

ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
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Director

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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, 2011

Scope

We have audited the financial statements of Sequatchie County as of and for the year ended June 30, 2011.

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, the valuation of several capital assets did not agree with the supporting documentation, and errors in accumulated depreciation were noted. 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 ten findings and recommendations, which we have reviewed with Sequatchie County management. Detailed findings, recommendations, and management's responses are included in the Single Audit 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.

OFFICE OF COUNTY EXECUTIVE

- ◆ The General Debt Service Fund required material adjustments for proper financial statement presentation.
 - ◆ Food for the jail was not bid in compliance with state statutes.
 - ◆ Deficiencies were noted in computer system backup procedures.
-

OFFICES OF TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND SHERIFF

- ◆ Multiple employees operated from the same cash drawer.
-

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 a material recurring audit finding.
 - ◆ 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, 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, 2011

Officials

Claude Lewis, 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
Jeff Barger
Marsha Carr
David Cartwright
Brian Farley
Bryan Harmon
Richard Harvey
Ray Hobbs
Clint Huth
Denise Kell
Ronnie Land
Winston Pickett
Paul Powell
Barney Slatton
Don Walker
Will Zimmerman

Board of Education

Charles Rollins, Chairman
Shelli Dodson
Steve Harmon
Gregory Johnson
W.O. Johnson
Jo Ann Shepherd
Grover Skyles
Christy Vandergriff

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

October 18, 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, 2011, 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 for several capital assets, the valuation for several capital assets did not agree with supporting documentation, and errors in accumulated depreciation were noted. The amount by which this departure would affect the assets, net assets, and expenses of the governmental activities is 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, 2011, 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, 2011, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of June 30, 2011, 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 October 18, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

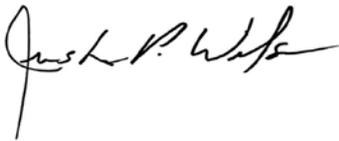
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 61 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 financial statements 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 do not express an opinion or provide any assurance on it.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Sequatchie County, Tennessee
Statement of Net Assets
June 30, 2011

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>ASSETS</u>		
Cash	\$ 500	\$ 1,331
Equity in Pooled Cash and Investments	1,303,993	11,531,573
Accounts Receivable	3,014,751	3,757
Allowance for Uncollectibles	(1,718,215)	0
Due from Other Governments	369,825	736,631
Property Taxes Receivable	3,357,144	2,925,855
Allowance for Uncollectible Property Taxes	(184,461)	(160,765)
Notes Receivable - Long-term	36,931	0
Deferred Charges - Debt Issuance Costs	0	28,825
Capital Assets:		
Assets Not Depreciated:		
Land	432,665	1,256,649
Construction in Progress	0	807,207
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	8,817,918	18,851,662
Other Capital Assets	457,888	725,786
Infrastructure	1,971,575	361,517
Total Assets	<u>\$ 17,860,514</u>	<u>\$ 37,070,028</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 26,023	\$ 5,900
Payroll Deductions Payable	0	550,575
Retainage Payable	0	1,500
Accrued Interest Payable	6,841	70,871
Deferred Revenue - Current Property Taxes	2,982,376	2,599,225
Noncurrent Liabilities:		
Due Within One Year	389,999	1,118,200
Due in More Than One Year	5,444,772	6,279,396
Total Liabilities	<u>\$ 8,850,011</u>	<u>\$ 10,625,667</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	\$ 5,895,379	\$ 14,846,919
Restricted for:		
Solid Waste/Sanitation	145,676	0
Ambulance Service	1,325,750	0
Drug Control	61,284	0
Highway/Public Works	501,513	0
Basic Education Program	0	7,596,931
School Federal Projects	0	10,831
Central Cafeteria	0	290,128
Debt Service	558,020	0
Capital Projects	339	2,168,657
Other Purposes	208,235	9,617
Unrestricted	<u>314,307</u>	<u>1,521,278</u>
Total Net Assets	<u>\$ 9,010,503</u>	<u>\$ 26,444,361</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, 2011

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		Sequatchie County School Department
					Total Governmental Activities	Component Unit	
Primary Government:							
Governmental Activities:							
General Government	\$ 943,466	\$ 99,811	\$ 15,634	\$ 1,100	\$ (826,921)	\$ 0	0
Finance	554,175	361,583	0	0	(192,592)	0	0
Administration of Justice	495,410	292,582	11,580	0	(191,248)	0	0
Public Safety	2,577,713	734,407	42,327	0	(1,800,979)	0	0
Public Health and Welfare	1,543,401	717,686	143,923	24,016	(657,776)	0	0
Social, Cultural, and Recreational Services	197,741	3,532	0	0	(194,209)	0	0
Agriculture and Natural Resources	79,783	0	0	0	(79,783)	0	0
Other Operations	278,976	43,943	14,034	0	(220,999)	0	0
Highways/Public Works	1,247,554	0	1,363,327	364,291	480,064	0	0
Interest on Long-term Debt	33,817	0	0	0	(33,817)	0	0
Other Debt Service	43,700	0	0	0	(43,700)	0	0
Total Primary Government	\$ 7,995,736	\$ 2,253,544	\$ 1,590,825	\$ 389,407	\$ (3,761,960)	\$ 0	0
Component Unit:							
Sequatchie County School Department	\$ 17,498,996	\$ 358,288	\$ 2,839,543	\$ 0	\$ 0	\$ (14,301,165)	
Total Component Unit	\$ 17,498,996	\$ 358,288	\$ 2,839,543	\$ 0	\$ 0	\$ (14,301,165)	

(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	Primary Government	
				Total Governmental Activities	Sequatchie County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 2,255,517	\$ 2,656,618
Property Taxes Levied for Debt Service				446,517	0
Property Taxes Levied for Solid Waste				339,866	0
Local Option Sales Taxes				232,730	1,524,928
Hotel/Motel Tax				15,357	0
Litigation Tax - General				40,066	0
Litigation Tax - Special Purpose				14,926	0
Litigation Tax - Jail, Workhouse, or Courthouse				11,139	0
Business Tax				82,353	0
Wholesale Beer Tax				84,753	0
Other Local Taxes				465	917
Grants and Contributions Not Restricted to Specific Programs				282,912	12,594,314
Unrestricted Investment Earnings				40,292	32,548
Miscellaneous				17,836	51,267
Sale of Non-Capital Assets				7,714	0
Total General Revenues				\$ 3,872,443	\$ 16,860,592
Insurance Recovery				\$ 65,436	\$ 12,821
Change in Net Assets				\$ 175,919	\$ 2,572,248
Net Assets, July 1, 2010				10,691,975	23,872,113
Prior-period Adjustment				(1,857,391)	0
Net Assets, June 30, 2011				\$ 9,010,503	\$ 26,444,361

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

Sequatchie County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2011

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service		Other Governmental Funds	
				General	Debt Service		
\$	0	0	0	0	0	500	\$ 500
Cash	314,067	34,786	280,780	505,762	168,598	1,303,993	1,303,993
Equity in Pooled Cash and Investments	2,917	3,009,638	711	717	768	3,014,751	3,014,751
Accounts Receivable	0	(1,718,215)	0	0	0	(1,718,215)	(1,718,215)
Allowance for Uncollectibles	131,545	0	225,541	0	12,739	369,825	369,825
Due from Other Governments	833	0	0	0	0	833	833
Due from Other Funds	2,494,843	0	0	492,664	369,637	3,357,144	3,357,144
Property Taxes Receivable	(137,079)	0	0	(27,073)	(20,309)	(184,461)	(184,461)
Allowance for Uncollectible Property Taxes	0	0	0	36,931	0	36,931	36,931
Capital Outlay Notes Payable - Long-term	0	0	0	0	0	0	0
Total Assets	\$ 2,807,126	\$ 1,326,209	\$ 507,032	\$ 1,009,001	\$ 531,933	\$ 6,181,301	\$ 6,181,301

ASSETS

Cash	0	0	0	0	0	500	500
Equity in Pooled Cash and Investments	314,067	34,786	280,780	505,762	168,598	1,303,993	1,303,993
Accounts Receivable	2,917	3,009,638	711	717	768	3,014,751	3,014,751
Allowance for Uncollectibles	0	(1,718,215)	0	0	0	(1,718,215)	(1,718,215)
Due from Other Governments	131,545	0	225,541	0	12,739	369,825	369,825
Due from Other Funds	833	0	0	0	0	833	833
Property Taxes Receivable	2,494,843	0	0	492,664	369,637	3,357,144	3,357,144
Allowance for Uncollectible Property Taxes	(137,079)	0	0	(27,073)	(20,309)	(184,461)	(184,461)
Capital Outlay Notes Payable - Long-term	0	0	0	36,931	0	36,931	36,931
Total Assets	\$ 2,807,126	\$ 1,326,209	\$ 507,032	\$ 1,009,001	\$ 531,933	\$ 6,181,301	\$ 6,181,301

LIABILITIES AND FUND BALANCES

Liabilities	\$ 18,137	\$ 459	\$ 5,519	\$ 0	\$ 1,908	\$ 26,023	\$ 26,023
Accounts Payable	0	0	0	0	833	833	833
Due to Other Funds	2,216,343	0	0	437,656	328,377	2,982,376	2,982,376
Deferred Revenue - Current Property Taxes	133,921	0	0	26,435	19,951	180,307	180,307
Deferred Revenue - Delinquent Property Taxes	20,300	1,259,111	100,761	0	0	1,380,172	1,380,172
Other Deferred Revenues	\$ 2,388,701	\$ 1,259,570	\$ 106,280	\$ 464,091	\$ 351,069	\$ 4,569,711	\$ 4,569,711
Total Liabilities							
Fund Balances	\$ 38,206	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,206	\$ 38,206
Restricted:	28,361	0	0	0	0	28,361	28,361
Restricted for General Government	99,804	0	0	0	0	99,804	99,804
Restricted for Finance	2,138	0	0	0	61,284	63,422	63,422
Restricted for Administration of Justice	25,692	0	0	0	119,241	144,933	144,933
Restricted for Public Safety							
Restricted for Public Health and Welfare							

(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	
\$ 14,034	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,034
0	0	383,832	0	0	0	383,832
0	0	16,920	0	0	339	17,259
0	0	0	544,910	0	0	544,910
0	66,639	0	0	0	0	66,639
210,190	0	0	0	0	0	210,190
\$ 418,425	\$ 66,639	\$ 400,752	\$ 544,910	\$ 180,864	\$ 1,611,590	
\$ 2,807,126	\$ 1,326,209	\$ 507,032	\$ 1,009,001	\$ 531,933	\$ 6,181,301	

LIABILITIES AND FUND BALANCES (CONT.)

Fund Balances (Cont.)	
Restricted (Cont.):	
Restricted for Social, Cultural, and Recreational Services	
Restricted for Highways/Public Works	
Restricted for Capital Outlay	
Restricted for Debt Service	
Committed:	
Committed for Public Health and Welfare	
Unassigned	
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, 2011

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)		\$	1,611,590
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	432,665	
Add: buildings and improvements net of accumulated depreciation		8,817,918	
Add: infrastructure net of accumulated depreciation		1,971,575	
Add: other capital assets net of accumulated depreciation		<u>457,888</u>	11,680,046
(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	\$	(317,667)	
Less: other loan payable		(5,467,000)	
Less: accrued interest on notes and other loan		(6,841)	
Less: other postemployment benefits liability		<u>(50,104)</u>	(5,841,612)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,560,479</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>9,010,503</u></u>

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

Exhibit C-3

Sequatchie County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>							
Local Taxes	\$ 2,802,170	\$ 0	\$ 0	\$ 458,092	\$ 343,447	\$ 0	\$ 3,603,709
Licenses and Permits	35,580	0	0	0	0	0	35,580
Fines, Forfeitures, and Penalties	81,799	0	0	0	25,257	0	107,056
Charges for Current Services	15,622	634,043	0	0	2,587	0	652,252
Other Local Revenues	54,924	0	5,695	21,843	24,963	0	107,425
Fees Received from County Officials	612,063	0	0	0	0	0	612,063
State of Tennessee	1,037,616	0	1,745,185	26,176	36,032	0	2,845,009
Federal Government	56,593	0	0	0	0	0	56,593
Other Governments and Citizens Groups	70,113	0	1,238	0	0	0	71,351
Total Revenues	\$ 4,766,480	\$ 634,043	\$ 1,752,118	\$ 506,111	\$ 432,286	\$ 0	\$ 8,091,038
<u>Expenditures</u>							
Current:							
General Government	\$ 869,574	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 869,574
Finance	548,475	0	0	0	2,416	0	550,891
Administration of Justice	492,395	0	0	0	171	0	492,566
Public Safety	2,345,116	0	0	0	52,015	0	2,397,131
Public Health and Welfare	130,376	841,274	0	0	528,820	0	1,500,470
Social, Cultural, and Recreational Services	165,235	0	0	0	0	0	165,235
Agriculture and Natural Resources	69,783	0	0	0	0	0	69,783
Other Operations	272,134	0	0	0	6,842	0	278,976
Highways	0	0	1,902,121	0	0	0	1,902,121
Debt Service:							
Principal on Debt	0	0	23,333	293,667	0	0	317,000
Interest on Debt	0	0	4,466	32,142	0	0	36,608
Other Debt Service	0	0	0	43,700	0	0	43,700
Capital Projects	0	0	0	0	2,844	0	2,844
Total Expenditures	\$ 4,893,088	\$ 841,274	\$ 1,929,920	\$ 369,509	\$ 593,108	\$ 0	\$ 8,626,899
Excess (Deficiency) of Revenues Over Expenditures	\$ (126,608)	\$ (207,231)	\$ (177,802)	\$ 136,602	\$ (160,822)	\$ 0	\$ (535,861)

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,000	\$	67,000
Insurance Recovery	0	11,000	54,436	0	0	0	65,436
Transfers In	36,429	198,000	0	0	0	0	234,429
Transfers Out	(198,000)	0	0	0	(36,429)		(234,429)
Total Other Financing Sources (Uses)	\$ (161,571)	\$ 209,000	\$ 54,436	\$ 0	\$ 30,571	\$	132,436
Net Change in Fund Balances	\$ (288,179)	\$ 1,769	\$ (123,366)	\$ 136,602	\$ (130,251)	\$	(403,425)
Fund Balance, July 1, 2010	706,604	64,870	524,118	352,181	311,115		1,958,888
Prior-period Adjustment	0	0	0	56,127	0		56,127
Fund Balance, June 30, 2011	\$ 418,425	\$ 66,639	\$ 400,752	\$ 544,910	\$ 180,864	\$	1,611,590

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, 2011

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)		\$ (403,425)
<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	\$ 861,005	
Less: current-year depreciation expense	<u>(521,767)</u>	339,238
<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, 2011	\$ 1,560,479	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(1,545,298)</u>	15,181
<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	\$ (67,000)	
Add: principal payments on notes	132,000	
Add: principal payments on other loan	<u>185,000</u>	250,000
<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	\$ 2,791	
Change in other postemployment benefits liability	<u>(27,866)</u>	<u>(25,075)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 175,919</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 719,354
Due from Other Governments	60,000
Cash Shortage	<u>7,793</u>
Total Assets	<u>\$ 787,147</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 60,000
Due to Litigants, Heirs, and Others	<u>727,147</u>
Total Liabilities	<u>\$ 787,147</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, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sequatchie County's financial statements are presented in accordance with generally accepted accounting principles (GAAP), except for the governmental activities. 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. However, the Sequatchie County Emergency Communications District has been declared financially distressed by the Tennessee Emergency Communications Board (TECB) because it has had a negative change in net assets for three consecutive years (2008, 2009, and 2010). Being financially distressed causes the district to be subject to the

TECB's supervision and evaluation in order to eliminate the distressed status.

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
426 Cedar 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, 2011.

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 special revenue fund is used to account for transactions involving patient transportation. Patient charges are the foundational revenue of this fund.

Highway/Public Works Fund – This special revenue fund is used to account for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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 special revenue 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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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 3.01 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.

Most payables are disaggregated on the face of the financial statements.

Retainage payable in the discretely presented Sequatchie County School Department's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

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
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.

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$208,235, with the primary restrictions being for: (1) reappraisal funds (\$28,361); (2) computer systems for various offices (\$60,599); (3) courtroom security (\$70,978); (4) drug and alcohol treatment (\$25,692); (5) library grant (\$14,034); and (6) drug court (\$8,571).

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.

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

7. Prior-period Adjustments

A prior-period adjustment totaling \$1,857,391 was recognized in the Statement of Activities to reduce capital assets that were overstated at July 1, 2010.

The county entered into a contract with SP Acquisition, Corp., on November 3, 2009, to reimburse the county for costs related to a roofing project at the medical center owned by the county and leased by the corporation. The prior-period adjustment of \$56,127 was to record the notes receivable not included in the General Debt Service Fund at July 1, 2010.

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. Total expenditures exceeded total appropriations in the School Department's Other Education Special Revenue Fund by \$3,599, which is a violation of state statute.

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. 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 to restitution amount was written-off. The county received restitution of \$150 during the 2010-11 year leaving a balance of \$7,793.26 at June 30, 2011.

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. During the 2009-10 year, employees of the Sheriff's Department contributed \$1,197 toward the cash shortage. The remaining balance of \$814.81 was repaid from unidentified funds in the inmate/commissary account that were turned over to the county on January 18, 2011.

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 of the office altering several motor vehicle title application transactions. On June 30, 2009, the county's insurance carrier paid \$3,248.51 toward the shortage, which reduced the outstanding shortage to \$1,000. This

former employee entered into a plea agreement on April 27, 2009. The first \$1,000 received in restitution collected thereafter will be remitted to the county for the deductible, and any restitution collected thereafter will be remitted to the bonding company. Restitution of \$150 was received for the 2010-11 year.

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 payroll bookkeeper was sentenced to four years six months probation and 100 hours community service on June 27, 2011. The county's insurance carrier has paid \$30,670 toward the shortage reducing the outstanding shortage to \$1,040. The \$1,040 is the School Department's deductible and will not be recovered from the litigant.

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, 2011, Sequatchie County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Sequatchie County and the discretely presented Sequatchie County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	\$ 7,128,117

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, 2011, Sequatchie County's investment in the State Treasurer's Investment Pool was unrated.

B. Notes Receivable

Notes receivable of \$36,931 in the General Debt Service Fund resulted from the county entering into a contract with SP Acquisition, Corp., to reimburse the county for costs related to roofing the medical center owned by the county and leased by the corporation. The amount of the notes that is not expected to be collected within one year is \$36,931.

C. Capital Assets

Capital assets activity for the year ended June 30, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10 Restated*	Increases	Balance 6-30-11
Capital Assets			
Not Depreciated:			
Land	\$ 432,665	\$ 0	\$ 432,665
Total Capital Assets	<u>\$ 432,665</u>	<u>\$ 0</u>	<u>\$ 432,665</u>
Not Depreciated	<u>\$ 432,665</u>	<u>\$ 0</u>	<u>\$ 432,665</u>
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 17,996,311	\$ 0	\$ 17,996,311
Infrastructure	13,547,251	715,959	14,263,210
Other Capital Assets	2,198,407	145,046	2,343,453
Total Capital Assets	<u>\$ 33,741,969</u>	<u>\$ 861,005</u>	<u>\$ 34,602,974</u>
Depreciated	<u>\$ 33,741,969</u>	<u>\$ 861,005</u>	<u>\$ 34,602,974</u>
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 8,867,990	\$ 310,403	\$ 9,178,393
Infrastructure	12,243,788	47,847	12,291,635
Other Capital Assets	1,722,048	163,517	1,885,565
Total Accumulated	<u>\$ 22,833,826</u>	<u>\$ 521,767</u>	<u>\$ 23,355,593</u>
Depreciation	<u>\$ 22,833,826</u>	<u>\$ 521,767</u>	<u>\$ 23,355,593</u>

Governmental Activities (Cont.):

	Balance 7-1-10 Restated*	Increases	Balance 6-30-11
Total Capital Assets Depreciated, Net	\$ 10,908,143	\$ 339,238	\$ 11,247,381
Governmental Activities Capital Assets, Net	\$ 11,340,808	\$ 339,238	\$ 11,680,046

* 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	\$ 46,026
Finance	3,284
Public Safety	255,178
Public Health and Welfare	109,881
Social, Cultural, and Recreational	32,506
Agriculture and Natural Resources	10,000
Highways/Public Works	64,892
Total Depreciation Expense - Governmental Activities	<u>\$ 521,767</u>

Discretely Presented Sequatchie County School Department**Governmental Activities:**

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 1,256,649	\$ 0	\$ 1,256,649
Construction in Progress	0	807,207	807,207
Total Capital Assets Not Depreciated	\$ 1,256,649	\$ 807,207	\$ 2,063,856
Capital Assets Depreciated:			
Buildings and Improvements	\$ 27,019,359	\$ 165,600	\$ 27,184,959
Infrastructure	758,147	39,135	797,282
Other Capital Assets	2,742,863	81,507	2,824,370
Total Capital Assets Depreciated	\$ 30,520,369	\$ 286,242	\$ 30,806,611

Governmental Activities (Cont.):

	Balance 7-1-10	Increases	Balance 6-30-11
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,759,487	\$ 573,810	\$ 8,333,297
Infrastructure	402,150	33,615	435,765
Other Capital Assets	1,986,194	112,390	2,098,584
Total Accumulated Depreciation	<u>\$ 10,147,831</u>	<u>\$ 719,815</u>	<u>\$ 10,867,646</u>
Total Capital Assets Depreciated, Net	<u>\$ 20,372,538</u>	<u>\$ (433,573)</u>	<u>\$ 19,938,965</u>
Governmental Activities Capital Assets, Net	<u>\$ 21,629,187</u>	<u>\$ 373,634</u>	<u>\$ 22,002,821</u>

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

Governmental Activities:

Instruction	\$ 557,202
Support Services	109,051
Operation of Non-Instructional Services	<u>53,562</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 719,815</u>

D. Insurance Recoveries**Primary Government**

During the year, the primary government received insurance proceeds of \$65,436 for damages to an ambulance (\$11,000), a sweeper (\$9,200), and the final settlement on a fire at the Highway Department (\$45,236).

Discretely Presented Sequatchie County School Department

During the year, the School Department received insurance proceeds of \$12,821 for damages caused by a power surge (\$2,796) and storm damage to the athletic facility (\$10,025).

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 833

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	General Fund	Ambulance Service Fund
General Fund	\$ 0	\$ 198,000
Nonmajor governmental funds	36,429	0
Total	<u>\$ 36,429</u>	<u>\$ 198,000</u>

Discretely Presented Sequatchie County School Department

Transfers Out	Transfers In		
	General Purpose School Fund	School Federal Projects Fund	Nonmajor Govern-mental Funds
General Purpose School Fund	\$ 0	\$ 200,000	\$ 1,000,000
School Federal Projects Fund	39,105	0	0
Nonmajor governmental funds	50,227	0	0
Total	<u>\$ 89,332</u>	<u>\$ 200,000</u>	<u>\$ 1,000,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them 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 \$200,000 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 make disbursements from the School Federal Projects Fund prior to receiving grant revenues.

The discretely presented Sequatchie County School Department made a transfer of \$1,000,000 from the General Purpose School Fund to the Education Capital Projects Fund for site preparation for a new school. The School Department is expected to make future transfers to the Education Capital Projects Fund for school construction costs. These transfers are from funds committed for the Basic Education Program.

F. 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, 2011, 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, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Capital Outlay Notes	2.75 to 3.25 %	\$ 533,000	\$ 317,667
Other Loans	Variable	6,500,000	5,467,000

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, 2011, the variable interest rate was .24 percent, and other fees totaled approximately .52 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, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 198,999	\$ 8,654	\$ 207,653
2013	48,667	3,684	52,351
2014	23,334	2,233	25,567
2015	23,334	1,489	24,823
2016	23,333	744	24,077
Total	<u>\$ 317,667</u>	<u>\$ 16,804</u>	<u>\$ 334,471</u>

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2012	\$ 191,000	\$ 12,245	\$ 31,632	\$ 234,877
2013	196,000	11,786	30,486	238,272
2014	202,000	11,316	29,310	242,626
2015	208,000	10,831	28,098	246,929
2016	215,000	10,332	26,850	252,182
2017-2021	1,174,000	43,612	114,136	1,331,748
2022-2026	1,360,000	28,656	76,740	1,465,396
2027-2031	1,577,000	11,328	44,532	1,632,860
2032	344,000	380	6,616	350,996
Total	<u>\$ 5,467,000</u>	<u>\$ 140,486</u>	<u>\$ 388,400</u>	<u>\$ 5,995,886</u>

There is \$544,910 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and the other loan totaled \$387, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	<u>Notes</u>	<u>Other Loan</u>
Balance, July 1, 2010	\$ 382,667	\$ 5,652,000
Additions	67,000	0
Deductions	(132,000)	(185,000)
	<hr/>	<hr/>
Balance, June 30, 2011	<u>\$ 317,667</u>	<u>\$ 5,467,000</u>
	<hr/>	<hr/>
Balance Due Within One Year	<u>\$ 198,999</u>	<u>\$ 191,000</u>

	<u>Other Postemployment Benefits</u>
Balance, July 1, 2010	\$ 22,238
Additions	33,053
Deductions	(5,187)
	<hr/>
Balance, June 30, 2011	<u>\$ 50,104</u>
	<hr/>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 5,834,771
Less: Balance Due Within One Year	<u>(389,999)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,444,772</u>

Other postemployment benefits will be paid from the employing funds, primarily the General and Highway/Public Works funds.

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, 2011, will be retired from the General Purpose School Fund.

General obligation bonds and other loans outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
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	2,590,000
Other Loans	0 to Variable	2,616,943	2,083,143

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, 2011, the variable interest rate was .24 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, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 5,090,000	\$ 523,145	\$ 5,613,145

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 133,200	\$ 5,258	\$ 14,093	\$ 152,551
2013	129,000	4,963	13,358	147,321
2014	134,000	4,653	12,589	151,242
2015	140,000	4,332	11,790	156,122
2016	147,000	3,996	10,954	161,950
2017-2021	839,000	14,369	40,822	894,191
2022-2024	560,943	3,491	11,655	576,089
Total	\$ 2,083,143	\$ 41,062	\$ 115,261	\$ 2,239,466

Bonded debt per capita totaled \$631, based on the 2010 federal census. Total debt per capita, including bonds and other loans totaled \$508, based on the 2010 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, 2011, was as follows:

Governmental Activities:	Other		
	Bonds	Other Loans	Postemployment Benefits
Balance, July 1, 2010	\$ 6,035,000	\$ 2,211,343	\$ 183,808
Additions	0	0	165,437
Deductions	(945,000)	(128,200)	(136,376)
Balance, June 30, 2011	\$ 5,090,000	\$ 2,083,143	\$ 212,869
Balance Due Within One Year	\$ 985,000	\$ 133,200	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 7,386,012
Less: Balance Due Within One Year	(1,118,200)
Less: Deferred Amount on Refunding	(15,760)
Add: Unamortized Premium on Debt	<u>27,344</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,279,396</u>

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

G. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for some retired employees on-behalf of Sequatchie County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$470. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

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, 2011, were \$20,890 and \$8,774, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Short-term Debt

Sequatchie County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2011, was as follows:

	Balance 7-1-10	Issued	Paid	Balance 6-30-11
Tax Anticipation Notes	\$ 0	\$ 250,000	\$ (250,000)	\$ 0

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

The Sequatchie County general government’s risk of loss relating to general liability, property, casualty, and workers’ compensation is covered by participation in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The Sequatchie County general government pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers’ compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

The Sequatchie County Highway Department’s risk of loss relating to general liability, property, casualty, and workers’ compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers’ Compensation Fund (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 any 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 Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Sequatchie County and the Sequatchie County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

C. Subsequent Events

On August 4, 2011, and October 11, 2011, the county issued tax anticipation notes of \$300,000 and 175,000, respectively, for temporary operating funds.

On August 24, 2011, Sequatchie County issued a \$90,000 capital outlay note for the East Valley Road water project.

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. Change in Administration

On March 31, 2011, Michael Hudson left the Office of County Executive and was succeeded by Claude Lewis.

F. 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, 2011, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

G. Retirement Commitments

Plan Description

Employees of Sequatchie County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Sequatchie County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Sequatchie County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 8.49 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2011, the county's annual pension cost of \$474,801 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include

(a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 2.5 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 ten-year period. The 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, 2009, was six 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
6-30-11	\$474,801	100%	\$0
6-30-10	438,524	100	0
6-30-09	417,628	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 million, and the actuarial value of assets was \$10 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

SCHOOL TEACHERS

Plan Description

The Sequatchie County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are 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, 2011, was 9.05 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, 2011, 2010, and 2009, were \$669,330, 483,160, and \$470,981, respectively, equal to the required contributions for each year.

H. 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. In previous fiscal years, 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. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plans develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, \$5,187 was contributed by Sequatchie County for postemployment health care premiums, and expenditures totaling \$136,376 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	\$ 33,000	\$ 165,000
Interest on the NPO	1,001	8,272
Adjustment to the ARC	(948)	(7,835)
Annual OPEB cost	\$ 33,053	\$ 165,437
Amount of contribution	(5,187)	(136,376)
Increase/decrease in NPO	\$ 27,866	\$ 29,061
Net OPEB obligation, 7-1-10	22,238	183,808
Net OPEB obligation, 6-30-11	\$ 50,104	\$ 212,869

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
6-30-11	"	33,053	16	50,104
6-30-09	Local Education Group	167,413	46	159,439
6-30-10	"	158,379	85	183,808
6-30-11	"	165,437	82	212,869

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	\$ 205,000	\$ 1,344,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 205,000	\$ 1,344,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 1,111,136	\$ 6,663,634
UAAL as a % of covered payroll	18%	20%

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, 2010, actuarial valuation for the Local Education Plan, 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) and an annual healthcare cost trend rate of ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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 ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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.

I. 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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Revenues				
Local Taxes	\$ 2,802,170	\$ 2,705,000	\$ 2,705,000	\$ 97,170
Licenses and Permits	35,580	31,000	31,000	4,580
Fines, Forfeitures, and Penalties	81,799	76,350	76,350	5,449
Charges for Current Services	15,622	16,500	18,150	(2,528)
Other Local Revenues	54,924	47,600	47,600	7,324
Fees Received from County Officials	612,063	575,000	575,000	37,063
State of Tennessee	1,037,616	949,000	939,470	98,146
Federal Government	56,593	113,855	171,122	(114,529)
Other Governments and Citizens Groups	70,113	25,000	25,000	45,113
Total Revenues	\$ 4,766,480	\$ 4,539,305	\$ 4,588,692	\$ 177,788
Expenditures				
General Government				
County Commission	\$ 129,726	\$ 118,800	\$ 130,234	\$ 508
Board of Equalization	2,976	3,450	3,450	474
Beer Board	0	1,000	1,000	1,000
County Mayor/Executive	159,749	161,757	161,937	2,188
County Attorney	7,800	7,800	7,800	0
Election Commission	120,567	139,589	142,589	22,022
Register of Deeds	134,877	138,324	138,144	3,267
County Buildings	313,409	313,803	319,153	5,744
Other General Administration	470	0	470	0
Finance				
Property Assessor's Office	196,149	206,887	206,887	10,738
Reappraisal Program	658	5,750	5,750	5,092
County Trustee's Office	146,440	149,497	149,497	3,057
County Clerk's Office	205,228	215,031	215,031	9,803
Administration of Justice				
Circuit Court	185,032	186,431	195,931	10,899
General Sessions Court	93,242	95,610	95,610	2,368
Drug Court	2,239	0	2,239	0
Chancery Court	102,854	103,495	103,495	641
Juvenile Court	85,543	89,500	98,500	12,957
Judicial Commissioners	23,485	24,255	24,255	770
Public Safety				
Sheriff's Department	941,650	959,402	978,008	36,358
Jail	1,263,145	1,224,808	1,275,808	12,663
Fire Prevention and Control	55,000	55,000	55,000	0
Rescue Squad	5,000	2,500	2,500	(2,500)
Other Emergency Management	52,282	47,667	79,567	27,285
County Coroner/Medical Examiner	28,039	15,000	20,800	(7,239)
Public Health and Welfare				
Local Health Center	15,713	20,500	20,500	4,787

(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>				
Crippled Children Services	\$ 1,026	\$ 1,026	\$ 1,026	\$ 0
Other Local Health Services	94,605	102,000	102,000	7,395
Appropriation to State	19,032	19,232	19,232	200
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	7,000	7,000	7,000	0
Libraries	99,160	97,083	99,533	373
Parks and Fair Boards	55,075	54,700	55,700	625
Other Social, Cultural, and Recreational	4,000	4,000	4,000	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	54,848	56,902	56,902	2,054
Soil Conservation	14,935	14,935	14,935	0
<u>Other Operations</u>				
Tourism	11,500	11,652	11,652	152
Industrial Development	700	700	700	0
Other Economic and Community Development	162,393	84,800	162,402	9
Veterans' Services	12,906	14,060	14,060	1,154
Other Charges	84,635	81,000	84,300	(335)
Total Expenditures	<u>\$ 4,893,088</u>	<u>\$ 4,834,946</u>	<u>\$ 5,067,597</u>	<u>\$ 174,509</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (126,608)</u>	<u>\$ (295,641)</u>	<u>\$ (478,905)</u>	<u>\$ 352,297</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 10,000	\$ 10,000	\$ (10,000)
Transfers In	36,429	225	225	36,204
Transfers Out	(198,000)	(75,000)	(198,000)	0
Total Other Financing Sources (Uses)	<u>\$ (161,571)</u>	<u>\$ (64,775)</u>	<u>\$ (187,775)</u>	<u>\$ 26,204</u>
Net Change in Fund Balance	<u>\$ (288,179)</u>	<u>\$ (360,416)</u>	<u>\$ (666,680)</u>	<u>\$ 378,501</u>
Fund Balance, July 1, 2010	<u>706,604</u>	<u>733,079</u>	<u>733,079</u>	<u>(26,475)</u>
Fund Balance, June 30, 2011	<u>\$ 418,425</u>	<u>\$ 372,663</u>	<u>\$ 66,399</u>	<u>\$ 352,026</u>

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 634,043	\$ 750,000	\$ 750,000	\$ (115,957)
Total Revenues	\$ 634,043	\$ 750,000	\$ 750,000	\$ (115,957)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 841,274	\$ 860,720	\$ 888,820	\$ 47,546
Total Expenditures	\$ 841,274	\$ 860,720	\$ 888,820	\$ 47,546
Excess (Deficiency) of Revenues Over Expenditures	\$ (207,231)	\$ (110,720)	\$ (138,820)	\$ (68,411)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 11,000	\$ 0	\$ 0	\$ 11,000
Transfers In	198,000	75,000	198,000	0
Total Other Financing Sources (Uses)	\$ 209,000	\$ 75,000	\$ 198,000	\$ 11,000
Net Change in Fund Balance	\$ 1,769	\$ (35,720)	\$ 59,180	\$ (57,411)
Fund Balance, July 1, 2010	64,870	48,715	48,715	16,155
Fund Balance, June 30, 2011	\$ 66,639	\$ 12,995	\$ 107,895	\$ (41,256)

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 5,695	\$ 5,500	\$ 5,500	\$ 195
State of Tennessee	1,745,185	2,173,755	2,173,755	(428,570)
Other Governments and Citizens Groups	1,238	1,000	1,000	238
Total Revenues	<u>\$ 1,752,118</u>	<u>\$ 2,180,255</u>	<u>\$ 2,180,255</u>	<u>\$ (428,137)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 147,639	\$ 152,303	\$ 166,678	\$ 19,039
Highway and Bridge Maintenance	685,782	736,831	831,731	145,949
Operation and Maintenance of Equipment	268,448	230,620	286,270	17,822
Other Charges	45,597	53,250	53,650	8,053
Employee Benefits	257,051	334,938	359,463	102,412
Capital Outlay	497,604	992,482	779,275	281,671
<u>Principal on Debt</u>				
Highways and Streets	23,333	0	23,357	24
<u>Interest on Debt</u>				
Highways and Streets	4,466	0	4,466	0
Total Expenditures	<u>\$ 1,929,920</u>	<u>\$ 2,500,424</u>	<u>\$ 2,504,890</u>	<u>\$ 574,970</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (177,802)</u>	<u>\$ (320,169)</u>	<u>\$ (324,635)</u>	<u>\$ 146,833</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 54,436	\$ 0	\$ 0	\$ 54,436
Total Other Financing Sources (Uses)	<u>\$ 54,436</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 54,436</u>
Net Change in Fund Balance	\$ (123,366)	\$ (320,169)	\$ (324,635)	\$ 201,269
Fund Balance, July 1, 2010	<u>524,118</u>	<u>525,045</u>	<u>525,045</u>	<u>(927)</u>
Fund Balance, June 30, 2011	<u>\$ 400,752</u>	<u>\$ 204,876</u>	<u>\$ 200,410</u>	<u>\$ 200,342</u>

Exhibit E-4

Sequatchie County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Sequatchie County School Department
June 30, 2011

(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, 2011

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
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
"	7-1-10	0	205	205	0	1,111	18.45
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
"	7-1-10	0	1,344	1,344	0	6,663	20.17

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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. This fund was closed into the General Fund during the year.

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 and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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, 2011

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total		
Cash	\$ 0	\$ 0	\$ 500	\$ 500	\$ 0	\$ 500
Equity in Pooled Cash and Investments	107,000	61,259	0	168,259	339	168,598
Accounts Receivable	410	25	333	768	0	768
Due from Other Governments	12,739	0	0	12,739	0	12,739
Property Taxes Receivable	369,637	0	0	369,637	0	369,637
Allowance for Uncollectible Property Taxes	(20,309)	0	0	(20,309)	0	(20,309)
Total Assets	\$ 469,477	\$ 61,284	\$ 833	\$ 531,594	\$ 339	\$ 531,933
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 1,908	\$ 0	\$ 0	\$ 1,908	\$ 0	\$ 1,908
Due to Other Funds	0	0	833	833	0	833
Deferred Revenue - Current Property Taxes	328,377	0	0	328,377	0	328,377
Deferred Revenue - Delinquent Property Taxes	19,951	0	0	19,951	0	19,951
Total Liabilities	\$ 350,236	\$ 0	\$ 833	\$ 351,069	\$ 0	\$ 351,069
Fund Balances						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 61,284	\$ 0	\$ 61,284	\$ 0	\$ 61,284
Restricted for Public Health and Welfare	119,241	0	0	119,241	0	119,241
Restricted for Capital Outlay	0	0	0	0	339	339
Total Fund Balances	\$ 119,241	\$ 61,284	\$ 0	\$ 180,525	\$ 339	\$ 180,864
Total Liabilities and Fund Balances	\$ 469,477	\$ 61,284	\$ 833	\$ 531,594	\$ 339	\$ 531,933

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, 2011

	Special Revenue Funds						Capital Projects Fund		Total Nonmajor Governmental Funds
	Courthouse and Jail Maintenance	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	Capital Projects Fund			
						General Capital Projects	Nonmajor Governmental Funds		
Revenues									
Local Taxes	\$ 0	\$ 343,447	\$ 0	\$ 0	\$ 343,447	\$ 0	\$ 0	\$ 343,447	
Fines, Forfeitures, and Penalties Charges for Current Services	0	0	25,257	0	25,257	0	0	25,257	
Other Local Revenues	0	0	0	2,587	2,587	0	0	2,587	
State of Tennessee	0	24,863	100	0	24,963	0	0	24,963	
Total Revenues	\$ 0	\$ 404,192	\$ 25,507	\$ 2,587	\$ 432,286	\$ 0	\$ 0	\$ 432,286	
Expenditures									
Current:									
Finance	\$ 0	\$ 0	\$ 0	\$ 2,416	\$ 2,416	\$ 0	\$ 0	\$ 2,416	
Administration of Justice	0	0	0	171	171	0	0	171	
Public Safety	0	0	52,015	0	52,015	0	0	52,015	
Public Health and Welfare	0	461,870	0	0	461,870	66,950	0	528,820	
Other Operations	0	6,842	0	0	6,842	0	0	6,842	
Capital Projects	0	0	0	0	0	2,844	0	2,844	
Total Expenditures	\$ 0	\$ 468,712	\$ 52,015	\$ 2,587	\$ 523,314	\$ 69,794	\$ 0	\$ 593,108	
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (64,520)	\$ (26,508)	\$ 0	\$ (91,028)	\$ (69,794)	\$ 0	\$ (160,822)	
Other Financing Sources (Uses)									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,000	\$ 0	\$ 67,000	
Transfers Out	(36,429)	0	0	0	(36,429)	0	0	(36,429)	
Total Other Financing Sources (Uses)	\$ (36,429)	\$ 0	\$ 0	\$ 0	\$ (36,429)	\$ 67,000	\$ 0	\$ 30,571	
Net Change in Fund Balances	\$ (36,429)	\$ (64,520)	\$ (26,508)	\$ 0	\$ (127,457)	\$ (2,794)	\$ 0	\$ (130,251)	
Fund Balance, July 1, 2010	36,429	183,761	87,792	0	307,982	3,133	0	311,115	
Fund Balance, June 30, 2011	\$ 0	\$ 119,241	\$ 61,284	\$ 0	\$ 180,525	\$ 339	\$ 0	\$ 180,864	

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>	\$ 0	\$ 0	\$ 0	\$ 0
<u>Expenditures</u>	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (36,429)	\$ (36,429)	\$ (36,429)	\$ 0
Total Other Financing Sources (Uses)	\$ (36,429)	\$ (36,429)	\$ (36,429)	\$ 0
Net Change in Fund Balance	\$ (36,429)	\$ (36,429)	\$ (36,429)	\$ 0
Fund Balance, July 1, 2010	36,429	36,430	36,430	(1)
Fund Balance, June 30, 2011	\$ 0	\$ 1	\$ 1	(1)

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 343,447	\$ 332,000	\$ 332,000	\$ 11,447
Other Local Revenues	24,863	26,000	26,000	(1,137)
State of Tennessee	35,882	40,000	40,000	(4,118)
Total Revenues	\$ 404,192	\$ 398,000	\$ 398,000	\$ 6,192
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 27,761	\$ 29,237	\$ 29,237	\$ 1,476
Waste Pickup	102,913	100,313	107,113	4,200
Convenience Centers	178,296	171,100	193,800	15,504
Other Waste Collection	143,499	143,500	143,500	1
Landfill Operation and Maintenance	9,401	9,500	9,500	99
<u>Other Operations</u>				
Other Charges	6,842	8,500	8,500	1,658
Total Expenditures	\$ 468,712	\$ 462,150	\$ 491,650	\$ 22,938
Excess (Deficiency) of Revenues Over Expenditures	\$ (64,520)	\$ (64,150)	\$ (93,650)	\$ 29,130
Net Change in Fund Balance	\$ (64,520)	\$ (64,150)	\$ (93,650)	\$ 29,130
Fund Balance, July 1, 2010	183,761	183,275	183,275	486
Fund Balance, June 30, 2011	\$ 119,241	\$ 119,125	\$ 89,625	\$ 29,616

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 25,257	\$ 32,000	\$ 32,000	\$ (6,743)
Other Local Revenues	100	0	0	100
State of Tennessee	150	0	0	150
Total Revenues	<u>\$ 25,507</u>	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ (6,493)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 28,540	\$ 0	\$ 28,540	\$ 0
Drug Enforcement	23,475	47,000	38,460	14,985
Total Expenditures	<u>\$ 52,015</u>	<u>\$ 47,000</u>	<u>\$ 67,000</u>	<u>\$ 14,985</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (26,508)</u>	<u>\$ (15,000)</u>	<u>\$ (35,000)</u>	<u>\$ 8,492</u>
Net Change in Fund Balance	\$ (26,508)	\$ (15,000)	\$ (35,000)	\$ 8,492
Fund Balance, July 1, 2010	<u>87,792</u>	<u>87,793</u>	<u>87,793</u>	<u>(1)</u>
Fund Balance, June 30, 2011	<u><u>\$ 61,284</u></u>	<u><u>\$ 72,793</u></u>	<u><u>\$ 52,793</u></u>	<u><u>\$ 8,491</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 458,092	\$ 435,200	\$ 435,200	\$ 22,892
Other Local Revenues	21,843	22,000	22,000	(157)
State of Tennessee	26,176	21,000	21,000	5,176
Total Revenues	<u>\$ 506,111</u>	<u>\$ 478,200</u>	<u>\$ 478,200</u>	<u>\$ 27,911</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 293,667	\$ 309,000	\$ 309,000	\$ 15,333
<u>Interest on Debt</u>				
General Government	32,142	197,600	157,600	125,458
<u>Other Debt Service</u>				
General Government	43,700	10,000	50,000	6,300
Total Expenditures	<u>\$ 369,509</u>	<u>\$ 516,600</u>	<u>\$ 516,600</u>	<u>\$ 147,091</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 136,602</u>	<u>\$ (38,400)</u>	<u>\$ (38,400)</u>	<u>\$ 175,002</u>
Net Change in Fund Balance	\$ 136,602	\$ (38,400)	\$ (38,400)	\$ 175,002
Fund Balance, July 1, 2010	352,181	345,740	345,740	6,441
Prior-period Adjustment	56,127	0	0	56,127
Fund Balance, June 30, 2011	<u>\$ 544,910</u>	<u>\$ 307,340</u>	<u>\$ 307,340</u>	<u>\$ 237,570</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, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 719,354	\$ 719,354
Due from Other Governments	60,000	0	60,000
Cash Shortage	0	7,793	7,793
Total Assets	<u>\$ 60,000</u>	<u>\$ 727,147</u>	<u>\$ 787,147</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 60,000	\$ 0	\$ 60,000
Due to Litigants, Heirs, and Others	0	727,147	727,147
Total Liabilities	<u>\$ 60,000</u>	<u>\$ 727,147</u>	<u>\$ 787,147</u>

Exhibit H-2

Sequatchie County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 351,712	\$ 351,712	\$ 0
Due from Other Governments	62,768	60,000	62,768	60,000
Total Assets	\$ 62,768	\$ 411,712	\$ 414,480	\$ 60,000
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 62,768	\$ 411,712	\$ 414,480	\$ 60,000
Total Liabilities	\$ 62,768	\$ 411,712	\$ 414,480	\$ 60,000
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,099,056	\$ 2,235,557	\$ 2,615,259	\$ 719,354
Cash Shortage	8,758	0	965	7,793
Total Assets	\$ 1,107,814	\$ 2,235,557	\$ 2,616,224	\$ 727,147
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,107,814	\$ 2,235,557	\$ 2,616,224	\$ 727,147
Total Liabilities	\$ 1,107,814	\$ 2,235,557	\$ 2,616,224	\$ 727,147
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,099,056	\$ 2,235,557	\$ 2,615,259	\$ 719,354
Equity in Pooled Cash and Investments	0	351,712	351,712	0
Due from Other Governments	62,768	60,000	62,768	60,000
Cash Shortage	8,758	0	965	7,793
Total Assets	\$ 1,170,582	\$ 2,647,269	\$ 3,030,704	\$ 787,147
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 62,768	\$ 411,712	\$ 414,480	\$ 60,000
Due to Litigants, Heirs, and Others	1,107,814	2,235,557	2,616,224	727,147
Total Liabilities	\$ 1,170,582	\$ 2,647,269	\$ 3,030,704	\$ 787,147

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, 2011

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	\$ 10,885,343	\$ 77,777	\$ 1,976,052	\$ (8,831,514)
Support Services	4,981,145	0	0	(4,981,145)
Operation of Non-Instructional Services	1,415,161	280,511	863,491	(271,159)
Interest on Debt	196,179	0	0	(196,179)
Other Debt Service	21,168	0	0	(21,168)
Total Governmental Activities	\$ 17,498,996	\$ 358,288	\$ 2,839,543	\$ (14,301,165)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,656,618
Local Option Sales Taxes				1,524,928
Other Local Taxes				917
Grants and Contributions Not Restricted to Specific Programs				12,594,314
Unrestricted Investment Earnings				32,548
Miscellaneous				51,267
Total General Revenues				\$ 16,860,592
Insurance Recovery				\$ 12,821
Change in Net Assets				\$ 2,572,248
Net Assets, July 1, 2010				23,872,113
Net Assets, June 30, 2011				\$ 26,444,361

Exhibit I-2

Sequatchie County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2011

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Other</u>	
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,331	\$ 1,331
Equity in Pooled Cash and Investments	10,343,008	257,108	931,457	11,531,573
Accounts Receivable	2,805	0	952	3,757
Due from Other Governments	667,665	53,723	15,243	736,631
Property Taxes Receivable	2,925,855	0	0	2,925,855
Allowance for Uncollectible Property Taxes	(160,765)	0	0	(160,765)
Total Assets	\$ 13,778,568	\$ 310,831	\$ 948,983	\$ 15,038,382
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 5,900	\$ 0	\$ 0	\$ 5,900
Payroll Deductions Payable	550,575	0	0	550,575
Retainage Payable	0	0	1,500	1,500
Deferred Revenue - Current Property Taxes	2,599,225	0	0	2,599,225
Deferred Revenue - Delinquent Property Taxes	156,865	0	0	156,865
Other Deferred Revenues	133,649	0	9,128	142,777
Total Liabilities	\$ 3,446,214	\$ 0	\$ 10,628	\$ 3,456,842
<u>Fund Balances</u>				
<u>Restricted:</u>				
Restricted for Instruction	\$ 9,617	\$ 10,831	\$ 0	\$ 20,448
Restricted for Operation of Non-Instructional Services	0	0	281,000	281,000
Restricted for Capital Outlay	1,509,096	0	0	1,509,096
<u>Committed:</u>				
Committed for Instruction	7,596,931	0	0	7,596,931
Committed for Operation of Non-Instructional Services	0	0	7,819	7,819
Committed for Capital Outlay	10,025	0	649,536	659,561
<u>Assigned:</u>				
Assigned for Instruction	199,440	300,000	0	499,440
Unassigned	1,007,245	0	0	1,007,245
Total Fund Balances	\$ 10,332,354	\$ 310,831	\$ 938,355	\$ 11,581,540
Total Liabilities and Fund Balances	\$ 13,778,568	\$ 310,831	\$ 948,983	\$ 15,038,382

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, 2011

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)		\$ 11,581,540	
(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: construction in progress		807,207	
Add: buildings and improvements net of accumulated depreciation		18,851,662	
Add: infrastructure net of accumulated depreciation		361,517	
Add: other capital assets net of accumulated depreciation		<u>725,786</u>	22,002,821
(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	\$	(5,090,000)	
Less: other loans payable		(2,083,143)	
Less: other postemployment benefits liability		(212,869)	
Less: deferred premium on debt issuance		(27,344)	
Add: deferred amount on refunding		15,760	
Add: deferred charges - debt issuance costs		28,825	
Less: accrued interest on bonds and other loans		<u>(70,871)</u>	(7,439,642)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>299,642</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 26,444,361</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, 2011

	Major Funds		Nonmajor	Total
	General Purpose School	School Federal Projects	Other Govern-mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,242,649	\$ 0	\$ 0	\$ 4,242,649
Licenses and Permits	1,520	0	0	1,520
Charges for Current Services	23,956	0	333,612	357,568
Other Local Revenues	99,744	0	5,571	105,315
State of Tennessee	11,682,931	0	12,586	11,695,517
Federal Government	233,064	2,618,172	850,905	3,702,141
Total Revenues	<u>\$ 16,283,864</u>	<u>\$ 2,618,172</u>	<u>\$ 1,202,674</u>	<u>\$ 20,104,710</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 8,440,994	\$ 1,888,771	\$ 0	\$ 10,329,765
Support Services	4,220,398	589,998	0	4,810,396
Operation of Non-Instructional Services	100,806	95,303	1,165,490	1,361,599
Capital Outlay	315,755	0	0	315,755
Debt Service:				
Principal on Debt	1,073,200	0	0	1,073,200
Interest on Debt	207,912	0	0	207,912
Other Debt Service	14,863	0	0	14,863
Capital Projects	0	0	808,707	808,707
Total Expenditures	<u>\$ 14,373,928</u>	<u>\$ 2,574,072</u>	<u>\$ 1,974,197</u>	<u>\$ 18,922,197</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,909,936</u>	<u>\$ 44,100</u>	<u>\$ (771,523)</u>	<u>\$ 1,182,513</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,821	\$ 0	\$ 0	\$ 12,821
Transfers In	89,332	200,000	1,000,000	1,289,332
Transfers Out	(1,200,000)	(39,105)	(50,227)	(1,289,332)
Total Other Financing Sources (Uses)	<u>\$ (1,097,847)</u>	<u>\$ 160,895</u>	<u>\$ 949,773</u>	<u>\$ 12,821</u>
Net Change in Fund Balances	\$ 812,089	\$ 204,995	\$ 178,250	\$ 1,195,334
Fund Balance, July 1, 2010	<u>9,520,265</u>	<u>105,836</u>	<u>760,105</u>	<u>10,386,206</u>
Fund Balance, June 30, 2011	<u>\$ 10,332,354</u>	<u>\$ 310,831</u>	<u>\$ 938,355</u>	<u>\$ 11,581,540</u>

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, 2011

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)		\$ 1,195,334
(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	\$ 1,093,449	
Less: current-year depreciation expense	<u>(719,815)</u>	373,634
(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, 2011	\$ 299,642	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(345,386)</u>	(45,744)
(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	945,000	
Add: principal payments on other loans	128,200	
Less: change in deferred amount on refunding debt	<u>(11,060)</u>	1,066,352
(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	\$ (29,061)	
Change in accrued interest payable	<u>11,733</u>	<u>(17,328)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 2,572,248</u>

Sequatchie County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2011

	Special Revenue Funds			Capital	Total
	Other			Projects	
	Central Cafeteria	Education Special Revenue	Total	Education Capital Projects	
\$ 1,331 \$	0 \$	1,331 \$	0 \$	1,331	
272,602	7,819	280,421	651,036	931,457	
952	0	952	0	952	
15,243	0	15,243	0	15,243	
\$ 290,128 \$	7,819 \$	297,947 \$	651,036 \$	948,983	

ASSETS

Cash	\$ 1,331
Equity in Pooled Cash and Investments	272,602
Accounts Receivable	952
Due from Other Governments	15,243
Total Assets	\$ 290,128

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>				
Retainage Payable	\$ 0	\$ 0	0 \$	1,500 \$
Other Deferred Revenues	9,128	0	9,128	0
Total Liabilities	\$ 9,128	\$ 0	9,128 \$	1,500 \$
<u>Fund Balances</u>				
Restricted:				
Restricted for Operation of Non-Instructional Services	\$ 281,000	\$ 0	281,000 \$	0 \$
Committed:				
Committed for Operation of Non-Instructional Services	0	7,819	7,819	0
Committed for Capital Outlay	0	0	0	649,536
Total Fund Balances	\$ 281,000	\$ 7,819	288,819 \$	649,536 \$
Total Liabilities and Fund Balances	\$ 290,128	\$ 7,819	297,947 \$	948,983

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, 2011

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Other Education Special Revenue	Total	Education Capital Projects	
<u>Revenues</u>					
Charges for Current Services	\$ 279,791	\$ 53,821	\$ 333,612	\$ 0	\$ 333,612
Other Local Revenues	5,570	0	5,570	1	5,571
State of Tennessee	12,586	0	12,586	0	12,586
Federal Government	850,905	0	850,905	0	850,905
Total Revenues	\$ 1,148,852	\$ 53,821	\$ 1,202,673	\$ 1	\$ 1,202,674
<u>Expenditures</u>					
Current:					
Operation of Non-Instructional Services	\$ 1,109,041	\$ 56,449	\$ 1,165,490	\$ 0	\$ 1,165,490
Capital Projects	0	0	0	808,707	808,707
Total Expenditures	\$ 1,109,041	\$ 56,449	\$ 1,165,490	\$ 808,707	\$ 1,974,197
Excess (Deficiency) of Revenues Over Expenditures	\$ 39,811	\$ (2,628)	\$ 37,183	\$ (808,706)	\$ (771,523)
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 1,000,000	\$ 1,000,000
Transfers Out	(50,227)	0	(50,227)	0	(50,227)
Total Other Financing Sources (Uses)	\$ (50,227)	\$ 0	\$ (50,227)	\$ 1,000,000	\$ 949,773
Net Change in Fund Balances	\$ (10,416)	\$ (2,628)	\$ (13,044)	\$ 191,294	\$ 178,250
Fund Balance, July 1, 2010	291,416	10,447	301,863	458,242	760,105
Fund Balance, June 30, 2011	\$ 281,000	\$ 7,819	\$ 288,819	\$ 649,536	\$ 938,355

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,242,649	\$ 4,196,839	\$ 4,196,839	\$ 45,810
Licenses and Permits	1,520	1,200	1,200	320
Charges for Current Services	23,956	19,000	20,500	3,456
Other Local Revenues	99,744	47,000	51,200	48,544
State of Tennessee	11,682,931	11,542,970	11,572,634	110,297
Federal Government	233,064	143,568	262,772	(29,708)
Total Revenues	<u>\$ 16,283,864</u>	<u>\$ 15,950,577</u>	<u>\$ 16,105,145</u>	<u>\$ 178,719</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 6,540,200	\$ 6,802,124	\$ 6,827,546	\$ 287,346
Alternative Instruction Program	75,682	83,334	83,334	7,652
Special Education Program	1,566,182	1,650,479	1,675,538	109,356
Vocational Education Program	183,525	345,278	343,378	159,853
Student Body Education Program	18,617	17,111	18,661	44
Adult Education Program	56,788	37,628	76,450	19,662
<u>Support Services</u>				
Attendance	102,979	103,858	103,858	879
Health Services	134,320	141,278	141,278	6,958
Other Student Support	316,588	332,490	332,490	15,902
Regular Instruction Program	586,110	560,828	589,428	3,318
Special Education Program	155,341	172,149	172,149	16,808
Adult Programs	74,100	77,331	79,332	5,232
Other Programs	29,664	0	29,664	0
Board of Education	239,654	233,162	246,651	6,997
Director of Schools	164,727	155,489	165,189	462
Office of the Principal	569,787	562,048	574,148	4,361
Fiscal Services	152,529	158,273	158,273	5,744
Operation of Plant	1,028,548	1,082,272	1,070,072	41,524
Maintenance of Plant	208,629	200,102	212,302	3,673
Transportation	457,422	550,924	521,735	64,313
<u>Operation of Non-Instructional Services</u>				
Community Services	175	0	750	575
Early Childhood Education	100,631	100,644	100,644	13
<u>Capital Outlay</u>				
Regular Capital Outlay	315,755	9,558,118	8,558,118	8,242,363
<u>Principal on Debt</u>				
Education	1,073,200	1,073,200	1,073,200	0
<u>Interest on Debt</u>				
Education	207,912	306,620	291,757	83,845
<u>Other Debt Service</u>				
Education	14,863	0	14,863	0
Total Expenditures	<u>\$ 14,373,928</u>	<u>\$ 24,304,740</u>	<u>\$ 23,460,808</u>	<u>\$ 9,086,880</u>

(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	
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,909,936	\$ (8,354,163)	\$ (7,355,663)	\$ 9,265,599
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 12,821	\$ 0	\$ 0	\$ 12,821
Transfers In	89,332	93,128	93,128	(3,796)
Transfers Out	(1,200,000)	0	(1,200,000)	0
Total Other Financing Sources (Uses)	\$ (1,097,847)	\$ 93,128	\$ (1,106,872)	\$ 9,025
Net Change in Fund Balance	\$ 812,089	\$ (8,261,035)	\$ (8,462,535)	\$ 9,274,624
Fund Balance, July 1, 2010	9,520,265	9,503,892	9,503,892	16,373
Fund Balance, June 30, 2011	\$ 10,332,354	\$ 1,242,857	\$ 1,041,357	\$ 9,290,997

Exhibit I-9

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Sequatchie County School Department
School Federal Projects Fund
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,618,172	\$ 3,330,032	\$ 3,330,032	\$ (711,860)
Total Revenues	\$ 2,618,172	\$ 3,330,032	\$ 3,330,032	\$ (711,860)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,138,896	\$ 1,405,026	\$ 1,392,655	\$ 253,759
Special Education Program	712,170	815,921	816,090	103,920
Vocational Education Program	37,705	34,746	37,705	0
<u>Support Services</u>				
Other Student Support	82,638	126,620	124,306	41,668
Regular Instruction Program	365,842	531,431	540,976	175,134
Special Education Program	53,026	55,139	55,137	2,111
Vocational Education Program	1,531	2,187	1,531	0
Transportation	86,961	104,405	104,405	17,444
<u>Operation of Non-Instructional Services</u>				
Community Services	95,303	98,108	98,108	2,805
Total Expenditures	\$ 2,574,072	\$ 3,173,583	\$ 3,170,913	\$ 596,841
Excess (Deficiency) of Revenues Over Expenditures	\$ 44,100	\$ 156,449	\$ 159,119	\$ (115,019)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 200,000	\$ 0	\$ 200,000	\$ 0
Transfers Out	(39,105)	(163,213)	(165,883)	126,778
Total Other Financing Sources (Uses)	\$ 160,895	\$ (163,213)	\$ 34,117	\$ 126,778
Net Change in Fund Balance	\$ 204,995	\$ (6,764)	\$ 193,236	\$ 11,759
Fund Balance, July 1, 2010	105,836	6,764	6,764	99,072
Fund Balance, June 30, 2011	\$ 310,831	\$ 0	\$ 200,000	\$ 110,831

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 279,791	\$ 297,000	\$ 297,000	\$ (17,209)
Other Local Revenues	5,570	3,500	3,500	2,070
State of Tennessee	12,586	12,000	12,000	586
Federal Government	850,905	678,500	753,484	97,421
Total Revenues	<u>\$ 1,148,852</u>	<u>\$ 991,000</u>	<u>\$ 1,065,984</u>	<u>\$ 82,868</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,109,041	\$ 1,127,571	\$ 1,202,555	\$ 93,514
Total Expenditures	<u>\$ 1,109,041</u>	<u>\$ 1,127,571</u>	<u>\$ 1,202,555</u>	<u>\$ 93,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 39,811</u>	<u>\$ (136,571)</u>	<u>\$ (136,571)</u>	<u>\$ 176,382</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (50,227)	\$ (52,906)	\$ (52,906)	\$ 2,679
Total Other Financing Sources (Uses)	<u>\$ (50,227)</u>	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ 2,679</u>
Net Change in Fund Balance	\$ (10,416)	\$ (189,477)	\$ (189,477)	\$ 179,061
Fund Balance, July 1, 2010	<u>291,416</u>	<u>291,413</u>	<u>291,413</u>	<u>3</u>
Fund Balance, June 30, 2011	<u>\$ 281,000</u>	<u>\$ 101,936</u>	<u>\$ 101,936</u>	<u>\$ 179,064</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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 53,821	\$ 49,200	\$ 50,222	\$ 3,599
Total Revenues	\$ 53,821	\$ 49,200	\$ 50,222	\$ 3,599
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Community Services	\$ 56,449	\$ 49,200	\$ 52,850	\$ (3,599)
Total Expenditures	\$ 56,449	\$ 49,200	\$ 52,850	\$ (3,599)
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,628)	\$ 0	\$ (2,628)	\$ 0
Net Change in Fund Balance	\$ (2,628)	\$ 0	\$ (2,628)	\$ 0
Fund Balance, July 1, 2010	10,447	7,514	7,514	2,933
Fund Balance, June 30, 2011	\$ 7,819	\$ 7,514	\$ 4,886	\$ 2,933

MISCELLANEOUS SCHEDULES

Exhibit J-1

Sequitachie County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Sequitachie County School Department
For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Health Department	\$ 250,000	3.25 %	9-19-08	9-19-11	\$ 166,667	\$ 0	\$ 83,334	\$ 83,333
North Valley Medical Center Roof	76,000	2.75	11-4-09	11-4-12	76,000	0	25,333	50,667
Ambulance	67,000	2.75	12-20-10	12-20-11	0	67,000	0	67,000
Total Payable through General Debt Service Fund					\$ 242,667	\$ 67,000	\$ 108,667	\$ 201,000
<u>Payable through Highway/Public Works Fund</u>								
Highway Department	140,000	3.19	7-29-09	7-29-15	\$ 140,000	\$ 0	\$ 23,333	\$ 116,667
Total Payable through Highway/Public Works Fund					\$ 140,000	\$ 0	\$ 23,333	\$ 116,667
Total Notes Payable					\$ 382,667	\$ 67,000	\$ 132,000	\$ 317,667
<u>OTHER LOAN PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center	6,500,000	Variable	11-1-04	5-25-32	\$ 5,652,000	\$ 0	\$ 185,000	\$ 5,467,000
<u>DISCRETELY PRESENTED SEQUITACHIE COUNTY SCHOOL DEPARTMENT</u>								
<u>BONDS PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
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	3,535,000	0	945,000	2,590,000
Total Bonds Payable					\$ 6,035,000	\$ 0	\$ 945,000	\$ 5,090,000
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Rural Development Loan - Technology	102,000	0	1-1-03	1-1-12	\$ 20,400	\$ 0	\$ 10,200	\$ 10,200
School Renovations	2,514,943	Variable	12-20-06	5-25-24	2,190,943	0	118,000	2,072,943
Total Other Loans Payable					\$ 2,211,343	\$ 0	\$ 128,200	\$ 2,083,143

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
2012	\$ 198,999	\$ 8,654	\$ 207,653
2013	48,667	3,684	52,351
2014	23,334	2,233	25,567
2015	23,334	1,489	24,823
2016	23,333	744	24,077
Total	\$ 317,667	\$ 16,804	\$ 334,471

Year Ending June 30	Other Loan			Total
	Principal	Interest	Other Fees	
2012	\$ 191,000	\$ 12,245	\$ 31,632	\$ 234,877
2013	196,000	11,786	30,486	238,272
2014	202,000	11,316	29,310	242,626
2015	208,000	10,831	28,098	246,929
2016	215,000	10,332	26,850	252,182
2017	221,000	9,816	25,560	256,376
2018	228,000	9,284	24,236	261,520
2019	234,000	8,740	22,864	265,604
2020	242,000	8,176	21,464	271,640
2021	249,000	7,596	20,012	276,608
2022	256,000	7,000	18,516	281,516
2023	264,000	6,384	16,980	287,364
2024	272,000	5,752	15,396	293,148
2025	280,000	5,096	13,764	298,860
2026	288,000	4,424	12,084	304,508
2027	297,000	3,736	10,356	311,092
2028	306,000	3,020	9,656	318,676
2029	315,000	2,288	8,928	326,216
2030	325,000	1,532	8,184	334,716
2031	334,000	752	7,408	342,160
2032	344,000	380	6,616	350,996
Total	\$ 5,467,000	\$ 140,486	\$ 388,400	\$ 5,995,886

(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
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	\$ 5,090,000	\$ 523,145	\$ 5,613,145

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2012	\$ 133,200	\$ 5,258	\$ 14,093	\$ 152,551
2013	129,000	4,963	13,358	147,321
2014	134,000	4,653	12,589	151,242
2015	140,000	4,332	11,790	156,122
2016	147,000	3,996	10,954	161,950
2017	153,000	3,643	10,077	166,720
2018	160,000	3,276	9,164	172,440
2019	168,000	2,892	8,210	179,102
2020	175,000	2,489	7,208	184,697
2021	183,000	2,069	6,163	191,232
2022	191,000	1,629	5,071	197,700
2023	200,000	1,171	3,931	205,102
2024	169,943	691	2,653	173,287
Total	\$ 2,083,143	\$ 41,062	\$ 115,261	\$ 2,239,466

Exhibit J-3

Sequatchie County, Tennessee
Schedule of Notes Receivable
For the Year Ended June 30, 2011

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-11</u>
<u>Notes Receivable</u>						
<u>General Debt Service Fund</u>						
Medical Center Roof	SP Acquisition, Corp.	\$ 52,962	11-3-09	11-1-12	2.75%	\$ 36,931
<u>Total Notes Receivable</u>						<u>\$ 36,931</u>

Exhibit J-4

Sequatchie County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2011

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Ambulance Service	Operations	\$ 198,000
Courthouse and Jail Maintenance	General	To close fund	36,429
Total Transfers Primary Government			<u>\$ 234,429</u>
<u>DISCRETELY PRESENTED SEQUATCHIE</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 39,105
Central Cafeteria	"	Direct costs	50,227
General Purpose School	School Federal Projects	Cash flow	200,000
"	Education Capital Projects	Construction costs	1,000,000
Total Transfers Discretely Presented			
Sequatchie County School Department			<u>\$ 1,289,332</u>

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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Michael Hudson (7-1-10 through 3-31-11)	Section 8-24-102, TCA	\$ 53,732 (1)	\$ 25,000	Western Surety Company
Claude Lewis (4-1-11 through 6-30-11)	Section 8-24-102, TCA	14,558	25,000	"
Highway Supervisor	Section 8-24-102, TCA	65,040 (2)	100,000	"
Director of Schools	State Board of Education and Sequatchie County Board of Education	93,666 (3)	(4)	
Trustee	Section 8-24-102, TCA	59,126 (5)	488,000	RLI Insurance Company
Assessor of Property	Section 8-24-102, TCA	59,126 (5)	10,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	59,126 (5)	25,000	"
Circuit Court Clerk	Section 8-24-102, TCA	59,126 (5)	25,000	"
Clerk and Master	Section 8-24-102, TCA	59,126 (5)	25,000	State Farm Fire and Casualty Company
Register	Section 8-24-102, TCA	59,126 (5)	15,000	Western Surety Company
Sheriff	Section 8-24-102, TCA	65,040 (2)(6)	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 retroactive payment of \$1,588 for change in population class due to the 2010 census.
 (2) Includes retroactive payment of \$1,513 for change in population class due to the 2010 census.
 (3) Includes a chief executive officer training supplement of \$1,000 and travel allowance of \$5,400.
 (4) The director of schools is covered under the employee dishonesty bond.
 (5) Includes retroactive payment of \$1,375 for change in population class due to the 2010 census.
 (6) Does not include a law enforcement training supplement of \$600.

Exhibit J-6

Sequatchie County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2011

	Special Revenue Funds							Total
	General	Solid Waste/ Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway/ Public Works	Debt Service Fund	
Local Taxes								
County Property Taxes								
Current Property Tax	\$ 2,054,965	\$ 304,441	\$ 0	\$ 0	\$ 0	\$ 0	\$ 405,918	\$ 2,765,324
Trustee's Collections - Prior Year	149,735	22,072	0	0	0	0	29,597	201,404
Circuit/Clerk & Master Collections - Prior Years	64,134	9,501	0	0	0	0	12,668	86,303
Interest and Penalty	25,923	3,840	0	0	0	0	5,121	34,884
Pick-up Taxes	81	12	0	0	0	0	16	109
Payments in-Lieu-of Taxes - T.V.A.	1,199	178	0	0	0	0	237	1,614
Payments in-Lieu-of Taxes - Local Utilities	12,080	1,790	0	0	0	0	2,386	16,256
Payments in-Lieu-of Taxes - Other	382	57	0	0	0	0	75	514
County Local Option Taxes								
Local Option Sales Tax	234,112	0	0	0	0	0	0	234,112
Hotel/Motel Tax	15,357	0	0	0	0	0	0	15,357
Litigation Tax - General	40,066	0	0	0	0	0	0	40,066
Litigation Tax - Special Purpose	14,926	0	0	0	0	0	0	14,926
Litigation Tax - Jail, Workhouse, or Courthouse	11,139	0	0	0	0	0	0	11,139
Business Tax	82,353	0	0	0	0	0	0	82,353
Statutory Local Taxes								
Bank Excise Tax	10,500	1,556	0	0	0	0	2,074	14,130
Wholesale Beer Tax	84,753	0	0	0	0	0	0	84,753
Interstate Telecommunications Tax	465	0	0	0	0	0	0	465
Total Local Taxes	\$ 2,802,170	\$ 343,447	\$ 0	\$ 0	\$ 0	\$ 0	\$ 458,092	\$ 3,603,709
Licenses and Permits								
Licenses								
Cable TV Franchise	\$ 34,820	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 34,820
Permits								
Beer Permits	760	0	0	0	0	0	0	760
Total Licenses and Permits	\$ 35,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,580

(Continued)

Exhibit J-6

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

	Special Revenue Funds										Total	
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund			Total		
							General	Debt	Service			
<u>Fines, Forfeitures, and Penalties</u>												
<u>Circuit Court</u>												
Fines	\$ 11,737	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,737
Officers Costs	3,477	0	0	0	0	0	0	0	0	0	0	3,477
Drug Control Fines	0	0	0	2,354	0	0	0	0	0	0	0	2,354
Drug Court Fees	1,227	0	0	0	0	0	0	0	0	0	0	1,227
Jail Fees	1,971	0	0	0	0	0	0	0	0	0	0	1,971
DUI Treatment Fines	665	0	0	0	0	0	0	0	0	0	0	665
Data Entry Fee - Circuit Court	556	0	0	0	0	0	0	0	0	0	0	556
Courtroom Security Fee	4,529	0	0	0	0	0	0	0	0	0	0	4,529
<u>Criminal Court</u>												
Jail Fees	844	0	0	0	0	0	0	0	0	0	0	844
<u>General Sessions Court</u>												
Fines	11,735	0	0	0	0	0	0	0	0	0	0	11,735
Fines for Littering	5	0	0	0	0	0	0	0	0	0	0	5
Game and Fish Fines	52	0	0	0	0	0	0	0	0	0	0	52
Drug Control Fines	3,229	0	0	0	15,189	0	0	0	0	0	0	18,418
Drug Court Fees	1,791	0	0	0	0	0	0	0	0	0	0	1,791
Jail Fees	1,551	0	0	0	0	0	0	0	0	0	0	1,551
DUI Treatment Fines	2,739	0	0	0	0	0	0	0	0	0	0	2,739
Data Entry Fee - General Sessions Court	2,330	0	0	0	0	0	0	0	0	0	0	2,330
Courtroom Security Fee	25,423	0	0	0	0	0	0	0	0	0	0	25,423
<u>Chancery Court</u>												
Officers Costs	186	0	0	0	0	0	0	0	0	0	0	186
Data Entry Fee - Chancery Court	476	0	0	0	0	0	0	0	0	0	0	476
Courtroom Security Fee	1,259	0	0	0	0	0	0	0	0	0	0	1,259
<u>Other Courts - In-county</u>												
Drug Court Fees	3,822	0	0	0	0	0	0	0	0	0	0	3,822
DUI Treatment Fines	2,195	0	0	0	0	0	0	0	0	0	0	2,195
<u>Other Fines, Forfeitures, and Penalties</u>												
Proceeds from Confiscated Property	0	0	0	0	0	0	7,714	0	0	0	0	7,714
Total Fines, Forfeitures, and Penalties	\$ 81,799	\$ 0	\$ 0	\$ 25,257	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 107,056

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Patient Charges	\$ 0	\$ 0	634,043	\$ 0	\$ 0	0	\$ 0	634,043
Work Release Charges for Board Fees	3,935	0	0	0	0	0	0	3,935
Copy Fees	341	0	0	0	0	0	0	341
Library Fees	3,191	0	0	0	0	0	0	3,191
Telephone Commissions	1,025	0	0	0	0	0	0	1,025
Constitutional Officers' Fees and Commissions	0	0	0	0	2,587	0	0	2,587
Data Processing Fee - Register	5,060	0	0	0	0	0	0	5,060
Data Processing Fee - Sheriff	1,208	0	0	0	0	0	0	1,208
Data Processing Fee - County Clerk	862	0	0	0	0	0	0	862
Total Charges for Current Services	\$ 15,622	\$ 0	634,043	\$ 0	\$ 2,587	\$ 0	\$ 0	652,252
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 31,169	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,123	\$ 40,292
Lease/Rentals	6,360	0	0	0	0	0	12,720	19,080
Sale of Gasoline	0	0	0	0	0	3,389	0	3,389
Sale of Maps	1,865	0	0	0	0	0	0	1,865
Sale of Recycled Materials	0	24,863	0	0	0	0	0	24,863
Miscellaneous Refunds	13,980	0	0	0	0	2,306	0	16,286
<u>Nonrecurring Items</u>								
Damages Recovered from Individuals	1,550	0	0	0	0	0	0	1,550
Contributions and Gifts	0	0	0	100	0	0	0	100
Total Other Local Revenues	\$ 54,924	\$ 24,863	\$ 0	\$ 100	\$ 0	\$ 5,695	\$ 21,843	\$ 107,425
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 169,245	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	169,245
Circuit Court Clerk	53,308	0	0	0	0	0	0	53,308
General Sessions Court Clerk	97,867	0	0	0	0	0	0	97,867

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	
<u>Fees Received from County Officials (Cont.)</u>								
<u>Fees in-Lieu-of Salary (Cont.)</u>								
Clerk and Master	\$ 40,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,200
Register	57,309	0	0	0	0	0	0	57,309
Sheriff	4,383	0	0	0	0	0	0	4,383
Trustee	189,751	0	0	0	0	0	0	189,751
Total Fees Received from County Officials	\$ 612,063	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 612,063
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 11,580	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,580
Solid Waste Grants	0	7,078	0	0	0	0	0	7,078
On-Behalf Contributions for OPEB	470	0	0	0	0	0	0	470
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	9,600	0	0	0	0	0	0	9,600
Health and Welfare Grants								
Health Department Programs	108,041	0	0	0	0	0	0	108,041
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	0	364,291	0	364,291
Litter Program	0	28,804	0	0	0	0	0	28,804
<u>Other State Revenues</u>								
Income Tax	46,513	0	0	0	0	0	0	46,513
Resort District Sales Tax	831	0	0	0	0	0	0	831
Alcoholic Beverage Tax	24,630	0	0	0	0	0	0	24,630
State Revenue Sharing - T.V.A.	152,148	0	0	0	0	0	26,176	178,324
Contracted Prisoner Boarding	654,605	0	0	0	0	0	0	654,605
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,371,763	0	1,371,763
Petroleum Special Tax	0	0	0	0	0	9,131	0	9,131
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
Other State Grants	14,034	0	0	0	0	0	0	14,034
Other State Revenues	0	0	0	150	0	0	0	150
Total State of Tennessee	\$ 1,037,616	\$ 35,882	\$ 0	\$ 150	\$ 0	\$ 1,745,185	\$ 26,176	\$ 2,845,009

(Continued)

Exhibit J-6

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

	Special Revenue Funds						Debt Service Fund
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	
<u>Federal Government</u>							
<u>Federal Through State</u>							
Homeland Security Grants	\$ 32,577	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,577
Other Federal through State	24,016	0	0	0	0	0	24,016
Total Federal Government	\$ 56,593	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,593
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,238	\$ 1,238
Contributions	68,013	0	0	0	0	0	68,013
Contracted Services	1,000	0	0	0	0	0	1,000
<u>Citizens Groups</u>							
Donations	1,100	0	0	0	0	0	1,100
Total Other Governments and Citizens Groups	\$ 70,113	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,238	\$ 71,351
Total	\$ 4,766,480	\$ 404,192	\$ 634,043	\$ 25,507	\$ 2,587	\$ 1,752,118	\$ 506,111
							\$ 8,091,038

Sequatchie County, Tennessee
 Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2011

	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	\$ 2,410,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,410,144
Trustee's Collections - Prior Year	175,818	0	0	0	0	175,818
Circuit/Clerk & Master Collections - Prior Years	75,219	0	0	0	0	75,219
Interest and Penalty	21,209	0	0	0	0	21,209
Pick-up Taxes	95	0	0	0	0	95
Payments in-Lieu-of Taxes - T.V.A.	1,407	0	0	0	0	1,407
Payments in-Lieu-of Taxes - Local Utilities	14,168	0	0	0	0	14,168
Payments in-Lieu-of Taxes - Other	448	0	0	0	0	448
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,530,909	0	0	0	0	1,530,909
<u>Statutory Local Taxes</u>						
Bank Excise Tax	12,315	0	0	0	0	12,315
Interstate Telecommunications Tax	917	0	0	0	0	917
Total Local Taxes	\$ 4,242,649	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,242,649
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,520
Total Licenses and Permits	\$ 1,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,520
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 0	\$ 0	\$ 0	\$ 53,821	\$ 0	\$ 53,821
Lunch Payments - Children	0	0	164,435	0	0	164,435
Lunch Payments - Adults	0	0	24,129	0	0	24,129
Income from Breakfast	0	0	20,915	0	0	20,915
A la carte Sales	0	0	70,312	0	0	70,312
Receipts from Individual Schools	23,956	0	0	0	0	23,956
Total Charges for Current Services	\$ 23,956	\$ 0	\$ 279,791	\$ 53,821	\$ 0	\$ 357,568

(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</u>						
<u>Recurring Items</u>						
Investment Income	\$ 29,945	\$ 0	\$ 2,602	\$ 0	\$ 1	\$ 32,548
Miscellaneous Refunds	47,178	0	1,631	0	0	48,809
<u>Nonrecurring Items</u>						
Sale of Equipment	1,100	0	0	0	0	1,100
Damages Recovered from Individuals	564	0	0	0	0	564
Contributions and Gifts	6,546	0	0	0	0	6,546
<u>Other Local Revenues</u>						
Other Local Revenues	14,411	0	1,337	0	0	15,748
Total Other Local Revenues	\$ 99,744	\$ 0	\$ 5,570	\$ 0	\$ 1	\$ 105,315
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-Behalf Contributions for OPEB	\$ 29,664	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,664
<u>State Education Funds</u>						
Basic Education Program	10,068,283	0	0	0	0	10,068,283
Basic Education Program - ARRA	1,087,508	0	0	0	0	1,087,508
Early Childhood Education	93,359	0	0	0	0	93,359
School Food Service	0	0	12,586	0	0	12,586
Driver Education	4,137	0	0	0	0	4,137
Other State Education Funds	5,700	0	0	0	0	5,700
Coordinated School Health - ARRA	95,000	0	0	0	0	95,000
Internet Connectivity - ARRA	6,824	0	0	0	0	6,824
Statewide Student Management System (SSMS) - ARRA	5,672	0	0	0	0	5,672
Career Ladder Program	81,765	0	0	0	0	81,765
Career Ladder - Extended Contract - ARRA	35,700	0	0	0	0	35,700
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	155,419	0	0	0	0	155,419
Safe Schools - ARRA	13,900	0	0	0	0	13,900
Total State of Tennessee	\$ 11,682,931	\$ 0	\$ 12,586	\$ 0	\$ 0	\$ 11,695,517

(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						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 577,334	\$ 0	\$ 0	\$ 577,334
USDA - Commodities	0	0	74,984	0	0	74,984
Breakfast	0	0	195,344	0	0	195,344
USDA - Other	0	0	3,243	0	0	3,243
Adult Education State Grant Program	108,926	0	0	0	0	108,926
Vocational Education - Basic Grants to States	0	43,866	0	0	0	43,866
Other Vocational	68,282	0	0	0	0	68,282
Title I Grants to Local Education Agencies	0	1,032,150	0	0	0	1,032,150
Special Education - Grants to States	33,659	828,593	0	0	0	862,252
Special Education Preschool Grants	0	38,464	0	0	0	38,464
Safe and Drug-free Schools - State Grants	0	99,872	0	0	0	99,872
Rural Education	0	33,179	0	0	0	33,179
Eisenhower Professional Development State Grants	0	150,240	0	0	0	150,240
ARRA Grant No. 1	22,197	0	0	0	0	22,197
Race to the Top - ARRA	0	132,469	0	0	0	132,469
Other Federal through State	0	155,219	0	0	0	155,219
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	0	104,120	0	0	0	104,120
Total Federal Government	\$ 233,064	\$ 2,618,172	\$ 850,905	\$ 0	\$ 0	\$ 3,702,141
Total	\$ 16,283,864	\$ 2,618,172	\$ 1,148,852	\$ 53,821	\$ 1	\$ 20,104,710

Exhibit J-8

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	34,500	
Social Security		2,108	
Employer Medicare		500	
Audit Services		3,500	
Dues and Memberships		7,000	
Legal Services		11,662	
Legal Notices, Recording, and Court Costs		2,484	
Travel		1,000	
Other Contracted Services		1,200	
Liability Insurance		64,139	
Interest on Notes		1,633	
Total County Commission			\$ 129,726

Board of Equalization

Board and Committee Members Fees	\$	2,725	
Travel		251	
Total Board of Equalization			2,976

County Mayor/Executive

County Official/Administrative Officer	\$	68,290	
Assistant(s)		48,454	
In-Service Training		1,487	
Social Security		7,443	
State Retirement		9,911	
Medical Insurance		2,665	
Unemployment Compensation		144	
Employer Medicare		1,649	
Communication		5,389	
Data Processing Services		4,732	
Postal Charges		2,449	
Travel		1,999	
Office Supplies		2,981	
Premiums on Corporate Surety Bonds		200	
Office Equipment		1,956	
Total County Mayor/Executive			159,749

County Attorney

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

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	49,242	
Computer Programmer(s)		2,000	
Clerical Personnel		10,667	
Election Commission		6,875	
Election Workers		11,815	
In-Service Training		2,475	
Social Security		3,513	
State Retirement		4,181	
Medical Insurance		3,554	
Unemployment Compensation		170	
Employer Medicare		818	
Communication		1,584	
Legal Notices, Recording, and Court Costs		1,488	
Maintenance and Repair Services - Equipment		60	
Postal Charges		1,474	
Printing, Stationery, and Forms		2,487	
Rentals		3,800	
Travel		3,910	
Other Contracted Services		9,055	
Office Supplies		725	
Premiums on Corporate Surety Bonds		50	
Office Equipment		624	
Total Election Commission			\$ 120,567

Register of Deeds

County Official/Administrative Officer	\$	59,126
Deputy(ies)		44,658
Social Security		6,256
State Retirement		8,800
Unemployment Compensation		144
Employer Medicare		1,506
Communication		2,267
Data Processing Services		4,830
Dues and Memberships		822
Postal Charges		400
Rentals		804
Travel		426
Other Contracted Services		3,500
Duplicating Supplies		400
Office Supplies		838

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Premiums on Corporate Surety Bonds	\$ 100	
Total Register of Deeds		\$ 134,877

County Buildings

Custodial Personnel	\$ 22,366	
Maintenance Personnel	21,941	
Social Security	2,900	
State Retirement	3,322	
Unemployment Compensation	200	
Employer Medicare	645	
Communication	1,327	
Maintenance Agreements	23,188	
Maintenance and Repair Services - Buildings	39,973	
Rentals	4,494	
Duplicating Supplies	1,915	
Electricity	115,000	
Gasoline	2,000	
Natural Gas	45,038	
Water and Sewer	17,725	
Other Supplies and Materials	<u>11,375</u>	
Total County Buildings		313,409

Other General Administration

On-Behalf Payments to OPEB	\$ 470	
Total Other General Administration		470

Finance

Property Assessor's Office

County Official/Administrative Officer	\$ 59,126	
Secretary(ies)	70,176	
Social Security	8,517	
State Retirement	11,000	
Medical Insurance	3,572	
Unemployment Compensation	307	
Employer Medicare	1,996	
Audit Services	3,166	
Communication	4,979	
Data Processing Services	10,491	
Dues and Memberships	921	
Postal Charges	3,262	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Printing, Stationery, and Forms	\$	252	
Travel		3,563	
Other Contracted Services		11,297	
Office Supplies		2,384	
Premiums on Corporate Surety Bonds		50	
Office Equipment		1,090	
Total Property Assessor's Office			\$ 196,149

Reappraisal Program

Medical Insurance	\$	22	
Other Contracted Services		636	
Total Reappraisal Program			658

County Trustee's Office

County Official/Administrative Officer	\$	59,126	
Deputy(ies)		45,888	
Overtime Pay		1,247	
Social Security		6,519	
State Retirement		9,022	
Unemployment Compensation		144	
Employer Medicare		1,542	
Communication		1,860	
Data Processing Services		3,110	
Dues and Memberships		410	
Legal Notices, Recording, and Court Costs		250	
Maintenance and Repair Services - Office Equipment		4,101	
Postal Charges		4,175	
Travel		724	
Office Supplies		2,167	
Premiums on Corporate Surety Bonds		1,936	
Office Equipment		4,219	
Total County Trustee's Office			146,440

County Clerk's Office

County Official/Administrative Officer	\$	59,126
Deputy(ies)		84,383
Overtime Pay		766
Social Security		8,577
State Retirement		11,157
Medical Insurance		7,491

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Unemployment Compensation	\$	265	
Employer Medicare		1,998	
Communication		3,800	
Dues and Memberships		400	
Maintenance and Repair Services - Office Equipment		16,304	
Postal Charges		6,544	
Travel		872	
Office Supplies		2,339	
Premiums on Corporate Surety Bonds		275	
Office Equipment		931	
Total County Clerk's Office			\$ 205,228

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	59,126	
Deputy(ies)		58,322	
Jury and Witness Expense		4,584	
Social Security		7,250	
State Retirement		9,971	
Unemployment Compensation		223	
Employer Medicare		1,700	
Communication		2,438	
Data Processing Services		7,202	
Dues and Memberships		327	
Postal Charges		2,893	
Rentals		4,774	
Travel		409	
Other Contracted Services		13,700	
Office Supplies		11,988	
Premiums on Corporate Surety Bonds		125	
Total Circuit Court			185,032

General Sessions Court

Judge(s)	\$	79,310	
In-Service Training		448	
Social Security		4,483	
Medical Insurance		7,458	
Employer Medicare		1,043	
Travel		500	
Total General Sessions Court			93,242

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Drug Court

Fines, Assessments, and Penalties	\$	2,239	
Total Drug Court			\$ 2,239

Chancery Court

County Official/Administrative Officer	\$	59,126	
Assistant(s)		23,411	
Social Security		5,552	
State Retirement		6,420	
Unemployment Compensation		72	
Employer Medicare		1,191	
Communication		521	
Dues and Memberships		327	
Postal Charges		498	
Rentals		898	
Office Supplies		938	
Office Equipment		3,900	
Total Chancery Court			102,854

Juvenile Court

Youth Service Officer(s)	\$	39,146	
Part-time Personnel		10,262	
In-Service Training		180	
Social Security		2,954	
State Retirement		3,408	
Medical Insurance		3,211	
Unemployment Compensation		125	
Employer Medicare		667	
Communication		2,888	
Dues and Memberships		100	
Postal Charges		44	
Travel		537	
Other Contracted Services		9,193	
Office Supplies		11,728	
Other Equipment		1,100	
Total Juvenile Court			85,543

Judicial Commissioners

County Official/Administrative Officer	\$	17,505	
Social Security		983	
State Retirement		1,486	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners (Cont.)

Medical Insurance	\$	3,230	
Unemployment Compensation		74	
Employer Medicare		207	
Total Judicial Commissioners			\$ 23,485

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	65,040	
Deputy(ies)		289,199	
Investigator(s)		93,078	
Accountants/Bookkeepers		23,721	
Salary Supplements		9,600	
Part-time Personnel		9,985	
Overtime Pay		51,386	
Other Salaries and Wages		3,486	
In-Service Training		19,961	
Social Security		35,638	
State Retirement		41,000	
Medical Insurance		8,202	
Unemployment Compensation		970	
Employer Medicare		8,346	
Other Fringe Benefits		50,431	
Communication		16,000	
Dues and Memberships		1,912	
Maintenance and Repair Services - Equipment		4,956	
Maintenance and Repair Services - Vehicles		22,531	
Postal Charges		1,404	
Rentals		1,764	
Travel		6,582	
Gasoline		66,989	
Law Enforcement Supplies		19,999	
Office Supplies		4,980	
Uniforms		14,996	
Premiums on Corporate Surety Bonds		2,497	
Data Processing Equipment		7,486	
Motor Vehicles		59,511	
Total Sheriff's Department			941,650

Jail

Supervisor/Director	\$	36,398	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Deputy(ies)	\$	498,229	
Guards		682	
Part-time Personnel		24,933	
Overtime Pay		72,982	
In-Service Training		6,521	
Social Security		41,477	
State Retirement		60,000	
Medical Insurance		3,317	
Unemployment Compensation		3,845	
Employer Medicare		9,721	
Other Fringe Benefits		48,000	
Maintenance and Repair Services - Buildings		4,951	
Maintenance and Repair Services - Equipment		9,956	
Postal Charges		500	
Rentals		2,200	
Transportation - Other than Students		1,960	
Disposal Fees		5,000	
Drugs and Medical Supplies		219,983	
Food Supplies		150,000	
Law Enforcement Supplies		20,000	
Office Supplies		5,000	
Uniforms		15,000	
Other Supplies and Materials		20,000	
Premiums on Corporate Surety Bonds		2,490	
Total Jail			\$ 1,263,145

Fire Prevention and Control

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

Rescue Squad

Contributions	\$	5,000	
Total Rescue Squad			5,000

Other Emergency Management

County Official/Administrative Officer	\$	8,162	
Assistant(s)		4,005	
Social Security		766	
Employer Medicare		175	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Communication	\$	2,950	
Maintenance and Repair Services - Vehicles		1,218	
Gasoline		730	
Office Supplies		400	
Law Enforcement Equipment		33,876	
Total Other Emergency Management			\$ 52,282

County Coroner/Medical Examiner

Contributions	\$	28,039	
Total County Coroner/Medical Examiner			28,039

Public Health and Welfare

Local Health Center

Communication	\$	4,506	
Dues and Memberships		200	
Maintenance and Repair Services - Buildings		1,153	
Disposal Fees		850	
Other Contracted Services		7,200	
Office Supplies		1,187	
Other Supplies and Materials		617	
Total Local Health Center			15,713

Crippled Children Services

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

Other Local Health Services

Social Workers	\$	2,189	
Medical Personnel		73,061	
Social Security		4,418	
State Retirement		5,941	
Medical Insurance		2,602	
Unemployment Compensation		239	
Employer Medicare		1,000	
Travel		5,155	
Total Other Local Health Services			94,605

Appropriation to State

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

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Supervisor/Director	\$ 33,259	
Clerical Personnel	21,041	
Part-time Personnel	7,379	
Social Security	3,829	
State Retirement	4,500	
Medical Insurance	4,786	
Unemployment Compensation	191	
Employer Medicare	845	
Communication	1,900	
Dues and Memberships	490	
Licenses	3,600	
Postal Charges	1,300	
Travel	296	
Other Contracted Services	2,400	
Library Books/Media	8,530	
Office Supplies	1,863	
Other Supplies and Materials	1,204	
Other Equipment	1,747	
Total Libraries		99,160

Parks and Fair Boards

Contributions	\$ 3,000	
Maintenance and Repair Services - Buildings	13,831	
Other Contracted Services	27,000	
Electricity	6,373	
Gasoline	737	
Water and Sewer	2,662	
Other Supplies and Materials	1,472	
Total Parks and Fair Boards		55,075

Other Social, Cultural, and Recreational

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

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	40,260	
Employer Medicare		7,117	
Communication		2,810	
Contributions		1,000	
Maintenance and Repair Services - Equipment		349	
Travel		830	
Office Supplies		599	
Other Equipment		<u>1,883</u>	
Total Agriculture Extension Service	\$		54,848

Soil Conservation

Contributions	\$	<u>14,935</u>	
Total Soil Conservation			14,935

Other Operations

Tourism

Contributions	\$	<u>11,500</u>	
Total Tourism			11,500

Industrial Development

Dues and Memberships	\$	<u>700</u>	
Total Industrial Development			700

Other Economic and Community Development

Contracts with Government Agencies	\$	20,000	
Contracts with Other Public Agencies		<u>142,393</u>	
Total Other Economic and Community Development			162,393

Veterans' Services

Clerical Personnel	\$	9,205	
Social Security		585	
Unemployment Compensation		59	
Employer Medicare		130	
Communication		1,438	
Data Processing Services		185	
Postal Charges		118	
Travel		441	
Office Supplies		295	
Other Equipment		<u>450</u>	
Total Veterans' Services			12,906

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Trustee's Commission	\$	54,635	
Workers' Compensation Insurance		30,000	
Total Other Charges			\$ 84,635

Total General Fund \$ 4,893,088

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$	14,543	
Secretary(ies)		3,000	
Social Security		1,258	
Employer Medicare		254	
Maintenance and Repair Services - Vehicles		685	
Gasoline		2,000	
Instructional Supplies and Materials		4,292	
Other Supplies and Materials		1,729	
Total Sanitation Education/Information			\$ 27,761

Waste Pickup

Equipment Operators	\$	48,044	
Social Security		2,875	
State Retirement		3,717	
Medical Insurance		2,980	
Unemployment Compensation		159	
Employer Medicare		649	
Maintenance and Repair Services - Vehicles		9,999	
Diesel Fuel		31,000	
Gasoline		3,100	
Lubricants		200	
Office Supplies		100	
Other Equipment		90	
Total Waste Pickup			102,913

Convenience Centers

Attendants	\$	115,773	
Part-time Personnel		924	
Social Security		7,067	
State Retirement		8,324	
Medical Insurance		3,608	

(Continued)

Exhibit J-8

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.)

Unemployment Compensation	\$	625	
Employer Medicare		1,630	
Communication		2,185	
Maintenance and Repair Services - Buildings		27,425	
Other Contracted Services		1,969	
Custodial Supplies		1,000	
Electricity		4,799	
Water and Sewer		1,168	
Other Supplies and Materials		1,799	
Total Convenience Centers			\$ 178,296

Other Waste Collection

Contracts with Private Agencies	\$	18,500	
Contracts for Landfill Facilities		124,999	
Total Other Waste Collection			143,499

Landfill Operation and Maintenance

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

Other Operations

Other Charges

Trustee's Commission	\$	6,842	
Total Other Charges			6,842

Total Solid Waste/Sanitation Fund \$ 468,712

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,735	
Medical Personnel		489,997	
Clerical Personnel		19,010	
In-Service Training		8,049	
Social Security		33,755	
State Retirement		37,556	
Medical Insurance		4,427	
Unemployment Compensation		1,420	
Employer Medicare		7,921	
Communication		5,037	

(Continued)

Exhibit J-8

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.)

Data Processing Services	\$	6,111	
Dues and Memberships		400	
Licenses		1,868	
Maintenance and Repair Services - Buildings		1,000	
Maintenance and Repair Services - Equipment		2,965	
Maintenance and Repair Services - Vehicles		39,490	
Medical and Dental Services		1,000	
Postal Charges		932	
Travel		206	
Permits		348	
Other Contracted Services		25,832	
Data Processing Supplies		2,111	
Drugs and Medical Supplies		39,998	
Electricity		3,500	
Gasoline		43,000	
Natural Gas		2,190	
Office Supplies		2,390	
Tires and Tubes		1,906	
Uniforms		4,856	
Other Supplies and Materials		4,768	
Trustee's Commission		6,496	
Total Ambulance/Emergency Medical Services			<u>\$ 841,274</u>

Total Ambulance Service Fund \$ 841,274

Drug Control Fund

Public Safety

Sheriff's Department

Motor Vehicles	\$	28,540	
Total Sheriff's Department			\$ 28,540

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Maintenance and Repair Services - Vehicles		3,000	
Veterinary Services		1,158	
Other Supplies and Materials		13,865	
Trustee's Commission		452	
Total Drug Enforcement			<u>23,475</u>

Total Drug Control Fund 52,015

(Continued)

Exhibit J-8

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

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 2,416	
Total County Clerk's Office		\$ 2,416

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 171	
Total Chancery Court		<u>171</u>

Total Constitutional Officers - Fees Fund \$ 2,587

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 65,040	
Accountants/Bookkeepers	30,630	
Clerical Personnel	25,765	
Employee and Dependent Insurance	12,186	
Data Processing Services	5,246	
Dues and Memberships	2,206	
Evaluation and Testing	800	
Legal Notices, Recording, and Court Costs	746	
Maintenance and Repair Services - Office Equipment	380	
Postal Charges	402	
Printing, Stationery, and Forms	245	
Travel	1,493	
Data Processing Supplies	285	
Drugs and Medical Supplies	63	
Instructional Supplies and Materials	278	
Office Supplies	564	
Other Charges	910	
Furniture and Fixtures	280	
Office Equipment	<u>120</u>	
Total Administration		\$ 147,639

Highway and Bridge Maintenance

Foremen	\$ 35,375
Equipment Operators	90,527
Truck Drivers	88,353
Laborers	169,413
Employee and Dependent Insurance	52,271

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Other Contracted Services	\$	13,155	
Asphalt - Cold Mix		228	
Asphalt - Hot Mix		140,868	
Asphalt - Liquid		23,009	
Concrete		484	
Crushed Stone		17,045	
Fertilizer, Lime, and Seed		1,117	
Other Road Supplies		68	
Pipe		280	
Pipe - Metal		8,899	
Road Signs		10,437	
Salt		31,043	
Sand		2,377	
Small Tools		833	
Total Highway and Bridge Maintenance			\$ 685,782

Operation and Maintenance of Equipment

Mechanic(s)	\$	55,456	
Nightwatchmen		57,928	
Employee and Dependent Insurance		16,626	
Maintenance and Repair Services - Equipment		13,863	
Diesel Fuel		31,355	
Equipment and Machinery Parts		45,792	
Garage Supplies		5,185	
Gasoline		23,156	
Lubricants		3,625	
Propane Gas		645	
Small Tools		1,832	
Tires and Tubes		8,531	
Other Supplies and Materials		4,454	
Total Operation and Maintenance of Equipment			268,448

Other Charges

Communication	\$	3,462	
Electricity		1,633	
Natural Gas		579	
Water and Sewer		610	
Liability Insurance		9,850	
Trustee's Commission		13,849	
Vehicle and Equipment Insurance		15,614	
Total Other Charges			45,597

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	45,301	
State Retirement		50,884	
Employee and Dependent Insurance		83,214	
Unemployment Compensation		1,441	
Workers' Compensation Insurance		76,211	
Total Employee Benefits			\$ 257,051

Capital Outlay

Maintenance and Repair Services - Buildings	\$	50	
Highway Equipment		3,500	
Plant Operation Equipment		45	
Other Construction		494,009	
Total Capital Outlay			497,604

Principal on Debt

Highways and Streets

Principal on Notes	\$	23,333	
Total Highways and Streets			23,333

Interest on Debt

Highways and Streets

Interest on Notes	\$	4,466	
Total Highways and Streets			4,466

Total Highway/Public Works Fund \$ 1,929,920

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	108,667	
Principal on Other Loans		185,000	
Total General Government			\$ 293,667

Interest on Debt

General Government

Interest on Notes	\$	7,521	
Interest on Other Loans		24,621	
Total General Government			32,142

(Continued)

Exhibit J-8

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	9,597	
Other Debt Issuance Charges		<u>34,103</u>	
Total General Government			\$ <u>43,700</u>
Total General Debt Service Fund			\$ 369,509
 <u>General Capital Projects Fund</u>			
<u>Public Health and Welfare</u>			
<u>Ambulance/Emergency Medical Services</u>			
Motor Vehicles	\$	<u>66,950</u>	
Total Ambulance/Emergency Medical Services			\$ 66,950
 <u>Capital Projects</u>			
<u>Administration of Justice Projects</u>			
Architects	\$	<u>2,844</u>	
Total Administration of Justice Projects			<u>2,844</u>
Total General Capital Projects Fund			<u>69,794</u>
Total Governmental Funds - Primary Government			<u>\$ 8,626,899</u>

Exhibit J-9

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,438,433	
Career Ladder Program	42,652	
Career Ladder Extended Contracts	20,938	
Homebound Teachers	52,666	
Educational Assistants	169,136	
Certified Substitute Teachers	8,677	
Non-certified Substitute Teachers	63,112	
Social Security	267,631	
State Retirement	415,755	
Medical Insurance	675,573	
Employer Medicare	64,032	
Contracts with Other School Systems	200	
Maintenance and Repair Services - Equipment	21,885	
Instructional Supplies and Materials	107,880	
Textbooks	153,531	
Other Supplies and Materials	270	
Other Charges	8,039	
Regular Instruction Equipment	29,790	
Total Regular Instruction Program		\$ 6,540,200

Alternative Instruction Program

Teachers	\$ 49,902	
Career Ladder Program	1,000	
Educational Assistants	11,894	
Social Security	3,893	
State Retirement	5,616	
Employer Medicare	911	
Instructional Supplies and Materials	550	
Other Equipment	1,916	
Total Alternative Instruction Program		75,682

Special Education Program

Teachers	\$ 916,025
Career Ladder Program	7,668
Homebound Teachers	5,496
Clerical Personnel	22,751
Educational Assistants	128,164
Other Salaries and Wages	19,255
Certified Substitute Teachers	1,172

(Continued)

Exhibit J-9

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.)

Non-certified Substitute Teachers	\$	19,465	
Social Security		62,975	
State Retirement		94,844	
Medical Insurance		171,654	
Employer Medicare		15,089	
Communication		2,786	
Contracts with Private Agencies		23,844	
Travel		574	
Other Contracted Services		45,377	
Instructional Supplies and Materials		7,801	
Other Supplies and Materials		8	
Other Charges		17,784	
Special Education Equipment		3,450	
Total Special Education Program			\$ 1,566,182

Vocational Education Program

Teachers	\$	143,784	
Career Ladder Extended Contracts		938	
Other Salaries and Wages		105	
Social Security		8,596	
State Retirement		13,106	
Medical Insurance		11,040	
Employer Medicare		2,010	
Instructional Supplies and Materials		3,567	
Vocational Instruction Equipment		379	
Total Vocational Education Program			183,525

Student Body Education Program

Other Salaries and Wages	\$	16,341	
Social Security		996	
State Retirement		1,047	
Employer Medicare		233	
Total Student Body Education Program			18,617

Adult Education Program

Teachers	\$	23,108	
Clerical Personnel		15,986	
Other Salaries and Wages		1,814	
Social Security		2,569	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

State Retirement	\$	2,008	
Employer Medicare		593	
Instructional Supplies and Materials		9,790	
Building Improvements		920	
Total Adult Education Program			\$ 56,788

Support Services

Attendance

Supervisor/Director	\$	58,389	
Career Ladder Program		1,000	
Clerical Personnel		15,533	
Social Security		4,203	
State Retirement		6,694	
Medical Insurance		14,630	
Employer Medicare		983	
Travel		1,399	
Other Supplies and Materials		148	
Total Attendance			102,979

Health Services

Medical Personnel	\$	33,693	
Other Salaries and Wages		57,137	
Social Security		5,252	
State Retirement		7,900	
Medical Insurance		10,008	
Employer Medicare		1,228	
Communication		453	
Postal Charges		25	
Travel		2,705	
Other Contracted Services		3,000	
Other Supplies and Materials		12,919	
Total Health Services			134,320

Other Student Support

Guidance Personnel	\$	171,810	
Other Salaries and Wages		13,586	
Social Security		11,042	
State Retirement		16,702	
Medical Insurance		7,020	

(Continued)

Exhibit J-9

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.)

Employer Medicare	\$	2,582	
Evaluation and Testing		14,704	
Travel		198	
Other Contracted Services		33,885	
Other Supplies and Materials		638	
Other Charges		767	
Other Equipment		43,654	
Total Other Student Support			\$ 316,588

Regular Instruction Program

Supervisor/Director	\$	131,495	
Career Ladder Program		7,995	
Career Ladder Extended Contracts		3,250	
Librarians		131,731	
Instructional Computer Personnel		54,977	
Clerical Personnel		24,351	
Other Salaries and Wages		20,938	
Social Security		21,930	
State Retirement		33,660	
Medical Insurance		32,455	
Employer Medicare		5,129	
Travel		11,143	
Other Contracted Services		4,507	
Library Books/Media		12,000	
Other Supplies and Materials		63,151	
In Service/Staff Development		2,465	
Other Charges		24,933	
Total Regular Instruction Program			586,110

Special Education Program

Supervisor/Director	\$	61,543	
Career Ladder Program		1,000	
Psychological Personnel		44,360	
Other Salaries and Wages		14,692	
Social Security		7,002	
State Retirement		10,772	
Medical Insurance		14,128	
Employer Medicare		1,638	
Travel		206	
Total Special Education Program			155,341

(Continued)

Exhibit J-9

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		3,250	
Social Security		2,868	
State Retirement		4,684	
Medical Insurance		8,015	
Employer Medicare		671	
Communication		457	
Postal Charges		150	
Travel		523	
In Service/Staff Development		4,725	
Other Charges		50	
Total Adult Programs			\$ 74,100

Other Programs

On-Behalf Payments to OPEB	\$	29,664	
Total Other Programs			29,664

Board of Education

Board and Committee Members Fees	\$	17,324	
Social Security		1,074	
Unemployment Compensation		23,417	
Employer Medicare		251	
Audit Services		6,605	
Dues and Memberships		11,527	
Travel		13,517	
Other Contracted Services		1,500	
Liability Insurance		16,836	
Trustee's Commission		94,345	
Workers' Compensation Insurance		46,735	
Refund to Applicant for Criminal Investigation		1,680	
Other Charges		4,843	
Total Board of Education			239,654

Director of Schools

County Official/Administrative Officer	\$	92,666	
Assistant(s)		3,026	
Career Ladder Program		1,000	
Secretary(ies)		13,829	

(Continued)

Exhibit J-9

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.)

Social Security	\$	6,770	
State Retirement		9,931	
Medical Insurance		4,774	
Employer Medicare		1,580	
Communication		15,708	
Dues and Memberships		130	
Postal Charges		3,759	
Other Contracted Services		2,527	
Office Supplies		4,380	
Other Supplies and Materials		1,081	
Other Charges		3,566	
Total Director of Schools			\$ 164,727

Office of the Principal

Principals	\$	186,075	
Career Ladder Program		3,000	
Accountants/Bookkeepers		43,192	
Career Ladder Extended Contracts		6,000	
Assistant Principals		159,416	
Secretary(ies)		43,484	
Social Security		25,652	
State Retirement		39,263	
Medical Insurance		55,912	
Employer Medicare		5,999	
Travel		1,594	
Other Charges		200	
Total Office of the Principal			569,787

Fiscal Services

Supervisor/Director	\$	65,491	
Clerical Personnel		24,935	
Other Salaries and Wages		21,029	
Social Security		6,505	
State Retirement		9,463	
Medical Insurance		11,910	
Employer Medicare		1,521	
Data Processing Services		7,531	
Travel		2,235	
Data Processing Supplies		663	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Office Supplies	\$	815	
Other Supplies and Materials		25	
Other Charges		406	
Total Fiscal Services			\$ 152,529

Operation of Plant

Custodial Personnel	\$	256,683	
Social Security		15,078	
State Retirement		21,792	
Medical Insurance		57,209	
Employer Medicare		3,526	
Other Contracted Services		50,460	
Custodial Supplies		37,463	
Electricity		422,184	
Natural Gas		44,613	
Water and Sewer		70,290	
Other Supplies and Materials		28,496	
Building and Contents Insurance		18,865	
Other Charges		1,889	
Total Operation of Plant			1,028,548

Maintenance of Plant

Supervisor/Director	\$	33,627	
Maintenance Personnel		86,702	
Social Security		6,664	
State Retirement		10,216	
Medical Insurance		26,755	
Employer Medicare		1,558	
Maintenance and Repair Services - Buildings		8,243	
Maintenance and Repair Services - Equipment		904	
Travel		2,018	
Other Contracted Services		1,475	
Other Supplies and Materials		26,522	
Other Charges		1,943	
Maintenance Equipment		2,002	
Total Maintenance of Plant			208,629

Transportation

Supervisor/Director	\$	1,384	
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(Continued)

Exhibit J-9

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.)

Mechanic(s)	\$	33,627	
Bus Drivers		153,306	
Other Salaries and Wages		10,157	
In-Service Training		448	
Social Security		11,983	
State Retirement		16,442	
Medical Insurance		14,121	
Employer Medicare		2,860	
Other Fringe Benefits		5,640	
Maintenance and Repair Services - Equipment		45	
Maintenance and Repair Services - Vehicles		235	
Medical and Dental Services		1,975	
Travel		740	
Other Contracted Services		5,617	
Diesel Fuel		55,939	
Equipment and Machinery Parts		861	
Gasoline		10,378	
Lubricants		2,369	
Tires and Tubes		277	
Vehicle Parts		32,331	
Other Supplies and Materials		4,842	
Vehicle and Equipment Insurance		9,685	
Other Charges		653	
Transportation Equipment		<u>81,507</u>	
Total Transportation	\$		457,422

Operation of Non-Instructional Services

Community Services

Other Charges	\$	<u>175</u>	
Total Community Services			175

Early Childhood Education

Supervisor/Director	\$	44,626	
Clerical Personnel		2,500	
Educational Assistants		13,864	
Non-certified Substitute Teachers		1,815	
Social Security		3,617	
State Retirement		5,428	
Medical Insurance		8,295	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

Employer Medicare	\$	846	
Travel		4,257	
Instructional Supplies and Materials		14,452	
Other Supplies and Materials		931	
Total Early Childhood Education			\$ 100,631

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	307,385	
Other Capital Outlay		8,370	
Total Regular Capital Outlay			315,755

Principal on Debt

Education

Principal on Bonds	\$	945,000	
Principal on Other Loans		128,200	
Total Education			1,073,200

Interest on Debt

Education

Interest on Bonds	\$	199,580	
Interest on Other Loans		8,332	
Total Education			207,912

Other Debt Service

Education

Other Debt Service	\$	14,863	
Total Education			14,863

Total General Purpose School Fund \$ 14,373,928

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	423,366	
Educational Assistants		85,579	
Certified Substitute Teachers		385	
Non-certified Substitute Teachers		3,272	
Social Security		26,720	

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	39,981	
Medical Insurance		80,746	
Unemployment Compensation		2,562	
Employer Medicare		6,836	
Travel		1,797	
Other Contracted Services		5,000	
Instructional Supplies and Materials		154,998	
Other Supplies and Materials		27,948	
Other Charges		2,408	
Regular Instruction Equipment		<u>277,298</u>	
Total Regular Instruction Program	\$		1,138,896

Special Education Program

Teachers	\$	75,585	
Educational Assistants		279,983	
Non-certified Substitute Teachers		908	
Social Security		19,175	
State Retirement		29,953	
Medical Insurance		95,682	
Unemployment Compensation		1,780	
Employer Medicare		4,488	
Other Fringe Benefits		10,585	
Contracts with Private Agencies		71,448	
Other Contracted Services		21,768	
Instructional Supplies and Materials		41,935	
Special Education Equipment		<u>58,880</u>	
Total Special Education Program			712,170

Vocational Education Program

Clerical Personnel	\$	1,000	
Social Security		62	
State Retirement		85	
Employer Medicare		14	
Instructional Supplies and Materials		3,870	
Vocational Instruction Equipment		<u>32,674</u>	
Total Vocational Education Program			37,705

(Continued)

Exhibit J-9

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

Other Student Support

Bus Drivers	\$	105	
Social Security		7	
State Retirement		9	
Employer Medicare		2	
Travel		4,126	
Other Contracted Services		365	
Other Supplies and Materials		1,049	
In Service/Staff Development		55,453	
Other Charges		21,522	
Total Other Student Support			\$ 82,638

Regular Instruction Program

Supervisor/Director	\$	75,685	
Clerical Personnel		13,751	
Other Salaries and Wages		45,787	
Certified Substitute Teachers		220	
Non-certified Substitute Teachers		1,430	
Social Security		8,225	
State Retirement		12,196	
Medical Insurance		12,532	
Unemployment Compensation		678	
Employer Medicare		1,924	
Travel		30,378	
Other Contracted Services		64,650	
Other Supplies and Materials		6,533	
In Service/Staff Development		90,189	
Other Charges		637	
Other Equipment		1,027	
Total Regular Instruction Program			365,842

Special Education Program

Psychological Personnel	\$	28,572	
Clerical Personnel		8,263	
Other Salaries and Wages		3,183	
Social Security		710	
State Retirement		990	
Unemployment Compensation		199	
Employer Medicare		541	
Other Fringe Benefits		188	

(Continued)

Exhibit J-9

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.)

Special Education Program (Cont.)

Travel	\$	3,000	
In Service/Staff Development		7,380	
Total Special Education Program			\$ 53,026

Vocational Education Program

Travel	\$	1,531	
Total Vocational Education Program			1,531

Transportation

Bus Drivers	\$	38,877	
Other Salaries and Wages		19,655	
Social Security		3,475	
State Retirement		4,404	
Medical Insurance		4,892	
Unemployment Compensation		292	
Employer Medicare		813	
Other Fringe Benefits		2,882	
Diesel Fuel		10,143	
Garage Supplies		101	
Lubricants		386	
Tires and Tubes		8	
Vehicle Parts		1,033	
Total Transportation			86,961

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	3,500	
Teachers		56,880	
Bus Drivers		630	
Clerical Personnel		996	
Educational Assistants		13,545	
Social Security		4,684	
State Retirement		6,744	
Unemployment Compensation		378	
Employer Medicare		1,095	
Travel		1,067	
Instructional Supplies and Materials		2,276	
Other Supplies and Materials		450	
Other Charges		3,058	
Total Community Services			95,303

Total School Federal Projects Fund \$ 2,574,072

(Continued)

Exhibit J-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	30,096	
Accountants/Bookkeepers		24,371	
Clerical Personnel		19,215	
Cafeteria Personnel		247,931	
Temporary Personnel		12,864	
Other Salaries and Wages		10,642	
Social Security		18,241	
State Retirement		27,041	
Medical Insurance		131,026	
Unemployment Compensation		3,956	
Employer Medicare		4,266	
Communication		3,794	
Maintenance and Repair Services - Equipment		4,861	
Transportation - Other than Students		6,087	
Travel		1,531	
Other Contracted Services		9,533	
Food Preparation Supplies		1,132	
Food Supplies		421,131	
Office Supplies		3,335	
USDA - Commodities		74,984	
Other Supplies and Materials		27,762	
In Service/Staff Development		3,786	
Criminal Investigation of Applicants - TBI		120	
Other Charges		1,957	
Food Service Equipment		19,379	
Total Food Service			\$ 1,109,041

Total Central Cafeteria Fund \$ 1,109,041

Other Education Special Revenue Fund

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	12,838
Clerical Personnel		1,499
Other Salaries and Wages		28,533
Certified Substitute Teachers		172
Non-certified Substitute Teachers		1,446
Social Security		2,701
State Retirement		1,791

(Continued)

Exhibit J-9

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

Other Education Special Revenue Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Medical Insurance	\$	5,522	
Employer Medicare		632	
Instructional Supplies and Materials		1,210	
Other Charges		105	
Total Community Services			\$ 56,449

Total Other Education Special Revenue Fund \$ 56,449

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	278,464	
Other Contracted Services		43,344	
Site Development		486,899	
Total Education Capital Projects			\$ 808,707

Total Education Capital Projects Fund 808,707

Total Governmental Funds - Sequatchie County School Department \$ 18,922,197

Exhibit J-10

Sequatchie County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2011

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 351,712
Total Cash Receipts	<u>\$ 351,712</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 348,195
Trustee's Commission	<u>3,517</u>
Total Cash Disbursements	<u>\$ 351,712</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2010	<u>0</u>
Cash Balance, June 30, 2011	<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

October 18, 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, 2011, which collectively comprise Sequatchie County's basic financial statements and have issued our report thereon dated October 18, 2011. Our report on the governmental activities expresses an adverse opinion because there was no documentation to support the valuation for several capital assets, the valuation for several capital assets did not agree with supporting documentation, and errors in accumulated depreciation were noted. 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: 11.01, 11.02, and 11.09.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 11.05 and 11.10.

Compliance and Other Matters

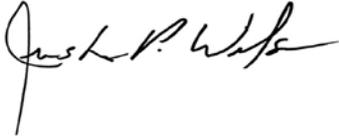
As part of obtaining reasonable assurance about whether Sequatchie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 11.03, 11.04, 11.06, 11.07, and 11.08.

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

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

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

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb



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

**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133**

October 18, 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 Schedule of Expenditures of Federal Awards of Sequatchie County, Tennessee for the year ended June 30, 2011. The schedule is the responsibility of Sequatchie County's management. Our responsibility is to express an opinion on the Sequatchie County's Schedule of Expenditures of Federal Awards based on our audit.

We conducted our audit 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 the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the schedule. We believe that our audit provides a reasonable basis for our opinion.

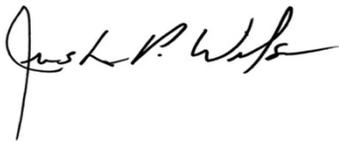
In our opinion, the Schedule of Expenditures of Federal Awards presents fairly, in all material respects, the expenditures of federal awards of Sequatchie County in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 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.

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

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, other within Sequatchie County, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a long, sweeping underline.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
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REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 18, 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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.

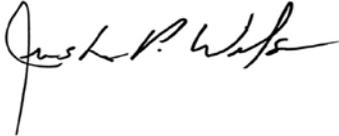
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.

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

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Sequatchie County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

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	\$ 74,984 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	195,344
National School Lunch Program	10.555	N/A	577,334 (3)
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	3,243
Total U.S. Department of Agriculture			<u>\$ 850,905</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)	\$ 2,580
Total U.S. Department of Justice			<u>\$ 2,580</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development:			
WIA Dislocated Workers, Recovery Act	17.260	(2)	\$ 19,688
Total U.S. Department of Labor			<u>\$ 19,688</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 21,016
Total U.S. Department of Transportation			<u>\$ 21,016</u>
U.S. Department of Education:			
Direct Program:			
Fund for the Improvement of Education	84.215	(2)	\$ 104,070
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	89,238
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	611,817
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	277,849
School Improvements Grants	84.377	N/A	144,641
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	596,041
Special Education - Preschool Grants	84.173	N/A	34,145
Special Education - Grants to States, Recovery Act	84.391	N/A	266,506
Special Education - Preschool Grants, Recovery Act	84.392	N/A	4,420
Career and Technical Education - Basic Grants to States	84.048	N/A	43,866
Rehabilitation Services - Vocational Rehabilitation	84.126	(2)	68,282
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	2,444
Twenty-first Century Community Learning Centers	84.287	(2)	97,140
Education Technology State Grants Cluster:			
Education Technology State Grants	84.318	N/A	861
Education Technology State Grants, Recovery Act	84.386	N/A	7,371
Rural Education	84.358	(2)	28,816
Improving Teacher Quality State Grants	84.367	(2)	149,240

(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 Education (Cont.):			
Passed-through State Department of Education (Cont.):			
State Fiscal Stabilization Fund Cluster:			
State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	N/A	\$ 1,087,508
State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	N/A	157,096 (4)
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	132,278
Education Jobs Fund	84.410	N/A	145,787
Total U.S. Department of Education			<u>\$ 4,049,416</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 3,000
Total U.S. Election Assistance Commission			<u>\$ 3,000</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Mental Health and Developmental Disabilities:			
Temporary Assistance to Needy Families	93.558	(2)	\$ 22,197
Total U.S. Department of Health and Human Services			<u>\$ 22,197</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(5)	\$ 32,577
Total U.S. Department of Homeland Security			<u>\$ 32,577</u>
Total Expenditures of Federal Awards			<u>\$ 5,001,379</u>
		<u>Contract Number</u>	
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 28,804
Early Childhood Education - State Department of Education	N/A	(2)	93,359
Drivers Education - State Department of Education	N/A	(2)	4,137
Library Technology Grant - State Library and Archives	N/A	(2)	14,034
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Rural Local Health Services - State Department of Health	N/A	Z-10-219823-00	108,041
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	7,078
Total State Grants			<u>\$ 264,453</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 \$652,318.
- (4) Coordinated School Health: \$95,000; Internet Connectivity: \$6,824; Statewide Student Management System: \$5,672;
Career Ladder - Extended Contract: \$35,700; Safe Schools: \$13,900.
- (5) 2008-GE-T8-0048: \$19,336; 20009-SS-T9-0086: \$13,241.

Sequatchie County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

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, 2010, which have not been corrected.

SEQUATCHIE COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.01	150	Capital asset records were not properly maintained

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.04	152	Food for the jail was not bid in compliance with state statutes

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.05	153	Execution docket trial balances for Circuit and General Sessions Courts were not reconciled with general ledger accounts
10.06	153	System backups were not stored off-site

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
10.07	154	The office did not deposit some funds within three days of collection

OTHER FINDINGS

Finding Number	Page Number	Subject
10.08	154	Sequatchie County has a material recurring audit finding
10.09	155	Duties were not segregated adequately in the Offices of County Executive, Highway Supervisor, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Sheriff

SEQUATCHIE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

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. Three 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. The county executive provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

SEQUATCHIE COUNTY

FINDING 11.01 **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, the valuation for several capital assets did not agree with supporting documentation, and errors in accumulated depreciation were noted. 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.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

While the Sequatchie County Government agrees in principal with the audit findings and recommendations, we do point out that vast improvements have been made in our capital assets documentation. Numerous corrections have been made and changes were made with supporting documentation; however, it is our opinion the current software would not allow the correct depreciation to be entered and the software vendor did not respond to our request for assistance. We clearly state that the recurring finding is not management unwilling to address the deficiencies.

AUDITOR'S COMMENT

While the county did make improvements to the capital asset records during the year, there were several assets that did not have supporting documentation or the supporting documentation on file in the County Executive's Office did not agree with the capital asset records. We encourage management to continue to work toward establishing and maintaining accurate capital asset records.

OFFICE OF COUNTY EXECUTIVE

FINDING 11.02 **THE GENERAL DEBT SERVICE FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, certain general ledger account balances in the General Debt Service Fund were not materially correct and audit adjustments were required for the financial statements to be materially correct at year end. Generally accepted accounting principles require Sequatchie County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county had ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency exists due to a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Sequatchie County should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 11.03 **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 \$138,662. Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated*, require public advertisement and solicitation of competitive bids on purchases exceeding \$10,000. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. 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.

**FINDING 11.04 DEFICIENCIES WERE NOTED IN COMPUTER SYSTEM
BACKUP PROCEDURES**
(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies in computer system backup procedures:

- A. During the year, system backups were not performed on a routine basis, and they were not regularly stored off-site in the Office of County Executive. However, proper system backup procedures were implemented in March 2011.

- B. System backups were rotated off-site monthly instead of weekly at the Ambulance Service.

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, 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 performed and rotated off-site on a routine basis.

**OFFICES OF TRUSTEE, CIRCUIT AND GENERAL SESSIONS COURTS CLERK,
CLERK AND MASTER, AND SHERIFF**

**FINDING 11.05 MULTIPLE EMPLOYEES OPERATED FROM THE SAME
CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing
Standards*)

Multiple employees operated from the same cash drawer in the Offices of Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, and Sheriff. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to that employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the official resulting in a loss of control over assets.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.06 **EXECUTION DOCKET TRIAL BALANCES WERE NOT RECONCILED WITH GENERAL LEDGER ACCOUNTS** (Noncompliance Under *Government Auditing Standards*)

As of June 30, 2011, 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 \$30,768 and \$2,257, 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. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

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

System backups were stored off-site each Friday evening; however, 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 and to correct findings noted in the prior-year audit report. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in April 2011.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 11.08 **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 11.09 **SEQUATCHIE COUNTY HAS A MATERIAL RECURRING AUDIT FINDING**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

Sequatchie County has a material audit finding that has been reported in its annual financial reports for three or more consecutive years. This recurring material finding is listed below:

<u>Finding Numbers</u>	<u>Description</u>
11.01, 10.01, 09.01	Capital asset records were not properly maintained

The recurring nature of the above-noted finding indicates that management is either unwilling or unable to address the deficiency. 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*.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The recommendation to establish an Audit Committee for Sequatchie County will be presented to the full County Commission.

FINDING 11.10 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERVISOR, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, 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, 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

SEQUATCHIE COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

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, 2011**

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