# ANNUAL FINANCIAL REPORT

# SEQUATCHIE COUNTY, TENNESSEE

## FOR THE YEAR ENDED JUNE 30, 2012

TENNESSEE
COMPTROLLER
OF THE TREASURY

# ANNUAL FINANCIAL REPORT

# SEQUATCHIE COUNTY, TENNESSEE

# FOR THE YEAR ENDED JUNE 30, 2012


***COMPTROLLER OF THE TREASURY***
***JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT***
***JAMES R. ARNETTE***
***Director***

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

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

***MELODIE HODGES, CFE***
***JENI PALADENI***
***State Auditors***


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

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# *Audit Highlights*

Annual Financial Report
Sequatchie County, Tennessee
For the Year Ended June 30, 2012

## *Scope*

We have audited the financial statements of Sequatchie County as of and for the year ended June 30, 2012.

## *Results*

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

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

## *Findings and Best Practice*

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

### OFFICE OF COUNTY EXECUTIVE

- Unauthorized payroll checks were issued from the litter grant.
- The office had deficiencies in budget operations.
- Deficiencies were noted related to credit card disbursements.
- Deficiencies were noted in the administration of payroll records.

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### OFFICE OF HIGHWAY SUPERVISOR

- The actual fund balance exceeded the estimated beginning fund balance by a material amount.

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

- Multiple employees operated from the same cash drawer.

---

## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- Execution docket trial balances were not reconciled with general ledger accounts.

---

## OFFICE OF SHERIFF

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

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## OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERVISOR, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND SHERIFF

- Duties were not segregated adequately.

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## BEST PRACTICE

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

# INTRODUCTORY SECTION

# Sequatchie County Officials
June 30, 2012

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**Officials**

Claude Lewis, County Executive
Tommy Sims, Highway Supervisor
Johnny Cordell, Director of Schools
Larry Lockhart, Trustee
James Condra, Assessor of Property
Charlotte Cagle, County Clerk
Karen Millsaps, Circuit and General Sessions Courts Clerk
Thomas Goins, Clerk and Master
Connie Green, Register
Ronnie Hitchcock, Sheriff

**Board of County Commissioners**

Tommy Johnson, Chairman
Raymond Curtis Albright
Jeff Barger
David Cartwright
Brian Farley
Bryan Harmon
Richard Harvey
Ray Hobbs
Clint Huth
Denise Kell
Ronnie Land
Phillip Martin
Winston Pickett
Paul Powell
Carolyn Sims
Don Walker

**Board of Education**

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

**Audit Committee**

Kurt Wissehr, Chairman
Larry Hare
Denise Kell
Wendell Spicer

# 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

October 10, 2012

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Sequatchie County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sequatchie County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Sequatchie County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Sequatchie County, Tennessee, at June 30, 2012, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2012, on our consideration of Sequatchie County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

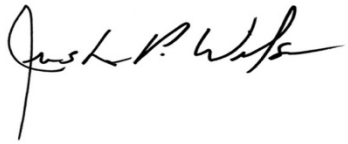
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required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

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 59 through 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sequatchie County's financial statements as a whole. The introductory section, 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 financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and the miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb

# Basic Financial Statements

Exhibit A

Sequatchie County, Tennessee
Statement of Net Assets
June 30, 2012

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Sequatchie County School Department |
| **ASSETS** | | |
| Cash | $ 500 | $ 2,896 |
| Equity in Pooled Cash and Investments | 1,434,766 | 11,730,804 |
| Accounts Receivable | 3,259,179 | 22,801 |
| Allowance for Uncollectibles | (2,085,777) | 0 |
| Due from Other Governments | 375,987 | 512,435 |
| Property Taxes Receivable | 3,589,442 | 2,941,981 |
| Allowance for Uncollectible Property Taxes | (210,565) | (172,584) |
| Notes Receivable - Long-term | 18,222 | 0 |
| Deferred Charges - Debt Issuance Costs | 0 | 19,838 |
| Capital Assets: | | |
| Assets Not Depreciated: | | |
| Land | 432,665 | 1,256,649 |
| Construction in Progress | 0 | 820,470 |
| Assets Net of Accumulated Depreciation: | | |
| Buildings and Improvements | 8,363,328 | 18,532,570 |
| Other Capital Assets | 464,593 | 697,929 |
| Infrastructure | 1,948,845 | 361,375 |
| Total Assets | $ 17,591,185 | $ 36,727,164 |
| **LIABILITIES** | | |
| Accounts Payable | $ 34,943 | $ 5,900 |
| Payroll Deductions Payable | 0 | 519,497 |
| Accrued Interest Payable | 3,186 | 58,640 |
| Deferred Revenue - Current Property Taxes | 3,164,636 | 2,593,801 |
| Noncurrent Liabilities: | | |
| Due Within One Year | 244,667 | 1,015,000 |
| Due in More Than One Year | 5,224,611 | 3,387,564 |
| Total Liabilities | $ 8,672,043 | $ 7,580,402 |

(Continued)

Exhibit A

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

| | Primary Government | Component Unit |
|---|---|---|
| | Governmental Activities | Sequatchie County School Department |
| NET ASSETS | | |
| Invested in Capital Assets, Net of Related Debt | $ 5,814,764 | $ 17,574,452 |
| Restricted for: | | |
| Solid Waste/Sanitation | 95,847 | 0 |
| Ambulance Service | 1,176,151 | 0 |
| Drug Control | 19,680 | 0 |
| Highway/Public Works | 672,261 | 0 |
| Basic Education Program | 0 | 7,605,410 |
| School Federal Projects | 0 | 303,472 |
| Central Cafeteria | 0 | 316,496 |
| Debt Service | 345,614 | 0 |
| Capital Projects | 41,263 | 2,116,271 |
| Other Purposes | 275,577 | 0 |
| Unrestricted | 477,985 | 1,230,661 |
| Total Net Assets | $ 8,919,142 | $ 29,146,762 |

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, 2012

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total Governmental Activities | Net (Expense) Revenue and Changes in Net Assets: Component Unit: Sequatchie County School Department |
|---|---|---|---|---|---|---|
| Primary Government: | | | | | | |
| Governmental Activities: | | | | | | |
| General Government | $ 946,187 | $ 97,663 | $ 41,715 | $ 4,000 | $ (802,809) | $ 0 |
| Finance | 564,065 | 374,892 | 0 | 0 | (189,173) | 0 |
| Administration of Justice | 496,089 | 320,099 | 27,290 | 0 | (148,700) | 0 |
| Public Safety | 2,528,222 | 757,785 | 72,623 | 0 | (1,697,814) | 0 |
| Public Health and Welfare | 1,467,862 | 479,134 | 131,435 | 62,117 | (795,176) | 0 |
| Social, Cultural, and Recreational Services | 190,985 | 3,303 | 0 | 2,042 | (185,640) | 0 |
| Agriculture and Natural Resources | 69,654 | 0 | 0 | 0 | (69,654) | 0 |
| Other Operations | 333,859 | 48,034 | 0 | 0 | (285,825) | 0 |
| Highways/Public Works | 1,276,180 | 0 | 1,385,273 | 0 | 109,093 | 0 |
| Interest on Long-term Debt | 24,374 | 0 | 0 | 0 | (24,374) | 0 |
| Other Debt Service | 39,012 | 0 | 0 | 0 | (39,012) | 0 |
| Total Primary Government | $ 7,936,489 | $ 2,080,910 | $ 1,658,336 | $ 68,159 | $ (4,129,084) | $ 0 |
| Component Unit: | | | | | | |
| Sequatchie County School Department | $ 17,760,753 | $ 374,184 | $ 3,295,877 | $ 0 | $ 0 | $ (14,090,692) |
| Total Component Unit | $ 17,760,753 | $ 374,184 | $ 3,295,877 | $ 0 | $ 0 | $ (14,090,692) |

(Continued)

Exhibit B

Sequatchie County, Tennessee
Statement of Activities (Cont.)

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total Governmental Activities | Net (Expense) Revenue and Changes in Net Assets: Component Unit: Sequatchie County School Department |
|---|---|---|---|---|---|---|
| General Revenues: | | | | | | |
| Taxes: | | | | | | |
| Property Taxes Levied for General Purposes | | | | | $ 2,495,680 | $ 2,706,097 |
| Property Taxes Levied for Debt Service | | | | | 443,614 | 0 |
| Property Taxes Levied for Solid Waste | | | | | 338,362 | 0 |
| Local Option Sales Taxes | | | | | 250,119 | 1,611,828 |
| Hotel/Motel Tax | | | | | 13,829 | 0 |
| Litigation Tax - General | | | | | 44,485 | 0 |
| Litigation Tax - Special Purpose | | | | | 17,092 | 0 |
| Litigation Tax - Jail, Workhouse, or Courthouse | | | | | 12,469 | 0 |
| Business Tax | | | | | 86,701 | 0 |
| Wholesale Beer Tax | | | | | 66,896 | 0 |
| Other Local Taxes | | | | | 537 | 816 |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 342,277 | 12,385,112 |
| Unrestricted Investment Earnings | | | | | 37,284 | 37,501 |
| Miscellaneous | | | | | 12,856 | 51,739 |
| Sale of Non-Capital Assets | | | | | 50,980 | 0 |
| Total General Revenues | | | | | $ 4,213,181 | $ 16,793,093 |
| Change in Net Assets | | | | | $ 84,097 | $ 2,702,401 |
| Net Assets, July 1, 2011 | | | | | 9,010,503 | 26,444,361 |
| Prior-period Adjustment | | | | | (175,458) | 0 |
| Net Assets, June 30, 2012 | | | | | $ 8,919,142 | $ 29,146,762 |

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, 2012

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Govern-mental Funds |
| **ASSETS** | | | | | | |
| Cash | $ 0 | $ 0 | $ 0 | $ 0 | $ 500 | $ 500 |
| Equity in Pooled Cash and Investments | 504,300 | 11,848 | 443,617 | 301,412 | 173,589 | 1,434,766 |
| Accounts Receivable | 2,939 | 3,252,434 | 1,310 | 0 | 2,496 | 3,259,179 |
| Allowance for Uncollectibles | 0 | (2,085,777) | 0 | 0 | 0 | (2,085,777) |
| Due from Other Governments | 126,087 | 0 | 234,522 | 0 | 15,378 | 375,987 |
| Due from Other Funds | 692 | 0 | 0 | 0 | 0 | 692 |
| Property Taxes Receivable | 2,734,304 | 0 | 0 | 488,650 | 366,488 | 3,589,442 |
| Allowance for Uncollectible Property Taxes | (160,401) | 0 | 0 | (28,665) | (21,499) | (210,565) |
| Notes Receivable - Current | 0 | 0 | 0 | 18,222 | 0 | 18,222 |
| Total Assets | $ 3,207,921 | $ 1,178,505 | $ 679,449 | $ 779,619 | $ 536,952 | $ 6,382,446 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | $ 19,046 | $ 2,354 | $ 7,188 | $ 0 | $ 6,355 | $ 34,943 |
| Due to Other Funds | 0 | 0 | 0 | 0 | 692 | 692 |
| Deferred Revenue - Current Property Taxes | 2,410,702 | 0 | 0 | 430,819 | 323,115 | 3,164,636 |
| Deferred Revenue - Delinquent Property Taxes | 156,201 | 0 | 0 | 27,666 | 20,874 | 204,741 |
| Other Deferred Revenues | 23,350 | 1,130,533 | 115,761 | 0 | 0 | 1,269,644 |
| Total Liabilities | $ 2,609,299 | $ 1,132,887 | $ 122,949 | $ 458,485 | $ 351,036 | $ 4,674,656 |
| Fund Balances | | | | | | |
| Restricted: | | | | | | |
| Restricted for General Government | $ 43,188 | $ 0 | $ 0 | $ 0 | $ 0 | $ 43,188 |
| Restricted for Finance | 25,690 | 0 | 0 | 0 | 0 | 25,690 |
| Restricted for Administration of Justice | 127,137 | 0 | 0 | 0 | 0 | 127,137 |
| Restricted for Public Safety | 1,045 | 0 | 0 | 0 | 19,680 | 20,725 |

(Continued)

Exhibit C-1

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

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Govern-mental Funds |
| LIABILITIES AND FUND BALANCES (CONT.) | | | | | | |
| Fund Balances (Cont.) | | | | | | |
| Restricted (Cont.): | | | | | | |
| Restricted for Public Health and Welfare | $ 28,517 | $ 0 | $ 0 | $ 0 | $ 74,973 | $ 103,490 |
| Restricted for Highways/Public Works | 0 | 0 | 556,500 | 0 | 0 | 556,500 |
| Restricted for Capital Outlay | 38,000 | 0 | 0 | 0 | 41,263 | 79,263 |
| Restricted for Debt Service | 0 | 0 | 0 | 321,134 | 0 | 321,134 |
| Committed: | | | | | | |
| Committed for Public Health and Welfare | 0 | 45,618 | 0 | 0 | 0 | 45,618 |
| Committed for Other Purposes | 0 | 0 | 0 | 0 | 50,000 | 50,000 |
| Unassigned | 335,045 | 0 | 0 | 0 | 0 | 335,045 |
| Total Fund Balances | $ 598,622 | $ 45,618 | $ 556,500 | $ 321,134 | $ 185,916 | $ 1,707,790 |
| Total Liabilities and Fund Balances | $ 3,207,921 | $ 1,178,505 | $ 679,449 | $ 779,619 | $ 536,952 | $ 6,382,446 |

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

Exhibit C-2

Sequatchie County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2012

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

| | | |
|---|---|---|
| Total fund balances - balance sheet - governmental funds (Exhibit C-1) | | $ 1,707,790 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | |
| Add: land | $ 432,665 | |
| Add: buildings and improvements net of accumulated depreciation | 8,363,328 | |
| Add: infrastructure net of accumulated depreciation | 1,948,845 | |
| Add: other capital assets net of accumulated depreciation | 464,593 | 11,209,431 |
| (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 | $ (118,667) | |
| Less: other loan payable | (5,276,000) | |
| Less: accrued interest on notes | (3,186) | |
| Less: other postemployment benefits liability | (74,611) | (5,472,464) |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | 1,474,385 |
| Net assets of governmental activities (Exhibit A) | | $ 8,919,142 |

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, 2012

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| Revenues | | | | | | |
| Local Taxes | $ 2,986,894 | $ 0 | $ 0 | $ 450,875 | $ 338,149 | $ 3,775,918 |
| Licenses and Permits | 34,578 | 0 | 0 | 0 | 0 | 34,578 |
| Fines, Forfeitures, and Penalties | 76,015 | 0 | 0 | 0 | 38,041 | 114,056 |
| Charges for Current Services | 32,647 | 604,944 | 0 | 0 | 4,512 | 642,103 |
| Other Local Revenues | 87,524 | 34 | 7,420 | 15,875 | 18,454 | 129,307 |
| Fees Received from County Officials | 662,297 | 0 | 0 | 0 | 0 | 662,297 |
| State of Tennessee | 1,140,135 | 0 | 1,370,273 | 27,460 | 49,706 | 2,587,574 |
| Federal Government | 99,279 | 0 | 25,928 | 0 | 7,723 | 132,930 |
| Other Governments and Citizens Groups | 27,917 | 0 | 0 | 0 | 0 | 27,917 |
| Total Revenues | $ 5,147,286 | $ 604,978 | $ 1,403,621 | $ 494,210 | $ 456,585 | $ 8,106,680 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | $ 867,670 | $ 0 | $ 0 | $ 0 | $ 26,275 | $ 893,945 |
| Finance | 557,233 | 0 | 0 | 0 | 4,466 | 561,699 |
| Administration of Justice | 496,043 | 0 | 0 | 0 | 46 | 496,089 |
| Public Safety | 2,352,462 | 0 | 0 | 0 | 79,795 | 2,432,257 |
| Public Health and Welfare | 130,950 | 807,999 | 0 | 0 | 439,688 | 1,378,637 |
| Social, Cultural, and Recreational Services | 170,231 | 0 | 0 | 0 | 0 | 170,231 |
| Agriculture and Natural Resources | 65,904 | 0 | 0 | 0 | 0 | 65,904 |
| Other Operations | 242,596 | 0 | 0 | 0 | 91,263 | 333,859 |
| Highways | 0 | 0 | 1,220,818 | 0 | 0 | 1,220,818 |
| Debt Service: | | | | | | |
| Principal on Debt | 0 | 0 | 23,333 | 554,667 | 0 | 578,000 |
| Interest on Debt | 0 | 0 | 3,722 | 24,307 | 0 | 28,029 |
| Other Debt Service | 0 | 0 | 0 | 39,012 | 0 | 39,012 |
| Total Expenditures | $ 4,883,089 | $ 807,999 | $ 1,247,873 | $ 617,986 | $ 641,533 | $ 8,198,480 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 264,197 | $ (203,021) | $ 155,748 | $ (123,776) | $ (184,948) | $ (91,800) |

(Continued)

Exhibit C-3

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

| | Major Funds | | | | Nonmajor Funds | |
|---|---|---|---|---|---|---|
| | General | Ambulance Service | Highway / Public Works | General Debt Service | Other Govern-mental Funds | Total Governmental Funds |
| Other Financing Sources (Uses) | | | | | | |
| Notes Issued | $ 98,000 | $ 0 | $ 0 | $ 0 | $ 90,000 | $ 188,000 |
| Transfers In | 0 | 182,000 | 0 | 0 | 100,000 | 282,000 |
| Transfers Out | (182,000) | 0 | 0 | (100,000) | 0 | (282,000) |
| Total Other Financing Sources (Uses) | $ (84,000) | $ 182,000 | $ 0 | $ (100,000) | $ 190,000 | $ 188,000 |
| Net Change in Fund Balances | $ 180,197 | $ (21,021) | $ 155,748 | $ (223,776) | $ 5,052 | $ 96,200 |
| Fund Balance, July 1, 2011 | 418,425 | 66,639 | 400,752 | 544,910 | 180,864 | 1,611,590 |
| Fund Balance, June 30, 2012 | $ 598,622 | $ 45,618 | $ 556,500 | $ 321,134 | $ 185,916 | $ 1,707,790 |

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, 2012

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) | | $ 96,200 |
| (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 | $ 158,865 | |
| Less: current-year depreciation expense | (454,022) | (295,157) |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds. | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2012 | $ 1,474,385 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2011 | (1,560,479) | (86,094) |
| (3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: | | |
| Less: note proceeds | $ (188,000) | |
| Add: principal payments on notes | 387,000 | |
| Add: principal payments on other loan | 191,000 | 390,000 |
| (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Change in accrued interest payable | $ 3,655 | |
| Change in other postemployment benefits liability | (24,507) | (20,852) |
| Change in net assets of governmental activities (Exhibit B) | | $ 84,097 |

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, 2012

| | Agency Funds |
|---|---|
| **ASSETS** | |
| Cash | $ 713,325 |
| Due from Other Governments | 60,000 |
| Cash Shortage | 7,793 |
| Total Assets | $ 781,118 |
| **LIABILITIES** | |
| Due to Other Taxing Units | $ 60,000 |
| Due to Litigants, Heirs, and Others | 721,118 |
| Total Liabilities | $ 781,118 |

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. Reporting Entity

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

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

The Sequatchie County School Department operates the public school system in the county, and the voters of Sequatchie County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Sequatchie County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Sequatchie County, and the County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Sequatchie County Emergency Communications District were not available from other auditors in time for inclusion in this report. The Sequatchie County Emergency Communications District has been declared financially distressed by the Tennessee Emergency Communications Board (TECB) because it has had a negative change in net assets for four consecutive years (2008, 2009, 2010, and 2011). Being

financially distressed causes the district to be subject to the TECB's supervision and evaluation in order to eliminate the distressed status.

The Sequatchie County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Sequatchie County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Sequatchie County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Sequatchie County Emergency
Communications District
426 Cedar Street
Dunlap, TN 37327

## B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Sequatchie County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Sequatchie County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Sequatchie County issues all debt for the discretely presented Sequatchie County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

Fund financial statements of Sequatchie County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. 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 funds:

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

**School Federal Projects Fund** – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

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

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

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

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

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

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

### 1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Sequatchie County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the School Department's General Purpose School Fund and the primary government's General and General Debt Service funds. Sequatchie County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

**2. <u>Receivables and Payables</u>**

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 3.22 percent of total taxes levied.

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

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

an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

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

## 3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Primary Government: | |
| Buildings and Improvements | 7 - 40 |
| Other Capital Assets | 5 - 30 |
| Infrastructure: | |
| Roads | 20 - 50 |
| Bridges | 30 - 50 |
| Discretely Presented | |
| School Department: | |
| Buildings and Improvements | 20 - 50 |
| Other Capital Assets | 10 - 20 |
| Infrastructure | 10 - 20 |

## 4. Compensated Absences

### Primary Government

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

### Discretely Presented Sequatchie County School Department

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end. 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.

## 5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

**6. Net Assets and Fund Equity**

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

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

b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling $275,577, with the primary restrictions being for: (1) reappraisal funds ($25,690), (2) computer systems for various offices ($60,313), (3) courtroom security ($104,649), (4) drug and alcohol treatment ($28,517), (5) industrial development ($50,000), and (6) drug court ($6,408).

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's Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

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

### 7. Prior-period Adjustments

A prior-period adjustment totaling $175,458 was recognized in the Statement of Activities to reduce capital assets that were overstated at July 1, 2011.

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

### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets

**Primary Government**

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

**Discretely Presented Sequatchie County School Department**

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

**B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities**

**Primary Government**

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

**Discretely Presented Sequatchie County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

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

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

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

categories. During the year, several supplementary appropriations were necessary.

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

## B. Cash Shortages - Prior Years

The audit of Sequatchie County for the 2006-07 year reported a cash shortage of $8,669 in the commissary operation at the Sheriff's Department. This cash shortage resulted from commissary receipts not being deposited to the official bank account or otherwise accounted for properly. On December 18, 2008, a former employee entered into a pretrial diversion agreement on charges related to this cash shortage and has agreed to pay restitution of $8,551.26. The difference of $117.74 ($8,669-$8,551.26) between the original shortage amount and the agreed to restitution amount was written-off. The county received restitution of $150 during the 2010-11 year leaving a balance of $7,793.26 at June 30, 2012.

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. Restitution of $50 was received during the 2011-12 year, leaving a balance of $310 at June 30, 2012.

## C. Unauthorized Payroll Checks Were Issued From the Litter Grant

From January 25, 2012, through March 21, 2012, the bookkeeper issued herself three checks totaling $1,350 from the litter grant without authorization from the county executive and coded these expenditures to the truck driver line-item account code. Auditors advised the county executive of these unauthorized payroll disbursements on May 5, 2012, and the bookkeeper reimbursed the county on July 17, 2012.

## D. Actual Beginning Fund Balances Exceeded Estimated Beginning Fund Balances by Material Amounts

The Ambulance Service, Highway/Public Works, and General Debt Service funds' actual beginning fund balances at July 1, 2011, exceeded the estimated beginning fund balances presented to the County Commission by the amounts noted below.

| Fund | Actual Fund Balance 7-1-11 | Estimated Fund Balance 7-1-11 | Variance |
|---|---|---|---|
| Ambulance Service | $ 66,639 | $ 12,444 | $ 54,195 |
| General Debt Service | 544,910 | 485,957 | 58,953 |
| Highway/Public Works | 400,752 | 240,004 | 160,748 |

### E. Appropriations Exceeded Estimated Available Funds in the Drug Control Fund

The budget and subsequent amendments submitted to and approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funding by $8,469. Sound budgetary principles dictate that appropriations be held within estimated available funding.

## IV. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

Sequatchie County and the Sequatchie County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

#### Deposits

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with

collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

## Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2012, Sequatchie County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Sequatchie County and the discretely presented Sequatchie County School Department since both pool their deposits and investments through the county trustee.

| Investment | Maturities | | Cost |
|---|---|---|---|
| State Treasurer's Investment Pool | Daily | $ | 2,036,888 |

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Sequatchie County has no investment policy that would further limit its investment choices. As of

June 30, 2012, Sequatchie County's investment in the State Treasurer's Investment Pool was unrated.

## B. Notes Receivable

Notes receivable of $18,222 in the General Debt Service Fund resulted from the county entering into a contract with SP Acquisition, Corp., to reimburse the county for costs related to roofing the medical center owned by the county and leased by the corporation. The amount of the notes that is expected to be collected within one year is $18,222.

## C. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

**Primary Government**

**Governmental Activities:**

| | * Restated Balance 7-1-11 | Increases | Balance 6-30-12 |
|---|---|---|---|
| Capital Assets Not Depreciated: | | | |
| Land | $ 432,665 | $ 0 | $ 432,665 |
| Total Capital Assets Not Depreciated | $ 432,665 | $ 0 | $ 432,665 |
| Capital Assets Depreciated: | | | |
| Buildings and Improvements | $ 11,259,130 | $ 0 | $ 11,259,130 |
| Infrastructure | 14,263,210 | 31,867 | 14,295,077 |
| Other Capital Assets | 2,343,453 | 126,998 | 2,470,451 |
| Total Capital Assets Depreciated | $ 27,865,793 | $ 158,865 | $ 28,024,658 |
| Less Accumulated Depreciation For: | | | |
| Buildings and Improvements | $ 2,618,358 | $ 277,444 | $ 2,895,802 |
| Infrastructure | 12,291,635 | 54,597 | 12,346,232 |
| Other Capital Assets | 1,883,877 | 121,981 | 2,005,858 |
| Total Accumulated Depreciation | $ 16,793,870 | $ 454,022 | $ 17,247,892 |
| Total Capital Assets Depreciated, Net | $ 11,071,923 | $ (295,157) | $ 10,776,766 |

**Governmental Activities (Cont.):**

| | * Restated Balance 7-1-11 | Increases | Balance 6-30-12 |
|---|---|---|---|
| Total Capital Assets Depreciated, Net | $ 11,071,923 | $ (295,157) | $ 10,776,766 |
| Governmental Activities Capital Assets, Net | $ 11,504,588 | $ (295,157) | $ 11,209,431 |

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

There were no decreases in capital assets to report during the year ended June 30, 2012.

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

**Governmental Activities:**

| | |
|---|---|
| General Administration | $ 27,735 |
| Finance | 2,366 |
| Public Safety | 242,830 |
| Public Health and Welfare | 89,225 |
| Social, Cultural, and Recreational | 20,754 |
| Agriculture and Natural Resources | 3,750 |
| Highways/Public Works | 67,362 |
| Total Depreciation Expense - Governmental Activities | $ 454,022 |

**Discretely Presented Sequatchie County School Department**

**Governmental Activities:**

| | Balance 7-1-11 | Increases | Balance 6-30-12 |
|---|---|---|---|
| Capital Assets Not Depreciated: | | | |
| Land | $ 1,256,649 | $ 0 | $ 1,256,649 |
| Construction in Progress | 807,207 | 13,263 | 820,470 |
| Total Capital Assets Not Depreciated | $ 2,063,856 | $ 13,263 | $ 2,077,119 |

**Governmental Activities (Cont.):**

| | Balance 7-1-11 | Increases | Balance 6-30-12 |
|---|---|---|---|
| Capital Assets Depreciated: | | | |
| Buildings and Improvements | $ 27,184,959 | $ 255,400 | $ 27,440,359 |
| Infrastructure | 797,282 | 33,100 | 830,382 |
| Other Capital Assets | 2,824,370 | 82,956 | 2,907,326 |
| Total Capital Assets Depreciated | $ 30,806,611 | $ 371,456 | $ 31,178,067 |
| Less Accumulated Depreciation For: | | | |
| Buildings and Improvements | $ 8,333,297 | $ 574,492 | $ 8,907,789 |
| Infrastructure | 435,765 | 33,242 | 469,007 |
| Other Capital Assets | 2,098,584 | 110,813 | 2,209,397 |
| Total Accumulated Depreciation | $ 10,867,646 | $ 718,547 | $ 11,586,193 |
| Total Capital Assets Depreciated, Net | $ 19,938,965 | $ (347,091) | $ 19,591,874 |
| Governmental Activities Capital Assets, Net | $ 22,002,821 | $ (333,828) | $ 21,668,993 |

There were no decreases in capital assets to report during the year ended June 30, 2012.

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

**Governmental Activities:**

| | |
|---|---|
| Instruction | $ 556,833 |
| Support Services | 111,706 |
| Operation of Non-Instructional Services | 50,008 |
| Total Depreciation Expense - Governmental Activities | $ 718,547 |

## D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

**Due to/from Other Funds:**

| Receivable Fund | Payable Fund | Amount |
|---|---|---|
| Primary Government: | | |
| General | Nonmajor governmental | $ 692 |

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2012, consisted of the following amounts:

**Primary Government**

| | Transfers In | |
|---|---|---|
| Transfers Out | Ambulance Service Fund | Nonmajor Governmental Funds |
| General Fund | $ 182,000 | $ 0 |
| General Debt Service Fund | 0 | 100,000 |
| Total | $ 182,000 | $ 100,000 |

**Discretely Presented Sequatchie County School Department**

| | Transfers In | |
|---|---|---|
| Transfers Out | General Purpose School Fund | Nonmajor Governmental Funds |
| General Purpose School Fund | $ 0 | $ 3,261 |
| School Federal Projects Fund | 33,489 | 0 |
| Nonmajor governmental funds | 52,906 | 0 |
| Total | $ 86,395 | $ 3,261 |

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

The county made a one-time transfer of $100,000 from the General Debt Service Fund to the General Capital Projects Fund for industrial development projects. The remaining balance of these funds was committed in the General Capital Projects Fund.

## E. Long-term Debt

### Primary Government

Notes and Other Loans

The county issues other loans to provide funds for the acquisition and construction of major capital facilities. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to six years for notes and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes included in long-term debt as of June 30, 2012, will be retired from the General Debt Service and Highway/Public Works funds, and other loans will be retired from the General Debt Service Fund.

Capital outlay notes and other loans outstanding as of June 30, 2012, for governmental activities are as follows:

| Type | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-12 |
|---|---|---|---|---|
| Capital Outlay Notes | 2.75 to 3.19 % | 7-29-15 | $ 216,000 | $ 118,667 |
| Other Loans | Variable | 5-25-32 | 6,500,000 | 5,276,000 |

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, 2012, the variable interest rate was .45 percent, and other fees totaled approximately .52 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal plus $1,020 (trustee) annually.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2012, including interest payments and other loan fees, are presented in the following tables:

| Year Ending June 30 | Notes | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2013 | $ 48,667 | $ 3,684 | $ 52,351 |
| 2014 | 23,334 | 2,233 | 25,567 |
| 2015 | 23,333 | 1,489 | 24,822 |
| 2016 | 23,333 | 744 | 24,077 |
| Total | $ 118,667 | $ 8,150 | $ 126,817 |

| Year Ending June 30 | Other Loan | | | |
|---|---|---|---|---|
| | Principal | Interest | Other Fees | Total |
| 2013 | $ 196,000 | $ 21,240 | $ 32,644 | $ 249,884 |
| 2014 | 202,000 | 20,358 | 31,330 | 253,688 |
| 2015 | 208,000 | 19,449 | 29,977 | 257,426 |
| 2016 | 215,000 | 18,513 | 28,584 | 262,097 |
| 2017 | 221,000 | 17,546 | 27,143 | 265,689 |
| 2018-2022 | 1,209,000 | 74,646 | 112,588 | 1,396,234 |
| 2023-2027 | 1,401,000 | 52,284 | 69,588 | 1,522,872 |
| 2028-2032 | 1,624,000 | 20,255 | 38,560 | 1,682,815 |
| Total | $ 5,276,000 | $ 244,291 | $ 370,414 | $ 5,890,705 |

There is $321,134 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and the other loan totaled $382, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

| | Notes | Other Loan |
|---|---|---|
| Balance, July 1, 2011 | $ 317,667 | $ 5,467,000 |
| Additions | 188,000 | 0 |
| Deductions | (387,000) | (191,000) |
| Balance, June 30, 2012 | $ 118,667 | $ 5,276,000 |
| Balance Due Within One Year | $ 48,667 | $ 196,000 |

| | Other Postemployment Benefits |
|---|---|
| Balance, July 1, 2011 | $ 50,104 |
| Additions | 26,877 |
| Deductions | (2,370) |
| Balance, June 30, 2012 | $ 74,611 |
| Balance Due Within One Year | $ 0 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities, June 30, 2012 | $ 5,469,278 |
| Less: Balance Due Within One Year | (244,667) |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | $ 5,224,611 |

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

**Discretely Presented Sequatchie County School Department**

General Obligation Bonds

Sequatchie County issues general obligation bonds on behalf of the School Department for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds were issued for original terms of up to 13 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2012, will be retired from the General Purpose School Fund.

General obligation bonds outstanding as of June 30, 2012, for governmental activities are as follows:

| Type | Interest Rate | Final Maturity | Original Amount of Issue | Balance 6-30-12 |
|---|---|---|---|---|
| General Obligation Bonds | 3.3 to 3.5 % | 2-1-16 | $ 2,500,000 | $ 2,500,000 |
| General Obligation Bonds - Refunding | 3 to 3.5 | 4-22-14 | 4,215,000 | 1,605,000 |

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2012, including interest payments and other loan fees, are presented in the following table:

| Year Ending June 30 | Bonds | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2013 | $ 1,015,000 | $ 141,680 | $ 1,156,680 |
| 2014 | 1,040,000 | 106,155 | 1,146,155 |
| 2015 | 1,095,000 | 70,655 | 1,165,655 |
| 2016 | 955,000 | 33,425 | 988,425 |
| Total | $ 4,105,000 | $ 351,915 | $ 4,456,915 |

Bonded debt per capita totaled $291, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Sequatchie County School Department for the year ended June 30, 2012, was as follows:

| Governmental Activities: | Bonds | Other Loans | Other Postemployment Benefits |
|---|---|---|---|
| Balance, July 1, 2011 | $ 5,090,000 | $ 2,083,143 | $ 212,869 |
| Additions | 0 | 0 | 191,476 |
| Deductions | (985,000) | (2,083,143) | (116,160) |
| Balance, June 30, 2012 | $ 4,105,000 | $ 0 | $ 288,185 |
| Balance Due Within One Year | $ 1,015,000 | $ 0 | $ 0 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---|
| Total Noncurrent Liabilities, June 30, 2012 | $ 4,393,185 |
| Less: Balance Due Within One Year | (1,015,000) |
| Less: Deferred Amount on Refunding | (7,448) |
| Add: Unamortized Premium on Debt | 16,827 |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | $ 3,387,564 |

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

## F. On-Behalf Payments – Primary Government and Discretely Presented Sequatchie County School Department

### Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Sequatchie County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2012, were $623. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

### Discretely Presented Sequatchie County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Sequatchie County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group

Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were $38,583 and $9,429, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

### G. Short-term Debt

Sequatchie County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2012, was as follows:

| | Balance 7-1-11 | Issued | Paid | Balance 6-30-12 |
|---|---|---|---|---|
| Tax Anticipation Notes | $ 0 | $ 475,000 | $ (475,000) | $ 0 |

## V. OTHER INFORMATION

### A. Risk Management

#### Primary Government

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

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

Employee Health Insurance

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

**Discretely Presented Sequatchie County School Department**

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

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

## B. Subsequent Events

On July 27, 2012, the county issued a $200,000 capital outlay note to purchase land.

On August 15, 2012, Sequatchie County issued tax anticipation notes of $350,000 for temporary operating funds.

On August 31, 2012, Claude Lewis left the Office of County Executive and was succeeded by Keith Cartwright.

On September 7, 2012, the county issued a $15,000 capital outlay note to purchase roll-off containers.

## C. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by

insurance resulting from such litigation would not materially affect the county's financial statements.

## D. Joint Ventures

The Bledsoe/Sequatchie Landfill Board operates a regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board, including the county mayor/executive and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Sequatchie County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 28.5 percent of any deficits from operation. Sequatchie County did not contribute to the operation of the board during the year examined. Complete financial statements for the Bledsoe/Sequatchie Landfill Board can be obtained from the board's administrative office at the following address:

Administrative Office:

Bledsoe/Sequatchie Landfill
P.O. Box 149
Pikeville, TN 37367

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district is composed of Rhea, Bledsoe, Franklin, Grundy, Marion, and Sequatchie counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Sequatchie County made no contributions to the DTF for the year ended June 30, 2012, 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

## E. Retirement Commitments

### Plan Description

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

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

### Funding Policy

Sequatchie County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 8.49 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### Annual Pension Cost

For the year ended June 30, 2012, the county's annual pension cost of $473,3061 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include

(a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual inflation rate, (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 post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was six years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 6-30-12 | $473,306 | 100% | $0 |
| 6-30-11 | 474,801 | 100 | 0 |
| 6-30-10 | 438,524 | 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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

**Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2012, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2012, 2011, and 2010, were $686,400, $669,330, and 483,160, respectively, equal to the required contributions for each year.

## F. Other Postemployment Benefits (OPEB)

Plan Description

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

local governments and Section 8-27-302, *TCA*, for teachers. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tn.gov/finance/act/cafr.html.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in the plans develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, $2,370 was contributed by Sequatchie County for postemployment health care premiums, and expenditures totaling $116,160 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 | $ 27,000 | $ 192,000 |
| Interest on the NPO | 2,004 | 8,514 |
| Adjustment to the ARC | (2,127) | (9,038) |
| Annual OPEB cost | $ 26,877 | $ 191,476 |
| Amount of contribution | (2,370) | (116,160) |
| Increase/decrease in NPO | $ 24,507 | $ 75,316 |
| Net OPEB obligation, 7-1-11 | 50,104 | 212,869 |
| Net OPEB obligation, 6-30-12 | $ 74,611 | $ 288,185 |

| Fiscal Year Ended | Plans | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation at Year End |
|---|---|---|---|---|
| 6-30-10 | Local Government Group | $ 23,009 | 20 % | $ 22,238 |
| 6-30-11 | " | 33,053 | 16 | 50,104 |
| 6-30-12 | " | 26,877 | 9 | 74,611 |
| 6-30-10 | Local Education Group | 158,379 | 85 | 183,808 |
| 6-30-11 | " | 165,437 | 82 | 212,869 |
| 6-30-12 | " | 191,476 | 61 | 288,185 |

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

| | Local Government Group Plan | Local Education Group Plan |
|---|---|---|
| Actuarial valuation date | 7-1-11 | 7-1-11 |
| Actuarial accrued liability (AAL) | $ 160,000 | $ 1,611,000 |
| Actuarial value of plan assets | $ 0 | $ 0 |
| Unfunded actuarial accrued liability (UAAL) | $ 160,000 | $ 1,611,000 |
| Actuarial value of assets as a % of the AAL | 0% | 0% |
| Covered payroll (active plan members) | $ 3,323,751 | $ 6,586,390 |
| UAAL as a % of covered payroll | 5% | 24% |

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, 2011, 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 9.25 percent for fiscal year 2012. The trend will decrease to 8.75 percent in fiscal year 2013 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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 June 30, 2008.

## G. Purchasing Laws

Office of County Executive

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

Office of Highway Supervisor

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

Office of Director of Schools

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

# REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Local Taxes | $ 2,986,894 | $ 2,982,908 | $ 2,982,908 | $ 3,986 |
| Licenses and Permits | 34,578 | 33,000 | 33,000 | 1,578 |
| Fines, Forfeitures, and Penalties | 76,015 | 69,650 | 69,650 | 6,365 |
| Charges for Current Services | 32,647 | 14,500 | 19,587 | 13,060 |
| Other Local Revenues | 87,524 | 44,600 | 44,600 | 42,924 |
| Fees Received from County Officials | 662,297 | 592,000 | 592,000 | 70,297 |
| State of Tennessee | 1,140,135 | 1,022,000 | 1,031,623 | 108,512 |
| Federal Government | 99,279 | 30,000 | 47,938 | 51,341 |
| Other Governments and Citizens Groups | 27,917 | 25,000 | 25,000 | 2,917 |
| Total Revenues | $ 5,147,286 | $ 4,813,658 | $ 4,846,306 | $ 300,980 |
| Expenditures | | | | |
| General Government | | | | |
| County Commission | $ 146,212 | $ 143,150 | $ 146,822 | $ 610 |
| Board of Equalization | 2,825 | 3,450 | 3,450 | 625 |
| Beer Board | 200 | 1,000 | 1,000 | 800 |
| County Mayor/Executive | 153,255 | 156,789 | 156,789 | 3,534 |
| County Attorney | 7,800 | 7,800 | 7,800 | 0 |
| Election Commission | 128,965 | 128,484 | 143,322 | 14,357 |
| Register of Deeds | 133,121 | 137,419 | 137,419 | 4,298 |
| County Buildings | 294,669 | 317,532 | 324,532 | 29,863 |
| Other General Administration | 623 | 0 | 623 | 0 |
| Finance | | | | |
| Property Assessor's Office | 202,417 | 203,012 | 203,012 | 595 |
| Reappraisal Program | 2,083 | 5,750 | 5,750 | 3,667 |
| County Trustee's Office | 141,196 | 143,282 | 143,282 | 2,086 |
| County Clerk's Office | 211,537 | 212,523 | 214,745 | 3,208 |
| Administration of Justice | | | | |
| Circuit Court | 183,358 | 192,586 | 200,891 | 17,533 |
| General Sessions Court | 94,852 | 96,279 | 96,279 | 1,427 |
| Drug Court | 2,548 | 0 | 2,548 | 0 |
| Chancery Court | 100,949 | 102,520 | 102,608 | 1,659 |
| Juvenile Court | 90,673 | 89,950 | 98,950 | 8,277 |
| Judicial Commissioners | 23,663 | 24,555 | 24,555 | 892 |
| Public Safety | | | | |
| Sheriff's Department | 955,024 | 941,273 | 1,032,073 | 77,049 |
| Jail | 1,253,948 | 1,292,448 | 1,292,448 | 38,500 |
| Fire Prevention and Control | 56,000 | 56,000 | 56,000 | 0 |
| Rescue Squad | 5,000 | 5,000 | 5,000 | 0 |
| Other Emergency Management | 59,918 | 48,067 | 64,067 | 4,149 |
| County Coroner/Medical Examiner | 22,572 | 20,000 | 23,000 | 428 |
| Public Health and Welfare | | | | |
| Local Health Center | 16,304 | 20,050 | 20,050 | 3,746 |

(Continued)

Exhibit E-1

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

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Expenditures (Cont.) | | | | |
| Public Health and Welfare (Cont.) | | | | |
| Crippled Children Services | $ 1,026 | $ 1,026 | $ 1,026 | $ 0 |
| Other Local Health Services | 94,588 | 99,700 | 99,700 | 5,112 |
| Appropriation to State | 19,032 | 19,232 | 19,232 | 200 |
| Social, Cultural, and Recreational Services | | | | |
| Senior Citizens Assistance | 7,000 | 7,000 | 7,000 | 0 |
| Libraries | 113,462 | 113,459 | 118,924 | 5,462 |
| Parks and Fair Boards | 45,769 | 55,000 | 55,000 | 9,231 |
| Other Social, Cultural, and Recreational | 4,000 | 4,000 | 4,000 | 0 |
| Agriculture and Natural Resources | | | | |
| Agriculture Extension Service | 50,969 | 55,818 | 55,818 | 4,849 |
| Soil Conservation | 14,935 | 14,935 | 14,935 | 0 |
| Other Operations | | | | |
| Tourism | 11,652 | 11,652 | 11,652 | 0 |
| Industrial Development | 667 | 700 | 700 | 33 |
| Other Economic and Community Development | 110,000 | 134,800 | 134,800 | 24,800 |
| Veterans' Services | 12,291 | 14,120 | 14,120 | 1,829 |
| Other Charges | 107,986 | 103,700 | 108,700 | 714 |
| Total Expenditures | $ 4,883,089 | $ 4,984,061 | $ 5,152,622 | $ 269,533 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 264,197 | $ (170,403) | $ (306,316) | $ 570,513 |
| Other Financing Sources (Uses) | | | | |
| Notes Issued | $ 98,000 | $ 0 | $ 60,000 | $ 38,000 |
| Insurance Recovery | 0 | 0 | 3,700 | (3,700) |
| Transfers Out | (182,000) | (30,000) | (182,000) | 0 |
| Total Other Financing Sources (Uses) | $ (84,000) | $ (30,000) | $ (118,300) | $ 34,300 |
| Net Change in Fund Balance | $ 180,197 | $ (200,403) | $ (424,616) | $ 604,813 |
| Fund Balance, July 1, 2011 | 418,425 | 466,596 | 466,596 | (48,171) |
| Fund Balance, June 30, 2012 | $ 598,622 | $ 266,193 | $ 41,980 | $ 556,642 |

Exhibit E-2

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Charges for Current Services | $ 604,944 | $ 775,000 | $ 775,000 | $ (170,056) |
| Other Local Revenues | 34 | 0 | 0 | 34 |
| Total Revenues | $ 604,978 | $ 775,000 | $ 775,000 | $ (170,022) |
| Expenditures | | | | |
| Public Health and Welfare | | | | |
| Ambulance/Emergency Medical Services | $ 807,999 | $ 816,150 | $ 816,150 | $ 8,151 |
| Total Expenditures | $ 807,999 | $ 816,150 | $ 816,150 | $ 8,151 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (203,021) | $ (41,150) | $ (41,150) | $ (161,871) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | $ 182,000 | $ 30,000 | $ 182,000 | $ 0 |
| Total Other Financing Sources (Uses) | $ 182,000 | $ 30,000 | $ 182,000 | $ 0 |
| Net Change in Fund Balance | $ (21,021) | $ (11,150) | $ 140,850 | $ (161,871) |
| Fund Balance, July 1, 2011 | 66,639 | 12,444 | 12,444 | 54,195 |
| Fund Balance, June 30, 2012 | $ 45,618 | $ 1,294 | $ 153,294 | $ (107,676) |

Exhibit E-3

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Other Local Revenues | $ 7,420 | $ 5,500 | $ 5,500 | $ 1,920 |
| State of Tennessee | 1,370,273 | 2,003,838 | 2,003,838 | (633,565) |
| Federal Government | 25,928 | 15,000 | 15,000 | 10,928 |
| Other Governments and Citizens Groups | 0 | 1,000 | 1,000 | (1,000) |
| Total Revenues | $ 1,403,621 | $ 2,025,338 | $ 2,025,338 | $ (621,717) |
| Expenditures | | | | |
| Highways | | | | |
| Administration | $ 154,561 | $ 162,517 | $ 163,217 | $ 8,656 |
| Highway and Bridge Maintenance | 558,411 | 832,417 | 859,217 | 300,806 |
| Operation and Maintenance of Equipment | 254,058 | 268,620 | 268,620 | 14,562 |
| Other Charges | 46,538 | 53,500 | 54,200 | 7,662 |
| Employee Benefits | 194,278 | 158,648 | 195,848 | 1,570 |
| Capital Outlay | 12,972 | 701,897 | 604,763 | 591,791 |
| Principal on Debt | | | | |
| Highways and Streets | 23,333 | 0 | 27,831 | 4,498 |
| Interest on Debt | | | | |
| Highways and Streets | 3,722 | 0 | 3,903 | 181 |
| Total Expenditures | $ 1,247,873 | $ 2,177,599 | $ 2,177,599 | $ 929,726 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 155,748 | $ (152,261) | $ (152,261) | $ 308,009 |
| Net Change in Fund Balance | $ 155,748 | $ (152,261) | $ (152,261) | $ 308,009 |
| Fund Balance, July 1, 2011 | 400,752 | 240,004 | 240,004 | 160,748 |
| Fund Balance, June 30, 2012 | $ 556,500 | $ 87,743 | $ 87,743 | $ 468,757 |

Exhibit E-4

Sequatchie County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Sequatchie County School Department
June 30, 2012

(Dollar amounts in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) Entry Age (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 7-1-11 | $ 12,969 | $ 13,907 | $ 938 | 93.26 % | $ 5,388 | 17.40 % |
| 7-1-09 | 10,475 | 10,475 | 0 | 100 | 5,117 | 0 |
| 7-1-07 | 9,468 | 9,468 | 0 | 100 | 4,400 | 0 |

Exhibit E-5

Sequatchie County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Sequatchie County School Department
June 30, 2012

(Dollar amounts in thousands)

| Plans | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b)-(a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|---|
| Local Government Group | 7-1-09 | $ 0 | $ 119 | $ 119 | 0 % | $ 1,114 | 10.68 % |
| " | 7-1-10 | 0 | 205 | 205 | 0 | 1,111 | 18.45 |
| " | 7-1-11 | 0 | 160 | 160 | 0 | 3,324 | 4.81 |
| Local Education Group | 7-1-09 | 0 | 1,287 | 1,287 | 0 | 6,101 | 21.09 |
| " | 7-1-10 | 0 | 1,344 | 1,344 | 0 | 6,663 | 20.17 |
| " | 7-1-11 | 0 | 1,611 | 1,611 | 0 | 6,586 | 24.46 |

**SEQUATCHIE COUNTY, TENNESSEE**
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**
**For the Year Ended June 30, 2012**

## A. BUDGETARY INFORMATION

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

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

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

## B. ACTUAL BEGINNING FUND BALANCES EXCEEDED ESTIMATED BEGINNING FUND BALANCES BY MATERIAL AMOUNTS

The Ambulance Service and Highway/Public Works funds' actual beginning fund balances at July 1, 2011, exceeded the estimated beginning fund balances presented to the County Commission by the amounts noted below.

| Fund | Actual Fund Balance 7-1-11 | Estimated Fund Balance 7-1-11 | Variance |
|---|---|---|---|
| Ambulance Service | $ 66,639 | $ 12,444 | $ 54,195 |
| Highway/Public Works | 400,752 | 240,004 | 160,748 |

# 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, 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, 2012

| | Special Revenue Funds | | | | Capital Projects Fund | |
|---|---|---|---|---|---|---|
| | Solid Waste / Sanitation | Drug Control | Constitu-tional Officers - Fees | Total | General Capital Projects | Total Nonmajor Governmental Funds |
| **ASSETS** | | | | | | |
| Cash | $ 0 | $ 0 | $ 500 | $ 500 | $ 0 | $ 500 |
| Equity in Pooled Cash and Investments | 58,146 | 19,680 | 0 | 77,826 | 95,763 | 173,589 |
| Accounts Receivable | 2,304 | 0 | 192 | 2,496 | 0 | 2,496 |
| Due from Other Governments | 15,378 | 0 | 0 | 15,378 | 0 | 15,378 |
| Property Taxes Receivable | 366,488 | 0 | 0 | 366,488 | 0 | 366,488 |
| Allowance for Uncollectible Property Taxes | (21,499) | 0 | 0 | (21,499) | 0 | (21,499) |
| Total Assets | $ 420,817 | $ 19,680 | $ 692 | $ 441,189 | $ 95,763 | $ 536,952 |
| **LIABILITIES AND FUND BALANCES** | | | | | | |
| Liabilities | | | | | | |
| Accounts Payable | $ 1,855 | $ 0 | $ 0 | $ 1,855 | $ 4,500 | $ 6,355 |
| Due to Other Funds | 0 | 0 | 692 | 692 | 0 | 692 |
| Deferred Revenue - Current Property Taxes | 323,115 | 0 | 0 | 323,115 | 0 | 323,115 |
| Deferred Revenue - Delinquent Property Taxes | 20,874 | 0 | 0 | 20,874 | 0 | 20,874 |
| Total Liabilities | $ 345,844 | $ 0 | $ 692 | $ 346,536 | $ 4,500 | $ 351,036 |
| Fund Balances | | | | | | |
| Restricted: | | | | | | |
| Restricted for Public Safety | $ 0 | $ 19,680 | $ 0 | $ 19,680 | $ 0 | $ 19,680 |
| Restricted for Public Health and Welfare | 74,973 | 0 | 0 | 74,973 | 0 | 74,973 |
| Restricted for Capital Outlay | 0 | 0 | 0 | 0 | 41,263 | 41,263 |
| Committed: | | | | | | |
| Committed for Other Purposes | 0 | 0 | 0 | 0 | 50,000 | 50,000 |
| Total Fund Balances | $ 74,973 | $ 19,680 | $ 0 | $ 94,653 | $ 91,263 | $ 185,916 |
| Total Liabilities and Fund Balances | $ 420,817 | $ 19,680 | $ 692 | $ 441,189 | $ 95,763 | $ 536,952 |

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, 2012

| | Special Revenue Funds | | | | Capital Projects Fund | |
|---|---|---|---|---|---|---|
| | Solid Waste / Sanitation | Drug Control | Constitu-tional Officers - Fees | Total | General Capital Projects | Total Nonmajor Governmental Funds |
| Revenues | | | | | | |
| Local Taxes | $ 338,149 | $ 0 | $ 0 | $ 338,149 | $ 0 | $ 338,149 |
| Fines, Forfeitures, and Penalties | 0 | 38,041 | 0 | 38,041 | 0 | 38,041 |
| Charges for Current Services | 0 | 0 | 4,512 | 4,512 | 0 | 4,512 |
| Other Local Revenues | 18,454 | 0 | 0 | 18,454 | 0 | 18,454 |
| State of Tennessee | 45,556 | 150 | 0 | 45,706 | 4,000 | 49,706 |
| Federal Government | 0 | 0 | 0 | 0 | 7,723 | 7,723 |
| Total Revenues | $ 402,159 | $ 38,191 | $ 4,512 | $ 444,862 | $ 11,723 | $ 456,585 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General Government | $ 0 | $ 0 | $ 0 | $ 0 | $ 26,275 | $ 26,275 |
| Finance | 0 | 0 | 4,466 | 4,466 | 0 | 4,466 |
| Administration of Justice | 0 | 0 | 46 | 46 | 0 | 46 |
| Public Safety | 0 | 79,795 | 0 | 79,795 | 0 | 79,795 |
| Public Health and Welfare | 439,688 | 0 | 0 | 439,688 | 0 | 439,688 |
| Other Operations | 6,739 | 0 | 0 | 6,739 | 84,524 | 91,263 |
| Total Expenditures | $ 446,427 | $ 79,795 | $ 4,512 | $ 530,734 | $ 110,799 | $ 641,533 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (44,268) | $ (41,604) | $ 0 | $ (85,872) | $ (99,076) | $ (184,948) |
| Other Financing Sources (Uses) | | | | | | |
| Notes Issued | $ 0 | $ 0 | $ 0 | $ 0 | $ 90,000 | $ 90,000 |
| Transfers In | 0 | 0 | 0 | 0 | 100,000 | 100,000 |
| Total Other Financing Sources (Uses) | $ 0 | $ 0 | $ 0 | $ 0 | $ 190,000 | $ 190,000 |
| Net Change in Fund Balances | $ (44,268) | $ (41,604) | $ 0 | $ (85,872) | $ 90,924 | $ 5,052 |
| Fund Balance, July 1, 2011 | 119,241 | 61,284 | 0 | 180,525 | 339 | 180,864 |
| Fund Balance, June 30, 2012 | $ 74,973 | $ 19,680 | $ 0 | $ 94,653 | $ 91,263 | $ 185,916 |

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, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Local Taxes | $ 338,149 | $ 335,464 | $ 335,464 | $ 2,685 |
| Other Local Revenues | 18,454 | 25,000 | 25,000 | (6,546) |
| State of Tennessee | 45,556 | 50,000 | 50,000 | (4,444) |
| Total Revenues | $ 402,159 | $ 410,464 | $ 410,464 | $ (8,305) |
| Expenditures | | | | |
| Public Health and Welfare | | | | |
| Sanitation Education/Information | $ 37,410 | $ 39,237 | $ 39,237 | $ 1,827 |
| Waste Pickup | 100,763 | 104,013 | 104,013 | 3,250 |
| Convenience Centers | 148,614 | 166,200 | 166,200 | 17,586 |
| Other Waste Collection | 143,500 | 143,500 | 143,500 | 0 |
| Landfill Operation and Maintenance | 9,401 | 9,500 | 9,500 | 99 |
| Other Operations | | | | |
| Other Charges | 6,739 | 8,500 | 8,500 | 1,761 |
| Total Expenditures | $ 446,427 | $ 470,950 | $ 470,950 | $ 24,523 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (44,268) | $ (60,486) | $ (60,486) | $ 16,218 |
| Net Change in Fund Balance | $ (44,268) | $ (60,486) | $ (60,486) | $ 16,218 |
| Fund Balance, July 1, 2011 | 119,241 | 149,521 | 149,521 | (30,280) |
| Fund Balance, June 30, 2012 | $ 74,973 | $ 89,035 | $ 89,035 | $ (14,062) |

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, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Fines, Forfeitures, and Penalties | $ 38,041 | $ 32,000 | $ 32,000 | $ 6,041 |
| State of Tennessee | 150 | 0 | 0 | 150 |
| Total Revenues | $ 38,191 | $ 32,000 | $ 32,000 | $ 6,191 |
| Expenditures | | | | |
| Public Safety | | | | |
| Drug Enforcement | $ 79,795 | $ 74,000 | $ 132,000 | $ 52,205 |
| Total Expenditures | $ 79,795 | $ 74,000 | $ 132,000 | $ 52,205 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (41,604) | $ (42,000) | $ (100,000) | $ 58,396 |
| Net Change in Fund Balance | $ (41,604) | $ (42,000) | $ (100,000) | $ 58,396 |
| Fund Balance, July 1, 2011 | 61,284 | 91,531 | 91,531 | (30,247) |
| Fund Balance, June 30, 2012 | $ 19,680 | $ 49,531 | $ (8,469) | $ 28,149 |

# Major Governmental Fund

# General Debt Service Fund

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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.

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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, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Local Taxes | $ 450,875 | $ 437,868 | $ 437,868 | $ 13,007 |
| Other Local Revenues | 15,875 | 22,000 | 22,000 | (6,125) |
| State of Tennessee | 27,460 | 21,000 | 21,000 | 6,460 |
| Other Governments and Citizens Groups | 0 | 19,196 | 19,196 | (19,196) |
| Total Revenues | $ 494,210 | $ 500,064 | $ 500,064 | $ (5,854) |
| Expenditures | | | | |
| Principal on Debt | | | | |
| General Government | $ 554,667 | $ 466,000 | $ 564,000 | $ 9,333 |
| Interest on Debt | | | | |
| General Government | 24,307 | 145,041 | 105,088 | 80,781 |
| Other Debt Service | | | | |
| General Government | 39,012 | 10,000 | 50,000 | 10,988 |
| Total Expenditures | $ 617,986 | $ 621,041 | $ 719,088 | $ 101,102 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (123,776) | $ (120,977) | $ (219,024) | $ 95,248 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | $ (100,000) | $ 0 | $ (100,000) | $ 0 |
| Total Other Financing Sources (Uses) | $ (100,000) | $ 0 | $ (100,000) | $ 0 |
| Net Change in Fund Balance | $ (223,776) | $ (120,977) | $ (319,024) | $ 95,248 |
| Fund Balance, July 1, 2011 | 544,910 | 485,957 | 485,957 | 58,953 |
| Fund Balance, June 30, 2012 | $ 321,134 | $ 364,980 | $ 166,933 | $ 154,201 |

# Fiduciary Funds

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

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

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

Exhibit H-1

Sequatchie County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

| | Agency Funds | | |
|---|---|---|---|
| | Cities - Sales Tax | Constitutional Officers - Agency | Total |
| **ASSETS** | | | |
| Cash | $ 0 | $ 713,325 | $ 713,325 |
| Due from Other Governments | 60,000 | 0 | 60,000 |
| Cash Shortage | 0 | 7,793 | 7,793 |
| Total Assets | $ 60,000 | $ 721,118 | $ 781,118 |
| **LIABILITIES** | | | |
| Due to Other Taxing Units | $ 60,000 | $ 0 | $ 60,000 |
| Due to Litigants, Heirs, and Others | 0 | 721,118 | 721,118 |
| Total Liabilities | $ 60,000 | $ 721,118 | $ 781,118 |

Exhibit H-2

Sequatchie County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2012

| | Beginning Balance | Additions | Deductions | Ending Balance |
|---|---|---|---|---|
| Cities - Sales Tax Fund | | | | |
| Assets | | | | |
| Equity in Pooled Cash and Investments | $ 0 | $ 368,820 | $ 368,820 | $ 0 |
| Due from Other Governments | 60,000 | 60,000 | 60,000 | 60,000 |
| Total Assets | $ 60,000 | $ 428,820 | $ 428,820 | $ 60,000 |
| Liabilities | | | | |
| Due to Other Taxing Units | $ 60,000 | $ 428,820 | $ 428,820 | $ 60,000 |
| Total Liabilities | $ 60,000 | $ 428,820 | $ 428,820 | $ 60,000 |
| Constitutional Officers - Agency Fund | | | | |
| Assets | | | | |
| Cash | $ 719,354 | $ 2,329,371 | $ 2,335,400 | $ 713,325 |
| Cash Shortage | 7,793 | 0 | 0 | 7,793 |
| Total Assets | $ 727,147 | $ 2,329,371 | $ 2,335,400 | $ 721,118 |
| Liabilities | | | | |
| Due to Litigants, Heirs, and Others | $ 727,147 | $ 2,329,371 | $ 2,335,400 | $ 721,118 |
| Total Liabilities | $ 727,147 | $ 2,329,371 | $ 2,335,400 | $ 721,118 |
| Totals - All Agency Funds | | | | |
| Assets | | | | |
| Cash | $ 719,354 | $ 2,329,371 | $ 2,335,400 | $ 713,325 |
| Equity in Pooled Cash and Investments | 0 | 368,820 | 368,820 | 0 |
| Due from Other Governments | 60,000 | 60,000 | 60,000 | 60,000 |
| Cash Shortage | 7,793 | 0 | 0 | 7,793 |
| Total Assets | $ 787,147 | $ 2,758,191 | $ 2,764,220 | $ 781,118 |
| Liabilities | | | | |
| Due to Other Taxing Units | $ 60,000 | $ 428,820 | $ 428,820 | $ 60,000 |
| Due to Litigants, Heirs, and Others | 727,147 | 2,329,371 | 2,335,400 | 721,118 |
| Total Liabilities | $ 787,147 | $ 2,758,191 | $ 2,764,220 | $ 781,118 |

# Sequatchie County School Department

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

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

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

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

Other Education Special Revenue Fund – The Other Education Special Revenue Fund is used to account for transactions of a pre-school program for children. This fund closed during the year.

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, 2012

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities |
|---|---|---|---|---|
| Governmental Activities: | | | | |
| Instruction | $ 10,858,306 | $ 68,694 | $ 2,271,399 | $ (8,518,213) |
| Support Services | 5,239,720 | 0 | 0 | (5,239,720) |
| Operation of Non-Instructional Services | 1,474,253 | 305,490 | 1,024,478 | (144,285) |
| Interest on Debt | 166,316 | 0 | 0 | (166,316) |
| Other Debt Service | 22,158 | 0 | 0 | (22,158) |
| Total Governmental Activities | $ 17,760,753 | $ 374,184 | $ 3,295,877 | $ (14,090,692) |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes Levied for General Purposes | | | | $ 2,706,097 |
| Local Option Sales Taxes | | | | 1,611,828 |
| Other Local Taxes | | | | 816 |
| Grants and Contributions Not Restricted to Specific Programs | | | | 12,385,112 |
| Unrestricted Investment Earnings | | | | 37,501 |
| Miscellaneous | | | | 51,739 |
| Total General Revenues | | | | $ 16,793,093 |
| Change in Net Assets | | | | $ 2,702,401 |
| Net Assets, July 1, 2011 | | | | 26,444,361 |
| Net Assets, June 30, 2012 | | | | $ 29,146,762 |

Exhibit I-2

Sequatchie County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2012

| | Major Funds | | Nonmajor Funds | |
|---|---|---|---|---|
| | General Purpose School | School Federal Projects | Other Govern-mental Funds | Total Govern-mental Funds |
| **ASSETS** | | | | |
| Cash | $ 0 | $ 0 | $ 2,896 | $ 2,896 |
| Equity in Pooled Cash and Investments | 10,534,061 | 261,508 | 935,235 | 11,730,804 |
| Accounts Receivable | 22,801 | 0 | 0 | 22,801 |
| Due from Other Governments | 454,332 | 41,964 | 16,139 | 512,435 |
| Property Taxes Receivable | 2,941,981 | 0 | 0 | 2,941,981 |
| Allowance for Uncollectible Property Taxes | (172,584) | 0 | 0 | (172,584) |
| Total Assets | $ 13,780,591 | $ 303,472 | $ 954,270 | $ 15,038,333 |
| **LIABILITIES AND FUND BALANCES** | | | | |
| Liabilities | | | | |
| Accounts Payable | $ 5,900 | $ 0 | $ 0 | $ 5,900 |
| Payroll Deductions Payable | 519,497 | 0 | 0 | 519,497 |
| Deferred Revenue - Current Property Taxes | 2,593,801 | 0 | 0 | 2,593,801 |
| Deferred Revenue - Delinquent Property Taxes | 167,596 | 0 | 0 | 167,596 |
| Other Deferred Revenues | 134,000 | 0 | 10,015 | 144,015 |
| Total Liabilities | $ 3,420,794 | $ 0 | $ 10,015 | $ 3,430,809 |
| Fund Balances | | | | |
| Restricted: | | | | |
| Restricted for Instruction | $ 0 | $ 3,472 | $ 0 | $ 3,472 |
| Restricted for Operation of Non-Instructional Services | 0 | 0 | 306,481 | 306,481 |
| Restricted for Capital Outlay | 1,478,497 | 0 | 0 | 1,478,497 |
| Committed: | | | | |
| Committed for Instruction | 7,605,410 | 0 | 0 | 7,605,410 |
| Committed for Capital Outlay | 0 | 0 | 637,774 | 637,774 |
| Assigned: | | | | |
| Assigned for Instruction | 228,451 | 300,000 | 0 | 528,451 |
| Unassigned | 1,047,439 | 0 | 0 | 1,047,439 |
| Total Fund Balances | $ 10,359,797 | $ 303,472 | $ 944,255 | $ 11,607,524 |
| Total Liabilities and Fund Balances | $ 13,780,591 | $ 303,472 | $ 954,270 | $ 15,038,333 |

Exhibit I-3

Sequatchie County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Sequatchie County School Department
June 30, 2012

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

| | | |
|---|---|---|
| Total fund balances - balance sheet - governmental funds (Exhibit I-2) | | $ 11,607,524 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in in the governmental funds. | | |
| Add: land | $ 1,256,649 | |
| Add: construction in progress | 820,470 | |
| Add: buildings and improvements net of accumulated depreciation | 18,532,570 | |
| Add: infrastructure net of accumulated depreciation | 361,375 | |
| Add: other capital assets net of accumulated depreciation | 697,929 | 21,668,993 |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | |
| Less: bonds payable | $ (4,105,000) | |
| Less: other postemployment benefits liability | (288,185) | |
| Less: deferred premium on debt issuance | (16,827) | |
| Add: deferred amount on refunding | 7,448 | |
| Add: deferred charges - debt issuance costs | 19,838 | |
| Less: accrued interest on bonds | (58,640) | (4,441,366) |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | 311,611 |
| Net assets of governmental activities (Exhibit A) | | $ 29,146,762 |

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, 2012

| | Major Funds | | Nonmajor Funds | |
|---|---|---|---|---|
| | General Purpose School | School Federal Projects | Other Govern-mental Funds | Total Governmental Funds |
| Revenues | | | | |
| Local Taxes | $ 4,322,912 | $ 0 | $ 0 | $ 4,322,912 |
| Licenses and Permits | 1,510 | 0 | 0 | 1,510 |
| Charges for Current Services | 33,283 | 0 | 340,014 | 373,297 |
| Other Local Revenues | 107,204 | 0 | 5,068 | 112,272 |
| State of Tennessee | 11,764,547 | 0 | 12,063 | 11,776,610 |
| Federal Government | 227,750 | 2,696,125 | 938,504 | 3,862,379 |
| Total Revenues | $ 16,457,206 | $ 2,696,125 | $ 1,295,649 | $ 20,448,980 |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | $ 8,293,734 | $ 1,881,448 | $ 0 | $ 10,175,182 |
| Support Services | 4,270,658 | 693,292 | 0 | 4,963,950 |
| Operation of Non-Instructional Services | 100,649 | 95,255 | 1,228,341 | 1,424,245 |
| Capital Outlay | 587,995 | 0 | 0 | 587,995 |
| Debt Service: | | | | |
| Principal on Debt | 3,068,143 | 0 | 0 | 3,068,143 |
| Interest on Debt | 178,547 | 0 | 0 | 178,547 |
| Other Debt Service | 13,171 | 0 | 0 | 13,171 |
| Capital Projects | 0 | 0 | 11,763 | 11,763 |
| Total Expenditures | $ 16,512,897 | $ 2,669,995 | $ 1,240,104 | $ 20,422,996 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (55,691) | $ 26,130 | $ 55,545 | $ 25,984 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | $ 86,395 | $ 0 | $ 3,261 | $ 89,656 |
| Transfers Out | (3,261) | (33,489) | (52,906) | (89,656) |
| Total Other Financing Sources (Uses) | $ 83,134 | $ (33,489) | $ (49,645) | $ 0 |
| Net Change in Fund Balances | $ 27,443 | $ (7,359) | $ 5,900 | $ 25,984 |
| Fund Balance, July 1, 2011 | 10,332,354 | 310,831 | 938,355 | 11,581,540 |
| Fund Balance, June 30, 2012 | $ 10,359,797 | $ 303,472 | $ 944,255 | $ 11,607,524 |

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, 2012

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) | | $ 25,984 |
| (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 | $ 384,719 | |
| Less: current-year depreciation expense | (718,547) | (333,828) |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2012 | $ 311,611 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2011 | (299,642) | 11,969 |
| (3) The issuance of long-term debt (e.g., notes, other loans, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the effect of these differences in the treatment of long-term debt and related items: | | |
| Add: change in premium on debt issuance | $ 10,517 | |
| Less: change in deferred debt issuance costs | (8,987) | |
| Add: principal payments on bonds | 985,000 | |
| Add: principal payments on other loans | 2,083,143 | |
| Less: change in deferred amount on refunding debt | (8,311) | 3,061,362 |
| (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. | | |
| Change in other postemployment benefits liability | $ (75,316) | |
| Change in accrued interest payable | 12,230 | (63,086) |
| Change in net assets of governmental activities (Exhibit B) | | $ 2,702,401 |

Exhibit I-6

Sequatchie County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2012

| | Special Revenue Fund | Capital Projects Fund | Total |
|---|---|---|---|
| | Central Cafeteria | Education Capital Projects | Nonmajor Governmental Funds |
| **ASSETS** | | | |
| Cash | $ 2,896 | $ 0 | $ 2,896 |
| Equity in Pooled Cash and Investments | 297,461 | 637,774 | 935,235 |
| Due from Other Governments | 16,139 | 0 | 16,139 |
| Total Assets | $ 316,496 | $ 637,774 | $ 954,270 |
| **LIABILITIES AND FUND BALANCES** | | | |
| Liabilities | | | |
| Other Deferred Revenues | $ 10,015 | $ 0 | $ 10,015 |
| Total Liabilities | $ 10,015 | $ 0 | $ 10,015 |
| Fund Balances | | | |
| Restricted: | | | |
| Restricted for Operation of Non-Instructional Services | $ 306,481 | $ 0 | $ 306,481 |
| Committed: | | | |
| Committed for Capital Outlay | 0 | 637,774 | 637,774 |
| Total Fund Balances | $ 306,481 | $ 637,774 | $ 944,255 |
| Total Liabilities and Fund Balances | $ 316,496 | $ 637,774 | $ 954,270 |

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, 2012

| | Special Revenue Funds | | | Capital Projects Fund | |
|---|---|---|---|---|---|
| | Central Cafeteria | Other Education Special Revenue | Total | Education Capital Projects | Total Nonmajor Governmental Funds |
| Revenues | | | | | |
| Charges for Current Services | $ 304,603 | $ 35,411 | $ 340,014 | $ 0 | $ 340,014 |
| Other Local Revenues | 5,067 | 0 | 5,067 | 1 | 5,068 |
| State of Tennessee | 12,063 | 0 | 12,063 | 0 | 12,063 |
| Federal Government | 938,504 | 0 | 938,504 | 0 | 938,504 |
| Total Revenues | $ 1,260,237 | $ 35,411 | $ 1,295,648 | $ 1 | $ 1,295,649 |
| Expenditures | | | | | |
| Current: | | | | | |
| Operation of Non-Instructional Services | $ 1,181,850 | $ 46,491 | $ 1,228,341 | $ 0 | $ 1,228,341 |
| Capital Projects | 0 | 0 | 0 | 11,763 | 11,763 |
| Total Expenditures | $ 1,181,850 | $ 46,491 | $ 1,228,341 | $ 11,763 | $ 1,240,104 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 78,387 | $ (11,080) | $ 67,307 | $ (11,762) | $ 55,545 |
| Other Financing Sources (Uses) | | | | | |
| Transfers In | $ 0 | $ 3,261 | $ 3,261 | $ 0 | $ 3,261 |
| Transfers Out | (52,906) | 0 | (52,906) | 0 | (52,906) |
| Total Other Financing Sources (Uses) | $ (52,906) | $ 3,261 | $ (49,645) | $ 0 | $ (49,645) |
| Net Change in Fund Balances | $ 25,481 | $ (7,819) | $ 17,662 | $ (11,762) | $ 5,900 |
| Fund Balance, July 1, 2011 | 281,000 | 7,819 | 288,819 | 649,536 | 938,355 |
| Fund Balance, June 30, 2012 | $ 306,481 | $ 0 | $ 306,481 | $ 637,774 | $ 944,255 |

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, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Local Taxes | $ 4,322,912 | $ 4,213,271 | $ 4,213,271 | $ 109,641 |
| Licenses and Permits | 1,510 | 1,200 | 1,200 | 310 |
| Charges for Current Services | 33,283 | 19,000 | 19,000 | 14,283 |
| Other Local Revenues | 107,204 | 47,000 | 47,065 | 60,139 |
| State of Tennessee | 11,764,547 | 11,501,031 | 11,622,043 | 142,504 |
| Federal Government | 227,750 | 151,569 | 217,527 | 10,223 |
| Total Revenues | $ 16,457,206 | $ 15,933,071 | $ 16,120,106 | $ 337,100 |
| Expenditures | | | | |
| Instruction | | | | |
| Regular Instruction Program | $ 6,358,721 | $ 6,702,538 | $ 6,687,638 | $ 328,917 |
| Alternative Instruction Program | 75,055 | 84,540 | 84,540 | 9,485 |
| Special Education Program | 1,555,870 | 1,662,882 | 1,656,882 | 101,012 |
| Vocational Education Program | 199,168 | 343,144 | 341,444 | 142,276 |
| Student Body Education Program | 24,019 | 17,111 | 26,111 | 2,092 |
| Adult Education Program | 80,901 | 49,103 | 88,095 | 7,194 |
| Support Services | | | | |
| Attendance | 104,738 | 106,128 | 106,128 | 1,390 |
| Health Services | 136,304 | 156,593 | 156,593 | 20,289 |
| Other Student Support | 311,011 | 328,390 | 328,390 | 17,379 |
| Regular Instruction Program | 598,272 | 573,962 | 613,271 | 14,999 |
| Special Education Program | 169,942 | 184,563 | 184,563 | 14,621 |
| Adult Programs | 93,893 | 73,953 | 100,919 | 7,026 |
| Other Programs | 48,012 | 0 | 48,012 | 0 |
| Board of Education | 225,353 | 237,328 | 237,328 | 11,975 |
| Director of Schools | 166,005 | 162,928 | 168,528 | 2,523 |
| Office of the Principal | 586,620 | 586,582 | 586,620 | 0 |
| Fiscal Services | 154,562 | 156,236 | 156,236 | 1,674 |
| Operation of Plant | 985,741 | 1,088,700 | 1,084,562 | 98,821 |
| Maintenance of Plant | 205,554 | 199,935 | 212,035 | 6,481 |
| Transportation | 484,651 | 562,756 | 562,756 | 78,105 |
| Operation of Non-Instructional Services | | | | |
| Community Services | 65 | 0 | 65 | 0 |
| Early Childhood Education | 100,584 | 100,644 | 100,644 | 60 |
| Capital Outlay | | | | |
| Regular Capital Outlay | 587,995 | 10,559,775 | 8,633,323 | 8,045,328 |
| Principal on Debt | | | | |
| Education | 3,068,143 | 1,108,000 | 3,068,143 | 0 |
| Interest on Debt | | | | |
| Education | 178,547 | 286,340 | 273,169 | 94,622 |
| Other Debt Service | | | | |
| Education | 13,171 | 0 | 13,171 | 0 |
| Total Expenditures | $ 16,512,897 | $ 25,332,131 | $ 25,519,166 | $ 9,006,269 |

(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 Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Excess (Deficiency) of Revenues Over Expenditures | $ (55,691) | $ (9,399,060) | $ (9,399,060) | $ 9,343,369 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | $ 86,395 | $ 90,383 | $ 265,383 | $ (178,988) |
| Transfers Out | (3,261) | 0 | (178,261) | 175,000 |
| Total Other Financing Sources (Uses) | $ 83,134 | $ 90,383 | $ 87,122 | $ (3,988) |
| Net Change in Fund Balance | $ 27,443 | $ (9,308,677) | $ (9,311,938) | $ 9,339,381 |
| Fund Balance, July 1, 2011 | 10,332,354 | 10,320,558 | 10,320,558 | 11,796 |
| Fund Balance, June 30, 2012 | $ 10,359,797 | $ 1,011,881 | $ 1,008,620 | $ 9,351,177 |

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, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Federal Government | $ 2,696,125 | $ 3,166,762 | $ 3,172,473 | $ (476,348) |
| Total Revenues | $ 2,696,125 | $ 3,166,762 | $ 3,172,473 | $ (476,348) |
| Expenditures | | | | |
| Instruction | | | | |
| Regular Instruction Program | $ 1,325,406 | $ 1,397,630 | $ 1,447,332 | $ 121,926 |
| Special Education Program | 519,800 | 578,781 | 579,201 | 59,401 |
| Vocational Education Program | 36,242 | 33,253 | 36,242 | 0 |
| Support Services | | | | |
| Other Student Support | 110,142 | 178,333 | 140,686 | 30,544 |
| Regular Instruction Program | 439,998 | 584,874 | 577,146 | 137,148 |
| Special Education Program | 51,833 | 56,275 | 53,275 | 1,442 |
| Vocational Education Program | 1,771 | 2,115 | 1,771 | 0 |
| Transportation | 89,548 | 99,432 | 101,354 | 11,806 |
| Operation of Non-Instructional Services | | | | |
| Community Services | 95,255 | 95,845 | 95,845 | 590 |
| Total Expenditures | $ 2,669,995 | $ 3,026,538 | $ 3,032,852 | $ 362,857 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 26,130 | $ 140,224 | $ 139,621 | $ (113,491) |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | $ (33,489) | $ (150,306) | $ (149,699) | $ 116,210 |
| Total Other Financing Sources (Uses) | $ (33,489) | $ (150,306) | $ (149,699) | $ 116,210 |
| Net Change in Fund Balance | $ (7,359) | $ (10,082) | $ (10,078) | $ 2,719 |
| Fund Balance, July 1, 2011 | 310,831 | 310,831 | 310,831 | 0 |
| Fund Balance, June 30, 2012 | $ 303,472 | $ 300,749 | $ 300,753 | $ 2,719 |

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, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Charges for Current Services | $ 304,603 | $ 299,000 | $ 299,000 | $ 5,603 |
| Other Local Revenues | 5,067 | 4,000 | 4,000 | 1,067 |
| State of Tennessee | 12,063 | 12,000 | 12,000 | 63 |
| Federal Government | 938,504 | 688,500 | 753,614 | 184,890 |
| Total Revenues | $ 1,260,237 | $ 1,003,500 | $ 1,068,614 | $ 191,623 |
| Expenditures | | | | |
| Operation of Non-Instructional Services | | | | |
| Food Service | $ 1,181,850 | $ 1,139,571 | $ 1,204,685 | $ 22,835 |
| Total Expenditures | $ 1,181,850 | $ 1,139,571 | $ 1,204,685 | $ 22,835 |
| Excess (Deficiency) of Revenues Over Expenditures | $ 78,387 | $ (136,071) | $ (136,071) | $ 214,458 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | $ (52,906) | $ (52,906) | $ (52,906) | $ 0 |
| Total Other Financing Sources (Uses) | $ (52,906) | $ (52,906) | $ (52,906) | $ 0 |
| Net Change in Fund Balance | $ 25,481 | $ (188,977) | $ (188,977) | $ 214,458 |
| Fund Balance, July 1, 2011 | 281,000 | 281,000 | 281,000 | 0 |
| Fund Balance, June 30, 2012 | $ 306,481 | $ 92,023 | $ 92,023 | $ 214,458 |

Exhibit I-11

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Sequatchie County School Department
Other Education Special Revenue Fund
For the Year Ended June 30, 2012

| | Actual | Budgeted Amounts Original | Budgeted Amounts Final | Variance with Final Budget - Positive (Negative) |
|---|---|---|---|---|
| Revenues | | | | |
| Charges for Current Services | $ 35,411 | $ 45,450 | $ 35,411 | $ 0 |
| Total Revenues | $ 35,411 | $ 45,450 | $ 35,411 | $ 0 |
| Expenditures | | | | |
| Operation of Non-Instructional Services | | | | |
| Community Services | $ 46,491 | $ 45,450 | $ 46,491 | $ 0 |
| Total Expenditures | $ 46,491 | $ 45,450 | $ 46,491 | $ 0 |
| Excess (Deficiency) of Revenues Over Expenditures | $ (11,080) | $ 0 | $ (11,080) | $ 0 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | $ 3,261 | $ 0 | $ 3,261 | $ 0 |
| Total Other Financing Sources (Uses) | $ 3,261 | $ 0 | $ 3,261 | $ 0 |
| Net Change in Fund Balance | $ (7,819) | $ 0 | $ (7,819) | $ 0 |
| Fund Balance, July 1, 2011 | 7,819 | 7,819 | 7,819 | 0 |
| Fund Balance, June 30, 2012 | $ 0 | $ 7,819 | $ 0 | $ 0 |

# MISCELLANEOUS SCHEDULES

Exhibit J-1

Sequatchie County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2012

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-11 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-12 |
|---|---|---|---|---|---|---|---|---|
| PRIMARY GOVERNMENT | | | | | | | | |
| NOTES PAYABLE | | | | | | | | |
| Payable through General Debt Service Fund | | | | | | | | |
| Health Department | $ 250,000 | 3.25 % | 9-19-08 | 9-19-11 | $ 83,333 | $ 0 | $ 83,333 | $ 0 |
| North Valley Medical Center Roof | 76,000 | 2.75 | 11-4-09 | 11-4-12 | 50,667 | 0 | 25,334 | 25,333 |
| Ambulance | 67,000 | 2.75 | 12-20-10 | 12-20-11 | 67,000 | 0 | 67,000 | 0 |
| East Valley Waterline | 90,000 | 1.25 | 8-24-11 | 9-24-11 | 0 | 90,000 | 90,000 | 0 |
| Sheriff's Department Vehicles | 60,000 | 1.75 | 3-26-12 | 4-5-12 | 0 | 60,000 | 60,000 | 0 |
| County Fair Building Roof | 38,000 | 1.75 | 5-21-12 | 6-21-12 | 0 | 38,000 | 38,000 | 0 |
| Total Payable through General Debt Service Fund | | | | | $ 201,000 | $ 188,000 | $ 363,667 | $ 25,333 |
| Payable through Highway/Public Works Fund | | | | | | | | |
| Highway Department Garage and Office | 140,000 | 3.19 | 7-29-09 | 7-29-15 | $ 116,667 | $ 0 | $ 23,333 | $ 93,334 |
| Total Payable through Highway/Public Works Fund | | | | | $ 116,667 | $ 0 | $ 23,333 | $ 93,334 |
| Total Notes Payable | | | | | $ 317,667 | $ 188,000 | $ 387,000 | $ 118,667 |
| OTHER LOAN PAYABLE | | | | | | | | |
| Payable through General Debt Service Fund | | | | | | | | |
| Justice Center | 6,500,000 | Variable | 11-1-04 | 5-25-32 | $ 5,467,000 | $ 0 | $ 191,000 | $ 5,276,000 |

(Continued)

Exhibit J-1

Sequatchie County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
Primary Government and Discretely Presented Sequatchie County School Department (Cont.)

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-11 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-12 |
|---|---|---|---|---|---|---|---|---|
| DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT | | | | | | | | |
| BONDS PAYABLE | | | | | | | | |
| Payable through General Purpose School Fund | | | | | | | | |
| School Bonds - Series 2003 | $ 2,500,000 | 3.3 to 3.5 % | 5-21-03 | 2-1-16 | $ 2,500,000 | $ 0 | $ 0 | $ 2,500,000 |
| School Refunding Bonds Series 2008 | 4,215,000 | 3 to 3.5 | 4-2-08 | 4-22-14 | 2,590,000 | 0 | 985,000 | 1,605,000 |
| Total Bonds Payable | | | | | $ 5,090,000 | $ 0 | $ 985,000 | $ 4,105,000 |
| OTHER LOANS PAYABLE | | | | | | | | |
| Payable through General Purpose School Fund | | | | | | | | |
| Rural Development Loan - Technology | 102,000 | 0 | 1-1-03 | 1-1-12 | $ 10,200 | $ 0 | $ 10,200 | $ 0 |
| School Renovations | 2,514,943 | Variable | 12-20-06 | 5-18-12 | 2,072,943 | 0 | 2,072,943 | 0 |
| Total Other Loans Payable | | | | | $ 2,083,143 | $ 0 | $ 2,083,143 | $ 0 |

Exhibit J-2

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

PRIMARY GOVERNMENT

| Year Ending June 30 | Notes Principal | Notes Interest | Notes Total |
|---|---|---|---|
| 2013 | $ 48,667 | $ 3,684 | $ 52,351 |
| 2014 | 23,333 | 2,233 | 25,566 |
| 2015 | 23,333 | 1,489 | 24,822 |
| 2016 | 23,333 | 744 | 24,077 |
| Total | $ 118,667 | $ 8,150 | $ 126,817 |

| Year Ending June 30 | Other Loan Principal | Other Loan Interest | Other Loan Other Fees | Other Loan Total |
|---|---|---|---|---|
| 2013 | $ 196,000 | $ 21,240 | $ 32,644 | $ 249,884 |
| 2014 | 202,000 | 20,358 | 31,330 | 253,688 |
| 2015 | 208,000 | 19,449 | 29,977 | 257,426 |
| 2016 | 215,000 | 18,513 | 28,584 | 262,097 |
| 2017 | 221,000 | 17,546 | 27,143 | 265,689 |
| 2018 | 228,000 | 16,551 | 25,663 | 270,214 |
| 2019 | 234,000 | 15,525 | 24,135 | 273,660 |
| 2020 | 242,000 | 14,472 | 22,567 | 279,039 |
| 2021 | 249,000 | 14,193 | 20,946 | 284,139 |
| 2022 | 256,000 | 13,905 | 19,277 | 289,182 |
| 2023 | 264,000 | 12,802 | 17,562 | 294,364 |
| 2024 | 272,000 | 11,664 | 15,794 | 299,458 |
| 2025 | 280,000 | 10,489 | 13,971 | 304,460 |
| 2026 | 288,000 | 9,283 | 12,095 | 309,378 |
| 2027 | 297,000 | 8,046 | 10,166 | 315,212 |
| 2028 | 306,000 | 6,768 | 9,382 | 322,150 |
| 2029 | 315,000 | 5,449 | 8,571 | 329,020 |
| 2030 | 325,000 | 4,091 | 7,740 | 336,831 |
| 2031 | 334,000 | 2,691 | 6,876 | 343,567 |
| 2032 | 344,000 | 1,256 | 5,991 | 351,247 |
| Total | $ 5,276,000 | $ 244,291 | $ 370,414 | $ 5,890,705 |

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED SEQUATCHIE
COUNTY SCHOOL DEPARTMENT

| Year Ending June 30 | Bonds | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2013 | $ 1,015,000 | $ 141,680 | $ 1,156,680 |
| 2014 | 1,040,000 | 106,155 | 1,146,155 |
| 2015 | 1,095,000 | 70,655 | 1,165,655 |
| 2016 | 955,000 | 33,425 | 988,425 |
| Total | $ 4,105,000 | $ 351,915 | $ 4,456,915 |

Exhibit J-3

Sequatchie County, Tennessee
Schedule of Notes Receivable
For the Year Ended June 30, 2012

| Description | Debtor | Original Amount of Note | Date of Issue | Date of Maturity | Interest Rate | Balance 6-30-12 |
|---|---|---|---|---|---|---|
| General Debt Service Fund | | | | | | |
| Medical Center Roof | SP Acquisition, Corp. | $ 52,962 | 11-3-09 | 11-1-12 | 2.75% | $ 18,222 |
| Total Notes Receivable | | | | | | $ 18,222 |

Exhibit J-4

Sequatchie County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2012

| From Fund | To Fund | Purpose | Amount |
|---|---|---|---|
| PRIMARY GOVERNMENT | | | |
| General | Ambulance Service | Operations | $ 182,000 |
| General Debt Service | General Capital Projects | Fund a capital project | 100,000 |
| Total Transfers Primary Government | | | $ 282,000 |
| DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT | | | |
| School Federal Projects | General Purpose School | Indirect costs | $ 33,489 |
| Central Cafeteria | " | Direct costs | 52,906 |
| General Purpose School | Other Education Special Revenue | Operations | 3,261 |
| Total Transfers Discretely Presented Sequatchie County School Department | | | $ 89,656 |

Exhibit J-5

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, 2012

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|---|---|---|---|---|
| County Executive | Section 8-24-102, *TCA* | $ 66,702 | $ 25,000 | Western Surety Company |
| Highway Supervisor | Section 8-24-102, *TCA* | 63,527 | 100,000 | " |
| Director of Schools | State Board of Education and Sequatchie County Board of Education | 89,326 (1) | (2) | |
| Trustee | Section 8-24-102, *TCA* | 57,751 | 638,287 | RLI Insurance Company |
| Assessor of Property | Section 8-24-102, *TCA* | 57,751 | 10,000 | Western Surety Company |
| County Clerk | Section 8-24-102, *TCA* | 57,751 | 25,000 | " |
| Circuit Court Clerk | Section 8-24-102, *TCA* | 57,751 | 25,000 | " |
| Clerk and Master | Section 8-24-102, *TCA* | 57,751 | 25,000 | State Farm Fire and Casualty Company |
| Register | Section 8-24-102, *TCA* | 57,751 | 15,000 | Western Surety Company |
| Sheriff | Section 8-24-102, *TCA* | 63,527 (3) | 25,000 | " |
| Employee Dishonesty Bond Coverage: | | | | |
| General County Employees | | | 150,000 | Tennessee Risk Management Trust |
| Highway Department Employees | | | 150,000 | Local Government Insurance Pool |
| School Department Employees | | | 150,000 | Southern States Insurance Group, Inc. |

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

Exhibit J-6

Sequatchie County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2012

| | | Special Revenue Funds | | | | | Debt Service Fund | Capital Projects Fund | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Solid Waste / Sanitation | Ambulance Service | Drug Control | Constitu-tional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | Total |
| Local Taxes | | | | | | | | | |
| County Property Taxes | | | | | | | | | |
| Current Property Tax | $ 2,247,506 | $ 301,235 | $ 0 | $ 0 | $ 0 | $ 0 | $ 401,655 | $ 0 | $ 2,950,396 |
| Trustee's Collections - Prior Year | 126,659 | 18,838 | 0 | 0 | 0 | 0 | 25,119 | 0 | 170,616 |
| Circuit/Clerk & Master Collections - Prior Years | 76,165 | 11,284 | 0 | 0 | 0 | 0 | 15,045 | 0 | 102,494 |
| Interest and Penalty | 22,147 | 3,244 | 0 | 0 | 0 | 0 | 4,325 | 0 | 29,716 |
| Payments in-Lieu-of Taxes - T.V.A. | 1,264 | 169 | 0 | 0 | 0 | 0 | 226 | 0 | 1,659 |
| Payments in-Lieu-of Taxes - Local Utilities | 10,761 | 1,594 | 0 | 0 | 0 | 0 | 2,126 | 0 | 14,481 |
| Payments in-Lieu-of Taxes - Other | 403 | 54 | 0 | 0 | 0 | 0 | 72 | 0 | 529 |
| County Local Option Taxes | | | | | | | | | |
| Local Option Sales Tax | 247,069 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 247,069 |
| Hotel/Motel Tax | 13,829 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,829 |
| Litigation Tax - General | 44,485 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 44,485 |
| Litigation Tax - Special Purpose | 17,092 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 17,092 |
| Litigation Tax - Jail, Workhouse, or Courthouse | 12,469 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,469 |
| Business Tax | 86,701 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 86,701 |
| Statutory Local Taxes | | | | | | | | | |
| Bank Excise Tax | 12,911 | 1,731 | 0 | 0 | 0 | 0 | 2,307 | 0 | 16,949 |
| Wholesale Beer Tax | 66,896 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 66,896 |
| Interstate Telecommunications Tax | 537 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 537 |
| Total Local Taxes | $ 2,986,894 | $ 338,149 | $ 0 | $ 0 | $ 0 | $ 0 | $ 450,875 | $ 0 | $ 3,775,918 |
| Licenses and Permits | | | | | | | | | |
| Licenses | | | | | | | | | |
| Cable TV Franchise | $ 33,676 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 33,676 |
| Permits | | | | | | | | | |
| Beer Permits | 902 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 902 |
| Total Licenses and Permits | $ 34,578 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 34,578 |
| Fines, Forfeitures, and Penalties | | | | | | | | | |
| Circuit Court | | | | | | | | | |
| Fines | $ 7,758 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 7,758 |

(Continued)

Exhibit J-6

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

| | | Special Revenue Funds | | | | | Debt Service Fund | Capital Projects Fund | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Solid Waste / Sanitation | Ambulance Service | Drug Control | Constitu-tional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | Total |
| Fines, Forfeitures, and Penalties (Cont.) | | | | | | | | | |
| Circuit Court (Cont.) | | | | | | | | | |
| Officers Costs | $ 5,107 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 5,107 |
| Drug Control Fines | 0 | 0 | 0 | 916 | 0 | 0 | 0 | 0 | 916 |
| Drug Court Fees | 1,018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,018 |
| Jail Fees | 1,807 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,807 |
| DUI Treatment Fines | 587 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 587 |
| Data Entry Fee - Circuit Court | 678 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 678 |
| Courtroom Security Fee | 4,327 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,327 |
| Criminal Court | | | | | | | | | |
| Jail Fees | 906 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 906 |
| General Sessions Court | | | | | | | | | |
| Fines | 12,049 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,049 |
| Game and Fish Fines | 236 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 236 |
| Drug Control Fines | 2,051 | 0 | 0 | 12,579 | 0 | 0 | 0 | 0 | 14,630 |
| Drug Court Fees | 1,458 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,458 |
| Jail Fees | 1,128 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,128 |
| DUI Treatment Fines | 2,350 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,350 |
| Data Entry Fee - General Sessions Court | 2,580 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,580 |
| Courtroom Security Fee | 28,795 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 28,795 |
| Chancery Court | | | | | | | | | |
| Officers Costs | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21 |
| Data Entry Fee - Chancery Court | 916 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 916 |
| Courtroom Security Fee | 1,189 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,189 |
| Other Courts - In-county | | | | | | | | | |
| Drug Court Fees | 1,054 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,054 |
| Other Fines, Forfeitures, and Penalties | | | | | | | | | |
| Proceeds from Confiscated Property | 0 | 0 | 0 | 24,546 | 0 | 0 | 0 | 0 | 24,546 |
| Total Fines, Forfeitures, and Penalties | $ 76,015 | $ 0 | $ 0 | $ 38,041 | $ 0 | $ 0 | $ 0 | $ 0 | $ 114,056 |

(Continued)

Exhibit J-6

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

| | | Special Revenue Funds | | | | | Debt Service Fund | Capital Projects Fund | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Solid Waste / Sanitation | Ambulance Service | Drug Control | Constitu-tional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | Total |
| Charges for Current Services | | | | | | | | | |
| General Service Charges | | | | | | | | | |
| Patient Charges | $ 0 | $ 0 | $ 604,944 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 604,944 |
| Work Release Charges for Board | 21,160 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21,160 |
| Fees | | | | | | | | | |
| Copy Fees | 643 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 643 |
| Library Fees | 2,660 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,660 |
| Telephone Commissions | 1,318 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,318 |
| Constitutional Officers' Fees and Commissions | 0 | 0 | 0 | 0 | 4,512 | 0 | 0 | 0 | 4,512 |
| Data Processing Fee - Register | 4,978 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,978 |
| Data Processing Fee - Sheriff | 996 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 996 |
| Data Processing Fee - County Clerk | 892 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 892 |
| Total Charges for Current Services | $ 32,647 | $ 0 | $ 604,944 | $ 0 | $ 4,512 | $ 0 | $ 0 | $ 0 | $ 642,103 |
| Other Local Revenues | | | | | | | | | |
| Recurring Items | | | | | | | | | |
| Investment Income | $ 28,843 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 8,441 | $ 0 | $ 37,284 |
| Lease/Rentals | 22,160 | 0 | 0 | 0 | 0 | 0 | 7,420 | 0 | 29,580 |
| Commissary Sales | 1,601 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1,601 |
| Sale of Gasoline | 0 | 0 | 0 | 0 | 0 | 2,768 | 0 | 0 | 2,768 |
| Sale of Maps | 330 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 330 |
| Sale of Recycled Materials | 0 | 18,454 | 0 | 0 | 0 | 0 | 0 | 0 | 18,454 |
| Miscellaneous Refunds | 7,356 | 0 | 34 | 0 | 0 | 4,652 | 14 | 0 | 12,056 |
| Nonrecurring Items | | | | | | | | | |
| Sale of Equipment | 200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 200 |
| Sale of Property | 26,434 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26,434 |
| Damages Recovered from Individuals | 600 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 600 |
| Total Other Local Revenues | $ 87,524 | $ 18,454 | $ 34 | $ 0 | $ 0 | $ 7,420 | $ 15,875 | $ 0 | $ 129,307 |
| Fees Received from County Officials | | | | | | | | | |
| Fees in-Lieu-of Salary | | | | | | | | | |
| County Clerk | $ 176,248 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 176,248 |

(Continued)

Exhibit J-6

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

| | | Special Revenue Funds | | | | | Debt Service Fund | Capital Projects Fund | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Solid Waste / Sanitation | Ambulance Service | Drug Control | Constitu-tional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | Total |
| Fees Received from County Officials (Cont.) | | | | | | | | | |
| Fees in-Lieu-of Salary (Cont.) | | | | | | | | | |
| Circuit Court Clerk | $ 71,323 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 71,323 |
| General Sessions Court Clerk | 121,520 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 121,520 |
| Clerk and Master | 37,416 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 37,416 |
| Register | 57,215 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 57,215 |
| Sheriff | 4,443 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,443 |
| Trustee | 194,132 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 194,132 |
| Total Fees Received from County Officials | $ 662,297 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 662,297 |
| State of Tennessee | | | | | | | | | |
| General Government Grants | | | | | | | | | |
| Juvenile Services Program | $ 27,290 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 27,290 |
| Solid Waste Grants | 0 | 6,714 | 0 | 0 | 0 | 0 | 0 | 0 | 6,714 |
| On-Behalf Contributions for OPEB | 623 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 623 |
| Public Safety Grants | | | | | | | | | |
| Law Enforcement Training Programs | 12,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12,000 |
| Health and Welfare Grants | | | | | | | | | |
| Health Department Programs | 85,879 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 85,879 |
| Public Works Grants | | | | | | | | | |
| Litter Program | 0 | 38,842 | 0 | 0 | 0 | 0 | 0 | 0 | 38,842 |
| State Education Funds | | | | | | | | | |
| Energy Efficient School Initiative | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4,000 | 4,000 |
| Other State Revenues | | | | | | | | | |
| Income Tax | 52,505 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 52,505 |
| Resort District Sales Tax | 842 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 842 |
| Beer Tax | 25,856 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25,856 |
| Alcoholic Beverage Tax | 27,744 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27,744 |
| State Revenue Sharing - T.V.A. | 174,252 | 0 | 0 | 0 | 0 | 0 | 27,460 | 0 | 201,712 |
| Contracted Prisoner Boarding | 700,350 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 700,350 |
| Gasoline and Motor Fuel Tax | 0 | 0 | 0 | 0 | 0 | 1,360,178 | 0 | 0 | 1,360,178 |
| Petroleum Special Tax | 0 | 0 | 0 | 0 | 0 | 10,095 | 0 | 0 | 10,095 |

(Continued)

Exhibit J-6

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

| | | Special Revenue Funds | | | | | Debt Service Fund | Capital Projects Fund | |
|---|---|---|---|---|---|---|---|---|---|
| | General | Solid Waste / Sanitation | Ambulance Service | Drug Control | Constitu-tional Officers - Fees | Highway / Public Works | General Debt Service | General Capital Projects | Total |
| State of Tennessee (Cont.) | | | | | | | | | |
| Other State Revenues (Cont.) | | | | | | | | | |
| Registrar's Salary Supplement | $ 15,164 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 15,164 |
| Other State Revenues | 17,630 | 0 | 0 | 150 | 0 | 0 | 0 | 0 | 17,780 |
| Total State of Tennessee | $ 1,140,135 | $ 45,556 | $ 0 | $ 150 | $ 0 | $ 1,370,273 | $ 27,460 | $ 4,000 | $ 2,587,574 |
| Federal Government | | | | | | | | | |
| Federal Through State | | | | | | | | | |
| Community Development | $ 29,500 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 7,723 | $ 37,223 |
| Disaster Relief | 0 | 0 | 0 | 0 | 0 | 25,928 | 0 | 0 | 25,928 |
| Homeland Security Grants | 42,843 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 42,843 |
| Other Federal through State | 24,894 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24,894 |
| Direct Federal Revenue | | | | | | | | | |
| Other Direct Federal Revenue | 2,042 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,042 |
| Total Federal Government | $ 99,279 | $ 0 | $ 0 | $ 0 | $ 0 | $ 25,928 | $ 0 | $ 7,723 | $ 132,930 |
| Other Governments and Citizens Groups | | | | | | | | | |
| Other Governments | | | | | | | | | |
| Contributions | $ 27,917 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 27,917 |
| Total Other Governments and Citizens Groups | $ 27,917 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 27,917 |
| Total | $ 5,147,286 | $ 402,159 | $ 604,978 | $ 38,191 | $ 4,512 | $ 1,403,621 | $ 494,210 | $ 11,723 | $ 8,106,680 |

Exhibit J-7

Sequatchie County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2012

| | General Purpose School | School Federal Projects | Central Cafeteria | Other Education Special Revenue | Education Capital Projects | Total |
|---|---|---|---|---|---|---|
| Local Taxes | | | | | | |
| County Property Taxes | | | | | | |
| Current Property Tax | $ 2,418,204 | $ 0 | $ 0 | $ 0 | $ 0 | $ 2,418,204 |
| Trustee's Collections - Prior Year | 149,057 | 0 | 0 | 0 | 0 | 149,057 |
| Circuit/Clerk & Master Collections - Prior Years | 89,330 | 0 | 0 | 0 | 0 | 89,330 |
| Interest and Penalty | 25,721 | 0 | 0 | 0 | 0 | 25,721 |
| Payments in-Lieu-of Taxes - T.V.A. | 1,361 | 0 | 0 | 0 | 0 | 1,361 |
| Payments in-Lieu-of Taxes - Local Utilities | 12,621 | 0 | 0 | 0 | 0 | 12,621 |
| Payments in-Lieu-of Taxes - Other | 433 | 0 | 0 | 0 | 0 | 433 |
| County Local Option Taxes | | | | | | |
| Local Option Sales Tax | 1,611,477 | 0 | 0 | 0 | 0 | 1,611,477 |
| Statutory Local Taxes | | | | | | |
| Bank Excise Tax | 13,892 | 0 | 0 | 0 | 0 | 13,892 |
| Interstate Telecommunications Tax | 816 | 0 | 0 | 0 | 0 | 816 |
| Total Local Taxes | $ 4,322,912 | $ 0 | $ 0 | $ 0 | $ 0 | $ 4,322,912 |
| Licenses and Permits | | | | | | |
| Licenses | | | | | | |
| Marriage Licenses | $ 1,510 | $ 0 | $ 0 | $ 0 | $ 0 | $ 1,510 |
| Total Licenses and Permits | $ 1,510 | $ 0 | $ 0 | $ 0 | $ 0 | $ 1,510 |
| Charges for Current Services | | | | | | |
| Education Charges | | | | | | |
| Tuition - Other | $ 0 | $ 0 | $ 0 | $ 35,411 | $ 0 | $ 35,411 |
| Lunch Payments - Children | 0 | 0 | 162,599 | 0 | 0 | 162,599 |
| Lunch Payments - Adults | 0 | 0 | 28,390 | 0 | 0 | 28,390 |
| Income from Breakfast | 0 | 0 | 21,894 | 0 | 0 | 21,894 |
| A la carte Sales | 0 | 0 | 91,720 | 0 | 0 | 91,720 |
| Receipts from Individual Schools | 33,283 | 0 | 0 | 0 | 0 | 33,283 |
| Total Charges for Current Services | $ 33,283 | $ 0 | $ 304,603 | $ 35,411 | $ 0 | $ 373,297 |
| Other Local Revenues | | | | | | |
| Recurring Items | | | | | | |
| Investment Income | $ 35,240 | $ 0 | $ 2,260 | $ 0 | $ 1 | $ 37,501 |
| Miscellaneous Refunds | 40,722 | 0 | 2,304 | 0 | 0 | 43,026 |

(Continued)

Exhibit J-7

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

| | General Purpose School | School Federal Projects | Central Cafeteria | Other Education Special Revenue | Education Capital Projects | Total |
|---|---|---|---|---|---|---|
| Other Local Revenues (Cont.) | | | | | | |
| Nonrecurring Items | | | | | | |
| Sale of Equipment | $ 6,005 | $ 0 | $ 0 | $ 0 | $ 0 | $ 6,005 |
| Contributions and Gifts | 862 | 0 | 0 | 0 | 0 | 862 |
| Other Local Revenues | | | | | | |
| Other Local Revenues | 24,375 | 0 | 503 | 0 | 0 | 24,878 |
| Total Other Local Revenues | $ 107,204 | $ 0 | $ 5,067 | $ 0 | $ 1 | $ 112,272 |
| State of Tennessee | | | | | | |
| General Government Grants | | | | | | |
| On-Behalf Contributions for OPEB | $ 48,012 | $ 0 | $ 0 | $ 0 | $ 0 | $ 48,012 |
| State Education Funds | | | | | | |
| Basic Education Program | 11,142,001 | 0 | 0 | 0 | 0 | 11,142,001 |
| Early Childhood Education | 101,089 | 0 | 0 | 0 | 0 | 101,089 |
| School Food Service | 0 | 0 | 12,063 | 0 | 0 | 12,063 |
| Energy Efficient School Initiative | 73,911 | 0 | 0 | 0 | 0 | 73,911 |
| Driver Education | 3,161 | 0 | 0 | 0 | 0 | 3,161 |
| Other State Education Funds | 126,725 | 0 | 0 | 0 | 0 | 126,725 |
| Career Ladder Program | 65,771 | 0 | 0 | 0 | 0 | 65,771 |
| Career Ladder - Extended Contract | 35,800 | 0 | 0 | 0 | 0 | 35,800 |
| Other State Revenues | | | | | | |
| State Revenue Sharing - T.V.A. | 165,327 | 0 | 0 | 0 | 0 | 165,327 |
| Other State Revenues | 2,750 | 0 | 0 | 0 | 0 | 2,750 |
| Total State of Tennessee | $ 11,764,547 | $ 0 | $ 12,063 | $ 0 | $ 0 | $ 11,776,610 |
| Federal Government | | | | | | |
| Federal Through State | | | | | | |
| USDA School Lunch Program | $ 0 | $ 0 | $ 654,853 | $ 0 | $ 0 | $ 654,853 |
| USDA - Commodities | 0 | 0 | 65,114 | 0 | 0 | 65,114 |
| Breakfast | 0 | 0 | 214,893 | 0 | 0 | 214,893 |
| USDA - Other | 0 | 0 | 3,644 | 0 | 0 | 3,644 |
| Adult Education State Grant Program | 155,855 | 0 | 0 | 0 | 0 | 155,855 |
| Vocational Education - Basic Grants to States | 0 | 42,318 | 0 | 0 | 0 | 42,318 |
| Other Vocational | 71,895 | 0 | 0 | 0 | 0 | 71,895 |
| Title I Grants to Local Education Agencies | 0 | 934,695 | 0 | 0 | 0 | 934,695 |

(Continued)

Exhibit J-7

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

| | General Purpose School | School Federal Projects | Central Cafeteria | Other Education Special Revenue | Education Capital Projects | Total |
|---|---|---|---|---|---|---|
| Federal Government (Cont.) | | | | | | |
| Federal Through State (Cont.) | | | | | | |
| Special Education - Grants to States | $ 0 | $ 642,345 | $ 0 | $ 0 | $ 0 | $ 642,345 |
| Special Education Preschool Grants | 0 | 29,249 | 0 | 0 | 0 | 29,249 |
| Safe and Drug-free Schools - State Grants | 0 | 98,866 | 0 | 0 | 0 | 98,866 |
| Rural Education | 0 | 91,124 | 0 | 0 | 0 | 91,124 |
| Eisenhower Professional Development State Grants | 0 | 117,598 | 0 | 0 | 0 | 117,598 |
| Race-to-the-Top - ARRA | 0 | 131,459 | 0 | 0 | 0 | 131,459 |
| Other Federal through State | 0 | 457,184 | 0 | 0 | 0 | 457,184 |
| Direct Federal Revenue | | | | | | |
| Other Direct Federal Revenue | 0 | 151,287 | 0 | 0 | 0 | 151,287 |
| Total Federal Government | $ 227,750 | $ 2,696,125 | $ 938,504 | $ 0 | $ 0 | $ 3,862,379 |
| Total | $ 16,457,206 | $ 2,696,125 | $ 1,260,237 | $ 35,411 | $ 1 | $ 20,448,980 |

Exhibit J-8

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

| | | | | |
|---|---|---|---|---|
| General Fund | | | | |
| General Government | | | | |
| County Commission | | | | |
| Board and Committee Members Fees | $ | 34,300 | | |
| Social Security | | 1,959 | | |
| Employer Medicare | | 497 | | |
| Audit Services | | 4,483 | | |
| Dues and Memberships | | 8,993 | | |
| Legal Services | | 11,154 | | |
| Legal Notices, Recording, and Court Costs | | 2,772 | | |
| Other Contracted Services | | 655 | | |
| Liability Insurance | | 78,827 | | |
| Interest on Notes | | 2,572 | | |
| Total County Commission | | | $ | 146,212 |
| Board of Equalization | | | | |
| Board and Committee Members Fees | $ | 2,825 | | |
| Total Board of Equalization | | | | 2,825 |
| Beer Board | | | | |
| Board and Committee Members Fees | $ | 200 | | |
| Total Beer Board | | | | 200 |
| County Mayor/Executive | | | | |
| County Official/Administrative Officer | $ | 66,702 | | |
| Assistant(s) | | 48,454 | | |
| In-Service Training | | 265 | | |
| Social Security | | 7,004 | | |
| State Retirement | | 9,777 | | |
| Unemployment Compensation | | 216 | | |
| Employer Medicare | | 1,696 | | |
| Communication | | 5,293 | | |
| Data Processing Services | | 4,912 | | |
| Postal Charges | | 1,989 | | |
| Travel | | 1,896 | | |
| Office Supplies | | 2,996 | | |
| Premiums on Corporate Surety Bonds | | 198 | | |
| Office Equipment | | 1,857 | | |
| Total County Mayor/Executive | | | | 153,255 |
| County Attorney | | | | |
| Consultants | $ | 7,800 | | |
| Total County Attorney | | | | 7,800 |

(Continued)

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

General Fund (Cont.)
General Government (Cont.)
Election Commission

| | | | |
|---|---|---|---|
| County Official/Administrative Officer | $ 49,014 | | |
| Deputy(ies) | 9,992 | | |
| Computer Programmer(s) | 1,000 | | |
| Clerical Personnel | 5,402 | | |
| Election Commission | 9,950 | | |
| Election Workers | 5,235 | | |
| In-Service Training | 2,949 | | |
| Social Security | 3,927 | | |
| State Retirement | 5,010 | | |
| Medical Insurance | 3,516 | | |
| Unemployment Compensation | 281 | | |
| Employer Medicare | 879 | | |
| Communication | 1,467 | | |
| Dues and Memberships | 200 | | |
| Legal Notices, Recording, and Court Costs | 2,914 | | |
| Maintenance and Repair Services - Equipment | 500 | | |
| Postal Charges | 4,867 | | |
| Printing, Stationery, and Forms | 2,664 | | |
| Rentals | 350 | | |
| Travel | 5,293 | | |
| Other Contracted Services | 11,658 | | |
| Office Supplies | 1,897 | | |
| Total Election Commission | | $ | 128,965 |

Register of Deeds

| | | | |
|---|---|---|---|
| County Official/Administrative Officer | $ 57,751 | | |
| Deputy(ies) | 44,658 | | |
| In-Service Training | 400 | | |
| Social Security | 6,929 | | |
| State Retirement | 7,994 | | |
| Unemployment Compensation | 216 | | |
| Employer Medicare | 1,450 | | |
| Communication | 2,071 | | |
| Data Processing Services | 4,350 | | |
| Dues and Memberships | 442 | | |
| Postal Charges | 400 | | |
| Rentals | 804 | | |
| Travel | 1,100 | | |
| Other Contracted Services | 3,500 | | |
| Duplicating Supplies | 159 | | |

(Continued)

Exhibit J-8

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

| | | | | |
|---|---|---|---|---|
| General Fund (Cont.) | | | | |
| General Government (Cont.) | | | | |
| Register of Deeds (Cont.) | | | | |
| Office Supplies | $ | 213 | | |
| Premiums on Corporate Surety Bonds | | 284 | | |
| Office Equipment | | 400 | | |
| Total Register of Deeds | | | $ | 133,121 |
| County Buildings | | | | |
| Custodial Personnel | $ | 22,328 | | |
| Maintenance Personnel | | 23,130 | | |
| Social Security | | 2,725 | | |
| State Retirement | | 3,859 | | |
| Unemployment Compensation | | 216 | | |
| Employer Medicare | | 650 | | |
| Communication | | 944 | | |
| Maintenance Agreements | | 18,076 | | |
| Maintenance and Repair Services - Buildings | | 38,574 | | |
| Duplicating Supplies | | 2,202 | | |
| Electricity | | 125,708 | | |
| Gasoline | | 3,974 | | |
| Natural Gas | | 29,716 | | |
| Water and Sewer | | 18,933 | | |
| Other Supplies and Materials | | 3,634 | | |
| Total County Buildings | | | | 294,669 |
| Other General Administration | | | | |
| On-Behalf Payments to OPEB | $ | 623 | | |
| Total Other General Administration | | | | 623 |
| Finance | | | | |
| Property Assessor's Office | | | | |
| County Official/Administrative Officer | $ | 57,751 | | |
| Secretary(ies) | | 70,285 | | |
| Social Security | | 8,604 | | |
| State Retirement | | 10,915 | | |
| Medical Insurance | | 3,469 | | |
| Unemployment Compensation | | 479 | | |
| Employer Medicare | | 1,961 | | |
| Audit Services | | 7,800 | | |
| Communication | | 4,869 | | |
| Data Processing Services | | 8,500 | | |
| Dues and Memberships | | 921 | | |

(Continued)

Exhibit J-8

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

| | | | | |
|---|---|---|---|---|
| General Fund (Cont.) | | | | |
| Finance (Cont.) | | | | |
| Property Assessor's Office (Cont.) | | | | |
| Postal Charges | $ | 1,877 | | |
| Printing, Stationery, and Forms | | 456 | | |
| Travel | | 4,421 | | |
| Other Contracted Services | | 12,877 | | |
| Office Supplies | | 2,493 | | |
| Premiums on Corporate Surety Bonds | | 79 | | |
| Office Equipment | | 4,660 | | |
| Total Property Assessor's Office | | | $ | 202,417 |
| Reappraisal Program | | | | |
| Medical Insurance | $ | 47 | | |
| Communication | | 200 | | |
| Travel | | 787 | | |
| Other Contracted Services | | 799 | | |
| Office Supplies | | 250 | | |
| Total Reappraisal Program | | | | 2,083 |
| County Trustee's Office | | | | |
| County Official/Administrative Officer | $ | 57,751 | | |
| Deputy(ies) | | 45,479 | | |
| Overtime Pay | | 1,501 | | |
| Social Security | | 6,362 | | |
| State Retirement | | 8,892 | | |
| Unemployment Compensation | | 312 | | |
| Employer Medicare | | 1,519 | | |
| Communication | | 1,666 | | |
| Data Processing Services | | 3,200 | | |
| Dues and Memberships | | 154 | | |
| Legal Notices, Recording, and Court Costs | | 224 | | |
| Maintenance and Repair Services - Office Equipment | | 4,964 | | |
| Postal Charges | | 4,200 | | |
| Travel | | 764 | | |
| Office Supplies | | 2,272 | | |
| Premiums on Corporate Surety Bonds | | 1,936 | | |
| Total County Trustee's Office | | | | 141,196 |
| County Clerk's Office | | | | |
| County Official/Administrative Officer | $ | 57,751 | | |
| Deputy(ies) | | 87,779 | | |
| Overtime Pay | | 476 | | |

(Continued)

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

| | | | | |
|---|---|---|---|---|
| General Fund (Cont.) | | | | |
| Finance (Cont.) | | | | |
| County Clerk's Office (Cont.) | | | | |
| Social Security | $ | 8,677 | | |
| State Retirement | | 12,241 | | |
| Medical Insurance | | 8,054 | | |
| Unemployment Compensation | | 554 | | |
| Employer Medicare | | 2,005 | | |
| Communication | | 3,291 | | |
| Dues and Memberships | | 387 | | |
| Maintenance and Repair Services - Office Equipment | | 14,552 | | |
| Postal Charges | | 6,044 | | |
| Travel | | 1,413 | | |
| Office Supplies | | 2,094 | | |
| Premiums on Corporate Surety Bonds | | 125 | | |
| Office Equipment | | 6,094 | | |
| Total County Clerk's Office | | | $ | 211,537 |
| Administration of Justice | | | | |
| Circuit Court | | | | |
| County Official/Administrative Officer | $ | 57,751 | | |
| Deputy(ies) | | 56,244 | | |
| Jury and Witness Expense | | 2,827 | | |
| Social Security | | 7,045 | | |
| State Retirement | | 8,668 | | |
| Unemployment Compensation | | 292 | | |
| Employer Medicare | | 1,659 | | |
| Communication | | 2,639 | | |
| Data Processing Services | | 7,502 | | |
| Dues and Memberships | | 327 | | |
| Postal Charges | | 2,953 | | |
| Rentals | | 5,076 | | |
| Other Contracted Services | | 8,481 | | |
| Office Supplies | | 21,769 | | |
| Premiums on Corporate Surety Bonds | | 125 | | |
| Total Circuit Court | | | | 183,358 |
| General Sessions Court | | | | |
| Judge(s) | $ | 80,579 | | |
| In-Service Training | | 500 | | |
| Social Security | | 4,895 | | |
| Medical Insurance | | 7,214 | | |
| Employer Medicare | | 1,064 | | |

(Continued)

Exhibit J-8

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

| | | |
|---|---|---|
| General Fund (Cont.) | | |
| Administration of Justice (Cont.) | | |
| General Sessions Court (Cont.) | | |
| Dues and Memberships | $ 100 | |
| Travel | 500 | |
| Total General Sessions Court | | $ 94,852 |
| Drug Court | | |
| Fines, Assessments, and Penalties | $ 2,548 | |
| Total Drug Court | | 2,548 |
| Chancery Court | | |
| County Official/Administrative Officer | $ 57,751 | |
| Assistant(s) | 23,421 | |
| Social Security | 5,024 | |
| State Retirement | 6,891 | |
| Unemployment Compensation | 108 | |
| Employer Medicare | 1,170 | |
| Communication | 479 | |
| Dues and Memberships | 387 | |
| Postal Charges | 522 | |
| Rentals | 822 | |
| Office Supplies | 897 | |
| Office Equipment | 3,477 | |
| Total Chancery Court | | 100,949 |
| Juvenile Court | | |
| Youth Service Officer(s) | $ 39,146 | |
| Part-time Personnel | 9,670 | |
| In-Service Training | 3,695 | |
| Social Security | 3,051 | |
| State Retirement | 3,498 | |
| Medical Insurance | 3,360 | |
| Unemployment Compensation | 224 | |
| Employer Medicare | 658 | |
| Communication | 2,593 | |
| Dues and Memberships | 35 | |
| Postal Charges | 89 | |
| Travel | 792 | |
| Other Contracted Services | 11,132 | |
| Office Supplies | 11,630 | |
| Other Equipment | 1,100 | |
| Total Juvenile Court | | 90,673 |

(Continued)

Exhibit J-8

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

| | | |
|---|---|---|
| General Fund (Cont.) | | |
| Administration of Justice (Cont.) | | |
| Judicial Commissioners | | |
| County Official/Administrative Officer | $ 17,505 | |
| Social Security | 1,058 | |
| State Retirement | 1,486 | |
| Medical Insurance | 3,300 | |
| Unemployment Compensation | 108 | |
| Employer Medicare | 206 | |
| Total Judicial Commissioners | | $ 23,663 |
| Public Safety | | |
| Sheriff's Department | | |
| County Official/Administrative Officer | $ 63,527 | |
| Deputy(ies) | 298,220 | |
| Investigator(s) | 100,833 | |
| Accountants/Bookkeepers | 23,940 | |
| Salary Supplements | 12,000 | |
| Overtime Pay | 36,793 | |
| Other Salaries and Wages | 686 | |
| In-Service Training | 16,476 | |
| Social Security | 37,101 | |
| State Retirement | 41,365 | |
| Medical Insurance | 9,019 | |
| Unemployment Compensation | 1,516 | |
| Employer Medicare | 8,457 | |
| Other Fringe Benefits | 56,826 | |
| Communication | 16,000 | |
| Dues and Memberships | 1,828 | |
| Maintenance and Repair Services - Equipment | 10,389 | |
| Maintenance and Repair Services - Vehicles | 25,148 | |
| Postal Charges | 1,334 | |
| Rentals | 1,859 | |
| Travel | 4,936 | |
| Drugs and Medical Supplies | 2,118 | |
| Gasoline | 80,862 | |
| Law Enforcement Supplies | 22,320 | |
| Office Supplies | 5,260 | |
| Uniforms | 9,458 | |
| Premiums on Corporate Surety Bonds | 1,947 | |
| Data Processing Equipment | 7,857 | |
| Motor Vehicles | 56,949 | |
| Total Sheriff's Department | | 955,024 |

(Continued)

Exhibit J-8

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

| | | |
|---|---|---|
| General Fund (Cont.) | | |
| Public Safety (Cont.) | | |
| Jail | | |
| Supervisor/Director | $ 38,321 | |
| Deputy(ies) | 518,406 | |
| Part-time Personnel | 24,489 | |
| Overtime Pay | 36,641 | |
| In-Service Training | 5,383 | |
| Social Security | 40,877 | |
| State Retirement | 62,104 | |
| Medical Insurance | 3,456 | |
| Unemployment Compensation | 3,266 | |
| Employer Medicare | 9,656 | |
| Other Fringe Benefits | 53,147 | |
| Communication | 3,247 | |
| Maintenance and Repair Services - Buildings | 7,865 | |
| Maintenance and Repair Services - Equipment | 14,960 | |
| Rentals | 2,020 | |
| Transportation - Other than Students | 116 | |
| Disposal Fees | 7,248 | |
| Drugs and Medical Supplies | 188,627 | |
| Food Supplies | 163,892 | |
| Law Enforcement Supplies | 30,383 | |
| Office Supplies | 6,548 | |
| Uniforms | 7,210 | |
| Other Supplies and Materials | 23,986 | |
| Premiums on Corporate Surety Bonds | 2,100 | |
| Total Jail | | $ 1,253,948 |
| Fire Prevention and Control | | |
| Contracts with Other Public Agencies | $ 1,000 | |
| Contributions | 55,000 | |
| Total Fire Prevention and Control | | 56,000 |
| Rescue Squad | | |
| Contributions | $ 5,000 | |
| Total Rescue Squad | | 5,000 |
| Other Emergency Management | | |
| County Official/Administrative Officer | $ 8,113 | |
| Assistant(s) | 2,976 | |
| Social Security | 667 | |
| Employer Medicare | 161 | |

(Continued)

Exhibit J-8

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

| | | | | |
|---|---|---|---|---|
| General Fund (Cont.) | | | | |
| Public Safety (Cont.) | | | | |
| Other Emergency Management (Cont.) | | | | |
| Communication | $ | 1,375 | | |
| Maintenance and Repair Services - Vehicles | | 55 | | |
| Gasoline | | 651 | | |
| Office Supplies | | 353 | | |
| Law Enforcement Equipment | | 45,567 | | |
| Total Other Emergency Management | | | $ | 59,918 |
| County Coroner/Medical Examiner | | | | |
| Contributions | $ | 22,572 | | |
| Total County Coroner/Medical Examiner | | | | 22,572 |
| Public Health and Welfare | | | | |
| Local Health Center | | | | |
| Communication | $ | 4,081 | | |
| Dues and Memberships | | 200 | | |
| Maintenance and Repair Services - Buildings | | 1,380 | | |
| Disposal Fees | | 1,208 | | |
| Other Contracted Services | | 7,200 | | |
| Office Supplies | | 1,034 | | |
| Other Supplies and Materials | | 1,201 | | |
| Total Local Health Center | | | | 16,304 |
| Crippled Children Services | | | | |
| Contributions | $ | 1,026 | | |
| Total Crippled Children Services | | | | 1,026 |
| Other Local Health Services | | | | |
| Social Workers | $ | 1,470 | | |
| Medical Personnel | | 73,582 | | |
| Social Security | | 4,478 | | |
| State Retirement | | 5,971 | | |
| Medical Insurance | | 2,173 | | |
| Unemployment Compensation | | 367 | | |
| Employer Medicare | | 1,000 | | |
| Travel | | 5,547 | | |
| Total Other Local Health Services | | | | 94,588 |
| Appropriation to State | | | | |
| Contributions | $ | 19,032 | | |
| Total Appropriation to State | | | | 19,032 |

(Continued)

Exhibit J-8

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

| | | |
|---|---|---|
| General Fund (Cont.) | | |
| Social, Cultural, and Recreational Services | | |
| Senior Citizens Assistance | | |
| Contributions | $ 7,000 | |
| Total Senior Citizens Assistance | | $ 7,000 |
| Libraries | | |
| Supervisor/Director | $ 33,259 | |
| Clerical Personnel | 21,041 | |
| Part-time Personnel | 9,418 | |
| Social Security | 3,995 | |
| State Retirement | 4,814 | |
| Medical Insurance | 6,972 | |
| Unemployment Compensation | 329 | |
| Employer Medicare | 845 | |
| Communication | 2,229 | |
| Dues and Memberships | 433 | |
| Licenses | 1,091 | |
| Postal Charges | 1,300 | |
| Travel | 266 | |
| Other Contracted Services | 2,400 | |
| Library Books/Media | 7,930 | |
| Office Supplies | 2,325 | |
| Other Supplies and Materials | 740 | |
| Data Processing Equipment | 13,172 | |
| Other Equipment | 903 | |
| Total Libraries | | 113,462 |
| Parks and Fair Boards | | |
| Contributions | $ 3,000 | |
| Maintenance and Repair Services - Buildings | 6,138 | |
| Other Contracted Services | 27,000 | |
| Electricity | 7,359 | |
| Gasoline | 199 | |
| Water and Sewer | 1,754 | |
| Other Supplies and Materials | 319 | |
| Total Parks and Fair Boards | | 45,769 |
| Other Social, Cultural, and Recreational | | |
| Contributions | $ 4,000 | |
| Total Other Social, Cultural, and Recreational | | 4,000 |

(Continued)

Exhibit J-8

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

| | | |
|---|---|---|
| General Fund (Cont.) | | |
| Agriculture and Natural Resources | | |
| Agriculture Extension Service | | |
| Salary Supplements | $ 35,565 | |
| Employer Medicare | 8,248 | |
| Communication | 2,589 | |
| Contributions | 1,000 | |
| Maintenance and Repair Services - Equipment | 374 | |
| Travel | 1,093 | |
| Office Supplies | 600 | |
| Other Equipment | 1,500 | |
| Total Agriculture Extension Service | | $ 50,969 |
| Soil Conservation | | |
| Contributions | $ 14,935 | |
| Total Soil Conservation | | 14,935 |
| Other Operations | | |
| Tourism | | |
| Contributions | $ 11,652 | |
| Total Tourism | | 11,652 |
| Industrial Development | | |
| Dues and Memberships | $ 667 | |
| Total Industrial Development | | 667 |
| Other Economic and Community Development | | |
| Contracts with Government Agencies | $ 20,000 | |
| Contracts with Other Public Agencies | 90,000 | |
| Total Other Economic and Community Development | | 110,000 |
| Veterans' Services | | |
| Clerical Personnel | $ 9,080 | |
| Social Security | 549 | |
| Unemployment Compensation | 109 | |
| Employer Medicare | 132 | |
| Communication | 1,439 | |
| Data Processing Services | 25 | |
| Postal Charges | 134 | |
| Travel | 617 | |
| Office Supplies | 206 | |
| Total Veterans' Services | | 12,291 |

(Continued)

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

| | | | |
|---|---|---|---|
| General Fund (Cont.) | | | |
| Other Operations (Cont.) | | | |
| Other Charges | | | |
| Trustee's Commission | $ 58,879 | | |
| Workers' Compensation Insurance | 49,107 | | |
| Total Other Charges | | $ 107,986 | |
| Total General Fund | | | $ 4,883,089 |
| Solid Waste/Sanitation Fund | | | |
| Public Health and Welfare | | | |
| Sanitation Education/Information | | | |
| Truck Drivers | $ 18,091 | | |
| Secretary(ies) | 6,000 | | |
| Social Security | 1,604 | | |
| Employer Medicare | 369 | | |
| Maintenance and Repair Services - Vehicles | 1,203 | | |
| Gasoline | 2,666 | | |
| Instructional Supplies and Materials | 5,715 | | |
| Other Supplies and Materials | 1,762 | | |
| Total Sanitation Education/Information | | $ 37,410 | |
| Waste Pickup | | | |
| Equipment Operators | $ 47,103 | | |
| Social Security | 2,858 | | |
| State Retirement | 3,999 | | |
| Medical Insurance | 3,360 | | |
| Unemployment Compensation | 240 | | |
| Employer Medicare | 634 | | |
| Maintenance and Repair Services - Vehicles | 12,807 | | |
| Diesel Fuel | 28,618 | | |
| Gasoline | 1,144 | | |
| Total Waste Pickup | | 100,763 | |
| Convenience Centers | | | |
| Attendants | $ 115,644 | | |
| Social Security | 6,990 | | |
| State Retirement | 8,001 | | |
| Medical Insurance | 3,516 | | |
| Unemployment Compensation | 985 | | |
| Employer Medicare | 1,626 | | |
| Communication | 2,120 | | |
| Maintenance and Repair Services - Buildings | 1,728 | | |

(Continued)

Exhibit J-8

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

| | | | |
|---|---|---|---|
| Solid Waste/Sanitation Fund (Cont.) | | | |
| Public Health and Welfare (Cont.) | | | |
| Convenience Centers (Cont.) | | | |
| Other Contracted Services | $ 1,391 | | |
| Custodial Supplies | 32 | | |
| Electricity | 3,681 | | |
| Water and Sewer | 1,400 | | |
| Other Supplies and Materials | 1,500 | | |
| Total Convenience Centers | | $ 148,614 | |
| Other Waste Collection | | | |
| Contracts with Private Agencies | $ 18,500 | | |
| Contracts for Landfill Facilities | 125,000 | | |
| Total Other Waste Collection | | 143,500 | |
| Landfill Operation and Maintenance | | | |
| Contracts for Postclosure Care Costs | $ 9,401 | | |
| Total Landfill Operation and Maintenance | | 9,401 | |
| Other Operations | | | |
| Other Charges | | | |
| Trustee's Commission | $ 6,739 | | |
| Total Other Charges | | 6,739 | |
| Total Solid Waste/Sanitation Fund | | | $ 446,427 |
| Ambulance Service Fund | | | |
| Public Health and Welfare | | | |
| Ambulance/Emergency Medical Services | | | |
| Supervisor/Director | $ 44,020 | | |
| Medical Personnel | 473,400 | | |
| Clerical Personnel | 22,248 | | |
| In-Service Training | 9,434 | | |
| Social Security | 32,655 | | |
| State Retirement | 37,389 | | |
| Medical Insurance | 3,413 | | |
| Unemployment Compensation | 2,046 | | |
| Employer Medicare | 7,750 | | |
| Communication | 4,450 | | |
| Data Processing Services | 6,410 | | |
| Dues and Memberships | 270 | | |
| Licenses | 2,000 | | |
| Maintenance and Repair Services - Buildings | 807 | | |

(Continued)

Exhibit J-8

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

| | | | |
|---|---|---|---|
| Ambulance Service Fund (Cont.) | | | |
| Public Health and Welfare (Cont.) | | | |
| Ambulance/Emergency Medical Services (Cont.) | | | |
| Maintenance and Repair Services - Equipment | $ 4,839 | | |
| Maintenance and Repair Services - Vehicles | 41,621 | | |
| Postal Charges | 1,255 | | |
| Travel | 749 | | |
| Permits | 805 | | |
| Other Contracted Services | 12,210 | | |
| Data Processing Supplies | 1,247 | | |
| Drugs and Medical Supplies | 27,310 | | |
| Electricity | 3,933 | | |
| Gasoline | 44,523 | | |
| Natural Gas | 1,002 | | |
| Office Supplies | 2,415 | | |
| Tires and Tubes | 1,225 | | |
| Uniforms | 460 | | |
| Other Supplies and Materials | 12,102 | | |
| Trustee's Commission | 6,011 | | |
| Total Ambulance/Emergency Medical Services | | $ 807,999 | |
| Total Ambulance Service Fund | | | $ 807,999 |
| Drug Control Fund | | | |
| Public Safety | | | |
| Drug Enforcement | | | |
| Dues and Memberships | $ 1,000 | | |
| Maintenance and Repair Services - Vehicles | 1,179 | | |
| Veterinary Services | 301 | | |
| Other Supplies and Materials | 18,883 | | |
| Trustee's Commission | 384 | | |
| Motor Vehicles | 58,048 | | |
| Total Drug Enforcement | | $ 79,795 | |
| Total Drug Control Fund | | | 79,795 |
| Constitutional Officers - Fees Fund | | | |
| Finance | | | |
| County Clerk's Office | | | |
| Constitutional Officers' Operating Expenses | $ 4,466 | | |
| Total County Clerk's Office | | $ 4,466 | |

(Continued)

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

| | | | |
|---|---|---|---|
| Constitutional Officers - Fees Fund (Cont.) | | | |
| Administration of Justice | | | |
| Circuit Court Clerk | | | |
| Constitutional Officers' Operating Expenses | $ 46 | | |
| Total Circuit Court Clerk | | $ 46 | |
| Total Constitutional Officers - Fees Fund | | | $ 4,512 |
| Highway/Public Works Fund | | | |
| Highways | | | |
| Administration | | | |
| County Official/Administrative Officer | $ 63,527 | | |
| Accountants/Bookkeepers | 30,062 | | |
| Clerical Personnel | 25,794 | | |
| Employee and Dependent Insurance | 23,184 | | |
| Data Processing Services | 5,117 | | |
| Dues and Memberships | 2,286 | | |
| Evaluation and Testing | 800 | | |
| Legal Services | 142 | | |
| Legal Notices, Recording, and Court Costs | 690 | | |
| Maintenance and Repair Services - Office Equipment | 206 | | |
| Postal Charges | 375 | | |
| Printing, Stationery, and Forms | 247 | | |
| Travel | 1,107 | | |
| Data Processing Supplies | 232 | | |
| Drugs and Medical Supplies | 31 | | |
| Office Supplies | 375 | | |
| Other Charges | 161 | | |
| Furniture and Fixtures | 188 | | |
| Office Equipment | 37 | | |
| Total Administration | | $ 154,561 | |
| Highway and Bridge Maintenance | | | |
| Foremen | $ 32,166 | | |
| Equipment Operators | 83,087 | | |
| Truck Drivers | 82,331 | | |
| Laborers | 159,531 | | |
| Employee and Dependent Insurance | 100,663 | | |
| Other Contracted Services | 9,942 | | |
| Asphalt - Cold Mix | 227 | | |
| Asphalt - Hot Mix | 5,441 | | |
| Asphalt - Liquid | 15,827 | | |
| Concrete | 184 | | |

(Continued)

Exhibit J-8

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

| | | | | |
|---|---|---|---|---|
| Highway/Public Works Fund (Cont.) | | | | |
| Highways (Cont.) | | | | |
| Highway and Bridge Maintenance (Cont.) | | | | |
| Crushed Stone | $ | 16,467 | | |
| Fertilizer, Lime, and Seed | | 175 | | |
| Other Road Supplies | | 352 | | |
| Pipe | | 10,451 | | |
| Pipe - Metal | | 9,616 | | |
| Road Signs | | 3,792 | | |
| Salt | | 27,294 | | |
| Sand | | 325 | | |
| Small Tools | | 540 | | |
| Total Highway and Bridge Maintenance | | | $ | 558,411 |
| Operation and Maintenance of Equipment | | | | |
| Mechanic(s) | $ | 54,624 | | |
| Nightwatchmen | | 58,957 | | |
| Employee and Dependent Insurance | | 31,529 | | |
| Maintenance and Repair Services - Equipment | | 6,895 | | |
| Diesel Fuel | | 27,584 | | |
| Equipment and Machinery Parts | | 29,477 | | |
| Garage Supplies | | 5,324 | | |
| Gasoline | | 26,108 | | |
| Lubricants | | 3,355 | | |
| Propane Gas | | 496 | | |
| Small Tools | | 368 | | |
| Tires and Tubes | | 8,945 | | |
| Other Supplies and Materials | | 396 | | |
| Total Operation and Maintenance of Equipment | | | | 254,058 |
| Other Charges | | | | |
| Communication | $ | 3,547 | | |
| Electricity | | 1,587 | | |
| Natural Gas | | 531 | | |
| Water and Sewer | | 631 | | |
| Liability Insurance | | 9,850 | | |
| Premiums on Corporate Surety Bonds | | 400 | | |
| Trustee's Commission | | 13,833 | | |
| Vehicle and Equipment Insurance | | 16,159 | | |
| Total Other Charges | | | | 46,538 |
| Employee Benefits | | | | |
| Social Security | $ | 44,495 | | |

(Continued)

Exhibit J-8

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

| | | | |
|---|---|---|---|
| Highway/Public Works Fund (Cont.) | | | |
| Highways (Cont.) | | | |
| Employee Benefits (Cont.) | | | |
| State Retirement | $ 48,718 | | |
| Employee and Dependent Insurance | 12,730 | | |
| Unemployment Compensation | 1,074 | | |
| Workers' Compensation Insurance | 87,186 | | |
| Other Charges | 75 | | |
| Total Employee Benefits | | $ 194,278 | |
| Capital Outlay | | | |
| Maintenance and Repair Services - Buildings | $ 823 | | |
| Highway Equipment | 12,000 | | |
| Plant Operation Equipment | 149 | | |
| Total Capital Outlay | | 12,972 | |
| 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 | $ 3,722 | | |
| Total Highways and Streets | | 3,722 | |
| Total Highway/Public Works Fund | | | $ 1,247,873 |
| General Debt Service Fund | | | |
| Principal on Debt | | | |
| General Government | | | |
| Principal on Notes | $ 363,667 | | |
| Principal on Other Loans | 191,000 | | |
| Total General Government | | $ 554,667 | |
| Interest on Debt | | | |
| General Government | | | |
| Interest on Notes | $ 5,072 | | |
| Interest on Other Loans | 19,235 | | |
| Total General Government | | 24,307 | |

(Continued)

Exhibit J-8

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

| | | | |
|---|---|---|---|
| General Debt Service Fund (Cont.) | | | |
| Other Debt Service | | | |
| General Government | | | |
| Trustee's Commission | $ 9,428 | | |
| Other Debt Issuance Charges | 29,584 | | |
| Total General Government | | $ 39,012 | |
| Total General Debt Service Fund | | | $ 617,986 |
| General Capital Projects Fund | | | |
| General Government | | | |
| County Buildings | | | |
| Contracts with Other Public Agencies | $ 5,500 | | |
| Maintenance and Repair Services - Buildings | 20,775 | | |
| Total County Buildings | | $ 26,275 | |
| Other Operations | | | |
| Industrial Development | | | |
| Contracts with Government Agencies | $ 50,000 | | |
| Total Industrial Development | | 50,000 | |
| Other Economic and Community Development | | | |
| Architects | $ 12,025 | | |
| Contracts with Government Agencies | 22,499 | | |
| Total Other Economic and Community Development | | 34,524 | |
| Total General Capital Projects Fund | | | 110,799 |
| Total Governmental Funds - Primary Government | | | $ 8,198,480 |

Exhibit J-9

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2012

| | | |
|---|---|---|
| General Purpose School Fund | | |
| Instruction | | |
| Regular Instruction Program | | |
| Teachers | $ 4,321,356 | |
| Career Ladder Program | 43,485 | |
| Career Ladder Extended Contracts | 20,750 | |
| Homebound Teachers | 44,368 | |
| Educational Assistants | 174,152 | |
| Certified Substitute Teachers | 15,039 | |
| Non-certified Substitute Teachers | 67,348 | |
| Social Security | 264,441 | |
| State Retirement | 404,291 | |
| Medical Insurance | 636,886 | |
| Employer Medicare | 62,851 | |
| Maintenance and Repair Services - Equipment | 458 | |
| Instructional Supplies and Materials | 88,579 | |
| Textbooks | 192,041 | |
| Other Charges | 8,370 | |
| Regular Instruction Equipment | 14,306 | |
| Total Regular Instruction Program | | $ 6,358,721 |
| Alternative Instruction Program | | |
| Teachers | $ 50,592 | |
| Career Ladder Program | 1,000 | |
| Educational Assistants | 12,237 | |
| Social Security | 3,957 | |
| State Retirement | 5,708 | |
| Employer Medicare | 926 | |
| Instructional Supplies and Materials | 635 | |
| Total Alternative Instruction Program | | 75,055 |
| Special Education Program | | |
| Teachers | $ 928,668 | |
| Career Ladder Program | 6,500 | |
| Homebound Teachers | 5,364 | |
| Clerical Personnel | 23,492 | |
| Educational Assistants | 132,877 | |
| Other Salaries and Wages | 19,568 | |
| Certified Substitute Teachers | 2,367 | |
| Non-certified Substitute Teachers | 21,138 | |
| Social Security | 63,729 | |
| State Retirement | 98,573 | |

(Continued)

Exhibit J-9

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

| | | |
|---|---|---|
| General Purpose School Fund (Cont.) | | |
| Instruction (Cont.) | | |
| Special Education Program (Cont.) | | |
| Medical Insurance | $ 176,009 | |
| Employer Medicare | 15,110 | |
| Communication | 2,093 | |
| Contracts with Private Agencies | 23,879 | |
| Travel | 203 | |
| Other Contracted Services | 18,163 | |
| Instructional Supplies and Materials | 13,193 | |
| Other Supplies and Materials | 70 | |
| Other Charges | 1,709 | |
| Special Education Equipment | 3,165 | |
| Total Special Education Program | | $ 1,555,870 |
| Vocational Education Program | | |
| Teachers | $ 140,160 | |
| Career Ladder Extended Contracts | 1,125 | |
| Certified Substitute Teachers | 55 | |
| Social Security | 8,383 | |
| State Retirement | 12,571 | |
| Medical Insurance | 18,572 | |
| Employer Medicare | 1,976 | |
| Instructional Supplies and Materials | 1,755 | |
| Vocational Instruction Equipment | 14,571 | |
| Total Vocational Education Program | | 199,168 |
| Student Body Education Program | | |
| Other Salaries and Wages | $ 21,064 | |
| Social Security | 1,298 | |
| State Retirement | 1,353 | |
| Employer Medicare | 304 | |
| Total Student Body Education Program | | 24,019 |
| Adult Education Program | | |
| Teachers | $ 32,678 | |
| Clerical Personnel | 23,738 | |
| Other Salaries and Wages | 1,600 | |
| Social Security | 3,303 | |
| State Retirement | 3,271 | |
| Employer Medicare | 840 | |
| Instructional Supplies and Materials | 15,471 | |
| Total Adult Education Program | | 80,901 |

(Continued)

Exhibit J-9

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

| | | | | |
|---|---|---|---|---|
| General Purpose School Fund (Cont.) | | | | |
| Support Services | | | | |
| Attendance | | | | |
| Supervisor/Director | $ | 59,199 | | |
| Career Ladder Program | | 1,000 | | |
| Clerical Personnel | | 15,949 | | |
| Social Security | | 4,269 | | |
| State Retirement | | 6,802 | | |
| Medical Insurance | | 14,905 | | |
| Employer Medicare | | 998 | | |
| Travel | | 1,616 | | |
| Total Attendance | | | $ | 104,738 |
| Health Services | | | | |
| Medical Personnel | $ | 34,160 | | |
| Other Salaries and Wages | | 58,382 | | |
| Social Security | | 5,337 | | |
| State Retirement | | 8,048 | | |
| Medical Insurance | | 10,365 | | |
| Employer Medicare | | 1,248 | | |
| Communication | | 453 | | |
| Postal Charges | | 25 | | |
| Travel | | 2,554 | | |
| Other Contracted Services | | 3,000 | | |
| Other Supplies and Materials | | 12,732 | | |
| Total Health Services | | | | 136,304 |
| Other Student Support | | | | |
| Guidance Personnel | $ | 172,863 | | |
| Other Salaries and Wages | | 13,972 | | |
| Social Security | | 11,306 | | |
| State Retirement | | 16,830 | | |
| Medical Insurance | | 5,522 | | |
| Employer Medicare | | 2,644 | | |
| Evaluation and Testing | | 7,297 | | |
| Travel | | 99 | | |
| Other Contracted Services | | 33,752 | | |
| Other Supplies and Materials | | 339 | | |
| Other Equipment | | 46,387 | | |
| Total Other Student Support | | | | 311,011 |

(Continued)

Exhibit J-9

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

| | | |
|---|---|---|
| General Purpose School Fund (Cont.) | | |
| Support Services (Cont.) | | |
| Regular Instruction Program | | |
| Supervisor/Director | $ 133,340 | |
| Career Ladder Program | 7,500 | |
| Career Ladder Extended Contracts | 3,250 | |
| Librarians | 132,963 | |
| Instructional Computer Personnel | 55,753 | |
| Clerical Personnel | 24,936 | |
| Other Salaries and Wages | 24,300 | |
| Social Security | 22,603 | |
| State Retirement | 34,299 | |
| Medical Insurance | 25,548 | |
| Employer Medicare | 5,286 | |
| Travel | 9,774 | |
| Library Books/Media | 12,000 | |
| Other Supplies and Materials | 63,612 | |
| In Service/Staff Development | 2,750 | |
| Other Charges | 39,309 | |
| Other Equipment | 1,049 | |
| Total Regular Instruction Program | | $ 598,272 |
| Special Education Program | | |
| Supervisor/Director | $ 62,398 | |
| Career Ladder Program | 1,000 | |
| Psychological Personnel | 46,460 | |
| Other Salaries and Wages | 15,101 | |
| Social Security | 7,072 | |
| State Retirement | 11,224 | |
| Medical Insurance | 17,877 | |
| Employer Medicare | 1,654 | |
| Travel | 1,178 | |
| Instructional Supplies and Materials | 140 | |
| Other Supplies and Materials | 4,983 | |
| In Service/Staff Development | 855 | |
| Total Special Education Program | | 169,942 |
| Adult Programs | | |
| Supervisor/Director | $ 66,886 | |
| Career Ladder Program | 1,000 | |
| Clerical Personnel | 3,000 | |
| Social Security | 4,040 | |

(Continued)

Exhibit J-9

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

| | | | | |
|---|---|---|---|---|
| General Purpose School Fund (Cont.) | | | | |
| Support Services (Cont.) | | | | |
| Adult Programs (Cont.) | | | | |
| State Retirement | $ | 6,114 | | |
| Medical Insurance | | 7,512 | | |
| Employer Medicare | | 945 | | |
| Communication | | 322 | | |
| Operating Lease Payments | | 250 | | |
| Postal Charges | | 150 | | |
| Travel | | 931 | | |
| In Service/Staff Development | | 2,381 | | |
| Other Charges | | 362 | | |
| Total Adult Programs | | | $ | 93,893 |
| Other Programs | | | | |
| On-Behalf Payments to OPEB | $ | 48,012 | | |
| Total Other Programs | | | | 48,012 |
| Board of Education | | | | |
| Board and Committee Members Fees | $ | 17,425 | | |
| Social Security | | 971 | | |
| Unemployment Compensation | | 25,098 | | |
| Employer Medicare | | 253 | | |
| Audit Services | | 5,900 | | |
| Dues and Memberships | | 2,471 | | |
| Travel | | 15,312 | | |
| Other Contracted Services | | 1,500 | | |
| Liability Insurance | | 11,196 | | |
| Trustee's Commission | | 95,169 | | |
| Workers' Compensation Insurance | | 47,220 | | |
| Refund to Applicant for Criminal Investigation | | 840 | | |
| Other Charges | | 1,998 | | |
| Total Board of Education | | | | 225,353 |
| Director of Schools | | | | |
| County Official/Administrative Officer | $ | 88,326 | | |
| Travel Allowance | | 9,500 | | |
| Assistant(s) | | 3,026 | | |
| Career Ladder Program | | 1,000 | | |
| Secretary(ies) | | 13,213 | | |
| Social Security | | 7,020 | | |
| State Retirement | | 10,339 | | |
| Medical Insurance | | 4,942 | | |

(Continued)

Exhibit J-9

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

| | | |
|---|---|---|
| General Purpose School Fund (Cont.) | | |
| Support Services (Cont.) | | |
| Director of Schools (Cont.) | | |
| Employer Medicare | $ 1,642 | |
| Communication | 15,276 | |
| Dues and Memberships | 1,561 | |
| Postal Charges | 3,045 | |
| Other Contracted Services | 522 | |
| Office Supplies | 2,283 | |
| Other Supplies and Materials | 2,617 | |
| Other Charges | 1,693 | |
| Total Director of Schools | | $ 166,005 |
| Office of the Principal | | |
| Principals | $ 189,674 | |
| Career Ladder Program | 3,000 | |
| Accountants/Bookkeepers | 43,390 | |
| Career Ladder Extended Contracts | 6,000 | |
| Assistant Principals | 163,750 | |
| Secretary(ies) | 42,645 | |
| Social Security | 25,745 | |
| State Retirement | 40,104 | |
| Medical Insurance | 65,119 | |
| Employer Medicare | 6,021 | |
| Travel | 1,172 | |
| Total Office of the Principal | | 586,620 |
| Fiscal Services | | |
| Supervisor/Director | $ 66,486 | |
| Clerical Personnel | 26,624 | |
| Other Salaries and Wages | 20,325 | |
| Social Security | 6,564 | |
| State Retirement | 9,631 | |
| Medical Insurance | 12,403 | |
| Employer Medicare | 1,535 | |
| Data Processing Services | 7,910 | |
| Dues and Memberships | 510 | |
| Travel | 1,617 | |
| Office Supplies | 627 | |
| Other Supplies and Materials | 260 | |
| Other Charges | 70 | |
| Total Fiscal Services | | 154,562 |

(Continued)

Exhibit J-9

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

| | | |
|---|---|---|
| General Purpose School Fund (Cont.) | | |
| Support Services (Cont.) | | |
| Operation of Plant | | |
| Custodial Personnel | $ 238,830 | |
| Social Security | 14,072 | |
| State Retirement | 20,277 | |
| Medical Insurance | 55,573 | |
| Employer Medicare | 3,291 | |
| Other Contracted Services | 58,777 | |
| Custodial Supplies | 40,112 | |
| Electricity | 406,461 | |
| Natural Gas | 33,894 | |
| Water and Sewer | 71,545 | |
| Other Supplies and Materials | 14,489 | |
| Building and Contents Insurance | 27,262 | |
| Other Charges | 1,158 | |
| Total Operation of Plant | | $ 985,741 |
| Maintenance of Plant | | |
| Supervisor/Director | $ 34,165 | |
| Maintenance Personnel | 91,099 | |
| Social Security | 6,754 | |
| State Retirement | 10,635 | |
| Medical Insurance | 33,339 | |
| Employer Medicare | 1,580 | |
| Maintenance and Repair Services - Buildings | 3,667 | |
| Maintenance and Repair Services - Equipment | 2,406 | |
| Travel | 649 | |
| Other Supplies and Materials | 20,459 | |
| Other Charges | 564 | |
| Maintenance Equipment | 237 | |
| Total Maintenance of Plant | | 205,554 |
| Transportation | | |
| Supervisor/Director | $ 1,384 | |
| Mechanic(s) | 34,165 | |
| Bus Drivers | 161,078 | |
| Other Salaries and Wages | 8,928 | |
| In-Service Training | 448 | |
| Social Security | 12,589 | |
| State Retirement | 17,471 | |
| Medical Insurance | 12,856 | |

(Continued)

Exhibit J-9

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

| | | |
|---|---|---|
| General Purpose School Fund (Cont.) | | |
| Support Services (Cont.) | | |
| Transportation (Cont.) | | |
| Employer Medicare | $ 2,970 | |
| Other Fringe Benefits | 5,580 | |
| Maintenance and Repair Services - Vehicles | 65 | |
| Medical and Dental Services | 2,680 | |
| Travel | 1,417 | |
| Other Contracted Services | 5,713 | |
| Diesel Fuel | 71,146 | |
| Equipment and Machinery Parts | 2,542 | |
| Gasoline | 10,563 | |
| Lubricants | 1,717 | |
| Tires and Tubes | 6,862 | |
| Vehicle Parts | 26,669 | |
| Other Supplies and Materials | 2,479 | |
| Vehicle and Equipment Insurance | 10,189 | |
| Other Charges | 2,184 | |
| Transportation Equipment | 82,956 | |
| Total Transportation | | $ 484,651 |
| Operation of Non-Instructional Services | | |
| Community Services | | |
| Other Charges | $ 65 | |
| Total Community Services | | 65 |
| Early Childhood Education | | |
| Teachers | $ 46,480 | |
| Clerical Personnel | 3,000 | |
| Educational Assistants | 11,596 | |
| Non-certified Substitute Teachers | 1,925 | |
| Social Security | 3,797 | |
| State Retirement | 5,446 | |
| Medical Insurance | 5,097 | |
| Employer Medicare | 888 | |
| Travel | 3,185 | |
| Instructional Supplies and Materials | 15,796 | |
| Other Supplies and Materials | 3,374 | |
| Total Early Childhood Education | | 100,584 |

(Continued)

Exhibit J-9

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

| | | | |
|---|---|---|---|
| General Purpose School Fund (Cont.) | | | |
| Capital Outlay | | | |
| Regular Capital Outlay | | | |
| Building Improvements | $ 563,989 | | |
| Other Capital Outlay | 24,006 | | |
| Total Regular Capital Outlay | | $ 587,995 | |
| Principal on Debt | | | |
| Education | | | |
| Principal on Bonds | $ 985,000 | | |
| Principal on Other Loans | 2,083,143 | | |
| Total Education | | 3,068,143 | |
| Interest on Debt | | | |
| Education | | | |
| Interest on Bonds | $ 171,230 | | |
| Interest on Other Loans | 7,317 | | |
| Total Education | | 178,547 | |
| Other Debt Service | | | |
| Education | | | |
| Other Debt Service | $ 13,171 | | |
| Total Education | | 13,171 | |
| Total General Purpose School Fund | | | $ 16,512,897 |
| School Federal Projects Fund | | | |
| Instruction | | | |
| Regular Instruction Program | | | |
| Teachers | $ 644,407 | | |
| Clerical Personnel | 1,000 | | |
| Educational Assistants | 98,467 | | |
| Other Salaries and Wages | 20,986 | | |
| Certified Substitute Teachers | 1,404 | | |
| Non-certified Substitute Teachers | 6,270 | | |
| Social Security | 40,042 | | |
| State Retirement | 62,240 | | |
| Medical Insurance | 97,443 | | |
| Unemployment Compensation | 3,845 | | |
| Employer Medicare | 10,266 | | |
| Travel | 11,105 | | |
| Other Contracted Services | 10,000 | | |

(Continued)

Exhibit J-9

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

| | | |
|---|---|---|
| School Federal Projects Fund (Cont.) | | |
| Instruction (Cont.) | | |
| Regular Instruction Program (Cont.) | | |
| Instructional Supplies and Materials | $ 90,657 | |
| Other Supplies and Materials | 24,423 | |
| Other Charges | 3,713 | |
| Regular Instruction Equipment | 199,138 | |
| Total Regular Instruction Program | | $ 1,325,406 |
| Special Education Program | | |
| Educational Assistants | $ 243,302 | |
| Speech Pathologist | 50,582 | |
| Social Security | 15,993 | |
| State Retirement | 24,709 | |
| Medical Insurance | 78,504 | |
| Unemployment Compensation | 1,468 | |
| Employer Medicare | 3,740 | |
| Other Fringe Benefits | 8,095 | |
| Contracts with Private Agencies | 30,303 | |
| Other Contracted Services | 33,921 | |
| Instructional Supplies and Materials | 15,014 | |
| Special Education Equipment | 14,169 | |
| Total Special Education Program | | 519,800 |
| Vocational Education Program | | |
| Clerical Personnel | $ 1,000 | |
| Social Security | 62 | |
| State Retirement | 85 | |
| Employer Medicare | 14 | |
| Instructional Supplies and Materials | 2,823 | |
| Vocational Instruction Equipment | 32,258 | |
| Total Vocational Education Program | | 36,242 |
| Support Services | | |
| Other Student Support | | |
| Travel | $ 4,303 | |
| In Service/Staff Development | 93,167 | |
| Other Charges | 12,672 | |
| Total Other Student Support | | 110,142 |
| Regular Instruction Program | | |
| Supervisor/Director | $ 76,495 | |

(Continued)

Exhibit J-9

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

| | | |
|---|---|---|
| School Federal Projects Fund (Cont.) | | |
| Support Services (Cont.) | | |
| Regular Instruction Program (Cont.) | | |
| Clerical Personnel | $ 13,901 | |
| Other Salaries and Wages | 83,953 | |
| Social Security | 10,468 | |
| State Retirement | 15,736 | |
| Medical Insurance | 19,808 | |
| Unemployment Compensation | 784 | |
| Employer Medicare | 2,448 | |
| Travel | 9,644 | |
| Other Contracted Services | 103,825 | |
| Other Supplies and Materials | 2,813 | |
| In Service/Staff Development | 98,053 | |
| Other Charges | 736 | |
| Other Equipment | 1,334 | |
| Total Regular Instruction Program | | $ 439,998 |
| Special Education Program | | |
| Psychological Personnel | $ 29,029 | |
| Clerical Personnel | 8,106 | |
| Other Salaries and Wages | 3,234 | |
| Social Security | 703 | |
| State Retirement | 981 | |
| Unemployment Compensation | 56 | |
| Employer Medicare | 545 | |
| Other Fringe Benefits | 189 | |
| Travel | 5,000 | |
| In Service/Staff Development | 3,990 | |
| Total Special Education Program | | 51,833 |
| Vocational Education Program | | |
| Travel | $ 1,771 | |
| Total Vocational Education Program | | 1,771 |
| Transportation | | |
| Bus Drivers | $ 40,199 | |
| Other Salaries and Wages | 17,282 | |
| Social Security | 3,301 | |
| State Retirement | 4,354 | |
| Medical Insurance | 6,739 | |
| Unemployment Compensation | 287 | |

(Continued)

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

| | | | |
|---|---|---|---|
| School Federal Projects Fund (Cont.) | | | |
| Support Services (Cont.) | | | |
| Transportation (Cont.) | | | |
| Employer Medicare | $ 772 | | |
| Other Fringe Benefits | 3,389 | | |
| Diesel Fuel | 11,581 | | |
| Lubricants | 312 | | |
| Tires and Tubes | 1,077 | | |
| Vehicle Parts | 255 | | |
| Total Transportation | | $ 89,548 | |
| Operation of Non-Instructional Services | | | |
| Community Services | | | |
| Supervisor/Director | $ 3,500 | | |
| Teachers | 54,642 | | |
| Bus Drivers | 630 | | |
| Clerical Personnel | 1,000 | | |
| Educational Assistants | 13,747 | | |
| Social Security | 4,558 | | |
| State Retirement | 6,568 | | |
| Unemployment Compensation | 368 | | |
| Employer Medicare | 1,066 | | |
| Travel | 2,500 | | |
| Other Contracted Services | 2,000 | | |
| Instructional Supplies and Materials | 1,999 | | |
| Other Supplies and Materials | 400 | | |
| Other Charges | 2,277 | | |
| Total Community Services | | 95,255 | |
| Total School Federal Projects Fund | | | $ 2,669,995 |
| Central Cafeteria Fund | | | |
| Operation of Non-Instructional Services | | | |
| Food Service | | | |
| Supervisor/Director | $ 30,575 | | |
| Accountants/Bookkeepers | 16,828 | | |
| Clerical Personnel | 19,608 | | |
| Cafeteria Personnel | 275,800 | | |
| Temporary Personnel | 13,270 | | |
| Other Salaries and Wages | 7,603 | | |
| Social Security | 19,789 | | |
| State Retirement | 28,183 | | |

(Continued)

Exhibit J-9

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

| | | | |
|---|---|---|---|
| Central Cafeteria Fund (Cont.) | | | |
| Operation of Non-Instructional Services (Cont.) | | | |
| Food Service (Cont.) | | | |
| Medical Insurance | $ 123,861 | | |
| Employer Medicare | 4,628 | | |
| Communication | 4,055 | | |
| Maintenance and Repair Services - Equipment | 8,914 | | |
| Transportation - Other than Students | 4,254 | | |
| Travel | 1,388 | | |
| Other Contracted Services | 4,743 | | |
| Food Preparation Supplies | 1,398 | | |
| Food Supplies | 497,607 | | |
| Office Supplies | 2,006 | | |
| USDA - Commodities | 65,114 | | |
| Other Supplies and Materials | 30,700 | | |
| In Service/Staff Development | 1,749 | | |
| Criminal Investigation of Applicants - TBI | 60 | | |
| Other Charges | 3,140 | | |
| Food Service Equipment | 16,577 | | |
| Total Food Service | | $ 1,181,850 | |
| Total Central Cafeteria Fund | | | $ 1,181,850 |
| Other Education Special Revenue Fund | | | |
| Operation of Non-Instructional Services | | | |
| Community Services | | | |
| Supervisor/Director | $ 12,811 | | |
| Clerical Personnel | 1,500 | | |
| Other Salaries and Wages | 20,272 | | |
| Non-certified Substitute Teachers | 1,582 | | |
| Social Security | 2,190 | | |
| State Retirement | 1,748 | | |
| Medical Insurance | 5,200 | | |
| Employer Medicare | 512 | | |
| Instructional Supplies and Materials | 676 | | |
| Total Community Services | | $ 46,491 | |
| Total Other Education Special Revenue Fund | | | 46,491 |

(Continued)

Exhibit J-9

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

| | | | |
|---|---|---|---|
| Education Capital Projects Fund | | | |
| Capital Projects | | | |
| Education Capital Projects | | | |
| Architects | $ 11,763 | | |
| Total Education Capital Projects | | $ 11,763 | |
| Total Education Capital Projects Fund | | | $ 11,763 |
| Total Governmental Funds - Sequatchie County School Department | | | $ 20,422,996 |

Exhibit J-10

Sequatchie County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2012

| | Cities - Sales Tax Fund |
|---|---|
| Cash Receipts | |
| Local Option Sales Tax | $ 368,820 |
| Total Cash Receipts | $ 368,820 |
| | |
| Cash Disbursements | |
| Remittance of Revenues Collected | $ 365,132 |
| Trustee's Commission | 3,688 |
| Total Cash Disbursements | $ 368,820 |
| | |
| Excess of Cash Receipts Over (Under) Cash Disbursements | $ 0 |
| Cash Balance, July 1, 2011 | 0 |
| | |
| Cash Balance, June 30, 2012 | $ 0 |

# 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*

October 10, 2012

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2012, which collectively comprise Sequatchie County's basic financial statements and have issued our report thereon dated October 10, 2012. Our report on the aggregate discretely presented component units is qualified due to not including the financial statements of the Sequatchie County Emergency Communications District, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Sequatchie County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Sequatchie County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sequatchie County's internal control over financial reporting. Accordingly, we do not

express an opinion on the effectiveness of Sequatchie County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 12.02(A) and 12.05.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 12.02(B), 12.03(A,B,C,E), 12.04, 12.06, and 12.09.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequatchie County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items 12.01, 12.03(D), 12.07, and 12.08.

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

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

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

Very truly yours,

Justin P. Wilson
Comptroller of the Treasury

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 WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Independent Auditor's Report

October 10, 2012

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited Sequatchie County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Sequatchie County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Sequatchie County's management. Our responsibility is to express an opinion on Sequatchie County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with

the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sequatchie County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Sequatchie County's compliance with those requirements.

In our opinion, Sequatchie County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Sequatchie County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Sequatchie County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sequatchie County's internal control over compliance.

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Sequatchie County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole.

The 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 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

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

Yours very truly,

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Sequatchie County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Passed-through Entity Identifying Number | Expenditures | |
|---|---|---|---|---|
| U.S. Department of Agriculture: | | | | |
| Direct Program: | | | | |
| Community Facilities Loans and Grants | 10.766 | N/A | $ 2,042 | |
| Passed-through State Department of Agriculture: | | | | |
| National School Lunch Program (Commodities - Noncash Assistance) | 10.555 | N/A | 65,114 | (3) |
| Passed-through State Department of Education: | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Program | 10.553 | N/A | 214,893 | |
| National School Lunch Program | 10.555 | N/A | 654,853 | (3) |
| Passed-through State Department of Human Services: | | | | |
| Summer Food Service Program for Children | 10.559 | N/A | 3,644 | |
| Total U.S. Department of Agriculture | | | $ 940,546 | |
| 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) | $ 29,500 | |
| Total U.S. Department of Housing and Urban Development | | | $ 29,500 | |
| U.S. Department of Justice: | | | | |
| Passed-through State Commission on Children and Youth: | | | | |
| Juvenile Justice and Delinquency Prevention - Allocation to States | 16.540 | (2) | $ 18,290 | |
| Total U.S. Department of Justice | | | $ 18,290 | |
| U.S. Department of Labor: | | | | |
| Passed-through State Department of Labor and Workforce Development: | | | | |
| WIA Dislocated Workers, Recovery Act | 17.260 | (2) | $ 6,688 | |
| Total U.S. Department of Labor | | | $ 6,688 | |
| U.S. Department of Transportation: | | | | |
| Passed-through State Department of Transportation: | | | | |
| State and Community Highway Safety | 20.600 | (2) | $ 22,956 | |
| Total U.S. Department of Transportation | | | $ 22,956 | |
| U.S. Department of Energy: | | | | |
| Passed-through Southeast Tennessee Development District: | | | | |
| Energy Efficiency and Conservation Block Grant Program (EECBG) | 81.128 | (2) | $ 98,686 | |
| Total U.S. Department of Energy | | | $ 98,686 | |
| U.S. Department of Education: | | | | |
| Direct Program: | | | | |
| Fund for the Improvement of Education | 84.215 | (2) | $ 151,287 | |
| Passed-through State Department of Labor and Workforce Development: | | | | |
| Adult Education - Basic Grants to States | 84.002 | (2) | 149,167 | |
| Passed-through State Department of Education: | | | | |
| Title I Cluster: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | N/A | 772,847 | |
| Title I Grants to Local Educational Agencies, Recovery Act | 84.389 | N/A | 161,221 | |
| Special Education Cluster: | | | | |
| Special Education - Grants to States | 84.027 | N/A | 642,856 | |
| Special Education - Preschool Grants | 84.173 | N/A | 29,382 | |

(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 | $ 42,318 |
| Rehabilitation Services - Vocational Rehabilitation | 84.126 | (2) | 71,895 |
| Safe and Drug-free Schools and Communities - State Grants | 84.186 | (2) | 2,194 |
| Twenty-first Century Community Learning Centers | 84.287 | (2) | 96,879 |
| Education Technology State Grants Cluster: | | | |
| Education Technology State Grants | 84.318 | N/A | 2,978 |
| Education Technology State Grants, Recovery Act | 84.386 | N/A | 628 |
| Rural Education | 84.358 | (2) | 95,487 |
| Improving Teacher Quality State Grants | 84.367 | (2) | 118,598 |
| State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | N/A | 131,599 |
| Education Jobs Fund | 84.410 | N/A | 454,789 |
| Total U.S. Department of Education | | | $ 2,924,125 |
| U.S. Election Assistance Commission: | | | |
| Passed-through Tennessee Secretary of State: | | | |
| Help America Vote Act Requirements Payments | 90.401 | (2) | $ 1,938 |
| Total U.S. Election Assistance Commission | | | $ 1,938 |
| U.S. Department of Homeland Security: | | | |
| Passed-through State Department of Military: | | | |
| Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | (2) | $ 25,928 |
| Homeland Security Grant Program | 97.067 | 2009-SS-T9-0086 | 42,843 |
| Total U.S. Department of Homeland Security | | | $ 68,771 |
| Total Expenditures of Federal Awards | | | $ 4,111,500 |

| | | Contract Number | |
|---|---|---|---|
| State Grants | | | |
| Litter Program - State Department of Transportation | N/A | (2) | $ 38,842 |
| Early Childhood Education - State Department of Education | N/A | (2) | 101,089 |
| Drivers Education - State Department of Education | N/A | (2) | 3,161 |
| Coordinated School Health - State Department of Education | N/A | (2) | 95,000 |
| Safe Schools - State Department of Education | N/A | (2) | 12,500 |
| Juvenile Services Program - State Commission on Children and Youth | N/A | (2) | 9,000 |
| Rural Local Health Services - State Department of Health | N/A | Z-12-43758-00 | 85,879 |
| Waste Tire Grant - State Department of Environment and Conservation | N/A | (2) | 6,714 |
| Total State Grants | | | $ 352,185 |

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 $719,967.

Sequatchie County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

*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, 2011, which have not been corrected.

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

| Finding Number | Page Number | Subject |
|---|---|---|
| 11.05 | 157 | Multiple employees operated from the same cash drawer |

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

| Finding Number | Page Number | Subject |
|---|---|---|
| 11.06 | 158 | Execution docket trial balances for Circuit and General Sessions Courts were not reconciled with general ledger accounts |

**OFFICE OF SHERIFF**

| Finding Number | Page Number | Subject |
|---|---|---|
| 11.08 | 159 | The office did not deposit some funds within three days of collection |

**OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERVISOR, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND SHERIFF**

| Finding Number | Page Number | Subject |
|---|---|---|
| 11.10 | 160 | Duties were not segregated adequately |

## SEQUATCHIE COUNTY, TENNESSEE

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## For the Year Ended June 30, 2012

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

2. The audit of the financial statements of Sequatchie County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.

3. The audit disclosed no instances of noncompliance that were material to the financial statements of Sequatchie County.

4. The audit disclosed no significant deficiencies in internal control over major programs.

5. An unqualified opinion was issued on compliance for major programs.

6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education - Grants to States, and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173); and the Education Jobs Fund (CFDA No. 84.410) 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 former county executive and the circuit and general sessions courts clerk provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### OFFICE OF COUNTY EXECUTIVE

FINDING 12.01 **UNAUTHORIZED PAYROLL CHECKS WERE ISSUED FROM THE LITTER GRANT**
(Noncompliance Under *Government Auditing Standards*)

Sequatchie County participated in a litter program grant funded through the State Department of Transportation. In addition to her regular salary, the county executive's bookkeeper received $500 per month for the administration of the litter grant, which was coded to the secretary line-item account code. These disbursements for the administration of the litter grant were authorized. However, from January 25, 2012, through March 21, 2012, the bookkeeper issued herself three checks totaling $1,350 from the litter grant without authorization from the county executive and coded these expenditures to the truck driver line-item account code. The bookkeeper advised us that she assumed the responsibilities of ordering trash bags and litter grant merchandise in January 2012 after a truck driver who previously ordered items for the litter program left employment with the county; therefore, she determined that she should be compensated for these extra duties. However, we examined all of the disbursements from the litter grant from January 2012 through April 30, 2012, and did not identify any purchases initiated by the bookkeeper. It appears that the bookkeeper attempted to disguise this unauthorized compensation by charging the three checks to the truck driver line-item account code. Auditors advised the county executive of these unauthorized payroll disbursements on May 5, 2012, and the bookkeeper reimbursed the county July 17, 2012. However, claims for reimbursement that had been submitted to the grantor were not amended for the unauthorized payroll checks. This finding has been discussed with the district attorney general.

RECOMMENDATION

Management should strengthen internal controls to ensure disbursements are authorized properly. Management should contact the litter grant administrator and amend its claims for reimbursement for the unauthorized payroll checks.

MANAGEMENT'S RESPONSE – FORMER COUNTY EXECUTIVE CLAUDE LEWIS

A segregation of duties policy implemented in July 2012 should correct future unauthorized disbursements.

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FINDING 12.02 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(A. – Internal Control – Material Weakness Under *Government Auditing Standards*; B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations:

A. The Ambulance Service and General Debt Service fund's actual beginning fund balances at July 1, 2011, exceeded the estimated beginning fund balances presented to the County Commission by $54,195 and $58,953, respectively. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency is due to management's failure to properly estimate the actual ending fund balances for June 30, 2011, and resulted in materially understating the estimated beginning fund balance.

B. The budget and subsequent amendments approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funds by $8,469. Sound budgetary principles dictate that appropriations be held within estimated available funding. This budget deficiency was a result of management presenting budget amendments to the County Commission and the County Commission approving budget amendments that were in excess of available funding.

RECOMMENDATION

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount. In addition, appropriations that exceed estimated available funds should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

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FINDING 12.03 **DEFICIENCIES WERE NOTED RELATED TO CREDIT CARD DISBURSEMENTS**
(A., B., C., and E. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; D. – Noncompliance Under *Government Auditing Standards*)

The Sheriff's Department and Ambulance Service utilize county credit cards. Credit card invoices are paid by the General and Ambulance Service funds. During our review, we noted the following deficiencies related to credit card disbursements. These deficiencies are the result of a lack of management oversight and could result in improper disbursements.

A. Credit card invoices were paid without adequate documentation to support the charges. Charges for purchases such as travel, software, communications equipment and services, Medicare application fees, and PayPal charges were

paid 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 some required purchases charged to the credit cards. 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. The Ambulance Service director charged 18 gift cards for $25 each to the credit card in December 2011. According to the director, these cards were given to the department employees as Christmas gifts; however, adequate documentation of the authorization and disbursement of these funds was not maintained.

D. The Ambulance Service director charged six meals to the county credit card at a restaurant in Gatlinburg, Tennessee. According to the director, the meals were for three Sequatchie County Ambulance Service employees, two Bledsoe County Ambulance Service employees, and one child. After the auditor questioned this transaction, the director reimbursed the cost of the child's meal to the Ambulance Service Fund. The county's travel policy does not provide for travel reimbursements for anyone other than a county employee on travel status while conducting county business; therefore, we question the propriety of this transaction.

E. The county had not adopted written guidelines governing the use of these credit cards. Sound business practices dictate that management should provide written guidance by identifying those who are entitled to use the credit cards and the purposes for which the credit cards can be used. This deficiency is the result of a lack of management oversight. Without a formal credit card policy, employees have no limitations on their credit card purchases.

RECOMMENDATION

Credit card purchases should be supported with adequate documentation. Purchase orders should be issued in all applicable instances. Christmas gifts should be supported by adequate documentation of the authorization and disbursement of the gifts. Travel expenses should only be incurred for county employees on travel status. Sequatchie County should develop a credit card policy and implement controls to ensure the policy is followed.

MANAGEMENT'S RESPONSE – FORMER COUNTY EXECUTIVE CLAUDE LEWIS

The credit card assigned to the Ambulance Service director had been removed from his possession and will be kept at the County Executive's Office and issued as necessary. The Sequatchie County Audit Committee is in the process of developing a credit card policy.

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FINDING 12.04 **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF PAYROLL RECORDS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

During our examination of payroll disbursements, we noted the following deficiencies:

A. The Sheriff's Department utilized a rubber stamp to approve employee time reports. By utilizing a rubber stamp to approve time reports, we cannot determine if the reports were properly reviewed by the appropriate level of management.

B. The Emergency Management Agency (EMA) director approved his own time reports. This practice defeats the purpose of the approval process. Time reports for the EMA director should be approved by the county executive as the director's supervisor.

C. An employee of the Juvenile Justice Office and the Election Commission deputy administrator did not have time sheets on file to support their payroll disbursements. According to the County Executive's Office, these employees do not prepare time sheets because they are salaried employees. The failure to submit time sheets could result in improper payroll payments.

RECOMMENDATION

The Sheriff's Department should discontinue the use of a rubber stamp to approve time sheets. Time reports for the EMA director should be approved by his supervisor. Furthermore, all employees should maintain time and attendance records.

MANAGEMENT'S RESPONSE – FORMER COUNTY EXECUTIVE CLAUDE LEWIS

All of these deficiencies were corrected in June 2012.

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## OFFICE OF HIGHWAY SUPERVISOR

FINDING 12.05 **THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

The Highway/Public Works Fund's actual beginning fund balance at July 1, 2011, exceeded the estimated beginning fund balance presented to the County Commission by $160,748. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency is due to management's failure to properly estimate the actual ending fund balance for June 30, 2011, and resulted in materially understating the estimated beginning fund balance.

RECOMMENDATION

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount.

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

FINDING 12.06 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

RECOMMENDATION

Officials should assign each employee their own cash drawer.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSION COURTS CLERK

Each employee in the Circuit Court Clerk's Office now has their own cash drawer.

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## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 12.07 **EXECUTION DOCKET TRIAL BALANCES WERE NOT RECONCILED WITH GENERAL LEDGER ACCOUNTS**
(Noncompliance Under *Government Auditing Standards*)

As of June 30, 2012, the clerk had prepared trial balances of execution docket cause balances for Circuit and General Sessions Courts as required by Section 18-2-103, *Tennessee Code Annotated*. However, these trial balances failed to reconcile with general ledger accounts by $30,768 and $2,257, respectively. Subsequent to June 30, 2012, the

clerk identified and corrected several differences between the general ledger and the docket trial balance. This deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Execution docket cause balances should be reconciled with general ledger accounts.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSION COURTS CLERK

I was able to identify several of the differences between the general ledger and the docket trial balance due to errors when Local Government Data Processing converted the old TCAST system to the new TNCIS system. I was able to find the differences, submit that information to Local Government, and they were able to correct them. Some of the issues were due to balances being doubled when we converted from TCAST to TNCIS, and balances that were paid out were showing that they had not been paid. I was able to get the differences down to within a few hundred dollars. My goal is to have all the differences corrected before the end of this fiscal year. These errors were due to the conversion, and no monies were missing.

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**OFFICE OF SHERIFF**

FINDING 12.08 **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

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## OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERVISOR, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND SHERIFF

FINDING 12.09 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of County Executive, Highway Supervisor, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, and Sheriff. The officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency exists because management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – FORMER COUNTY EXECUTIVE CLAUDE LEWIS

A segregation of duties policy was implemented in July 2012, and a copy has been presented to the state auditor.

MANAGEMENT'S RESPONSE – CIRCUIT AND GENERAL SESSION COURTS CLERK

I am segregating duties whenever possible.

## BEST PRACTICE

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

Sequatchie County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Sequatchie County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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

There were no findings and questioned costs for federal programs.

**SEQUATCHIE COUNTY, TENNESSEE**
**AUDITEE REPORTING RESPONSIBILITIES**
**For the Year Ended June 30, 2012**

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