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**ANNUAL FINANCIAL REPORT**  
**SEQUATCHIE COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2009**



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**ANNUAL FINANCIAL REPORT**  
**SEQUATCHIE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2009**

***DEPARTMENT OF AUDIT***  
***JUSTIN P. WILSON***  
***Comptroller of the Treasury***

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

***JAMES R. ARNETTE***  
***Director***

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

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

***JAMES D. HODGES, CFE***  
***MELODIE HODGES, CFE***  
***CHAD MARCUM, CPA***  
***JENI PALADENI***  
***State Auditors***

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

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## SEQUATCHIE COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Sequatchie County, Tennessee  
For the Year Ended June 30, 2009

## ***Scope***

We have audited the financial statements of Sequatchie County as of and for the year ended June 30, 2009.

## ***Results***

Our report on Sequatchie County's financial statements expresses an adverse opinion on the governmental activities because the county's capital asset records contained numerous material discrepancies. Our report on the aggregate discretely presented component units is qualified because the financial statements do not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on each major fund and the aggregate remaining fund information is unqualified.

Our audit resulted in 12 findings and recommendations, which we have reviewed with Sequatchie County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **SEQUATCHIE COUNTY**

- ◆ Capital asset records were not properly maintained, resulting in an adverse opinion on the financial statements of the governmental activities.
- ◆ Sequatchie County does not have the resources to produce financial statements and notes to the financial statements.

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### **OFFICE OF HIGHWAY SUPERVISOR**

- ◆ Supervisors did not sign the employees' time sheets or time cards as evidence of review and approval.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ A cash shortage of \$31,710 existed in the General Purpose School Fund as of January 21, 2009.
  - ◆ An unauthorized transfer of \$52,906 was made from the Central Cafeteria Fund to the General Purpose School Fund.
  - ◆ The office had deficiencies in computer system backup procedures.
- 

## **OFFICE OF COUNTY CLERK**

- ◆ The office had deficiencies in computer system backup procedures.
- 

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ Execution docket trial balances for the circuit and general sessions courts were not reconciled with general ledger accounts.
  - ◆ The office had deficiencies in computer system backup procedures.
- 

## **OFFICE OF SHERIFF**

- ◆ The office did not deposit some funds within three days of collection.
- 

## **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, Director of Schools, 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, 2009

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### **Officials**

Michael Hudson, County Executive  
Tommy Sims, Highway Supervisor  
Johnny Cordell, Director of Schools  
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  
David Cartwright  
Charles Easterly  
Brian Farley  
Michael Griffith  
Bryan Harmon  
Mark Henry  
Gordon Hickey  
Herman Hobbs  
Ronnie Land  
Claude Lewis  
Monty Long  
Paul Powell  
Will Zimmerman

### **Board of Education**

Charles Rollins, Chairman  
Shelli Dodson  
Steve Harmon  
Gregory Johnson  
William Johnson  
Dianne Mounce  
Jo Ann Shepherd  
Grover Skyles

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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 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

March 4, 2010

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Sequatchie County's basic financial statements as listed in the table of contents. 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 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.

The financial statements referred to above for the governmental activities are materially misstated because the capital asset records of Sequatchie County contained numerous material discrepancies, errors, misclassifications, and inaccurate calculations of

accumulated depreciation balances. The effects on the financial statements are not reasonably determinable.

The financial statements of the Sequatchie County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Sequatchie County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, because of the effects of the matters discussed in the third paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of Sequatchie County, Tennessee, as of June 30, 2009, and the results of operations of the governmental activities, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, except for the effects of not including the financial statements of the Sequatchie County Emergency Communications District as discussed in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Sequatchie County, Tennessee, as of June 30, 2009, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, 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, 2009, and the respective changes in financial position thereof 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 4, 2010, on our consideration of Sequatchie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

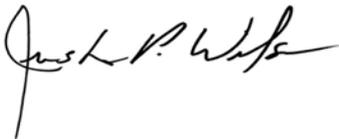
As described in Note V.B., Sequatchie County has adopted Governmental Accounting Standards Board Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

The management of the Sequatchie County did not prepare a 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, pension, and other postemployment benefits information on pages 67 through 73 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, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# **BASIC FINANCIAL STATEMENTS**

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## Exhibit A

Sequatchie County, Tennessee  
Statement of Net Assets  
June 30, 2009

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>ASSETS</u>		
Cash	\$ 300	\$ 1,807
Equity in Pooled Cash and Investments	2,070,833	9,473,405
Accounts Receivable	2,678,821	24,898
Allowance for Uncollectibles	(349,494)	0
Due from Other Governments	450,481	545,015
Property Taxes Receivable	3,364,829	2,932,649
Allowance for Uncollectible Property Taxes	(170,038)	(148,199)
Deferred Charges - Debt Issuance Costs	0	41,436
Capital Assets:		
Assets Not Depreciated:		
Land	2,311,400	925,148
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	9,437,337	19,813,060
Other Capital Assets	1,439,411	355,210
Infrastructure	3,878,785	573,285
Total Assets	<u>\$ 25,112,665</u>	<u>\$ 34,537,714</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 27,817	\$ 162,992
Payroll Deductions Payable	0	472,534
Accrued Interest Payable	7,006	95,145
Deferred Revenue - Current Property Taxes	2,974,394	2,592,362
Noncurrent Liabilities:		
Due Within One Year	342,771	1,038,200
Due in More Than One Year	5,822,415	8,414,449
Total Liabilities	<u>\$ 9,174,403</u>	<u>\$ 12,775,682</u>

(Continued)

Exhibit A

Sequatchie County, Tennessee  
Statement of Net Assets (Cont.)

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 10,905,495	\$ 12,414,929
Restricted for:		
Courthouse and Jail Maintenance	37,394	0
Solid Waste/Sanitation	228,621	0
Ambulance Service	2,424,802	0
Drug Control	59,648	0
Highway/Public Works	915,331	0
General Purpose School	0	7,029,470
School Federal Projects	0	135,081
Central Cafeteria	0	198,647
Debt Service	292,547	0
Capital Projects	33,278	536,975
Other Purposes	117,796	0
Unrestricted	<u>923,350</u>	<u>1,446,930</u>
Total Net Assets	<u>\$ 15,938,262</u>	<u>\$ 21,762,032</u>

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

Exhibit B

Sequatchie County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2009

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Component Unit	
					Total Governmental Activities	Sequatchie County School Department		
Primary Government:								
Governmental Activities:								
General Government	\$ 1,806,505	\$ 141,927	\$ 15,211	\$ 0	\$ (1,649,367)	\$ 0	0	
Finance	505,323	352,795	6,781	0	(145,747)	0	0	
Administration of Justice	415,998	381,743	12,945	0	(21,310)	0	0	
Public Safety	2,236,442	698,568	126,040	2,500	(1,409,334)	0	0	
Public Health and Welfare	1,354,111	770,071	1,880,902	528,846	1,825,708	0	0	
Social, Cultural, and Recreational Services	148,909	5,524	0	0	(143,385)	0	0	
Agriculture and Natural Resources	64,415	0	0	0	(64,415)	0	0	
Other Operations	688,254	51,497	10,200	0	(626,557)	0	0	
Highways/Public Works	1,308,008	0	1,349,055	0	41,047	0	0	
Interest on Long-term Debt	87,781	0	0	0	(87,781)	0	0	
Other Debt Service	42,545	0	0	0	(42,545)	0	0	
Total Primary Government	\$ 8,658,291	\$ 2,402,125	\$ 3,401,134	\$ 531,346	\$ (2,323,686)	\$ 0	0	
Component Unit:								
Sequatchie County School Department	\$ 16,629,839	\$ 405,023	\$ 2,654,771	\$ 0	\$ 0	\$ (13,570,045)		
Total Component Unit	\$ 16,629,839	\$ 405,023	\$ 2,654,771	\$ 0	\$ 0	\$ (13,570,045)		

(Continued)

Exhibit B

Sequatchie County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit	
				Primary Government Total Governmental Activities	Sequatchie County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,309,607	\$ 2,796,743
Property Taxes Levied for Debt Service				464,852	0
Property Taxes Levied for Solid Waste				344,412	0
Local Option Sales Taxes				238,441	1,551,582
Hotel/Motel Tax				13,565	0
Litigation Tax - General				50,289	0
Litigation Tax - Special Purpose				19,782	0
Litigation Tax - Jail, Workhouse, or Courthouse				13,951	0
Business Tax				81,587	0
Wholesale Beer Tax				47,516	0
Other Local Taxes				855	1,328
Grants and Contributions Not Restricted to Specific Programs				313,526	11,711,489
Unrestricted Investment Earnings				99,611	66,429
Miscellaneous				25,425	62,730
Sale of Non-Capital Assets				37,274	0
Total General Revenues				\$ 4,060,693	\$ 16,190,301
Insurance Recovery				\$ 234,970	\$ 124,503
Change in Net Assets				\$ 1,971,977	\$ 2,744,759
Net Assets, July 1, 2008				13,346,035	18,099,931
Prior-period Adjustment				620,250	917,342
Net Assets, June 30, 2009				\$ 15,938,262	\$ 21,762,032

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

Exhibit C-1

Sequatchie County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2009

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Ambulance Service	Highway / Public Works	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 300	\$ 300
Equity in Pooled Cash and Investments	716,692	113,710	649,363	591,068	2,070,833
Accounts Receivable	2,327	2,661,798	8,947	5,749	2,678,821
Allowance for Uncollectibles	0	(349,494)	0	0	(349,494)
Due from Other Governments	185,893	0	257,324	7,264	450,481
Due from Other Funds	975	0	0	0	975
Property Taxes Receivable	2,500,469	0	0	864,360	3,364,829
Allowance for Uncollectible Property Taxes	(126,358)	0	0	(43,680)	(170,038)
<b>Total Assets</b>	<b>\$ 3,279,998</b>	<b>\$ 2,426,014</b>	<b>\$ 915,634</b>	<b>\$ 1,425,061</b>	<b>\$ 8,046,707</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 24,774	\$ 1,212	\$ 303	\$ 1,528	\$ 27,817
Due to Other Funds	0	0	0	975	975
Deferred Revenue - Current Property Taxes	2,210,330	0	0	764,064	2,974,394
Deferred Revenue - Delinquent Property Taxes	144,439	0	0	49,929	194,368
Other Deferred Revenues	20,855	2,278,967	119,190	0	2,419,012
<b>Total Liabilities</b>	<b>\$ 2,400,398</b>	<b>\$ 2,280,179</b>	<b>\$ 119,493</b>	<b>\$ 816,496</b>	<b>\$ 5,616,566</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 292	\$ 292
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	8,966	8,966
Reserved for Alcohol and Drug Treatment	19,470	0	0	0	19,470
Reserved for Drug Court	5,351	0	0	0	5,351
Reserved for Courtroom Security	19,971	0	0	0	19,971
Reserved for Computer System - Register	33,400	0	0	0	33,400
Reserved for Automation Purposes - Circuit Court	1,851	0	0	0	1,851
Reserved for Automation Purposes - General Sessions Court	11,377	0	0	0	11,377
Reserved for Automation Purposes - Chancery Court	780	0	0	0	780
Reserved for Automation Purposes - Sheriff	2,703	0	0	0	2,703
Reserved for State Reappraisal Grant	22,893	0	0	0	22,893
Reserved for Capital Outlay	0	0	195,566	0	195,566
Unreserved, Reported In:					
General Fund	761,804	0	0	0	761,804
Special Revenue Funds	0	145,835	600,575	295,299	1,041,709
Debt Service Funds	0	0	0	271,022	271,022
Capital Projects Funds	0	0	0	32,986	32,986
<b>Total Fund Balances</b>	<b>\$ 879,600</b>	<b>\$ 145,835</b>	<b>\$ 796,141</b>	<b>\$ 608,565</b>	<b>\$ 2,430,141</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,279,998</b>	<b>\$ 2,426,014</b>	<b>\$ 915,634</b>	<b>\$ 1,425,061</b>	<b>\$ 8,046,707</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  
June 30, 2009

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)		\$	2,430,141
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	2,311,400	
Add: buildings and improvements net of accumulated depreciation		9,437,337	
Add: infrastructure net of accumulated depreciation		3,878,785	
Add: other capital assets net of accumulated depreciation		<u>1,439,411</u>	17,066,933
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(329,438)	
Less: other loan payable		(5,832,000)	
Less: accrued interest on note, capital leases, and bond		(7,006)	
Less: other postemployment benefits liability		<u>(3,748)</u>	(6,172,192)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>2,613,380</u>
Net assets of governmental activities (Exhibit A)		\$	<u>15,938,262</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  
For the Year Ended June 30, 2009

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,699,813	\$ 0	\$ 0	\$ 829,239	\$ 3,529,052
Licenses and Permits	28,193	0	0	0	28,193
Fines, Forfeitures, and Penalties	104,415	0	0	59,188	163,603
Charges for Current Services	34,017	767,832	0	4,266	806,115
Other Local Revenues	112,726	0	5,722	61,785	180,233
Fees Received from County Officials	686,738	0	0	0	686,738
State of Tennessee	1,066,474	0	1,330,026	90,490	2,486,990
Federal Government	595,214	0	15,155	160,238	770,607
Other Governments and Citizens Groups	52,368	0	0	2,500	54,868
Total Revenues	\$ 5,379,958	\$ 767,832	\$ 1,350,903	\$ 1,207,706	\$ 8,706,399
<u>Expenditures</u>					
Current:					
General Government	\$ 773,799	\$ 0	\$ 0	\$ 11,851	\$ 785,650
Finance	497,838	0	0	4,201	502,039
Administration of Justice	415,998	0	0	0	415,998
Public Safety	2,047,196	0	0	75,203	2,122,399
Public Health and Welfare	130,607	697,395	0	419,945	1,247,947
Social, Cultural, and Recreational Services	145,862	0	0	0	145,862
Agriculture and Natural Resources	64,415	0	0	0	64,415
Other Operations	681,096	0	0	7,158	688,254
Highways	0	0	1,209,597	0	1,209,597
Debt Service:					
Principal on Debt	0	0	0	267,065	267,065
Interest on Debt	0	0	0	82,499	82,499
Other Debt Service	0	0	0	42,545	42,545
Capital Projects	0	0	0	655,236	655,236
Total Expenditures	\$ 4,756,811	\$ 697,395	\$ 1,209,597	\$ 1,565,703	\$ 8,229,506
Excess (Deficiency) of Revenues Over Expenditures	\$ 623,147	\$ 70,437	\$ 141,306	\$ (357,997)	\$ 476,893
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 250,000
Insurance Recovery	9,837	646	224,487	0	234,970
Total Other Financing Sources (Uses)	\$ 9,837	\$ 646	\$ 224,487	\$ 250,000	\$ 484,970
Net Change in Fund Balances	\$ 632,984	\$ 71,083	\$ 365,793	\$ (107,997)	\$ 961,863
Fund Balance, July 1, 2008	246,616	74,752	430,348	716,562	1,468,278
Fund Balance, June 30, 2009	\$ 879,600	\$ 145,835	\$ 796,141	\$ 608,565	\$ 2,430,141

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  
For the Year Ended June 30, 2009

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)		\$ 961,863
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 660,386	
Less: current year depreciation expense	<u>(1,222,656)</u>	(562,270)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(124,550)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 2,613,380	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(924,481)</u>	1,688,899
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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: note proceeds	\$ (250,000)	
Add: principal payments on note	76,244	
Add: principal payments on capital leases	16,821	
Add: principal payments on other loan	<u>174,000</u>	17,065
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ (5,282)	
Change in other postemployment benefits liability	<u>(3,748)</u>	<u>(9,030)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,971,977</u>

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

Exhibit D

Sequatchie County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 681,834
Due from Other Governments	59,490
Cash Shortage	<u>10,563</u>
Total Assets	<u>\$ 751,887</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 59,490
Due to Litigants, Heirs, and Others	<u>692,397</u>
Total Liabilities	<u>\$ 751,887</u>

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

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**SEQUATCHIE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2009**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The 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 financial statements of the Sequatchie County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Sequatchie County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of

contents. Although required by GAAP, the financial statements of the Sequatchie County Emergency Communications District were not available in time for inclusion, as previously mentioned. 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. 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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Sequatchie County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Sequatchie County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Sequatchie County issues all debt for the discretely presented Sequatchie County School Department. No debt issues were contributed by the county to the School Department during the year ended June 30, 2009.

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

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

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

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

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

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

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

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.

Additionally, Sequatchie County reports the following fund types:

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

**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.

The discretely presented Sequatchie County 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.

Additionally, the Sequatchie County School Department reports the following fund type:

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

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

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

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Sequatchie County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. 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 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 receivables 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 2.79 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.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an 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 primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Primary Government:	
Buildings and Improvements	7 - 40
Other Capital Assets	5 - 30
Infrastructure:	
Roads	20 - 50
Bridges	30 - 50

<u>Assets (Cont.)</u>	<u>Years</u>
Discretely Presented	
School Department:	
Buildings and Improvements	20 - 50
Other Capital Assets	10 - 20
Infrastructure	10 - 20

4. **Compensated Absences**

**Primary Government**

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

**Discretely Presented Sequatchie County School Department**

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 notes payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences and other postemployment benefits, 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.

**7. Prior-period Adjustments**

**Primary Government**

A prior-period adjustment totaling \$620,250 was recognized in the Statement of Activities because the historical value of several capital assets estimated by the county were understated at June 30, 2008.

**Discretely Presented Sequatchie County School Department**

Capital assets of the discretely presented Sequatchie County School Department were restated \$917,342 from the prior-year because the liability for other postemployment benefits as of July 1, 2008, was overstated.

**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**

**Primary Government**

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

**Discretely Presented Sequatchie County School Department**

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

**Primary Government**

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

**Discretely Presented Sequatchie County School Department**

Exhibit H-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net 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 Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

**B. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Ambulance/Emergency Medical Services major appropriation category (the legal level of control) of the General Fund by \$10,578. Such overexpenditure is a violation of state statutes. This overexpenditure was funded from available fund balance.

**C. Cash Shortages (Current and Prior Years)**

The discretely presented General Purpose School Fund had a cash shortage of \$31,710 as of January 21, 2010. This cash shortage resulted from the payroll bookkeeper issuing checks to herself in excess of her allowable compensation for the period July 1, 2006, through January 21, 2010. Details of this cash shortage are discussed in the Schedule of Findings and Questioned Costs section of this report.

The Office of Sheriff had a cash shortage of \$8,669 in the commissary account as of June 30, 2007. On December 15, 2008, a former employee of the office, entered into a pretrial diversion arrangement related to charges stemming from this cash shortage and agreed to pay restitution of \$8,551.26. The \$8,551.26 is reflected as a cash shortage on the county's financial statements at June 30, 2009. Subsequent to June 30, 2009, the former employee paid \$608 toward the restitution.

On June 30, 2008, the Office of Sheriff had a cash shortage of \$2,011.81 in its inmate funds' operation (personal funds taken from a person at the time of their arrest). The \$2,011.81 is reflected as a cash shortage on the county's financial statements at June 30, 2009. Subsequent to June 30, 2009, the

Sheriff's Department employees contributed personal funds of \$1,197 to apply toward this shortage.

The Office of County Clerk had a cash shortage of \$4,248.51 at June 30, 2008. The cash shortage resulted from motor vehicle title application transactions being altered by an employee and official funds being diverted to the employee for personal use. After the county's \$1,000 deductible, the county's insurance carrier paid \$3,248 toward the shortage. Therefore, this \$3,248 is not listed as a cash shortage at June 30, 2009. On January 26, 2009, the Sequatchie County Grand Jury indicted a former employee for theft of property.

#### **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 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state 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, 2009, 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	\$ 7,085,134

**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, 2009, 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, 2009, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	\$ 2,311,400	\$ 0	\$ 0	\$ 2,311,400
Construction in Progress	90,480	0	(90,480)	0
Total Capital Assets Not Depreciated	<u>\$ 2,401,880</u>	<u>\$ 0</u>	<u>\$ (90,480)</u>	<u>\$ 2,311,400</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 17,359,391	\$ 1,177,799	\$ (77,300)	\$ 18,459,890
Infrastructure	5,961,859	0	0	5,961,859
Other Capital Assets	1,929,533	193,318	(47,250)	2,075,601
Total Capital Assets Depreciated	<u>\$ 25,250,783</u>	<u>\$ 1,371,117</u>	<u>\$ (124,550)</u>	<u>\$ 26,497,350</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 8,028,430	\$ 994,123	\$ 0	\$ 9,022,553
Infrastructure	2,083,074	0	0	2,083,074
Other Capital Assets	407,656	228,534	0	636,190
Total Accumulated Depreciation	<u>\$ 10,519,160</u>	<u>\$ 1,222,657</u>	<u>\$ 0</u>	<u>\$ 11,741,817</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,731,623</u>	<u>\$ 148,460</u>	<u>\$ (124,550)</u>	<u>\$ 14,755,533</u>
Governmental Activities Capital Assets, Net	<u>\$ 17,133,503</u>	<u>\$ 148,460</u>	<u>\$ (215,030)</u>	<u>\$ 17,066,933</u>

Increases to building and improvements include a prior-period adjustment of \$620,250. Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

General Administration	\$ 1,017,107
Finance	3,284
Public Safety	114,043
Public Health and Welfare	85,175
Social, Cultural, and Recreational	3,048
Total Depreciation Expense - Governmental Activities	<u>\$ 1,222,657</u>

**Discretely Presented Sequatchie County School Department**

**Governmental Activities:**

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets				
Not Depreciated:				
Land	\$ 925,148	\$ 0	\$ 0	\$ 925,148
Total Capital Assets Not Depreciated	<u>\$ 925,148</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 925,148</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 26,702,898	\$ 310,045	\$ 0	\$ 27,012,943
Infrastructure	660,593	67,274	0	727,867
Other Capital Assets	2,350,713	109,625	0	2,460,338
Total Capital Assets Depreciated	<u>\$ 29,714,204</u>	<u>\$ 486,944</u>	<u>\$ 0</u>	<u>\$ 30,201,148</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,643,544	\$ 556,339	\$ 0	\$ 7,199,883
Infrastructure	345,972	26,685	0	372,657
Other Capital Assets	1,799,371	87,682	0	1,887,053
Total Accumulated Depreciation	<u>\$ 8,788,887</u>	<u>\$ 670,706</u>	<u>\$ 0</u>	<u>\$ 9,459,593</u>
Total Capital Assets Depreciated, Net	<u>\$ 20,925,317</u>	<u>\$ (183,762)</u>	<u>\$ 0</u>	<u>\$ 20,741,555</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,850,465</u>	<u>\$ (183,762)</u>	<u>\$ 0</u>	<u>\$ 21,666,703</u>

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

**Governmental Activities:**

Instruction	\$ 546,420
Support Services	67,732
Operation of Non-Instructional Services	<u>56,554</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 670,706</u></u>

**C. Insurance Recoveries**

**Primary Government**

During the year, the General Fund received insurance proceeds of \$3,248 related to the shortage in the County Clerk’s office reported in the prior-year and \$6,556 for damage to a patrol car.

The Highway Department burned on October 23, 2008, destroying both the garage and office. Insurance proceeds of \$224,487 were received during the year; however, reconstruction began subsequent to June 30, 2009.

**Discretely Presented Sequatchie County School Department**

During the year, the School Department received insurance proceeds for storm damage to the roof at the high school totaling \$112,317 and water damage to stage at the middle school totaling \$12,186.

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

The composition of interfund balances as of June 30, 2009, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 975
Discretely Presented School Department:		
General Purpose School	School Federal Projects	294,657
General Purpose School	Nonmajor governmental	17,037

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2009, consisted of the following amounts:

**Discretely Presented Sequatchie County School Department**

Transfers Out	Transfers In General Purpose School Fund
School Federal Projects Fund	\$ 39,902
Nonmajor governmental funds	52,906
Total	\$ 92,808

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.

**E. Long-term Debt**

**Primary Government**

**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, 2009, will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
Capital Outlay Notes	3.25 to 4.19 %	\$ 480,000	\$ 329,438
Other Loans	variable	6,500,000	5,832,000

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, 2009, the variable interest rate was .39 percent, and other fees totaled approximately .45 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, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 162,771	\$ 11,453	\$ 174,224
2011	83,333	5,417	88,750
2012	83,334	2,708	86,042
Total	\$ 329,438	\$ 19,578	\$ 349,016

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2010	\$ 180,000	\$ 22,744	\$ 31,928	\$ 234,672
2011	185,000	22,044	30,976	238,020
2012	191,000	21,320	29,996	242,316
2013	196,000	20,576	28,984	245,560
2014	202,000	19,812	27,944	249,756
2015-2019	1,106,000	86,748	122,988	1,315,736
2020-2024	1,283,000	63,840	91,854	1,438,694
2025-2029	1,486,000	37,288	58,661	1,581,949
2030-2032	1,003,000	8,600	25,781	1,037,381
Total	\$ 5,832,000	\$ 302,972	\$ 449,112	\$ 6,584,084

There is \$271,022 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$542, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Notes	Other Loans	Capital Leases
Balance, July 1, 2008	\$ 155,682	\$ 6,006,000	\$ 16,821
Additions	250,000	0	0
Deductions	(76,244)	(174,000)	(16,821)
Balance, June 30, 2009	<u>\$ 329,438</u>	<u>\$ 5,832,000</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 162,771</u>	<u>\$ 180,000</u>	<u>\$ 0</u>

	Other Postemployment Benefits
Balance, July 1, 2008	\$ 0
Additions	9,593
Deductions	(5,845)
Balance, June 30, 2009	<u>\$ 3,748</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 6,165,186
Less: Balance Due Within One Year	<u>(342,771)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,822,415</u>

**Discretely Presented Sequatchie County School Department**

General Obligation Bonds and Other Loans

Sequatchie County issues general obligation bonds and other loans to provide funds to the School Department 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 13 years for bonds and up to 18 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, 2009, will be retired from the General Purpose School Fund.

General obligation bonds and other loans outstanding as of June 30, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	3.3 to 4.15 %	\$ 7,500,000	\$ 2,785,000
General Obligation Bonds - Refunding	3 to 4.85	4,215,000	4,165,000
Other Loans	0 to Variable	2,706,943	2,334,543

On December 20, 2006, Sequatchie County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned \$2,514,943 to the county for various renovation and construction projects. 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, 2009, the variable interest rate was .27 percent, and other fees totaled approximately .24 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 county 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, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 915,000	\$ 224,180	\$ 1,139,180
2011	945,000	199,580	1,144,580
2012	985,000	171,230	1,156,230
2013	1,015,000	141,680	1,156,680
2014	1,040,000	106,155	1,146,155
2015-2016	2,050,000	104,080	2,154,080
Total	\$ 6,950,000	\$ 946,905	\$ 7,896,905

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2010	\$ 123,200	\$ 6,512	\$ 8,623	\$ 138,335
2011	128,200	6,207	8,267	142,674
2012	133,200	5,889	7,895	146,984
2013	129,000	5,556	7,508	142,064
2014	134,000	5,208	7,100	146,308
2015-2019	768,000	20,269	29,766	818,035
2020-2024	918,943	8,919	15,427	943,289
Total	\$ 2,334,543	\$ 58,560	\$ 84,586	\$ 2,477,689

Bonded debt per capita totaled \$611, based on the 2000 federal census. Total debt per capita, including bonds and other loans totaled \$817, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:	Other		
	Bonds	Other Loans	Postemployment Benefits
Balance, July 1, 2008	\$ 7,855,000	\$ 2,470,743	\$ 986,782
Additions	0	0	89,999
Deductions	(905,000)	(136,200)	(917,342)
Balance, June 30, 2009	\$ 6,950,000	\$ 2,334,543	\$ 159,439
Balance Due Within One Year	\$ 915,000	\$ 123,200	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	\$ 9,443,982
Less: Balance Due Within One Year	(1,038,200)
Less: Deferred Amount on Refunding	(39,712)
Add: Unamortized Premium on Debt	<u>48,379</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 8,414,449</u></u>

**F. On-Behalf Payments – Discretely Presented Sequatchie County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Sequatchie County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state’s Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2009, were \$27,518 and \$9,347, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. Short-term Debt**

Sequatchie County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Issued	Paid	Balance 6-30-09
Tax Anticipation Notes	\$ 0	\$ 250,000	\$ (250,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

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.

#### Employee Health Insurance

Sequatchie County participates in 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 (TCA), 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.

#### Discretely Presented Sequatchie County School Department

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. Settled claims did not exceed this commercial coverage in either of the past two fiscal years.

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

**B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Sequatchie County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Sequatchie County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Sequatchie County for the year ended June 30, 2009, since the county had no endowment investments. However, it is reasonably expected that Sequatchie County could have endowment investments in subsequent years.

**C. Subsequent Events**

On July 29, 2009, Sequatchie County issued capital outlay notes totaling \$220,000 for construction of a garage at the Highway Department.

On November 4, 2009, Sequatchie County issued capital outlay notes totaling \$76,000 for a new roof on the North Valley Medical Center.

**D. Contingent Liabilities**

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

**E. Joint Ventures**

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 Rhea, Bledsoe, Franklin, Grundy, Marion, and Sequatchie 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, 2009, 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 [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

### **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, 2009, was 7.93 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, 2009, Sequatchie County's annual pension cost of \$417,628 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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 postretirement 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-09	\$417,628	100%	\$0
6-30-08	360,626	100	0
6-30-07	315,496	100	0

**Funded Status and Funding Progress**

As of July 1, 2007, the most recent actuarial valuation date, the plan was 88.09 percent funded. The actuarial accrued liability for benefits was \$10.74 million, and the actuarial value of assets was \$9.46 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.28 million. The covered payroll (annual payroll of active employees covered by the plan) was \$4.4 million, and the ratio of the UAAL to the covered payroll was 29.09 percent.

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

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**School Teachers**

**Plan Description**

The 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 [www.tn.gov/treasury/tcrs](http://www.tn.gov/treasury/tcrs).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2009, was 6.42 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2009, 2008, and 2007, were \$470,981, \$444,031, and \$416,202, respectively, equal to the required contributions for each year.

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

### **Plan Description**

Sequatchie County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, these plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for teachers. Prior to reaching the

age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plans develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, \$5,845 was contributed by Sequatchie County for postemployment health care premiums, and expenditures totaling \$77,414 were recognized for postemployment health care by the Sequatchie County School Department.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
	<hr/>	<hr/>
ARC	\$ 166,972	\$ 9,593
Interest on the NPO	16,503	0
Adjustment to the ARC	(16,062)	0
Annual OPEB cost	<hr/> \$ 167,413	<hr/> \$ 9,593
Amount of contribution	(77,414)	(5,845)
Increase/decrease in NPO	<hr/> \$ 89,999	<hr/> \$ 3,748
Net OPEB obligation, 7-1-08	<hr/> 69,440	<hr/> 0
Net OPEB obligation, 6-30-09	<hr/> <hr/> \$ 159,439	<hr/> <hr/> \$ 3,748

Fiscal Year Ended*	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 160,658	57 %	\$ 69,440
6-30-09	"	167,413	46	159,439
6-30-09	Local Government Group	9,593	61	3,748

\* Data only available for two years for the School Department and for one year for the primary government.

### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-07	7-1-07
Actuarial accrued liability (AAL)	\$ 1,425,135	\$ 79,960
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,425,135	\$ 79,960
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 6,100,684	\$ 1,114,091
UAAL as a % of covered payroll	23.4%	7.18%

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

### Actuarial Methods and Assumptions

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

are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

## **H. 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 \$10,000 (excluding emergency purchases) to be based on competitive bids solicited through newspaper advertisement.

### Office of Highway Supervisor

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

### Office of Director of Schools

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,699,813	\$ 2,624,094	\$ 2,624,094	\$ 75,719
Licenses and Permits	28,193	21,700	21,700	6,493
Fines, Forfeitures, and Penalties	104,415	73,950	77,950	26,465
Charges for Current Services	34,017	56,200	57,200	(23,183)
Other Local Revenues	112,726	118,500	118,980	(6,254)
Fees Received from County Officials	686,738	681,200	681,200	5,538
State of Tennessee	1,066,474	915,143	923,916	142,558
Federal Government	595,214	303,047	409,996	185,218
Other Governments and Citizens Groups	52,368	35,000	35,000	17,368
Total Revenues	\$ 5,379,958	\$ 4,828,834	\$ 4,950,036	\$ 429,922
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 123,251	\$ 118,420	\$ 123,290	\$ 39
Board of Equalization	2,525	3,450	3,450	925
Beer Board	200	1,100	1,100	900
County Mayor/Executive	142,284	146,234	146,234	3,950
County Attorney	7,800	7,800	7,800	0
Election Commission	96,197	102,016	104,400	8,203
Register of Deeds	131,399	125,186	133,847	2,448
County Buildings	270,143	258,867	283,867	13,724
<u>Finance</u>				
Property Assessor's Office	174,762	185,622	185,622	10,860
Reappraisal Program	0	6,781	6,781	6,781
County Trustee's Office	130,142	129,696	130,956	814
County Clerk's Office	192,934	191,115	195,476	2,542
<u>Administration of Justice</u>				
Circuit Court	146,760	154,774	155,524	8,764
General Sessions Court	94,017	94,810	94,810	793
Chancery Court	87,003	88,448	88,448	1,445
Juvenile Court	66,299	58,753	68,753	2,454
Judicial Commissioners	21,919	22,350	22,350	431
<u>Public Safety</u>				
Sheriff's Department	800,447	835,188	860,673	60,226
Jail	1,127,294	1,098,481	1,143,742	16,448
Fire Prevention and Control	28,000	28,000	28,000	0
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	77,313	41,500	84,500	7,187
County Coroner/Medical Examiner	11,642	10,000	13,500	1,858
<u>Public Health and Welfare</u>				
Local Health Center	95,178	98,300	98,300	3,122
Ambulance/Emergency Medical Services	10,578	0	0	(10,578)
Crippled Children Services	1,026	1,026	1,026	0

(Continued)

Exhibit E-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>				
Appropriation to State	\$ 23,825	\$ 19,032	\$ 23,825	\$ 0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	7,000	7,000	7,000	0
Libraries	85,210	85,521	87,371	2,161
Parks and Fair Boards	50,652	50,800	53,150	2,498
Other Social, Cultural, and Recreational	3,000	3,000	3,000	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	53,126	53,090	53,300	174
Soil Conservation	11,289	11,289	11,289	0
<u>Other Operations</u>				
Tourism	10,500	10,500	10,500	0
Industrial Development	667	700	700	33
Other Economic and Community Development	576,691	367,900	577,369	678
Veterans' Services	9,524	9,900	9,900	376
Other Charges	83,714	70,000	90,000	6,286
Total Expenditures	\$ 4,756,811	\$ 4,499,149	\$ 4,912,353	\$ 155,542
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 623,147	\$ 329,685	\$ 37,683	\$ 585,464
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,837	\$ 0	\$ 3,281	\$ 6,556
Total Other Financing Sources (Uses)	\$ 9,837	\$ 0	\$ 3,281	\$ 6,556
Net Change in Fund Balance				
Fund Balance, July 1, 2008	\$ 246,616	\$ 241,559	\$ 241,559	\$ 5,057
Fund Balance, June 30, 2009	\$ 879,600	\$ 571,244	\$ 282,523	\$ 597,077

Exhibit E-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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 767,832	\$ 630,000	\$ 630,000	\$ 137,832
Total Revenues	\$ 767,832	\$ 630,000	\$ 630,000	\$ 137,832
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 697,395	\$ 703,200	\$ 723,536	\$ 26,141
Total Expenditures	\$ 697,395	\$ 703,200	\$ 723,536	\$ 26,141
Excess (Deficiency) of Revenues Over Expenditures	\$ 70,437	\$ (73,200)	\$ (93,536)	\$ 163,973
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 646	\$ 0	\$ 0	\$ 646
Transfers In	0	75,000	75,000	(75,000)
Total Other Financing Sources (Uses)	\$ 646	\$ 75,000	\$ 75,000	\$ (74,354)
Net Change in Fund Balance	\$ 71,083	\$ 1,800	\$ (18,536)	\$ 89,619
Fund Balance, July 1, 2008	74,752	36,223	36,223	38,529
Fund Balance, June 30, 2009	\$ 145,835	\$ 38,023	\$ 17,687	\$ 128,148

Exhibit E-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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 5,722	\$ 6,000	\$ 6,000	\$ (278)
State of Tennessee	1,330,026	2,127,729	2,127,729	(797,703)
Federal Government	15,155	0	0	15,155
Other Governments and Citizens Groups	0	1,000	1,000	(1,000)
Total Revenues	<u>\$ 1,350,903</u>	<u>\$ 2,134,729</u>	<u>\$ 2,134,729</u>	<u>\$ (783,826)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 139,649	\$ 128,647	\$ 143,680	\$ 4,031
Highway and Bridge Maintenance	502,278	720,617	741,767	239,489
Operation and Maintenance of Equipment	163,451	225,360	230,200	66,749
Other Charges	46,014	52,800	52,925	6,911
Employee Benefits	302,375	298,165	307,736	5,361
Capital Outlay	55,830	887,756	837,037	781,207
Total Expenditures	<u>\$ 1,209,597</u>	<u>\$ 2,313,345</u>	<u>\$ 2,313,345</u>	<u>\$ 1,103,748</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 141,306</u>	<u>\$ (178,616)</u>	<u>\$ (178,616)</u>	<u>\$ 319,922</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 224,487	\$ 0	\$ 0	\$ 224,487
Total Other Financing Sources (Uses)	<u>\$ 224,487</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 224,487</u>
Net Change in Fund Balance	\$ 365,793	\$ (178,616)	\$ (178,616)	\$ 544,409
Fund Balance, July 1, 2008	<u>430,348</u>	<u>230,118</u>	<u>230,118</u>	<u>200,230</u>
Fund Balance, June 30, 2009	<u>\$ 796,141</u>	<u>\$ 51,502</u>	<u>\$ 51,502</u>	<u>\$ 744,639</u>

Exhibit E-4

Sequatchie County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Sequatchie County School Department  
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-09	7-1-07	\$ 9,468	\$ 10,748	\$ 1,280	88.09 %	\$ 4,400	29.09 %
6-30-08	7-1-07	9,468	10,748	1,280	88.09	4,400	29.09

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the 2007-08 year; therefore, data is only presented for two years.

Exhibit E-5

Sequatchie County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Sequatchie County School Department  
June 30, 2009

(Dollar amounts in thousands)

Plans	Fiscal Year Ended *	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)
Local Government Group	6-30-08	7-1-07	\$ 0	517	\$ 517	0 %	9,506	5.44 %
"	6-30-09	7-1-07	0	517	517	0	9,506	5.44
Local Education Group	6-30-08	7-1-07	0	8,057	8,057	0	8,243	97.74
"	6-30-09	7-1-07	0	8,057	8,057	0	8,243	97.74

\*Data only available for two years.

**SEQUATCHIE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2009**

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

Expenditures exceeded appropriations approved by the County Commission in the Ambulance/Emergency Medical Services major appropriation category (the legal level of control) of the General Fund by \$10,578. Such overexpenditure is a violation of state statutes. This overexpenditure was funded from available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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 – The Solid Waste/Sanitation 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 – The General Capital Projects Fund is used to account for general capital expenditures of the county.

# 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.



Exhibit F-2

Sequatchie County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2009

	Special Revenue Funds							Total	Nonmajor Governmental Funds
	Courtroom and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constituti- onal Officers - Fees	General Debt Service	Capital Projects	Fund		
<b>Revenues</b>									
Local Taxes	\$ 19,782	\$ 350,529	\$ 0	\$ 0	\$ 458,928	\$ 0	\$ 0	\$ 829,239	
Fines, Forfeitures, and Penalties	0	0	59,188	0	0	0	0	59,188	
Charges for Current Services	0	0	0	4,266	0	0	0	4,266	
Other Local Revenues	0	29,831	0	0	31,954	0	0	61,785	
State of Tennessee	0	62,431	5,672	0	22,387	0	0	90,490	
Federal Government	0	0	0	0	0	160,238	0	160,238	
Other Governments and Citizens Groups	0	0	2,500	0	0	0	0	2,500	
<b>Total Revenues</b>	<b>\$ 19,782</b>	<b>\$ 442,791</b>	<b>\$ 67,360</b>	<b>\$ 4,266</b>	<b>\$ 513,269</b>	<b>\$ 160,238</b>	<b>\$ 0</b>	<b>\$ 1,207,706</b>	
<b>Expenditures</b>									
Current:									
General Government	\$ 11,851	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,851	
Finance	0	0	0	4,201	0	0	0	4,201	
Public Safety	0	0	75,138	65	0	0	0	75,203	
Public Health and Welfare	0	419,945	0	0	419,945	0	0	419,945	
Other Operations	186	6,972	0	0	0	0	0	7,158	
Debt Service:									
Principal on Debt	0	0	0	0	267,065	0	0	267,065	
Interest on Debt	0	0	0	0	82,499	0	0	82,499	
Other Debt Service	0	0	0	0	42,545	0	0	42,545	
Capital Projects	0	0	0	0	0	655,236	0	655,236	
<b>Total Expenditures</b>	<b>\$ 12,037</b>	<b>\$ 426,917</b>	<b>\$ 75,138</b>	<b>\$ 4,266</b>	<b>\$ 392,109</b>	<b>\$ 655,236</b>	<b>\$ 0</b>	<b>\$ 1,565,703</b>	
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 7,745</b>	<b>\$ 15,874</b>	<b>\$ (7,778)</b>	<b>\$ 0</b>	<b>\$ 121,160</b>	<b>\$ (494,998)</b>	<b>\$ (357,997)</b>		
<b>Other Financing Sources (Uses)</b>									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 0	\$ 250,000	
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 250,000</b>	<b>\$ 0</b>	<b>\$ 250,000</b>	
<b>Net Change in Fund Balances Fund Balance, July 1, 2008</b>	<b>\$ 7,745</b>	<b>\$ 15,874</b>	<b>\$ (7,778)</b>	<b>\$ 0</b>	<b>\$ 121,160</b>	<b>\$ (244,998)</b>	<b>\$ (107,997)</b>		
	29,649	191,349	67,426	0	149,862	278,276	716,562		
<b>Fund Balance, June 30, 2009</b>	<b>\$ 37,394</b>	<b>\$ 207,223</b>	<b>\$ 59,648</b>	<b>\$ 0</b>	<b>\$ 271,022</b>	<b>\$ 33,278</b>	<b>\$ 608,565</b>		

Exhibit F-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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 19,782	\$ 21,000	\$ 21,000	\$ (1,218)
Total Revenues	\$ 19,782	\$ 21,000	\$ 21,000	\$ (1,218)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 11,851	\$ 20,000	\$ 20,000	\$ 8,149
<u>Other Operations</u>				
Other Charges	186	300	300	114
Total Expenditures	\$ 12,037	\$ 20,300	\$ 20,300	\$ 8,263
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,745	\$ 700	\$ 700	\$ 7,045
Net Change in Fund Balance	\$ 7,745	\$ 700	\$ 700	\$ 7,045
Fund Balance, July 1, 2008	29,649	29,649	29,649	0
Fund Balance, June 30, 2009	\$ 37,394	\$ 30,349	\$ 30,349	\$ 7,045

Exhibit F-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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 350,529	\$ 324,658	\$ 324,658	\$ 25,871
Other Local Revenues	29,831	36,000	36,000	(6,169)
State of Tennessee	62,431	48,237	48,237	14,194
Total Revenues	<u>\$ 442,791</u>	<u>\$ 408,895</u>	<u>\$ 408,895</u>	<u>\$ 33,896</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 30,577	\$ 33,937	\$ 33,937	\$ 3,360
Waste Pickup	88,368	94,924	94,924	6,556
Convenience Centers	151,099	149,252	173,652	22,553
Other Waste Collection	140,500	140,500	140,500	0
Landfill Operation and Maintenance	9,401	9,500	9,500	99
<u>Other Operations</u>				
Other Charges	6,972	8,500	8,500	1,528
Total Expenditures	<u>\$ 426,917</u>	<u>\$ 436,613</u>	<u>\$ 461,013</u>	<u>\$ 34,096</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 15,874</u>	<u>\$ (27,718)</u>	<u>\$ (52,118)</u>	<u>\$ 67,992</u>
Net Change in Fund Balance	\$ 15,874	\$ (27,718)	\$ (52,118)	\$ 67,992
Fund Balance, July 1, 2008	191,349	180,535	180,535	10,814
Fund Balance, June 30, 2009	<u>\$ 207,223</u>	<u>\$ 152,817</u>	<u>\$ 128,417</u>	<u>\$ 78,806</u>

Exhibit F-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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 59,188	\$ 32,000	\$ 32,000	\$ 27,188
State of Tennessee	5,672	0	0	5,672
Other Governments and Citizens Groups	2,500	0	0	2,500
Total Revenues	<u>\$ 67,360</u>	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 35,360</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 75,138	\$ 47,000	\$ 76,700	\$ 1,562
Total Expenditures	<u>\$ 75,138</u>	<u>\$ 47,000</u>	<u>\$ 76,700</u>	<u>\$ 1,562</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,778)</u>	<u>\$ (15,000)</u>	<u>\$ (44,700)</u>	<u>\$ 36,922</u>
Net Change in Fund Balance	\$ (7,778)	\$ (15,000)	\$ (44,700)	\$ 36,922
Fund Balance, July 1, 2008	67,426	69,566	69,566	(2,140)
Fund Balance, June 30, 2009	<u>\$ 59,648</u>	<u>\$ 54,566</u>	<u>\$ 24,866</u>	<u>\$ 34,782</u>

Exhibit F-6

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, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 458,928	\$ 429,445	\$ 429,445	\$ 29,483
Other Local Revenues	31,954	39,700	39,700	(7,746)
State of Tennessee	22,387	21,000	21,000	1,387
Total Revenues	<u>\$ 513,269</u>	<u>\$ 490,145</u>	<u>\$ 490,145</u>	<u>\$ 23,124</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 267,065	\$ 278,066	\$ 278,066	\$ 11,001
<u>Interest on Debt</u>				
General Government	82,499	237,347	203,347	120,848
<u>Other Debt Service</u>				
General Government	42,545	9,500	43,650	1,105
Total Expenditures	<u>\$ 392,109</u>	<u>\$ 524,913</u>	<u>\$ 525,063</u>	<u>\$ 132,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 121,160</u>	<u>\$ (34,768)</u>	<u>\$ (34,918)</u>	<u>\$ 156,078</u>
Net Change in Fund Balance	\$ 121,160	\$ (34,768)	\$ (34,918)	\$ 156,078
Fund Balance, July 1, 2008	149,862	136,930	136,930	12,932
Fund Balance, June 30, 2009	<u>\$ 271,022</u>	<u>\$ 102,162</u>	<u>\$ 102,012</u>	<u>\$ 169,010</u>

# Fiduciary Funds

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

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

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

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Exhibit G-1

Sequatchie County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2009

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 681,834	\$ 681,834
Due from Other Governments	59,490		59,490
Cash Shortage	0	10,563	10,563
Total Assets	<u>\$ 59,490</u>	<u>\$ 692,397</u>	<u>\$ 751,887</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 59,490	\$ 0	\$ 59,490
Due to Litigants, Heirs, and Others	0	692,397	692,397
Total Liabilities	<u>\$ 59,490</u>	<u>\$ 692,397</u>	<u>\$ 751,887</u>

Exhibit G-2

Sequatchie County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 360,140	\$ 360,140	\$ 0
Due from Other Governments	61,574	59,490	61,574	59,490
Total Assets	\$ 61,574	\$ 419,630	\$ 421,714	\$ 59,490
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 61,574	\$ 419,630	\$ 421,714	\$ 59,490
Total Liabilities	\$ 61,574	\$ 419,630	\$ 421,714	\$ 59,490
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 722,091	\$ 2,735,919	\$ 2,776,176	\$ 681,834
Cash Shortage	14,812	0	4,249	10,563
Total Assets	\$ 736,903	\$ 2,735,919	\$ 2,780,425	\$ 692,397
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 736,903	\$ 2,735,919	\$ 2,780,425	\$ 692,397
Total Liabilities	\$ 736,903	\$ 2,735,919	\$ 2,780,425	\$ 692,397
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 722,091	\$ 2,735,919	\$ 2,776,176	\$ 681,834
Equity in Pooled Cash and Investments	0	360,140	360,140	0
Due from Other Governments	61,574	59,490	61,574	59,490
Cash Shortage	14,812	0	4,249	10,563
Total Assets	\$ 798,477	\$ 3,155,549	\$ 3,202,139	\$ 751,887
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 61,574	\$ 419,630	\$ 421,714	\$ 59,490
Due to Litigants, Heirs, and Others	736,903	2,735,919	2,780,425	692,397
Total Liabilities	\$ 798,477	\$ 3,155,549	\$ 3,202,139	\$ 751,887

# Sequatchie County School Department

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

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

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

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

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

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

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Exhibit H-1

Sequatchie County, Tennessee  
Statement of Activities  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 9,624,869	\$ 85,624	\$ 1,839,962	\$ (7,699,283)
Support Services	4,965,407	0	0	(4,965,407)
Operation of Non-Instructional Services	1,737,909	319,399	814,809	(603,701)
Interest on Debt	283,535	0	0	(283,535)
Other Debt Service	18,119	0	0	(18,119)
<b>Total Governmental Activities</b>	<b>\$ 16,629,839</b>	<b>\$ 405,023</b>	<b>\$ 2,654,771</b>	<b>\$ (13,570,045)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,796,743
Local Option Sales Taxes				1,551,582
Other Local Taxes				1,328
Grants and Contributions Not Restricted to Specific Programs				11,711,489
Unrestricted Investment Earnings				66,429
Miscellaneous				62,730
<b>Total General Revenues</b>				<b>\$ 16,190,301</b>
Insurance Recovery				\$ 124,503
Change in Net Assets				\$ 2,744,759
Net Assets, July 1, 2008				18,099,931
Prior-period Adjustment				917,342
<b>Net Assets, June 30, 2009</b>				<b>\$ 21,762,032</b>

Exhibit H-2

Sequatchie County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Sequatchie County School Department  
June 30, 2009

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Other</u>	
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,807	\$ 1,807
Equity in Pooled Cash and Investments	8,361,544	372,374	739,487	9,473,405
Accounts Receivable	3,675	0	0	3,675
Due from Other Governments	330,759	214,256	21,223	566,238
Due from Other Funds	311,694	0	0	311,694
Property Taxes Receivable	2,932,649	0	0	2,932,649
Allowance for Uncollectible Property Taxes	(148,199)	0	0	(148,199)
<b>Total Assets</b>	<b>\$ 11,792,122</b>	<b>\$ 586,630</b>	<b>\$ 762,517</b>	<b>\$ 13,141,269</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 6,100	\$ 156,892	\$ 0	\$ 162,992
Payroll Deductions Payable	472,534	0	0	472,534
Due to Other Funds	0	294,657	17,037	311,694
Deferred Revenue - Current Property Taxes	2,592,362	0	0	2,592,362
Deferred Revenue - Delinquent Property Taxes	169,403	0	0	169,403
Other Deferred Revenues	135,558	0	9,170	144,728
<b>Total Liabilities</b>	<b>\$ 3,375,957</b>	<b>\$ 451,549</b>	<b>\$ 26,207</b>	<b>\$ 3,853,713</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 0	\$ 85,521	\$ 0	\$ 85,521
Reserved for Unemployment Compensation	12,578	0	0	12,578
Reserved for Vocational Projects	132,533	0	0	132,533
Other Local Education Reserves	699,457	0	0	699,457
Reserved for Career Ladder - Extended Contract	38,898	0	0	38,898
Reserved for Career Ladder Program	5,924	0	0	5,924
Reserved for Technology	35,783	0	0	35,783
Reserved for Basic Education Program	5,975,611	0	0	5,975,611
Other State Education Reserves	15,486	0	0	15,486
Reserved for Title I Grants to Local Education Agencies	0	23,393	0	23,393
Reserved for Innovative Education Program Strategies	0	570	0	570
Reserved for Special Education - Grants to States	0	20,505	0	20,505
Other Federal Reserves	0	5,092	0	5,092
Reserved for ARRA Grant - Basic Education Program	113,200	0	0	113,200
Unreserved, Reported In:				
General Fund	1,386,695	0	0	1,386,695
Special Revenue Funds	0	0	199,335	199,335
Capital Projects Funds	0	0	536,975	536,975
<b>Total Fund Balances</b>	<b>\$ 8,416,165</b>	<b>\$ 135,081</b>	<b>\$ 736,310</b>	<b>\$ 9,287,556</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,792,122</b>	<b>\$ 586,630</b>	<b>\$ 762,517</b>	<b>\$ 13,141,269</b>

Exhibit H-3

Sequatchie County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Sequatchie County School Department  
June 30, 2009

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

Total fund balances - balance sheet - governmental funds (Exhibit H-2)		\$	9,287,556
(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: buildings and improvements net of accumulated depreciation		19,813,060	
Add: infrastructure net of accumulated depreciation		355,210	
Add: other capital assets net of accumulated depreciation		<u>573,285</u>	21,666,703
(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	\$	(6,950,000)	
Less: other loans payable		(2,334,543)	
Less: other postemployment benefits liability		(159,439)	
Less: deferred premium on debt issuance		(48,379)	
Add: deferred amount on refunding		39,712	
Add: deferred charges - debt issuance costs		41,436	
Less: accrued interest on bonds and other loans		<u>(95,145)</u>	(9,506,358)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>314,131</u>
Net assets of governmental activities (Exhibit A)		\$	<u>21,762,032</u>

## Exhibit H-4

Sequatchie County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2009

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,314,175	\$ 0	\$ 0	\$ 4,314,175
Licenses and Permits	1,375	0	0	1,375
Charges for Current Services	21,882	0	384,333	406,215
Other Local Revenues	136,123	0	6,192	142,315
State of Tennessee	11,431,942	0	12,404	11,444,346
Federal Government	192,122	1,880,213	717,042	2,789,377
Total Revenues	<u>\$ 16,097,619</u>	<u>\$ 1,880,213</u>	<u>\$ 1,119,971</u>	<u>\$ 19,097,803</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 8,422,335	\$ 946,925	\$ 0	\$ 9,369,260
Support Services	4,169,206	311,495	0	4,480,701
Operation of Non-Instructional Services	95,950	482,860	1,017,182	1,595,992
Capital Outlay	523,108	0	0	523,108
Debt Service:				
Principal on Debt	1,041,200	0	0	1,041,200
Interest on Debt	269,864	0	0	269,864
Other Debt Service	11,814	0	0	11,814
Total Expenditures	<u>\$ 14,533,477</u>	<u>\$ 1,741,280</u>	<u>\$ 1,017,182</u>	<u>\$ 17,291,939</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,564,142</u>	<u>\$ 138,933</u>	<u>\$ 102,789</u>	<u>\$ 1,805,864</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 124,503	\$ 0	\$ 0	\$ 124,503
Transfers In	92,808	0	0	92,808
Transfers Out	0	(39,902)	(52,906)	(92,808)
Total Other Financing Sources (Uses)	<u>\$ 217,311</u>	<u>\$ (39,902)</u>	<u>\$ (52,906)</u>	<u>\$ 124,503</u>
Net Change in Fund Balances	\$ 1,781,453	\$ 99,031	\$ 49,883	\$ 1,930,367
Fund Balance, July 1, 2008	<u>6,634,712</u>	<u>36,050</u>	<u>686,427</u>	<u>7,357,189</u>
Fund Balance, June 30, 2009	<u>\$ 8,416,165</u>	<u>\$ 135,081</u>	<u>\$ 736,310</u>	<u>\$ 9,287,556</u>

Exhibit H-5

Sequatchie County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2009

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

Net change in fund balances - total governmental funds (Exhibit H-4)		\$ 1,930,367
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 486,944	
Less: current year depreciation expense	<u>(670,706)</u>	(183,762)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2009	\$ 314,131	
Less: deferred delinquent property taxes and other deferred June 30, 2008	<u>(247,615)</u>	66,516
(3) The issuance of long-term debt (e.g., notes and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: change in premium on debt issuance	\$ 10,517	
Less: change in deferred debt issuance costs	(6,305)	
Add: principal payments on bonds	905,000	
Add: principal payments on other loans	136,200	
Less: change in deferred amount on refunding debt	<u>(10,104)</u>	1,035,308
(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 other postemployment benefits liability	\$ (89,999)	
Change in accrued interest payable	<u>(13,671)</u>	<u>(103,670)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,744,759</u>

Exhibit H-6

Sequatchie County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Sequatchie County School Department  
June 30, 2009

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Central Cafeteria</u>	<u>Other Education Special Revenue</u>	<u>Education Capital Projects</u>	
<b><u>ASSETS</u></b>				
Cash	\$ 1,807	\$ 0	\$ 0	\$ 1,807
Equity in Pooled Cash and Investments	175,617	26,895	536,975	739,487
Due from Other Governments	21,223	0	0	21,223
<b>Total Assets</b>	<b>\$ 198,647</b>	<b>\$ 26,895</b>	<b>\$ 536,975</b>	<b>\$ 762,517</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities</u></b>				
Due to Other Funds	\$ 0	\$ 17,037	\$ 0	\$ 17,037
Other Deferred Revenues	9,170	0	0	9,170
<b>Total Liabilities</b>	<b>\$ 9,170</b>	<b>\$ 17,037</b>	<b>\$ 0</b>	<b>\$ 26,207</b>
<b><u>Fund Balances</u></b>				
Unreserved	\$ 189,477	\$ 9,858	\$ 536,975	\$ 736,310
<b>Total Fund Balances</b>	<b>\$ 189,477</b>	<b>\$ 9,858</b>	<b>\$ 536,975</b>	<b>\$ 736,310</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 198,647</b>	<b>\$ 26,895</b>	<b>\$ 536,975</b>	<b>\$ 762,517</b>

Exhibit H-7

Sequatchie County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2009

	<u>Special Revenue Funds</u>		<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Central</u> <u>Cafeteria</u>	<u>Other</u> <u>Education</u> <u>Special</u> <u>Revenue</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>				
Charges for Current Services	\$ 320,591	\$ 63,742	\$ 0	\$ 384,333
Other Local Revenues	6,183	0	9	6,192
State of Tennessee	12,404	0	0	12,404
Federal Government	717,042	0	0	717,042
<b>Total Revenues</b>	<b>\$ 1,056,220</b>	<b>\$ 63,742</b>	<b>\$ 9</b>	<b>\$ 1,119,971</b>
<u>Expenditures</u>				
Current:				
Operation of Non-Instructional Services	\$ 948,290	\$ 68,892	\$ 0	\$ 1,017,182
<b>Total Expenditures</b>	<b>\$ 948,290</b>	<b>\$ 68,892</b>	<b>\$ 0</b>	<b>\$ 1,017,182</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 107,930	\$ (5,150)	\$ 9	\$ 102,789
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (52,906)	\$ 0	\$ 0	\$ (52,906)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (52,906)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (52,906)</b>
Net Change in Fund Balances				
Fund Balance, July 1, 2008	\$ 134,453	\$ 15,008	\$ 536,966	\$ 686,427
<b>Fund Balance, June 30, 2009</b>	<b>\$ 189,477</b>	<b>\$ 9,858</b>	<b>\$ 536,975</b>	<b>\$ 736,310</b>

## Exhibit H-8

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Sequatchie County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,314,175	\$ 4,149,896	\$ 4,149,896	\$ 164,279
Licenses and Permits	1,375	1,500	1,500	(125)
Charges for Current Services	21,882	21,000	21,000	882
Other Local Revenues	136,123	101,000	101,000	35,123
State of Tennessee	11,431,942	11,070,257	11,161,473	270,469
Federal Government	192,122	142,520	182,690	9,432
Total Revenues	<u>\$ 16,097,619</u>	<u>\$ 15,486,173</u>	<u>\$ 15,617,559</u>	<u>\$ 480,060</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 6,369,542	\$ 6,434,190	\$ 6,470,427	\$ 100,885
Alternative Instruction Program	77,127	81,564	81,894	4,767
Special Education Program	1,648,272	1,673,150	1,695,266	46,994
Vocational Education Program	265,751	363,698	365,346	99,595
Student Body Education Program	16,995	17,338	17,338	343
Adult Education Program	44,648	38,685	47,328	2,680
<u>Support Services</u>				
Attendance	100,323	101,439	101,769	1,446
Health Services	144,148	145,381	145,710	1,562
Other Student Support	308,235	304,214	322,132	13,897
Regular Instruction Program	559,774	554,339	563,750	3,976
Special Education Program	158,991	160,561	178,524	19,533
Adult Programs	71,604	76,478	76,808	5,204
Other Programs	36,865	0	36,865	0
Board of Education	227,524	232,735	243,635	16,111
Director of Schools	153,352	146,949	153,379	27
Office of the Principal	547,713	566,631	568,609	20,896
Fiscal Services	163,194	161,871	163,201	7
Operation of Plant	1,054,673	1,050,410	1,060,610	5,937
Maintenance of Plant	199,774	190,343	202,844	3,070
Transportation	443,036	541,585	518,782	75,746
Central and Other	0	20,000	0	0
<u>Operation of Non-Instructional Services</u>				
Community Services	55	2,000	2,000	1,945
Early Childhood Education	95,895	97,143	97,473	1,578
<u>Capital Outlay</u>				
Regular Capital Outlay	523,108	6,616,164	6,599,564	6,076,456
<u>Principal on Debt</u>				
Education	1,041,200	1,032,200	1,041,200	0

(Continued)

Exhibit H-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Interest on Debt</u>				
Education	\$ 269,864	\$ 359,696	\$ 338,896	\$ 69,032
<u>Other Debt Service</u>				
Education	11,814	3,000	14,800	2,986
Total Expenditures	<u>\$ 14,533,477</u>	<u>\$ 20,971,764</u>	<u>\$ 21,108,150</u>	<u>\$ 6,574,673</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ 1,564,142</u>	<u>\$ (5,485,591)</u>	<u>\$ (5,490,591)</u>	<u>\$ 7,054,733</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 124,503	\$ 0	\$ 0	\$ 124,503
Transfers In	92,808	96,511	96,511	(3,703)
Total Other Financing Sources (Uses)	<u>\$ 217,311</u>	<u>\$ 96,511</u>	<u>\$ 96,511</u>	<u>\$ 120,800</u>
Net Change in Fund Balance				
Fund Balance, July 1, 2008	<u>\$ 1,781,453</u>	<u>\$ (5,389,080)</u>	<u>\$ (5,394,080)</u>	<u>\$ 7,175,533</u>
	<u>6,634,712</u>	<u>6,604,998</u>	<u>6,604,998</u>	<u>29,714</u>
Fund Balance, June 30, 2009	<u>\$ 8,416,165</u>	<u>\$ 1,215,918</u>	<u>\$ 1,210,918</u>	<u>\$ 7,205,247</u>

Exhibit H-9

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Sequatchie County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Final	Variance with Final Budget - Positive (Negative)
<u>Revenues</u>						
Federal Government	\$ 1,880,213	\$ 0	\$ 1,880,213	\$ 1,951,254	\$ 2,036,775	\$ (156,562)
Total Revenues	\$ 1,880,213	\$ 0	\$ 1,880,213	\$ 1,951,254	\$ 2,036,775	\$ (156,562)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 480,164	\$ 0	\$ 480,164	\$ 545,612	\$ 545,612	\$ 65,448
Special Education Program	436,324	0	436,324	443,590	443,512	7,188
Vocational Education Program	30,437	0	30,437	24,375	30,437	0
<u>Support Services</u>						
Other Student Support	16,349	0	16,349	22,334	16,349	0
Regular Instruction Program	116,497	0	116,497	179,181	179,181	62,684
Special Education Program	97,600	0	97,600	119,428	119,428	21,828
Vocational Education Program	2,019	0	2,019	2,018	2,019	0
Transportation	79,030	85,521	164,551	102,778	188,299	23,748
<u>Operation of Non-Instructional Services</u>						
Community Services	482,860	0	482,860	505,545	505,545	22,685
Total Expenditures	\$ 1,741,280	\$ 85,521	\$ 1,826,801	\$ 1,944,861	\$ 2,030,382	\$ 203,581
Excess (Deficiency) of Revenues Over Expenditures	\$ 138,933	\$ (85,521)	\$ 53,412	\$ 6,393	\$ 6,393	\$ 47,019
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (39,902)	\$ 0	\$ (39,902)	\$ (42,443)	\$ (42,443)	\$ 2,541
Total Other Financing Sources (Uses)	\$ (39,902)	\$ 0	\$ (39,902)	\$ (42,443)	\$ (42,443)	\$ 2,541
Net Change in Fund Balance Fund Balance, July 1, 2008	\$ 99,031	\$ (85,521)	\$ 13,510	\$ (36,050)	\$ (36,050)	\$ 49,560
	36,050	0	36,050	36,386	36,386	(336)
Fund Balance, June 30, 2009	\$ 135,081	\$ (85,521)	\$ 49,560	\$ 336	\$ 336	\$ 49,224

Exhibit H-10

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Sequatchie County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 320,591	\$ 310,000	\$ 310,000	\$ 10,591
Other Local Revenues	6,183	3,500	3,500	2,683
State of Tennessee	12,404	12,000	12,000	404
Federal Government	717,042	614,000	614,000	103,042
Total Revenues	<u>\$ 1,056,220</u>	<u>\$ 939,500</u>	<u>\$ 939,500</u>	<u>\$ 116,720</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 948,290	\$ 1,021,047	\$ 1,021,047	\$ 72,757
Total Expenditures	<u>\$ 948,290</u>	<u>\$ 1,021,047</u>	<u>\$ 1,021,047</u>	<u>\$ 72,757</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 107,930</u>	<u>\$ (81,547)</u>	<u>\$ (81,547)</u>	<u>\$ 189,477</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (52,906)	\$ (52,906)	\$ (52,906)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 55,024	\$ (134,453)	\$ (134,453)	\$ 189,477
Fund Balance, July 1, 2008	<u>134,453</u>	<u>134,453</u>	<u>134,453</u>	<u>0</u>
Fund Balance, June 30, 2009	<u>\$ 189,477</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 189,477</u>

Exhibit H-11

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Sequatchie County School Department  
Other Education Special Revenue Fund  
For the Year Ended June 30, 2009

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 63,742	\$ 71,600	\$ 71,600	\$ (7,858)
Total Revenues	\$ 63,742	\$ 71,600	\$ 71,600	\$ (7,858)
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Community Services	\$ 68,892	\$ 70,438	\$ 70,438	\$ 1,546
Total Expenditures	\$ 68,892	\$ 70,438	\$ 70,438	\$ 1,546
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,150)	\$ 1,162	\$ 1,162	\$ (6,312)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (1,162)	\$ (1,162)	\$ 1,162
Total Other Financing Sources (Uses)	\$ 0	\$ (1,162)	\$ (1,162)	\$ 1,162
Net Change in Fund Balance	\$ (5,150)	\$ 0	\$ 0	\$ (5,150)
Fund Balance, July 1, 2008	15,008	15,008	15,008	0
Fund Balance, June 30, 2009	\$ 9,858	\$ 15,008	\$ 15,008	\$ (5,150)

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## MISCELLANEOUS SCHEDULES

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Exhibit I-1

Sequatchie County, Tennessee Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds Primary Government and Discretely Presented Sequatchie County School Department For the Year Ended June 30, 2009									
Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-09	
<b><u>PRIMARY GOVERNMENT</u></b>									
<b><u>NOTES PAYABLE</u></b>									
<u>Payable through General Debt Service Fund</u>									
Recreational Facility	\$ 230,000	4.19 %	4-16-07	4-16-10	\$ 155,682	\$ 0	\$ 76,244	\$ 79,438	
Health Department	250,000	3.25	9-19-08	9-19-11	0	250,000	0	250,000	
Total Notes Payable					\$ 155,682	\$ 250,000	\$ 76,244	\$ 329,438	
<b><u>CAPITAL LEASES PAYABLE</u></b>									
<u>Payable through General Debt Service Fund</u>									
Ambulance	62,725	4.89	7-1-05	6-13-09	\$ 16,821	\$ 0	\$ 16,821	\$ 0	
<b><u>OTHER LOANS PAYABLE</u></b>									
<u>Payable through General Debt Service Fund</u>									
Justice Center	6,500,000	Variable	11-1-04	5-25-32	\$ 6,006,000	\$ 0	\$ 174,000	\$ 5,832,000	
<b><u>DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT</u></b>									
<b><u>BONDS PAYABLE</u></b>									
<u>Payable through General Purpose School Fund</u>									
School Refunding Bonds - Series 1997	7,405,000	3.8 to 4.85	8-1-1997	2-1-09	\$ 600,000	\$ 0	\$ 600,000	\$ 0	
School Bonds - Series 1998	5,000,000	4.15	10-15-1998	2-1-10	540,000	0	255,000	285,000	
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	
School Refunding Bonds Series 2008	4,215,000	3 to 3.5	4-2-08	4-22-14	4,215,000	0	50,000	4,165,000	
Total Bonds Payable					\$ 7,855,000	\$ 0	\$ 905,000	\$ 6,950,000	
<b><u>OTHER LOANS PAYABLE</u></b>									
<u>Payable through General Purpose School Fund</u>									
Rural Development Loan - Lighting	90,000	0	5-3-00	5-3-09	\$ 18,000	\$ 0	\$ 18,000	\$ 0	
Rural Development Loan - Technology	102,000	0	1-1-03	1-1-13	40,800	0	10,200	30,600	
School Renovations	2,514,943	Variable	12-20-06	5-25-24	2,411,943	0	108,000	2,303,943	
Total Other Loans Payable					\$ 2,470,743	\$ 0	\$ 136,200	\$ 2,334,543	

Exhibit I-2

Sequatchie County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Sequatchie County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2010	\$ 162,771	\$ 11,453	\$ 174,224
2011	83,333	5,417	88,750
2012	83,334	2,708	86,042
Total	\$ 329,438	\$ 19,578	\$ 349,016

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2010	\$ 180,000	\$ 22,744	\$ 31,928	\$ 234,672
2011	185,000	22,044	30,976	238,020
2012	191,000	21,320	29,996	242,316
2013	196,000	20,576	28,984	245,560
2014	202,000	19,812	27,944	249,756
2015	208,000	19,024	26,872	253,896
2016	215,000	18,212	25,772	258,984
2017	221,000	17,376	24,632	263,008
2018	228,000	16,512	23,460	267,972
2019	234,000	15,624	22,252	271,876
2020	242,000	14,712	21,012	277,724
2021	249,000	13,768	19,728	282,496
2022	256,000	12,796	18,408	287,204
2023	264,000	11,796	17,052	292,848
2024	272,000	10,768	15,652	298,420
2025	280,000	9,708	14,212	303,920
2026	288,000	8,616	12,728	309,344
2027	297,000	7,492	11,200	315,692
2028	306,000	6,332	10,580	322,912
2029	315,000	5,140	9,940	330,080
2030	325,000	3,912	9,284	338,196
2031	334,000	2,644	8,600	345,244
2032	344,000	2,044	7,900	353,944
Total	\$ 5,832,000	\$ 302,972	\$ 449,112	\$ 6,584,084

(Continued)

Exhibit I-2

Sequatchie County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Sequatchie County School Department (Cont.)

DISCRETELY PRESENTED SEQUATCHIE COUNTY  
SCHOOL DEPARTMENT

Year Ending June 30	Bonds		
	Principal	Interest	Total
2010	\$ 915,000	\$ 224,180	\$ 1,139,180
2011	945,000	199,580	1,144,580
2012	985,000	171,230	1,156,230
2013	1,015,000	141,680	1,156,680
2014	1,040,000	106,155	1,146,155
2015	1,095,000	70,655	1,165,655
2016	955,000	33,425	988,425
Total	\$ 6,950,000	\$ 946,905	\$ 7,896,905

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2010	\$ 123,200	\$ 6,512	\$ 8,623	\$ 138,335
2011	128,200	6,207	8,267	142,674
2012	133,200	5,889	7,895	146,984
2013	129,000	5,556	7,508	142,064
2014	134,000	5,208	7,100	146,308
2015	140,000	4,846	6,678	151,524
2016	147,000	4,468	6,237	157,705
2017	153,000	4,071	5,773	162,844
2018	160,000	3,658	5,291	168,949
2019	168,000	3,226	4,787	176,013
2020	175,000	2,773	4,257	182,030
2021	183,000	2,300	3,705	189,005
2022	191,000	1,806	3,128	195,934
2023	200,000	1,290	2,526	203,816
2024	169,943	750	1,811	172,504
Total	\$ 2,334,543	\$ 58,560	\$ 83,586	\$ 2,476,689

Exhibit I-3

Sequatchie County, Tennessee  
Schedule of Transfers  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2009

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 39,902
Central Cafeteria	"	"	<u>52,906</u>
Total Transfers			<u>\$ 92,808</u>

Exhibit I-4

Sequatchie County, Tennessee  
 Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 60,350	\$ 25,000	Western Surety Company
Highway Supervisor	Section 8-24-102, <u>TCA</u>	57,477	100,000	
Director of Schools	State Board of Education and Sequatchie County Board of Education	88,221 (1)	(2)	
Trustee	Section 8-24-102, <u>TCA</u>	52,251	488,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,251	10,000	Western Surety Company
County Clerk	Section 8-24-102, <u>TCA</u>	52,251	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	52,251	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	52,251	25,000	State Farm Fire and Casualty Company
Register	Section 8-24-102, <u>TCA</u>	52,251	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	57,477 (3)	25,000	"
Employee Dishonesty Bond Coverage:				
General County Employees			150,000	Tennessee Risk Management Trust
Highway Department Employees			150,000	Local Government Insurance Pool
School Department Employees			100,000	The Netherlands Insurance Company

(1) Includes a chief executive officer training supplement of \$1,000 and does not include a travel allowance of \$5,000.

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

(3) Does not include a law enforcement training supplement of \$600.

Exhibit I-5

Sequatchie County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2009

	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	\$ 2,029,673	\$ 0	\$ 303,560	\$ 0	0
Trustee's Collections - Prior Year	61,589	0	13,586	0	0
Circuit/Clerk & Master Collections - Prior Years	110,305	0	24,332	0	0
Interest and Penalty	14,697	0	2,934	0	0
Payments in-Lieu-of Taxes - T.V.A.	2,928	0	434	0	0
Payments in-Lieu-of Taxes - Local Utilities	8,715	0	1,922	0	0
Payments in-Lieu-of Taxes - Other	689	0	124	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	238,902	0	0	0	0
Hotel/Motel Tax	13,565	0	0	0	0
Litigation Tax - General	50,289	0	0	0	0
Litigation Tax - Special Purpose	0	19,782	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	13,951	0	0	0	0
Business Tax	81,587	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	24,552	0	3,637	0	0
Wholesale Beer Tax	47,516	0	0	0	0
Interstate Telecommunications Tax	855	0	0	0	0
Total Local Taxes	\$ 2,699,813	\$ 19,782	\$ 350,529	\$ 0	\$ 0
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$ 27,053	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>					
Beer Permits	1,140	0	0	0	0
Total Licenses and Permits	\$ 28,193	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 13,042	\$ 0	\$ 0	\$ 0	0
Officers Costs	4,935	0	0	0	0
Drug Control Fines	0	0	0	0	9,643
Drug Court Fees	617	0	0	0	0
Jail Fees	2,176	0	0	0	0
DUI Treatment Fines	1,235	0	0	0	0
Data Entry Fee - Circuit Court	504	0	0	0	0
Courtroom Security Fee	2,477	0	0	0	0
<u>General Sessions Court</u>					
Fines	22,952	0	0	0	0
Officers Costs	19,016	0	0	0	0
Game and Fish Fines	110	0	0	0	0
Drug Control Fines	0	0	0	0	12,271
Drug Court Fees	2,593	0	0	0	0
Jail Fees	2,045	0	0	0	0
DUI Treatment Fines	2,783	0	0	0	0
Data Entry Fee - General Sessions Court	2,994	0	0	0	0
Courtroom Security Fee	17,655	0	0	0	0
<u>Juvenile Court</u>					
Victims Assistance Assessments	8,003	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	123	0	0	0	0
Data Entry Fee - Chancery Court	126	0	0	0	0
Courtroom Security Fee	1,029	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	37,274
Total Fines, Forfeitures, and Penalties	\$ 104,415	\$ 0	\$ 0	\$ 0	\$ 59,188

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 767,832	\$ 0
Work Release Charges for Board	17,120	0	0	0	0
Other General Service Charges	100	0	0	0	0
Service Charges	700	0	0	0	0
<u>Fees</u>					
Recreation Fees	1,200	0	0	0	0
Copy Fees	743	0	0	0	0
Library Fees	2,881	0	0	0	0
Telephone Commissions	1,036	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0
Data Processing Fee - Register	6,484	0	0	0	0
Data Processing Fee - Sheriff	2,647	0	0	0	0
Data Processing Fee - County Clerk	1,106	0	0	0	0
Total Charges for Current Services	\$ 34,017	\$ 0	\$ 0	\$ 767,832	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 81,437	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	6,520	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	1,561	0	0	0	0
Sale of Recycled Materials	0	0	29,831	0	0
Miscellaneous Refunds	22,983	0	0	0	0
<u>Nonrecurring Items</u>					
Sale of Equipment	225	0	0	0	0
Total Other Local Revenues	\$ 112,726	\$ 0	\$ 29,831	\$ 0	\$ 0

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk	\$ 157,107	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	69,138	0	0	0	0
General Sessions Court Clerk	114,357	0	0	0	0
Clerk and Master	70,358	0	0	0	0
Register	78,776	0	0	0	0
Sheriff	5,580	0	0	0	0
Trustee	191,422	0	0	0	0
<b>Total Fees Received from County Officials</b>	<b>\$ 686,738</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 12,945	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	6,781	0	0	0	0
Solid Waste Grants	0	0	19,735	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	10,200	0	0	0	0
Other Public Safety Grants	43,800	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	89,973	0	0	0	0
<u>Public Works Grants</u>					
Litter Program	0	0	32,496	0	0
<u>Other State Revenues</u>					
Income Tax	68,657	0	0	0	0
Beer Tax	18,701	0	0	0	0
Alcoholic Beverage Tax	22,897	0	0	0	0
State Revenue Sharing - T.V.A.	130,124	0	0	0	0
Contracted Prisoner Boarding	647,185	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0

(Continued)

Exhibit I-5

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

	Special Revenue Funds				
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Registrar's Salary Supplement	\$ 14,912	\$ 0	\$ 0	\$ 0	\$ 0
Other State Grants	0	0	10,200	0	0
Other State Revenues	299	0	0	0	5,672
Total State of Tennessee	\$ 1,066,474	\$ 0	\$ 62,431	\$ 0	\$ 5,672
<u>Federal Government</u>					
<u>Federal Through State</u>					
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Community Development	287,596	0	0	0	0
Disaster Relief	0	0	0	0	0
Homeland Security Grants	66,368	0	0	0	0
Other Federal through State	241,250	0	0	0	0
Total Federal Government	\$ 595,214	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 25,000	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	27,368	0	0	0	0
Other	0	0	0	0	2,500
Total Other Governments and Citizens Groups	\$ 52,368	\$ 0	\$ 0	\$ 0	\$ 2,500
<u>Total</u>	\$ 5,379,958	\$ 19,782	\$ 442,791	\$ 767,832	\$ 67,360

(Continued)

Exhibit I-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 0	\$ 404,743	\$ 0	\$ 0	2,737,976
Trustee's Collections - Prior Year	0	0	15,396	0	0	90,571
Circuit/Clerk & Master Collections - Prior Years	0	0	27,578	0	0	162,215
Interest and Penalty	0	0	3,452	0	0	21,083
Payments in-Lieu-of Taxes - T.V.A.	0	0	578	0	0	3,940
Payments in-Lieu-of Taxes - Local Utilities	0	0	2,179	0	0	12,816
Payments in-Lieu-of Taxes - Other	0	0	152	0	0	965
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	238,902
Hotel/Motel Tax	0	0	0	0	0	13,565
Litigation Tax - General	0	0	0	0	0	50,289
Litigation Tax - Special Purpose	0	0	0	0	0	19,782
Litigation Tax - Jail, Workhouse, or Courthouse Business Tax	0	0	0	0	0	13,951
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	0	4,850	0	0	33,039
Wholesale Beer Tax	0	0	0	0	0	47,516
Interstate Telecommunications Tax	0	0	0	0	0	855
<u>Total Local Taxes</u>	\$ 0	\$ 0	\$ 458,928	\$ 0	\$ 0	\$ 3,529,052
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	27,053
<u>Permits</u>						
Beer Permits	0	0	0	0	0	1,140
<u>Total Licenses and Permits</u>	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,193

(Continued)

Exhibit I-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	13,042
Officers Costs	0	0	0	0	0	4,935
Drug Control Fines	0	0	0	0	0	9,643
Drug Court Fees	0	0	0	0	0	617
Jail Fees	0	0	0	0	0	2,176
DUI Treatment Fines	0	0	0	0	0	1,235
Data Entry Fee - Circuit Court	0	0	0	0	0	504
Courtroom Security Fee	0	0	0	0	0	2,477
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	22,952
Officers Costs	0	0	0	0	0	19,016
Game and Fish Fines	0	0	0	0	0	110
Drug Control Fines	0	0	0	0	0	12,271
Drug Court Fees	0	0	0	0	0	2,593
Jail Fees	0	0	0	0	0	2,045
DUI Treatment Fines	0	0	0	0	0	2,783
Data Entry Fee - General Sessions Court	0	0	0	0	0	2,994
Courtroom Security Fee	0	0	0	0	0	17,655
<u>Juvenile Court</u>						
Victims Assistance Assessments	0	0	0	0	0	8,003
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	123
Data Entry Fee - Chancery Court	0	0	0	0	0	126
Courtroom Security Fee	0	0	0	0	0	1,029
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	37,274
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	163,603

(Continued)

Exhibit I-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	767,832
Work Release Charges for Board	0	0	0	0	0	17,120
Other General Service Charges	0	0	0	0	0	100
Service Charges	0	0	0	0	0	700
<u>Fees</u>						
Recreation Fees	0	0	0	0	0	1,200
Copy Fees	0	0	0	0	0	743
Library Fees	0	0	0	0	0	2,881
Telephone Commissions	0	0	0	0	0	1,036
Constitutional Officers' Fees and Commissions	4,266	0	0	0	0	4,266
Data Processing Fee - Register	0	0	0	0	0	6,484
Data Processing Fee - Sheriff	0	0	0	0	0	2,647
Data Processing Fee - County Clerk	0	0	0	0	0	1,106
<b>Total Charges for Current Services</b>	<b>\$ 4,266</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 806,115</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	0	0	18,174	0	0	99,611
Lease/Rentals	0	0	13,780	0	0	20,300
Sale of Materials and Supplies	0	1,366	0	0	0	1,366
Sale of Gasoline	0	2,139	0	0	0	2,139
Sale of Maps	0	0	0	0	0	1,561
Sale of Recycled Materials	0	0	0	0	0	29,831
Miscellaneous Refunds	0	2,217	0	0	0	25,200
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	0	0	0	225
<b>Total Other Local Revenues</b>	<b>\$ 0</b>	<b>\$ 5,722</b>	<b>\$ 31,954</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 180,233</b>

(Continued)

Exhibit I-5

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

	Special Revenue Funds		Debt	Capital
	Constitutional Officers - Fees	Highway / Public Works	Service Fund	Projects Fund
				Total
<u>Fees Received from County Officials</u>				
<u>Fees in-Lieu-of Salary</u>				
County Clerk	\$ 0	\$ 0	\$ 0	\$ 157,107
Circuit Court Clerk	0	0	0	69,138
General Sessions Court Clerk	0	0	0	114,357
Clerk and Master	0	0	0	70,358
Register	0	0	0	78,776
Sheriff	0	0	0	5,580
Trustee	0	0	0	191,422
<b>Total Fees Received from County Officials</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 686,738</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 12,945
State Reappraisal Grant	0	0	0	6,781
Solid Waste Grants	0	0	0	19,735
<u>Public Safety Grants</u>				
Law Enforcement Training Programs	0	0	0	10,200
Other Public Safety Grants	0	0	0	43,800
<u>Health and Welfare Grants</u>				
Health Department Programs	0	0	0	89,973
<u>Public Works Grants</u>				
Litter Program	0	0	0	32,496
<u>Other State Revenues</u>				
Income Tax	0	0	0	68,657
Beer Tax	0	0	0	18,701
Alcoholic Beverage Tax	0	0	0	22,897
State Revenue Sharing - T.V.A.	0	0	22,387	152,511
Contracted Prisoner Boarding	0	0	0	647,185
Gasoline and Motor Fuel Tax	0	1,321,656	0	1,321,656
Petroleum Special Tax	0	8,370	0	8,370

(Continued)

Exhibit I-5

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

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>State of Tennessee (Cont.)</u>						
Other State Revenues (Cont.)						
Registrar's Salary Supplement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	14,912
Other State Grants	0	0	0	0	0	10,200
Other State Revenues	0	0	0	0	0	5,971
Total State of Tennessee	\$ 0	\$ 1,330,026	\$ 22,387	\$ 0	\$ 0	\$ 2,486,990
<u>Federal Government</u>						
Federal Through State						
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 160,238	\$ 0	160,238
Community Development	0	0	0	0	0	287,596
Disaster Relief	0	15,155	0	0	0	15,155
Homeland Security Grants	0	0	0	0	0	66,368
Other Federal through State	0	0	0	0	0	241,250
Total Federal Government	\$ 0	\$ 15,155	\$ 0	\$ 160,238	\$ 0	\$ 770,607
<u>Other Governments and Citizens Groups</u>						
Other Governments						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	25,000
Contracted Services	0	0	0	0	0	27,368
Other	0	0	0	0	0	2,500
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 54,868
Total	\$ 4,266	\$ 1,350,903	\$ 513,269	\$ 160,238	\$ 0	\$ 8,706,399

Exhibit I-6

Sequitachie County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Sequitachie County School Department  
 For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education		Total
				Special Revenue	Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,380,480	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,380,480
Trustee's Collections - Prior Year	125,032	0	0	0	0	125,032
Circuit/Clerk & Master Collections - Prior Years	183,302	0	0	0	0	183,302
Interest and Penalty	21,782	0	0	0	0	21,782
Payments in-Lieu-of Taxes - T.V.A.	3,435	0	0	0	0	3,435
Payments in-Lieu-of Taxes - Local Utilities	14,483	0	0	0	0	14,483
Payments in-Lieu-of Taxes - Other	959	0	0	0	0	959
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,554,579	0	0	0	0	1,554,579
<u>Statutory Local Taxes</u>						
Bank Excise Tax	28,795	0	0	0	0	28,795
Interstate Telecommunications Tax	1,328	0	0	0	0	1,328
Total Local Taxes	\$ 4,314,175	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,314,175
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,375
Total Licenses and Permits	\$ 1,375	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,375
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 0	\$ 0	\$ 0	\$ 63,742	\$ 0	\$ 63,742
Lunch Payments - Children	0	0	202,165	0	0	202,165
Lunch Payments - Adults	0	0	23,543	0	0	23,543
Income from Breakfast	0	0	24,999	0	0	24,999
A la carte Sales	0	0	69,884	0	0	69,884
Receipts from Individual Schools	21,882	0	0	0	0	21,882
Total Charges for Current Services	\$ 21,882	\$ 0	\$ 320,591	\$ 63,742	\$ 0	\$ 406,215
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 65,200	\$ 0	\$ 1,220	\$ 0	\$ 9	\$ 66,429
Miscellaneous Refunds	55,204	0	1,802	0	0	57,006

(Continued)

Exhibit I-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education		Total
				Special Revenue	Capital Projects	
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Sale of Equipment	2,150 \$	0 \$	0 \$	0 \$	0 \$	2,150
Contributions and Gifts	405	0	0	0	0	405
<u>Other Local Revenues</u>						
Other Local Revenues	13,164	0	3,161	0	0	16,325
<u>Total Other Local Revenues</u>	<u>136,123 \$</u>	<u>0 \$</u>	<u>6,183 \$</u>	<u>0 \$</u>	<u>9 \$</u>	<u>142,315</u>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	36,865 \$	0 \$	0 \$	0 \$	0 \$	36,865
<u>State Education Funds</u>						
Basic Education Program	10,752,799	0	0	0	0	10,752,799
Basic Education Program - ARRA	113,200	0	0	0	0	113,200
Early Childhood Education	98,141	0	0	0	0	98,141
School Food Service	0	0	12,404	0	0	12,404
Driver Education	854	0	0	0	0	854
Other State Education Funds	65,009	0	0	0	0	65,009
Career Ladder Program	87,088	0	0	0	0	87,088
Career Ladder - Extended Contract	50,200	0	0	0	0	50,200
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	132,922	0	0	0	0	132,922
Other State Grants	93,364	0	0	0	0	93,364
Other State Revenues	1,500	0	0	0	0	1,500
<u>Total State of Tennessee</u>	<u>11,431,942 \$</u>	<u>0 \$</u>	<u>12,404 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>11,444,346</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	0 \$	0 \$	534,727 \$	0 \$	0 \$	534,727
Breakfast	0	0	176,534	0	0	176,534
USDA - Other	0	0	5,781	0	0	5,781
Adult Education State Grant Program	93,182	0	0	0	0	93,182
Vocational Education - Basic Grants to States	0	40,499	0	0	0	40,499
Other Vocational	67,413	0	0	0	0	67,413
Title I Grants to Local Education Agencies	0	473,889	0	0	0	473,889

(Continued)

Exhibit I-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other		Total
				Education Special Revenue	Education Capital Projects	
Federal Government (Cont.)						
Federal Through State (Cont.)						
Special Education - Grants to States	\$ 31,527	\$ 673,284	\$ 0	\$ 0	\$ 0	\$ 704,811
Special Education Preschool Grants	0	36,266	0	0	0	36,266
Rural Education	0	54,605	0	0	0	54,605
Eisenhower Professional Development State Grants	0	88,448	0	0	0	88,448
Other Federal through State	0	513,222	0	0	0	513,222
Total Federal Government	\$ 192,122	\$ 1,880,213	\$ 717,042	\$ 0	\$ 0	\$ 2,789,377
Total	\$ 16,097,619	\$ 1,880,213	\$ 1,056,220	\$ 63,742	\$ 9	\$ 19,097,803

Exhibit I-7

Sequatchie County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2009

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	34,900	
Social Security		2,193	
Employer Medicare		500	
Audit Services		3,500	
Dues and Memberships		7,000	
Legal Services		2,996	
Legal Notices, Recording, and Court Costs		2,500	
Travel		972	
Other Contracted Services		1,200	
Liability Insurance		62,620	
Other Charges		4,870	
Total County Commission			\$ 123,251

Board of Equalization

Board and Committee Members Fees	\$	2,525	
Total Board of Equalization			2,525

Beer Board

Board and Committee Members Fees	\$	200	
Total Beer Board			200

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Assistant(s)		44,439	
In-Service Training		819	
Social Security		6,264	
State Retirement		8,309	
Medical Insurance		3,180	
Unemployment Compensation		218	
Employer Medicare		1,567	
Communication		5,248	
Data Processing Services		4,649	
Postal Charges		1,691	
Travel		1,298	
Office Supplies		2,479	
Premiums on Corporate Surety Bonds		200	
Office Equipment		1,573	
Total County Mayor/Executive			142,284

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

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

Election Commission

County Official/Administrative Officer	\$ 41,800	
Computer Programmer(s)	2,000	
Clerical Personnel	8,997	
Election Commission	6,100	
Election Workers	11,796	
In-Service Training	2,100	
Social Security	2,949	
State Retirement	3,315	
Medical Insurance	3,056	
Unemployment Compensation	200	
Employer Medicare	707	
Communication	1,514	
Legal Notices, Recording, and Court Costs	1,170	
Postal Charges	1,011	
Printing, Stationery, and Forms	488	
Rentals	800	
Travel	5,103	
Other Contracted Services	2,400	
Office Supplies	641	
Premiums on Corporate Surety Bonds	50	
Total Election Commission	<u>96,197</u>	96,197

Register of Deeds

County Official/Administrative Officer	\$ 52,251
Deputy(ies)	39,319
In-Service Training	400
Social Security	5,677
State Retirement	7,262
Unemployment Compensation	216
Employer Medicare	1,226
Communication	2,261
Data Processing Services	6,118
Dues and Memberships	407
Postal Charges	380
Rentals	854
Travel	800

(Continued)

Exhibit I-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Other Contracted Services	\$	11,951	
Duplicating Supplies		395	
Office Supplies		1,782	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			\$ 131,399

County Buildings

Custodial Personnel	\$	19,665	
Maintenance Personnel		6,054	
Social Security		1,220	
State Retirement		1,560	
Unemployment Compensation		108	
Employer Medicare		285	
Communication		600	
Maintenance Agreements		20,835	
Maintenance and Repair Services - Buildings		28,733	
Rentals		3,048	
Duplicating Supplies		1,907	
Electricity		113,000	
Natural Gas		45,000	
Water and Sewer		16,528	
Other Supplies and Materials		11,600	
Total County Buildings			270,143

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Secretary(ies)		60,049	
Social Security		7,440	
State Retirement		8,500	
Medical Insurance		3,146	
Unemployment Compensation		475	
Employer Medicare		1,740	
Audit Services		2,937	
Communication		5,668	
Data Processing Services		8,500	
Dues and Memberships		921	
Postal Charges		1,176	
Printing, Stationery, and Forms		74	
Travel		3,588	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Other Contracted Services	\$	11,129	
Office Supplies		2,084	
Premiums on Corporate Surety Bonds		340	
Office Equipment		4,744	
Total Property Assessor's Office			\$ 174,762

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		41,815	
Overtime Pay		1,502	
Social Security		6,217	
State Retirement		7,572	
Unemployment Compensation		200	
Employer Medicare		1,400	
Communication		1,461	
Data Processing Services		2,992	
Dues and Memberships		110	
Legal Notices, Recording, and Court Costs		150	
Maintenance and Repair Services - Office Equipment		5,136	
Postal Charges		3,840	
Travel		790	
Office Supplies		2,000	
Premiums on Corporate Surety Bonds		1,277	
Office Equipment		1,429	
Total County Trustee's Office			130,142

County Clerk's Office

County Official/Administrative Officer	\$	52,251
Deputy(ies)		80,849
Overtime Pay		291
Social Security		7,579
State Retirement		10,578
Medical Insurance		6,359
Unemployment Compensation		500
Employer Medicare		1,912
Communication		3,800
Dues and Memberships		472
Maintenance and Repair Services - Office Equipment		13,938
Postal Charges		6,444
Travel		1,539

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Office Supplies	\$	5,432	
Premiums on Corporate Surety Bonds		175	
Office Equipment		815	
Total County Clerk's Office			\$ 192,934

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		39,757	
Jury and Witness Fees		5,806	
Social Security		5,704	
State Retirement		7,000	
Unemployment Compensation		215	
Employer Medicare		1,334	
Communication		1,679	
Data Processing Services		4,440	
Dues and Memberships		327	
Postal Charges		473	
Rentals		3,779	
Other Contracted Services		13,612	
Office Supplies		10,283	
Premiums on Corporate Surety Bonds		100	
Total Circuit Court			146,760

General Sessions Court

Judge(s)	\$	79,310	
In-Service Training		500	
Social Security		4,430	
Medical Insurance		7,855	
Employer Medicare		1,036	
Dues and Memberships		100	
Travel		786	
Total General Sessions Court			94,017

Chancery Court

County Official/Administrative Officer	\$	52,251
Assistant(s)		19,988
Social Security		4,448
State Retirement		5,500
Unemployment Compensation		108

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Employer Medicare	\$	1,040	
Communication		506	
Dues and Memberships		327	
Postal Charges		445	
Rentals		673	
Office Supplies		1,242	
Office Equipment		475	
Total Chancery Court			\$ 87,003

Juvenile Court

Youth Service Officer(s)	\$	36,899	
In-Service Training		400	
Social Security		2,088	
State Retirement		2,800	
Medical Insurance		3,066	
Unemployment Compensation		108	
Employer Medicare		488	
Communication		2,357	
Dues and Memberships		100	
Postal Charges		47	
Travel		900	
Other Contracted Services		11,346	
Office Supplies		5,000	
Other Equipment		700	
Total Juvenile Court			66,299

Judicial Commissioners

County Official/Administrative Officer	\$	16,500	
Social Security		826	
State Retirement		1,300	
Medical Insurance		3,000	
Unemployment Compensation		100	
Employer Medicare		193	
Total Judicial Commissioners			21,919

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Deputy(ies)		275,999	
Investigator(s)		89,725	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Accountants/Bookkeepers	\$	20,821	
Salary Supplements		10,200	
Part-time Personnel		3,824	
Overtime Pay		43,208	
Other Salaries and Wages		4,851	
In-Service Training		12,499	
Social Security		33,034	
State Retirement		40,000	
Medical Insurance		8,119	
Unemployment Compensation		1,782	
Employer Medicare		7,726	
Other Fringe Benefits		37,037	
Communication		15,865	
Dues and Memberships		1,353	
Maintenance and Repair Services - Equipment		2,457	
Maintenance and Repair Services - Vehicles		25,494	
Postal Charges		996	
Rentals		1,478	
Travel		3,271	
Gasoline		61,107	
Law Enforcement Supplies		16,489	
Office Supplies		4,998	
Uniforms		10,977	
Premiums on Corporate Surety Bonds		1,825	
Data Processing Equipment		7,835	
Total Sheriff's Department			\$ 800,447

Jail

Supervisor/Director	\$	27,918
Guards		469,875
Part-time Personnel		23,560
Overtime Pay		57,378
In-Service Training		1,505
Social Security		38,703
State Retirement		49,000
Medical Insurance		4,496
Unemployment Compensation		3,520
Employer Medicare		9,052
Other Fringe Benefits		52,410
Maintenance and Repair Services - Equipment		600

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Postal Charges	\$	987	
Rentals		1,857	
Disposal Fees		5,000	
Drugs and Medical Supplies		197,451	
Food Supplies		128,613	
Law Enforcement Supplies		16,949	
Office Supplies		9,100	
Uniforms		12,025	
Other Supplies and Materials		15,495	
Premiums on Corporate Surety Bonds		1,800	
Total Jail			\$ 1,127,294

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	\$	7,528	
In-Service Training		385	
Social Security		467	
Employer Medicare		109	
Communication		500	
Maintenance and Repair Services - Vehicles		353	
Travel		285	
Gasoline		918	
Office Supplies		400	
Law Enforcement Equipment		66,368	
Total Other Emergency Management			77,313

County Coroner/Medical Examiner

Contributions	\$	11,642	
Total County Coroner/Medical Examiner			11,642

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Medical Personnel	\$	62,556	
Social Security		3,684	
State Retirement		4,000	
Medical Insurance		3,180	
Unemployment Compensation		700	
Employer Medicare		841	
Communication		4,926	
Dues and Memberships		150	
Maintenance and Repair Services - Buildings		202	
Travel		7,000	
Other Contracted Services		5,100	
Drugs and Medical Supplies		62	
Office Supplies		1,100	
Other Supplies and Materials		<u>1,677</u>	
Total Local Health Center			\$ 95,178

Ambulance/Emergency Medical Services

Maintenance and Repair Services - Vehicles	\$	<u>10,578</u>	
Total Ambulance/Emergency Medical Services			10,578

Crippled Children Services

Contributions	\$	<u>1,026</u>	
Total Crippled Children Services			1,026

Appropriation to State

Contributions	\$	<u>23,825</u>	
Total Appropriation to State			23,825

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	<u>7,000</u>	
Total Senior Citizens Assistance			7,000

Libraries

Supervisor/Director	\$	31,346	
Clerical Personnel		19,843	
Part-time Personnel		1,830	
Social Security		3,100	
State Retirement		4,200	
Medical Insurance		3,184	

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Unemployment Compensation	\$	250	
Employer Medicare		834	
Communication		2,102	
Dues and Memberships		1,894	
Postal Charges		1,200	
Travel		367	
Other Contracted Services		2,400	
Library Books/Media		9,300	
Office Supplies		1,657	
Other Supplies and Materials		935	
Other Equipment		768	
Total Libraries			\$ 85,210

Parks and Fair Boards

Contributions	\$	3,000	
Maintenance and Repair Services - Buildings		11,144	
Other Contracted Services		27,000	
Electricity		6,158	
Gasoline		150	
Water and Sewer		1,700	
Other Supplies and Materials		1,500	
Total Parks and Fair Boards			50,652

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	\$	39,126	
Employer Medicare		6,808	
Communication		3,207	
Contributions		600	
Maintenance and Repair Services - Equipment		286	
Travel		799	
Office Supplies		300	
Other Equipment		2,000	
Total Agriculture Extension Service			53,126

(Continued)

Exhibit I-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Contributions	\$ 11,289	
Total Soil Conservation		\$ 11,289

Other Operations

Tourism

Contributions	\$ 10,500	
Total Tourism		10,500

Industrial Development

Dues and Memberships	\$ 667	
Total Industrial Development		667

Other Economic and Community Development

Contracts with Government Agencies	\$ 303,057	
Contracts with Other Public Agencies	273,634	
Total Other Economic and Community Development		576,691

Veterans' Services

Clerical Personnel	\$ 5,998	
Social Security	400	
Unemployment Compensation	45	
Employer Medicare	100	
Communication	1,221	
Data Processing Services	453	
Postal Charges	84	
Travel	788	
Office Supplies	300	
Other Equipment	135	
Total Veterans' Services		9,524

Other Charges

Trustee's Commission	\$ 53,714	
Workers' Compensation Insurance	30,000	
Total Other Charges		83,714

Total General Fund		\$ 4,756,811
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(Continued)

Exhibit I-7

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

Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 11,851	
Total County Buildings		\$ 11,851

Other Operations

Other Charges

Trustee's Commission	\$ 186	
Total Other Charges		<u>186</u>

Total Courthouse and Jail Maintenance Fund		\$ 12,037
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$ 14,484	
Secretary(ies)	3,900	
Social Security	1,195	
Employer Medicare	267	
Maintenance and Repair Services - Vehicles	649	
Gasoline	2,790	
Instructional Supplies and Materials	5,100	
Other Supplies and Materials	2,192	
Total Sanitation Education/Information		\$ 30,577

Waste Pickup

Equipment Operators	\$ 45,803	
Social Security	2,052	
State Retirement	3,632	
Medical Insurance	3,182	
Unemployment Compensation	221	
Employer Medicare	480	
Maintenance and Repair Services - Vehicles	7,885	
Diesel Fuel	22,890	
Gasoline	1,958	
Lubricants	200	
Office Supplies	65	
Total Waste Pickup		88,368

Convenience Centers

Attendants	\$ 98,571
Part-time Personnel	2,400

(Continued)

Exhibit I-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Social Security	\$	6,102	
State Retirement		7,665	
Medical Insurance		2,400	
Unemployment Compensation		808	
Employer Medicare		1,427	
Communication		2,200	
Maintenance and Repair Services - Buildings		1,524	
Other Contracted Services		180	
Custodial Supplies		22	
Electricity		4,452	
Water and Sewer		1,159	
Other Supplies and Materials		22,189	
Total Convenience Centers			\$ 151,099

Other Waste Collection

Contracts with Private Agencies	\$	18,500	
Contracts for Landfill Facilities		122,000	
Total Other Waste Collection			140,500

Landfill Operation and Maintenance

Contracts for Postclosure Care Costs	\$	9,401	
Total Landfill Operation and Maintenance			9,401

Other Operations

Other Charges

Trustee's Commission	\$	6,972	
Total Other Charges			6,972

Total Solid Waste/Sanitation Fund \$ 426,917

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	43,236	
Medical Personnel		420,059	
Clerical Personnel		18,706	
In-Service Training		9,888	
Social Security		29,333	
State Retirement		32,584	
Medical Insurance		7,000	

(Continued)

Exhibit I-7

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.)

Unemployment Compensation	\$	2,263	
Employer Medicare		6,860	
Communication		4,638	
Data Processing Services		6,000	
Dues and Memberships		240	
Licenses		700	
Maintenance and Repair Services - Buildings		1,000	
Maintenance and Repair Services - Equipment		1,968	
Maintenance and Repair Services - Vehicles		23,835	
Medical and Dental Services		1,000	
Postal Charges		1,176	
Travel		475	
Permits		500	
Data Processing Supplies		300	
Drugs and Medical Supplies		31,879	
Electricity		3,414	
Gasoline		28,683	
Natural Gas		2,805	
Office Supplies		1,950	
Tires and Tubes		1,965	
Uniforms		4,096	
Other Supplies and Materials		2,942	
Trustee's Commission		7,900	
Total Ambulance/Emergency Medical Services			\$ 697,395

Total Ambulance Service Fund \$ 697,395

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	22,500	
Dues and Memberships		1,443	
Maintenance and Repair Services - Vehicles		2,999	
Veterinary Services		3,004	
Other Supplies and Materials		44,600	
Trustee's Commission		592	
Total Drug Enforcement			\$ 75,138

Total Drug Control Fund 75,138

(Continued)

Exhibit I-7

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

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 4,201	
Total County Clerk's Office		\$ 4,201

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 65	
Total Sheriff's Department		<u>65</u>

Total Constitutional Officers - Fees Fund		\$ 4,266
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,477	
Accountants/Bookkeepers	29,715	
Clerical Personnel	24,734	
Bank Charges	40	
Data Processing Services	4,586	
Dues and Memberships	2,167	
Evaluation and Testing	1,545	
Legal Services	18	
Legal Notices, Recording, and Court Costs	1,080	
Maintenance Agreements	175	
Postal Charges	417	
Printing, Stationery, and Forms	489	
Rentals	8,000	
Travel	1,079	
Data Processing Supplies	429	
Drugs and Medical Supplies	70	
Instructional Supplies and Materials	60	
Office Supplies	1,108	
Other Charges	39	
Data Processing Equipment	3,728	
Furniture and Fixtures	15	
Office Equipment	<u>2,678</u>	
Total Administration		\$ 139,649

Highway and Bridge Maintenance

Foremen	\$ 33,304
Equipment Operators	80,826

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Truck Drivers	\$	82,206	
Laborers		158,090	
Other Contracted Services		17,463	
Asphalt - Hot Mix		11,757	
Asphalt - Liquid		29,112	
Concrete		183	
Crushed Stone		42,471	
Fertilizer, Lime, and Seed		362	
Other Road Supplies		539	
Pipe		662	
Pipe - Metal		16,636	
Road Signs		13,514	
Salt		8,199	
Sand		465	
Small Tools		6,472	
Wood Products		17	
Total Highway and Bridge Maintenance			\$ 502,278

Operation and Maintenance of Equipment

Mechanic(s)	\$	28,774	
Nightwatchmen		55,239	
Maintenance and Repair Services - Equipment		3,377	
Disposal Fees		838	
Diesel Fuel		22,360	
Equipment and Machinery Parts		16,522	
Garage Supplies		3,159	
Gasoline		18,981	
Lubricants		3,204	
Propane Gas		400	
Small Tools		2,556	
Tires and Tubes		6,556	
Other Supplies and Materials		1,485	
Total Operation and Maintenance of Equipment			163,451

Other Charges

Communication	\$	3,068	
Electricity		2,954	
Natural Gas		914	
Water and Sewer		849	
Liability Insurance		9,000	

(Continued)

Exhibit I-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Premiums on Corporate Surety Bonds	\$	350	
Trustee's Commission		13,284	
Vehicle and Equipment Insurance		15,595	
Total Other Charges			\$ 46,014

Employee Benefits

Social Security	\$	40,663	
State Retirement		42,247	
Employee and Dependent Insurance		151,792	
Unemployment Compensation		1,943	
Workers' Compensation Insurance		65,711	
Other Charges		19	
Total Employee Benefits			302,375

Capital Outlay

Maintenance and Repair Services - Buildings	\$	475	
Rentals		570	
Other Contracted Services		8,456	
Bridge Construction		13,019	
Communication Equipment		144	
Heating and Air Conditioning Equipment		360	
Highway Equipment		30,895	
Plant Operation Equipment		1,911	
Total Capital Outlay			55,830

Total Highway/Public Works Fund \$ 1,209,597

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	76,244	
Principal on Capital Leases		16,821	
Principal on Other Loans		174,000	
Total General Government			\$ 267,065

Interest on Debt

General Government

Interest on Notes	\$	6,523	
Interest on Capital Leases		823	
Interest on Other Loans		75,153	
Total General Government			82,499

(Continued)

Exhibit I-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$	9,649	
Other Debt Issuance Charges		<u>32,896</u>	
Total General Government			\$ <u>42,545</u>

Total General Debt Service Fund \$ 392,109

General Capital Projects Fund

Capital Projects

Public Health and Welfare Projects

Architects	\$	8,747	
Gravel and Chert		1,366	
Building Construction		<u>645,123</u>	
Total Public Health and Welfare Projects			\$ <u>655,236</u>

Total General Capital Projects Fund 655,236

Total Governmental Funds - Primary Government \$ 8,229,506

Exhibit I-8

Sequatchie County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2009

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,437,288	
Career Ladder Program	50,960	
Career Ladder Extended Contracts	33,800	
Homebound Teachers	40,483	
Educational Assistants	170,131	
Certified Substitute Teachers	5,550	
Non-certified Substitute Teachers	58,575	
Social Security	271,220	
State Retirement	298,324	
Medical Insurance	600,538	
Employer Medicare	64,551	
Contracts with Other School Systems	9,210	
Maintenance and Repair Services - Equipment	14,039	
Instructional Supplies and Materials	87,410	
Textbooks	168,604	
Other Charges	3,527	
Regular Instruction Equipment	55,332	
Total Regular Instruction Program		\$ 6,369,542

Alternative Instruction Program

Teachers	\$ 50,191	
Career Ladder Program	1,000	
Educational Assistants	11,460	
Social Security	3,826	
State Retirement	4,195	
Medical Insurance	4,352	
Employer Medicare	895	
Other Supplies and Materials	162	
Other Charges	1,046	
Total Alternative Instruction Program		77,127

Special Education Program

Teachers	\$ 938,696
Career Ladder Program	12,465
Career Ladder Extended Contracts	1,950
Homebound Teachers	26,611
Clerical Personnel	21,631
Educational Assistants	162,138
Other Salaries and Wages	19,975

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Certified Substitute Teachers	\$	1,404	
Non-certified Substitute Teachers		18,546	
Social Security		66,696	
State Retirement		76,951	
Medical Insurance		189,156	
Employer Medicare		16,024	
Communication		2,900	
Travel		548	
Other Contracted Services		22,081	
Instructional Supplies and Materials		5,990	
Other Charges		64,270	
Special Education Equipment		240	
Total Special Education Program			\$ 1,648,272

Vocational Education Program

Teachers	\$	186,080	
Career Ladder Extended Contracts		1,200	
Non-certified Substitute Teachers		300	
Social Security		10,626	
State Retirement		12,023	
Medical Insurance		31,022	
Employer Medicare		2,485	
Instructional Supplies and Materials		3,580	
Vocational Instruction Equipment		18,435	
Total Vocational Education Program			265,751

Student Body Education Program

Other Salaries and Wages	\$	15,039	
Social Security		918	
State Retirement		823	
Employer Medicare		215	
Total Student Body Education Program			16,995

Adult Education Program

Teachers	\$	12,359	
Clerical Personnel		16,733	
Other Salaries and Wages		7,790	
Social Security		2,287	
State Retirement		2,255	

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Employer Medicare	\$	535	
Instructional Supplies and Materials		2,689	
Total Adult Education Program			\$ 44,648

Support Services

Attendance

Supervisor/Director	\$	58,680	
Career Ladder Program		1,000	
Clerical Personnel		15,196	
Social Security		4,250	
State Retirement		5,036	
Medical Insurance		13,087	
Employer Medicare		994	
Travel		2,052	
Other Supplies and Materials		28	
Total Attendance			100,323

Health Services

Supervisor/Director	\$	36,713	
Medical Personnel		38,757	
Educational Assistants		16,757	
Social Security		5,593	
State Retirement		6,583	
Employer Medicare		1,308	
Communication		504	
Postal Charges		105	
Travel		4,315	
Other Contracted Services		327	
Other Supplies and Materials		23,343	
Other Charges		9,843	
Total Health Services			144,148

Other Student Support

Guidance Personnel	\$	167,854	
Other Salaries and Wages		13,248	
Social Security		10,819	
State Retirement		11,827	
Medical Insurance		9,141	
Employer Medicare		2,530	

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Evaluation and Testing	\$	14,042	
Travel		1,226	
Other Contracted Services		29,423	
Other Charges		2,154	
Other Equipment		45,971	
Total Other Student Support			\$ 308,235

Regular Instruction Program

Supervisor/Director	\$	132,362	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		4,500	
Librarians		131,462	
Instructional Computer Personnel		55,266	
Clerical Personnel		24,511	
Other Salaries and Wages		26,102	
Social Security		22,277	
State Retirement		25,302	
Medical Insurance		31,747	
Employer Medicare		5,210	
Travel		8,909	
Library Books/Media		12,000	
Other Supplies and Materials		60,604	
In Service/Staff Development		6,176	
Other Charges		3,966	
Other Equipment		1,380	
Total Regular Instruction Program			559,774

Special Education Program

Supervisor/Director	\$	61,832	
Career Ladder Program		2,000	
Psychological Personnel		47,840	
Social Security		6,521	
State Retirement		7,169	
Medical Insurance		13,641	
Employer Medicare		1,525	
Travel		9,835	
Other Contracted Services		5,770	
Instructional Supplies and Materials		274	
In Service/Staff Development		1,732	

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Charges	\$ 852	
Total Special Education Program		\$ 158,991

Adult Programs

Supervisor/Director	\$ 46,995	
Career Ladder Program	1,000	
Clerical Personnel	4,000	
Social Security	2,855	
State Retirement	3,399	
Medical Insurance	8,579	
Employer Medicare	668	
Communication	551	
Operating Lease Payments	525	
Postal Charges	130	
Travel	999	
In Service/Staff Development	1,678	
Other Charges	225	
Total Adult Programs		71,604

Other Programs

On-Behalf Payments to OPEB	\$ 36,865	
Total Other Programs		36,865

Board of Education

Board and Committee Members Fees	\$ 17,321	
Social Security	1,074	
Unemployment Compensation	78	
Employer Medicare	251	
Audit Services	6,350	
Dues and Memberships	11,210	
Travel	13,558	
Other Contracted Services	1,500	
Liability Insurance	14,122	
Trustee's Commission	95,511	
Workers' Compensation Insurance	60,558	
Refund to Applicant for Criminal Investigation	2,148	
Other Charges	3,843	
Total Board of Education		227,524

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	92,221	
Assistant(s)		3,026	
Career Ladder Program		1,000	
Secretary(ies)		13,656	
Social Security		6,631	
State Retirement		7,262	
Medical Insurance		4,335	
Employer Medicare		1,551	
Communication		12,873	
Postal Charges		2,848	
Office Supplies		3,054	
Other Supplies and Materials		388	
Other Charges		4,507	
Total Director of Schools			\$ 153,352

Office of the Principal

Principals	\$	187,989	
Career Ladder Program		4,000	
Accountants/Bookkeepers		42,276	
Career Ladder Extended Contracts		5,550	
Assistant Principals		162,872	
Secretary(ies)		42,389	
Social Security		26,027	
State Retirement		29,852	
Medical Insurance		37,188	
Employer Medicare		6,087	
Travel		2,359	
Administration Equipment		1,124	
Total Office of the Principal			547,713

Fiscal Services

Supervisor/Director	\$	65,469
Clerical Personnel		27,297
Other Salaries and Wages		25,146
Social Security		6,885
State Retirement		9,346
Medical Insurance		12,741
Employer Medicare		1,610
Data Processing Services		7,196

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Travel	\$	1,818	
Office Supplies		1,090	
Other Supplies and Materials		60	
Other Charges		2,288	
Administration Equipment		2,248	
Total Fiscal Services			\$ 163,194

Operation of Plant

Custodial Personnel	\$	254,300	
Social Security		14,926	
State Retirement		20,166	
Medical Insurance		54,153	
Employer Medicare		3,491	
Other Contracted Services		44,245	
Custodial Supplies		35,897	
Electricity		454,266	
Natural Gas		63,329	
Water and Sewer		64,008	
Other Supplies and Materials		22,588	
Boiler Insurance		2,530	
Building and Contents Insurance		16,322	
Other Charges		4,452	
Total Operation of Plant			1,054,673

Maintenance of Plant

Supervisor/Director	\$	33,627	
Maintenance Personnel		88,662	
Social Security		6,827	
State Retirement		9,698	
Medical Insurance		26,785	
Employer Medicare		1,597	
Maintenance and Repair Services - Buildings		2,768	
Maintenance and Repair Services - Equipment		488	
Travel		1,864	
Other Supplies and Materials		19,204	
Other Charges		8,254	
Total Maintenance of Plant			199,774

(Continued)

Exhibit I-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	1,384	
Mechanic(s)		33,627	
Bus Drivers		174,607	
Other Salaries and Wages		8,324	
In-Service Training		480	
Social Security		13,312	
State Retirement		17,015	
Medical Insurance		4,236	
Employer Medicare		3,123	
Communication		621	
Medical and Dental Services		1,910	
Travel		1,722	
Other Contracted Services		4,443	
Diesel Fuel		39,796	
Gasoline		7,610	
Lubricants		1,596	
Tires and Tubes		6,105	
Vehicle Parts		33,241	
Other Supplies and Materials		1,055	
Vehicle and Equipment Insurance		9,288	
Other Charges		3,947	
Transportation Equipment		<u>75,594</u>	
Total Transportation	\$		443,036

Operation of Non-Instructional Services

Community Services

Other Charges	\$	<u>55</u>	
Total Community Services			55

Early Childhood Education

Teachers	\$	40,595	
Educational Assistants		13,526	
Social Security		2,800	
State Retirement		3,571	
Medical Insurance		13,449	
Employer Medicare		655	
Postal Charges		161	
Travel		1,500	
Instructional Supplies and Materials		18,138	

(Continued)

Exhibit I-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Operation of Non-Instructional Services (Cont.)</u>		
<u>Early Childhood Education (Cont.)</u>		
Other Supplies and Materials	\$ 1,500	
Total Early Childhood Education		\$ 95,895
<u>Capital Outlay</u>		
<u>Regular Capital Outlay</u>		
Building Improvements	\$ 523,108	
Total Regular Capital Outlay		523,108
<u>Principal on Debt</u>		
<u>Education</u>		
Principal on Bonds	\$ 905,000	
Principal on Other Loans	136,200	
Total Education		1,041,200
<u>Interest on Debt</u>		
<u>Education</u>		
Interest on Bonds	\$ 239,696	
Interest on Other Loans	30,168	
Total Education		269,864
<u>Other Debt Service</u>		
<u>Education</u>		
Other Debt Service	\$ 11,814	
Total Education		11,814
Total General Purpose School Fund		\$ 14,533,477
<u>School Federal Projects Fund</u>		
<u>Instruction</u>		
<u>Regular Instruction Program</u>		
Teachers	\$ 293,483	
Educational Assistants	25,783	
Certified Substitute Teachers	300	
Non-certified Substitute Teachers	2,325	
Social Security	17,012	
State Retirement	18,735	
Medical Insurance	32,283	
Unemployment Compensation	1,608	
Employer Medicare	4,422	

(Continued)

Exhibit I-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	82,700	
Other Charges		1,513	
Total Regular Instruction Program			\$ 480,164

Special Education Program

Teachers	\$	1,521	
Educational Assistants		226,554	
Social Security		12,417	
State Retirement		17,990	
Medical Insurance		70,445	
Unemployment Compensation		1,140	
Employer Medicare		2,904	
Contracts with Private Agencies		29,524	
Other Contracted Services		22,883	
Instructional Supplies and Materials		24,531	
Other Charges		6,774	
Special Education Equipment		19,641	
Total Special Education Program			436,324

Vocational Education Program

Instructional Supplies and Materials	\$	5,854	
Vocational Instruction Equipment		24,583	
Total Vocational Education Program			30,437

Support Services

Other Student Support

Other Salaries and Wages	\$	105	
Social Security		7	
Employer Medicare		2	
Travel		1,044	
Other Supplies and Materials		3,346	
In Service/Staff Development		5,040	
Other Charges		6,805	
Total Other Student Support			16,349

Regular Instruction Program

Supervisor/Director	\$	58,076	
Clerical Personnel		13,215	
Social Security		4,245	

(Continued)

Exhibit I-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	4,777	
Medical Insurance		4,224	
Unemployment Compensation		356	
Employer Medicare		993	
Other Supplies and Materials		2,901	
In Service/Staff Development		27,375	
Other Charges		335	
Total Regular Instruction Program			\$ 116,497

Special Education Program

Psychological Personnel	\$	50,001	
Clerical Personnel		7,941	
Other Salaries and Wages		17,642	
Social Security		4,544	
State Retirement		5,191	
Medical Insurance		4,653	
Unemployment Compensation		378	
Employer Medicare		1,063	
In Service/Staff Development		5,832	
Other Charges		355	
Total Special Education Program			97,600

Vocational Education Program

Clerical Personnel	\$	865	
Social Security		54	
State Retirement		69	
Employer Medicare		13	
Travel		893	
In Service/Staff Development		125	
Total Vocational Education Program			2,019

Transportation

Bus Drivers	\$	36,313	
Other Salaries and Wages		20,568	
Social Security		3,379	
State Retirement		4,008	
Medical Insurance		4,532	
Unemployment Compensation		284	
Employer Medicare		790	

(Continued)

Exhibit I-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Diesel Fuel	\$	4,787	
Lubricants		161	
Tires and Tubes		150	
Vehicle Parts		754	
Other Charges		3,304	
Total Transportation			\$ 79,030

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	7,680	
Teachers		73,229	
Bus Drivers		4,335	
Educational Assistants		35,296	
Other Salaries and Wages		8,416	
Social Security		7,473	
State Retirement		8,337	
Unemployment Compensation		645	
Employer Medicare		1,748	
Communication		781	
Travel		1,634	
Instructional Supplies and Materials		9,939	
Other Supplies and Materials		5,180	
Refunds		310,659	
Other Charges		7,508	
Total Community Services			482,860

Total School Federal Projects Fund \$ 1,741,280

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	30,096
Accountants/Bookkeepers		25,703
Clerical Personnel		17,000
Cafeteria Personnel		243,103
Temporary Personnel		8,435
Other Salaries and Wages		13,781
Social Security		18,500
State Retirement		25,536

(Continued)

Exhibit I-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Medical Insurance	\$	95,398	
Unemployment Compensation		18	
Employer Medicare		4,327	
Communication		4,040	
Maintenance and Repair Services - Equipment		4,260	
Transportation - Other than Students		6,481	
Travel		1,666	
Other Contracted Services		7,808	
Food Preparation Supplies		2,056	
Food Supplies		392,212	
Office Supplies		4,745	
Other Supplies and Materials		31,521	
In Service/Staff Development		3,868	
Criminal Investigation of Applicants - TBI		300	
Other Charges		1,836	
Food Service Equipment		5,600	
Total Food Service			\$ 948,290

Total Central Cafeteria Fund \$ 948,290

Other Education Special Revenue Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	13,632	
Clerical Personnel		1,496	
Other Salaries and Wages		30,915	
Non-certified Substitute Teachers		700	
Social Security		2,519	
State Retirement		3,651	
Medical Insurance		13,888	
Employer Medicare		589	
Instructional Supplies and Materials		924	
In Service/Staff Development		180	
Other Charges		398	
Total Community Services			\$ 68,892

Total Other Education Special Revenue Fund 68,892

Total Governmental Funds - Sequatchie County School Department \$ 17,291,939

Exhibit I-9

Sequatchie County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2009

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 360,140
Total Cash Receipts	<u>\$ 360,140</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 356,539
Trustee's Commission	3,601
Total Cash Disbursements	<u>\$ 360,140</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2008	<u>0</u>
Cash Balance, June 30, 2009	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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

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

March 4, 2010

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Sequatchie County's basic financial statements and have issued our report thereon dated March 4, 2010. Our report on the financial statements expresses an adverse opinion on the governmental activities because the capital asset records of Sequatchie County contained numerous material discrepancies, errors, misclassifications, and inaccurate calculations of accumulated depreciation balances. Our report on the aggregate discretely presented component units is qualified due to not including the financial statements of the Sequatchie County Emergency Communications District, which were not available from other auditors as of the date of this report. 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 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sequatchie County'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: 09.01, 09.02, 09.03, 09.04, 09.06, 09.07, 09.09, and 09.12.

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 internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09.01 and 09.02 to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequatchie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items: 09.05, 09.08, and 09.10.

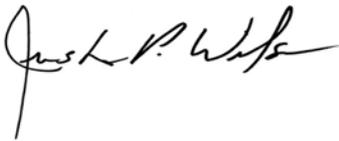
We consider item 09.11 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations.

We also noted certain matters that we reported to management of Sequatchie County 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, highway supervisor, director of schools, Board of County Commissioners, Board of Education, others within Sequatchie County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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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 37243-1402  
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 4, 2010

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Sequatchie County 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 its major federal programs for the year ended June 30, 2009. Sequatchie County'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 its major federal programs is the responsibility of Sequatchie County's management. Our responsibility is to express an opinion on Sequatchie County'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 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 compliance with those requirements.

In our opinion, Sequatchie County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

#### Internal Control Over Compliance

The management of Sequatchie County 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 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 internal control over compliance.

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

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

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

#### Schedule of Expenditures of Federal Awards

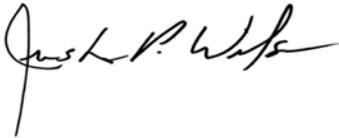
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2009, which collectively comprise Sequatchie County's basic financial statements and have issued our report thereon dated March 4, 2010. Our report on the financial statements expresses an adverse opinion on the governmental activities because the capital asset records of Sequatchie County contained numerous material discrepancies, errors, misclassifications,

and inaccurate calculations of accumulated depreciation balances. Our report on the aggregate discretely presented component units is qualified due to not including the financial statements of the Sequatchie County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Sequatchie County'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, highway supervisor, director of schools, Board of County Commissioners, Board of Education, others within Sequatchie County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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Sequatchie County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2009

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 85,363 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	176,534
National School Lunch Program	10.555	N/A	534,727 (3)
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	5,781
Total U.S. Department of Agriculture			\$ 802,405
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-05-12412-00	\$ 287,596
Passed-through Southeast Tennessee Human Resource Agency:			
Home Investment Partnership Program	14.239	(2)	241,250
Total U.S. Department of Housing and Urban Development			\$ 528,846
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(4)	\$ 1,695
Total U.S. Department of Justice			\$ 1,695
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Regional Development	23.001	(2)	\$ 160,238
Total Appalachian Regional Commission			\$ 160,238
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-09-213503-00	\$ 93,182
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	462,726
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	612,652
Special Education - Preschool Grants	84.173	N/A	41,582
Career and Technical Education - Basic Grants to States	84.048	N/A	40,499
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	67,413
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	9,171
Twenty-first Century Community Learning Centers	84.287	(2)	503,026
Education Technology State Grants	84.318	(2)	5,435
Rural Education	84.358	(2)	54,035
Improving Teacher Quality State Grants	84.367	(2)	83,582
Total U.S. Department of Education			\$ 1,973,303
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	GG-07-20802-00	\$ 9,829
Public Assistance Grants	97.036	Z-03-017821-00	15,155
Homeland Security Grant Program	97.067	GG-08-24208-00	56,539
Total U.S. Department of Homeland Security			\$ 81,523
Total Expenditures of Federal Awards			\$ 3,548,010

(Continued)

Sequatchie County, Tennessee  
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>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 32,496
Early Childhood Education - State Department of Education	N/A	(2)	98,141
Coordinated School Health Expansion - State Department of Education	N/A	GG8AAX9	77,109
Drivers Education - State Department of Education	N/A	(2)	854
Safe Schools - State Department of Education	N/A	(2)	14,200
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	6,781
Youth Services Program - State Commission on Children and Youth	N/A	Z-08-022806-00	11,250
Local Health Services - State Department of Health	N/A	Z-08-02040-00	89,973
Highway Safety Grant - State Department of Transportation	N/A	Z-08-24046-00	43,800
Arts Build Communities Program - State Arts Commission	N/A	(2)	2,055
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	19,375
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	10,200
Total State Grants			<u>\$ 406,234</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$620,090.
- (4) Z-08-023337-00: \$1,395; Z-08-23265-00: \$300.

Sequatchie County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2009

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, for the year ended June 30, 2008, which have not been corrected.

**SEQUATCHIE COUNTY**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.01	178	Capital asset records were not properly maintained
08.02	178	Sequatchie County does not have the resources to produce financial statements and notes to the financial statements

**OFFICE OF HIGHWAY SUPERVISOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.06	182	Supervisors did not sign the employees' time sheets or time cards as evidence of review and approval

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.11	184	The office had deficiencies in computer system backup procedures

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
08.18	190	The office did not deposit some funds within three days of collection

## OTHER FINDINGS

Finding Number	Page Number	Subject
08.20	191	A central system of accounting, budgeting, and purchasing had not been adopted
08.21	192	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**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2009**

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

1. Our report on the governmental activities is adverse. Our report on the aggregate discretely presented component units is qualified. Our report on each major fund and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Sequatchie County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Sequatchie County.
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, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); Special Education Cluster: Special Education - Grants to States and 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 did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses of the director of schools and the circuit and general sessions courts clerk are paraphrased in this report.

### **SEQUATCHIE COUNTY**

**FINDING 09.01**      **CAPITAL ASSET RECORDS WERE NOT PROPERLY MAINTAINED**  
(Internal Control – Material Weakness Under Government Auditing Standards)

An adverse opinion was issued on the financial statements of the governmental activities because the capital asset records of Sequatchie County contained numerous material discrepancies, errors, misclassifications, and inaccurate calculations of accumulated depreciation balances. For example, there was no documentation to support the valuation for several capital assets, and in several instances, depreciation was not calculated for various capital assets. Because the capital asset records of Sequatchie County were not properly maintained, we could not determine if all capital assets had been properly recorded and depreciated. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

### **RECOMMENDATION**

Management should ensure that capital asset records are properly maintained on a current basis to support accurate balances. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

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**FINDING 09.02**      **SEQUATCHIE COUNTY DOES NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Sequatchie County's financial statements be the product of a financial reporting system that offers reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist the county in preparing its financial statements and notes as a matter of convenience as long as the county has the skills needed to prepare its financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. This deficiency exists because management

failed to correct the deficiency noted in the prior-year audit report. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

### RECOMMENDATION

Sequatchie County should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

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### OFFICE OF HIGHWAY SUPERVISOR

**FINDING 09.03      EMPLOYEES' TIME RECORDS WERE NOT SIGNED BY A SUPERVISOR**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Supervisors did not sign the employees' time sheets or time cards as evidence of review and approval. Sound business practices dictate that payroll time sheets or time cards should be properly reviewed and approved. This deficiency is due to a lack of management oversight and the failure to correct this deficiency noted in the prior-year audit report. If supervisors do not review and approve time sheets or time cards, it increases the risk that improper payments could result.

### RECOMMENDATION

Supervisors should sign the employees' time sheets or time cards as evidence of review and approval.

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### OFFICE OF DIRECTOR OF SCHOOLS

**FINDING 09.04      A CASH SHORTAGE OF \$31,710 EXISTED IN THE GENERAL PURPOSE SCHOOL FUND AS OF JANUARY 21, 2010**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

On January 25, 2010, School Department officials notified auditors that a payroll discrepancy had been discovered. During the period July 1, 2006, through January 21, 2010, the payroll bookkeeper had issued checks totaling \$31,710 to herself in excess of her allowable compensation. The payroll bookkeeper and two other School

Department bookkeepers receive compensation, in addition to their regular salaries, for bookkeeping responsibilities related to special programs operated by the School Department. According to school officials, the bookkeepers are required to work extra hours to receive this additional compensation; however, there are no written policies and procedures on file at the School Department addressing work hours, overtime, or additional compensation. The payroll bookkeeper's additional compensation from the adult education program was budgeted at \$5,000 annually. As part of her duties, she calculated her overtime rate and additional overtime hours required to receive the additional compensation, prepared the budget and reports for the adult education program, issued payroll checks, and made direct deposits for payroll. The shortage was determined as the difference in the overtime reported on the payroll bookkeeper's time reports and the amount she was paid from the adult education program, as follows:

Fiscal Year Ended	Compensation from Adult Education	Compensation	
		Based on Reported Overtime	Calculated Shortage
6-30-07	\$ 7,800	\$ (2,910)	\$ 4,890
6-30-08	8,200	(3,148)	5,052
6-30-09	15,000	(4,262)	10,738
6-30-10*	13,500	(2,470)	11,030
Total	\$ 44,500	\$ (12,790)	\$ 31,710

\* These amounts are through January 21, 2010.

The payroll bookkeeper resigned her position on January 21, 2010. This finding has been reviewed with the district attorney general.

### RECOMMENDATION

The Board of Education should pursue collection of the cash shortage. Also, written policies and procedures should be established covering employee work hours, overtime, and any additional compensation. To strengthen internal controls, duties should be segregated adequately among the employees. Adequate supervision should be provided over all employees.

### MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

School officials notified the Comptroller's Office immediately upon realizing the payroll discrepancy. We are relieved that the segregation of duties that were in place did reveal the discrepancy. We plan to strengthen our internal controls by re-evaluating our segregation of duties and addressing the weaknesses that exist. The director of schools will take the necessary actions to liquidate the cash shortage as soon as possible.

**FINDING 09.05      AN UNAUTHORIZED TRANSFER OF \$52,906 WAS MADE FROM THE CENTRAL CAFETERIA FUND TO THE GENERAL PURPOSE SCHOOL FUND**  
(Material Noncompliance Under Government Auditing Standards)

During the year, an unauthorized transfer of \$52,906 was made from the Central Cafeteria Fund to the General Purpose School Fund. School Department officials advised that this transfer was to reimburse the General Purpose School Fund for direct costs related to utility usage, monitors, maintenance, garbage disposal, and workers' compensation insurance; however, the School Department could not provide documentation to support the transfer. School Departments are authorized to make transfers from the Central Cafeteria Fund for direct costs, but only if the costs are properly documented. In the absence of adequate documentation, this transfer is considered an indirect cost. Section 49-6-2305, Tennessee Code Annotated, requires the food service program to have an excess balance that exceeds three months expenditures to disburse funds for indirect costs. The Central Cafeteria Fund did not have the excess balance that would allow them to transfer funds to the General Purpose School Fund under the indirect cost method. The failure to meet requirements for transfers from the Central Cafeteria Fund to the General Purpose School Fund for both direct and indirect costs could lead to the abuse of program funds.

**RECOMMENDATION**

The School Department should not transfer funds from the Central Cafeteria Fund to the General Purpose School Fund without an adequate excess balance for indirect costs or proper documentation of direct costs.

**MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS**

Sequatchie County Schools officials understand that we cannot transfer indirect cost from the Central Cafeteria Fund due to the food service program not meeting the three-month excess balance. However, we are allowed to transfer direct costs relating to the food service program. The school system has transferred costs from the Central Cafeteria Fund in excess of 20 years. So, this is not a transfer that has suddenly taken place. School officials feel that we have been conservative in the amount transferred from the Central Cafeteria Fund, and we are very aware of the financial standing of the cafeteria and would not impose an unfair financial burden on the program. Direct expenses incurred by the system have been submitted, therefore we do not agree with this finding.

**AUDITOR'S REBUTTAL**

The School Department presented additional documentation for this transfer following our review of the audit finding. This documentation was for amounts in excess of the amount transferred; however, salaries for cafeteria monitors and maintenance personnel were not supported by time reports or other documentation indicating the time related directly to cafeteria operations, and workers' compensation expenditures could not be tied directly to cafeteria personnel. Upon further investigation, we noted that school officials had been advised of these same deficiencies in a monitoring report prepared by the State Department of Education dated March 2006.

**FINDING 09.06 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 in the office were identified during the audit period:

- A. System backups were not stored off-site on a regular basis. 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.
- B. 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.

Sound business practices dictate that proper backup procedures be implemented. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures and the failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

Management should store daily backups in a secure, fireproof location. In addition to daily system backups, a weekly system backup should be rotated off-site on a weekly basis. Year-end backups should be stored off-site and retained for three years. 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 09.07 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

System backups were not stored off-site until several months into the fiscal year. Sound business practices dictate that off-site storage of system backups be implemented. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. 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. Proper system backup procedures are now in place.

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**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

**FINDING 09.08 EXECUTION DOCKET TRIAL BALANCES FOR CIRCUIT AND GENERAL SESSIONS COURTS WERE NOT RECONCILED WITH GENERAL LEDGER ACCOUNTS**  
(Noncompliance Under Government Auditing Standards)

As of June 30, 2009, the clerk had prepared trial balances of execution docket cause balances for Circuit and General Sessions Courts as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances failed to reconcile with general ledger accounts by \$148,285 and \$2,087, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-101, TCA. This statute provides that any funds held by the courts for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

**RECOMMENDATION**

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

**MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

Due to a software conversion and investment payouts that did not post to the docket trial balance properly, these balances were incorrect. Once the conversion in January 2009 was completed, these balances were supposed to be corrected by our vendor support as we do not have access to the docket trial balance records. There was also a court ordered payout that was to be paid on a monthly basis, which caused the balances to differ until fiscal year end when all payments are made. I can assure you and the citizens of Sequatchie County that we are in compliance with the provisions of the Unclaimed Property Act.

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**FINDING 09.09 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 in the office were identified during the audit period:

- A. System backups were not stored off-site on a regular basis. 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.

- B. 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.
- C. A backup log was not maintained. If system backups are not labeled and inventoried systematically, discrepancies may occur and affect the integrity of system backups in the event of a hardware or software failure.

Sound business practices dictate that proper backup procedures be implemented. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures.

**RECOMMENDATION**

Management should store daily backups in a secure, fireproof location. In addition to daily system backups, a weekly system backup should be rotated off-site on a weekly basis. Year-end backups should be stored off-site and retained for three years. 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. A current log of all backups that includes label descriptions, date of creation, contents, and storage location should be maintained.

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**OFFICE OF SHERIFF**

**FINDING 09.10**      **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under Government Auditing Standards)

In some instances, the sheriff did not deposit funds within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The failure to deposit funds currently increases the risks of fraud and abuse.

**RECOMMENDATION**

The sheriff should ensure that all funds are deposited to the office bank account within three days of collection as required by state statute.

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 09.11**      **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. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

### **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 09.12**      **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 the officials and 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. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency exists because management failed to correct the finding noted in the prior-year audit report.

### **RECOMMENDATION**

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

## MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Officials were certain that the segregation of duties were adequately addressed. However, we have come to realize that areas of weakness exist. We plan to re-evaluate our segregation of duties to strengthen the internal controls that are already in place. We are confident that this re-evaluation process will decrease the risk of unauthorized transactions.

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

There were no findings and questioned costs for federal programs.

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**SEQUATCHIE COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2009**

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