
ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



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DEPARTMENT OF AUDIT
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This financial report is available at www.tn.gov/comptroller

SEQUATCHIE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Sequatchie County, Tennessee
For the Year Ended June 30, 2010

Scope

We have audited the financial statements of Sequatchie County as of and for the year ended June 30, 2010.

Results

Our report on Sequatchie County's financial statements expresses an adverse opinion on the governmental activities because there was no documentation to support the valuation for several capital assets. 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 nine findings and recommendations, which we have reviewed with Sequatchie County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings and Best Practice

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

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.

OFFICE OF COUNTY EXECUTIVE

- ◆ The office had deficiencies in budget operations.
 - ◆ Food for the jail was not bid in compliance with state statutes.
-

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

- ◆ Sequatchie County has material recurring audit findings.
 - ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Executive, Highway Supervisor, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
-

BEST PRACTICE

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

INTRODUCTORY SECTION

Sequatchie County Officials June 30, 2010

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
W.O. Johnson
Dianne Mounce
Jo Ann Shepherd
Grover Skyles

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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INDEPENDENT AUDITOR'S REPORT

January 20, 2011

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, 2010, 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 there was no documentation to support the valuation of several capital assets. The effects on the financial statements are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding 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, 2010, and the changes in financial position for the year then ended.

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, except for the effects of not including the financial statements of the Sequatchie County Emergency Communications District, as discussed in the preceding 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, at June 30, 2010, 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 the each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of June 30, 2010, 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 January 20, 2011, 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 the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

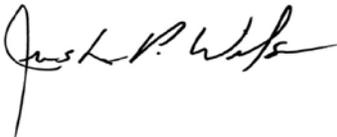
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 60 through 67 be presented to supplement the basic financial statements. Such information,

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sequatchie County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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 and the General Debt Service Fund, 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,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Sequatchie County, Tennessee
Statement of Net Assets
June 30, 2010

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>ASSETS</u>		
Cash	\$ 300	\$ 69,687
Equity in Pooled Cash and Investments	1,725,093	10,505,180
Accounts Receivable	2,695,785	2,887
Allowance for Uncollectibles	(1,463,728)	0
Due from Other Governments	325,711	481,468
Property Taxes Receivable	3,243,593	2,826,984
Allowance for Uncollectible Property Taxes	(166,698)	(145,287)
Deferred Charges - Debt Issuance Costs	0	35,131
Capital Assets:		
Assets Not Depreciated:		
Land	2,311,400	1,256,649
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	9,173,778	19,259,872
Other Capital Assets	458,048	756,669
Infrastructure	1,311,100	355,997
Total Assets	<u>\$ 19,614,382</u>	<u>\$ 35,405,237</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 16,087	\$ 5,100
Payroll Deductions Payable	28	529,212
Accrued Interest Payable	9,632	82,604
Deferred Revenue - Current Property Taxes	2,839,755	2,475,015
Noncurrent Liabilities:		
Due Within One Year	316,999	1,073,200
Due in More Than One Year	5,739,906	7,367,993
Total Liabilities	<u>\$ 8,922,407</u>	<u>\$ 11,533,124</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Unit Sequatchie County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 7,219,659	\$ 13,406,933
Restricted for:		
Courthouse and Jail Maintenance	36,429	0
Solid Waste/Sanitation	208,689	0
Ambulance Service	1,243,727	0
Drug Control	87,792	0
Highway/Public Works	642,446	0
General Purpose School	0	7,453,552
School Federal Projects	0	5,836
Central Cafeteria	0	299,824
Debt Service	375,787	0
Capital Projects	3,133	1,365,725
Other Purposes	159,195	0
Unrestricted	<u>715,118</u>	<u>1,340,243</u>
Total Net Assets	<u>\$ 10,691,975</u>	<u>\$ 23,872,113</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, 2010

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:							
General Government Activities:							
General Government	\$ 858,768	\$ 103,973	\$ 24,799	\$ 0	\$ (729,996)	\$ 0	0
Finance	542,252	352,847	5,468	0	(183,937)	0	0
Administration of Justice	468,422	278,888	9,765	0	(179,769)	0	0
Public Safety	2,438,727	351,621	42,039	50	(2,045,017)	0	0
Public Health and Welfare	1,638,209	2,481	35,295	19,044	(1,581,389)	0	0
Social, Cultural, and Recreational Services	175,842	3,833	0	0	(172,009)	0	0
Agriculture and Natural Resources	79,388	0	0	0	(79,388)	0	0
Other Operations	318,326	47,211	0	0	(271,115)	0	0
Highways/Public Works	1,389,138	0	1,345,362	481,060	437,284	0	0
Interest on Long-term Debt	35,357	0	0	0	(35,357)	0	0
Other Debt Service	41,816	0	0	0	(41,816)	0	0
Total Primary Government	\$ 7,986,245	\$ 1,140,854	\$ 1,462,728	\$ 500,154	\$ (4,882,509)	\$ 0	0
Component Unit:							
Sequatchie County School Department	\$ 17,250,688	\$ 372,239	\$ 2,399,913	\$ 0	\$ 0	\$ (14,478,536)	(14,478,536)
Total Component Unit	\$ 17,250,688	\$ 372,239	\$ 2,399,913	\$ 0	\$ 0	\$ (14,478,536)	(14,478,536)

(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				\$ 2,277,357	\$ 2,695,426
Property Taxes Levied for Debt Service				338,088	0
Property Taxes Levied for Solid Waste				444,444	0
Local Option Sales Taxes				232,461	1,509,681
Hotel/Motel Tax				13,840	0
Litigation Tax - General				40,115	0
Litigation Tax - Special Purpose				14,824	0
Litigation Tax - Jail, Workhouse, or Courthouse				10,478	0
Business Tax				74,922	0
Wholesale Beer Tax				71,837	0
Other Local Taxes				725	836
Grants and Contributions Not Restricted to Specific Programs				320,490	12,202,900
Unrestricted Investment Earnings				38,291	38,671
Miscellaneous				23,731	93,734
Sale of Non-Capital Assets				23,056	0
Total General Revenues				\$ 3,924,609	\$ 16,541,248
Insurance Recovery				\$ 18,329	\$ 47,369
Change in Net Assets				\$ (939,571)	\$ 2,110,081
Net Assets, July 1, 2009				15,938,262	21,762,032
Prior-period Adjustment				(4,306,716)	0
Net Assets, June 30, 2010				\$ 10,691,975	\$ 23,872,113

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

Sequatchie County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	0	0	0	0	0	300	300
Cash	663,093	18,034	395,020	350,609	298,337	1,725,093	1,725,093
Equity in Pooled Cash and Investments	2,067	2,690,472	286	0	2,960	2,695,785	2,695,785
Accounts Receivable	0	(1,463,728)	0	0	0	(1,463,728)	(1,463,728)
Allowance for Uncollectibles	68,565	0	247,140	0	10,006	325,711	325,711
Due from Other Governments	630	0	0	0	0	630	630
Due from Other Funds	2,410,376	0	0	476,124	357,093	3,243,593	3,243,593
Property Taxes Receivable	(123,877)	0	0	(24,469)	(18,352)	(166,698)	(166,698)
Allowance for Uncollectible Property Taxes							
Total Assets	\$ 3,020,854	\$ 1,244,778	\$ 642,446	\$ 802,264	\$ 650,344	\$ 6,360,686	\$ 6,360,686

ASSETS

LIABILITIES AND FUND BALANCES

\$	14,027	1,051	0	0	0	1,009	16,087
Liabilities	0	0	0	0	0	28	28
Accounts Payable	0	0	0	0	0	630	630
Payroll Deductions Payable	2,110,276	0	0	416,845	312,634	2,839,755	2,839,755
Due to Other Funds	168,265	0	0	33,238	24,928	226,431	226,431
Deferred Revenue - Current Property Taxes	21,682	1,178,857	118,328	0	0	1,318,867	1,318,867
Deferred Revenue - Delinquent Property Taxes	\$ 2,314,250	\$ 1,179,908	\$ 118,328	\$ 450,083	\$ 339,229	\$ 4,401,798	\$ 4,401,798
Other Deferred Revenues							
Total Liabilities							
Fund Balances	0	0	0	0	0	8,966	8,966
Reserved for Purchase of Electronic Fingerprint Imaging System	22,521	0	0	0	0	22,521	22,521
Reserved for Alcohol and Drug Treatment	7,803	0	0	0	0	7,803	7,803
Reserved for Drug Court	49,537	0	0	0	0	49,537	49,537
Reserved for Courtroom Security	33,096	0	0	0	0	33,096	33,096
Reserved for Computer System - Register	2,359	0	0	0	0	2,359	2,359
Reserved for Automation Purposes - Circuit Court	13,709	0	0	0	0	13,709	13,709
Reserved for Automation Purposes - General Sessions Court							

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other		
					Governmental	Funds	
\$ 898	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 898	
911	0	0	0	0	0	911	
28,361	0	0	0	0	0	28,361	
0	0	39,962	0	0	0	39,962	
547,409	0	0	0	0	0	547,409	
0	64,870	484,156	0	299,016	0	848,042	
0	0	0	352,181	0	0	352,181	
0	0	0	0	3,133	0	3,133	
\$ 706,604	\$ 64,870	\$ 524,118	\$ 352,181	\$ 311,115	\$ 0	\$ 1,958,888	
\$ 3,020,854	\$ 1,244,778	\$ 642,446	\$ 802,264	\$ 650,344	\$ 0	\$ 6,360,686	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Reserved for Automation Purposes - Chancery Court	
Reserved for Automation Purposes - Sheriff	
Reserved for State Reappraisal Grant	
Reserved for Capital Outlay	
Unreserved, Reported In:	
General Fund	
Special Revenue Funds	
Debt Service Funds	
Capital Projects Funds	
Total Fund Balances	

Total Liabilities and Fund Balances

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, 2010

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)		\$	1,958,888
(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		9,173,778	
Add: infrastructure net of accumulated depreciation		1,311,100	
Add: other capital assets net of accumulated depreciation		<u>458,048</u>	13,254,326
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(382,667)	
Less: other loan payable		(5,652,000)	
Less: accrued interest on notes and other loan		(9,632)	
Less: other postemployment benefits liability		<u>(22,238)</u>	(6,066,537)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,545,298</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>10,691,975</u></u>

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

Squatchie County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other			
					Governmental Funds	Funds		
Revenues								
Local Taxes	\$ 2,730,906	\$ 0	\$ 0	\$ 451,432	\$ 351,422	\$ 0	\$ 3,533,760	
Licenses and Permits	31,399	0	0	0	0	0	31,399	
Fines, Forfeitures, and Penalties	73,540	0	0	0	43,457	0	116,997	
Charges for Current Services	18,403	791,726	0	0	1,888	0	812,017	
Other Local Revenues	55,634	0	3,387	21,454	30,211	0	110,686	
Fees Received from County Officials	605,847	0	0	0	0	0	605,847	
State of Tennessee	856,158	0	1,827,284	25,591	40,298	0	2,749,331	
Federal Government	68,344	0	0	0	0	0	68,344	
Other Governments and Citizens Groups	65,398	0	2,648	0	0	0	68,046	
Total Revenues	\$ 4,505,629	\$ 791,726	\$ 1,833,319	\$ 498,477	\$ 467,276	\$ 0	\$ 8,096,427	
Expenditures								
Current:								
General Government	\$ 759,248	\$ 0	\$ 0	\$ 0	\$ 13,674	\$ 0	\$ 772,922	
Finance	537,080	0	0	0	1,888	0	538,968	
Administration of Justice	468,422	0	0	0	0	0	468,422	
Public Safety	2,175,279	0	0	0	17,471	0	2,192,750	
Public Health and Welfare	159,610	924,059	0	0	430,426	0	1,514,095	
Social, Cultural, and Recreational Services	157,003	0	0	0	0	0	157,003	
Agriculture and Natural Resources	69,388	0	0	0	0	0	69,388	
Other Operations	311,316	0	0	0	7,010	0	318,326	
Highways	0	0	2,246,672	0	0	0	2,246,672	
Debt Service:								
Principal on Debt	0	0	0	342,771	0	0	342,771	
Interest on Debt	0	0	0	32,731	0	0	32,731	
Other Debt Service	0	0	0	41,816	0	0	41,816	
Capital Projects	0	0	0	0	106,145	0	106,145	
Total Expenditures	\$ 4,637,346	\$ 924,059	\$ 2,246,672	\$ 417,318	\$ 576,614	\$ 0	\$ 8,802,009	
Excess (Deficiency) of Revenues Over Expenditures	\$ (131,717)	\$ (132,333)	\$ (413,353)	\$ 81,159	\$ (109,338)	\$ (705,582)		

(Continued)

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General		Other Governmental Funds	Governmental Funds	
				Debt Service	Debt Service			
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 0	\$ 140,000	\$ 0	\$ 0	\$ 76,000	\$ 216,000	
Insurance Recovery	8,721	1,368	1,330	0	0	6,910	18,329	
Transfers In	0	50,000	0	0	0	0	50,000	
Transfers Out	(50,000)	0	0	0	0	0	(50,000)	
Total Other Financing Sources (Uses)	\$ (41,279)	\$ 51,368	\$ 141,330	\$ 0	\$ 0	\$ 82,910	\$ 234,329	
Net Change in Fund Balances	\$ (172,996)	\$ (80,965)	\$ (272,023)	\$ 81,159	\$ 26,428	\$ (471,253)		
Fund Balance, July 1, 2009	879,600	145,835	796,141	271,022	337,543	2,430,141		
Fund Balance, June 30, 2010	\$ 706,604	\$ 64,870	\$ 524,118	\$ 352,181	\$ 311,115	\$ 1,958,888		

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, 2010

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)		\$ (471,253)
<p>(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:</p>		
Add: capital assets purchased in the current period	\$ 985,184	
Less: current year depreciation expense	<u>(491,075)</u>	494,109
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2010	\$ 1,545,298	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(2,613,380)</u>	(1,068,082)
<p>(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: note proceeds	\$ (216,000)	
Add: principal payments on notes	162,771	
Add: principal payments on other loan	<u>180,000</u>	126,771
<p>(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ (2,626)	
Change in other postemployment benefits liability	<u>(18,490)</u>	<u>(21,116)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (939,571)</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,099,056
Due from Other Governments	62,768
Cash Shortage	<u>8,758</u>
Total Assets	<u>\$ 1,170,582</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 62,768
Due to Litigants, Heirs, and Others	<u>1,107,814</u>
Total Liabilities	<u>\$ 1,170,582</u>

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

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2010

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, 2010.

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.

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

Additionally, Sequatchie County reports the following fund types:

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

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

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 – This 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 2.78 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 Adjustment

A prior-period adjustment totaling \$4,306,716 was recognized in the Statement of Activities to reduce capital assets that were overstated at July 1, 2009.

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 I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net 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 I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net 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

General Fund expenditures exceeded appropriations approved by the County Commission in the Transfers Out major appropriation category (the legal level of control) by \$50,000. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

C. Appropriations Exceeded Available Funds

The budget and subsequent amendments approved by the County Commission for the Ambulance Service Fund resulted in appropriations exceeding estimated available funding by \$94,536. Sound budgetary principles dictate that appropriations be held within estimated available funding.

D. Actual Fund Balances Differed from Estimated Fund Balances by Material Amounts

The General, Ambulance Service, and General Debt Service funds' actual beginning fund balances at July 1, 2009, differed from the estimated fund balances presented to the County Commission by the material amounts noted below:

Fund	Actual Fund Balance 7-1-09	Estimated Fund Balance 7-1-09	Variance
General	\$ 879,600	\$ 498,541	\$ 381,059
Ambulance Service	145,835	40,410	105,425
General Debt Service	271,022	437,632	(166,610)

E. Cash Shortages - Prior Years

The audit of Sequatchie County for the 2006-07 year reported a cash shortage of \$8,669 in the commissary operation at the Sheriff's Department. This cash shortage resulted from commissary receipts not being deposited to the official bank account or otherwise accounted for properly. On December 18, 2008, a former employee entered into a pretrial diversion agreement on charges related to this cash shortage and has agreed to pay restitution of \$8,551.26. The difference of \$117.74 (\$8,669-\$8,551.26) between the original shortage amount and the agreed amount was written off. The county received restitution of \$608 during the year leaving a balance of \$7,943.26 at June 30, 2010.

The audit of Sequatchie County for the 2007-08 year reported a cash shortage of \$2,011.81 in inmate funds (personal funds taken from a person at the time of his arrest) at the Sheriff's Department. This cash shortage resulted from receipted funds not being deposited to the official bank account or being accounted for otherwise. Employees of the Sheriff's Department made contributions of \$1,197 to apply toward the cash shortage leaving a balance of \$814.81 at June 30, 2010.

The audit of Sequatchie County for the 2007-08 year reported a cash shortage of \$4,248.51 in the Office of County Clerk. This shortage resulted from an employee altering several motor vehicle title application transactions. On January 26, 2009, the Sequatchie County Grand Jury indicted a former office employee for theft of property of \$4,248.51. The county's insurance carrier paid \$3,248.51 toward the shortage, which reduced the outstanding shortage to \$1,000 on June 30, 2009. This former employee entered into a plea agreement on April 27, 2009. The first \$1,000 received in restitution will be remitted to the county for the deductible, and any restitution collected thereafter will be remitted to the bonding company. Restitution of \$490 had been received as of June 30, 2010.

The audit of Sequatchie County for the 2008-09 year reported a cash shortage of \$31,710 in the School Department. 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 resigned her position on January 21, 2010. On May 24, 2010, the Sequatchie County Grand Jury indicted the former bookkeeper on one count of theft of property of at least \$10,000 but less than \$60,000 and one count of official misconduct. The county's insurance carrier has paid \$30,670 toward the shortage, reducing the outstanding shortage to \$1,040 on June 30, 2010.

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 Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

Investment Balances. As of June 30, 2010, 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.

Investment	Maturities	Cost
State Treasurer's Investment Pool	Daily	\$ 7,112,867

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, 2010, 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, 2010, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-09 Restated*	Increases	Balance 6-30-10
Capital Assets			
Not Depreciated:			
Land	\$ 2,311,400	\$ 0	\$ 2,311,400
Total Capital Assets Not Depreciated	<u>\$ 2,311,400</u>	<u>\$ 0</u>	<u>\$ 2,311,400</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 17,760,089	\$ 281,679	\$ 18,041,768
Infrastructure	12,922,283	632,605	13,554,888
Other Capital Assets	2,224,372	70,900	2,295,272
Total Capital Assets Depreciated	<u>\$ 32,906,744</u>	<u>\$ 985,184</u>	<u>\$ 33,891,928</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 8,585,033	\$ 282,957	\$ 8,867,990
Infrastructure	12,212,971	30,817	12,243,788
Other Capital Assets	1,659,923	177,301	1,837,224
Total Accumulated Depreciation	<u>\$ 22,457,927</u>	<u>\$ 491,075</u>	<u>\$ 22,949,002</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,448,817</u>	<u>\$ 494,109</u>	<u>\$ 10,942,926</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,760,217</u>	<u>\$ 494,109</u>	<u>\$ 13,254,326</u>

* See Note I.D.7. for prior-period adjustment.

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

Governmental Activities:

General Administration	\$	40,282
Finance		3,284
Public Safety		245,977
Public Health and Welfare		110,943
Social, Cultural, and Recreational		18,839
Agriculture and Natural Resources		10,000
Highways/Public Works		61,750
Total Depreciation Expense - Governmental Activities	\$	<u>491,075</u>

Discretely Presented Sequatchie County School Department

Governmental Activities:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets			
Not Depreciated:			
Land	\$ 925,148	\$ 331,501	\$ 1,256,649
Total Capital Assets Not Depreciated	\$ 925,148	\$ 331,501	\$ 1,256,649
Capital Assets Depreciated:			
Buildings and Improvements	\$ 27,012,943	\$ 6,416	\$ 27,019,359
Infrastructure	727,867	30,280	758,147
Other Capital Assets	2,460,338	282,525	2,742,863
Total Capital Assets Depreciated	\$ 30,201,148	\$ 319,221	\$ 30,520,369
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,199,883	\$ 559,604	\$ 7,759,487
Infrastructure	372,657	29,493	402,150
Other Capital Assets	1,887,053	99,141	1,986,194
Total Accumulated Depreciation	\$ 9,459,593	\$ 688,238	\$ 10,147,831
Total Capital Assets Depreciated, Net	\$ 20,741,555	\$ (369,017)	\$ 20,372,538
Governmental Activities Capital Assets, Net	\$ 21,666,703	\$ (37,516)	\$ 21,629,187

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

Governmental Activities:

Instruction	\$ 550,665
Support Services	81,533
Operation of Non-Instructional Services	<u>56,040</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 688,238</u>

C. Insurance Recoveries

Primary Government

During the year, the primary government received insurance proceeds of \$18,329 for damages to a patrol car (\$8,721), an ambulance (\$1,368), a copier (\$1,330), and a sanitation truck (\$6,910).

Discretely Presented Sequatchie County School Department

During the year, the School Department received insurance proceeds of \$30,670 for the cash shortage reported at June 30, 2009. In addition, the School Department received \$10,582 to replace a server damaged by lightening and \$6,117 for computers damaged by a power surge.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2010, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 630
Discretely Presented School Department:		
General Purpose School	School Federal Projects	81,865

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, 2010, consisted of the following amounts:

Primary Government

	Transfer In Ambulance Service Fund	
Transfer Out		
General Fund	\$	50,000

Discretely Presented Sequatchie County School Department

	Transfers In	
Transfers Out	General Purpose School Fund	School Federal Projects Fund
General Purpose School Fund	\$ 0	\$ 100,000
School Federal Projects Fund	32,229	0
Nonmajor governmental funds	12,235	0
Total	\$ 44,464	\$ 100,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The discretely presented Sequatchie County School Department made a one-time transfer of \$100,000 from the General Purpose School Fund to the School Federal Projects Fund for cash flow purposes. Since most federal grants are on a reimbursement basis, these funds will allow the School Department to made disbursements from the School Federal Projects Fund prior to receiving grant revenues.

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 six 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 included in long-term debt as of June 30, 2010, will be retired from the General Debt Service and Highway/Public Works funds, and other loans will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Capital Outlay Notes	2.75 to 3.25 %	\$ 466,000	\$ 382,667
Other Loans	variable	6,500,000	5,652,000

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, 2010, the variable interest rate was .44 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, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 131,999	\$ 11,973	\$ 143,972
2012	132,000	7,823	139,823
2013	48,667	3,676	52,343
2014	23,334	2,233	25,567
2015	23,334	1,489	24,823
2016	23,333	744	24,077
Total	\$ 382,667	\$ 27,938	\$ 410,605

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2011	\$ 185,000	\$ 24,868	\$ 30,976	\$ 240,844
2012	191,000	24,056	29,996	245,052
2013	196,000	23,216	28,984	248,200
2014	202,000	22,352	27,944	252,296
2015	208,000	21,464	26,872	256,336
2016-2020	1,140,000	93,000	117,128	1,350,128
2021-2025	1,321,000	66,380	85,052	1,472,432
2026-2030	1,531,000	35,528	53,732	1,620,260
2031-2032	678,000	5,288	16,500	699,788
Total	\$ 5,652,000	\$ 316,152	\$ 417,184	\$ 6,385,336

There is \$352,181 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and other loans totaled \$531, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Notes	Other Loan
Balance, July 1, 2009	\$ 329,438	\$ 5,832,000
Additions	216,000	0
Deductions	(162,771)	(180,000)
Balance, June 30, 2010	\$ 382,667	\$ 5,652,000
Balance Due Within One Year	\$ 131,999	\$ 185,000

	Other Postemployment Benefits
Balance, July 1, 2009	\$ 3,748
Additions	23,009
Deductions	(4,519)
Balance, June 30, 2010	\$ 22,238
Balance Due Within One Year	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 6,056,905
Less: Balance Due Within One Year	<u>(316,999)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,739,906</u>

Discretely Presented Sequatchie County School Department

General Obligation Bonds and Other Loans

Sequatchie County issues general obligation bonds and other loans on behalf of 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, 2010, will be retired from the General Purpose School Fund.

General obligation bonds and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-10</u>
General Obligation Bonds	3.3 to 3.5 %	\$ 2,500,000	\$ 2,500,000
General Obligation Bonds - Refunding	3 to 3.5	4,215,000	3,535,000
Other Loans	0 to Variable	2,616,943	2,211,343

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, 2010, the variable interest rate was .44 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, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	<u>\$ 6,035,000</u>	<u>\$ 722,725</u>	<u>\$ 6,757,725</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 128,200	\$ 10,613	\$ 13,804	\$ 152,617
2012	133,200	10,093	13,178	156,471
2013	129,000	9,552	12,526	151,078
2014	134,000	8,985	11,843	154,828
2015	140,000	8,395	11,132	159,527
2016-2020	803,000	32,144	43,815	878,959
2021-2024	743,943	12,007	18,458	774,408
Total	<u>\$ 2,211,343</u>	<u>\$ 91,789</u>	<u>\$ 124,756</u>	<u>\$ 2,427,888</u>

Bonded debt per capita totaled \$531, based on the 2000 federal census. Total debt per capita, including bonds and other loans totaled \$725, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Sequatchie County School Department for the year ended June 30, 2010, was as follows:

Governmental Activities:	Bonds	Other Loans	Other Postemployment Benefits
Balance, July 1, 2009	\$ 6,950,000	\$ 2,334,543	\$ 159,439
Additions	0	0	158,379
Deductions	(915,000)	(123,200)	(134,010)
Balance, June 30, 2010	<u>\$ 6,035,000</u>	<u>\$ 2,211,343</u>	<u>\$ 183,808</u>
Balance Due Within One Year	<u>\$ 945,000</u>	<u>\$ 128,200</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 8,430,151
Less: Balance Due Within One Year	(1,073,200)
Less: Deferred Amount on Refunding	(26,820)
Add: Unamortized Premium on Debt	<u>37,862</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 7,367,993</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, 2010, were \$29,398 and \$9,826, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

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

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 three 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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Sequatchie County and the Sequatchie County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Sequatchie County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Sequatchie County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statements of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Sequatchie County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Sequatchie County may enter into derivative transactions in subsequent years.

C. Subsequent Events

On September 24, 2010, the county issued a \$250,000 tax and revenue anticipation note for temporary operating funds.

On December 20, 2010, Sequatchie County issued a \$67,000 capital outlay note to purchase an ambulance.

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/executive 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, 2010, 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/PS.

Funding Policy

Sequatchie County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, 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, 2010, Sequatchie County’s annual pension cost of \$438,524 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, 2009, which established contribution rates effective July 1, 2010.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$438,524	100%	\$0
6-30-09	417,628	100	0
6-30-08	360,626	100	0

Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 84.88 percent funded. The actuarial accrued liability for benefits was \$12.34 million, and the actuarial value of assets was \$10.47 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.87 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.12 million, and the ratio of the UAAL to the covered payroll was 36.46 percent.

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

The TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

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 at www.tn.gov/treasury/tcrs/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008, were \$483,160, \$470,981, and \$444,031, respectively, equal to the required contributions for each year.

G. Other Postemployment Benefits (OPEB)

Plan Description

Sequatchie County and the Sequatchie County 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, \$4,519 was contributed by Sequatchie County for postemployment health care premiums, and expenditures totaling \$134,010 were recognized for postemployment health care by the Sequatchie County School Department.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 23,000	\$ 158,000
Interest on the NPO	169	7,175
Adjustment to the ARC	(160)	(6,796)
Annual OPEB cost	\$ 23,009	\$ 158,379
Amount of contribution	(4,519)	(134,010)
Increase/decrease in NPO	\$ 18,490	\$ 24,369
Net OPEB obligation, 7-1-09	3,748	159,439
Net OPEB obligation, 6-30-10	\$ 22,238	\$ 183,808

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Government Group*	\$ 9,593	61 %	\$ 3,748
6-30-10	"	23,009	20	22,238
6-30-08	Local Education Group	160,658	57	69,440
6-30-09	"	167,413	46	159,439
6-30-10	"	158,379	85	183,808

* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 119,000	\$ 1,287,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 119,000	\$ 1,287,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 1,114,091	\$ 6,100,684
UAAL as a % of covered payroll	11%	21%

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

Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The annual healthcare cost trend rate for the Local Education Plan was four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,730,906	\$ 2,639,500	\$ 2,639,500	\$ 91,406
Licenses and Permits	31,399	27,900	27,900	3,499
Fines, Forfeitures, and Penalties	73,540	75,600	79,603	(6,063)
Charges for Current Services	18,403	30,900	32,457	(14,054)
Other Local Revenues	55,634	68,800	76,594	(20,960)
Fees Received from County Officials	605,847	600,000	600,000	5,847
State of Tennessee	856,158	881,000	919,695	(63,537)
Federal Government	68,344	37,000	123,774	(55,430)
Other Governments and Citizens Groups	65,398	10,000	25,000	40,398
Total Revenues	\$ 4,505,629	\$ 4,370,700	\$ 4,524,523	\$ (18,894)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 118,198	\$ 118,800	\$ 118,800	\$ 602
Board of Equalization	2,725	3,450	3,450	725
Beer Board	600	1,100	1,100	500
County Mayor/Executive	146,596	150,305	150,305	3,709
County Attorney	7,800	7,800	7,800	0
Election Commission	79,210	95,904	95,904	16,694
Register of Deeds	136,004	132,029	139,944	3,940
County Buildings	268,115	306,653	307,478	39,363
<u>Finance</u>				
Property Assessor's Office	192,239	196,161	198,962	6,723
Reappraisal Program	0	5,518	5,518	5,518
County Trustee's Office	142,976	133,051	144,685	1,709
County Clerk's Office	201,865	200,493	205,574	3,709
<u>Administration of Justice</u>				
Circuit Court	174,722	173,581	176,527	1,805
General Sessions Court	93,791	95,410	95,410	1,619
Chancery Court	91,431	91,590	92,490	1,059
Juvenile Court	84,959	68,910	86,166	1,207
Judicial Commissioners	23,519	23,445	24,099	580
<u>Public Safety</u>				
Sheriff's Department	863,931	867,000	896,475	32,544
Jail	1,178,653	1,131,513	1,180,481	1,828
Fire Prevention and Control	55,000	55,000	55,000	0
Rescue Squad	2,500	2,500	2,500	0
Other Emergency Management	46,306	41,980	58,774	12,468
County Coroner/Medical Examiner	28,889	10,000	29,000	111
<u>Public Health and Welfare</u>				
Local Health Center	17,642	20,300	20,300	2,658
Crippled Children Services	1,026	1,026	1,026	0
Other Local Health Services	121,910	96,500	122,800	890

(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	\$ 19,032	\$ 19,032	\$ 19,032	\$ 0
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	7,000	7,000	7,000	0
Libraries	93,177	90,958	92,515	(662)
Parks and Fair Boards	52,826	54,700	54,700	1,874
Other Social, Cultural, and Recreational	4,000	4,000	4,000	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	54,888	54,912	54,912	24
Soil Conservation	14,500	14,500	14,500	0
<u>Other Operations</u>				
Tourism	10,500	10,500	10,500	0
Industrial Development	667	700	700	33
Other Economic and Community Development	205,331	84,800	215,250	9,919
Veterans' Services	11,258	13,150	13,150	1,892
Other Charges	83,560	80,000	83,700	140
Total Expenditures	\$ 4,637,346	\$ 4,464,271	\$ 4,790,527	\$ 153,181
Excess (Deficiency) of Revenues Over Expenditures				
	\$ (131,717)	\$ (93,571)	\$ (266,004)	\$ 134,287
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 8,721	\$ 0	\$ 8,721	\$ 0
Transfers Out	(50,000)	0	0	(50,000)
Total Other Financing Sources (Uses)	\$ (41,279)	\$ 0	\$ 8,721	\$ (50,000)
Net Change in Fund Balance	\$ (172,996)	\$ (93,571)	\$ (257,283)	\$ 84,287
Fund Balance, July 1, 2009	879,600	498,541	498,541	381,059
Fund Balance, June 30, 2010	\$ 706,604	\$ 404,970	\$ 241,258	\$ 465,346

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 791,726	\$ 775,000	\$ 775,000	\$ 16,726
Total Revenues	\$ 791,726	\$ 775,000	\$ 775,000	\$ 16,726
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 924,059	\$ 821,425	\$ 959,946	\$ 35,887
Total Expenditures	\$ 924,059	\$ 821,425	\$ 959,946	\$ 35,887
Excess (Deficiency) of Revenues Over Expenditures	\$ (132,333)	\$ (46,425)	\$ (184,946)	\$ 52,613
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,368	\$ 0	\$ 0	\$ 1,368
Transfers In	50,000	50,000	50,000	0
Total Other Financing Sources (Uses)	\$ 51,368	\$ 50,000	\$ 50,000	\$ 1,368
Net Change in Fund Balance	\$ (80,965)	\$ 3,575	\$ (134,946)	\$ 53,981
Fund Balance, July 1, 2009	145,835	40,410	40,410	105,425
Fund Balance, June 30, 2010	\$ 64,870	\$ 43,985	\$ (94,536)	\$ 159,406

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 3,387	\$ 6,000	\$ 6,000	\$ (2,613)
State of Tennessee	1,827,284	2,446,325	2,446,325	(619,041)
Other Governments and Citizens Groups	2,648	1,000	1,000	1,648
Total Revenues	<u>\$ 1,833,319</u>	<u>\$ 2,453,325</u>	<u>\$ 2,453,325</u>	<u>\$ (620,006)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 133,468	\$ 142,972	\$ 145,872	\$ 12,404
Highway and Bridge Maintenance	645,661	724,417	754,422	108,761
Operation and Maintenance of Equipment	183,072	225,960	230,745	47,673
Other Charges	48,528	53,050	53,050	4,522
Employee Benefits	315,803	301,165	344,202	28,399
Capital Outlay	920,140	1,282,750	1,202,023	281,883
Total Expenditures	<u>\$ 2,246,672</u>	<u>\$ 2,730,314</u>	<u>\$ 2,730,314</u>	<u>\$ 483,642</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (413,353)</u>	<u>\$ (276,989)</u>	<u>\$ (276,989)</u>	<u>\$ (136,364)</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 140,000	\$ 0	\$ 200,000	\$ (60,000)
Other Loans Issued	0	200,000	0	0
Insurance Recovery	1,330	25,000	25,000	(23,670)
Total Other Financing Sources (Uses)	<u>\$ 141,330</u>	<u>\$ 225,000</u>	<u>\$ 225,000</u>	<u>\$ (83,670)</u>
Net Change in Fund Balance	\$ (272,023)	\$ (51,989)	\$ (51,989)	\$ (220,034)
Fund Balance, July 1, 2009	<u>796,141</u>	<u>604,274</u>	<u>604,274</u>	<u>191,867</u>
Fund Balance, June 30, 2010	<u>\$ 524,118</u>	<u>\$ 552,285</u>	<u>\$ 552,285</u>	<u>\$ (28,167)</u>

Exhibit E-4

Sequatchie County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Sequatchie County School Department
June 30, 2010

(Dollar amounts in thousands)

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)
7-1-09	\$ 10,475	\$ 12,340	\$ 1,865	84.88 %	\$ 5,117	36.46 %
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 frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

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, 2010

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date*	Actuarial			Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
		Value of Assets (a)	Accrued Liability (AAL) (b)	Value of Assets (a)				
Local Government Group	7-1-07	\$ 0	\$ 517	\$ 517	0 %	\$ 9,506	5.44 %	
"	7-1-09	0	119	119	0	1,114	10.68	
Local Education Group	7-1-07	0	8,057	8,057	0	8,243	97.74	
"	7-1-09	0	1,287	1,287	0	6,101	21.09	

*Data for three actuarial valuations will be presented when available.

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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 Transfers Out major appropriation category (the legal level of control) of the General Fund by \$50,000. Expenditures that exceed appropriations are a violation of state statutes. Expenditures in excess of appropriations were funded from available fund balance.

C. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS

The budget and subsequent amendments approved by the County Commission for the Ambulance Service Fund resulted in appropriations exceeding estimated available funding by \$94,536. Sound budgetary principles dictate that appropriations be held within estimated available funding.

D. ACTUAL FUND BALANCES DIFFERED FROM ESTIMATED FUND BALANCES BY MATERIAL AMOUNTS

The General and Ambulance Service funds' actual beginning fund balances at July 1, 2009, differed from the estimated fund balances presented to the County Commission by the amounts noted below.

<u>Fund</u>	<u>Actual Fund Balance 7-1-09</u>	<u>Estimated Fund Balance 7-1-09</u>	<u>Variance</u>
General	\$ 879,600	\$ 498,541	\$ 381,059
Ambulance Service	145,835	40,410	105,425

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Courthouse and Jail Maintenance Fund – The Courthouse and Jail Maintenance Fund is used to account for a special tax levied by private act on litigation.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection.

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

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

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

Exhibit F-1

Sequatchie County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2010

	Special Revenue Funds					Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			General Capital Projects		
\$	0 \$	0 \$	0 \$	300 \$	300 \$	0 \$	0 \$	300	
	36,429	171,008	87,767	0	295,204	3,133		298,337	
	0	2,605	25	330	2,960	0		2,960	
	0	10,006	0	0	10,006	0		10,006	
	0	357,093	0	0	357,093	0		357,093	
	0	(18,352)	0	0	(18,352)	0		(18,352)	
\$	36,429 \$	522,360 \$	87,792 \$	630 \$	647,211 \$	3,133 \$		650,344	

ASSETS

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

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities
 Accounts Payable
 Payroll Deductions Payable
 Due to Other Funds
 Deferred Revenue - Current Property Taxes
 Deferred Revenue - Delinquent Property Taxes
 Total Liabilities

Fund Balances

Reserved for Purchase of Electronic Fingerprint Imaging System
 Unreserved
 Total Fund Balances

Total Liabilities and Fund Balances

\$	0 \$	1,009 \$	0 \$	0 \$	0 \$	1,009 \$	0 \$	1,009
	0	28	0	0	28	0		28
	0	0	0	630	630	0		630
	0	312,634	0	0	312,634	0		312,634
	0	24,928	0	0	24,928	0		24,928
\$	0 \$	338,599 \$	0 \$	630 \$	339,229 \$	0 \$		339,229
\$	0 \$	0 \$	8,966 \$	0 \$	8,966 \$	0 \$		8,966
	36,429	183,761	78,826	0	299,016	3,133		302,149
\$	36,429 \$	183,761 \$	87,792 \$	0 \$	307,982 \$	3,133 \$		311,115
\$	36,429 \$	522,360 \$	87,792 \$	630 \$	647,211 \$	3,133 \$		650,344

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, 2010

	Special Revenue Funds					Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			General Capital Projects		
<u>Revenues</u>									
Local Taxes	\$ 12,849	\$ 338,573	\$ 0	\$ 0	\$ 0	\$ 351,422	\$ 0	\$ 0	\$ 351,422
Fines, Forfeitures, and Penalties Charges for Current Services	0	0	43,457	0	0	43,457	0	0	43,457
Other Local Revenues	0	0	0	1,888	0	1,888	0	0	1,888
State of Tennessee	0	30,211	0	0	0	30,211	0	0	30,211
Total Revenues	\$ 12,849	\$ 406,924	\$ 45,615	\$ 1,888	\$ 0	\$ 467,276	\$ 0	\$ 0	\$ 467,276
<u>Expenditures</u>									
Current:									
General Government	\$ 13,674	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,674	\$ 0	\$ 0	\$ 13,674
Finance	0	0	0	1,888	0	1,888	0	0	1,888
Public Safety	0	0	17,471	0	0	17,471	0	0	17,471
Public Health and Welfare	0	430,426	0	0	0	430,426	0	0	430,426
Other Operations	140	6,870	0	0	0	7,010	0	0	7,010
Capital Projects	0	0	0	0	0	0	106,145	0	106,145
Total Expenditures	\$ 13,814	\$ 437,296	\$ 17,471	\$ 1,888	\$ 0	\$ 470,469	\$ 106,145	\$ 0	\$ 576,614
Excess (Deficiency) of Revenues Over Expenditures	\$ (965)	\$ (30,372)	\$ 28,144	\$ 0	\$ 0	\$ (3,193)	\$ (106,145)	\$ 0	\$ (109,338)
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 76,000	\$ 0	\$ 76,000
Insurance Recovery	0	6,910	0	0	0	6,910	0	0	6,910
Total Other Financing Sources (Uses)	\$ 0	\$ 6,910	\$ 0	\$ 0	\$ 0	\$ 6,910	\$ 76,000	\$ 0	\$ 82,910
Net Change in Fund Balances	\$ (965)	\$ (23,462)	\$ 28,144	\$ 0	\$ 0	\$ 3,717	\$ (30,145)	\$ 0	\$ (26,428)
Fund Balance, July 1, 2009	37,394	207,223	59,648	0	0	304,265	33,278	0	337,543
Fund Balance, June 30, 2010	\$ 36,429	\$ 183,761	\$ 87,792	\$ 0	\$ 0	\$ 307,982	\$ 3,133	\$ 0	\$ 311,115

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 12,849	\$ 21,000	\$ 21,000	\$ (8,151)
Total Revenues	\$ 12,849	\$ 21,000	\$ 21,000	\$ (8,151)
<u>Expenditures</u>				
<u>General Government</u>				
County Buildings	\$ 13,674	\$ 20,000	\$ 20,000	\$ 6,326
<u>Other Operations</u>				
Other Charges	140	300	300	160
Total Expenditures	\$ 13,814	\$ 20,300	\$ 20,300	\$ 6,486
Excess (Deficiency) of Revenues Over Expenditures	\$ (965)	\$ 700	\$ 700	\$ (1,665)
Net Change in Fund Balance	\$ (965)	\$ 700	\$ 700	\$ (1,665)
Fund Balance, July 1, 2009	37,394	35,317	35,317	2,077
Fund Balance, June 30, 2010	\$ 36,429	\$ 36,017	\$ 36,017	\$ 412

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 338,573	\$ 327,100	\$ 327,100	\$ 11,473
Other Local Revenues	30,211	26,000	26,000	4,211
State of Tennessee	38,140	41,000	41,000	(2,860)
Total Revenues	<u>\$ 406,924</u>	<u>\$ 394,100</u>	<u>\$ 394,100</u>	<u>\$ 12,824</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 29,227	\$ 29,237	\$ 29,237	\$ 10
Waste Pickup	97,696	96,347	98,803	1,107
Convenience Centers	150,102	158,700	158,700	8,598
Other Waste Collection	144,000	0	144,000	0
Landfill Operation and Maintenance	9,401	9,500	9,500	99
<u>Other Operations</u>				
Other Charges	6,870	8,500	8,500	1,630
Total Expenditures	<u>\$ 437,296</u>	<u>\$ 302,284</u>	<u>\$ 448,740</u>	<u>\$ 11,444</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (30,372)</u>	<u>\$ 91,816</u>	<u>\$ (54,640)</u>	<u>\$ 24,268</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 6,910	\$ 0	\$ 0	\$ 6,910
Total Other Financing Sources (Uses)	<u>\$ 6,910</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,910</u>
Net Change in Fund Balance	\$ (23,462)	\$ 91,816	\$ (54,640)	\$ 31,178
Fund Balance, July 1, 2009	<u>207,223</u>	<u>224,518</u>	<u>224,518</u>	<u>(17,295)</u>
Fund Balance, June 30, 2010	<u>\$ 183,761</u>	<u>\$ 316,334</u>	<u>\$ 169,878</u>	<u>\$ 13,883</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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 43,457	\$ 32,000	\$ 32,000	\$ 11,457
State of Tennessee	2,158	0	0	2,158
Total Revenues	<u>\$ 45,615</u>	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 13,615</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 17,471	\$ 47,000	\$ 47,000	\$ 29,529
Total Expenditures	<u>\$ 17,471</u>	<u>\$ 47,000</u>	<u>\$ 47,000</u>	<u>\$ 29,529</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,144</u>	<u>\$ (15,000)</u>	<u>\$ (15,000)</u>	<u>\$ 43,144</u>
Net Change in Fund Balance	\$ 28,144	\$ (15,000)	\$ (15,000)	\$ 43,144
Fund Balance, July 1, 2009	<u>59,648</u>	<u>64,885</u>	<u>64,885</u>	<u>(5,237)</u>
Fund Balance, June 30, 2010	<u>\$ 87,792</u>	<u>\$ 49,885</u>	<u>\$ 49,885</u>	<u>\$ 37,907</u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 451,432	\$ 431,500	\$ 431,500	\$ 19,932
Other Local Revenues	21,454	39,700	39,700	(18,246)
State of Tennessee	25,591	21,000	21,000	4,591
Total Revenues	<u>\$ 498,477</u>	<u>\$ 492,200</u>	<u>\$ 492,200</u>	<u>\$ 6,277</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 342,771	\$ 348,000	\$ 348,000	\$ 5,229
<u>Interest on Debt</u>				
General Government	32,731	252,000	212,000	179,269
<u>Other Debt Service</u>				
General Government	41,816	10,000	50,000	8,184
Total Expenditures	<u>\$ 417,318</u>	<u>\$ 610,000</u>	<u>\$ 610,000</u>	<u>\$ 192,682</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 81,159</u>	<u>\$ (117,800)</u>	<u>\$ (117,800)</u>	<u>\$ 198,959</u>
Net Change in Fund Balance	\$ 81,159	\$ (117,800)	\$ (117,800)	\$ 198,959
Fund Balance, July 1, 2009	<u>271,022</u>	<u>437,632</u>	<u>437,632</u>	<u>(166,610)</u>
Fund Balance, June 30, 2010	<u>\$ 352,181</u>	<u>\$ 319,832</u>	<u>\$ 319,832</u>	<u>\$ 32,349</u>

Fiduciary Funds

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.

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

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

Exhibit H-1

Sequatchie County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,099,056	\$ 1,099,056
Due from Other Governments	62,768	0	62,768
Cash Shortage	0	8,758	8,758
Total Assets	<u>\$ 62,768</u>	<u>\$ 1,107,814</u>	<u>\$ 1,170,582</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 62,768	\$ 0	\$ 62,768
Due to Litigants, Heirs, and Others	0	1,107,814	1,107,814
Total Liabilities	<u>\$ 62,768</u>	<u>\$ 1,107,814</u>	<u>\$ 1,170,582</u>

Exhibit H-2

Sequatchie County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 345,109	\$ 345,109	\$ 0
Due from Other Governments	59,490	62,768	59,490	62,768
Total Assets	\$ 59,490	\$ 407,877	\$ 404,599	\$ 62,768
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 59,490	\$ 407,877	\$ 404,599	\$ 62,768
Total Liabilities	\$ 59,490	\$ 407,877	\$ 404,599	\$ 62,768
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 681,834	\$ 2,491,026	\$ 2,073,804	\$ 1,099,056
Cash Shortage	10,563	0	1,805	8,758
Total Assets	\$ 692,397	\$ 2,491,026	\$ 2,075,609	\$ 1,107,814
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 692,397	\$ 2,491,026	\$ 2,075,609	\$ 1,107,814
Total Liabilities	\$ 692,397	\$ 2,491,026	\$ 2,075,609	\$ 1,107,814
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 681,834	\$ 2,491,026	\$ 2,073,804	\$ 1,099,056
Equity in Pooled Cash and Investments	0	345,109	345,109	0
Due from Other Governments	59,490	62,768	59,490	62,768
Cash Shortage	10,563	0	1,805	8,758
Total Assets	\$ 751,887	\$ 2,898,903	\$ 2,480,208	\$ 1,170,582
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 59,490	\$ 407,877	\$ 404,599	\$ 62,768
Due to Litigants, Heirs, and Others	692,397	2,491,026	2,075,609	1,107,814
Total Liabilities	\$ 751,887	\$ 2,898,903	\$ 2,480,208	\$ 1,170,582

Sequatchie County School Department

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.

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.

Exhibit I-1

Sequatchie County, Tennessee
Statement of Activities
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 10,622,345	\$ 93,295	\$ 1,474,327	\$ (9,054,723)
Support Services	4,976,301	0	0	(4,976,301)
Operation of Non-Instructional Services	1,407,229	278,944	925,586	(202,699)
Interest on Debt	220,852	0	0	(220,852)
Other Debt Service	23,961	0	0	(23,961)
Total Governmental Activities	\$ 17,250,688	\$ 372,239	\$ 2,399,913	\$ (14,478,536)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,695,426
Local Option Sales Taxes				1,509,681
Other Local Taxes				836
Grants and Contributions Not Restricted to Specific Programs				12,202,900
Unrestricted Investment Earnings				38,671
Miscellaneous				93,734
Total General Revenues				\$ 16,541,248
Insurance Recovery				\$ 47,369
Change in Net Assets				\$ 2,110,081
Net Assets, July 1, 2009				21,762,032
Net Assets, June 30, 2010				\$ 23,872,113

Exhibit I-2

Sequatchie County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2010

	<u>Major Funds</u>		<u>Nonmajor Funds</u>	<u>Total</u>
	<u>General Purpose School</u>	<u>School Federal Projects</u>	<u>Other Govern-mental Funds</u>	<u>Govern-mental Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 69,687	\$ 69,687
Equity in Pooled Cash and Investments	9,708,662	118,080	678,438	10,505,180
Accounts Receivable	2,887	0	0	2,887
Due from Other Governments	391,459	69,621	20,388	481,468
Due from Other Funds	81,865	0	0	81,865
Property Taxes Receivable	2,826,984	0	0	2,826,984
Allowance for Uncollectible Property Taxes	(145,287)	0	0	(145,287)
Total Assets	\$ 12,866,570	\$ 187,701	\$ 768,513	\$ 13,822,784
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 5,100	\$ 0	\$ 0	\$ 5,100
Payroll Deductions Payable	529,212	0	0	529,212
Due to Other Funds	0	81,865	0	81,865
Deferred Revenue - Current Property Taxes	2,475,015	0	0	2,475,015
Deferred Revenue - Delinquent Property Taxes	197,348	0	0	197,348
Other Deferred Revenues	139,630	0	8,408	148,038
Total Liabilities	\$ 3,346,305	\$ 81,865	\$ 8,408	\$ 3,436,578
<u>Fund Balances</u>				
Reserved for Unemployment Compensation	\$ 26,131	\$ 0	\$ 0	\$ 26,131
Reserved for Vocational Projects	156,089	0	0	156,089
Other Local Education Reserves	907,483	0	0	907,483
Reserved for Career Ladder - Extended Contract	519	0	0	519
Reserved for Career Ladder Program	5,528	0	0	5,528
Reserved for Technology	33,421	0	0	33,421
Reserved for Basic Education Program	7,231,864	0	0	7,231,864
Reserved for Title I Grants to Local Education Agencies	0	3,033	0	3,033
Reserved for Innovative Education Program Strategies	0	500	0	500
Reserved for Special Education - Grants to States	0	1,907	0	1,907
Other Federal Reserves	0	396	0	396
Unreserved, Reported In:				
General Fund	1,159,230	0	0	1,159,230
Special Revenue Funds	0	100,000	301,863	401,863
Capital Projects Funds	0	0	458,242	458,242
Total Fund Balances	\$ 9,520,265	\$ 105,836	\$ 760,105	\$ 10,386,206
Total Liabilities and Fund Balances	\$ 12,866,570	\$ 187,701	\$ 768,513	\$ 13,822,784

Exhibit I-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, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 10,386,206	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 1,256,649		
Add: buildings and improvements net of accumulated depreciation	19,259,872		
Add: infrastructure net of accumulated depreciation	355,997		
Add: other capital assets net of accumulated depreciation	<u>756,669</u>	21,629,187	
(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	\$ (6,035,000)		
Less: other loans payable	(2,211,343)		
Less: other postemployment benefits liability	(183,808)		
Less: deferred premium on debt issuance	(37,862)		
Add: deferred amount on refunding	26,820		
Add: deferred charges - debt issuance costs	35,131		
Less: accrued interest on bonds and other loans	<u>(82,604)</u>	(8,488,666)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>345,386</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 23,872,113</u>

Exhibit I-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, 2010

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Federal Projects	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,200,883	\$ 0	\$ 0	\$ 4,200,883
Licenses and Permits	1,216	0	0	1,216
Charges for Current Services	23,916	0	349,085	373,001
Other Local Revenues	101,243	0	48,667	149,910
State of Tennessee	11,554,505	0	12,549	11,567,054
Federal Government	196,110	1,932,892	863,454	2,992,456
Total Revenues	\$ 16,077,873	\$ 1,932,892	\$ 1,273,755	\$ 19,284,520
<u>Expenditures</u>				
Current:				
Instruction	\$ 8,633,845	\$ 1,493,099	\$ 0	\$ 10,126,944
Support Services	4,131,146	441,933	0	4,573,079
Operation of Non-Instructional Services	97,322	94,876	1,158,990	1,351,188
Capital Outlay	814,044	0	0	814,044
Debt Service:				
Principal on Debt	1,038,200	0	0	1,038,200
Interest on Debt	233,393	0	0	233,393
Other Debt Service	17,656	0	0	17,656
Capital Projects	0	0	78,735	78,735
Total Expenditures	\$ 14,965,606	\$ 2,029,908	\$ 1,237,725	\$ 18,233,239
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,112,267	\$ (97,016)	\$ 36,030	\$ 1,051,281
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 47,369	\$ 0	\$ 0	\$ 47,369
Transfers In	44,464	100,000	0	144,464
Transfers Out	(100,000)	(32,229)	(12,235)	(144,464)
Total Other Financing Sources (Uses)	\$ (8,167)	\$ 67,771	\$ (12,235)	\$ 47,369
Net Change in Fund Balances	\$ 1,104,100	\$ (29,245)	\$ 23,795	\$ 1,098,650
Fund Balance, July 1, 2009	8,416,165	135,081	736,310	9,287,556
Fund Balance, June 30, 2010	\$ 9,520,265	\$ 105,836	\$ 760,105	\$ 10,386,206

Exhibit I-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, 2010

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ 1,098,650
(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	\$ 650,722	
Less: current year depreciation expense	<u>(688,238)</u>	(37,516)
(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, 2010	\$ 345,386	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(314,131)</u>	31,255
(3) The issuance of long-term debt (e.g., notes, other loans, 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	915,000	
Add: principal payments on other loans	123,200	
Less: change in deferred amount on refunding debt	<u>(12,892)</u>	1,029,520
(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	\$ (24,369)	
Change in accrued interest payable	<u>12,541</u>	<u>(11,828)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,110,081</u>

Exhibit I-6

Sequatchie County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2010

	Special Revenue Funds			Total
	Other		Education Capital Projects	
	Education Special Revenue	Education Capital Projects		
Central Cafeteria				Nonmajor Governmental Funds
\$ 69,687 \$	0 \$	69,687 \$	0 \$	69,687
209,749	10,447	220,196	458,242	678,438
20,388	0	20,388	0	20,388
<u>\$ 299,824 \$</u>	<u>10,447 \$</u>	<u>310,271 \$</u>	<u>458,242 \$</u>	<u>768,513</u>

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Due from Other Governments	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>	
Other Deferred Revenues	
Total Liabilities	
<u>Fund Balances</u>	
Unreserved	
Total Fund Balances	
Total Liabilities and Fund Balances	

Exhibit I-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, 2010

	<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>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 279,706	\$ 69,379	\$ 349,085	\$ 0	\$ 349,085
Other Local Revenues	48,665	0	48,665	2	48,667
State of Tennessee	12,549	0	12,549	0	12,549
Federal Government	863,454	0	863,454	0	863,454
Total Revenues	\$ 1,204,374	\$ 69,379	\$ 1,273,753	\$ 2	\$ 1,273,755
<u>Expenditures</u>					
Current:					
Operation of Non-Instructional Services	\$ 1,091,533	\$ 67,457	\$ 1,158,990	\$ 0	\$ 1,158,990
Capital Projects	0	0	0	78,735	78,735
Total Expenditures	\$ 1,091,533	\$ 67,457	\$ 1,158,990	\$ 78,735	\$ 1,237,725
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 112,841	\$ 1,922	\$ 114,763	\$ (78,733)	\$ 36,030
<u>Other Financing Sources (Uses)</u>					
Transfers Out	\$ (10,902)	\$ (1,333)	\$ (12,235)	\$ 0	\$ (12,235)
Total Other Financing Sources (Uses)	\$ (10,902)	\$ (1,333)	\$ (12,235)	\$ 0	\$ (12,235)
Net Change in Fund Balances					
Fund Balance, July 1, 2009	\$ 189,477	\$ 9,858	\$ 199,335	\$ 536,975	\$ 736,310
Fund Balance, June 30, 2010	\$ 291,416	\$ 10,447	\$ 301,863	\$ 458,242	\$ 760,105

Exhibit I-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,200,883	\$ 4,186,839	\$ 4,186,839	\$ 14,044
Licenses and Permits	1,216	1,200	1,200	16
Charges for Current Services	23,916	20,734	20,734	3,182
Other Local Revenues	101,243	77,000	77,000	24,243
State of Tennessee	11,554,505	11,450,087	11,546,286	8,219
Federal Government	196,110	174,025	195,469	641
Total Revenues	<u>\$ 16,077,873</u>	<u>\$ 15,909,885</u>	<u>\$ 16,027,528</u>	<u>\$ 50,345</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 6,585,725	\$ 6,723,138	\$ 6,715,047	\$ 129,322
Alternative Instruction Program	76,295	77,199	77,199	904
Special Education Program	1,685,910	1,702,334	1,715,203	29,293
Vocational Education Program	211,949	415,762	417,637	205,688
Student Body Education Program	17,922	17,338	18,598	676
Adult Education Program	56,044	66,810	73,560	17,516
<u>Support Services</u>				
Attendance	100,253	101,916	101,916	1,663
Health Services	139,623	139,696	139,696	73
Other Student Support	319,607	335,810	335,810	16,203
Regular Instruction Program	553,280	560,692	558,944	5,664
Special Education Program	81,867	159,355	159,355	77,488
Adult Programs	77,497	79,960	80,210	2,713
Other Programs	39,224	0	39,224	0
Board of Education	279,033	235,747	284,094	5,061
Director of Schools	154,911	152,489	156,167	1,256
Office of the Principal	551,198	546,161	552,161	963
Fiscal Services	156,365	163,678	165,178	8,813
Operation of Plant	1,007,438	1,092,847	1,092,847	85,409
Maintenance of Plant	193,041	197,616	197,616	4,575
Transportation	477,809	532,737	532,737	54,928
Central and Other	0	20,000	20,000	20,000
<u>Operation of Non-Instructional Services</u>				
Community Services	260	1,734	1,734	1,474
Early Childhood Education	97,062	97,143	97,143	81
<u>Capital Outlay</u>				
Regular Capital Outlay	814,044	8,347,974	8,397,549	7,583,505
<u>Principal on Debt</u>				
Education	1,038,200	1,038,200	1,038,200	0
<u>Interest on Debt</u>				
Education	233,393	341,440	323,784	90,391

(Continued)

Exhibit I-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>Other Debt Service</u>				
Education	\$ 17,656	\$ 0	\$ 17,656	\$ 0
Total Expenditures	\$ 14,965,606	\$ 23,147,776	\$ 23,309,265	\$ 8,343,659
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,112,267	\$ (7,237,891)	\$ (7,281,737)	\$ 8,394,004
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 47,369	\$ 0	\$ 0	\$ 47,369
Transfers In	44,464	96,104	96,104	(51,640)
Transfers Out	(100,000)	0	(100,000)	0
Total Other Financing Sources (Uses)	\$ (8,167)	\$ 96,104	\$ (3,896)	\$ (4,271)
Net Change in Fund Balance	\$ 1,104,100	\$ (7,141,787)	\$ (7,285,633)	\$ 8,389,733
Fund Balance, July 1, 2009	8,416,165	8,379,165	8,379,165	37,000
Fund Balance, June 30, 2010	\$ 9,520,265	\$ 1,237,378	\$ 1,093,532	\$ 8,426,733

Exhibit I-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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,932,892	\$ 0	\$ 1,932,892	\$ 2,669,795	\$ 2,669,795	\$ (736,903)
Total Revenues	\$ 1,932,892	\$ 0	\$ 1,932,892	\$ 2,669,795	\$ 2,669,795	\$ (736,903)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 834,314	\$ 0	\$ 834,314	\$ 1,088,745	\$ 1,088,745	\$ 254,431
Special Education Program	620,556	0	620,556	918,590	918,590	298,034
Vocational Education Program	38,229	0	38,229	35,555	38,230	1
<u>Support Services</u>						
Other Student Support	20,343	0	20,343	208,603	111,052	90,709
Regular Instruction Program	146,205	0	146,205	190,978	190,978	44,773
Special Education Program	100,074	0	100,074	110,808	110,808	10,734
Vocational Education Program	2,349	0	2,349	2,349	2,349	0
Transportation	172,962	(85,521)	87,441	121,674	121,674	34,233
<u>Operation of Non-Instructional Services</u>						
Community Services	94,876	0	94,876	0	94,876	0
Total Expenditures	\$ 2,029,908	\$ (85,521)	\$ 1,944,387	\$ 2,677,302	\$ 2,677,302	\$ 732,915
Excess (Deficiency) of Revenues Over Expenditures	\$ (97,016)	\$ 85,521	\$ (11,495)	\$ (7,507)	\$ (7,507)	\$ (3,988)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 100,000	\$ 0	\$ 100,000	\$ 0	\$ 100,000	\$ 0
Transfers Out	(32,229)	0	(32,229)	(42,055)	(42,055)	9,826
Total Other Financing Sources (Uses)	\$ 67,771	\$ 0	\$ 67,771	\$ (42,055)	\$ 57,945	\$ 9,826
Net Change in Fund Balance	\$ (29,245)	\$ 85,521	\$ 56,276	\$ (49,562)	\$ 50,438	\$ 5,838
Fund Balance, July 1, 2009	135,081	(85,521)	49,560	49,562	49,562	(2)
Fund Balance, June 30, 2010	\$ 105,836	\$ 0	\$ 105,836	\$ 0	\$ 100,000	\$ 5,836

Exhibit I-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 279,706	\$ 308,000	\$ 308,000	\$ (28,294)
Other Local Revenues	48,665	3,500	3,500	45,165
State of Tennessee	12,549	12,000	12,000	549
Federal Government	863,454	627,500	702,702	160,752
Total Revenues	<u>\$ 1,204,374</u>	<u>\$ 951,000</u>	<u>\$ 1,026,202</u>	<u>\$ 178,172</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,091,533	\$ 1,071,094	\$ 1,146,296	\$ 54,763
Total Expenditures	<u>\$ 1,091,533</u>	<u>\$ 1,071,094</u>	<u>\$ 1,146,296</u>	<u>\$ 54,763</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 112,841</u>	<u>\$ (120,094)</u>	<u>\$ (120,094)</u>	<u>\$ 232,935</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (10,902)	\$ (52,906)	\$ (52,906)	\$ 42,004
Total Other Financing Sources (Uses)	<u>\$ (10,902)</u>	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ 42,004</u>
Net Change in Fund Balance	\$ 101,939	\$ (173,000)	\$ (173,000)	\$ 274,939
Fund Balance, July 1, 2009	<u>189,477</u>	<u>173,000</u>	<u>173,000</u>	<u>16,477</u>
Fund Balance, June 30, 2010	<u>\$ 291,416</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 291,416</u>

Exhibit I-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 69,379	\$ 58,600	\$ 69,379	\$ 0
Total Revenues	\$ 69,379	\$ 58,600	\$ 69,379	\$ 0
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Community Services	\$ 67,457	\$ 57,457	\$ 68,046	\$ 589
Total Expenditures	\$ 67,457	\$ 57,457	\$ 68,046	\$ 589
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,922	\$ 1,143	\$ 1,333	\$ 589
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (1,333)	\$ (1,143)	\$ (1,333)	\$ 0
Total Other Financing Sources (Uses)	\$ (1,333)	\$ (1,143)	\$ (1,333)	\$ 0
Net Change in Fund Balance	\$ 589	\$ 0	\$ 0	\$ 589
Fund Balance, July 1, 2009	9,858	0	0	9,858
Fund Balance, June 30, 2010	\$ 10,447	\$ 0	\$ 0	\$ 10,447

MISCELLANEOUS SCHEDULES

Sequatchie County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Recreational Facility	\$ 230,000	4.19 %	4-16-07	4-16-10	\$ 79,438	\$ 0	\$ 79,438	\$ 0
Health Department	250,000	3.25	9-19-08	9-19-11	250,000	0	83,333	166,667
North Valley Medical Center Roof	76,000	2.75	11-4-09	11-4-12	0	76,000	0	76,000
Total Payable through General Debt Service Fund					\$ 329,438	\$ 76,000	\$ 162,771	\$ 242,667
<u>Payable through Highway/Public Works Fund</u>								
Highway Department	140,000	3.19	7-29-09	7-29-15	\$ 0	\$ 140,000	\$ 0	\$ 140,000
Total Payable through Highway/Public Works Fund					\$ 0	\$ 140,000	\$ 0	\$ 140,000
Total Notes Payable					\$ 329,438	\$ 216,000	\$ 162,771	\$ 382,667
<u>OTHER LOAN PAYABLE</u>								
Payable through General Debt Service Fund	6,500,000	Variable	11-1-04	5-25-32	\$ 5,832,000	\$ 0	\$ 180,000	\$ 5,652,000
Justice Center								
Total Other Loans Payable					\$ 5,832,000	\$ 0	\$ 180,000	\$ 5,652,000
<u>DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT</u>								
<u>BONDS PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Bonds - Series 1998	5,000,000	4.15	10-15-1998	2-1-10	\$ 285,000	\$ 0	\$ 285,000	\$ 0
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	4,165,000	0	630,000	3,535,000
Total Bonds Payable					\$ 6,950,000	\$ 0	\$ 915,000	\$ 6,035,000
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Rural Development Loan - Technology	102,000	0	1-1-03	1-1-13	\$ 30,600	\$ 0	\$ 10,200	\$ 20,400
School Renovations	2,514,943	Variable	12-20-06	5-25-24	2,303,943	0	113,000	2,190,943
Total Other Loans Payable					\$ 2,334,543	\$ 0	\$ 123,200	\$ 2,211,343

Exhibit J-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
2011	\$ 131,999	\$ 11,973	\$ 143,972
2012	132,000	7,823	139,823
2013	48,667	3,676	52,343
2014	23,334	2,233	25,567
2015	23,334	1,489	24,823
2016	23,333	744	24,077
Total	<u>\$ 382,667</u>	<u>\$ 27,938</u>	<u>\$ 410,605</u>

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2011	\$ 185,000	\$ 24,868	\$ 30,976	\$ 240,844
2012	191,000	24,056	29,996	245,052
2013	196,000	23,216	28,984	248,200
2014	202,000	22,352	27,944	252,296
2015	208,000	21,464	26,872	256,336
2016	215,000	20,548	25,772	261,320
2017	221,000	19,600	24,632	265,232
2018	228,000	18,628	23,460	270,088
2019	234,000	17,628	22,252	273,880
2020	242,000	16,596	21,012	279,608
2021	249,000	15,532	19,728	284,260
2022	256,000	14,436	18,408	288,844
2023	264,000	13,312	17,052	294,364
2024	272,000	12,148	15,652	299,800
2025	280,000	10,952	14,212	305,164
2026	288,000	9,720	12,728	310,448
2027	297,000	8,452	11,200	316,652
2028	306,000	7,144	10,580	323,724
2029	315,000	5,800	9,940	330,740
2030	325,000	4,412	9,284	338,696
2031	334,000	2,984	8,600	345,584
2032	344,000	2,304	7,900	354,204
Total	<u>\$ 5,652,000</u>	<u>\$ 316,152</u>	<u>\$ 417,184</u>	<u>\$ 6,385,336</u>

(Continued)

Exhibit J-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
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	<u>\$ 6,035,000</u>	<u>\$ 722,725</u>	<u>\$ 6,757,725</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 128,200	\$ 10,613	\$ 13,804	\$ 152,617
2012	133,200	10,093	13,178	156,471
2013	129,000	9,552	12,526	151,078
2014	134,000	8,985	11,843	154,828
2015	140,000	8,395	11,132	159,527
2016	147,000	7,779	10,390	165,169
2017	153,000	7,135	9,611	169,746
2018	160,000	6,459	8,800	175,259
2019	168,000	5,755	7,952	181,707
2020	175,000	5,016	7,062	187,078
2021	183,000	4,246	6,134	193,380
2022	191,000	3,441	5,165	199,606
2023	200,000	2,600	4,152	206,752
2024	169,943	1,720	3,007	174,670
Total	<u>\$ 2,211,343</u>	<u>\$ 91,789</u>	<u>\$ 124,756</u>	<u>\$ 2,427,888</u>

Exhibit J-3

Sequatchie County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Ambulance Service	Operations	\$ 50,000
<u>DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 32,229
Central Cafeteria	"	Direct costs	12,235
General Purpose School	School Federal Projects	Cash flow	100,000
Total Transfers Discretely Presented Sequatchie County School Department			\$ 144,464

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, 2010

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	93,766 (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	Montgomery Insurance

(1) Includes a chief executive officer training supplement of \$1,000. 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 J-5

Sequatchie County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2010

	Special Revenue Funds							Debt Service Fund		Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Fund		
								General	Debt Service	
<u>Local Taxes</u>										
<u>County Property Taxes</u>										
Current Property Tax	\$ 2,043,642	\$ 0	\$ 297,240	\$ 0	\$ 0	\$ 0	\$ 0	\$ 403,682	\$ 2,744,564	
Trustee's Collections - Prior Year	145,934	0	23,520	0	0	0	0	28,827	198,281	
Circuit/Clerk & Master Collections - Prior Years	34,912	0	5,172	0	0	0	0	6,895	46,979	
Interest and Penalty	25,513	0	7,399	0	0	0	0	5,040	37,952	
Payments in-Lieu-of Taxes - T.V.A.	1,199	0	178	0	0	0	0	237	1,614	
Payments in-Lieu-of Taxes - Local Utilities	12,013	0	1,780	0	0	0	0	2,373	16,166	
Payments in-Lieu-of Taxes - Other	382	0	57	0	0	0	0	75	514	
<u>County Local Option Taxes</u>										
Local Option Sales Tax	231,634	0	0	0	0	0	0	0	231,634	
Hotel/Motel Tax	13,840	0	0	0	0	0	0	0	13,840	
Litigation Tax - General	40,115	0	0	0	0	0	0	0	40,115	
Litigation Tax - Special Purpose	1,975	12,849	0	0	0	0	0	0	14,824	
Litigation Tax - Jail, Workhouse, or Courthouse	10,478	0	0	0	0	0	0	0	10,478	
Business Tax	74,922	0	0	0	0	0	0	0	74,922	
<u>Statutory Local Taxes</u>										
Bank Excise Tax	21,785	0	3,227	0	0	0	0	4,303	29,315	
Wholesale Beer Tax	71,837	0	0	0	0	0	0	0	71,837	
Interstate Telecommunications Tax	725	0	0	0	0	0	0	0	725	
Total Local Taxes	\$ 2,730,906	\$ 12,849	\$ 338,573	\$ 0	\$ 0	\$ 0	\$ 0	\$ 451,432	\$ 3,533,760	
<u>Licenses and Permits</u>										
<u>Licenses</u>										
Cable TV Franchise	\$ 30,164	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,164	
Permits	1,235	0	0	0	0	0	0	0	1,235	
Beer Permits	31,399	0	0	0	0	0	0	0	31,399	
Total Licenses and Permits	\$ 62,798	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,798	
<u>Fines, Forfeitures, and Penalties</u>										
Circuit Court	\$ 12,872	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,872	
Fines	0	0	0	0	0	0	0	0	0	

(Continued)

Exhibit J-5

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

	Special Revenue Funds										Total	
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Debt Service Fund				
								General	Debt	Service		
<u>Circuit Court (Cont.)</u>												
Officers Costs	\$ 3,721	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,721
Drug Control Fines	0	0	0	0	2,501	0	0	0	0	0	0	2,501
Drug Court Fees	643	0	0	0	0	0	0	0	0	0	0	643
Jail Fees	1,763	0	0	0	0	0	0	0	0	0	0	1,763
DUI Treatment Fines	665	0	0	0	0	0	0	0	0	0	0	665
Data Entry Fee - Circuit Court	508	0	0	0	0	0	0	0	0	0	0	508
Courtroom Security Fee	3,603	0	0	0	0	0	0	0	0	0	0	3,603
<u>Criminal Court</u>												
Jail Fees	596	0	0	0	0	0	0	0	0	0	0	596
<u>General Sessions Court</u>												
Fines	13,136	0	0	0	0	0	0	0	0	0	0	13,136
Fines for Littering	5	0	0	0	0	0	0	0	0	0	0	5
Officers Costs	1,793	0	0	0	0	0	0	0	0	0	0	1,793
Game and Fish Fines	20	0	0	0	0	0	0	0	0	0	0	20
Drug Control Fines	0	0	0	0	17,900	0	0	0	0	0	0	17,900
Drug Court Fees	1,809	0	0	0	0	0	0	0	0	0	0	1,809
Jail Fees	1,586	0	0	0	0	0	0	0	0	0	0	1,586
DUI Treatment Fines	2,386	0	0	0	0	0	0	0	0	0	0	2,386
Data Entry Fee - General Sessions Court	2,332	0	0	0	0	0	0	0	0	0	0	2,332
Courtroom Security Fee	24,611	0	0	0	0	0	0	0	0	0	0	24,611
<u>Chancery Court</u>												
Officers Costs	21	0	0	0	0	0	0	0	0	0	0	21
Data Entry Fee - Chancery Court	118	0	0	0	0	0	0	0	0	0	0	118
Courtroom Security Fee	1,352	0	0	0	0	0	0	0	0	0	0	1,352
<u>Other Fines, Forfeitures, and Penalties</u>												
Proceeds from Confiscated Property	0	0	0	0	23,056	0	0	0	0	0	0	23,056
Total Fines, Forfeitures, and Penalties	\$ 73,540	\$ 0	\$ 0	\$ 0	\$ 43,457	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 116,997

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Total
	General	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	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	\$ 791,726	\$ 0	\$ 0	\$ 0	\$ 791,726
Work Release Charges for Board Fees	5,780	0	0	0	0	0	0	5,780
Copy Fees	598	0	0	0	0	0	0	598
Library Fees	3,235	0	0	0	0	0	0	3,235
Telephone Commissions	680	0	0	0	0	0	0	680
Constitutional Officers' Fees and Commissions	0	0	0	0	0	1,888	0	1,888
Data Processing Fee - Register	5,796	0	0	0	0	0	0	5,796
Data Processing Fee - Sheriff	1,608	0	0	0	0	0	0	1,608
Data Processing Fee - County Clerk	706	0	0	0	0	0	0	706
Total Charges for Current Services	\$ 18,403	\$ 0	\$ 0	\$ 791,726	\$ 0	\$ 1,888	\$ 0	\$ 812,017
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 29,621	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,670	\$ 38,291
Lease/Rentals	4,280	0	0	0	0	0	12,720	17,000
Sale of Gasoline	0	0	0	0	0	865	0	865
Sale of Maps	588	0	0	0	0	0	0	588
Sale of Recycled Materials	0	0	30,211	0	0	0	0	30,211
Miscellaneous Refunds	18,220	0	0	0	0	0	64	18,726
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	0	0	0	0	2,080	2,080
Damages Recovered from Individuals	2,925	0	0	0	0	0	0	2,925
Total Other Local Revenues	\$ 55,634	\$ 0	\$ 30,211	\$ 0	\$ 0	\$ 0	\$ 3,387	\$ 110,686
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 161,098	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 161,098
Circuit Court Clerk	50,701	0	0	0	0	0	0	50,701
General Sessions Court Clerk	95,910	0	0	0	0	0	0	95,910

(Continued)

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

	Special Revenue Funds							Debt Service Fund		Total
	General	Courtthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund		
								General	Debt	
Fees Received from County Officials (Cont.)										
Fees in-Lieu-of Salary (Cont.)										
Clerk and Master	\$ 37,748	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,748
Register	66,072	0	0	0	0	0	0	0	0	66,072
Sheriff	4,457	0	0	0	0	0	0	0	0	4,457
Trustee	189,861	0	0	0	0	0	0	0	0	189,861
Total Fees Received from County Officials	\$ 605,847	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 605,847
State of Tennessee										
General Government Grants										
Juvenile Services Program	\$ 9,765	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,765
State Reappraisal Grant	5,468	0	0	0	0	0	0	0	0	5,468
Solid Waste Grants	0	0	10,200	0	0	0	0	0	0	10,200
Public Safety Grants										
Law Enforcement Training Programs	9,000	0	0	0	0	0	0	0	0	9,000
Health and Welfare Grants										
Health Department Programs	97,155	0	0	0	0	0	0	0	0	97,155
Public Works Grants										
Bridge Program	0	0	0	0	0	0	136,632	0	0	136,632
State Aid Program	0	0	0	0	0	0	344,428	0	0	344,428
Litter Program	0	0	27,940	0	0	0	0	0	0	27,940
Other State Revenues										
Income Tax	73,422	0	0	0	0	0	0	0	0	73,422
Resort District Sales Tax	1,379	0	0	0	0	0	0	0	0	1,379
Alcoholic Beverage Tax	23,621	0	0	0	0	0	0	0	0	23,621
State Revenue Sharing - T.V.A.	148,868	0	0	0	0	0	0	25,591	0	174,459
Contracted Prisoner Boarding	471,100	0	0	0	0	0	0	0	0	471,100
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,337,093	0	0	1,337,093
Petroleum Special Tax	0	0	0	0	0	0	9,131	0	0	9,131
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	0	16,380
Other State Revenues	0	0	0	0	2,158	0	0	0	0	2,158
Total State of Tennessee	\$ 856,158	\$ 0	\$ 38,140	\$ 0	\$ 2,158	\$ 0	\$ 1,827,284	\$ 25,591	\$ 0	\$ 2,749,331

(Continued)

Exhibit J-5

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

	Special Revenue Funds							Debt Service Fund	Total	
	General	Courtthouse and Jail Maintenance	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works			General Debt Service
<u>Federal Government</u>										
<u>Federal Through State</u>										
Disaster Relief	\$ 8,419	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,419	
Homeland Security Grants	30,881	0	0	0	0	0	0	0	30,881	
Other Federal through State	29,044	0	0	0	0	0	0	0	29,044	
Total Federal Government	\$ 68,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 68,344	
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,648	\$ 0	\$ 2,648	
Contributions	65,348	0	0	0	0	0	0	0	65,348	
<u>Other</u>	50	0	0	0	0	0	0	0	50	
Total Other Governments and Citizens Groups	\$ 65,398	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,648	\$ 0	\$ 68,046	
Total	\$ 4,505,629	\$ 12,849	\$ 406,924	\$ 791,726	\$ 45,615	\$ 1,888	\$ 1,833,319	\$ 498,477	\$ 8,096,427	

Sequatchie County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,395,977	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,395,977
Trustee's Collections - Prior Year	184,646	0	0	0	0	184,646
Circuit/Clerk & Master Collections - Prior Years	40,946	0	0	0	0	40,946
Interest and Penalty	30,488	0	0	0	0	30,488
Pick-up Taxes	886	0	0	0	0	886
Payments in-Lieu-of Taxes - T.V.A.	1,407	0	0	0	0	1,407
Payments in-Lieu-of Taxes - Local Utilities	14,090	0	0	0	0	14,090
Payments in-Lieu-of Taxes - Other	448	0	0	0	0	448
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,505,609	0	0	0	0	1,505,609
<u>Statutory Local Taxes</u>						
Bank Excise Tax	25,550	0	0	0	0	25,550
Interstate Telecommunications Tax	836	0	0	0	0	836
Total Local Taxes	\$ 4,200,883	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,200,883
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,216	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,216
Total Licenses and Permits	\$ 1,216	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,216
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 0	\$ 0	\$ 0	\$ 69,379	\$ 0	\$ 69,379
Lunch Payments - Children	0	0	174,782	0	0	174,782
Lunch Payments - Adults	0	0	26,641	0	0	26,641
Income from Breakfast	0	0	21,633	0	0	21,633
A la carte Sales	0	0	56,650	0	0	56,650
Receipts from Individual Schools	23,916	0	0	0	0	23,916
Total Charges for Current Services	\$ 23,916	\$ 0	\$ 279,706	\$ 69,379	\$ 0	\$ 373,001
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 36,843	\$ 0	\$ 1,826	\$ 0	\$ 2	\$ 38,671

(Continued)

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Miscellaneous Refunds	\$ 30,145	\$ 0	\$ 44,140	\$ 0	\$ 0	\$ 74,285
<u>Nonrecurring Items</u>						
Sale of Equipment	3,125	0	0	0	0	3,125
Sale of Property	16,000	0	0	0	0	16,000
Contributions and Gifts	2,204	0	0	0	0	2,204
<u>Other Local Revenues</u>	12,926	0	2,699	0	0	15,625
Other Local Revenues	\$ 101,243	\$ 0	\$ 48,665	\$ 0	\$ 2	\$ 149,910
Total Other Local Revenues						
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 39,224	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,224
<u>State Education Funds</u>						
Basic Education Program	10,564,015	0	0	0	0	10,564,015
Basic Education Program - ARRA	404,200	0	0	0	0	404,200
Early Childhood Education	97,668	0	0	0	0	97,668
School Food Service	0	0	12,549	0	0	12,549
Energy Efficient School Initiative	49,583	0	0	0	0	49,583
Driver Education	1,780	0	0	0	0	1,780
Other State Education Funds	6,336	0	0	0	0	6,336
Coordinated School Health - ARRA	95,000	0	0	0	0	95,000
Internet Connectivity - ARRA	6,498	0	0	0	0	6,498
Statewide Student Management System (SSMS) - ARRA	5,532	0	0	0	0	5,532
Career Ladder Program	89,219	0	0	0	0	89,219
Career Ladder - Extended Contract - ARRA	35,900	0	0	0	0	35,900
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	151,950	0	0	0	0	151,950
Safe Schools - ARRA	7,600	0	0	0	0	7,600
Total State of Tennessee	\$ 11,554,505	\$ 0	\$ 12,549	\$ 0	\$ 0	\$ 11,567,054
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 580,096	\$ 0	\$ 0	\$ 580,096

(Continued)

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

	General Purpose School	School Federal Projects	Central Cafeteria	Other Education Special Revenue	Education Capital Projects	Total
Federal Government (Cont.)						
Federal Through State (Cont.)						
USDA - Commodities	\$ 0	\$ 0	\$ 75,202	\$ 0	\$ 0	\$ 75,202
Breakfast	0	0	189,791	0	0	189,791
USDA - Other	0	0	3,145	0	0	3,145
USDA Food Service Equipment Grant - ARRA	0	0	15,220	0	0	15,220
Adult Education State Grant Program	106,443	0	0	0	0	106,443
Vocational Education - Basic Grants to States	0	47,915	0	0	0	47,915
Other Vocational	72,224	0	0	0	0	72,224
Title I Grants to Local Education Agencies	0	827,134	0	0	0	827,134
Special Education - Grants to States	17,443	753,293	0	0	0	770,736
Special Education Preschool Grants	0	51,345	0	0	0	51,345
Safe and Drug-free Schools - State Grants	0	100,188	0	0	0	100,188
Rural Education	0	30,536	0	0	0	30,536
Eisenhower Professional Development State Grants	0	112,689	0	0	0	112,689
Other Federal through State	0	9,792	0	0	0	9,792
Total Federal Government	\$ 196,110	\$ 1,932,892	\$ 863,454	\$ 0	\$ 0	\$ 2,992,456
Total	\$ 16,077,873	\$ 1,932,892	\$ 1,204,374	\$ 69,379	\$ 2	\$ 19,284,520

Exhibit J-7

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2010

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$ 34,900	
Social Security	2,186	
Employer Medicare	500	
Audit Services	3,500	
Dues and Memberships	7,000	
Legal Services	3,000	
Legal Notices, Recording, and Court Costs	2,486	
Travel	944	
Other Contracted Services	682	
Liability Insurance	<u>63,000</u>	
Total County Commission		\$ 118,198

Board of Equalization

Board and Committee Members Fees	\$ <u>2,725</u>	
Total Board of Equalization		2,725

Beer Board

Board and Committee Members Fees	\$ <u>600</u>	
Total Beer Board		600

County Mayor/Executive

County Official/Administrative Officer	\$ 60,350	
Assistant(s)	46,888	
In-Service Training	1,600	
Social Security	6,409	
State Retirement	8,504	
Medical Insurance	3,288	
Unemployment Compensation	236	
Employer Medicare	1,499	
Communication	5,600	
Data Processing Services	4,655	
Postal Charges	2,051	
Travel	1,016	
Office Supplies	2,500	
Office Equipment	<u>2,000</u>	
Total County Mayor/Executive		146,596

County Attorney

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

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	43,054	
Clerical Personnel		4,607	
Election Commission		1,625	
In-Service Training		2,600	
Social Security		2,741	
State Retirement		3,414	
Medical Insurance		3,160	
Unemployment Compensation		146	
Employer Medicare		641	
Communication		1,700	
Legal Notices, Recording, and Court Costs		374	
Postal Charges		1,084	
Printing, Stationery, and Forms		437	
Travel		4,170	
Other Contracted Services		8,450	
Office Supplies		<u>1,007</u>	
Total Election Commission	\$		79,210

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		43,954	
In-Service Training		400	
Social Security		6,034	
State Retirement		7,505	
Unemployment Compensation		130	
Employer Medicare		1,395	
Communication		2,268	
Data Processing Services		4,800	
Dues and Memberships		422	
Postal Charges		337	
Rentals		804	
Travel		205	
Other Contracted Services		9,600	
Duplicating Supplies		400	
Office Supplies		1,299	
Premiums on Corporate Surety Bonds		100	
Office Equipment		<u>4,100</u>	
Total Register of Deeds			136,004

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	22,529	
Maintenance Personnel		676	
Social Security		1,439	
State Retirement		1,787	
Unemployment Compensation		95	
Employer Medicare		336	
Communication		600	
Maintenance Agreements		20,041	
Maintenance and Repair Services - Buildings		40,000	
Rentals		2,009	
Duplicating Supplies		1,965	
Electricity		109,873	
Natural Gas		38,464	
Water and Sewer		18,571	
Other Supplies and Materials		<u>9,730</u>	
Total County Buildings	\$		268,115

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Secretary(ies)		68,889	
Social Security		8,137	
State Retirement		9,555	
Medical Insurance		3,253	
Unemployment Compensation		422	
Employer Medicare		1,891	
Audit Services		6,060	
Communication		5,183	
Data Processing Services		7,903	
Dues and Memberships		921	
Postal Charges		3,165	
Printing, Stationery, and Forms		500	
Travel		3,410	
Other Contracted Services		12,812	
Office Supplies		2,937	
Office Equipment		<u>4,950</u>	
Total Property Assessor's Office			192,239

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
----------------------------------------	----	--------	--

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Deputy(ies)	\$	45,990	
Overtime Pay		1,244	
Social Security		6,168	
State Retirement		7,889	
Unemployment Compensation		197	
Employer Medicare		1,443	
Communication		1,800	
Data Processing Services		12,500	
Dues and Memberships		454	
Legal Notices, Recording, and Court Costs		250	
Maintenance and Repair Services - Office Equipment		4,961	
Postal Charges		3,773	
Travel		998	
Office Supplies		1,781	
Premiums on Corporate Surety Bonds		1,277	
Total County Trustee's Office	\$		142,976

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		90,253	
Overtime Pay		974	
Social Security		8,488	
State Retirement		11,378	
Medical Insurance		6,576	
Unemployment Compensation		435	
Employer Medicare		1,985	
Communication		3,800	
Dues and Memberships		400	
Maintenance and Repair Services - Office Equipment		15,860	
Postal Charges		5,544	
Travel		1,000	
Office Supplies		2,051	
Premiums on Corporate Surety Bonds		133	
Office Equipment		737	
Total County Clerk's Office			201,865

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251
Deputy(ies)		54,944

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Jury and Witness Expense	\$	7,468	
Social Security		6,798	
State Retirement		7,500	
Unemployment Compensation		300	
Employer Medicare		1,554	
Communication		2,015	
Data Processing Services		7,200	
Dues and Memberships		327	
Postal Charges		3,090	
Rentals		3,785	
Travel		639	
Other Contracted Services		15,743	
Office Supplies		11,000	
Premiums on Corporate Surety Bonds		108	
Total Circuit Court			\$ 174,722

General Sessions Court

Judge(s)	\$	79,310	
In-Service Training		231	
Social Security		4,414	
Medical Insurance		8,123	
Employer Medicare		1,032	
Travel		474	
Office Supplies		207	
Total General Sessions Court			93,791

Chancery Court

County Official/Administrative Officer	\$	52,251	
Assistant(s)		23,609	
Social Security		4,688	
State Retirement		6,000	
Unemployment Compensation		88	
Employer Medicare		1,093	
Communication		560	
Dues and Memberships		327	
Postal Charges		291	
Rentals		673	
Office Supplies		1,000	
Office Equipment		851	
Total Chancery Court			91,431

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court

Youth Service Officer(s)	\$	39,463	
Part-time Personnel		9,011	
In-Service Training		395	
Social Security		2,640	
State Retirement		3,100	
Medical Insurance		3,252	
Unemployment Compensation		185	
Employer Medicare		610	
Communication		2,500	
Contributions		4,003	
Dues and Memberships		100	
Postal Charges		100	
Travel		1,000	
Other Contracted Services		16,500	
Office Supplies		1,000	
Other Equipment		1,100	
Total Juvenile Court			\$ 84,959

Judicial Commissioners

County Official/Administrative Officer	\$	17,649	
Social Security		890	
State Retirement		1,400	
Medical Insurance		3,288	
Unemployment Compensation		84	
Employer Medicare		208	
Total Judicial Commissioners			23,519

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Deputy(ies)		297,218	
Investigator(s)		88,145	
Accountants/Bookkeepers		23,588	
Salary Supplements		9,000	
Part-time Personnel		8,050	
Overtime Pay		54,099	
Other Salaries and Wages		10,294	
In-Service Training		16,000	
Social Security		35,664	
State Retirement		41,963	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Medical Insurance	\$	8,180	
Unemployment Compensation		1,513	
Employer Medicare		8,341	
Other Fringe Benefits		39,518	
Communication		15,963	
Dues and Memberships		1,776	
Maintenance and Repair Services - Equipment		2,500	
Maintenance and Repair Services - Vehicles		28,721	
Postal Charges		1,000	
Rentals		1,793	
Travel		4,363	
Gasoline		56,314	
Law Enforcement Supplies		20,266	
Office Supplies		14,000	
Uniforms		8,414	
Premiums on Corporate Surety Bonds		2,392	
Data Processing Equipment		<u>7,379</u>	
Total Sheriff's Department	\$		863,931

Jail

Supervisor/Director	\$	37,452
Guards		505,474
Part-time Personnel		25,193
Overtime Pay		63,607
In-Service Training		4,829
Social Security		41,780
State Retirement		50,000
Medical Insurance		4,000
Unemployment Compensation		2,510
Employer Medicare		9,720
Other Fringe Benefits		48,132
Maintenance and Repair Services - Buildings		4,982
Maintenance and Repair Services - Equipment		4,984
Postal Charges		27
Rentals		1,200
Transportation - Other than Students		2,000
Disposal Fees		5,000
Drugs and Medical Supplies		181,773
Food Supplies		124,697
Law Enforcement Supplies		18,499

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Office Supplies	\$ 8,400	
Uniforms	11,894	
Other Supplies and Materials	20,000	
Premiums on Corporate Surety Bonds	<u>2,500</u>	
Total Jail		\$ 1,178,653

Fire Prevention and Control

Contracts with Other Public Agencies	\$ 1,000	
Contributions	<u>54,000</u>	
Total Fire Prevention and Control		55,000

Rescue Squad

Contributions	<u>\$ 2,500</u>	
Total Rescue Squad		2,500

Other Emergency Management

County Official/Administrative Officer	\$ 7,878	
Assistant(s)	5,000	
Social Security	798	
Employer Medicare	187	
Communication	750	
Maintenance and Repair Services - Vehicles	96	
Travel	284	
Gasoline	452	
Office Supplies	700	
Law Enforcement Equipment	18,861	
Other Capital Outlay	<u>11,300</u>	
Total Other Emergency Management		46,306

County Coroner/Medical Examiner

Contributions	<u>\$ 28,889</u>	
Total County Coroner/Medical Examiner		28,889

Public Health and Welfare

Local Health Center

Communication	\$ 4,669	
Dues and Memberships	200	
Maintenance and Repair Services - Buildings	2,160	
Rentals	70	
Disposal Fees	750	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Other Contracted Services	\$ 7,200	
Office Supplies	1,093	
Other Supplies and Materials	1,500	
Total Local Health Center		\$ 17,642

Crippled Children Services

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

Other Local Health Services

Social Workers	\$ 731	
Medical Personnel	85,728	
Social Security	5,000	
State Retirement	5,648	
Medical Insurance	3,288	
Unemployment Compensation	374	
Employer Medicare	1,170	
Travel	19,971	
Total Other Local Health Services		121,910

Appropriation to State

Contributions	\$ 19,032	
Total Appropriation to State		19,032

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Supervisor/Director	\$ 33,523	
Clerical Personnel	21,211	
Part-time Personnel	4,608	
Social Security	3,580	
State Retirement	4,308	
Medical Insurance	3,400	
Unemployment Compensation	200	
Employer Medicare	837	
Communication	2,144	
Dues and Memberships	1,712	

(Continued)

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Postal Charges	\$	1,300	
Travel		315	
Other Contracted Services		2,492	
Library Books/Media		9,897	
Office Supplies		2,595	
Other Supplies and Materials		212	
Other Equipment		843	
Total Libraries			\$ 93,177

Parks and Fair Boards

Contributions	\$	3,000	
Maintenance and Repair Services - Buildings		13,265	
Other Contracted Services		27,000	
Electricity		6,281	
Gasoline		554	
Water and Sewer		1,561	
Other Supplies and Materials		1,165	
Total Parks and Fair Boards			52,826

Other Social, Cultural, and Recreational

Contributions	\$	4,000	
Total Other Social, Cultural, and Recreational			4,000

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	40,300	
Employer Medicare		7,012	
Communication		3,076	
Contributions		800	
Maintenance and Repair Services - Equipment		300	
Travel		1,000	
Office Supplies		700	
Other Equipment		1,700	
Total Agriculture Extension Service			54,888

Soil Conservation

Contributions	\$	14,500	
Total Soil Conservation			14,500

(Continued)

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

General Fund (Cont.)

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	\$ 28,750	
Contracts with Other Public Agencies	176,581	
Total Other Economic and Community Development		205,331

Veterans' Services

Clerical Personnel	\$ 7,848	
Social Security	510	
Unemployment Compensation	42	
Employer Medicare	120	
Communication	1,000	
Data Processing Services	498	
Postal Charges	44	
Travel	651	
Office Supplies	300	
Other Equipment	245	
Total Veterans' Services		11,258

Other Charges

Trustee's Commission	\$ 54,184	
Workers' Compensation Insurance	29,376	
Total Other Charges		83,560

Total General Fund		\$ 4,637,346
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Courthouse and Jail Maintenance Fund

General Government

County Buildings

Maintenance and Repair Services - Buildings	\$ 13,674	
Total County Buildings		\$ 13,674

(Continued)

Exhibit J-7

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

Courthouse and Jail Maintenance Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 140	
Total Other Charges		\$ 140

Total Courthouse and Jail Maintenance Fund \$ 13,814

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$ 15,630	
Secretary(ies)	3,000	
Social Security	1,000	
Employer Medicare	270	
Maintenance and Repair Services - Vehicles	800	
Gasoline	2,227	
Instructional Supplies and Materials	4,300	
Other Supplies and Materials	2,000	
Total Sanitation Education/Information		\$ 29,227

Waste Pickup

Equipment Operators	\$ 50,223	
Other Salaries and Wages	304	
Social Security	2,878	
State Retirement	3,983	
Medical Insurance	3,373	
Unemployment Compensation	188	
Employer Medicare	637	
Maintenance and Repair Services - Vehicles	9,526	
Diesel Fuel	24,000	
Gasoline	2,300	
Lubricants	200	
Other Equipment	84	
Total Waste Pickup		97,696

Convenience Centers

Attendants	\$ 111,445
Part-time Personnel	2,400
Social Security	6,926
State Retirement	7,636
Medical Insurance	3,288
Unemployment Compensation	874

(Continued)

Exhibit J-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.)

Employer Medicare	\$ 1,620	
Communication	2,200	
Maintenance and Repair Services - Buildings	4,922	
Other Contracted Services	1,003	
Custodial Supplies	1,000	
Electricity	4,180	
Water and Sewer	1,189	
Other Supplies and Materials	<u>1,419</u>	
Total Convenience Centers		\$ 150,102

Other Waste Collection

Contracts with Private Agencies	\$ 24,000	
Contracts for Landfill Facilities	<u>120,000</u>	
Total Other Waste Collection		144,000

Landfill Operation and Maintenance

Contracts for Postclosure Care Costs	<u>\$ 9,401</u>	
Total Landfill Operation and Maintenance		9,401

Other Operations

Other Charges

Trustee's Commission	<u>\$ 6,870</u>	
Total Other Charges		<u>6,870</u>

Total Solid Waste/Sanitation Fund \$ 437,296

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 42,791
Medical Personnel	483,354
Clerical Personnel	21,455
In-Service Training	2,125
Social Security	33,408
State Retirement	36,768
Medical Insurance	6,665
Unemployment Compensation	1,638
Employer Medicare	7,813
Communication	5,614
Data Processing Services	6,990

(Continued)

Exhibit J-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.)

Dues and Memberships	\$	315	
Licenses		135	
Maintenance and Repair Services - Buildings		997	
Maintenance and Repair Services - Equipment		2,808	
Maintenance and Repair Services - Vehicles		109,193	
Medical and Dental Services		406	
Postal Charges		1,260	
Permits		752	
Other Contracted Services		69,372	
Data Processing Supplies		3,773	
Drugs and Medical Supplies		27,820	
Electricity		2,958	
Gasoline		30,798	
Natural Gas		2,415	
Office Supplies		2,200	
Uniforms		3,510	
Other Supplies and Materials		8,954	
Trustee's Commission		<u>7,772</u>	
Total Ambulance/Emergency Medical Services	\$		<u>924,059</u>

Total Ambulance Service Fund \$ 924,059

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Maintenance and Repair Services - Vehicles		1,644	
Veterinary Services		522	
Other Supplies and Materials		10,086	
Trustee's Commission		<u>219</u>	
Total Drug Enforcement	\$		<u>17,471</u>

Total Drug Control Fund 17,471

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	<u>1,888</u>	
Total County Clerk's Office	\$		<u>1,888</u>

Total Constitutional Officers - Fees Fund 1,888

(Continued)

Exhibit J-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,477	
Accountants/Bookkeepers		29,575	
Clerical Personnel		24,850	
Data Processing Services		5,075	
Dues and Memberships		2,206	
Evaluation and Testing		800	
Legal Notices, Recording, and Court Costs		1,628	
Maintenance and Repair Services - Office Equipment		471	
Postal Charges		312	
Rentals		3,300	
Travel		1,167	
Data Processing Supplies		774	
Office Supplies		424	
Other Charges		45	
Furniture and Fixtures		3,334	
Office Equipment		<u>2,030</u>	
Total Administration	\$		133,468

Highway and Bridge Maintenance

Foremen	\$	34,173	
Equipment Operators		87,105	
Truck Drivers		85,917	
Laborers		161,056	
Other Contracted Services		4,526	
Asphalt - Cold Mix		924	
Asphalt - Hot Mix		166,752	
Asphalt - Liquid		16,431	
Concrete		686	
Crushed Stone		40,085	
Fertilizer, Lime, and Seed		548	
Other Road Supplies		273	
Pipe - Metal		11,005	
Road Signs		7,383	
Salt		27,674	
Sand		361	
Small Tools		<u>762</u>	
Total Highway and Bridge Maintenance			645,661

Operation and Maintenance of Equipment

Mechanic(s)	\$	32,350	
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(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Nightwatchmen	\$	57,078	
Maintenance and Repair Services - Equipment		7,722	
Disposal Fees		1,484	
Diesel Fuel		21,729	
Equipment and Machinery Parts		16,019	
Garage Supplies		4,714	
Gasoline		23,605	
Lubricants		2,566	
Propane Gas		744	
Small Tools		1,816	
Tires and Tubes		11,027	
Other Supplies and Materials		<u>2,218</u>	
Total Operation and Maintenance of Equipment	\$		183,072

Other Charges

Communication	\$	3,780	
Electricity		1,853	
Natural Gas		1,119	
Water and Sewer		752	
Liability Insurance		9,500	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		13,404	
Vehicle and Equipment Insurance		<u>17,770</u>	
Total Other Charges			48,528

Employee Benefits

Social Security	\$	42,887	
State Retirement		44,367	
Employee and Dependent Insurance		162,964	
Unemployment Compensation		1,534	
Workers' Compensation Insurance		<u>64,051</u>	
Total Employee Benefits			315,803

Capital Outlay

Rentals	\$	665	
Other Contracted Services		6,161	
Fencing		6,404	
Other Supplies and Materials		50	
Bridge Construction		161,469	
Building Construction		272,015	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$ 5,615	
Other Construction	<u>467,761</u>	
Total Capital Outlay		<u>\$ 920,140</u>

Total Highway/Public Works Fund \$ 2,246,672

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 162,771	
Principal on Other Loans	<u>180,000</u>	
Total General Government		\$ 342,771

Interest on Debt

General Government

Interest on Notes	\$ 11,230	
Interest on Other Loans	<u>21,501</u>	
Total General Government		32,731

Other Debt Service

General Government

Trustee's Commission	\$ 9,601	
Other Debt Issuance Charges	<u>32,215</u>	
Total General Government		<u>41,816</u>

Total General Debt Service Fund 417,318

General Capital Projects Fund

Capital Projects

General Administration Projects

Maintenance and Repair Services - Buildings	\$ 27,074	
Total General Administration Projects		\$ 27,074

Public Health and Welfare Projects

Architects	\$ 3,411	
Building Improvements	<u>75,660</u>	
Total Public Health and Welfare Projects		<u>79,071</u>

Total General Capital Projects Fund 106,145

Total Governmental Funds - Primary Government \$ 8,802,009

Exhibit J-8

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,516,811	
Career Ladder Program	47,982	
Career Ladder Extended Contracts	52,850	
Homebound Teachers	57,515	
Educational Assistants	169,316	
Certified Substitute Teachers	6,068	
Non-certified Substitute Teachers	66,476	
Social Security	275,451	
State Retirement	305,660	
Medical Insurance	701,609	
Employer Medicare	65,574	
Contracts with Other School Systems	175	
Maintenance and Repair Services - Equipment	12,061	
Instructional Supplies and Materials	88,590	
Textbooks	191,552	
Other Supplies and Materials	122	
Other Charges	3,984	
Regular Instruction Equipment	23,929	
Total Regular Instruction Program		\$ 6,585,725

Alternative Instruction Program

Teachers	\$ 49,902	
Career Ladder Program	1,000	
Educational Assistants	11,741	
Social Security	3,748	
State Retirement	4,199	
Medical Insurance	4,039	
Employer Medicare	876	
Instructional Supplies and Materials	227	
Other Supplies and Materials	563	
Total Alternative Instruction Program		76,295

Special Education Program

Teachers	\$ 963,871
Career Ladder Program	11,000
Career Ladder Extended Contracts	1,425
Homebound Teachers	15,820
Clerical Personnel	21,631
Educational Assistants	166,037

(Continued)

Exhibit J-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.)

Other Salaries and Wages	\$	20,175	
Certified Substitute Teachers		330	
Non-certified Substitute Teachers		23,527	
Social Security		70,599	
State Retirement		78,983	
Medical Insurance		189,146	
Employer Medicare		16,527	
Communication		3,793	
Contracts with Private Agencies		9,974	
Travel		805	
Other Contracted Services		45,065	
Instructional Supplies and Materials		6,251	
Other Supplies and Materials		750	
Other Charges		40,201	
Total Special Education Program			\$ 1,685,910

Vocational Education Program

Teachers	\$	137,871	
Career Ladder Extended Contracts		1,875	
Other Salaries and Wages		55	
Non-certified Substitute Teachers		165	
Social Security		8,153	
State Retirement		8,972	
Medical Insurance		18,375	
Employer Medicare		1,907	
Instructional Supplies and Materials		2,268	
Vocational Instruction Equipment		32,308	
Total Vocational Education Program			211,949

Student Body Education Program

Other Salaries and Wages	\$	15,262	
Certified Substitute Teachers		110	
Non-certified Substitute Teachers		550	
Social Security		976	
State Retirement		796	
Employer Medicare		228	
Total Student Body Education Program			17,922

(Continued)

Exhibit J-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

Teachers	\$	22,266	
Clerical Personnel		18,236	
Other Salaries and Wages		3,530	
Social Security		2,746	
State Retirement		2,162	
Employer Medicare		642	
Instructional Supplies and Materials		6,462	
Total Adult Education Program			\$ 56,044

Support Services

Attendance

Supervisor/Director	\$	58,389	
Career Ladder Program		1,000	
Clerical Personnel		15,364	
Social Security		4,214	
State Retirement		5,031	
Medical Insurance		13,487	
Employer Medicare		985	
Travel		1,665	
Other Supplies and Materials		118	
Total Attendance			100,253

Health Services

Medical Personnel	\$	39,183	
Other Salaries and Wages		54,339	
Social Security		5,418	
State Retirement		6,825	
Medical Insurance		8,013	
Employer Medicare		1,267	
Communication		444	
Travel		3,752	
Other Contracted Services		3,031	
Other Supplies and Materials		15,411	
Other Charges		1,940	
Total Health Services			139,623

Other Student Support

Guidance Personnel	\$	169,423	
Other Salaries and Wages		13,418	

(Continued)

Exhibit J-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.)

Social Security	\$	10,873	
State Retirement		11,937	
Medical Insurance		8,717	
Employer Medicare		2,543	
Evaluation and Testing		16,368	
Travel		113	
Other Contracted Services		33,355	
Other Charges		4,778	
Other Equipment		48,082	
Total Other Student Support			\$ 319,607

Regular Instruction Program

Supervisor/Director	\$	131,495	
Career Ladder Program		8,000	
Career Ladder Extended Contracts		3,250	
Librarians		131,189	
Instructional Computer Personnel		54,977	
Clerical Personnel		23,985	
Other Salaries and Wages		23,939	
Social Security		22,013	
State Retirement		24,917	
Medical Insurance		32,142	
Employer Medicare		5,148	
Travel		11,899	
Library Books/Media		12,000	
Other Supplies and Materials		61,743	
In Service/Staff Development		4,098	
Other Charges		2,485	
Total Regular Instruction Program			553,280

Special Education Program

Supervisor/Director	\$	61,543	
Career Ladder Program		1,000	
Social Security		3,528	
State Retirement		4,015	
Medical Insurance		9,282	
Employer Medicare		825	
Travel		1,507	
In Service/Staff Development		167	
Total Special Education Program			81,867

(Continued)

Exhibit J-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.)

Adult Programs

Supervisor/Director	\$	46,707	
Career Ladder Program		2,000	
Clerical Personnel		5,250	
Other Salaries and Wages		2,500	
Social Security		3,108	
State Retirement		3,722	
Medical Insurance		9,282	
Employer Medicare		727	
Communication		562	
Operating Lease Payments		225	
Postal Charges		150	
Travel		1,000	
In Service/Staff Development		2,137	
Other Charges		127	
Total Adult Programs			\$ 77,497

Other Programs

On-Behalf Payments to OPEB	\$	39,224	
Total Other Programs			39,224

Board of Education

Board and Committee Members Fees	\$	17,324	
Social Security		1,074	
Unemployment Compensation		16,471	
Employer Medicare		251	
Audit Services		5,100	
Dues and Memberships		4,509	
Travel		14,914	
Other Contracted Services		1,500	
Liability Insurance		14,512	
Trustee's Commission		94,220	
Workers' Compensation Insurance		58,491	
Refund to Applicant for Criminal Investigation		2,484	
Other Charges		48,183	
Total Board of Education			279,033

Director of Schools

County Official/Administrative Officer	\$	92,766	
Assistant(s)		3,026	

(Continued)

Exhibit J-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 (Cont.)

Career Ladder Program	\$	1,000	
Secretary(ies)		13,352	
Social Security		6,721	
State Retirement		7,335	
Medical Insurance		4,436	
Employer Medicare		1,572	
Communication		14,863	
Postal Charges		2,490	
Office Supplies		4,480	
Other Charges		2,870	
Total Director of Schools			\$ 154,911

Office of the Principal

Principals	\$	188,180	
Career Ladder Program		4,000	
Accountants/Bookkeepers		42,596	
Career Ladder Extended Contracts		6,000	
Assistant Principals		163,178	
Secretary(ies)		42,861	
Social Security		26,214	
State Retirement		29,976	
Medical Insurance		39,830	
Employer Medicare		6,131	
Travel		2,232	
Total Office of the Principal			551,198

Fiscal Services

Supervisor/Director	\$	65,180	
Clerical Personnel		25,904	
Other Salaries and Wages		23,261	
Social Security		6,673	
State Retirement		9,068	
Medical Insurance		13,093	
Employer Medicare		1,561	
Data Processing Services		7,196	
Travel		3,565	
Office Supplies		639	
Other Supplies and Materials		200	
Other Charges		25	
Total Fiscal Services			156,365

(Continued)

Exhibit J-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.)

Operation of Plant

Custodial Personnel	\$	256,329	
Social Security		15,011	
State Retirement		20,303	
Medical Insurance		54,374	
Employer Medicare		3,511	
Other Contracted Services		45,812	
Custodial Supplies		39,099	
Electricity		425,670	
Natural Gas		43,439	
Water and Sewer		57,243	
Other Supplies and Materials		23,760	
Boiler Insurance		2,530	
Building and Contents Insurance		16,301	
Other Charges		2,131	
Plant Operation Equipment		1,925	
Total Operation of Plant			\$ 1,007,438

Maintenance of Plant

Supervisor/Director	\$	33,627	
Maintenance Personnel		88,998	
Social Security		6,813	
State Retirement		9,649	
Medical Insurance		26,807	
Employer Medicare		1,763	
Maintenance and Repair Services - Buildings		2,060	
Maintenance and Repair Services - Equipment		312	
Travel		898	
Other Supplies and Materials		19,699	
Other Charges		2,415	
Total Maintenance of Plant			193,041

Transportation

Supervisor/Director	\$	1,384
Mechanic(s)		33,627
Bus Drivers		164,202
Other Salaries and Wages		8,355
In-Service Training		416
Social Security		12,764
State Retirement		16,524

(Continued)

Exhibit J-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 (Cont.)

Medical Insurance	\$	12,920	
Employer Medicare		2,988	
Other Fringe Benefits		5,520	
Communication		104	
Maintenance and Repair Services - Vehicles		158	
Medical and Dental Services		2,100	
Travel		1,199	
Other Contracted Services		5,388	
Diesel Fuel		46,942	
Gasoline		8,772	
Lubricants		2,800	
Tires and Tubes		9,629	
Vehicle Parts		48,106	
Other Supplies and Materials		1,819	
Vehicle and Equipment Insurance		9,204	
Other Charges		3,453	
Transportation Equipment		<u>79,435</u>	
Total Transportation	\$		477,809

Operation of Non-Instructional Services

Community Services

Other Charges	\$	<u>260</u>	
Total Community Services			260

Early Childhood Education

Teachers	\$	44,443	
Clerical Personnel		2,500	
Other Salaries and Wages		13,643	
Non-certified Substitute Teachers		1,952	
Social Security		3,575	
State Retirement		4,133	
Medical Insurance		9,203	
Employer Medicare		836	
Travel		2,143	
Instructional Supplies and Materials		12,718	
In Service/Staff Development		1,606	
Other Charges		<u>310</u>	
Total Early Childhood Education			97,062

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 329,993	
Other Capital Outlay	484,051	
Total Regular Capital Outlay	<u>814,044</u>	\$ 814,044

Principal on Debt

Education

Principal on Bonds	\$ 915,000	
Principal on Other Loans	123,200	
Total Education	<u>1,038,200</u>	1,038,200

Interest on Debt

Education

Interest on Bonds	\$ 224,180	
Interest on Other Loans	9,213	
Total Education	<u>233,393</u>	233,393

Other Debt Service

Education

Other Debt Service	\$ 17,656	
Total Education	<u>17,656</u>	17,656

Total General Purpose School Fund \$ 14,965,606

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 322,785	
Educational Assistants	94,032	
Certified Substitute Teachers	110	
Non-certified Substitute Teachers	2,640	
Social Security	24,585	
State Retirement	28,094	
Medical Insurance	52,827	
Unemployment Compensation	2,096	
Employer Medicare	5,750	
Instructional Supplies and Materials	73,162	
Other Charges	1,971	
Regular Instruction Equipment	<u>226,262</u>	
Total Regular Instruction Program	<u>834,314</u>	\$ 834,314

(Continued)

Exhibit J-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.)

Special Education Program

Teachers	\$	76,723	
Educational Assistants		260,858	
Non-certified Substitute Teachers		688	
Social Security		17,743	
State Retirement		23,094	
Medical Insurance		75,142	
Unemployment Compensation		1,690	
Employer Medicare		4,315	
Other Fringe Benefits		4,983	
Contracts with Private Agencies		66,430	
Other Contracted Services		20,341	
Instructional Supplies and Materials		36,440	
Other Charges		5,062	
Special Education Equipment		<u>27,047</u>	
Total Special Education Program			\$ 620,556

Vocational Education Program

Clerical Personnel	\$	1,000	
Social Security		62	
State Retirement		79	
Employer Medicare		14	
Instructional Supplies and Materials		5,913	
Vocational Instruction Equipment		<u>31,161</u>	
Total Vocational Education Program			38,229

Support Services

Other Student Support

Bus Drivers	\$	270	
Other Salaries and Wages		1,522	
Social Security		111	
State Retirement		105	
Employer Medicare		26	
Travel		4,292	
Other Contracted Services		636	
Other Supplies and Materials		1,530	
In Service/Staff Development		301	
Other Charges		<u>11,550</u>	
Total Other Student Support			20,343

(Continued)

Exhibit J-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

Supervisor/Director	\$	58,076	
Clerical Personnel		13,102	
Other Salaries and Wages		22,893	
Social Security		5,649	
State Retirement		6,237	
Medical Insurance		6,788	
Unemployment Compensation		469	
Employer Medicare		1,321	
Travel		8,420	
Other Supplies and Materials		3,568	
In Service/Staff Development		19,241	
Other Charges		441	
Total Regular Instruction Program			\$ 146,205

Special Education Program

Psychological Personnel	\$	50,001	
Clerical Personnel		7,979	
Other Salaries and Wages		17,710	
Social Security		4,548	
State Retirement		5,199	
Medical Insurance		4,770	
Unemployment Compensation		377	
Employer Medicare		1,064	
Other Fringe Benefits		348	
In Service/Staff Development		8,071	
Other Charges		7	
Total Special Education Program			100,074

Vocational Education Program

Travel	\$	2,349	
Total Vocational Education Program			2,349

Transportation

Bus Drivers	\$	40,303	
Other Salaries and Wages		20,098	
Social Security		3,578	
State Retirement		4,295	
Medical Insurance		4,647	
Unemployment Compensation		301	

(Continued)

Exhibit J-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.)

Employer Medicare	\$	837	
Other Fringe Benefits		3,361	
Diesel Fuel		7,640	
Lubricants		295	
Tires and Tubes		778	
Vehicle Parts		1,156	
Other Charges		152	
Transportation Equipment		<u>85,521</u>	
Total Transportation	\$		172,962

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	2,500	
Teachers		57,530	
Bus Drivers		660	
Clerical Personnel		500	
Educational Assistants		13,590	
Social Security		4,636	
State Retirement		5,024	
Unemployment Compensation		374	
Employer Medicare		1,084	
Travel		1,727	
Instructional Supplies and Materials		4,486	
Other Supplies and Materials		750	
Other Charges		<u>2,015</u>	
Total Community Services			<u>94,876</u>

Total School Federal Projects Fund \$ 2,029,908

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	30,096
Accountants/Bookkeepers		22,896
Clerical Personnel		17,105
Cafeteria Personnel		251,120
Temporary Personnel		9,216
Other Salaries and Wages		13,186
Social Security		18,102

(Continued)

Exhibit J-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.)

State Retirement	\$ 25,140	
Medical Insurance	120,828	
Unemployment Compensation	4,780	
Employer Medicare	4,234	
Communication	3,935	
Maintenance and Repair Services - Equipment	5,399	
Transportation - Other than Students	5,575	
Travel	2,262	
Other Contracted Services	11,342	
Food Preparation Supplies	2,823	
Food Supplies	397,833	
Office Supplies	3,360	
USDA - Commodities	75,202	
Other Supplies and Materials	27,492	
In Service/Staff Development	4,712	
Criminal Investigation of Applicants - TBI	300	
Other Charges	2,198	
Food Service Equipment	<u>32,397</u>	
Total Food Service		<u>\$ 1,091,533</u>

Total Central Cafeteria Fund \$ 1,091,533

Other Education Special Revenue Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$ 13,786	
Clerical Personnel	1,500	
Other Salaries and Wages	30,017	
Non-certified Substitute Teachers	2,818	
Social Security	2,819	
State Retirement	3,390	
Medical Insurance	8,920	
Unemployment Compensation	240	
Employer Medicare	659	
Instructional Supplies and Materials	2,510	
In Service/Staff Development	154	
Other Charges	<u>644</u>	
Total Community Services		<u>\$ 67,457</u>

Total Other Education Special Revenue Fund 67,457

(Continued)

Exhibit J-8

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Other Contracted Services	\$ 78,735	
Total Education Capital Projects	<u>78,735</u>	\$ 78,735
Total Education Capital Projects Fund		<u>\$ 78,735</u>
Total Governmental Funds - Sequatchie County School Department		<u><u>\$ 18,233,239</u></u>

Exhibit J-9

Sequatchie County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 345,109
Total Cash Receipts	<u>\$ 345,109</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 341,658
Trustee's Commission	<u>3,451</u>
Total Cash Disbursements	<u>\$ 345,109</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2009	<u>0</u>
Cash Balance, June 30, 2010	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

January 20, 2011

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, 2010, which collectively comprise Sequatchie County's basic financial statements and have issued our report thereon dated January 20, 2011. Our report on the financial statements expresses an adverse opinion on the governmental activities because there was no documentation to support the valuation for several capital assets. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 10.01, 10.02, 10.03(A,B,D), and 10.08.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency: 10.09.

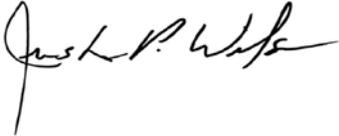
Compliance and Other Matters

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 10.03(C), 10.04, 10.05, 10.06, and 10.07.

We also noted certain matters that we reported to management of Sequatchie County in separate communications.

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 fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

January 20, 2011

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, 2010. 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, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sequatchie County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

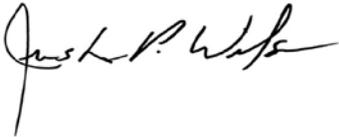
Schedule of Expenditures of Federal Awards

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 as of and for the year ended June 30, 2010, and have issued our report thereon dated January 20, 2011. Our report on the financial statements expresses an adverse opinion on the governmental activities because there was no documentation to support the valuation for several capital assets. 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.

This report is intended solely for the information and use of management, the county executive, highway supervisor, director of schools, others within the entity, Board of County Commissioners, Board of Education, 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 prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Sequatchie County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2010

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	\$ 75,202 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	189,791
National School Lunch Program	10.555	N/A	580,096 (3)
Child Nutrition Discretionary Grants Limited Availability - ARRA	10.579	N/A	15,220
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	3,145
Total U.S. Department of Agriculture			<u>\$ 863,454</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
Home Investment Partnership Program	14.239	HM-08-03	\$ 8,750
Total U.S. Department of Housing and Urban Development			<u>\$ 8,750</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 765
Total U.S. Department of Justice			<u>\$ 765</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z-09214266-00	\$ 20,294
Total U.S. Department of Transportation			<u>\$ 20,294</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	\$ 106,443
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	72,224
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	677,399
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	170,095
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	615,928
Special Education - Preschool Grants	84.173	N/A	45,922
Special Education - Grants to States, Recovery Act	84.391	N/A	258,025
Special Education - Preschool Grants, Recovery Act	84.392	N/A	6,325
Career and Technical Education - Basic Grants to States	84.048	N/A	47,915
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	4,609
Twenty-first Century Community Learning Centers	84.287	(2)	96,769
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	4,970
Education Technology State Grants, Recovery Act	84.386	N/A	5,558
Rural Education	84.358	(2)	30,606
Improving Teacher Quality State Grants	84.367	(2)	115,459
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	404,200
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	150,530 (4)
Total U.S. Department of Education			<u>\$ 2,812,977</u>

(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	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(2)	\$ 11,324
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	8,419
Homeland Security Grant Program	97.067	(5)	<u>19,557</u>
Total U.S. Department of Homeland Security			<u>\$ 39,300</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,745,540</u></u>
		<u>Contract Number</u>	
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 27,940
Early Childhood Education - State Department of Education	N/A	(2)	97,668
Drivers Education - State Department of Education	N/A	(2)	1,780
Energy Efficient Schools Initiative - State Department of Education	N/A	(2)	49,583
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	5,468
Youth Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Local Health Services - State Department of Health	N/A	Z-09213784	97,155
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>10,200</u>
Total State Grants			<u><u>\$ 298,794</u></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 \$655,298.
- (4) Coordinated School Health: \$95,000; Internet Connectivity: \$6,498; Statewide Student Management System: \$5,532; Career Ladder - Extended Contract: \$35,900; Safe Schools: \$7,600.
- (5) GG908-24208-00: \$18,241; GG-07-20802-01: \$1,316.

Sequatchie County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2010

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, 2009, which have not been corrected.

SEQUATCHIE COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	170	Capital asset records were not properly maintained
09.02	170	Sequatchie County does not have the resources to produce financial statements and notes to the financial statements

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.08	175	Execution docket trial balances for Circuit and General Sessions Courts were not reconciled with general ledger accounts
09.09	175	System backups were not stored off-site

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.10	176	The office did not deposit some funds within three days of collection

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.12	177	Duties were not segregated adequately in the Offices of County Executive, Highway Supervisor, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

SEQUATCHIE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2010

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. Four of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were 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 Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education - Grants to States, Special Education – Preschool Grants, Special Education - Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Fund Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Governmental Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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; however, management did not offer responses for inclusion in this report.

SEQUATCHIE COUNTY

FINDING 10.01 **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 there was no documentation to support the valuation for several 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.

FINDING 10.02 **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.

OFFICE OF COUNTY EXECUTIVE

FINDING 10.03 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (A., B., and D. – Internal Control – Material Weakness Under Government Auditing Standards; C. – Noncompliance Under Government Auditing Standards)

Our examination revealed the following deficiencies in budget operations:

- A. The budget posted to the accounting records and certified to the state Comptroller's Office did not agree with the budget approved by the County Commission. After the budget was presented to the County Commission, corrections were made to the county's budget to change beginning fund balances on several funds and to amend transfers that did not agree; however, these corrections were not approved by the County Commission. The budget used for audit presentation is the budget approved by the County Commission.
- B. The budget and subsequent amendments approved by the County Commission for the Ambulance Service Fund resulted in appropriations exceeding estimated available funds by \$94,536. Sound budgetary principles dictate that appropriations be held within estimated available funding.
- C. General Fund expenditures exceeded appropriations approved by the County Commission in the Transfers Out major appropriation category (the legal level of control) by \$50,000. Section 5-9-401, Tennessee Code Annotated, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies."
- D. The General, Ambulance Service and General Debt Service funds' actual beginning fund balances at July 1, 2009, differed from the estimated fund balances presented to the County Commission by the amounts noted below.

Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency is due to management's failure to properly estimate the actual ending fund balances for June 30, 2009, and resulted in materially understating/overstating the estimated beginning fund balances.

Fund	Actual Fund Balance 7-1-09	Estimated Fund Balance 7-1-09	Variance
General	\$ 879,600	\$ 498,541	\$ 381,059
Ambulance Service	145,835	40,410	105,425
General Debt Service	271,022	437,632	(166,610)

RECOMMENDATION

The budget posted to the accounting records and certified to the state Comptroller's Office should be the budget approved by the County Commission. Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations. Expenditures should be held within appropriations approved by the County Commission. Estimates of the beginning fund balances should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount.

FINDING 10.04 **FOOD FOR THE JAIL WAS NOT BID IN COMPLIANCE WITH STATE STATUTES**
 (Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for food purchased for the jail totaling \$113,317. Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, require public advertising and solicitation of competitive bids on purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

Purchases exceeding \$10,000 should be competitively bid as required by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 10.05 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, 2010, 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 \$30,750 and \$2,319, 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.

FINDING 10.06 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES
(Noncompliance Under Government Auditing Standards)

System backups were not continually stored off-site. Although system backups were stored off-site each Friday evening, the backups were returned to the office at the beginning of the following week. Section 10-7-121, Tennessee Code Annotated, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. 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.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

OFFICE OF SHERIFF

**FINDING 10.07 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.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 10.08 SEQUATCHIE COUNTY HAS MATERIAL RECURRING AUDIT FINDINGS
(Internal Control – Material Weakness Under Government Auditing Standards)**

Sequatchie County has material audit findings that have been reported in its annual financial reports for three or more consecutive years. These recurring material findings are listed below:

<u>Finding Numbers</u>	<u>Description</u>
10.01, 09.01, 08.01	Capital asset records were not properly maintained
10.02, 09.02, 08.02	Sequatchie County does not have the resources to produce financial statements and notes to the financial statements

The recurring nature of the above-noted findings indicates that management is either unwilling or unable to address the deficiencies. The Local Government Modernization Act of 2005 in Section 9-3-405, Tennessee Code Annotated (TCA), encourages local governments to consider establishing an Audit Committee and further provides that the Comptroller may require an Audit Committee be established in any local government that (1) is in noncompliance with the accounting and financial reporting standards required by the Governmental Accounting Standards Board, or (2) has recurring findings from the annual audit for three or more consecutive years as determined by the Comptroller to be a material weakness in internal control or material noncompliance under Government Auditing Standards. The responsibilities and duties of an Audit Committee are to address financial

and other reporting practices, internal control, compliance with laws and regulations, and ethics.

RECOMMENDATION

Sequatchie County should establish an Audit Committee to address financial and other reporting practices, internal controls, compliance with laws and regulations, and ethics. This Audit Committee should provide management with guidance to correct all reported material weaknesses in internal control and material noncompliance. If these findings continue to recur, Sequatchie County may be required to establish an Audit Committee under the provisions of Section 9-3-405, TCA.

FINDING 10.09

DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERVISOR, 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, 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.

BEST PRACTICE

A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAS NOT BEEN ADOPTED

Sequatchie County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has

been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of County Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Sequatchie County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal programs.

**SEQUATCHIE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2010**

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