443</u>
Net Change in Fund Balances	\$ (57,603)	\$ (1,511)	\$ (142,243)	\$ (36,659)	\$ (238,016)
Fund Balance, July 1, 2006	4,731,796	34,211	220,341	143,650	5,129,998
Fund Balance, June 30, 2007	<u>\$ 4,674,193</u>	<u>\$ 32,700</u>	<u>\$ 78,098</u>	<u>\$ 106,991</u>	<u>\$ 4,891,982</u>

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

Exhibit C-4

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, 2007

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	(238,016)
(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 difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period		\$	3,692,347
Less: current year depreciation expense			<u>(584,738)</u>
			3,107,609
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2007		\$	256,986
Less: deferred delinquent property taxes and other deferred June 30, 2006			<u>(230,520)</u>
			26,466
(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:			
Less: other loan proceeds		\$	(1,801,443)
Add: change in deferred debt issuance costs			20,397
Add: principal payments on bonds			19,200
Add: principal payments on other loans			<u>775,000</u>
			(986,846)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable			<u>3,867</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>1,913,080</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, 2007**

**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 funds:

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

**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.

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

The county trustee maintains a cash and internal investment pool that is used by all 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 School Department's General Purpose School Fund and the primary government's General and General Debt Service funds. 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.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.74 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 on construction contracts pending completion of the projects.

**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 refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

6. **Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

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

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

Exhibit C-2 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 C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net 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 Education Capital Projects Fund which adopts 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 deficit in unreserved fund balance of \$339,569 at June 30, 2007. This deficit resulted from the unperformed portions of construction contracts of \$417,667 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.

**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, 2007, 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.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 3,945,783

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Sequatchie County has no investment policy that would further limit its investment choices. As of June 30, 2007, Sequatchie County's investment in the State Treasurer's Investment Pool was unrated.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2007, was as follows:

**Governmental Activities:**

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	\$ 225,650	\$ 699,498	\$ 925,148
Construction in Progress	333,905	2,937,376	3,271,281
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 559,555</b>	<b>\$ 3,636,874</b>	<b>\$ 4,196,429</b>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 22,929,102	\$ 21,950	\$ 22,951,052
Infrastructure	575,193	0	575,193
Other Capital Assets	2,227,198	33,523	2,260,721
<b>Total Capital Assets Depreciated</b>	<b>\$ 25,731,493</b>	<b>\$ 55,473</b>	<b>\$ 25,786,966</b>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 5,663,281	\$ 467,267	\$ 6,130,548
Infrastructure	301,366	20,879	322,245

**Governmental Activities (Cont.):**

	Balance 7-1-06	Increases	Balance 6-30-07
Less Accumulated Depreciated For (Cont.):			
Other Capital Assets	\$ 1,610,045	\$ 96,592	\$ 1,706,637
Total Accumulated Depreciation	\$ 7,574,692	\$ 584,738	\$ 8,159,430
Total Capital Assets Depreciated, Net	\$ 18,156,801	\$ (529,265)	\$ 17,627,536
Governmental Activities Capital Assets, Net	\$ 18,716,356	\$ 3,107,609	\$ 21,823,965

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

**Governmental Activities:**

Instruction	\$ 459,704
Support Services	67,967
Operation of Non-Instructional Service	<u>47,067</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 574,738</u>

**C. Construction Commitments**

At June 30, 2007, the Education Capital Projects Fund had uncompleted construction contracts of approximately \$417,667 for 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 Receivables, Payables, and Transfers**

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

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
General Purpose School	School Federal Projects	\$ 140,185
"	Nonmajor Government	4,821

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

**Due from Primary Government:**

Receivable Fund	Payable Fund	Amount
Component Unit: General Purpose School	Primary Government: General	\$ 4,099

**Interfund Transfers:**

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

Transfers Out	Transfers In	
	General Purpose School Fund	Education Capital Projects Fund
General Purpose School Fund	\$ 0	\$ 1,000,000
School Federal Projects Fund	26,573	0
Nonmajor governmental funds	54,870	0
Total	<u>\$ 81,443</u>	<u>\$ 1,000,000</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 in accordance with budgetary authorizations.

**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 25 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term

debt as of June 30, 2007, will be retired from the General Purpose School Fund.

General obligation bonds and other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	3.3 to 4.15 %	\$ 7,500,000	\$ 6,830,000
General Obligation Bonds - Refunding	3.8 to 4.85	7,405,000	1,775,000
Other Loans	0 to Variable	1,993,443	1,879,443

On December 20, 2006, Sequatchie County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$3,000,000 available for loan to the School Department on an as-needed basis for various renovation and construction projects. As of June 30, 2007, the School Department had borrowed \$1,801,443 of these proceeds. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2007, the variable interest rate was 3.57 percent, and other fees amounted to approximately .25 percent (letter of credit), .08 percent (remarketing), of the outstanding loan principal plus \$85 a month trustee fee.

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, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Other Loan (\$90,000)	Other Loan (\$102,000)
	Principal	Interest	Principal	Principal
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

Year Ending June 30 (Cont.)	Bonds		Other Loan (\$90,000)	Other Loan (\$102,000)
	Principal	Interest	Principal	Principal
2012	\$ 980,000	\$ 193,633	\$ 0	\$ 10,200
2013-2016	4,130,000	368,447	0	0
Total	<u>\$ 8,605,000</u>	<u>\$ 1,723,513</u>	<u>\$ 27,000</u>	<u>\$ 51,000</u>

Year Ending June 30	Other Loan (\$1,801,443)			
	Principal	Interest	Other Fees	Total
2008	\$ 103,000	\$ 69,716	\$ 6,965	\$ 179,681
2009	108,000	65,730	6,625	180,355
2010	113,000	61,550	6,268	180,818
2011	118,000	57,177	5,896	181,073
2012	123,000	52,610	5,507	181,117
2013-2017	703,000	187,199	21,064	911,263
2018-2021	533,443	44,225	7,767	585,435
Total	<u>\$ 1,801,443</u>	<u>\$ 538,207</u>	<u>\$ 60,092</u>	<u>\$ 2,399,742</u>

Bonded debt per capita totaled \$757, based on the 2000 federal census. Total debt per capita, including bonds and other loans totaled to \$922, based on the 2000 federal census.

#### Changes in Long-term Liabilities

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

Governmental Activities:	Bonds		Other Loans	
Balance, July 1, 2006	\$ 9,380,000	\$	97,200	
Additions	0		1,801,443	
Deductions	(775,000)		(19,200)	
Balance, June 30, 2007	<u>\$ 8,605,000</u>	<u>\$</u>	<u>1,879,443</u>	
Balance Due Within One Year	<u>\$ 815,000</u>	<u>\$</u>	<u>122,200</u>	

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 10,484,443
Less: Balance Due Within One Year	<u>(937,200)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 9,547,243</u>

V. **OTHER INFORMATION**

A. **Risk Management**

It is the policy of the School Department to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property, casualty, workers' compensation, and environmental. This is the first year the School Department has purchased commercial insurance. Settled claims did not exceed this commercial coverage this past fiscal year.

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

B. **Subsequent Event**

Subsequent to June 30, 2007, the School Department borrowed \$713,500 for construction projects pursuant to a loan agreement with Montgomery County Public Building Authority.

C. **Contingent Liabilities**

The School Department is involved in one pending lawsuit. The School Department's attorney estimates that the potential claim against the School Department not covered by insurance resulting from such litigation would not materially affect the School Department's financial statements.

## **D. Retirement Commitments**

### **Employees**

#### **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 <http://www.treasury.state.tn.us/tcrs/PS/>.

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

## **School Teachers**

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us>.

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Sequatchie County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the 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, 2007, 2006, and 2005, were \$416,202, \$351,665, and \$330,470, 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,866,528	\$ 3,705,767	\$ 3,705,767	\$ 160,761
Licenses and Permits	1,444	1,500	1,500	(56)
Charges for Current Services	19,180	24,000	24,000	(4,820)
Other Local Revenues	189,051	91,344	115,594	73,457
State of Tennessee	9,869,541	9,746,000	9,844,328	25,213
Federal Government	168,439	228,067	239,139	(70,700)
Total Revenues	<u>\$ 14,114,183</u>	<u>\$ 13,796,678</u>	<u>\$ 13,930,328</u>	<u>\$ 183,855</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 5,711,825	\$ 5,851,823	\$ 5,906,193	\$ 194,368
Alternative Instruction Program	74,737	63,176	77,320	2,583
Special Education Program	1,469,110	1,619,272	1,637,096	167,986
Vocational Education Program	200,880	278,224	279,399	78,519
Student Body Education Program	13,768	17,218	17,218	3,450
Adult Education Program	51,258	58,526	58,526	7,268
<u>Support Services</u>				
Attendance	83,342	91,675	91,970	8,628
Health Services	41,623	45,258	45,552	3,929
Other Student Support	265,776	230,640	287,702	21,926
Regular Instruction Program	422,206	441,389	443,859	21,653
Special Education Program	140,110	152,662	153,250	13,140
Adult Programs	69,762	73,568	73,862	4,100
Board of Education	210,226	218,232	218,232	8,006
Director of Schools	149,144	146,311	150,868	1,724
Office of the Principal	515,807	521,113	522,831	7,024
Fiscal Services	129,656	140,061	140,357	10,701
Operation of Plant	962,387	930,095	968,295	5,908
Maintenance of Plant	164,298	156,376	167,276	2,978
Transportation	311,745	322,862	322,862	11,117
Central and Other	0	20,000	0	0
<u>Operation of Non-Instructional Services</u>				
Community Services	531	5,000	5,000	4,469
<u>Capital Outlay</u>				
Regular Capital Outlay	1,061,169	4,088,688	3,509,151	2,447,982
<u>Principal on Debt</u>				
Education	794,200	999,200	999,200	205,000
<u>Interest on Debt</u>				
Education	408,955	380,800	409,800	845
<u>Other Debt Service</u>				
Education	714	1,500	1,500	786
Total Expenditures	<u>\$ 13,253,229</u>	<u>\$ 16,853,669</u>	<u>\$ 16,487,319</u>	<u>\$ 3,234,090</u>

(Continued)

Exhibit D-1

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	\$ 860,954	\$ (3,056,991)	\$ (2,556,991)	\$ 3,417,945
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 81,443	\$ 83,656	\$ 83,656	\$ (2,213)
Transfers Out	(1,000,000)	(500,000)	(1,000,000)	0
Total Other Financing Sources (Uses)	\$ (918,557)	\$ (416,344)	\$ (916,344)	\$ (2,213)
Net Change in Fund Balance	\$ (57,603)	\$ (3,473,335)	\$ (3,473,335)	\$ 3,415,732
Fund Balance, July 1, 2006	4,731,796	4,729,509	4,729,509	2,287
Fund Balance, June 30, 2007	\$ 4,674,193	\$ 1,256,174	\$ 1,256,174	\$ 3,418,019

## Exhibit D-2

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,926,579	\$ 2,027,112	\$ 2,031,924	\$ (105,345)
Total Revenues	\$ 1,926,579	\$ 2,027,112	\$ 2,031,924	\$ (105,345)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 544,129	\$ 591,749	\$ 596,546	\$ 52,417
Special Education Program	439,094	469,283	470,564	31,470
Vocational Education Program	41,414	37,529	41,414	0
<u>Support Services</u>				
Other Student Support	2,453	8,000	4,115	1,662
Regular Instruction Program	105,911	129,546	128,120	22,209
Special Education Program	109,602	111,561	110,283	681
Vocational Education Program	1,001	999	1,001	0
Transportation	55,756	60,457	60,457	4,701
<u>Operation of Non-Instructional Services</u>				
Community Services	602,157	610,108	610,107	7,950
Total Expenditures	\$ 1,901,517	\$ 2,019,232	\$ 2,022,607	\$ 121,090
Excess (Deficiency) of Revenues Over Expenditures	\$ 25,062	\$ 7,880	\$ 9,317	\$ 15,745
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 66,358	\$ 64,921	\$ (64,921)
Transfers Out	(26,573)	(108,449)	(108,449)	81,876
Total Other Financing Sources (Uses)	\$ (26,573)	\$ (42,091)	\$ (43,528)	\$ 16,955
Net Change in Fund Balance	\$ (1,511)	\$ (34,211)	\$ (34,211)	\$ 32,700
Fund Balance, July 1, 2006	34,211	34,211	34,211	0
Fund Balance, June 30, 2007	\$ 32,700	\$ 0	\$ 0	\$ 32,700

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

**BUDGETARY INFORMATION**

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

Exhibit E-1

Sequatchie County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Sequatchie County School Department  
June 30, 2007

	<u>Special Revenue Funds</u>		
	Central Cafeteria	Other Education Special Revenue	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 3,182	\$ 0	\$ 3,182
Equity in Pooled Cash and Investments	122,171	11,451	133,622
Accounts Receivable	45	0	45
Due from Other Governments	11,263	0	11,263
Total Assets	<u>\$ 136,661</u>	<u>\$ 11,451</u>	<u>\$ 148,112</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 27,005	\$ 0	\$ 27,005
Due to Other Funds	0	4,821	4,821
Other Deferred Revenues	9,295	0	9,295
Total Liabilities	<u>\$ 36,300</u>	<u>\$ 4,821</u>	<u>\$ 41,121</u>
<u>Fund Balances</u>			
Unreserved	\$ 100,361	\$ 6,630	\$ 106,991
Total Fund Balances	<u>\$ 100,361</u>	<u>\$ 6,630</u>	<u>\$ 106,991</u>
Total Liabilities and Fund Balances	<u>\$ 136,661</u>	<u>\$ 11,451</u>	<u>\$ 148,112</u>

Exhibit E-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, 2007

	<u>Special Revenue Funds</u>		
	Central	Other Education Special	Total Nonmajor Governmental
	Cafeteria	Revenue	Funds
<u>Revenues</u>			
Charges for Current Services	\$ 314,301	\$ 64,683	\$ 378,984
Other Local Revenues	10,556	0	10,556
State of Tennessee	12,602	0	12,602
Federal Government	567,600	0	567,600
Total Revenues	<u>\$ 905,059</u>	<u>\$ 64,683</u>	<u>\$ 969,742</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 880,569	\$ 70,962	\$ 951,531
Total Expenditures	<u>\$ 880,569</u>	<u>\$ 70,962</u>	<u>\$ 951,531</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,490</u>	<u>\$ (6,279)</u>	<u>\$ 18,211</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (53,299)	\$ (1,571)	\$ (54,870)
Total Other Financing Sources (Uses)	<u>\$ (53,299)</u>	<u>\$ (1,571)</u>	<u>\$ (54,870)</u>
Net Change in Fund Balances	\$ (28,809)	\$ (7,850)	\$ (36,659)
Fund Balance, July 1, 2006	129,170	14,480	143,650
Fund Balance, June 30, 2007	<u>\$ 100,361</u>	<u>\$ 6,630</u>	<u>\$ 106,991</u>

Exhibit E-3

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 314,301	\$ 321,000	\$ 321,000	\$ (6,699)
Other Local Revenues	10,556	6,500	6,500	4,056
State of Tennessee	12,602	12,000	12,000	602
Federal Government	567,600	559,000	559,000	8,600
Total Revenues	<u>\$ 905,059</u>	<u>\$ 898,500</u>	<u>\$ 898,500</u>	<u>\$ 6,559</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 880,569	\$ 974,368	\$ 974,368	\$ 93,799
Total Expenditures	<u>\$ 880,569</u>	<u>\$ 974,368</u>	<u>\$ 974,368</u>	<u>\$ 93,799</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,490</u>	<u>\$ (75,868)</u>	<u>\$ (75,868)</u>	<u>\$ 100,358</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (53,299)	\$ (53,299)	\$ (53,299)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (53,299)</u>	<u>\$ (53,299)</u>	<u>\$ (53,299)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (28,809)	\$ (129,167)	\$ (129,167)	\$ 100,358
Fund Balance, July 1, 2006	129,170	129,167	129,167	3
Fund Balance, June 30, 2007	<u>\$ 100,361</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 100,361</u>

Exhibit E-4

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 64,683	\$ 60,800	\$ 64,692	\$ (9)
Total Revenues	\$ 64,683	\$ 60,800	\$ 64,692	\$ (9)
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Community Services	\$ 70,962	\$ 59,456	\$ 71,181	\$ 219
Total Expenditures	\$ 70,962	\$ 59,456	\$ 71,181	\$ 219
Excess (Deficiency) of Revenues Over Expenditures	\$ (6,279)	\$ 1,344	\$ (6,489)	\$ 210
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (1,571)	\$ (1,344)	\$ (1,571)	\$ 0
Total Other Financing Sources (Uses)	\$ (1,571)	\$ (1,344)	\$ (1,571)	\$ 0
Net Change in Fund Balance	\$ (7,850)	\$ 0	\$ (8,060)	\$ 210
Fund Balance, July 1, 2006	14,480	0	14,480	0
Fund Balance, June 30, 2007	\$ 6,630	\$ 0	\$ 6,420	\$ 210

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## MISCELLANEOUS SCHEDULES

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Exhibit F-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>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	\$ 2,320,000	\$ 0	\$ 545,000	\$ 1,775,000
School Bonds - Series 1998	5,000,000	4.15	10-15-1998	2-1-14	4,560,000	0	230,000	4,330,000
School Bonds - Series 2003	2,500,000	3.3 to 3.5	5-21-03	2-1-16	2,500,000	0	0	2,500,000
Total Bonds Payable					<u>\$ 9,380,000</u>	<u>\$ 0</u>	<u>\$ 775,000</u>	<u>\$ 8,605,000</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	\$ 36,000	\$ 0	\$ 9,000	\$ 27,000
Rural Development Loan - Technology	102,000	0	1-1-03	1-1-13	61,200	0	10,200	51,000
School Renovations	(1)	Variable	12-20-06	5-25-21	0	1,801,443	0	1,801,443
Total Other Loans Payable					<u>\$ 97,200</u>	<u>\$ 1,801,443</u>	<u>\$ 19,200</u>	<u>\$ 1,879,443</u>

(1) Total amount available under this loan agreement is \$3,000,000, of which \$1,198,557 had not been drawn as of June 30, 2007.

Exhibit F-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
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	<u>\$ 8,605,000</u>	<u>\$ 1,723,513</u>	<u>\$ 10,328,513</u>

Exhibit F-3

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 26,573
Central Cafeteria	"	"	53,299
Other Education Special Revenue	"	"	1,571
General Purpose School	Education Capital Projects	Building project	<u>1,000,000</u>
Total Transfers			<u>\$ 1,081,443</u>

Exhibit F-4

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Sequatchie County Board of Education	\$ 88,271 (1)	(2)	
Employee Dishonesty Bond Coverage:				
	School Employees		\$ 150,000	The Netherlands Insurance Company

(1) Includes chief executive officer training supplement of \$1,000.

(2) The director of schools is covered under the employee dishonesty bond.

Exhibit F-5

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

	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	\$ 2,257,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,257,900
Trustee's Collections - Prior Year	91,348	0	0	0	0	91,348
Circuit/Clerk & Master Collections - Prior Years	44,190	0	0	0	0	44,190
Interest and Penalty	19,231	0	0	0	0	19,231
Payments in-Lieu-of Taxes - T.V.A.	1,602	0	0	0	0	1,602
Payments in-Lieu-of Taxes - Local Utilities	14,376	0	0	0	0	14,376
Payments in-Lieu-of Taxes - Other	510	0	0	0	0	510
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,411,334	0	0	0	0	1,411,334
<u>Statutory Local Taxes</u>						
Bank Excise Tax	24,122	0	0	0	0	24,122
Interstate Telecommunications Tax	1,915	0	0	0	0	1,915
<b>Total Local Taxes</b>	<b>\$ 3,866,528</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,866,528</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,444	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,444
<b>Total Licenses and Permits</b>	<b>\$ 1,444</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,444</b>
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Adult Education	\$ 225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 225
Tuition - Other	0	0	0	64,683	0	64,683
Lunch Payments - Children	0	0	195,119	0	0	195,119
Lunch Payments - Adults	0	0	21,776	0	0	21,776
Income from Breakfast	0	0	23,271	0	0	23,271
A la carte Sales	0	0	74,135	0	0	74,135
Receipts from Individual Schools	18,955	0	0	0	0	18,955
<b>Total Charges for Current Services</b>	<b>\$ 19,180</b>	<b>\$ 0</b>	<b>\$ 314,301</b>	<b>\$ 64,683</b>	<b>\$ 0</b>	<b>\$ 398,164</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 136,811	\$ 0	\$ 950	\$ 0	\$ 26	\$ 137,787
Miscellaneous Refunds	23,536	0	7,994	0	0	31,530

(Continued)

Exhibit F-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Sale of Equipment	\$ 75	\$ 0	\$ 0	\$ 0	\$ 0	75
Damages Recovered from Individuals	130	0	0	0	0	130
Contributions and Gifts	9,314	0	0	0	0	9,314
<u>Other Local Revenues</u>						
Other Local Revenues	19,185	0	1,612	0	0	20,797
Total Other Local Revenues	\$ 189,051	\$ 0	\$ 10,556	\$ 0	\$ 26	\$ 199,633
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 9,484,200	\$ 0	\$ 0	\$ 0	\$ 0	9,484,200
School Food Service	0	0	12,602	0	0	12,602
Driver Education	2,530	0	0	0	0	2,530
Other State Education Funds	61,152	0	0	0	0	61,152
Career Ladder Program	101,483	0	0	0	0	101,483
Career Ladder - Extended Contract	58,724	0	0	0	0	58,724
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	128,495	0	0	0	0	128,495
Other State Revenues	32,957	0	0	0	0	32,957
Total State of Tennessee	\$ 9,869,541	\$ 0	\$ 12,602	\$ 0	\$ 0	\$ 9,882,143
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 434,177	\$ 0	\$ 0	434,177
Breakfast	0	0	128,365	0	0	128,365
USDA - Other	0	0	5,058	0	0	5,058
Adult Education State Grant Program	79,308	0	0	0	0	79,308
Vocational Education - Basic Grants to States	0	44,529	0	0	0	44,529
Title I Grants to Local Education Agencies	0	420,589	0	0	0	420,589
Innovative Education Program Strategies	0	86,242	0	0	0	86,242
Special Education - Grants to States	11,121	590,990	0	0	0	602,111
Special Education Preschool Grants	0	35,137	0	0	0	35,137
Eisenhower Professional Development State Grants	0	125,271	0	0	0	125,271
Other Federal through State	78,010	623,821	0	0	0	701,831
Total Federal Government	\$ 168,439	\$ 1,926,579	\$ 567,600	\$ 0	\$ 0	\$ 2,662,618
Total	\$ 14,114,183	\$ 1,926,579	\$ 905,059	\$ 64,683	\$ 26	\$ 17,010,530

Exhibit F-6

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,012,574	
Career Ladder Program		50,538	
Career Ladder Extended Contracts		40,700	
Homebound Teachers		27,054	
Educational Assistants		128,555	
Certified Substitute Teachers		6,368	
Non-certified Substitute Teachers		47,094	
Social Security		248,512	
State Retirement		258,718	
Medical Insurance		525,687	
Employer Medicare		58,208	
Contracts with Other School Systems		225	
Maintenance and Repair Services - Equipment		12,703	
Instructional Supplies and Materials		85,068	
Textbooks		154,590	
Other Charges		3,142	
Regular Instruction Equipment		52,089	
Total Regular Instruction Program			\$ 5,711,825

Alternative Instruction Program

Teachers	\$	44,023	
Career Ladder Program		998	
Educational Assistants		13,334	
Social Security		3,304	
State Retirement		4,031	
Medical Insurance		7,277	
Employer Medicare		773	
Other Supplies and Materials		68	
Other Charges		929	
Total Alternative Instruction Program			74,737

Special Education Program

Teachers	\$	857,494
Career Ladder Program		14,768
Career Ladder Extended Contracts		2,000
Homebound Teachers		20,908
Clerical Personnel		20,793
Educational Assistants		136,211
Other Salaries and Wages		14,553

(Continued)

Exhibit F-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	\$	15,791	
Social Security		60,856	
State Retirement		65,454	
Medical Insurance		193,401	
Employer Medicare		14,239	
Communication		2,917	
Travel		984	
Other Contracted Services		16,672	
Instructional Supplies and Materials		5,377	
Other Supplies and Materials		241	
Other Charges		26,451	
Total Special Education Program			\$ 1,469,110

Vocational Education Program

Teachers	\$	146,451	
Career Ladder Program		1,000	
Other Salaries and Wages		60	
Social Security		8,217	
State Retirement		9,043	
Medical Insurance		28,630	
Employer Medicare		1,922	
Instructional Supplies and Materials		5,316	
Other Charges		241	
Total Vocational Education Program			200,880

Student Body Education Program

Other Salaries and Wages	\$	12,434	
Social Security		716	
State Retirement		448	
Employer Medicare		170	
Total Student Body Education Program			13,768

Adult Education Program

Teachers	\$	21,409	
Clerical Personnel		17,107	
Other Salaries and Wages		3,115	
Social Security		2,581	
State Retirement		1,757	
Employer Medicare		604	

(Continued)

## Exhibit F-6

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

General Purpose School Fund (Cont.)Instruction (Cont.)Adult Education Program (Cont.)

Travel	\$	100	
Instructional Supplies and Materials		4,389	
Other Charges		196	
Total Adult Education Program			\$ 51,258

Support ServicesAttendance

Supervisor/Director	\$	55,187	
Career Ladder Program		1,000	
Clerical Personnel		7,091	
Social Security		3,643	
State Retirement		3,950	
Medical Insurance		9,564	
Employer Medicare		852	
Travel		1,825	
Other Charges		230	
Total Attendance			83,342

Health Services

Medical Personnel	\$	36,079	
Social Security		2,168	
State Retirement		2,212	
Employer Medicare		507	
Other Charges		657	
Total Health Services			41,623

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		131,977	
Career Ladder Extended Contracts		300	
School Resource Officer		2,000	
Other Salaries and Wages		12,537	
Social Security		8,797	
State Retirement		9,186	
Medical Insurance		8,361	
Employer Medicare		2,057	
Evaluation and Testing		870	
Travel		170	
Other Contracted Services		13,350	

(Continued)

## Exhibit F-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 Supplies and Materials	\$	692	
Other Charges		6,487	
Other Equipment		65,992	
Total Other Student Support			\$ 265,776

Regular Instruction Program

Supervisor/Director	\$	64,579	
Career Ladder Program		7,000	
Career Ladder Extended Contracts		6,000	
Librarians		120,568	
Instructional Computer Personnel		51,936	
Clerical Personnel		15,156	
Other Salaries and Wages		23,988	
Social Security		17,001	
State Retirement		18,121	
Medical Insurance		17,979	
Employer Medicare		3,976	
Travel		5,874	
Library Books/Media		12,000	
Other Supplies and Materials		51,526	
In Service/Staff Development		4,401	
Other Charges		2,101	
Total Regular Instruction Program			422,206

Special Education Program

Supervisor/Director	\$	58,164	
Career Ladder Program		2,000	
Psychological Personnel		44,318	
Social Security		6,079	
State Retirement		6,405	
Medical Insurance		12,840	
Employer Medicare		1,422	
Travel		5,347	
In Service/Staff Development		3,292	
Other Charges		243	
Total Special Education Program			140,110

Adult Programs

Supervisor/Director	\$	44,005	
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(Continued)

Exhibit F-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.)

Adult Programs (Cont.)

Career Ladder Program	\$	3,000	
Clerical Personnel		2,000	
Social Security		2,656	
State Retirement		3,029	
Medical Insurance		8,240	
Employer Medicare		621	
Travel		743	
In Service/Staff Development		2,586	
Other Charges		2,882	
Total Adult Programs			\$ 69,762

Board of Education

Board and Committee Members Fees	\$	16,568	
Social Security		1,027	
Unemployment Compensation		3,356	
Employer Medicare		240	
Audit Services		4,900	
Dues and Memberships		6,661	
Legal Services		7,677	
Travel		8,246	
Other Contracted Services		1,250	
Liability Insurance		9,925	
Trustee's Commission		88,121	
Workers' Compensation Insurance		58,341	
Refund to Applicant for Criminal Investigation		768	
Other Charges		3,146	
Total Board of Education			210,226

Director of Schools

County Official/Administrative Officer	\$	87,271	
Assistant(s)		2,923	
Career Ladder Program		1,000	
Secretary(ies)		12,348	
Social Security		6,095	
State Retirement		6,471	
Medical Insurance		7,873	
Employer Medicare		1,425	
Communication		11,272	
Dues and Memberships		1,374	

(Continued)

## Exhibit F-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.)

Postal Charges	\$	2,056	
Office Supplies		2,643	
Other Supplies and Materials		12	
Other Charges		6,381	
Total Director of Schools			\$ 149,144

Office of the Principal

Principals	\$	182,007	
Career Ladder Program		4,247	
Accountants/Bookkeepers		39,445	
Career Ladder Extended Contracts		5,000	
Assistant Principals		153,090	
Secretary(ies)		41,475	
Social Security		25,116	
State Retirement		26,885	
Medical Insurance		32,019	
Employer Medicare		5,874	
Travel		649	
Total Office of the Principal			515,807

Fiscal Services

Supervisor/Director	\$	55,575	
Clerical Personnel		25,380	
Other Salaries and Wages		7,377	
Social Security		6,115	
State Retirement		7,439	
Medical Insurance		11,994	
Employer Medicare		1,430	
Data Processing Services		6,792	
Travel		909	
Data Processing Supplies		2,026	
Office Supplies		400	
Other Charges		1,131	
Administration Equipment		3,088	
Total Fiscal Services			129,656

Operation of Plant

Custodial Personnel	\$	241,644	
Social Security		14,055	

(Continued)

Exhibit F-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	\$	17,183	
Medical Insurance		52,965	
Employer Medicare		3,287	
Maintenance and Repair Services - Buildings		255	
Other Contracted Services		37,590	
Custodial Supplies		29,325	
Electricity		405,278	
Natural Gas		44,814	
Water and Sewer		58,014	
Other Supplies and Materials		21,794	
Building and Contents Insurance		31,941	
Other Charges		4,242	
Total Operation of Plant			\$ 962,387

Maintenance of Plant

Supervisor/Director	\$	32,177	
Maintenance Personnel		73,851	
Social Security		6,196	
State Retirement		7,560	
Medical Insurance		18,240	
Employer Medicare		1,449	
Maintenance and Repair Services - Buildings		2,802	
Maintenance and Repair Services - Equipment		211	
Travel		500	
Other Contracted Services		500	
Other Supplies and Materials		17,853	
Other Charges		2,959	
Total Maintenance of Plant			164,298

Transportation

Mechanic(s)	\$	32,177	
Bus Drivers		135,904	
Other Salaries and Wages		1,000	
In-Service Training		480	
Social Security		10,425	
State Retirement		10,347	
Medical Insurance		852	
Employer Medicare		2,438	
Communication		555	

(Continued)

## Exhibit F-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.)

Maintenance and Repair Services - Vehicles	\$	363	
Medical and Dental Services		2,165	
Travel		1,500	
Other Contracted Services		5,030	
Diesel Fuel		37,324	
Gasoline		5,708	
Lubricants		2,610	
Tires and Tubes		4,939	
Vehicle Parts		29,671	
Other Supplies and Materials		468	
Vehicle and Equipment Insurance		13,887	
Other Charges		2,072	
Transportation Equipment		11,830	
Total Transportation			\$ 311,745

Operation of Non-Instructional ServicesCommunity Services

Other Salaries and Wages	\$	300	
Social Security		19	
State Retirement		21	
Employer Medicare		4	
Other Charges		187	
Total Community Services			531

Capital OutlayRegular Capital Outlay

Building Improvements	\$	361,671	
Other Capital Outlay		699,498	
Total Regular Capital Outlay			1,061,169

Principal on DebtEducation

Principal on Bonds	\$	775,000	
Principal on Other Loans		19,200	
Total Education			794,200

Interest on DebtEducation

Interest on Bonds	\$	380,800	
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(Continued)

Exhibit F-6

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

General Purpose School Fund (Cont.)

Interest on Debt (Cont.)

Education (Cont.)

Interest on Other Loans	\$ 28,155	
Total Education		\$ 408,955

Other Debt Service

Education

Other Debt Service	\$ 714	
Total Education		<u>714</u>

Total General Purpose School Fund		\$ 13,253,229
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 313,653	
Educational Assistants	25,149	
Certified Substitute Teachers	94	
Non-certified Substitute Teachers	1,198	
Social Security	19,697	
State Retirement	21,020	
Medical Insurance	51,178	
Unemployment Compensation	1,700	
Employer Medicare	4,608	
Instructional Supplies and Materials	25,934	
Other Charges	1,601	
Regular Instruction Equipment	<u>78,297</u>	
Total Regular Instruction Program		\$ 544,129

Special Education Program

Teachers	\$ 1,414	
Educational Assistants	243,332	
Social Security	13,703	
State Retirement	16,573	
Medical Insurance	55,595	
Unemployment Compensation	1,223	
Employer Medicare	3,205	
Contracts with Private Agencies	18,192	
Other Contracted Services	27,425	
Instructional Supplies and Materials	51,164	
Other Charges	<u>7,268</u>	
Total Special Education Program		439,094

(Continued)

## Exhibit F-6

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

School Federal Projects Fund (Cont.)Instruction (Cont.)Vocational Education Program

Travel	\$	89	
Instructional Supplies and Materials		17,502	
Other Charges		139	
Vocational Instruction Equipment		23,684	
Total Vocational Education Program			\$ 41,414

Support ServicesOther Student Support

Travel	\$	1,165	
Other Contracted Services		950	
Other Charges		338	
Total Other Student Support			2,453

Regular Instruction Program

Supervisor/Director	\$	54,776	
Clerical Personnel		13,265	
Social Security		4,103	
State Retirement		4,303	
Medical Insurance		3,924	
Unemployment Compensation		340	
Employer Medicare		959	
Travel		65	
Other Supplies and Materials		603	
In Service/Staff Development		23,254	
Other Charges		319	
Total Regular Instruction Program			105,911

Special Education Program

Psychological Personnel	\$	47,122	
Clerical Personnel		7,674	
Other Salaries and Wages		26,087	
Social Security		4,552	
State Retirement		5,264	
Medical Insurance		12,840	
Unemployment Compensation		405	
Employer Medicare		1,065	
In Service/Staff Development		4,213	
Other Charges		380	
Total Special Education Program			109,602

(Continued)

Exhibit F-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.)

Vocational Education Program

Secretary(ies)	\$	872	
Social Security		54	
State Retirement		62	
Employer Medicare		13	
Total Vocational Education Program			\$ 1,001

Transportation

Bus Drivers	\$	32,571	
Social Security		1,947	
State Retirement		2,322	
Medical Insurance		7,160	
Unemployment Compensation		163	
Employer Medicare		455	
Contracts with Parents		393	
Diesel Fuel		5,550	
Lubricants		196	
Tires and Tubes		1,001	
Vehicle Parts		2,116	
Other Charges		1,882	
Total Transportation			55,756

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	7,680	
Teachers		86,856	
Bus Drivers		4,410	
Educational Assistants		41,513	
Other Salaries and Wages		16,000	
Social Security		8,300	
State Retirement		8,600	
Employer Medicare		1,941	
Communication		1,010	
Travel		4,042	
Other Contracted Services		4,924	
Instructional Supplies and Materials		23,547	
Indirect Cost		4,677	
Refunds		367,862	
Other Equipment		20,795	
Total Community Services			602,157

Total School Federal Projects Fund \$ 1,901,517

(Continued)

Exhibit F-6

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	52,324	
Accountants/Bookkeepers		18,681	
Clerical Personnel		36,388	
Cafeteria Personnel		191,762	
Maintenance Personnel		6,334	
Temporary Personnel		15,966	
Overtime Pay		7,877	
Social Security		18,498	
State Retirement		21,146	
Medical Insurance		84,662	
Unemployment Compensation		89	
Employer Medicare		4,326	
Communication		3,793	
Maintenance and Repair Services - Equipment		4,363	
Transportation - Other than Students		3,795	
Travel		1,364	
Penalties		563	
Other Contracted Services		10,070	
Food Preparation Supplies		3,472	
Food Supplies		347,848	
Office Supplies		5,544	
Other Supplies and Materials		28,268	
In Service/Staff Development		2,455	
Criminal Investigation of Applicants - TBI		384	
Other Charges		1,633	
Food Service Equipment		8,964	
Total Food Service			\$ 880,569

Total Central Cafeteria Fund \$ 880,569

Other Education Special Revenue Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	12,975
Clerical Personnel		1,500
Other Salaries and Wages		26,711
Non-certified Substitute Teachers		1,762
Social Security		2,405
State Retirement		2,827

(Continued)

Exhibit F-6

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

Other Education Special Revenue Fund (Cont.)  
Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Medical Insurance	\$	7,937	
Unemployment Compensation		214	
Employer Medicare		562	
Other Contracted Services		264	
Instructional Supplies and Materials		10,645	
In Service/Staff Development		716	
Other Charges		1,253	
Other Equipment		1,191	
Total Community Services			\$ 70,962

Total Other Education Special Revenue Fund \$ 70,962

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay			
Other Debt Issuance Charges	\$	21,000	
Total Regular Capital Outlay			\$ 21,000

Capital Projects

Education Capital Projects			
Other Contracted Services	\$	2,922,712	
Total Education Capital Projects			2,922,712

Total Education Capital Projects Fund 2,943,712

Total Governmental Funds - Sequatchie County School Department \$ 19,049,989

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

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

*MICHAEL FORD, CPA, CGFM*  
*Auditor 4*

*JIMMY HODGES, CFE*  
*KATHY CLEMENTS, CGFM*  
*TIMOTHY SCOTTON, CGFM*  
*JENI PALADENI*  
*State Auditors*

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

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## SINGLE AUDIT REPORT TABLE OF CONTENTS

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	Page(s)
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1-3
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	5-7
Schedule of Expenditures of Federal Awards and State Grants	9-10
Schedule of Audit Findings Not Corrected	11-12
Schedule of Findings and Questioned Costs	13-27
Auditee Reporting Responsibilities	29



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

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

March 6, 2008

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Sequatchie County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Sequatchie County School Department as of and for the year ended June 30, 2007, which collectively comprise Sequatchie County's and the Sequatchie County School Department's basic financial statements and have issued our reports thereon dated March 6, 2008. 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. 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 as a basis

for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sequatchie County's and the Sequatchie County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sequatchie County's and the Sequatchie County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03, 07.04, 07.05, 07.06, 07.08, 07.09, 07.11 (A,B,C,D,H), 07.12, 07.13, and 07.16.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies 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 their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.07, 07.10, 07.11(E,F,G), and 07.14.

We consider item 07.15 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Sequatchie County and the Sequatchie County School Department in separate communications.

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

This report is intended solely for the information and use of management, the county executive, County Commission, road supervisor, director of schools, Board of Education, others within Sequatchie County, 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" with a horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/rd



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

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

March 6, 2008

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, 2007. 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 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 of 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, 2007.

### 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 the 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sequatchie County's and the Sequatchie County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the each major fund and the aggregate remaining fund information of Sequatchie County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Sequatchie County School Department as of and for the year ended June 30, 2007, and have issued our report thereon dated March 6, 2008. Our reports 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 audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Sequatchie County's and the Sequatchie County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of management, the county executive, County Commission, road supervisor, director of schools, Board of Education, others within Sequatchie County, 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.

Yours very truly,



John G. Morgan  
Comptroller of the Treasury

JGM/rd

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, 2007

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	\$ 31,992
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	128,365
National School Lunch Program	10.555	N/A	434,177
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	5,058
Total U.S. Department of Agriculture			\$ 599,592
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/States Program	14.228	GG-06-12359-00	\$ 48,450
Total U.S. Department of Housing and Urban Development			\$ 48,450
U.S. Department of Justice:			
Direct Program:			
Bullet Proof Vest Partnership Program	16.607	(2)	\$ 8,027
Public Safety Partnership and Community Policing Grants	16.710	N/A	131,089
Total U.S. Department of Justice			\$ 139,116
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033732-00	\$ 79,308
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	425,089
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	593,978
Special Education - Preschool Grants	84.173	N/A	35,244
Vocational Education - Basic Grants to States	84.048	N/A	44,529
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-07-12474-00	56,861
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	16,251
Twenty-First Century Community Learning Centers	84.287	(2)	602,157
State Grants for Innovative Programs	84.298	N/A	3,270
Education Technology State Grants	84.318	(2)	129,533
Rural Education	84.358	(2)	83,706
English Language Acquisition Grants	84.365	(2)	5,454
Total U.S. Department of Education			\$ 2,075,380
U.S. General Services Administration:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 127,595
Total U.S. General Services Administration			\$ 127,595
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-07-034253-00	\$ 21,149
Total U.S. Department of Health and Human Services			\$ 21,149
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	GG-05-20612-00	\$ 534
Homeland Security Grant Program	97.067	Z-05-025206-00	17,201
Total U.S. Department of Homeland Security			\$ 17,735
Total Expenditures of Federal Awards			\$ 3,029,017

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-07-036579-00	\$ 11,060
Highway Safety Grant - State Department of Transportation	N/A	Z-07-035963-00	5,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	6,359
Local Health Services - State Department of Health	N/A	(3)	44,868
Litter Program - State Department of Transportation	N/A	Z-07-033845-00	24,860
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	12,000
Driver's Education - State Department of Education	N/A	(2)	2,530
Safe Schools - State Department of Education	N/A	(2)	13,804
Special Needs Fund Grant - State Department of Health	N/A	(2)	184,400
Total State Grants			\$ 304,881

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-06-025943-00: \$11,268; Z-07-031538-00: \$33,600

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Sequatchie County, Tennessee, and the Sequatchie County School Department for the year ended June 30, 2006, which have not been corrected.

**SEQUATCHIE COUNTY**

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

**OFFICE OF COUNTY EXECUTIVE**

Finding Number	Page Number	Subject
06.03	13	Documentation was not provided to support reservations of fund balance

**OFFICE OF HIGHWAY SUPERVISOR**

Finding Number	Page Number	Subject
06.07(A)(B)	16	Purchase orders were not issued in some required instances, and invoices were paid without documentation that goods were received or services rendered
06.08	16	The office had deficiencies in administration of payroll records
06.09	17	A summary of changes from the prior year county road list was not submitted to the County Commission for approval

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
06.12(A)(B)	19	Deficiencies were noted in the maintenance of accounting records

## OTHER FINDINGS

Finding Number	Page Number	Subject
06.13	19	A central system of accounting, budgeting, and purchasing had not been adopted
06.14	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

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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

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

1. 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 significant deficiencies in internal control. None of these deficiencies was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that were 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. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: 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 \$300,000 threshold 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 sheriff are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### SEQUATCHIE COUNTY

**FINDING 07.01      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 No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. 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.

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

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

**RECOMMENDATION**

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

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**OFFICE OF COUNTY EXECUTIVE**

**FINDING 07.03      APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING IN THE GENERAL FUND**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The budget and subsequent amendments submitted to and approved by the County Commission for the General Fund resulted in appropriations exceeding estimated available funding causing a budget deficit of \$25,773.

**RECOMMENDATION**

Appropriations that exceed estimated available funds should not be submitted to or approved by the County Commission.

**FINDING 07.04      DOCUMENTATION WAS NOT PROVIDED TO SUPPORT RESERVATIONS OF FUND BALANCES**  
(Internal Control – Significant Deficiency 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, 2007; 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 balances were materially correct.

**RECOMMENDATION**

Officials should document reservations of all legally restricted revenues.

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**OFFICE OF HIGHWAY SUPERVISOR**

**FINDING 07.05      THE OFFICE HAD DEFICIENCIES IN THE ADMINISTRATION OF PAYROLL**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

- A. Supervisors did not sign the employees’ time sheets or time cards as evidence of review and approval. If supervisors do not review and approve time sheets, improper payments could result.
- B. In some instances, employees did not sign their time sheets or time cards to attest that the information is accurate. An employee’s signature attesting to the accuracy of the time report is a means of strengthening internal control.

**RECOMMENDATION**

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

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**FINDING 07.06      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. 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, dollar amounts of purchases were not listed on the purchase orders. The dollar amounts on purchase orders are necessary to quantify 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 or services not received. We extended our audit procedures and determined that these goods and services were received.

**RECOMMENDATION**

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and should include the dollar amounts of items purchased. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

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**FINDING 07.07      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.

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## **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 07.08**      **THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The following weaknesses regarding computer system backup procedures were identified:

- A. Daily backups were not stored in a secure location. Unsecured access to system backups exposes the data to environmental hazards, as well as to possible sabotage.
- B. System backups were not stored off-site. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process.

### **RECOMMENDATION**

Management should store daily backups in a secure fireproof location. In addition to daily system backups, a weekly system backup should be performed, and two copies of this backup should be maintained. These backups should be rotated off-site on a weekly basis. A complete systems backup should also be performed at fiscal year-end. These year-end backups should be stored off-site and retained indefinitely. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe deposit box at a local bank.

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## **OFFICE OF COUNTY CLERK**

**FINDING 07.09**      **THE OFFICE DID NOT REVIEW THE AUDIT LOGS**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generates a daily audit log that displays transaction changes made by users. This log provides the only audit trail of these changes; therefore, it should be reviewed daily for errors and irregularities. However, the clerk's office did not review this log. Without knowledge of system activity, errors and improper changes could occur and go undetected.

### **RECOMMENDATION**

Management should review the audit log on a daily basis. Any unusual transactions should be investigated promptly.

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## OFFICE OF SHERIFF

### FINDING 07.10      **THE OFFICE HAD A CASH SHORTAGE OF \$8,669 IN ITS COMMISSARY OPERATION** (Noncompliance Under Government Auditing Standards)

The Sheriff's Office had a cash shortage of \$8,669 in its commissary operation on June 30, 2007. This cash shortage resulted from commissary receipts not being deposited to the official bank account or otherwise accounted for. This finding has been reviewed with the district attorney general and the county mayor. The Tennessee Bureau of Investigation (TBI) is currently conducting an investigation.

### RECOMMENDATION

Officials should seek restitution of the missing funds. Receipts should be reconciled with deposits to the official bank account.

### MANAGEMENT'S RESPONSE – SHERIFF

Our commissary operation is run by the State Department of Human Services sponsored Tennessee Business Enterprises (TBE). Another company, Aramark, has a contract with TBE to provide computers and software for use in commissary programs. In August 2007, Aramark and TBE asked to meet with me and my staff regarding discrepancies in our commissary account. At that meeting, I learned that there appeared to be more than \$8,000 missing or unaccounted for in the commissary account. I immediately reported the findings to County Executive David Barker, and we asked the district attorney general to assign the TBI to investigate the matter. This matter is currently under review by the TBI.

Even though the investigation is not complete, I readily agree that it appears that someone has embezzled funds. However, let me be very clear, I did not embezzle a single penny.

I agree that the county should seek restitution, but not from me. I am the victim of a crime. That's why there is a criminal investigation. If restitution is made, it should be made by the person or persons that will be named as suspects at the end of the investigation, or through the appropriate insurance carrier.

The current TBI investigation and the subsequent audit by the Division of County Audit were by my request. I believe that I have made every reasonable effort to fulfill my obligations as sheriff up to this point. The rest should be left to the district attorney general, the TBI, and the courts pending the results of the investigation.

FINDING 07.11

**THE OFFICE HAD DEFICIENCIES IN THE OPERATION OF THE COMMISSARY**

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

Our examination of the operation of the commissary revealed the following deficiencies:

- A. Duties related to the operation of the commissary were not segregated adequately. Collections were received from inmates and others by various jail employees. These collections were remitted to one employee who was principally responsible for accounting for the commissary operation. This employee was to enter the information into the computer accounting system, make the bank deposits, and disburse the funds. Although this employee was principally responsible for maintaining the commissary accounting system, several other employees had access to the computer system.
- B. Commissary transactions were not included in the official cash journal. The official cash journal is the office's control record and should reflect all financial activity.
- C. The bank statements for the commissary checking account were not reconciled with cash journal controls. The June 30, 2007, bank balance for the commissary checking account was determined by confirmations and alternative auditing procedures.
- D. Inmate deposits and withdrawals were entered into the commissary computer accounting system; however, inmate account balances were not reconciled with cash control records. Also, printouts of inmate account balances were not maintained during the period examined. We requested a printout of the inmate account balances as of June 30, 2007, but due to software application limitations, a printout could not be generated. The software application operates on a real-time basis, so reports must be generated currently.
- E. The office remitted profits earned from its jail commissary operations to the county only once during the year. The state attorney general opined in November 1989, that profits earned from commissary operations are local revenues and should be administered as any other local revenue. Section 8-24-103, Tennessee Code Annotated (TCA), provides that all funds earned by the Sheriff's Office should be reported to the county monthly.
- F. Official prenumbered receipts were not issued for collections. The computer software application assigned each entry a nonconsecutive transaction number. Section 9-2-103, TCA, requires official prenumbered receipts to be issued when collections are received. Without official prenumbered receipts, we are unable to determine if all funds have been accounted for.

- G. Funds were not deposited to the office bank accounts within three days of collection as required by Section 5-8-207, TCA. This statute requires county officials to deposit all funds within three days of collection.
- H. Some collections of commissary receipts were not deposited intact; i.e., funds collected during a specific period of time were not deposited together. Therefore, specific collections could not be traced to specific deposits in all instances.

### RECOMMENDATION

The sheriff should strengthen the internal controls of the commissary by adequately segregating the duties among employees. Commissary transactions should be maintained on a double-entry accounting system. Cash control accounts should be reconciled with the bank statements and inmate trial balances monthly. Commissary profits should be remitted to the county monthly. Official prenumbered receipts should be issued for all collections, funds should be deposited to the official bank accounts within three days of collection, and deposits should be made in tact.

### MANAGEMENT'S RESPONSE – SHERIFF

In response to Section – A: The Sheriff's Office has only one employee assigned to bookkeeping. There are not sufficient funds in the budget to hire the necessary number of employees to segregate the duties as requested by the Division of County Audit. We would need four or five employees assigned to the bookkeeping staff to meet these requirements. However, access to the commissary computer system has been limited to two persons, a primary and a backup.

Funds collected by employees during the booking process are counted by two employees and placed into an envelope and sealed. The envelope is then signed by the two persons who counted the funds. Next the envelope is dropped into a metal box through a slit in the top. That box is double-locked and takes two separate keys to open. All funds dropped into the box are documented on a clipboard attached to the box for that purpose. Likewise, all funds removed are also documented. To remove the funds, the bookkeeper has one key, and the jail administrator or the captain over jail operations has the second key. Two of the three must be present to open the box, and the bookkeeper must always be one of the two.

In response to Sections – B, C, D and F: These deficiencies are the direct result of the inadequacies in the software program provided by Aramark and TBE. As I understand it, I am obligated by state law to allow TBE to run our commissary for as long as they choose to do so, or for as long as I choose to provide a commissary for our inmates. That's the only reason that TBE is in our facility. I had initially intended to go with another vendor, but could not do so by law.

Early in our discussions before we started the program, we asked many questions regarding the accounting software we would be receiving. TBE assured us that the

accounting software they use, as provided by Aramark, was preapproved by the Comptroller's Office of the State of Tennessee for use in county facilities that operate a commissary.

Under these conditions, my only options are to use TBE or do not provide a commissary. Not having a commissary would make it necessary to use tax monies to provide personal hygiene items for each inmate. That could prove to be quite costly, so I opted for the only commissary plan available to me under law.

I believe it is morally and ethically wrong to penalize me with audit findings for these deficiencies. The State of Tennessee, by and through force of law, caused me to use TBE as our commissary vendor. In addition, the Comptrollers Office approved the very software creating the issues that caused the findings. I fail to see how I am to be held responsible for these issues over which I clearly have no control.

In response to Sections – E, G, and H: These deficiencies are included in the investigation as outlined in my response to Finding 07.10 above. The individual who was assigned to bookkeeping during the 2006-07 fiscal year has been replaced.

No funds collected as commissary fees have been paid to the trustee as of today's date due to the investigation and the missing funds. All fees collected will be remitted to the trustee upon completion of the investigation and receipt of restitution. This no doubt will create a new finding next year during our annual audit.

All funds are being deposited within the three-day time frame as set forth in state statute. In addition, all funds are being deposited intact. Each deposit is counted by the bookkeeper and the jail administrator or the captain of jail operations, and proper documentation is made and signed by both parties.

We are actively seeking new options or methods for providing a commissary program that would allow us to cease doing business with TBE. Naturally, this is a slow process as it must be researched exhaustively and approved by the county attorney before being set into motion so as to avoid litigation from TBE.

### REBUTTAL

The internal controls over collection and deposit of commissary funds described by the sheriff were put in place subsequent to our audit. The sheriff's response to Sections - B, C, and D, places the deficiencies on the software; however, these deficiencies were the direct result of management not performing the functions. The Comptroller of the Treasury routinely reviews software applications; however, it is not the practice of the Comptroller of the Treasury to approve or recommend any software applications for county use.

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**FINDING 07.12      DEFICIENCIES WERE NOTED IN THE COMMISSARY COMPUTER APPLICATION**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of the commissary computer application revealed the following deficiencies:

- A. The application does not provide a general ledger feature that would generate cash journal reports.
- B. Users are not forced to close accounting periods.
- C. Transaction numbers are not consecutively assigned. The application will skip at least one number between each assigned transaction number. Sometimes, several numbers will be skipped between transaction numbers.
- D. A report that lists all transactions in sequential order is not available.
- E. The user must manually enter all deposits in the bank reconciliation screen. The application does not reconcile total receipts entered into the system with total deposits.
- F. When an inmate is released, the application allows the user to place a hold on the disbursement of the remaining inmate funds. The check can then be generated at a later date. The transaction reports and inmate fund balance reports incorrectly reflect this disbursement on the dates of release instead of the date the check was actually written.
- G. Several reports displayed a beginning and ending date. However, the reports were actually generated as of the actual time the reports were printed.

**RECOMMENDATION**

The computer application should produce a general ledger based on double-sided accounting entries, and the general ledger reports should be available to display the debits and credits of each transaction. The application should require users to close accounting periods; therefore, users should not be allowed to post to closed months. Posting should be restricted to the two months following the last closed month. A sequential number should be assigned to all transactions. A report that lists all transactions in sequential order should be available. Deposits should be automatically entered into the bank reconciliation screen when the cash drawer is closed. If deposits are manually entered, the application should alert the user if the manually entered bank deposits do not reconcile with the amount of receipts in the cash drawer. A release disbursement should not appear on the transaction reports and on the inmate balance reports until the check has been issued. Reports that display a beginning and ending date should be generated using the data for that date range.

## MANAGEMENT'S RESPONSE – SHERIFF

My response to these findings would be by and large the response written to Finding 07.11 above.

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### FINDING 07.13      **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF THE GENERAL ACCOUNTING RECORDS** (Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination of the general accounting records revealed the following deficiencies:

- A. The bank statements for the general checking account had not been reconciled with cash journal controls. The bank balance for the general checking account for June 30, 2007, was determined by confirmations and alternative auditing procedures.
- B. The official cash journal was not properly maintained. Bank charges and inmate social security direct deposits were not posted to the cash journal. It should be noted that cash receipts and disbursements for these transactions were determined by substantive testing and alternative auditing procedures.

## RECOMMENDATION

Bank statements should be reconciled with cash journal accounts monthly. The official cash journal should reflect all transactions of the Sheriff's Department.

## MANAGEMENT'S RESPONSE – SHERIFF

As stated previously in response to Finding 07.10, we were subjected to a preaudit in late May or early June 2007. Along with the discrepancies noted in the commissary fund, we learned that the general fund ledger, checkbook, and bank statements had not been reconciled from October 2006 to May 2007.

The jail administrator is the immediate supervisor of the bookkeeper. When he was informed of the deficiencies in the general accounting records, he immediately corrected the deficiencies to the best of his ability and reported the incident to me. Since all of the issues with the commissary were coming to light at the same time, and because the bookkeeper in question was out on maternity leave, no immediate action was taken beyond correcting the books.

Later, upon return from maternity leave, the bookkeeper in question received a written reprimand, reduction in rank, and reassignment to another job as a result of the inadequate work performance exhibited. These punitive actions were not in any way related to the ongoing TBI investigation into commissary funds, but were instead, restricted to events involving the general funds.

In addition, the jail administrator was verbally reprimanded and provided with detailed verbal instructions regarding the proper supervision of persons assigned to his division.

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**FINDING 07.14      THE SHERIFF DID NOT PREPARE AN ANNUAL FINANCIAL REPORT**  
(Noncompliance Under Government Auditing Standards)

The sheriff did not prepare an annual financial report. Section 5-8-505, Tennessee Code Annotated (TCA), states, “All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ...”

**RECOMMENDATION**

The office should prepare an annual financial report as required by state statute.

**MANAGEMENT’S RESPONSE – SHERIFF**

A year-end financial report was submitted to the county clerk by the deputy chief acting on my behalf. No report was submitted to the county executive, as his office was the source of the information we supplied to the clerk, so obviously he already had it.

However, upon review of Section 5-8-505, TCA, I found that the report had to be made, "... in a form prescribed by the Comptroller of the Treasury." I am unfamiliar with the form this code makes reference to, so perhaps my report was not in the correct format. However, it is in the same format as reports made in previous years which either passed inspection or were overlooked in the audit.

I will make every effort to obtain the proper forms or formats for our next audit.

**REBUTTAL**

The annual financial report submitted by the sheriff to the county clerk was a printout of the total expenditures of the Sheriff’s Department major category of the county’s General Fund. This report was provided by the County Executive’s Office. However, an annual financial report from the sheriff should include financial transactions (beginning and ending balances, receipts and disbursements), of public funds or moneys in his charge and custody. This report would not include expenditures paid by the General Fund.

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 07.15      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

### **RECOMMENDATION**

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

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**FINDING 07.16      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 – Significant Deficiency Under Government Auditing Standards)

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 – SHERIFF**

The Sheriff's Office has only one employee assigned to bookkeeping. There are not sufficient funds in the budget to hire the necessary number of employees to segregate the duties as requested by the Division of County Audit. We would need four or five employees assigned to the bookkeeping staff alone to meet these requirements. That is not a realistic expectation.

### **REBUTTAL**

We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, as noted above, our professional standards require that we bring this matter to your attention.

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

There were no findings and questioned costs for federal programs.

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

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

**Director of Schools – Summary Schedule of Prior Audit Findings**

**FINDINGS 06.14 and 06.15**

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