
ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



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FOR THE YEAR ENDED JUNE 30, 2014

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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State Auditors

This financial report is available at www.comptroller.tn.gov

SEQUATCHIE COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Sequatchie County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the financial statements of Sequatchie County as of and for the year ended June 30, 2014.

Results

Our report on Sequatchie County's financial statements is unmodified.

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE

- ◆ The General, Ambulance Service, and General Debt Service funds required material audit adjustments for proper financial statement presentation.
- ◆ The General Fund had a deficit in unassigned fund balance.
- ◆ General Debt Service Fund revenues were improperly transferred to the General Fund.
- ◆ The office had deficiencies related to credit card transactions.
- ◆ Numerous misclassifications were noted in the accounting records.

OFFICE OF HIGHWAY SUPERVISOR

- ◆ Duties were not segregated adequately.

OFFICE OF SHERIFF

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

INTRODUCTORY SECTION

Sequatchie County Officials

June 30, 2014

Officials

Keith Cartwright, 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 of Deeds
Ronnie Hitchcock, Sheriff

Board of County Commissioners

Tommy Johnson, Chairman
Chris Albright
Jeff Barger
David Cartwright
Bryan Harmon
Richard Harvey
Ray Hobbs
Clint Huth

Denise Kell
Ronnie Land
Phillip Martin
Winston Pickett
Paul Powell
Bobby Sherman
Carolyn Sims
Don Walker

Board of Education

Charles Rollins, Chairman
Gregory Dawson
Shelli Dodson
Steve Harmon
Sam Hudson
Gregory Johnson
W.O. Johnson
Grover Skyles
Christy Vandergriff

Audit Committee

Kurt Wissehr, Chairman
Denise Kell
Tom Vennero

FINANCIAL SECTION



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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparisons for the General, Ambulance Service, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Sequatchie County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees*, which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 schedules of funding progress – pension plan and other postemployment benefit plans on pages 63 - 65 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sequatchie County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2014, on our consideration of Sequatchie County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sequatchie County's internal control over financial reporting and compliance.

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
Nashville, Tennessee

October 3, 2014

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Sequatchie County, Tennessee
Statement of Net Position
June 30, 2014

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>ASSETS</u>		
Cash	\$ 1,006	\$ 1,521
Equity in Pooled Cash and Investments	1,177,171	10,182,118
Accounts Receivable	1,568,343	2,541
Allowance for Uncollectibles	(716,443)	0
Due from Other Governments	412,348	443,539
Property Taxes Receivable	3,578,692	2,933,169
Allowance for Uncollectible Property Taxes	(200,516)	(164,347)
Capital Assets:		
Assets Not Depreciated:		
Land	631,739	1,256,649
Construction in Progress	0	2,466,271
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	7,847,828	17,677,920
Other Capital Assets	744,603	676,828
Infrastructure	2,150,191	818,645
Total Assets	<u>\$ 17,194,962</u>	<u>\$ 36,294,854</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 15,390	\$ 6,105
Payroll Deductions Payable	14,413	0
Accrued Interest Payable	5,673	571,824
Noncurrent Liabilities:		
Due Within One Year	251,837	0
Due in More Than One Year	4,963,963	328,144
Total Liabilities	<u>\$ 5,251,276</u>	<u>\$ 906,073</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	<u>\$ 3,214,681</u>	<u>\$ 2,634,818</u>
Total Deferred Outflows of Resources	<u>\$ 3,214,681</u>	<u>\$ 2,634,818</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 6,264,256	\$ 22,896,313
Restricted for:		
General Government	95,206	0
Finance	29,282	0
Administration of Justice	75,258	0
Public Safety	66,371	0
Public Health and Welfare	1,145,861	0
Highways	609,369	0
Instruction	0	4,118
Operation of Non-instructional Services	0	384,572
Debt Service	547,109	0
Capital Projects	0	1,237,657
Unrestricted	<u>(103,707)</u>	<u>8,231,303</u>
Total Net Position	<u>\$ 8,729,005</u>	<u>\$ 32,753,963</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, 2014

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit	
					Primary Government	Sequatchie County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,144,107	\$ 103,748	\$ 22,632	\$ 0	\$ (1,017,727)	\$ 0
Finance	684,413	384,060	0	0	(300,353)	0
Administration of Justice	552,349	227,524	14,940	0	(309,885)	0
Public Safety	2,791,176	681,141	66,196	250,000	(1,793,839)	0
Public Health and Welfare	2,160,895	987,419	139,477	609,112	(424,887)	0
Social, Cultural, and Recreational Services	197,322	3,671	0	13,153	(180,498)	0
Agriculture and Natural Resources	73,914	0	0	0	(73,914)	0
Highways/Public Works	1,375,720	1,344	1,388,927	247,132	261,683	0
Interest on Long-term Debt	39,559	0	20,776	0	(18,783)	0
Total Primary Government	\$ 9,019,455	\$ 2,388,907	\$ 1,652,948	\$ 1,119,397	\$ (3,858,203)	\$ 0
Component Unit:						
Sequatchie County School Department	\$ 17,910,385	\$ 273,310	\$ 2,801,263	\$ 0	\$ 0	\$ (14,835,812)
Total Component Unit	\$ 17,910,385	\$ 273,310	\$ 2,801,263	\$ 0	\$ 0	\$ (14,835,812)

(Continued)

Exhibit B

Sequatchie County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary	
				Government Total	Sequatchie County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				2,520,039	2,730,601
Property Taxes Levied for Debt Service				450,684	0
Property Taxes Levied for Solid Waste				336,445	0
Local Option Sales Taxes				472,402	1,208,244
Hotel/Motel Tax				13,895	0
Litigation Tax - General				31,209	0
Litigation Tax - Special Purpose				10,730	0
Litigation Tax - Jail, Workhouse, or Courthouse				8,733	0
Business Tax				71,507	0
Wholesale Beer Tax				71,513	0
Other Local Taxes				1,019	1,432
Grants and Contributions Not Restricted to Specific Programs				406,739	12,574,255
Unrestricted Investment Earnings				27,741	24,831
Miscellaneous				29,135	73,407
Total General Revenues				4,451,791	16,612,770
Insurance Recovery				31,560	0
Change in Net Position				625,148	1,776,958
Net Position, July 1, 2013				8,110,079	30,977,005
Prior-period Adjustment - See Note I.D.8.				(6,222)	0
Net Position, June 30, 2014				8,729,005	32,753,963

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

Exhibit C-1

Sequatchie County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	Ambulance Service	Highway / Public Works	General Debt Service	Other	Governmental Funds	
\$	0 \$	0 \$	0 \$	0 \$	1,006 \$	1,006
Cash	374,970	6,659	315,000	110,231	1,177,171	1,177,171
Equity in Pooled Cash and Investments	5,414	1,557,484	3,525	1,099	1,568,343	1,568,343
Accounts Receivable	0	(716,443)	0	0	(716,443)	(716,443)
Allowance for Uncollectibles	152,677	0	212,000	5,364	412,348	412,348
Due from Other Governments	1,115	0	487,187	365,391	213,115	213,115
Due from Other Funds	2,726,114	0	(27,298)	(20,473)	3,578,692	3,578,692
Property Taxes Receivable	(152,745)	0	990,414	462,618	(200,516)	(200,516)
Allowance for Uncollectible Property Taxes						
Total Assets	\$ 3,107,545	\$ 847,700	\$ 625,439	\$ 990,414	\$ 462,618	\$ 6,033,716

ASSETS

Cash	0 \$	0 \$	0 \$	0 \$	1,006 \$	1,006
Equity in Pooled Cash and Investments	374,970	6,659	315,000	110,231	1,177,171	1,177,171
Accounts Receivable	5,414	1,557,484	3,525	1,099	1,568,343	1,568,343
Allowance for Uncollectibles	0	(716,443)	0	0	(716,443)	(716,443)
Due from Other Governments	152,677	0	212,000	5,364	412,348	412,348
Due from Other Funds	1,115	0	487,187	365,391	213,115	213,115
Property Taxes Receivable	2,726,114	0	(27,298)	(20,473)	3,578,692	3,578,692
Allowance for Uncollectible Property Taxes	(152,745)	0	990,414	462,618	(200,516)	(200,516)
Total Assets	\$ 3,107,545	\$ 847,700	\$ 625,439	\$ 990,414	\$ 462,618	\$ 6,033,716

LIABILITIES

Accounts Payable	13,602 \$	0 \$	1,657 \$	0 \$	131 \$	15,390
Payroll Deductions Payable	0	0	14,413	0	0	14,413
Due to Other Funds	212,000	0	0	1,115	213,115	213,115
Total Liabilities	\$ 225,602	\$ 0	\$ 16,070	\$ 0	\$ 1,246	\$ 242,918

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes	2,448,825 \$	0 \$	437,632 \$	328,224 \$	3,214,681	3,214,681
Deferred Delinquent Property Taxes	123,473	0	22,066	16,550	162,089	162,089
Other Deferred/Unavailable Revenue	37,900	841,041	127,153	0	1,006,094	1,006,094
Total Deferred Inflows of Resources	\$ 2,610,198	\$ 841,041	\$ 127,153	\$ 459,698	\$ 344,774	\$ 4,382,864

(Continued)

Exhibit C-1

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	
FUND BALANCES							
Restricted:							
Restricted for General Government	\$ 52,962	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	52,962
Restricted for Finance	29,282	0	0	0	0	0	29,282
Restricted for Administration of Justice	75,258	0	0	0	0	0	75,258
Restricted for Public Safety	589	0	0	0	49,232	0	49,821
Restricted for Public Health and Welfare	294,926	0	0	0	9,894	0	304,820
Restricted for Highways/Public Works	0	0	482,216	0	0	0	482,216
Restricted for Capital Outlay	0	0	0	0	42,244	0	42,244
Restricted for Debt Service	0	0	0	530,716	0	0	530,716
Committed:							
Committed for Public Health and Welfare	0	6,659	0	0	0	0	6,659
Committed for Other Purposes	0	0	0	0	15,228	0	15,228
Unassigned	(181,272)	0	0	0	0	0	(181,272)
Total Fund Balances	\$ 271,745	\$ 6,659	\$ 482,216	\$ 530,716	\$ 116,598	\$ 0	\$ 1,407,934
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,107,545	\$ 847,700	\$ 625,439	\$ 990,414	\$ 462,618	\$ 0	\$ 6,033,716

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 Position
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	1,407,934
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	631,739	
Add: buildings and improvements net of accumulated depreciation		7,847,828	
Add: infrastructure net of accumulated depreciation		2,150,191	
Add: other capital assets net of accumulated depreciation		<u>744,603</u>	11,374,361
(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	\$	(232,105)	
Less: other loans payable		(4,878,000)	
Less: accrued interest on notes		(5,673)	
Less: compensated absences payable		(5,645)	
Less: other postemployment benefits liability		<u>(100,050)</u>	(5,221,473)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,168,183</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>8,729,005</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, 2014

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Revenues							
Local Taxes	\$ 3,204,278	\$ 0	\$ 0	\$ 454,150	\$ 340,331	\$ 0	\$ 3,998,759
Licenses and Permits	37,693	0	0	0	0	0	37,693
Fines, Forfeitures, and Penalties	58,468	0	0	0	26,848	0	85,316
Charges for Current Services	54,935	634,033	0	0	10,445	0	699,413
Other Local Revenues	45,466	0	6,173	6,281	11,511	0	69,431
Fees Received from County Officials	590,993	0	0	0	0	0	590,993
State of Tennessee	1,079,964	0	1,637,998	26,397	41,057	0	2,785,416
Federal Government	328,069	0	0	0	326,256	0	654,325
Other Governments and Citizens Groups	292,416	0	820	630,279	0	0	923,515
Total Revenues	\$ 5,692,282	\$ 634,033	\$ 1,644,991	\$ 1,117,107	\$ 756,448	\$ 0	\$ 9,844,861
Expenditures							
Current:							
General Government	\$ 1,119,852	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,119,852
Finance	608,497	0	0	0	6,547	0	615,044
Administration of Justice	510,093	0	0	0	0	0	510,093
Public Safety	2,678,826	0	0	0	8,010	0	2,686,836
Public Health and Welfare	148,353	1,002,340	0	0	462,577	0	1,613,270
Social, Cultural, and Recreational Services	167,579	0	0	0	0	0	167,579
Agriculture and Natural Resources	70,164	0	0	0	0	0	70,164
Other Operations	504,601	0	0	0	290,800	0	795,401
Highways	0	0	1,642,688	0	0	0	1,642,688
Debt Service:							
Principal on Debt	0	0	23,333	1,026,563	0	0	1,049,896
Interest on Debt	0	0	2,233	38,347	0	0	40,580
Other Debt Service	0	0	0	43,789	0	0	43,789
Total Expenditures	\$ 5,807,965	\$ 1,002,340	\$ 1,668,254	\$ 1,108,699	\$ 767,934	\$ 0	\$ 10,355,192

(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	
Excess (Deficiency) of Revenues Over Expenditures	\$ (115,683)	\$ (368,307)	\$ (23,263)	\$ 8,408	\$ (11,486)	\$ (510,331)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 220,000	\$ 0	\$ 0	\$ 0	\$ 220,000
Insurance Recovery	66,854	0	0	0	0	66,854
Transfers In	0	128,950	0	0	50,000	178,950
Transfers Out	(178,950)	0	0	0	0	(178,950)
Total Other Financing Sources (Uses)	\$ (112,096)	\$ 348,950	\$ 0	\$ 0	\$ 50,000	\$ 286,854
Net Change in Fund Balances	\$ (227,779)	\$ (19,357)	\$ (23,263)	\$ 8,408	\$ 38,514	\$ (223,477)
Prior-period Adjustment	0	0	0	(6,222)	0	(6,222)
Fund Balance, July 1, 2013	499,524	26,016	505,479	528,530	78,084	1,637,633
Fund Balance, June 30, 2014	\$ 271,745	\$ 6,659	\$ 482,216	\$ 530,716	\$ 116,598	\$ 1,407,934

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, 2014

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)		\$ (223,477)
(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	\$ 736,763	
Less: current-year depreciation expense	<u>(456,435)</u>	280,328
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(18,034)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 1,168,183	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(810,001)</u>	358,182
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (220,000)	
Add: principal payments on notes	257,896	
Add: principal payments on other loans	202,000	
Add: principal payments on bonds	590,000	
Less: contributions from School Department for bonds	<u>(590,000)</u>	239,896
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 1,021	
Change in compensated absences payable	(5,645)	
Change in other postemployment benefits liability	<u>(7,123)</u>	(11,747)
Change in net position of governmental activities (Exhibit B)		<u>\$ 625,148</u>

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

Exhibit C-5

Sequatchie County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,204,278	\$ 3,176,107	\$ 3,176,107	\$ 28,171
Licenses and Permits	37,693	36,000	36,000	1,693
Fines, Forfeitures, and Penalties	58,468	67,050	103,600	(45,132)
Charges for Current Services	54,935	23,550	31,186	23,749
Other Local Revenues	45,466	74,700	61,860	(16,394)
Fees Received from County Officials	590,993	608,000	608,000	(17,007)
State of Tennessee	1,079,964	962,929	981,636	98,328
Federal Government	328,069	34,968	359,896	(31,827)
Other Governments and Citizens Groups	292,416	0	250,000	42,416
Total Revenues	\$ 5,692,282	\$ 4,983,304	\$ 5,608,285	\$ 83,997
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 165,688	\$ 166,350	\$ 167,400	\$ 1,712
Board of Equalization	4,204	3,450	4,275	71
Beer Board	600	1,000	1,000	400
County Mayor/Executive	216,900	212,367	217,571	671
County Attorney	7,800	7,800	7,800	0
Election Commission	179,094	150,157	189,619	10,525
Register of Deeds	139,879	144,000	144,000	4,121
County Buildings	405,687	324,745	408,090	2,403
<u>Finance</u>				
Property Assessor's Office	228,476	239,363	239,340	10,864
Reappraisal Program	4,174	6,000	6,023	1,849
County Trustee's Office	152,467	155,323	155,648	3,181
County Clerk's Office	223,380	232,295	232,295	8,915
<u>Administration of Justice</u>				
Circuit Court	188,726	190,946	196,646	7,920
General Sessions Court	103,047	104,917	104,917	1,870
Drug Court	11,921	0	11,921	0
Chancery Court	106,478	107,576	107,889	1,411
Juvenile Court	75,559	91,280	91,280	15,721
Judicial Commissioners	24,362	25,300	25,300	938
<u>Public Safety</u>				
Sheriff's Department	1,129,644	1,115,494	1,195,224	65,580
Jail	1,354,202	1,320,990	1,370,026	15,824
Fire Prevention and Control	61,450	61,000	61,450	0
Rescue Squad	7,500	7,500	7,500	0
Other Emergency Management	101,030	60,115	113,709	12,679
County Coroner/Medical Examiner	25,000	25,000	25,000	0
<u>Public Health and Welfare</u>				
Local Health Center	15,945	38,732	19,700	3,755
Alcohol and Drug Programs	8,180	0	21,511	13,331
Crippled Children Services	1,026	1,026	1,026	0
Other Local Health Services	104,170	114,400	126,900	22,730
Appropriation to State	19,032	0	19,032	0

(Continued)

Exhibit C-5

Sequatchie County, Tennessee
Statement 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>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 7,000	\$ 7,000	\$ 7,000	\$ 0
Libraries	104,377	106,641	108,804	4,427
Parks and Fair Boards	52,202	59,100	59,100	6,898
Other Social, Cultural, and Recreational	4,000	4,000	4,000	0
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	53,076	53,299	53,299	223
Soil Conservation	16,935	16,935	16,935	0
Flood Control	153	15,000	15,000	14,847
<u>Other Operations</u>				
Tourism	15,200	15,200	15,200	0
Industrial Development	667	700	700	33
Other Economic and Community Development	338,002	110,000	338,002	0
Veterans' Services	14,716	15,182	15,182	466
Other Charges	136,016	139,160	139,786	3,770
Total Expenditures	\$ 5,807,965	\$ 5,449,343	\$ 6,045,100	\$ 237,135
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (115,683)	\$ (466,039)	\$ (436,815)	\$ 321,132
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 660,000	\$ 660,000	\$ (660,000)
Insurance Recovery	66,854	0	65,102	1,752
Transfers Out	(178,950)	(75,000)	(178,950)	0
Total Other Financing Sources	\$ (112,096)	\$ 585,000	\$ 546,152	\$ (658,248)
Net Change in Fund Balance	\$ (227,779)	\$ 118,961	\$ 109,337	\$ (337,116)
Fund Balance, July 1, 2013	499,524	431,484	431,484	68,040
Fund Balance, June 30, 2014	\$ 271,745	\$ 550,445	\$ 540,821	\$ (269,076)

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

Exhibit C-6

Sequatchie County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 634,033	\$ 835,000	\$ 835,000	\$ (200,967)
Total Revenues	\$ 634,033	\$ 835,000	\$ 835,000	\$ (200,967)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 1,002,340	\$ 1,102,580	\$ 1,102,580	\$ 100,240
Total Expenditures	\$ 1,002,340	\$ 1,102,580	\$ 1,102,580	\$ 100,240
Excess (Deficiency) of Revenues Over Expenditures	\$ (368,307)	\$ (267,580)	\$ (267,580)	\$ (100,727)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 220,000	\$ 220,000	\$ 220,000	\$ 0
Transfers In	128,950	50,000	128,950	0
Total Other Financing Sources	\$ 348,950	\$ 270,000	\$ 348,950	\$ 0
Net Change in Fund Balance	\$ (19,357)	\$ 2,420	\$ 81,370	\$ (100,727)
Fund Balance, July 1, 2013	26,016	26,208	26,208	(192)
Fund Balance, June 30, 2014	\$ 6,659	\$ 28,628	\$ 107,578	\$ (100,919)

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

Exhibit C-7

Sequatchie County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 6,173	\$ 6,500	\$ 6,500	\$ (327)
State of Tennessee	1,637,998	2,426,700	2,426,700	(788,702)
Other Governments and Citizens Groups	820	1,000	1,000	(180)
Total Revenues	<u>\$ 1,644,991</u>	<u>\$ 2,434,200</u>	<u>\$ 2,434,200</u>	<u>\$ (789,209)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 166,760	\$ 172,101	\$ 173,292	\$ 6,532
Highway and Bridge Maintenance	586,760	841,956	815,665	228,905
Operation and Maintenance of Equipment	282,567	298,548	309,198	26,631
Other Charges	46,549	53,800	54,050	7,501
Employee Benefits	196,315	196,500	206,575	10,260
Capital Outlay	363,737	821,750	825,875	462,138
<u>Principal on Debt</u>				
Highways and Streets	23,333	23,334	23,334	1
<u>Interest on Debt</u>				
Highways and Streets	2,233	2,333	2,333	100
Total Expenditures	<u>\$ 1,668,254</u>	<u>\$ 2,410,322</u>	<u>\$ 2,410,322</u>	<u>\$ 742,068</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (23,263)</u>	<u>\$ 23,878</u>	<u>\$ 23,878</u>	<u>\$ (47,141)</u>
Net Change in Fund Balance	\$ (23,263)	\$ 23,878	\$ 23,878	\$ (47,141)
Fund Balance, July 1, 2013	<u>505,479</u>	<u>349,425</u>	<u>349,425</u>	<u>156,054</u>
Fund Balance, June 30, 2014	<u>\$ 482,216</u>	<u>\$ 373,303</u>	<u>\$ 373,303</u>	<u>\$ 108,913</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 778,297
Due from Other Governments	<u>135,212</u>
Total Assets	<u>\$ 913,509</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 135,212
Due to Litigants, Heirs, and Others	<u>778,297</u>
Total Liabilities	<u>\$ 913,509</u>

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

SEQUATCHIE COUNTY, TENNESSEE
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SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of Sequatchie County:

A. Reporting Entity

Sequatchie County is a public municipal corporation governed by an elected 16-member board. As required by GAAP, these financial statements present Sequatchie County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The Sequatchie County School Department operates the public school system in the county, and the voters of Sequatchie County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, 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, in our opinion, this omission is not material to the component units' opinion unit.

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 Position 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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2014.

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, deferred outflow or resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Sequatchie County has no proprietary funds to report.

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 fund:

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

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

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

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

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.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at

fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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.

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 3.03 percent of total taxes levied.

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 inflow of resources 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 as a deferred inflow of resources 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.

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 five 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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future

period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. 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. Employees of the School Department are allowed to accumulate sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded.

6. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

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.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

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, and shall remain binding unless removed in the same manner.

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 Commission by resolution has authorized the county's Budget/Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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.

8. Prior-period Adjustment

The July 1, 2013, fund equity of the General Debt Service Fund was reduced by \$6,222 to write off the balance of notes receivable. On November 3, 2009, the county entered 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 corporation suspended their lease with the county during the prior year, and during the current year, the county negotiated an agreement with the corporation to settle the outstanding notes receivable of \$18,222 for \$12,000. The county received the \$12,000 on September 23, 2013, and the remaining \$6,222 was written off.

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 Position

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 Position.

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 Position.

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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

B. Fund Deficit

The General Fund had a deficit of \$181,272 in unassigned fund balance at June 30, 2014. This fund deficit resulted from improperly disbursing restricted revenues for unrestricted general expenditures. The fund deficit is expected to be liquidated subsequent to June 30, 2014.

C. 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 \$758 in prior years. The county did not receive any restitution during the current year. On June 30, 2014, the County Commission adopted a resolution to write off the remaining balance of this shortage.

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. This former employee entered into a plea agreement on April 27, 2009. In prior years, the bonding company paid the county \$3,248.51 and the defendant paid restitution of \$690. The county did not receive any restitution during the current year leaving a balance of \$310 at June 30, 2014.

During the prior year, the Sheriff's Department had a cash shortage of \$1,260 resulting from missing inmate telephone cards, which were purchased by the Sheriff's Department for resale to the inmates. The inmate phone card company replaced the missing cards during the current year.

D. General Debt Service Funds Were Improperly Transferred to the General Fund

During the year, the county received approval from the Comptroller's Office of State and Local Finance to issue interfund tax and revenue anticipation notes totaling \$600,000 for the General Fund from the General Purpose School Fund. Subsequently, the General Fund repaid the \$600,000 to the General Purpose School Fund; however, in order to have sufficient cash for this repayment, the county improperly transferred \$200,000 from the General Debt Service Fund to the General Fund. This \$200,000 transfer of General Debt Service Fund revenues is an improper use of restricted funds. The General Debt Service Fund's primary revenue source is property taxes established solely for the purpose of accumulating resources for the payment of long-term general obligation debt. The repayment of tax and revenue anticipation notes does not constitute long-term general obligation debt.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Sequatchie County and the Sequatchie County School Department participate in an internal cash and investment pool through the Office of Trustee. The 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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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.

The county had no pooled or nonpooled investments as of June 30, 2014.

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets				
Not Depreciated:				
Land	\$ 631,739	\$ 0	\$ 0	\$ 631,739
Total Capital Assets				
Not Depreciated	\$ 631,739	\$ 0	\$ 0	\$ 631,739

Governmental Activities (Cont.):

	Balance 7-1-13	Increases	Decreases	Balance 6-30-14
Capital Assets Depreciated:				
Buildings and Improvements	\$ 11,268,980	\$ 37,125	\$ 0	\$ 11,306,105
Infrastructure	14,298,024	332,439	0	14,630,463
Other Capital Assets	2,593,060	367,199	(52,934)	2,907,325
Total Capital Assets Depreciated	<u>\$ 28,160,064</u>	<u>\$ 736,763</u>	<u>\$ (52,934)</u>	<u>\$ 28,843,893</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,173,534	\$ 284,743	\$ 0	\$ 3,458,277
Infrastructure	12,417,130	63,142	0	12,480,272
Other Capital Assets	2,089,072	108,550	(34,900)	2,162,722
Total Accumulated Depreciation	<u>\$ 17,679,736</u>	<u>\$ 456,435</u>	<u>\$ (34,900)</u>	<u>\$ 18,101,271</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,480,328</u>	<u>\$ 280,328</u>	<u>\$ (18,034)</u>	<u>\$ 10,742,622</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,112,067</u>	<u>\$ 280,328</u>	<u>\$ (18,034)</u>	<u>\$ 11,374,361</u>

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

Governmental Activities:

General Administration	\$ 23,618
Public Safety	218,306
Public Health and Welfare	104,186
Social, Cultural, and Recreational Services	13,100
Agriculture and Natural Resources	3,750
Highways/Public Works	<u>93,475</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 456,435</u>

Discretely Presented Sequatchie County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Balance 6-30-14
	<hr/>		<hr/>
Capital Assets			
Not Depreciated:			
Land	\$ 1,256,649	\$ 0	\$ 1,256,649
Construction in Progress	820,470	1,645,801	2,466,271
Total Capital Assets	<hr/>		<hr/>
Not Depreciated	\$ 2,077,119	\$ 1,645,801	\$ 3,722,920
	<hr/>		<hr/>
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 27,571,233	\$ 159,376	\$ 27,730,609
Infrastructure	1,383,074	0	1,383,074
Other Capital Assets	3,133,462	0	3,133,462
Total Capital Assets	<hr/>		<hr/>
Depreciated	\$ 32,087,769	\$ 159,376	\$ 32,247,145
	<hr/>		<hr/>
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 9,478,764	\$ 573,925	\$ 10,052,689
Infrastructure	500,853	63,576	564,429
Other Capital Assets	2,320,320	136,314	2,456,634
Total Accumulated	<hr/>		<hr/>
Depreciation	\$ 12,299,937	\$ 773,815	\$ 13,073,752
	<hr/>		<hr/>
Total Capital Assets			
Depreciated, Net	\$ 19,787,832	\$ (614,439)	\$ 19,173,393
	<hr/>		<hr/>
Governmental Activities			
Capital Assets, Net	\$ 21,864,951	\$ 1,031,362	\$ 22,896,313
	<hr/>		<hr/>

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

Governmental Activities:

Instruction	\$	533,453
Support Services		192,134
Operation of Non-instructional Services		<u>48,228</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>773,815</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 1,115
General Debt Service	General	212,000

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2014, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	<u>Ambulance Service Fund</u>	<u>Nonmajor Governmental Fund</u>
General Fund	\$ 128,950	\$ 50,000

Discretely Presented Sequatchie County School Department

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	Nonmajor Governmental Funds
General Purpose School Fund	\$ 0	\$ 1,660,000
Nonmajor governmental funds	79,570	0
Total	\$ 79,570	\$ 1,660,000

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

The School Department made a one-time transfer of \$1,660,000 from the General Purpose School Fund to the Education Capital Projects Fund for school construction projects.

D. Long-term Obligations

Primary Government

General Obligation Notes and Other Loans

Sequatchie County issues other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. 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 12 years for notes and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2014, will be retired from the General Debt Service and Highway/Public Works funds.

Capital outlay notes and other loans outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
Capital Outlay Notes	2.47 to 3.19 %	7-27-24	\$ 340,000	\$ 232,105
Other Loans	Variable	5-25-32	6,500,000	4,878,000

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, 2014, the variable interest rate was .25 percent, and other fees totaled approximately .59 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, 2014, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 38,191	\$ 6,134	\$ 44,325
2016	38,564	5,018	43,582
2017	15,601	3,903	19,504
2018	16,002	3,501	19,503
2019	16,403	3,101	19,504
2020-2024	88,378	9,139	97,517
2025	18,966	469	19,435
Total	\$ 232,105	\$ 31,265	\$ 263,370

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 208,000	\$ 12,195	\$ 33,654	\$ 253,849
2016	215,000	11,675	32,262	258,937
2017	221,000	11,138	30,824	262,962
2018	228,000	10,585	29,346	267,931
2019	234,000	10,015	27,820	271,835
2020-2024	1,283,000	40,924	114,609	1,438,533
2025-2029	1,486,000	23,904	69,063	1,578,967
2030-2032	1,003,000	5,063	16,607	1,024,670
Total	\$ 4,878,000	\$ 125,499	\$ 354,185	\$ 5,357,684

There is \$530,716 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and the other loan totaled \$362, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2013	\$ 590,000	\$ 270,001	\$ 5,080,000
Additions	0	220,000	0
Reductions	(590,000)	(257,896)	(202,000)
Balance, June 30, 2014	\$ 0	\$ 232,105	\$ 4,878,000
Balance Due Within One Year	\$ 0	\$ 38,192	\$ 208,000

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2013	\$ 0	\$ 92,927
Additions	5,645	8,096
Reductions	0	(973)
Balance, June 30, 2014	\$ 5,645	\$ 100,050
Balance Due Within One Year	\$ 5,645	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 5,215,800
Less: Balance Due Within One Year	<u>(251,837)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,963,963</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

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Sequatchie County School Department for the year ended June 30, 2014, was as follows:

Governmental Activities:	<u>Other Postemployment Benefits</u>
Balance, July 1, 2013	\$ 365,354
Additions	87,376
Reductions	<u>(124,586)</u>
Balance, June 30, 2014	<u>\$ 328,144</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	<u>\$ 328,144</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 328,144</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Sequatchie County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the

Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2014, were \$23,020 and \$11,954, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

F. 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, 2014, was as follows:

	Balance 7-1-13	Issued	Paid	Balance 6-30-14
Tax Anticipation Notes	\$ 0	\$ 600,000	\$ (600,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

The Sequatchie County Highway Department's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The Highway Department pays annual premiums to the LGPCF and LWCF for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums. The LGPCF and LWCF reinsures through commercial insurance companies for claims of more than \$100,000 for each insured event.

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 Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67, replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70, relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On July 31, 2014, and September 5, 2014, the county issued tax anticipation notes of \$300,000 and \$500,000, respectively, for temporary operating funds for the General Fund.

Register of Deeds Connie Green retired August 31, 2014, and was succeeded by Kendra Boyd effective September 1, 2014.

D. Contingent Liabilities

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

E. Joint Ventures

The Sequatchie/Bledsoe Landfill Board is responsible for a closed 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 postclosure care costs. Sequatchie County made no contributions to the operation of the board during the year examined. Complete financial statements for the Sequatchie/Bledsoe Landfill Board can be obtained from the board's administrative office at the following address:

Administrative Office:

Sequatchie/Bledsoe 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, 2014, and does not have

any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

F. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Plan Description

Information for this footnote for the year ended June 30, 2014, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2013.

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, 2013, was 8.25 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, 2013, Sequatchie County’s annual pension cost of \$465,093 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement 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, 2011, was five years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$465,093	100%	\$0
6-30-12	473,306	100	0
6-30-11	474,801	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.26 percent funded. The actuarial accrued liability for benefits was \$13.91 million, and the actuarial value of assets was \$12.97 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.94 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.39 million, and the ratio of the UAAL to the covered payroll was 17.4 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.

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee

Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$698,811, \$686,400, and \$669,330, respectively, equal to the required contributions for each year.

2. Deferred Compensation – School Department

The School Department offers its employees a deferred compensation plan established pursuant to IRC Section 403(b). All costs of administering and funding the program are the responsibility of plan participants. The 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plan.

G. Other Postemployment Benefits (OPEB)

Plan Description

Sequatchie County and the Sequatchie County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, these plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for local education employees. Prior to reaching the age of 65, all members 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 each plan develop a 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, Sequatchie County contributed \$973 for postemployment health care premiums, and expenditures totaling \$124,586 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	\$ 8,000	\$ 87,000
Interest on the NOPEBO	3,717	14,614
Adjustment to the ARC	(3,621)	(14,238)
Annual OPEB cost	\$ 8,096	\$ 87,376
Amount of contribution	(973)	(124,586)
Increase/decrease in NOPEBO	\$ 7,123	\$ (37,210)
Net OPEB obligation, 7-1-13	92,927	365,354
Net OPEB obligation, 6-30-14	\$ 100,050	\$ 328,144

Fiscal Year Ended	Plans	Annual OPEB Cost	of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Government Group	\$ 26,877	9 %	\$ 74,611
6-30-13	"	20,817	12	92,927
6-30-14	"	8,096	12	100,050
6-30-12	Local Education Group	191,476	61	288,185
6-30-13	"	193,291	60	365,354
6-30-14	"	87,376	143	328,144

The funded status of the plan as of July 1, 2013, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 61,000	\$ 731,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 61,000	\$ 731,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 3,243,933	\$ 6,522,884
UAAL as a % of covered payroll	2%	11%

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, 2013, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 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 July 1, 2007.

H. Purchasing Laws

Office of County Executive

Purchasing procedures for the Office of County Executive are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*. This act provides for all purchases exceeding \$10,000 (excluding emergency purchases) to be based on competitive bids solicited through newspaper advertisement.

Office of Highway Supervisor

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Sequatchie County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Sequatchie County School Department
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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)
7-1-11	\$ 12,969	\$ 13,907	\$ 938	93.26 %	\$ 5,388	17.4 %
7-1-09	10,475	10,475	0	100	5,117	0
7-1-07	9,468	9,468	0	100	4,400	0

Information for this exhibit for the year ended June 30, 2014, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2013.

Exhibit E-2

Sequatchie County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Sequatchie County School Department
June 30, 2014

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-10	\$ 0	205	\$ 205	0 %	\$ 1,111	18.45 %
"	7-1-11	0	160	160	0	3,324	4.81
"	7-1-13	0	61	61	0	3,244	1.88
<u>DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	1,344	1,344	0	6,663	20.17
"	7-1-11	0	1,611	1,611	0	6,586	24.46
"	7-1-13	0	731	731	0	6,522	11.21

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

**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.

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 of deeds, 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, 2014

	Special Revenue Funds				Total	Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees			General Capital Projects		
\$	0 \$	0 \$	1,006 \$	1,006 \$	0 \$	0 \$	1,006	
	3,527	49,232	0	52,759	57,472	0	110,231	
	990	0	109	1,099	0	0	1,099	
	5,364	0	0	5,364	0	0	5,364	
	365,391	0	0	365,391	0	0	365,391	
	(20,473)	0	0	(20,473)	0	0	(20,473)	
\$	354,799 \$	49,232 \$	1,115 \$	405,146 \$	57,472 \$	0 \$	462,618	

ASSETS

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

Total Assets

LIABILITIES

Accounts Payable
 Due to Other Funds
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Total Deferred Inflows of Resources

(Continued)

Exhibit F-1

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

	Special Revenue Funds				Total	Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	General Capital Projects			
\$	0	49,232	0	0	49,232	0	49,232
	9,894	0	0	0	9,894	0	9,894
	0	0	0	0	0	42,244	42,244
	0	0	0	0	0	15,228	15,228
\$	9,894	49,232	0	0	59,126	57,472	116,598
\$	354,799	49,232	1,115	0	405,146	57,472	462,618

FUND BALANCES

Restricted:
 Restricted for Public Safety
 Restricted for Public Health and Welfare
 Restricted for Capital Outlay
 Committed:
 Committed for Other Purposes
 Total Fund Balances
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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, 2014

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
<u>Revenues</u>							
Local Taxes	\$ 340,331	\$ 0	\$ 0	\$ 340,331	\$ 0	\$ 0	\$ 340,331
Fines, Forfeitures, and Penalties	0	26,848	0	26,848	0	0	26,848
Charges for Current Services	3,735	0	6,710	10,445	0	0	10,445
Other Local Revenues	10,011	1,500	0	11,511	0	0	11,511
State of Tennessee	41,032	25	0	41,057	0	0	41,057
Federal Government	0	0	0	0	326,256	0	326,256
Total Revenues	\$ 395,109	\$ 28,373	\$ 6,710	\$ 430,192	\$ 326,256	\$ 0	\$ 756,448
<u>Expenditures</u>							
Current:							
Finance	\$ 0	\$ 0	\$ 6,547	\$ 6,547	\$ 0	\$ 0	\$ 6,547
Public Safety	0	7,847	163	8,010	0	0	8,010
Public Health and Welfare	462,577	0	0	462,577	0	0	462,577
Other Operations	6,788	0	0	6,788	284,012	0	290,800
Total Expenditures	\$ 469,365	\$ 7,847	\$ 6,710	\$ 483,922	\$ 284,012	\$ 0	\$ 767,934
Excess (Deficiency) of Revenues Over Expenditures	\$ (74,256)	\$ 20,526	\$ 0	\$ (53,730)	\$ 42,244	\$ 0	\$ (11,486)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 50,000	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Total Other Financing Sources (Uses)	\$ 50,000	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Net Change in Fund Balances	\$ (24,256)	\$ 20,526	\$ 0	\$ (3,730)	\$ 42,244	\$ 0	\$ 38,514
Fund Balance, July 1, 2013	34,150	28,706	0	62,856	15,228	0	78,084
Fund Balance, June 30, 2014	\$ 9,894	\$ 49,232	\$ 0	\$ 59,126	\$ 57,472	\$ 0	\$ 116,598

Exhibit F-3

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 340,331	\$ 339,750	\$ 339,750	\$ 581
Charges for Current Services	3,735	0	0	3,735
Other Local Revenues	10,011	18,000	18,000	(7,989)
State of Tennessee	41,032	43,900	43,900	(2,868)
Total Revenues	<u>\$ 395,109</u>	<u>\$ 401,650</u>	<u>\$ 401,650</u>	<u>\$ (6,541)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 32,495	\$ 33,700	\$ 33,700	\$ 1,205
Waste Pickup	112,657	109,750	114,642	1,985
Convenience Centers	178,340	165,600	182,600	4,260
Other Waste Collection	139,085	137,000	139,085	0
<u>Other Operations</u>				
Other Charges	6,788	8,000	8,000	1,212
Total Expenditures	<u>\$ 469,365</u>	<u>\$ 454,050</u>	<u>\$ 478,027</u>	<u>\$ 8,662</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (74,256)</u>	<u>\$ (52,400)</u>	<u>\$ (76,377)</u>	<u>\$ 2,121</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 50,000	\$ 25,000	\$ 50,000	\$ 0
Total Other Financing Sources	<u>\$ 50,000</u>	<u>\$ 25,000</u>	<u>\$ 50,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ (24,256)</u>	<u>\$ (27,400)</u>	<u>\$ (26,377)</u>	<u>\$ 2,121</u>
Fund Balance, July 1, 2013	<u>34,150</u>	<u>33,877</u>	<u>33,877</u>	<u>273</u>
Fund Balance, June 30, 2014	<u><u>\$ 9,894</u></u>	<u><u>\$ 6,477</u></u>	<u><u>\$ 7,500</u></u>	<u><u>\$ 2,394</u></u>

Exhibit F-4

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 26,848	\$ 31,500	\$ 31,500	\$ (4,652)
Other Local Revenues	1,500	0	0	1,500
State of Tennessee	25	150	150	(125)
Total Revenues	<u>\$ 28,373</u>	<u>\$ 31,650</u>	<u>\$ 31,650</u>	<u>\$ (3,277)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 7,847	\$ 24,000	\$ 24,000	\$ 16,153
Total Expenditures	<u>\$ 7,847</u>	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 16,153</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,526</u>	<u>\$ 7,650</u>	<u>\$ 7,650</u>	<u>\$ 12,876</u>
Net Change in Fund Balance	\$ 20,526	\$ 7,650	\$ 7,650	\$ 12,876
Fund Balance, July 1, 2013	<u>28,706</u>	<u>28,705</u>	<u>28,705</u>	<u>1</u>
Fund Balance, June 30, 2014	<u>\$ 49,232</u>	<u>\$ 36,355</u>	<u>\$ 36,355</u>	<u>\$ 12,877</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 454,150	\$ 451,325	\$ 451,325	\$ 2,825
Other Local Revenues	6,281	13,000	13,000	(6,719)
State of Tennessee	26,397	21,000	21,000	5,397
Other Governments and Citizens Groups	630,279	0	610,776	19,503
Total Revenues	<u>\$ 1,117,107</u>	<u>\$ 485,325</u>	<u>\$ 1,096,101</u>	<u>\$ 21,006</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 436,563	\$ 499,500	\$ 499,500	\$ 62,937
Education	590,000	0	590,000	0
<u>Interest on Debt</u>				
General Government	17,571	105,500	65,500	47,929
Education	20,776	0	20,776	0
<u>Other Debt Service</u>				
General Government	43,789	12,000	52,000	8,211
Total Expenditures	<u>\$ 1,108,699</u>	<u>\$ 617,000</u>	<u>\$ 1,227,776</u>	<u>\$ 119,077</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 8,408</u>	<u>\$ (131,675)</u>	<u>\$ (131,675)</u>	<u>\$ 140,083</u>
Net Change in Fund Balance	\$ 8,408	\$ (131,675)	\$ (131,675)	\$ 140,083
Prior-period Adjustment	(6,222)	0	0	(6,222)
Fund Balance, July 1, 2013	<u>528,530</u>	<u>528,530</u>	<u>528,530</u>	<u>0</u>
Fund Balance, June 30, 2014	<u>\$ 530,716</u>	<u>\$ 396,855</u>	<u>\$ 396,855</u>	<u>\$ 133,861</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 of deeds, 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, 2014

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 778,297	\$ 778,297
Due from Other Governments	135,212	0	135,212
Total Assets	<u>\$ 135,212</u>	<u>\$ 778,297</u>	<u>\$ 913,509</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 135,212	\$ 0	\$ 135,212
Due to Litigants, Heirs, and Others	0	778,297	778,297
Total Liabilities	<u>\$ 135,212</u>	<u>\$ 778,297</u>	<u>\$ 913,509</u>

Exhibit H-2

Sequatchie County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 716,898	\$ 716,898	\$ 0
Due from Other Governments	60,000	135,212	60,000	135,212
Total Assets	<u>\$ 60,000</u>	<u>\$ 852,110</u>	<u>\$ 776,898</u>	<u>\$ 135,212</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,000	\$ 852,110	\$ 776,898	\$ 135,212
Total Liabilities	<u>\$ 60,000</u>	<u>\$ 852,110</u>	<u>\$ 776,898</u>	<u>\$ 135,212</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 811,980	\$ 2,353,475	\$ 2,387,158	\$ 778,297
Cash Shortage	7,793	0	7,793	0
Total Assets	<u>\$ 819,773</u>	<u>\$ 2,353,475</u>	<u>\$ 2,394,951</u>	<u>\$ 778,297</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 819,773	\$ 2,353,475	\$ 2,394,951	\$ 778,297
Total Liabilities	<u>\$ 819,773</u>	<u>\$ 2,353,475</u>	<u>\$ 2,394,951</u>	<u>\$ 778,297</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 811,980	\$ 2,353,475	\$ 2,387,158	\$ 778,297
Equity in Pooled Cash and Investments	0	716,898	716,898	0
Due from Other Governments	60,000	135,212	60,000	135,212
Cash Shortage	7,793	0	7,793	0
Total Assets	<u>\$ 879,773</u>	<u>\$ 3,205,585</u>	<u>\$ 3,171,849</u>	<u>\$ 913,509</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,000	\$ 852,110	\$ 776,898	\$ 135,212
Due to Litigants, Heirs, and Others	819,773	2,353,475	2,394,951	778,297
Total Liabilities	<u>\$ 879,773</u>	<u>\$ 3,205,585</u>	<u>\$ 3,171,849</u>	<u>\$ 913,509</u>

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, two 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.

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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 10,708,469	\$ 29,798	\$ 1,788,585	\$ (8,890,086)
Support Services	5,791,464	0	0	(5,791,464)
Operation of Non-instructional Services	1,389,802	243,512	1,012,678	(133,612)
Interest on Debt	20,650	0	0	(20,650)
Total Governmental Activities	\$ 17,910,385	\$ 273,310	\$ 2,801,263	\$ (14,835,812)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,730,601
Local Option Sales Taxes				1,208,244
Other Local Taxes				1,432
Grants and Contributions Not Restricted to Specific Programs				12,574,255
Unrestricted Investment Earnings				24,831
Miscellaneous				73,407
Total General Revenues				\$ 16,612,770
Change in Net Position				\$ 1,776,958
Net Position, July 1, 2013				30,977,005
Net Position, June 30, 2014				<u>\$ 32,753,963</u>

Exhibit I-2

Sequatchie County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2014

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 0	\$ 1,521	\$ 1,521
Equity in Pooled Cash and Investments	9,562,786	619,332	10,182,118
Accounts Receivable	2,541	0	2,541
Due from Other Governments	365,241	78,298	443,539
Property Taxes Receivable	2,933,169	0	2,933,169
Allowance for Uncollectible Property Taxes	(164,347)	0	(164,347)
Total Assets	\$ 12,699,390	\$ 699,151	\$ 13,398,541
LIABILITIES			
Accounts Payable	\$ 6,105	\$ 0	\$ 6,105
Payroll Deductions Payable	571,824	0	571,824
Total Liabilities	\$ 577,929	\$ 0	\$ 577,929
DEFERRED INFLOWS OF RESOURCES			
Deferred Current Property Taxes	\$ 2,634,818	\$ 0	\$ 2,634,818
Deferred Delinquent Property Taxes	132,852	0	132,852
Other Deferred/Unavailable Revenue	105,555	8,681	114,236
Total Deferred Inflows of Resources	\$ 2,873,225	\$ 8,681	\$ 2,881,906
FUND BALANCES			
Restricted:			
Restricted for Instruction	\$ 3,739	\$ 379	\$ 4,118
Restricted for Operation of Non-instructional Services	0	375,891	375,891
Restricted for Capital Outlay	1,237,657	0	1,237,657
Committed:			
Committed for Instruction	6,755,899	0	6,755,899
Committed for Capital Outlay	0	14,200	14,200
Assigned:			
Assigned for Instruction	346,852	300,000	646,852
Unassigned	904,089	0	904,089
Total Fund Balances	\$ 9,248,236	\$ 690,470	\$ 9,938,706
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,699,390	\$ 699,151	\$ 13,398,541

Exhibit I-3

Sequatchie County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Sequatchie County School Department
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 9,938,706
(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	2,466,271	
Add: buildings and improvements net of accumulated depreciation	17,677,920	
Add: infrastructure net of accumulated depreciation	818,645	
Add: other capital assets net of accumulated depreciation	<u>676,828</u>	22,896,313
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits liability		(328,144)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>247,088</u>
Net position of governmental activities (Exhibit A)		<u>\$ 32,753,963</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, 2014

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	
<u>Revenues</u>			
Local Taxes	\$ 3,939,930	\$ 0	\$ 3,939,930
Licenses and Permits	1,330	0	1,330
Charges for Current Services	29,798	243,779	273,577
Other Local Revenues	102,973	1,261	104,234
State of Tennessee	12,312,144	12,487	12,324,631
Federal Government	263,782	2,768,879	3,032,661
Total Revenues	<u>\$ 16,649,957</u>	<u>\$ 3,026,406</u>	<u>\$ 19,676,363</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,053,023	\$ 1,159,077	\$ 10,212,100
Support Services	4,456,394	490,803	4,947,197
Operation of Non-instructional Services	102,133	1,239,441	1,341,574
Capital Outlay	811,509	0	811,509
Debt Service:			
Principal on Debt	590,000	0	590,000
Interest on Debt	20,650	0	20,650
Other Debt Service	126	0	126
Capital Projects	0	1,645,801	1,645,801
Total Expenditures	<u>\$ 15,033,835</u>	<u>\$ 4,535,122</u>	<u>\$ 19,568,957</u>
Excess (Deficiency) of Revenues			
Over Expenditures	\$ 1,616,122	\$ (1,508,716)	\$ 107,406
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 79,570	\$ 1,660,000	\$ 1,739,570
Transfers Out	(1,660,000)	(79,570)	(1,739,570)
Total Other Financing Sources (Uses)	<u>\$ (1,580,430)</u>	<u>\$ 1,580,430</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 35,692	\$ 71,714	\$ 107,406
Fund Balance, July 1, 2013	9,212,544	618,756	9,831,300
Fund Balance, June 30, 2014	<u>\$ 9,248,236</u>	<u>\$ 690,470</u>	<u>\$ 9,938,706</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, 2014

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)		\$ 107,406
<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	\$ 1,805,177	
Less: current-year depreciation expense	<u>(773,815)</u>	1,031,362
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$ 247,088	
Less: deferred delinquent property taxes and other deferred June 30, 2013	<u>(236,108)</u>	10,980
<p>(3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position.</p>		
Add: principal contributions on bonds to primary government		590,000
<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 other postemployment benefits liability		<u>37,210</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,776,958</u>

Exhibit I-6

Sequatchie County, Tennessee
 Combining Balance Sheet - Nonmajor Governmental Funds
 Discretely Presented Sequatchie County School Department
 June 30, 2014

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
\$	0 \$	1,521 \$	1,521 \$	0 \$	0 \$	1,521
	234,601	370,531	605,132	14,200		619,332
	65,778	12,520	78,298	0		78,298
\$	300,379 \$	384,572 \$	684,951 \$	14,200 \$		699,151

ASSETS

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

DEFERRED INFLOWS OF RESOURCES

Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

FUND BALANCES

Restricted:
 Restricted for Instruction
 Restricted for Operation of Non-instructional Services
 Committed:
 Committed for Capital Outlay
 Assigned:
 Assigned for Instruction
 Total Fund Balances

Total Deferred Inflows of Resources and Fund Balances

\$	0 \$	8,681 \$	8,681 \$	0 \$	0 \$	8,681
\$	0 \$	8,681 \$	8,681 \$	0 \$	0 \$	8,681
\$	379 \$	0 \$	379 \$	0 \$	0 \$	379
	0	375,891	375,891	0		375,891
	0	0	0	14,200		14,200
	300,000	0	300,000	0		300,000
\$	300,379 \$	375,891 \$	676,270 \$	14,200 \$		690,470
\$	300,379 \$	384,572 \$	684,951 \$	14,200 \$		699,151

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, 2014

	Special Revenue Funds			Capital		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Projects Fund		
				Education Capital Projects		
<u>Revenues</u>						
Charges for Current Services	\$ 0	\$ 243,779	\$ 243,779	\$ 0	\$ 0	\$ 243,779
Other Local Revenues	0	1,261	1,261	0	0	1,261
State of Tennessee	0	12,487	12,487	0	0	12,487
Federal Government	1,777,538	991,341	2,768,879	0	0	2,768,879
Total Revenues	\$ 1,777,538	\$ 1,248,868	\$ 3,026,406	\$ 0	\$ 0	\$ 3,026,406
<u>Expenditures</u>						
Current:						
Instruction	\$ 1,159,077	0	1,159,077	0	0	1,159,077
Support Services	490,803	0	490,803	0	0	490,803
Operation of Non-instructional Services	106,477	1,132,964	1,239,441	0	0	1,239,441
Capital Projects	0	0	0	1,645,801	0	1,645,801
Total Expenditures	\$ 1,756,357	\$ 1,132,964	\$ 2,889,321	\$ 1,645,801	\$ 0	\$ 4,535,122
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,181	\$ 115,904	\$ 137,085	\$ (1,645,801)	\$ (1,508,716)	
<u>Other Financing Sources (Uses)</u>						
Transfers In	0	0	0	1,660,000	0	1,660,000
Transfers Out	(26,664)	(52,906)	(79,570)	0	0	(79,570)
Total Other Financing Sources (Uses)	\$ (26,664)	\$ (52,906)	\$ (79,570)	\$ 1,660,000	\$ 0	\$ 1,580,430
Net Change in Fund Balances Fund Balance, July 1, 2013	\$ (5,483)	\$ 62,998	\$ 57,515	\$ 14,199	\$ 1	\$ 71,714
Fund Balance, June 30, 2014	\$ 305,862	\$ 312,893	\$ 618,755	\$ 1	\$ 1	\$ 618,756
	\$ 300,379	\$ 375,891	\$ 676,270	\$ 14,200	\$ 0	\$ 690,470

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,939,930	\$ 4,408,659	\$ 4,408,659	\$ (468,729)
Licenses and Permits	1,330	1,200	1,200	130
Charges for Current Services	29,798	19,000	19,000	10,798
Other Local Revenues	102,973	37,000	38,500	64,473
State of Tennessee	12,312,144	12,130,488	12,348,462	(36,318)
Federal Government	263,782	204,412	237,208	26,574
Total Revenues	\$ 16,649,957	\$ 16,800,759	\$ 17,053,029	\$ (403,072)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 6,998,422	\$ 7,471,707	\$ 7,471,707	\$ 473,285
Alternative Instruction Program	77,625	87,230	87,230	9,605
Special Education Program	1,647,336	1,689,036	1,703,294	55,958
Vocational Education Program	201,766	344,050	344,050	142,284
Student Body Education Program	15,712	17,111	17,111	1,399
Adult Education Program	112,162	101,385	119,923	7,761
<u>Support Services</u>				
Attendance	110,140	110,635	110,635	495
Health Services	158,153	194,463	194,463	36,310
Other Student Support	339,178	304,036	351,579	12,401
Regular Instruction Program	569,266	584,616	580,616	11,350
Special Education Program	178,275	196,627	196,627	18,352
Adult Programs	102,649	113,858	113,858	11,209
Other Programs	34,974	0	34,974	0
Board of Education	216,936	258,572	258,572	41,636
Director of Schools	193,511	191,306	195,306	1,795
Office of the Principal	614,630	620,673	620,673	6,043
Fiscal Services	178,620	203,663	203,663	25,043
Operation of Plant	1,067,928	1,111,533	1,121,533	53,605
Maintenance of Plant	217,885	215,637	221,837	3,952
Transportation	474,249	578,637	578,637	104,388
<u>Operation of Non-instructional Services</u>				
Community Services	1,500	0	1,500	0
Early Childhood Education	100,633	101,150	101,150	517
<u>Capital Outlay</u>				
Regular Capital Outlay	811,509	10,050,477	8,499,282	7,687,773
<u>Principal on Debt</u>				
Education	590,000	590,000	590,000	0
<u>Interest on Debt</u>				
Education	20,650	10,325	20,650	0
<u>Other Debt Service</u>				
Education	126	0	127	1
Total Expenditures	\$ 15,033,835	\$ 25,146,727	\$ 23,738,997	\$ 8,705,162

(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	\$ 1,616,122	\$ (8,345,968)	\$ (6,685,968)	\$ 8,302,090
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 79,570	\$ 78,785	\$ 678,785	\$ (599,215)
Transfers Out	(1,660,000)	0	(2,260,000)	600,000
Total Other Financing Sources	\$ (1,580,430)	\$ 78,785	\$ (1,581,215)	\$ 785
Net Change in Fund Balance	\$ 35,692	\$ (8,267,183)	\$ (8,267,183)	\$ 8,302,875
Fund Balance, July 1, 2013	9,212,544	9,236,830	9,236,830	(24,286)
Fund Balance, June 30, 2014	\$ 9,248,236	\$ 969,647	\$ 969,647	\$ 8,278,589

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,777,538	\$ 2,050,393	\$ 1,994,939	\$ (217,401)
Total Revenues	\$ 1,777,538	\$ 2,050,393	\$ 1,994,939	\$ (217,401)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 690,878	\$ 771,558	\$ 758,281	\$ 67,403
Special Education Program	440,887	493,423	490,370	49,483
Vocational Education Program	27,312	26,398	27,312	0
<u>Support Services</u>				
Other Student Support	20,303	26,576	24,851	4,548
Regular Instruction Program	306,058	428,931	379,984	73,926
Special Education Program	67,099	69,649	72,410	5,311
Vocational Education Program	1,680	1,870	1,680	0
Transportation	95,663	103,533	103,550	7,887
<u>Operation of Non-instructional Services</u>				
Community Services	106,477	100,365	107,753	1,276
Total Expenditures	\$ 1,756,357	\$ 2,022,303	\$ 1,966,191	\$ 209,834
Excess (Deficiency) of Revenues Over Expenditures	\$ 21,181	\$ 28,090	\$ 28,748	\$ (7,567)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (26,664)	\$ (28,238)	\$ (28,900)	\$ 2,236
Total Other Financing Sources	\$ (26,664)	\$ (28,238)	\$ (28,900)	\$ 2,236
Net Change in Fund Balance	\$ (5,483)	\$ (148)	\$ (152)	\$ (5,331)
Fund Balance, July 1, 2013	305,862	148	152	305,710
Fund Balance, June 30, 2014	\$ 300,379	\$ 0	\$ 0	\$ 300,379

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 243,779	\$ 304,000	\$ 304,000	\$ (60,221)
Other Local Revenues	1,261	3,500	3,500	(2,239)
State of Tennessee	12,487	35,000	35,000	(22,513)
Federal Government	991,341	796,500	885,971	105,370
Total Revenues	<u>\$ 1,248,868</u>	<u>\$ 1,139,000</u>	<u>\$ 1,228,471</u>	<u>\$ 20,397</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 1,132,964	\$ 1,392,576	\$ 1,482,047	\$ 349,083
Total Expenditures	<u>\$ 1,132,964</u>	<u>\$ 1,392,576</u>	<u>\$ 1,482,047</u>	<u>\$ 349,083</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 115,904</u>	<u>\$ (253,576)</u>	<u>\$ (253,576)</u>	<u>\$ 369,480</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (52,906)	\$ (52,906)	\$ (52,906)	\$ 0
Total Other Financing Sources	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 62,998	\$ (306,482)	\$ (306,482)	\$ 369,480
Fund Balance, July 1, 2013	<u>312,893</u>	<u>312,897</u>	<u>312,897</u>	<u>(4)</u>
Fund Balance, June 30, 2014	<u>\$ 375,891</u>	<u>\$ 6,415</u>	<u>\$ 6,415</u>	<u>\$ 369,476</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Sequatchie County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or	
							Matured During Period	Outstanding 6-30-14
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Land (Valley Fest)	\$ 200,000	2.47 %	7-27-12	7-27-24	\$ 200,000	\$ 0	\$ 14,563	\$ 185,437
Ambulance Remount/Heart Monitors	220,000	1.5	9-3-13	9-18-13	0	220,000	220,000	0
Total Payable through General Debt Service Fund					\$ 200,000	\$ 220,000	\$ 234,563	\$ 185,437
<u>Payable through Highway/Public Works Fund</u>								
Highway Department Garage and Office	140,000	3.19	7-29-09	7-29-15	\$ 70,001	\$ 0	\$ 23,333	\$ 46,668
Total Payable through Highway/Public Works Fund					\$ 70,001	\$ 0	\$ 23,333	\$ 46,668
Total Notes Payable					\$ 270,001	\$ 220,000	\$ 257,896	\$ 232,105
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center	6,500,000	Variable	11-1-04	5-25-32	\$ 5,080,000	\$ 0	\$ 202,000	\$ 4,878,000
<u>BONDS PAYABLE</u>								
<u>Contributions Due by School Department from the</u>								
<u>General Purpose School Fund to the General Debt</u>								
<u>Service Fund</u>								
School Refunding Bonds Series 2008	4,215,000	3 to 3.5	4-2-08	4-22-14	\$ 590,000	\$ 0	\$ 590,000	\$ 0
Total Bonds Payable					\$ 590,000	\$ 0	\$ 590,000	\$ 0

Exhibit J-2

Sequatchie County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 38,192	\$ 6,134	\$ 44,326
2016	38,563	5,018	43,581
2017	15,601	3,903	19,504
2018	16,002	3,501	19,503
2019	16,403	3,101	19,504
2020	16,814	2,690	19,504
2021	17,228	2,275	19,503
2022	17,666	1,837	19,503
2023	18,108	1,395	19,503
2024	18,562	942	19,504
2025	18,966	469	19,435
Total	\$ 232,105	\$ 31,265	\$ 263,370

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2015	\$ 208,000	\$ 12,195	\$ 33,654	\$ 253,849
2016	215,000	11,675	32,262	258,937
2017	221,000	11,138	30,824	262,962
2018	228,000	10,585	29,346	267,931
2019	234,000	10,015	27,820	271,835
2020	242,000	9,430	26,255	277,685
2021	249,000	8,825	24,636	282,461
2022	256,000	8,203	22,970	287,173
2023	264,000	7,563	21,257	292,820
2024	272,000	6,903	19,491	298,394
2025	280,000	6,223	17,671	303,894
2026	288,000	5,523	15,798	309,321
2027	297,000	4,803	13,872	315,675
2028	306,000	4,060	11,885	321,945
2029	315,000	3,295	9,837	328,132
2030	325,000	2,508	7,730	335,238
2031	334,000	1,695	5,556	341,251
2032	344,000	860	3,321	348,181
Total	\$ 4,878,000	\$ 125,499	\$ 354,185	\$ 5,357,684

Exhibit J-3

Sequatchie County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2014

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Ambulance Service	Operations	\$ 128,950
"	Solid Waste/Sanitation	Operations	50,000
Total Transfers Primary Government			<u>\$ 178,950</u>
<u>DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 26,664
Central Cafeteria	"	Direct costs	52,906
General Purpose School	Education Capital Projects	Construction costs	1,660,000
Total Transfers Discretely Presented Sequatchie County School Department			<u>\$ 1,739,570</u>

Exhibit J-4

Sequatchie County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 71,184	\$ 25,000	Western Surety Company
Highway Supervisor	Section 8-24-102, TCA	67,795	100,000	"
Director of Schools	State Board of Education and Sequatchie County Board of Education	100,988 (1)	(2)	
Trustee	Section 8-24-102, TCA	61,632	638,287	RLI Insurance Company
Assessor of Property	Section 8-24-102, TCA	61,632	50,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	61,632	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,632	25,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	62,632 (3)	25,000	State Farm Fire and Casualty Company
Register of Deeds	Section 8-24-102, TCA	61,632	15,000	Western Surety Company
Sheriff	Section 8-24-102, TCA	67,795 (4)	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			150,000	Southern States Insurance Group, Inc.

- (1) Includes a chief executive officer training supplement of \$1,000 and a travel allowance of \$9,500.
- (2) The director of schools is covered under the employee dishonesty bond.
- (3) Includes special commissioner fees of \$1,000.
- (4) Does not include a law enforcement training supplement of \$600.

Exhibit J-5

Sequatchie County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2014

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,298,189	\$ 308,364	\$ 0	\$ 0	\$ 0	\$ 0
Trustee's Collections - Prior Year	134,227	17,592	0	0	0	0
Circuit/Clerk and Master Collections - Prior Years	56,092	7,518	0	0	0	0
Interest and Penalty	22,167	2,971	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	1,264	169	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	18,390	2,465	0	0	0	0
Payments in-Lieu-of Taxes - Other	475	64	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	456,002	0	0	0	0	0
Hotel/Motel Tax	13,895	0	0	0	0	0
Litigation Tax - General	31,209	0	0	0	0	0
Litigation Tax - Special Purpose	10,730	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	8,733	0	0	0	0	0
Business Tax	71,507	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	8,866	1,188	0	0	0	0
Wholesale Beer Tax	71,513	0	0	0	0	0
Interstate Telecommunications Tax	1,019	0	0	0	0	0
Total Local Taxes	\$ 3,204,278	\$ 340,331	\$ 0	\$ 0	\$ 0	\$ 0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 36,885	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Beer Permits	808	0	0	0	0	0
Total Licenses and Permits	\$ 37,693	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

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

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	7,047	0	0	0	0	0	\$
Officers Costs	2,411	0	0	0	0	0	
Drug Control Fines	0	0	0	3,707	0	0	
Drug Court Fees	44	0	0	0	0	0	
Jail Fees	1,422	0	0	0	0	0	
DUI Treatment Fines	713	0	0	0	0	0	
Data Entry Fee - Circuit Court	828	0	0	0	0	0	
Courtroom Security Fee	3,480	0	0	0	0	0	
<u>Criminal Court</u>							
Jail Fees	674	0	0	0	0	0	
DUI Treatment Fines	807	0	0	0	0	0	
<u>General Sessions Court</u>							
Fines	8,312	0	0	0	0	0	
Game and Fish Fines	292	0	0	0	0	0	
Drug Control Fines	948	0	0	8,871	0	0	
Drug Court Fees	1,486	0	0	0	0	0	
Jail Fees	1,139	0	0	0	0	0	
DUI Treatment Fines	1,373	0	0	0	0	0	
Data Entry Fee - General Sessions Court	3,348	0	0	0	0	0	
Courtroom Security Fee	20,052	0	0	0	0	0	
<u>Chancery Court</u>							
Data Entry Fee - Chancery Court	1,236	0	0	0	0	0	
Courtroom Security Fee	1,283	0	0	0	0	0	
<u>Other Courts - In-county</u>							
Drug Court Fees	1,573	0	0	0	0	0	

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0 \$	0 \$	0 \$	14,270 \$	0 \$	0
Total Fines, Forfeitures, and Penalties	58,468 \$	0 \$	0 \$	26,848 \$	0 \$	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Surcharge - Waste Tire Disposal	0 \$	3,735 \$	0 \$	0 \$	0 \$	0
Patient Charges	3,953	0	634,033	0	0	0
Work Release Charges for Board	4,440	0	0	0	0	0
<u>Fees</u>						
Copy Fees	740	0	0	0	0	0
Library Fees	2,931	0	0	0	0	0
Telephone Commissions	28,465	0	0	0	0	0
Vending Machine Collections	7,594	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	6,710	0
Data Processing Fee - Register	4,542	0	0	0	0	0
Data Processing Fee - Sheriff	1,121	0	0	0	0	0
Data Processing Fee - County Clerk	1,149	0	0	0	0	0
Total Charges for Current Services	54,935 \$	3,735 \$	634,033 \$	0 \$	6,710 \$	0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	21,460 \$	0 \$	0 \$	0 \$	0 \$	0
Lease/Rentals	7,080	0	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	0	1,344
Commissary Sales	2,870	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Sale of Gasoline	0 \$	0 \$	0 \$	0 \$	0 \$	3,045
Sale of Maps	975	0	0	0	0	0
Sale of Recycled Materials	0	10,011	0	0	0	0
Miscellaneous Refunds	11,081	0	0	0	0	1,784
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	2,000	0	0	0	0	0
Contributions and Gifts	0	0	0	1,500	0	0
Total Other Local Revenues	\$ 45,466 \$	10,011 \$	0 \$	1,500 \$	0 \$	6,173
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	180,458 \$	0 \$	0 \$	0 \$	0 \$	0
Circuit Court Clerk	39,740	0	0	0	0	0
General Sessions Court Clerk	83,890	0	0	0	0	0
Clerk and Master	31,873	0	0	0	0	0
Register	53,284	0	0	0	0	0
Sheriff	4,856	0	0	0	0	0
Trustee	196,892	0	0	0	0	0
Total Fees Received from County Officials	\$ 590,993 \$	0 \$	0 \$	0 \$	0 \$	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	14,940 \$	0 \$	0 \$	0 \$	0 \$	0
Solid Waste Grants	0	7,787	0	0	0	0

Exhibit J-5

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

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	
<u>State of Tennessee (Cont.)</u>							
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	\$ 12,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Health and Welfare Grants</u>							
Health Department Programs	98,445	0	0	0	0	0	0
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	0	0	247,132
Litter Program	0	33,245	0	0	0	0	0
<u>Other State Revenues</u>							
Income Tax	102,723	0	0	0	0	0	0
Resort District Sales Tax	2,409	0	0	0	0	0	0
Beer Tax	17,806	0	0	0	0	0	0
Vehicle Certificate of Title Fees	921	0	0	0	0	0	0
Alcoholic Beverage Tax	29,912	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	167,506	0	0	0	0	0	0
Contracted Prisoner Boarding	588,559	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,380,684
Petroleum Special Tax	0	0	0	0	0	0	10,182
Registrar's Salary Supplement	15,164	0	0	0	0	0	0
Other State Grants	7,468	0	0	0	0	0	0
Other State Revenues	21,511	0	0	25	0	0	0
Total State of Tennessee	\$ 1,079,964	\$ 41,032	\$ 0	\$ 25	\$ 0	\$ 0	\$ 1,637,998
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 220,479	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Homeland Security Grants	32,060	0	0	0	0	0	0
Other Federal through State	62,377	0	0	0	0	0	0

(Continued)

Exhibit J-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	\$ 13,153	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Federal Government	\$ 328,069	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Paving and Maintenance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 820
Contributions	42,416	0	0	0	0	0
Other	250,000	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 292,416	\$ 0	\$ 0	\$ 0	\$ 0	\$ 820
Total	\$ 5,692,282	\$ 395,109	\$ 634,033	\$ 28,373	\$ 6,710	\$ 1,644,991

(Continued)

Exhibit J-5

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

	Debt Service		Capital		Total
	Fund	General	Projects	Fund	
	General	Debt	Capital	Projects	
	Service		Projects		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 410,995	\$	0	\$	3,017,548
Trustee's Collections - Prior Year	23,988		0		175,807
Circuit/Clerk and Master Collections - Prior Years	10,024		0		73,634
Interest and Penalty	3,962		0		29,100
Payments in-Lieu-of-Taxes - T.V.A.	226		0		1,659
Payments in-Lieu-of-Taxes - Local Utilities	3,286		0		24,141
Payments in-Lieu-of-Taxes - Other	85		0		624
<u>County Local Option Taxes</u>					
Local Option Sales Tax	0		0		456,002
Hotel/Motel Tax	0		0		13,895
Litigation Tax - General	0		0		31,209
Litigation Tax - Special Purpose	0		0		10,730
Litigation Tax - Jail, Workhouse, or Courthouse	0		0		8,733
Business Tax	0		0		71,507
<u>Statutory Local Taxes</u>					
Bank Excise Tax	1,584		0		11,638
Wholesale Beer Tax	0		0		71,513
Interstate Telecommunications Tax	0		0		1,019
Total Local Taxes	\$ 454,150	\$	0	\$	3,998,759
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Cable TV Franchise	\$	0	\$	0	\$ 36,885
<u>Permits</u>					
Beer Permits	0		0		808
Total Licenses and Permits	\$	0	\$	0	\$ 37,693

(Continued)

Exhibit J-5

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

	Debt Service		Capital		Total
	Fund	General	Projects	Fund	
	General	Debt	Capital	Projects	
	Service				
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines		0	0	0	7,047
Officers Costs		0	0	0	2,411
Drug Control Fines		0	0	0	3,707
Drug Court Fees		0	0	0	44
Jail Fees		0	0	0	1,422
DUI Treatment Fines		0	0	0	713
Data Entry Fee - Circuit Court		0	0	0	828
Courtroom Security Fee		0	0	0	3,480
<u>Criminal Court</u>					
Jail Fees		0	0	0	674
DUI Treatment Fines		0	0	0	807
<u>General Sessions Court</u>					
Fines		0	0	0	8,312
Game and Fish Fines		0	0	0	292
Drug Control Fines		0	0	0	9,819
Drug Court Fees		0	0	0	1,486
Jail Fees		0	0	0	1,139
DUI Treatment Fines		0	0	0	1,373
Data Entry Fee - General Sessions Court		0	0	0	3,348
Courtroom Security Fee		0	0	0	20,052
<u>Chancery Court</u>					
Data Entry Fee - Chancery Court		0	0	0	1,236
Courtroom Security Fee		0	0	0	1,283
<u>Other Courts - In-county</u>					
Drug Court Fees		0	0	0	1,573

(Continued)

Exhibit J-5

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

	Debt Service		Capital		Total
	Fund	General	Projects	Fund	
	General	Debt	Service	Capital	
				Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property		0 \$		0 \$	14,270
Total Fines, Forfeitures, and Penalties		0 \$		0 \$	85,316
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Surcharge - Waste Tire Disposal		0 \$		0 \$	3,735
Patient Charges		0		0	637,986
Work Release Charges for Board		0		0	4,440
<u>Fees</u>					
Copy Fees		0		0	740
Library Fees		0		0	2,931
Telephone Commissions		0		0	28,465
Vending Machine Collections		0		0	7,594
Constitutional Officers' Fees and Commissions		0		0	6,710
Data Processing Fee - Register		0		0	4,542
Data Processing Fee - Sheriff		0		0	1,121
Data Processing Fee - County Clerk		0		0	1,149
Total Charges for Current Services		0 \$		0 \$	699,413
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income		6,281 \$		0 \$	27,741
Lease/Rentals		0		0	7,080
Sale of Materials and Supplies		0		0	1,344
Commissary Sales		0		0	2,870

(Continued)

Exhibit J-5

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

	Debt Service		Capital		Total
	Fund	General	Projects	Fund	
	General	Debt	Capital	Projects	
	Service		Projects		
<u>Other Local Revenues (Cont.)</u>					
<u>Recurring Items (Cont.)</u>					
Sale of Gasoline		0 \$	0 \$		3,045
Sale of Maps		0	0		975
Sale of Recycled Materials		0	0		10,011
Miscellaneous Refunds		0	0		12,865
<u>Nonrecurring Items</u>					
Damages Recovered from Individuals		0	0		2,000
Contributions and Gifts		0	0		1,500
Total Other Local Revenues		6,281 \$	0 \$		69,431
<u>Fees Received from County Officials</u>					
<u>Fees in-Lieu-of Salary</u>					
County Clerk		0 \$	0 \$		180,458
Circuit Court Clerk		0	0		39,740
General Sessions Court Clerk		0	0		83,890
Clerk and Master		0	0		31,873
Register		0	0		53,284
Sheriff		0	0		4,856
Trustee		0	0		196,892
Total Fees Received from County Officials		0 \$	0 \$		590,993
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program		0 \$	0 \$		14,940
Solid Waste Grants		0	0		7,787

(Continued)

Exhibit J-5

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

	Debt Service		Capital		Total
	Fund	Debt	Projects	Fund	
	General	Service	General	Capital	
<u>State of Tennessee (Cont.)</u>					
<u>Public Safety Grants</u>					
Law Enforcement Training Programs		0 \$	0 \$		12,600
Health and Welfare Grants					
Health Department Programs		0	0		98,445
<u>Public Works Grants</u>					
State Aid Program		0	0		247,132
Litter Program		0	0		33,245
<u>Other State Revenues</u>					
Income Tax		0	0		102,723
Resort District Sales Tax		0	0		2,409
Beer Tax		0	0		17,806
Vehicle Certificate of Title Fees		0	0		921
Alcoholic Beverage Tax		0	0		29,912
State Revenue Sharing - T.V.A.		26,397	0		193,903
Contracted Prisoner Boarding		0	0		588,559
Gasoline and Motor Fuel Tax		0	0		1,380,684
Petroleum Special Tax		0	0		10,182
Registrar's Salary Supplement		0	0		15,164
Other State Grants		0	0		7,468
Other State Revenues		0	0		21,536
Total State of Tennessee	\$	26,397 \$	0 \$	0 \$	2,785,416
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development		0 \$	326,256 \$		546,735
Homeland Security Grants		0	0		32,060
Other Federal through State		0	0		62,377

(Continued)

Exhibit J-5

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

	Debt Service		Capital		Total
	Fund	General	Projects	Fund	
	General	Debt	Capital	Projects	
	Service		Projects		
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue		0 \$	0 \$		13,153
Total Federal Government		0 \$	326,256 \$		654,325
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Paving and Maintenance		0 \$	0 \$		820
Contributions	630,279		0		672,695
Other		0			250,000
Total Other Governments and Citizens Groups	630,279 \$		0 \$		923,515
<u>Total</u>	1,117,107 \$		326,256 \$		9,844,861

Sequatchie County, Tennessee
 Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2014

	General Purpose School	Special Revenue Funds				Total
		School Federal Projects	Central Cafeteria			
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,475,457	\$ 0	\$ 0	\$ 0	\$ 2,475,457	
Trustee's Collections - Prior Year	141,231	0	0	0	141,231	
Circuit/Clerk and Master Collections - Prior Years	60,351	0	0	0	60,351	
Interest and Penalty	23,971	0	0	0	23,971	
Payments in-Lieu-of Taxes - T.V.A.	1,361	0	0	0	1,361	
Payments in-Lieu-of Taxes - Local Utilities	19,786	0	0	0	19,786	
Payments in-Lieu-of Taxes - Other	511	0	0	0	511	
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,206,291	0	0	0	1,206,291	
<u>Statutory Local Taxes</u>						
Bank Excise Tax	9,539	0	0	0	9,539	
Coal Severance Tax	7	0	0	0	7	
Interstate Telecommunications Tax	1,425	0	0	0	1,425	
Total Local Taxes	\$ 3,939,930	\$ 0	\$ 0	\$ 0	\$ 3,939,930	
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	1,330	0	0	0	1,330	
Total Licenses and Permits	\$ 1,330	\$ 0	\$ 0	\$ 0	\$ 1,330	
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	\$ 0	\$ 0	\$ 0	\$ 122,733	\$ 122,733	
Lunch Payments - Adults	0	0	0	17,478	17,478	

(Continued)

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Income from Breakfast	\$ 0	\$ 0	\$ 18,302	\$	18,302
A la carte Sales	0	0	85,266		85,266
Receipts from Individual Schools	29,798	0	0		29,798
Total Charges for Current Services	\$ 29,798	\$ 0	\$ 243,779	\$	273,577
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 24,324	\$ 0	\$ 507	\$	24,831
Lease/Rentals	8,000	0	0		8,000
Miscellaneous Refunds	38,520	0	604		39,124
<u>Nonrecurring Items</u>					
Sale of Equipment	4,927	0	0		4,927
Sale of Property	1,000	0	0		1,000
Damages Recovered from Individuals	297	0	0		297
Contributions and Gifts	5,846	0	150		5,996
<u>Other Local Revenues</u>					
Other Local Revenues	20,059	0	0		20,059
Total Other Local Revenues	\$ 102,973	\$ 0	\$ 1,261	\$	104,234
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 34,974	\$ 0	\$ 0	\$	34,974
<u>State Education Funds</u>					
Basic Education Program	11,641,000	0	0		11,641,000

(Continued)

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

	General Purpose School	Special Revenue Funds				Total
		School Federal Projects	Central Cafeteria			
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds (Cont.)</u>						
Early Childhood Education	\$ 98,422	\$ 0	\$ 0	\$ 12,487	\$ 0	98,422
School Food Service	0	0	0	0	0	12,487
Energy Efficient School Initiative	8,850	0	0	0	0	8,850
Driver Education	6,245	0	0	0	0	6,245
Other State Education Funds	202,659	0	0	0	0	202,659
Coordinated School Health	94,997	0	0	0	0	94,997
Career Ladder Program	43,900	0	0	0	0	43,900
Career Ladder - Extended Contract	17,920	0	0	0	0	17,920
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	158,927	0	0	0	0	158,927
Other State Grants	4,250	0	0	0	0	4,250
Total State of Tennessee	\$ 12,312,144	\$ 0	\$ 0	\$ 12,487	\$ 0	\$ 12,324,631
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 0	\$ 632,412	\$ 0	632,412
USDA - Commodities	0	0	0	89,471	0	89,471
Breakfast	0	0	0	220,587	0	220,587
USDA - Other	0	0	0	48,871	0	48,871
Adult Education State Grant Program	222,058	0	0	0	0	222,058
Vocational Education - Basic Grants to States	0	36,401	0	0	0	36,401
Other Vocational	27,466	0	0	0	0	27,466
Title I Grants to Local Education Agencies	0	653,430	0	0	0	653,430
Special Education - Grants to States	14,258	573,873	0	0	0	588,131

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds				Total
		School Projects	Federal Projects	Central Cafeteria		
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Special Education Preschool Grants	\$ 0	\$ 35,714	\$ 0	\$ 0	\$ 35,714	
Safe and Drug-free Schools - State Grants	0	108,191	0	0	108,191	
Rural Education	0	35,225	0	0	35,225	
Eisenhower Professional Development State Grants	0	87,141	0	0	87,141	
Race-to-the-Top - ARRA	0	141,674	0	0	141,674	
<u>Direct Federal Revenue</u>	0	105,889	0	0	105,889	
Other Direct Federal Revenue	\$ 263,782	\$ 1,777,538	\$ 991,341	\$ 3,032,661		
Total Federal Government	\$ 16,649,957	\$ 1,777,538	\$ 1,248,868	\$ 19,676,363		

Exhibit J-7

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	35,950	
Social Security		2,415	
Employer Medicare		550	
Audit Services		6,302	
Dues and Memberships		11,800	
Legal Services		2,685	
Legal Notices, Recording, and Court Costs		1,974	
Travel		4,120	
Other Contracted Services		2,700	
Liability Insurance		97,192	
Total County Commission			\$ 165,688

Board of Equalization

Board and Committee Members Fees	\$	3,975	
Travel		229	
Total Board of Equalization			4,204

Beer Board

Board and Committee Members Fees	\$	600	
Total Beer Board			600

County Mayor/Executive

County Official/Administrative Officer	\$	71,184	
Assistant(s)		49,038	
Other Salaries and Wages		9,996	
In-service Training		1,500	
Social Security		7,852	
State Retirement		10,000	
Unemployment Compensation		185	
Employer Medicare		1,795	
Communication		5,978	
Data Processing Services		5,396	
Postal Charges		2,500	
Travel		3,121	
Other Contracted Services		30,000	
Office Supplies		3,926	
Premiums on Corporate Surety Bonds		258	
Office Equipment		14,171	
Total County Mayor/Executive			216,900

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	55,468	
Deputy(ies)		21,518	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Computer Programmer(s)	\$	2,400	
Clerical Personnel		5,473	
Election Commission		8,000	
Election Workers		7,255	
In-service Training		1,745	
Social Security		5,000	
State Retirement		6,500	
Medical Insurance		1,885	
Unemployment Compensation		307	
Employer Medicare		1,180	
Communication		1,539	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		1,055	
Postal Charges		1,112	
Printing, Stationery, and Forms		935	
Rentals		700	
Travel		3,651	
Other Contracted Services		21,257	
Office Supplies		1,102	
Premiums on Corporate Surety Bonds		50	
Office Equipment		30,737	
Total Election Commission	\$		179,094

Register of Deeds

County Official/Administrative Officer	\$	61,632	
Deputy(ies)		46,823	
In-service Training		400	
Social Security		6,738	
State Retirement		9,000	
Unemployment Compensation		180	
Employer Medicare		1,550	
Communication		2,300	
Data Processing Services		3,996	
Dues and Memberships		522	
Postal Charges		400	
Rentals		737	
Travel		1,100	
Other Contracted Services		2,560	
Office Supplies		376	
Premiums on Corporate Surety Bonds		100	
Office Equipment		1,465	
Total Register of Deeds			139,879

County Buildings

Custodial Personnel	\$	22,432	
Maintenance Personnel		24,274	
Social Security		2,909	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

State Retirement	\$	3,504	
Unemployment Compensation		206	
Employer Medicare		691	
Communication		1,450	
Maintenance Agreements		19,107	
Maintenance and Repair Services - Buildings		120,707	
Rentals		1,888	
Duplicating Supplies		1,500	
Electricity		133,638	
Gasoline		3,495	
Natural Gas		39,000	
Water and Sewer		22,958	
Other Supplies and Materials		7,928	
Total County Buildings			\$ 405,687

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	61,632	
Secretary(ies)		93,197	
Social Security		10,220	
State Retirement		12,924	
Medical Insurance		3,832	
Unemployment Compensation		528	
Employer Medicare		2,438	
Audit Services		5,259	
Communication		4,602	
Data Processing Services		8,500	
Dues and Memberships		1,100	
Postal Charges		3,849	
Printing, Stationery, and Forms		270	
Travel		2,260	
Other Contracted Services		11,130	
Office Supplies		2,450	
Office Equipment		4,285	
Total Property Assessor's Office			228,476

Reappraisal Program

Medical Insurance	\$	23	
Communication		500	
Postal Charges		300	
Travel		384	
Other Contracted Services		2,967	
Total Reappraisal Program			4,174

County Trustee's Office

County Official/Administrative Officer	\$	61,632	
Deputy(ies)		47,464	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Overtime Pay	\$	2,314	
Social Security		7,086	
State Retirement		9,100	
Unemployment Compensation		180	
Employer Medicare		1,629	
Communication		1,827	
Data Processing Services		2,782	
Dues and Memberships		110	
Legal Notices, Recording, and Court Costs		252	
Maintenance and Repair Services - Office Equipment		6,210	
Postal Charges		6,326	
Travel		880	
Other Contracted Services		847	
Office Supplies		1,892	
Premiums on Corporate Surety Bonds		1,936	
Total County Trustee's Office			\$ 152,467

County Clerk's Office

County Official/Administrative Officer	\$	61,632	
Deputy(ies)		94,343	
Overtime Pay		262	
Social Security		9,125	
State Retirement		12,850	
Medical Insurance		11,144	
Unemployment Compensation		362	
Employer Medicare		2,117	
Communication		3,228	
Dues and Memberships		407	
Maintenance and Repair Services - Office Equipment		16,500	
Postal Charges		6,000	
Travel		946	
Office Supplies		3,471	
Premiums on Corporate Surety Bonds		125	
Office Equipment		868	
Total County Clerk's Office			223,380

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,632
Deputy(ies)		58,492
Jury and Witness Expense		11,466
Social Security		7,012
State Retirement		8,881
Medical Insurance		7,319
Unemployment Compensation		270
Employer Medicare		1,650
Communication		2,617

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Data Processing Services	\$	8,282	
Dues and Memberships		407	
Postal Charges		7	
Rentals		5,640	
Other Contracted Services		2,331	
Office Supplies		12,595	
Premiums on Corporate Surety Bonds		125	
Total Circuit Court			\$ 188,726

General Sessions Court

Judge(s)	\$	88,217	
In-service Training		175	
Social Security		4,989	
Medical Insurance		7,947	
Employer Medicare		1,177	
Dues and Memberships		50	
Travel		492	
Total General Sessions Court			103,047

Drug Court

Other Contracted Services	\$	11,921	
Total Drug Court			11,921

Chancery Court

County Official/Administrative Officer	\$	61,632	
Assistant(s)		24,107	
Social Security		5,299	
State Retirement		7,100	
Unemployment Compensation		90	
Employer Medicare		1,250	
Communication		524	
Dues and Memberships		60	
Postal Charges		485	
Rentals		1,196	
Office Supplies		910	
Office Equipment		3,825	
Total Chancery Court			106,478

Juvenile Court

Youth Service Officer(s)	\$	40,310	
Part-time Personnel		10,610	
In-service Training		424	
Social Security		2,929	
State Retirement		3,381	
Medical Insurance		3,705	
Unemployment Compensation		201	
Employer Medicare		696	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Communication	\$	2,756	
Dues and Memberships		48	
Postal Charges		96	
Travel		661	
Other Contracted Services		8,162	
Office Supplies		480	
Other Equipment		1,100	
Total Juvenile Court			\$ 75,559

Judicial Commissioners

County Official/Administrative Officer	\$	18,030	
Social Security		951	
State Retirement		1,500	
Medical Insurance		3,585	
Unemployment Compensation		73	
Employer Medicare		223	
Total Judicial Commissioners			24,362

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,795	
Deputy(ies)		342,939	
Investigator(s)		107,172	
Accountants/Bookkeepers		26,292	
Salary Supplements		13,200	
School Resource Officer		86,266	
Overtime Pay		36,503	
Other Salaries and Wages		660	
In-service Training		13,269	
Social Security		43,603	
State Retirement		44,285	
Medical Insurance		2,296	
Unemployment Compensation		1,261	
Employer Medicare		10,208	
Other Fringe Benefits		25,931	
Communication		25,085	
Dues and Memberships		2,000	
Maintenance and Repair Services - Equipment		10,000	
Maintenance and Repair Services - Vehicles		23,117	
Postal Charges		1,534	
Rentals		2,000	
Travel		6,582	
Drugs and Medical Supplies		756	
Gasoline		83,225	
Law Enforcement Supplies		30,461	
Office Supplies		6,199	
Uniforms		10,031	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Premiums on Corporate Surety Bonds	\$	2,400	
Data Processing Equipment		8,777	
Motor Vehicles		95,797	
Total Sheriff's Department			\$ 1,129,644

Jail

Supervisor/Director	\$	39,995	
Deputy(ies)		542,134	
Cafeteria Personnel		37,161	
Overtime Pay		51,791	
In-service Training		5,428	
Social Security		42,000	
State Retirement		65,000	
Medical Insurance		2,166	
Unemployment Compensation		3,000	
Employer Medicare		10,000	
Other Fringe Benefits		30,495	
Maintenance and Repair Services - Buildings		15,237	
Maintenance and Repair Services - Equipment		15,000	
Rentals		2,400	
Transportation - Other than Students		1,053	
Disposal Fees		8,964	
Drugs and Medical Supplies		245,971	
Food Supplies		173,065	
Law Enforcement Supplies		23,058	
Office Supplies		5,593	
Uniforms		5,606	
Other Supplies and Materials		26,985	
Premiums on Corporate Surety Bonds		2,100	
Total Jail			1,354,202

Fire Prevention and Control

Contracts with Other Public Agencies	\$	1,000	
Contributions		60,450	
Total Fire Prevention and Control			61,450

Rescue Squad

Contributions	\$	7,500	
Total Rescue Squad			7,500

Other Emergency Management

County Official/Administrative Officer	\$	14,215	
Social Security		991	
Employer Medicare		220	
Communication		3,438	
Maintenance and Repair Services - Vehicles		1,177	
Other Contracted Services		7,495	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management (Cont.)

Gasoline	\$	3,500	
Office Supplies		480	
Uniforms		757	
Law Enforcement Equipment		68,757	
Total Other Emergency Management			\$ 101,030

County Coroner/Medical Examiner

Contributions	\$	25,000	
Total County Coroner/Medical Examiner			25,000

Public Health and Welfare

Local Health Center

Communication	\$	4,304	
Dues and Memberships		200	
Maintenance and Repair Services - Buildings		855	
Disposal Fees		1,622	
Other Contracted Services		7,200	
Office Supplies		1,007	
Other Supplies and Materials		757	
Total Local Health Center			15,945

Alcohol and Drug Programs

In-service Training	\$	95	
Travel		109	
Instructional Supplies and Materials		1,833	
Office Supplies		1,091	
Other Supplies and Materials		516	
Other Charges		4,536	
Total Alcohol and Drug Programs			8,180

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$	82,772	
Social Security		4,967	
State Retirement		6,183	
Medical Insurance		3,091	
Unemployment Compensation		300	
Employer Medicare		1,149	
Communication		9	
Travel		5,699	
Total Other Local Health Services			104,170

Appropriation to State

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

(Continued)

Exhibit J-7

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	\$ 35,256	
Clerical Personnel	22,071	
Part-time Personnel	9,413	
Social Security	4,052	
State Retirement	4,700	
Medical Insurance	7,710	
Unemployment Compensation	280	
Employer Medicare	892	
Communication	2,532	
Dues and Memberships	282	
Licenses	1,155	
Postal Charges	600	
Travel	178	
Other Contracted Services	2,400	
Library Books/Media	6,961	
Office Supplies	1,981	
Other Supplies and Materials	972	
Data Processing Equipment	1,750	
Other Equipment	1,192	
Total Libraries		104,377

Parks and Fair Boards

Contributions	\$ 3,000	
Maintenance and Repair Services - Buildings	7,962	
Other Contracted Services	31,077	
Electricity	6,500	
Gasoline	236	
Water and Sewer	1,927	
Other Supplies and Materials	1,500	
Total Parks and Fair Boards		52,202

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$ 35,592	
Employer Medicare	8,307	
Communication	3,077	
Contributions	1,000	
Maintenance and Repair Services - Equipment	487	
Travel	2,088	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agricultural Extension Service (Cont.)

Office Supplies	\$	898	
Other Equipment		<u>1,627</u>	
Total Agricultural Extension Service	\$		53,076

Soil Conservation

Contributions	\$	<u>16,935</u>	
Total Soil Conservation			16,935

Flood Control

Travel	\$	<u>153</u>	
Total Flood Control			153

Other Operations

Tourism

Contributions	\$	<u>15,200</u>	
Total Tourism			15,200

Industrial Development

Dues and Memberships	\$	<u>667</u>	
Total Industrial Development			667

Other Economic and Community Development

Contracts with Government Agencies	\$	248,002	
Contracts with Other Public Agencies		<u>90,000</u>	
Total Other Economic and Community Development			338,002

Veterans' Services

Clerical Personnel	\$	9,932	
Social Security		629	
Unemployment Compensation		95	
Employer Medicare		150	
Communication		1,433	
Data Processing Services		399	
Postal Charges		132	
Travel		789	
Office Supplies		467	
Other Equipment		<u>690</u>	
Total Veterans' Services			14,716

Other Charges

Trustee's Commission	\$	61,230	
Workers' Compensation Insurance		<u>74,786</u>	
Total Other Charges			<u>136,016</u>

Total General Fund \$ 5,807,965

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$	14,538	
Secretary(ies)		6,000	
Social Security		1,273	
Unemployment Compensation		138	
Employer Medicare		360	
Maintenance and Repair Services - Vehicles		866	
Gasoline		2,650	
Instructional Supplies and Materials		5,000	
Other Supplies and Materials		1,670	
Total Sanitation Education/Information			\$ 32,495

Waste Pickup

Equipment Operators	\$	51,346	
Social Security		2,990	
State Retirement		4,489	
Medical Insurance		3,466	
Unemployment Compensation		200	
Employer Medicare		699	
Maintenance and Repair Services - Vehicles		20,892	
Diesel Fuel		28,000	
Gasoline		175	
Lubricants		135	
Office Supplies		65	
Other Equipment		200	
Total Waste Pickup			112,657

Convenience Centers

Attendants	\$	127,164	
Social Security		7,840	
State Retirement		8,000	
Medical Insurance		4,093	
Unemployment Compensation		600	
Employer Medicare		1,784	
Communication		2,215	
Maintenance and Repair Services - Buildings		15,458	
Other Contracted Services		75	
Electricity		3,792	
Water and Sewer		1,500	
Other Supplies and Materials		5,819	
Total Convenience Centers			178,340

Other Waste Collection

Contracts with Private Agencies	\$	22,000	
Contracts for Landfill Facilities		117,085	
Total Other Waste Collection			139,085

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 6,788	
Total Other Charges		\$ 6,788

Total Solid Waste/Sanitation Fund \$ 469,365

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 31,664	
Medical Personnel	279,697	
Clerical Personnel	10,714	
Part-time Personnel	52,319	
Overtime Pay	114,356	
In-service Training	13,669	
Social Security	30,739	
State Retirement	36,383	
Medical Insurance	5,293	
Unemployment Compensation	1,725	
Employer Medicare	7,189	
Other Fringe Benefits	12,704	
Communication	3,641	
Data Processing Services	761	
Dues and Memberships	240	
Licenses	250	
Maintenance and Repair Services - Buildings	17,247	
Maintenance and Repair Services - Equipment	3,144	
Maintenance and Repair Services - Vehicles	11,720	
Postal Charges	8	
Travel	942	
Other Contracted Services	58,923	
Data Processing Supplies	518	
Drugs and Medical Supplies	31,637	
Electricity	3,986	
Gasoline	37,463	
Natural Gas	2,563	
Office Supplies	934	
Tires and Tubes	346	
Uniforms	8,029	
Other Supplies and Materials	3,932	
Trustee's Commission	6,500	
Motor Vehicles	93,827	
Health Equipment	119,277	
Total Ambulance/Emergency Medical Services		\$ 1,002,340

Total Ambulance Service Fund 1,002,340

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	2,500	
Maintenance and Repair Services - Vehicles		1,993	
Other Supplies and Materials		3,081	
Trustee's Commission		273	
Total Drug Enforcement			\$ 7,847

Total Drug Control Fund \$ 7,847

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	6,547	
Total County Clerk's Office			\$ 6,547

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$	163	
Total Sheriff's Department			163

Total Constitutional Officers - Fees Fund 6,710

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	67,795	
Accountants/Bookkeepers		32,198	
Clerical Personnel		27,126	
Employee and Dependent Insurance		26,403	
Data Processing Services		5,649	
Dues and Memberships		2,167	
Evaluation and Testing		850	
Legal Notices, Recording, and Court Costs		428	
Maintenance and Repair Services - Office Equipment		424	
Postal Charges		279	
Printing, Stationery, and Forms		275	
Travel		985	
Data Processing Supplies		473	
Drugs and Medical Supplies		209	
Instructional Supplies and Materials		800	
Office Supplies		599	
Furniture and Fixtures		100	
Total Administration			\$ 166,760

Highway and Bridge Maintenance

Foremen	\$	35,200
Equipment Operators		87,080
Truck Drivers		66,244

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Laborers	\$	175,602	
Employee and Dependent Insurance		107,658	
Other Contracted Services		17,453	
Asphalt - Hot Mix		9,427	
Asphalt - Liquid		10,378	
Concrete		579	
Crushed Stone		16,821	
Fertilizer, Lime, and Seed		145	
Other Road Materials		444	
Pipe		3,616	
Pipe - Metal		16,039	
Road Signs		5,628	
Salt		33,966	
Sand		173	
Small Tools		296	
Wood Products		11	
Total Highway and Bridge Maintenance			\$ 586,760

Operation and Maintenance of Equipment

Mechanic(s)	\$	60,682	
Nightwatchmen		61,901	
Employee and Dependent Insurance		37,322	
Maintenance and Repair Services - Equipment		17,338	
Diesel Fuel		28,289	
Equipment and Machinery Parts		34,654	
Garage Supplies		4,667	
Gasoline		27,106	
Lubricants		2,958	
Propane Gas		332	
Small Tools		598	
Tires and Tubes		6,144	
Other Supplies and Materials		576	
Total Operation and Maintenance of Equipment			282,567

Other Charges

Communication	\$	3,836	
Electricity		1,690	
Natural Gas		679	
Water and Sewer		648	
Liability Insurance		9,500	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		13,850	
Vehicle and Equipment Insurance		15,996	
Total Other Charges			46,549

Employee Benefits

Social Security	\$	46,232	
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(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits (Cont.)

State Retirement	\$	49,012	
Employee and Dependent Insurance		4,200	
Unemployment Compensation		1,038	
Workers' Compensation Insurance		95,833	
Total Employee Benefits			\$ 196,315

Capital Outlay

Maintenance and Repair Services - Buildings	\$	1,841	
Other Supplies and Materials		5	
Highway Equipment		24,199	
Plant Operation Equipment		5,253	
Other Construction		332,439	
Total Capital Outlay			363,737

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	\$	2,233	
Total Highways and Streets			2,233

Total Highway/Public Works Fund \$ 1,668,254

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	234,563	
Principal on Other Loans		202,000	
Total General Government			\$ 436,563

Education

Principal on Bonds	\$	590,000	
Total Education			590,000

Interest on Debt

General Government

Interest on Notes	\$	5,076	
Interest on Other Loans		12,495	
Total General Government			17,571

Education

Interest on Bonds	\$	20,650	
Other Debt Service		126	
Total Education			20,776

(Continued)

Exhibit J-7

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	\$	9,333	
Other Debt Issuance Charges		<u>34,456</u>	
Total General Government			\$ <u>43,789</u>
Total General Debt Service Fund			\$ 1,108,699
 <u>General Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Other Economic and Community Development</u>			
Contracts with Government Agencies	\$	10,800	
Engineering Services		952	
Other Construction		<u>272,260</u>	
Total Other Economic and Community Development			\$ <u>284,012</u>
Total General Capital Projects Fund			<u>284,012</u>
Total Governmental Funds - Primary Government			<u>\$ 10,355,192</u>

Exhibit J-8

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,856,468	
Career Ladder Program		24,958	
Career Ladder Extended Contracts		9,200	
Homebound Teachers		25,714	
Educational Assistants		191,977	
Certified Substitute Teachers		14,736	
Non-certified Substitute Teachers		47,080	
Social Security		286,814	
State Retirement		440,057	
Medical Insurance		685,684	
Employer Medicare		68,844	
Maintenance and Repair Services - Equipment		15,059	
Other Contracted Services		13,000	
Instructional Supplies and Materials		101,419	
Textbooks		200,927	
Other Charges		11,423	
Regular Instruction Equipment		5,062	
Total Regular Instruction Program			\$ 6,998,422

Alternative Instruction Program

Teachers	\$	52,189	
Career Ladder Program		1,000	
Educational Assistants		13,056	
Social Security		4,107	
State Retirement		5,800	
Employer Medicare		961	
Instructional Supplies and Materials		409	
Other Supplies and Materials		103	
Total Alternative Instruction Program			77,625

Special Education Program

Teachers	\$	970,132	
Career Ladder Program		3,750	
Homebound Teachers		10,254	
Clerical Personnel		18,775	
Educational Assistants		146,127	
Certified Substitute Teachers		2,246	
Non-certified Substitute Teachers		17,352	
Social Security		65,070	
State Retirement		96,168	
Medical Insurance		153,651	
Employer Medicare		15,757	
Communication		2,127	
Maintenance and Repair Services - Equipment		1,836	
Travel		231	
Other Contracted Services		102,878	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	9,818	
Other Supplies and Materials		350	
Other Charges		28,532	
Special Education Equipment		2,282	
Total Special Education Program			\$ 1,647,336

Vocational Education Program

Teachers	\$	151,018	
Non-certified Substitute Teachers		440	
Social Security		9,251	
State Retirement		13,872	
Medical Insurance		18,847	
Employer Medicare		2,163	
Instructional Supplies and Materials		1,200	
Other Charges		55	
Vocational Instruction Equipment		4,685	
Other Equipment		235	
Total Vocational Education Program			201,766

Student Body Education Program

Other Salaries and Wages	\$	13,815	
Social Security		839	
State Retirement		862	
Employer Medicare		196	
Total Student Body Education Program			15,712

Adult Education Program

Teachers	\$	55,565	
Clerical Personnel		26,894	
Other Salaries and Wages		2,052	
Social Security		4,721	
State Retirement		5,126	
Employer Medicare		1,222	
Other Contracted Services		724	
Instructional Supplies and Materials		2,258	
In Service/Staff Development		1,852	
Other Equipment		11,748	
Total Adult Education Program			112,162

Support Services

Attendance

Supervisor/Director	\$	61,018	
Career Ladder Program		1,000	
Clerical Personnel		16,949	
Social Security		4,337	
State Retirement		6,905	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Medical Insurance	\$	16,323	
Employer Medicare		1,014	
Travel		2,583	
Other Supplies and Materials		11	
Total Attendance			\$ 110,140

Health Services

Medical Personnel	\$	53,905	
Other Salaries and Wages		61,522	
Social Security		6,642	
State Retirement		9,862	
Medical Insurance		11,380	
Employer Medicare		1,553	
Communication		484	
Postal Charges		50	
Travel		3,055	
Other Contracted Services		3,000	
Other Supplies and Materials		6,700	
Total Health Services			158,153

Other Student Support

Guidance Personnel	\$	182,762	
Other Salaries and Wages		14,892	
Social Security		11,887	
State Retirement		17,458	
Medical Insurance		5,446	
Employer Medicare		2,780	
Evaluation and Testing		7,370	
Other Contracted Services		48,804	
Other Charges		236	
Other Equipment		47,543	
Total Other Student Support			339,178

Regular Instruction Program

Supervisor/Director	\$	127,535	
Career Ladder Program		4,000	
Librarians		132,038	
Instructional Computer Personnel		57,527	
Clerical Personnel		33,883	
Other Salaries and Wages		24,269	
Social Security		21,274	
State Retirement		33,311	
Medical Insurance		50,566	
Employer Medicare		4,975	
Travel		6,436	
Other Contracted Services		500	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Library Books/Media	\$	12,000	
Other Supplies and Materials		51,841	
In Service/Staff Development		540	
Other Charges		8,571	
Total Regular Instruction Program			\$ 569,266

Special Education Program

Supervisor/Director	\$	65,954	
Career Ladder Program		1,000	
Psychological Personnel		49,584	
Clerical Personnel		11,868	
Other Salaries and Wages		4,454	
Social Security		7,538	
State Retirement		11,695	
Medical Insurance		19,000	
Employer Medicare		1,763	
Travel		3,944	
Other Contracted Services		707	
Other Supplies and Materials		704	
Other Charges		64	
Total Special Education Program			178,275

Adult Programs

Supervisor/Director	\$	70,894	
Career Ladder Program		2,000	
Clerical Personnel		3,000	
Social Security		4,289	
State Retirement		6,720	
Medical Insurance		8,301	
Employer Medicare		1,003	
Communication		695	
Travel		2,000	
In Service/Staff Development		3,197	
Other Charges		550	
Total Adult Programs			102,649

Other Programs

On-behalf Payments to OPEB	\$	34,974	
Total Other Programs			34,974

Board of Education

Board and Committee Members Fees	\$	20,498	
Social Security		1,000	
Unemployment Compensation		7,212	
Employer Medicare		297	
Audit Services		6,105	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Dues and Memberships	\$	4,825	
Legal Services		10,000	
Travel		14,140	
Other Contracted Services		2,000	
Liability Insurance		16,427	
Trustee's Commission		91,731	
Workers' Compensation Insurance		39,372	
Refund to Applicant for Criminal Investigation		528	
Other Charges		2,801	
Total Board of Education	\$		216,936

Director of Schools

County Official/Administrative Officer	\$	99,988	
Assistant(s)		3,071	
Career Ladder Program		1,000	
Secretary(ies)		28,575	
Social Security		7,870	
State Retirement		11,598	
Medical Insurance		8,251	
Employer Medicare		1,841	
Communication		14,364	
Dues and Memberships		4,890	
Postal Charges		3,729	
Office Supplies		3,952	
Other Supplies and Materials		647	
Other Charges		3,735	
Total Director of Schools			193,511

Office of the Principal

Principals	\$	196,623	
Career Ladder Program		4,000	
Accountants/Bookkeepers		47,958	
Career Ladder Extended Contracts		4,375	
Assistant Principals		169,096	
Secretary(ies)		47,675	
Social Security		26,849	
State Retirement		41,109	
Medical Insurance		64,916	
Employer Medicare		6,279	
Travel		1,500	
Other Charges		4,250	
Total Office of the Principal			614,630

Fiscal Services

Supervisor/Director	\$	68,631	
Clerical Personnel		27,949	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services (Cont.)

Other Salaries and Wages	\$	35,197	
Social Security		7,523	
State Retirement		10,872	
Medical Insurance		12,655	
Employer Medicare		1,759	
Data Processing Services		8,713	
Travel		3,252	
Office Supplies		811	
Other Supplies and Materials		192	
Administration Equipment		1,066	
Total Fiscal Services	\$		178,620

Operation of Plant

Custodial Personnel	\$	268,174	
Social Security		15,140	
State Retirement		22,124	
Medical Insurance		60,517	
Employer Medicare		3,541	
Maintenance and Repair Services - Equipment		408	
Other Contracted Services		86,643	
Custodial Supplies		49,554	
Electricity		410,911	
Natural Gas		53,735	
Water and Sewer		59,088	
Other Supplies and Materials		8,330	
Building and Contents Insurance		28,706	
Other Charges		1,057	
Total Operation of Plant			1,067,928

Maintenance of Plant

Supervisor/Director	\$	35,545	
Maintenance Personnel		100,854	
Social Security		7,259	
State Retirement		11,370	
Medical Insurance		36,980	
Employer Medicare		1,698	
Maintenance and Repair Services - Buildings		465	
Maintenance and Repair Services - Equipment		756	
Maintenance and Repair Services - Vehicles		1,294	
Travel		1,648	
Equipment and Machinery Parts		466	
Other Supplies and Materials		19,096	
Other Charges		454	
Total Maintenance of Plant			217,885

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	1,384	
Mechanic(s)		35,544	
Bus Drivers		145,458	
Other Salaries and Wages		12,088	
In-service Training		544	
Social Security		11,603	
State Retirement		14,844	
Medical Insurance		5,746	
Employer Medicare		2,826	
Other Fringe Benefits		4,920	
Medical and Dental Services		3,265	
Travel		646	
Other Contracted Services		6,142	
Diesel Fuel		49,819	
Equipment and Machinery Parts		16,468	
Gasoline		12,833	
Lubricants		4,708	
Tires and Tubes		5,347	
Vehicle Parts		31,902	
Other Supplies and Materials		9,792	
Vehicle and Equipment Insurance		8,235	
Other Charges		2,885	
Transportation Equipment		87,250	
Total Transportation			\$ 474,249

Operation of Non-instructional Services

Community Services

Other Charges	\$	1,500	
Total Community Services			1,500

Early Childhood Education

Teachers	\$	47,895	
Clerical Personnel		3,000	
Educational Assistants		11,837	
Non-certified Substitute Teachers		2,228	
Social Security		3,742	
State Retirement		5,164	
Medical Insurance		7,954	
Employer Medicare		875	
Travel		2,313	
Instructional Supplies and Materials		12,826	
Other Supplies and Materials		2,799	
Total Early Childhood Education			100,633

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	627,777	
Other Capital Outlay		183,732	
Total Regular Capital Outlay			\$ 811,509

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	590,000	
Total Education			590,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	20,650	
Total Education			20,650

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	126	
Total Education			126

Total General Purpose School Fund \$ 15,033,835

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	265,680	
Educational Assistants		90,889	
Certified Substitute Teachers		385	
Non-certified Substitute Teachers		2,750	
Social Security		20,562	
State Retirement		31,091	
Medical Insurance		47,557	
Unemployment Compensation		1,799	
Employer Medicare		4,809	
Travel		8,661	
Other Contracted Services		26,900	
Instructional Supplies and Materials		97,118	
Other Supplies and Materials		8,296	
Other Charges		1,691	
Regular Instruction Equipment		82,690	
Total Regular Instruction Program			\$ 690,878

Special Education Program

Teachers	\$	38,109	
Educational Assistants		233,429	
Social Security		14,073	
State Retirement		21,569	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Medical Insurance	\$	76,807	
Unemployment Compensation		1,358	
Employer Medicare		3,291	
Other Fringe Benefits		8,064	
Contracts with Private Agencies		14,472	
Other Contracted Services		10,448	
Instructional Supplies and Materials		14,855	
Special Education Equipment		4,412	
Total Special Education Program	\$		440,887

Vocational Education Program

Clerical Personnel	\$	1,000	
Social Security		62	
State Retirement		82	
Employer Medicare		14	
Instructional Supplies and Materials		2,536	
Vocational Instruction Equipment		23,618	
Total Vocational Education Program			27,312

Support Services

Other Student Support

Other Salaries and Wages	\$	1,600	
Social Security		99	
State Retirement		142	
Employer Medicare		23	
Travel		3,677	
Other Contracted Services		1,846	
In Service/Staff Development		21	
Other Charges		12,895	
Total Other Student Support			20,303

Regular Instruction Program

Supervisor/Director	\$	60,705	
Clerical Personnel		10,191	
Other Salaries and Wages		49,503	
Social Security		7,304	
State Retirement		10,627	
Medical Insurance		10,690	
Unemployment Compensation		577	
Employer Medicare		1,708	
Travel		6,237	
Other Contracted Services		62,200	
Other Supplies and Materials		2,807	
In Service/Staff Development		80,735	
Other Charges		542	
Other Equipment		2,232	
Total Regular Instruction Program			306,058

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Psychological Personnel	\$	27,347	
Clerical Personnel		1,500	
Other Salaries and Wages		3,234	
Social Security		293	
State Retirement		411	
Unemployment Compensation		7	
Employer Medicare		423	
Other Fringe Benefits		136	
Travel		4,472	
Other Contracted Services		23,004	
In Service/Staff Development		6,272	
Total Special Education Program			\$ 67,099

Vocational Education Program

Travel	\$	1,680	
Total Vocational Education Program			1,680

Transportation

Bus Drivers	\$	39,627	
Other Salaries and Wages		18,302	
Social Security		3,229	
State Retirement		4,190	
Medical Insurance		6,796	
Unemployment Compensation		290	
Employer Medicare		766	
Other Fringe Benefits		3,423	
Diesel Fuel		15,080	
Garage Supplies		26	
Lubricants		287	
Tires and Tubes		1,199	
Vehicle Parts		2,448	
Total Transportation			95,663

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	3,500	
Teachers		51,660	
Bus Drivers		810	
Clerical Personnel		997	
Educational Assistants		19,808	
Social Security		4,760	
State Retirement		6,651	
Unemployment Compensation		381	
Employer Medicare		1,113	
Other Fringe Benefits		361	
Travel		2,473	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Community Services (Cont.)

Instructional Supplies and Materials	\$	6,157	
Other Supplies and Materials		950	
Other Charges		6,856	
Total Community Services			\$ 106,477

Total School Federal Projects Fund \$ 1,756,357

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Supervisor/Director	\$	33,591	
Accountants/Bookkeepers		10,823	
Clerical Personnel		17,891	
Cafeteria Personnel		266,454	
Temporary Personnel		17,347	
Other Salaries and Wages		12,718	
Social Security		18,971	
State Retirement		27,474	
Medical Insurance		117,404	
Employer Medicare		4,463	
Communication		4,299	
Maintenance and Repair Services - Equipment		4,727	
Transportation - Other than Students		5,049	
Travel		2,444	
Other Contracted Services		12,056	
Food Preparation Supplies		243	
Food Supplies		444,304	
Office Supplies		2,692	
USDA - Commodities		89,471	
Other Supplies and Materials		36,064	
In Service/Staff Development		2,366	
Criminal Investigation of Applicants - TBI		186	
Other Charges		643	
Food Service Equipment		1,284	
Total Food Service			\$ 1,132,964

Total Central Cafeteria Fund 1,132,964

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Capital Outlay	\$	1,645,801	
Total Education Capital Projects			\$ 1,645,801

Total Education Capital Projects Fund 1,645,801

Total Governmental Funds - Sequatchie County School Department \$ 19,568,957

Exhibit J-9

Sequatchie County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2014

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 716,898
Total Cash Receipts	<u>\$ 716,898</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 709,729
Trustee's Commission	<u>7,169</u>
Total Cash Disbursements	<u>\$ 716,898</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2013	<u>0</u>
Cash Balance, June 30, 2014	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2014, and the related notes to the financial statements, which collectively comprise Sequatchie County's basic financial statements, and have issued our report thereon dated October 3, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sequatchie County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Sequatchie County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 a 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2014-001 and 2014-002.

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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2014-004(A,B), 2014-005, and 2014-006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequatchie County's financial statements are free from 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: 2014-003, 2014-004(C), and 2014-007.

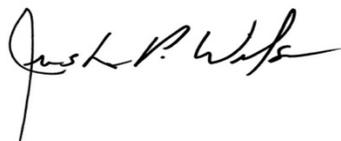
Response to Finding

Sequatchie County's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Sequatchie County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sequatchie County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 3, 2014

JPW/sb



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

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Sequatchie County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sequatchie County's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sequatchie County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Sequatchie County's compliance.

Opinion on Each Major Federal Program

In our opinion, Sequatchie County complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of Sequatchie County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sequatchie County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

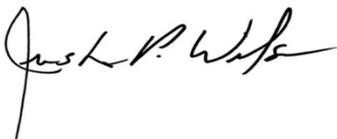
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2014, and the related notes to the financial statements, which collectively comprise Sequatchie County's basic financial statements. We issued our report thereon dated October 3, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 3, 2014

JPW/sb

Sequatchie County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

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	\$ 89,471 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	220,587
National School Lunch Program	10.555	N/A	635,990 (3)
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	45,293
Total U.S. Department of Agriculture			<u>\$ 991,341</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Donation/Loans of Obsolete DOD Property	12.700	(2)	<u>\$ 24,000</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	(2)	\$ 284,012
Passed-through Tennessee Housing Development Agency:			
HOME Investment Partnership Program	14.239	(2)	220,479
Total U.S. Department of Housing and Urban Development			<u>\$ 504,491</u>
U.S. Department of Justice:			
Passed-through State Department of Justice:			
Bulletproof Vest Partnership Program	16.607	(2)	<u>\$ 13,153</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Open Alcohol Container Requirements	20.607	(2)	<u>\$ 24,685</u>
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	<u>\$ 2,100</u>
Tennessee Valley Authority:			
Direct Program:			
Nuclear Emergency Preparedness	62.XXX	N/A	<u>\$ 5,630</u>
U.S. Department of Education:			
Direct Program:			
Adult Education-State Grant Program	84.002	N/A	\$ 222,058
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States (Perkins IV)	84.126	(2)	27,466
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	654,432
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	591,341
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	36,214

(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.):			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 36,401
Fund for the Improvement of Education	84.215	(2)	105,941
Twenty-first Century Community Learning Centers	84.287	(2)	108,191
Rural Education	84.358	(2)	35,725
Improving Teacher Quality State Grants	84.367	(2)	87,641
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	<u>141,395</u>
Total U.S. Department of Education			<u>\$ 2,046,805</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	<u>\$ 29,962</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	<u>\$ 32,060</u>
Total Expenditures of Federal Awards			<u>\$ 3,674,227</u>
Contract			
Number			
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 33,245
Temporary Assistance for Needy Families - State Department of Education	N/A	(2)	98,422
ThreeStar Grant Program - State Department of Economic and Community Development	N/A	(2)	7,468
Coordinated School Health - State Department of Education	N/A	(2)	94,997
Energy Efficient Schools Initiative Grant - State Energy Efficient Schools Initiative	N/A	(2)	8,850
Art Student Ticket Subsidy - State Art Commission	N/A	(2)	4,250
ConnecTenn - State Department of Education	N/A	(2)	6,609
Safe Schools - State Department of Education	N/A	(2)	14,200
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	14,940
Rural Local Health Services - State Department of Health	N/A	(2)	98,445
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>7,787</u>
Total State Grants			<u>\$ 389,213</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 \$725,461.

Sequatchie County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-001	144	The General and Ambulance Service funds required material audit adjustments for proper financial statement presentation
2013-006	148	The office had deficiencies related to credit card disbursements
2013-008	149	Numerous misclassifications were noted in the accounting records

OFFICE OF HIGHWAY SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-017	156	Duties were not segregated adequately

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2013-016	155	The office did not deposit some funds within three days of collection

SEQUATCHIE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Sequatchie County is unmodified.
2. The audit of the financial statements of Sequatchie County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Sequatchie County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified 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); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) 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 sheriff provided a written response, which is paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 2014-001 **THE GENERAL, AMBULANCE SERVICE, AND GENERAL DEBT SERVICE FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2014, certain general ledger account balances in the General, Ambulance Service, and General Debt Service funds were not materially correct. Audit adjustments totaling \$337,687 (General), \$2,164,486 (Ambulance Service), and \$230,222 (General Debt Service) were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Sequatchie County to have adequate 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 has 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. These deficiencies are the result of management's failure to correct the finding noted in the prior-year audit report. 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 2014-002 **THE GENERAL FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

The General Fund had a deficit in unassigned fund balance of \$181,272 at June 30, 2014. The fund deficit resulted from improperly disbursing restricted revenues for unrestricted general expenditures. Generally accepted accounting principles dictate that expenditures be properly coded in the accounting records, and expenditures should be held within available funding. This deficiency is the result of a lack of management oversight.

RECOMMENDATION

Officials should liquidate the deficit in unassigned fund balance. Restricted revenues should not be disbursed for unrestricted general expenditures. Expenditures should be held with available funding.

FINDING 2014-003

GENERAL DEBT SERVICE FUND REVENUES WERE IMPROPERLY TRANSFERRED TO THE GENERAL FUND

(Material Noncompliance Under *Government Auditing Standards*)

During the year, the county received approval from the Comptroller's Office of State and Local Finance to issue interfund tax and revenue anticipation notes totaling \$600,000 for the General Fund from the General Purpose School Fund. Subsequently, the General Fund repaid the \$600,000 to the General Purpose School Fund; however, in order to have sufficient cash for this repayment, the county improperly transferred \$200,000 from the General Debt Service Fund to the General Fund. This \$200,000 transfer of General Debt Service Fund revenues is an improper use of restricted funds. The General Debt Service Fund's primary revenue source is property taxes established solely for the purpose of accumulating resources for the payment of long-term general obligation debt. The repayment of tax and revenue anticipation notes does not constitute long-term general obligation debt.

The state attorney general has opined that tax funds raised for one purpose, such as debt service, cannot be used for other purposes. In opinion number U80-13, the state attorney general quoted the case Kennedy v. Montgomery County, which states, "The taxpayers of every county have the right to know for what purpose they are being taxed, and also to know that taxes collected from them for any specific purpose are applied to such purpose, and not to some other at the discretion of the county officials, and according to their ideas of public policy or expediency."

We have reflected this \$200,000 transaction as Due to the General Debt Service Fund in the financial statements of the General Fund and a Due from the General Fund in the financial statements of the General Debt Service Fund at June 30, 2014.

RECOMMENDATION

The General Fund should repay the \$200,000 improper transfer of restricted funds to the General Debt Service Fund. General Debt Service Fund revenues should only be used for the payment long-term general obligation debt in accordance with the purpose for which the taxes were levied. The county should contact the Office of State and Local Finance if it is unable to immediately repay the improper transfer.

FINDING 2014-004

THE OFFICE HAD DEFICIENCIES RELATED TO CREDIT CARD TRANSACTIONS

(A. and B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; C. – Noncompliance Under *Government Auditing Standards*)

During our examination of expenditures, we noted the following deficiencies related to credit card transactions, which were the result of the failure of management to correct the deficiencies noted in the prior-year audit report.

- A. We noted seven credit card disbursements without detailed invoices to document the goods and/or services purchased. Without adequate supporting documentation, we cannot determine if the disbursements were for the benefit of the county.
- B. Purchase orders were not issued for six credit card purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. The failure to issue purchase orders increases the risks of unauthorized purchases.
- C. As part of the travel expenses charged to the credit card, we noted five disbursements to restaurants located within the county. We also noted seven disbursements to restaurants supported by invoices that reflected meals for multiple individuals without any documentation of who was present or the business purpose for the meal. Also, one invoice included charges for alcoholic beverages. The county's travel policy requires detailed documentation for employee meal reimbursements and does not provide for reimbursements for alcoholic beverages. Also, the policy only provides for travel reimbursements for county employees on out-of-town travel status.

RECOMMENDATION

Credit card purchases should be supported with adequate detailed documentation. Purchase orders should be issued in all applicable instances. Reimbursements for employee travel expenses should only be paid in compliance with the county's travel policy.

FINDING 2014-005

NUMEROUS MISCLASSIFICATIONS WERE NOTED IN THE ACCOUNTING RECORDS

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our audit disclosed the following misclassifications in the accounting records:

- A. The accounts for Due from/to Other Funds and the accounts for Transfers In/Out did not reconcile. At June 30, 2014, records for the general ledger account Due from Other Funds totaled \$122,371 in the General Fund and \$136,522 in the General Capital Projects Fund; however, there were no

corresponding amounts reported as Due to Other Funds in any other funds. Furthermore, the account Transfers In totaled \$637,843 for all funds combined; however, the only corresponding account for Transfers Out totaled \$178,950 in the General Fund.

- B. The county improperly adjusted 14 revenue accounts to establish restrictions in fund balances in the general ledger at year-end instead of adjusting equity accounts. Five of these revenue accounts reported negative balances per record at year-end, and the reported revenues in all 14 accounts were misstated. Adjustments to reclassify equity on the balance sheet should be adjusted within the equity accounts instead of against revenue accounts.
- C. As part of our analysis of the water line grant disbursements in the General Capital Projects Fund, we noted expenditures of \$284,012 charged to county buildings and administration of justice projects instead of water line projects.
- D. The repayment of tax anticipation notes totaling \$600,000 was improperly posted directly to fund equity instead of reducing a liability account. Also, the improper \$200,000 transfer from the General Debt Service Fund to the General Fund was posted directly to fund equity instead of to Transfer In/Out accounts.
- E. The county posted drug court expenditures of \$11,921 as a reduction of revenues rather than to expenditure accounts, which understated both revenues and expenditures.
- F. Proceeds of \$12,000 for notes receivable recorded in the General Debt Service Fund were recorded into the General Fund when received instead of being recorded into the General Debt Service Fund.

Misclassifying general ledger accounts diminishes the usefulness of the financial records as a management tool and results in a loss of budgetary control. We presented audit adjustments to management that they approved and posted for the misclassifications noted during our examination to properly present the financial statements. These deficiencies were the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All transactions should be posted to the correct fund and properly classified in the accounting records to reflect the true nature of the transactions.

OFFICE OF HIGHWAY SUPERVISOR

FINDING 2014-006

DUTIES WERE NOT SEGREGATED ADEQUATELY

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the official and employees in the Office of Highway Supervisor. The official 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 the highway supervisor failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The highway supervisor should segregate duties to the extent possible using available resources.

OFFICE OF SHERIFF

FINDING 2014-007

THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected four deposits to reconcile receipts with deposits. The Sheriff's Department did not deposit three of the four deposits examined to the office bank account within three days of collection. Receipts were deposited to the bank account from eight to 13 days after collection. 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.

MANAGEMENT'S RESPONSE – SHERIFF

Prior to the completion of the audit, the Sheriff's Department instituted a policy of depositing funds on Monday, Wednesday, and Friday to ensure deposits are made in compliance with the state statute. With the combined effort of the county's finance person and the sheriff's administrative assistant, the dual control over the drop box has been reinstated, and deposits have been made within the guidelines set before the department.

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

There were no findings and questioned costs for federal programs.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below 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.

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. 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.

SEQUATCHIE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014

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