

ANNUAL FINANCIAL REPORT
SEQUATCHIE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
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FOR THE YEAR ENDED JUNE 30, 2015

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

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Summary of Audit Findings

Annual Financial Report
Sequatchie County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the financial statements of Sequatchie County as of and for the year ended June 30, 2015.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE

- ◆ The General Debt Service Fund required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies related to credit card transactions.
- ◆ Competitive bids were not solicited for four service contracts totaling \$134,377.

OFFICE OF HIGHWAY SUPERVISOR

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Sequatchie County Officials

June 30, 2015

Officials

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

Board of County Commissioners

Keith Cartwright, County Executive, Chairman
Jeff Barger
James Breland
David Cartwright
Wayne Clemons
Terry Dishman
Connie Faircloth
Steve Gains
Bill Hatfield
Richard Harvey

Ray Hobbs
Clint Huth
Brenda Lambert
Ronnie Land
Jeff Mackey
Ed Nunley
Paul Powell
Bobby Sherman
Tom Vennero

Board of Education

Charles Rollins, Chairman
Gregory Dawson
Shelli Dodson
Steve Harmon
Sam Hudson
Gregory Johnson
W.O. Johnson
Jo Ann Shepherd
Christy Vandergriff

Audit Committee

Kurt Wissehr, Chairman
Denise Kell
Tom Vennero

FINANCIAL SECTION



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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Sequatchie County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note I.D.8. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$258,615, and the discretely presented Sequatchie County School Department's net position by \$2,966,629 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability and schedule of funding progress – other postemployment benefits plan on pages 73 - 79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

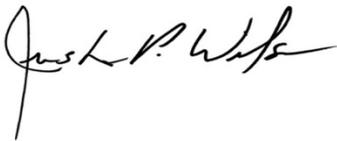
statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2015, on our consideration of Sequatchie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sequatchie County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 23, 2015

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Sequatchie County, Tennessee
Statement of Net Position
June 30, 2015

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Sequatchie</u> <u>County</u> <u>School</u> <u>Department</u>
<u>ASSETS</u>		
Cash	\$ 985	\$ 386,438
Equity in Pooled Cash and Investments	1,882,180	11,938,781
Accounts Receivable	157,010	2,033
Allowance for Uncollectibles	(107,601)	0
Due from Other Governments	411,273	369,954
Property Taxes Receivable	4,567,123	3,130,151
Allowance for Uncollectible Property Taxes	(246,113)	(186,257)
Net Pension Asset - Agent Plan	284,283	350,277
Net Pension Asset - Cost-sharing Plan	0	32,161
Capital Assets:		
Assets Not Depreciated:		
Land	631,739	1,256,649
Construction in Progress	0	1,122,894
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	7,566,179	18,516,793
Infrastructure	2,283,319	1,013,616
Other Capital Assets	564,970	633,549
Total Assets	<u>\$ 17,995,347</u>	<u>\$ 38,567,039</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Changes in Experience	\$ 0	\$ 78,078
Pension Changes in Contributions after Measurement Date	278,015	844,661
Total Deferred Outflows of Resources	<u>\$ 278,015</u>	<u>\$ 922,739</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 40,138	\$ 6,362
Accrued Interest Payable	4,236	0
Payroll Deductions Payable	5,195	584,828
Noncurrent Liabilities:		
Due Within One Year	270,231	0
Due in More Than One Year	4,748,219	331,105
Total Liabilities	<u>\$ 5,068,019</u>	<u>\$ 922,295</u>

(Continued)

Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 4,131,741	\$ 2,781,391
Pension Changes in Experience	94,519	116,461
Pension Changes in Investment Earnings	452,784	3,207,737
Pension Changes in Other Deferrals	0	69,250
Total Deferred Inflows of Resources	<u>\$ 4,679,044</u>	<u>\$ 6,174,839</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 6,132,334	\$ 22,543,501
Restricted for:		
General Government	85,393	0
Finance	40,103	0
Administration of Justice	104,355	0
Public Safety	54,740	0
Public Health and Welfare	125,961	0
Highway/Public Works	682,465	0
Instruction	0	3,739
Operation of Non-instructional Services	0	438,703
Debt Service	763,280	0
Capital Projects	0	1,222,174
Other Purposes	14,995	0
Unrestricted	<u>522,673</u>	<u>8,184,527</u>
Total Net Position	<u>\$ 8,526,299</u>	<u>\$ 32,392,644</u>

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

Exhibit B

Sequatchie County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2015

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Sequatchie County School Department
					Total Governmental Activities	Component Unit	
Primary Government:							
Governmental Activities:							
General Government	\$ 1,458,366	\$ 107,221	\$ 27,624	\$ 0	\$ (1,323,521)	\$ 0	0
Finance	640,256	397,914	0	0	(242,342)	0	0
Administration of Justice	490,197	255,304	900	0	(233,993)	0	0
Public Safety	2,548,458	814,464	63,465	0	(1,670,529)	0	0
Public Health and Welfare	1,483,963	(776,478)	432,874	33,510	(1,794,057)	0	0
Social, Cultural, and Recreational Services	236,548	3,799	0	0	(232,749)	0	0
Agriculture and Natural Resources	69,993	0	0	0	(69,993)	0	0
Highways/Public Works	1,294,897	0	1,413,915	136,273	255,291	0	0
Interest on Long-term Debt	14,824	0	19,503	0	4,679	0	0
Total Primary Government	\$ 8,237,502	\$ 802,224	\$ 1,958,281	\$ 169,783	\$ (5,307,214)	\$ 0	0
Component Unit:							
Sequatchie County School Department	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (14,429,840)	(14,429,840)
Total Component Unit	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (14,429,840)	(14,429,840)

(Continued)

Exhibit B

Sequatchie County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Component Unit	
				Government Total	Sequatchie County School Department
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				3,427,438	2,886,725
Property Taxes Levied for Debt Service				445,845	0
Property Taxes Levied for Solid Waste				387,597	0
Local Option Sales Taxes				449,725	1,303,139
Hotel/Motel Tax				10,557	0
Litigation Tax - General				29,768	0
Litigation Tax - Special Purpose				9,820	0
Litigation Tax - Jail, Workhouse, or Courthouse				7,859	0
Business Tax				92,805	0
Wholesale Beer Tax				64,344	0
Other Local Taxes				810	16,402
Grants and Contributions Not Restricted to Specific Programs				362,291	12,661,043
Unrestricted Investment Earnings				30,368	27,295
Sale of Equipment				27,335	0
Miscellaneous				13,775	92,323
Pension Income				0	39,124
Total General Revenues				5,360,337	17,026,051
Insurance Recovery				2,786	9,099
Change in Net Position				55,909	2,605,310
Net Position, July 1, 2014				8,729,005	32,753,963
Restatement - See Note I.D.8.				(258,615)	(2,966,629)
Net Position, June 30, 2015				8,526,299	32,392,644

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, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Other	Governmental Funds	
\$	0 \$	0 \$	0 \$	0 \$	985 \$	985
Cash	737,063	436,128	595,665	113,324	985	1,882,180
Equity in Pooled Cash and Investments	156,761	151	0	98	0	157,010
Accounts Receivable	(107,601)	0	0	0	0	(107,601)
Allowance for Uncollectibles	154,646	251,943	0	4,684	0	411,273
Due from Other Governments	1,083	0	150,000	0	0	151,083
Due from Other Funds	3,734,067	0	476,032	357,024	0	4,567,123
Property Taxes Receivable	(198,236)	0	(27,358)	(20,519)	0	(246,113)
Allowance for Uncollectible Property Taxes						
Total Assets	\$ 4,477,783	\$ 688,222	\$ 1,194,339	\$ 455,596	\$ 6,815,940	

ASSETS

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

Total Assets

LIABILITIES

Accounts Payable
 Payroll Deductions Payable
 Due to Other Funds
 Total Liabilities

\$	38,325 \$	563 \$	0 \$	1,250 \$	40,138
	0	5,195	0	0	5,195
	150,000	0	0	1,083	151,083
	188,325 \$	5,758 \$	0 \$	2,333 \$	196,416

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

\$	3,384,801 \$	0 \$	426,823 \$	320,117 \$	4,131,741
	151,030	0	20,351	15,388	186,769
	58,672	125,971	0	0	184,643
	3,594,503 \$	125,971 \$	447,174 \$	335,505 \$	4,503,153

(Continued)

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway/ Public Works	General Debt Service	Other Governmental Funds		
Restricted for General Government	\$ 56,322	\$ 0	\$ 0	\$ 0	\$ 0	\$ 56,322
Restricted for Finance	40,103	0	0	0	0	40,103
Restricted for Administration of Justice	104,355	0	0	0	0	104,355
Restricted for Public Safety	1,643	0	0	37,709	0	39,352
Restricted for Public Health and Welfare	54,212	0	0	50,978	0	105,190
Restricted for Highways/Public Works	0	556,493	0	0	0	556,493
Restricted for Capital Outlay	0	0	0	29,071	0	29,071
Restricted for Debt Service	0	0	747,165	0	0	747,165
Unassigned	438,320	0	0	0	0	438,320
Total Fund Balances	\$ 694,955	\$ 556,493	\$ 747,165	\$ 117,758	\$ 0	\$ 2,116,371
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,477,783	\$ 688,222	\$ 1,194,339	\$ 455,596	\$ 0	\$ 6,815,940

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

Exhibit C-2

Sequatchie County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	2,116,371
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	631,739	
Add: buildings and improvements net of accumulated depreciation		7,566,179	
Add: infrastructure net of accumulated depreciation		2,283,319	
Add: other capital assets net of accumulated depreciation		<u>564,970</u>	11,046,207
(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	\$	(243,873)	
Less: other loans payable		(4,670,000)	
Less: accrued interest on notes		(4,236)	
Less: other postemployment benefits liability		<u>(104,577)</u>	(5,022,686)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pensions expense in future years:			
Add: deferred outflows of resources related to pensions	\$	278,015	
Less: deferred inflows of resources related to pensions		<u>(547,303)</u>	(269,288)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			284,283
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>371,412</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>8,526,299</u></u>

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

Exhibit C-3

Sequatchie County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>						
Local Taxes	\$ 4,101,533	\$ 0	\$ 452,956	\$ 391,907	\$ 4,946,396	
Licenses and Permits	39,599	0	0	0	39,599	
Fines, Forfeitures, and Penalties	63,816	0	0	39,963	103,779	
Charges for Current Services	127,823	0	0	1,195	129,018	
Other Local Revenues	47,506	2,388	6,876	15,305	72,075	
Fees Received from County Officials	637,935	0	0	0	637,935	
State of Tennessee	1,113,842	1,551,369	23,066	37,768	2,726,045	
Federal Government	336,050	0	0	0	336,050	
Other Governments and Citizens Groups	76,996	0	19,503	0	96,499	
Total Revenues	\$ 6,545,100	\$ 1,553,757	\$ 502,401	\$ 486,138	\$ 9,087,396	
<u>Expenditures</u>						
Current:						
General Government	\$ 1,351,842	\$ 0	\$ 0	\$ 0	\$ 1,351,842	
Finance	623,678	0	0	0	623,678	
Administration of Justice	500,183	0	0	0	500,183	
Public Safety	2,557,069	0	0	53,111	2,610,180	
Public Health and Welfare	326,843	0	0	450,680	777,523	
Social, Cultural, and Recreational Services	174,931	0	0	0	174,931	
Agriculture and Natural Resources	66,243	0	0	0	66,243	
Other Operations	522,760	0	0	36,187	558,947	
Highways	0	1,457,444	0	0	1,457,444	
Debt Service:						
Principal on Debt	0	23,333	222,899	0	246,232	
Interest on Debt	0	1,489	14,772	0	16,261	
Other Debt Service	0	0	48,281	0	48,281	
Total Expenditures	\$ 6,123,549	\$ 1,482,266	\$ 285,952	\$ 539,978	\$ 8,431,745	

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
Excess (Deficiency) of Revenues Over Expenditures	\$ 421,551	\$ 71,491	\$ 216,449	\$ (53,840)	\$	655,651
Other Financing Sources (Uses)						
Notes Issued	\$ 50,000	0	0	0	0	50,000
Insurance Recovery	0	2,786	0	0	0	2,786
Transfers In	6,659	0	0	55,000		61,659
Transfers Out	(55,000)	0	0	(6,659)		(61,659)
Total Other Financing Sources (Uses)	\$ 1,659	\$ 2,786	\$ 0	\$ 48,341	\$	52,786
Net Change in Fund Balances	\$ 423,210	\$ 74,277	\$ 216,449	\$ (5,499)	\$	708,437
Fund Balance, July 1, 2014	271,745	482,216	530,716	123,257		1,407,934
Fund Balance, June 30, 2015	\$ 694,955	\$ 556,493	\$ 747,165	\$ 117,758	\$	2,116,371

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, 2015

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)		\$ 708,437
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 396,284	
Less: current-year depreciation expense	<u>(439,982)</u>	(43,698)
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.</p>		
Less: book value of capital assets disposed		(284,456)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 371,412	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(1,168,183)</u>	(796,771)
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: note proceeds	\$ (50,000)	
Add: principal payments on notes	38,232	
Add: principal payments on other loans	<u>208,000</u>	196,232
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in accrued interest payable	\$ 1,437	
Change in compensated absences payable	5,645	
Change in other postemployment benefits liability	(4,527)	
Change in net pension liability/asset	542,898	
Change in deferred outflows related to pensions	278,015	
Change in deferred inflows related to pensions	<u>(547,303)</u>	276,165
Change in net position of governmental activities (Exhibit B)		<u>\$ 55,909</u>

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

Exhibit C-5

Sequatchie County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,101,533	\$ 4,100,430	\$ 4,100,430	\$ 1,103
Licenses and Permits	39,599	36,000	36,000	3,599
Fines, Forfeitures, and Penalties	63,816	63,600	63,600	216
Charges for Current Services	127,823	90,450	90,450	37,373
Other Local Revenues	47,506	56,000	56,000	(8,494)
Fees Received from County Officials	637,935	605,000	605,000	32,935
State of Tennessee	1,113,842	1,033,500	1,036,200	77,642
Federal Government	336,050	130,000	380,000	(43,950)
Other Governments and Citizens Groups	76,996	37,500	37,500	39,496
Total Revenues	\$ 6,545,100	\$ 6,152,480	\$ 6,405,180	\$ 139,920
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 169,525	\$ 184,694	\$ 184,694	\$ 15,169
Board of Equalization	3,749	7,375	7,375	3,626
Beer Board	600	1,000	1,000	400
County Mayor/Executive	246,358	243,253	248,128	1,770
County Attorney	7,800	7,800	7,800	0
Election Commission	153,468	163,738	163,738	10,270
Register of Deeds	141,512	142,836	144,136	2,624
County Buildings	626,130	618,245	626,592	462
Other General Administration	2,700	0	2,700	0
<u>Finance</u>				
Property Assessor's Office	226,162	237,638	237,638	11,476
Reappraisal Program	1,965	6,000	6,000	4,035
County Trustee's Office	167,506	170,877	170,877	3,371
County Clerk's Office	228,045	228,867	231,272	3,227
<u>Administration of Justice</u>				
Circuit Court	188,913	198,997	204,997	16,084
General Sessions Court	102,122	105,941	105,941	3,819
Chancery Court	110,359	111,337	111,337	978
Juvenile Court	74,202	86,280	86,280	12,078
Judicial Commissioners	24,587	25,300	25,300	713
<u>Public Safety</u>				
Sheriff's Department	1,101,834	1,085,159	1,174,346	72,512
Jail	1,294,009	1,317,640	1,373,164	79,155
Fire Prevention and Control	61,000	61,000	61,000	0
Rescue Squad	7,500	7,500	7,500	0
Other Emergency Management	56,747	48,450	57,207	460
County Coroner/Medical Examiner	35,979	25,000	36,000	21
<u>Public Health and Welfare</u>				
Local Health Center	15,688	39,232	20,200	4,512
Ambulance/Emergency Medical Services	168,209	176,000	176,000	7,791
Alcohol and Drug Programs	12,742	13,329	13,329	587
Crippled Children Services	1,026	1,026	1,026	0
Other Local Health Services	110,146	128,200	129,484	19,338
Appropriation to State	19,032	0	19,032	0

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 5,000	\$ 5,000	\$ 5,000	\$ 0
Libraries	106,831	107,901	107,901	1,070
Parks and Fair Boards	59,100	59,100	59,100	0
Other Social, Cultural, and Recreational	4,000	4,000	4,000	0
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	49,308	53,299	53,299	3,991
Soil Conservation	16,935	16,935	16,935	0
Flood Control	0	14,250	14,250	14,250
<u>Other Operations</u>				
Tourism	24,485	15,200	25,200	715
Industrial Development	667	700	700	33
Other Economic and Community Development	343,850	114,249	364,249	20,399
Veterans' Services	13,738	15,182	15,182	1,444
Other Charges	140,020	125,020	140,020	0
Total Expenditures	\$ 6,123,549	\$ 5,973,550	\$ 6,439,929	\$ 316,380
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 421,551	\$ 178,930	\$ (34,749)	\$ 456,300
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 50,000	\$ 0	\$ 0	\$ 50,000
Transfers In	6,659	0	0	6,659
Transfers Out	(55,000)	(50,000)	(55,000)	0
Total Other Financing Sources	\$ 1,659	\$ (50,000)	\$ (55,000)	\$ 56,659
Net Change in Fund Balance				
Fund Balance, July 1, 2014	\$ 423,210	\$ 128,930	\$ (89,749)	\$ 512,959
Fund Balance, June 30, 2015	271,745	419,921	419,921	(148,176)
	\$ 694,955	\$ 548,851	\$ 330,172	\$ 364,783

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

Exhibit C-6

Sequatchie County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 2,388	\$ 6,500	\$ 6,500	\$ (4,112)
State of Tennessee	1,551,369	2,424,008	2,424,008	(872,639)
Other Governments and Citizens Groups	0	1,000	1,000	(1,000)
Total Revenues	<u>\$ 1,553,757</u>	<u>\$ 2,431,508</u>	<u>\$ 2,431,508</u>	<u>\$ (877,751)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 172,185	\$ 177,483	\$ 180,458	\$ 8,273
Highway and Bridge Maintenance	518,160	856,571	856,571	338,411
Operation and Maintenance of Equipment	253,348	305,143	316,643	63,295
Other Charges	47,526	53,800	54,175	6,649
Employee Benefits	208,367	206,700	219,605	11,238
Capital Outlay	257,858	824,750	796,995	539,137
<u>Principal on Debt</u>				
Highways and Streets	23,333	23,334	23,334	1
<u>Interest on Debt</u>				
Highways and Streets	1,489	1,490	1,490	1
Total Expenditures	<u>\$ 1,482,266</u>	<u>\$ 2,449,271</u>	<u>\$ 2,449,271</u>	<u>\$ 967,005</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 71,491</u>	<u>\$ (17,763)</u>	<u>\$ (17,763)</u>	<u>\$ 89,254</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 2,786	\$ 0	\$ 0	\$ 2,786
Total Other Financing Sources	<u>\$ 2,786</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,786</u>
Net Change in Fund Balance	\$ 74,277	\$ (17,763)	\$ (17,763)	\$ 92,040
Fund Balance, July 1, 2014	<u>482,216</u>	<u>474,524</u>	<u>474,524</u>	<u>7,692</u>
Fund Balance, June 30, 2015	<u>\$ 556,493</u>	<u>\$ 456,761</u>	<u>\$ 456,761</u>	<u>\$ 99,732</u>

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

Exhibit D

Sequatchie County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 903,643
Due from Other Governments	<u>148,682</u>
Total Assets	<u><u>\$ 1,052,325</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 148,682
Due to Litigants, Heirs, and Others	<u>903,643</u>
Total Liabilities	<u><u>\$ 1,052,325</u></u>

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

SEQUATCHIE COUNTY, TENNESSEE
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SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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

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

The Sequatchie County School Department operates the public school system in the county, and the voters of Sequatchie County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Sequatchie County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Sequatchie County, and the County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Sequatchie County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the component units' opinion unit.

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

Administrative Office:

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

B. Government-wide and Fund Financial Statements

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

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

Sequatchie County issues all debt for the discretely presented Sequatchie County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2015.

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

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

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

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

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

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

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Sequatchie County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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.

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

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

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

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

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

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Sequatchie County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the School Department's General Purpose School Fund and the primary government's General and General Debt Service funds. Sequatchie County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and

does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 3.05 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred inflow of resources as of June 30.

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

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

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

3. Capital Assets

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

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

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

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

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

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

4. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that

applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience, as well as employer contributions made to the pension plan after the measurement date.

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

5. Compensated Absences

Primary Government

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

Discretely Presented Sequatchie County School Department

The general policy of the School Department does not allow for the accumulation of vacation days beyond year end. Employees of the School Department are allowed to accumulate sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a

systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

7. Net Position and Fund Balance

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

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

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

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

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

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

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

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

8. **Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to decrease Sequatchie County's and the Sequatchie County School Departments' beginning

net position has been recognized on the Statement of Activities totaling (\$258,615) and (\$2,966,629), respectively.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Sequatchie County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Sequatchie County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Sequatchie County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Sequatchie County School Department

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

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

Primary Government

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

Discretely Presented Sequatchie County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Cash Shortage - Prior Year

The audit of Sequatchie County for the 2007-08 year reported a cash shortage of \$4,248.51 in the Office of County Clerk. This shortage resulted from an employee of the office altering several motor vehicle title application transactions. This former employee entered into a plea agreement on April 27, 2009. In prior years, the bonding company paid the county \$3,248.51 and the defendant paid restitution of \$690 leaving a balance of \$310 at June 30, 2014. The county did not receive any restitution in the current year. On March 16, 2015, the County Commission voted to write off the remaining balance of this shortage.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

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

The county had no pooled or nonpooled investments as of June 30, 2015.

B. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets				
Not Depreciated:				
Land	\$ 631,739	\$ 0	\$ 0	\$ 631,739
Total Capital Assets Not Depreciated	<u>\$ 631,739</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 631,739</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 11,306,105	\$ 0	\$ 0	\$ 11,306,105
Infrastructure	14,630,463	184,892	0	14,815,355
Other Capital Assets	2,907,325	211,392	(661,454)	2,457,263
Total Capital Assets Depreciated	<u>\$ 28,843,893</u>	<u>\$ 396,284</u>	<u>\$ (661,454)</u>	<u>\$ 28,578,723</u>

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Less Accumulated Depreciation For: Buildings and Improvements	\$ 3,458,277	\$ 281,649	\$ 0	\$ 3,739,926
Infrastructure	12,480,272	51,764	0	12,532,036
Other Capital Assets	2,162,722	106,569	(376,998)	1,892,293
Total Accumulated Depreciation	<u>\$ 18,101,271</u>	<u>\$ 439,982</u>	<u>\$ (376,998)</u>	<u>\$ 18,164,255</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,742,622</u>	<u>\$ (43,698)</u>	<u>\$ (284,456)</u>	<u>\$ 10,414,468</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,374,361</u>	<u>\$ (43,698)</u>	<u>\$ (284,456)</u>	<u>\$ 11,046,207</u>

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

Governmental Activities:

General Administration	\$ 20,523
Public Safety	248,881
Public Health and Welfare	71,154
Social, Cultural, and Recreational Services	13,100
Agriculture and Natural Resources	3,750
Highways/Public Works	<u>82,574</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 439,982</u>

Discretely Presented Sequatchie County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 1,256,649	\$ 0	\$ 0	\$ 1,256,649
Construction in Progress	2,466,271	314,720	(1,658,097)	1,122,894
Total Capital Assets Not Depreciated	<u>\$ 3,722,920</u>	<u>\$ 314,720</u>	<u>\$ (1,658,097)</u>	<u>\$ 2,379,543</u>

Governmental Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Depreciated:				
Buildings and Improvements	\$ 27,730,609	\$ 1,430,774	\$ 0	\$ 29,161,383
Infrastructure	1,383,074	261,696	0	1,644,770
Other Capital Assets	3,133,462	87,250	0	3,220,712
Total Capital Assets Depreciated	\$ 32,247,145	\$ 1,779,720	\$ 0	\$ 34,026,865
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 10,052,689	\$ 591,901	\$ 0	\$ 10,644,590
Infrastructure	564,429	66,725	0	631,154
Other Capital Assets	2,456,634	130,529	0	2,587,163
Total Accumulated Depreciation	\$ 13,073,752	\$ 789,155	\$ 0	\$ 13,862,907
Total Capital Assets Depreciated, Net	\$ 19,173,393	\$ 990,565	\$ 0	\$ 20,163,958
Governmental Activities Capital Assets, Net	\$ 22,896,313	\$ 1,305,285	\$ (1,658,097)	\$ 22,543,501

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

Governmental Activities:

Instruction	\$ 550,141
Support Services	191,491
Operation of Non-instructional Services	47,523
Total Depreciation Expense - Governmental Activities	\$ 789,155

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2015, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 1,083
General Debt Service	General	150,000

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	General Fund	Nonmajor Governmental Fund
General Fund	\$ 0	\$ 55,000
Nonmajor governmental fund	6,659	0
Total	<u>\$ 6,659</u>	<u>\$ 55,000</u>

Discretely Presented Sequatchie County School Department

Transfers Out	Transfers In	
	General Purpose School Fund	Education Capital Projects
General Purpose School Fund	\$ 0	\$ 1,820,502
Nonmajor governmental funds	80,860	0
Total	<u>\$ 80,860</u>	<u>\$ 1,820,502</u>

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

The School Department made a one-time transfer of \$1,820,502 from the General Purpose School Fund to the Education Capital Projects Fund for school construction projects.

D. Long-term Obligations

Primary Government

Notes and Other Loans

Sequatchie County issues other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 years for notes and up to 28 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service and Highway/Public Works funds.

Capital outlay notes and other loans outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
Capital Outlay Notes	1.55 to 3.19 %	7-27-24	\$ 390,000	\$ 243,873
Other Loans	Variable	5-25-32	6,500,000	4,670,000

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, 2015, the variable interest rate was .21 percent, and other fees totaled approximately .59 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal plus \$1,020 (trustee) annually.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 55,231	\$ 5,795	\$ 61,026
2017	32,267	4,419	36,686
2018	32,669	3,760	36,429
2019	16,403	3,101	19,504
2020	16,814	2,690	19,504
2021-2025	90,489	6,918	97,407
Total	\$ 243,873	\$ 26,683	\$ 270,556

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 215,000	\$ 9,807	\$ 32,262	\$ 257,069
2017	221,000	9,356	30,824	261,180
2018	228,000	8,891	29,345	266,236
2019	234,000	8,413	27,820	270,233
2020	242,000	7,921	26,255	276,176
2021-2025	1,321,000	31,681	106,025	1,458,706
2026-2030	1,531,000	16,957	59,121	1,607,078
2031-2032	678,000	2,146	8,877	689,023
Total	\$ 4,670,000	\$ 95,172	\$ 320,529	\$ 5,085,701

There is \$747,165 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes and the other loan totaled \$348, based on the 2010 federal census.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Notes	Other Loans
Balance, July 1, 2014	\$ 232,105	\$ 4,878,000
Additions	50,000	0
Reductions	(38,232)	(208,000)
Balance, June 30, 2015	<u>\$ 243,873</u>	<u>\$ 4,670,000</u>
Balance Due Within One Year	<u>\$ 55,231</u>	<u>\$ 215,000</u>

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 5,645	\$ 100,050
Additions	0	8,103
Reductions	(5,645)	(3,576)
Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 104,577</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 5,018,450
Less: Balance Due Within One Year	<u>(270,231)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,748,219</u>

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

Discretely Presented Sequatchie County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Sequatchie County School Department for the year ended June 30, 2015, was as follows:

Governmental Activities:	Other Postemployment Benefits
	<hr/>
Balance, July 1, 2014	\$ 328,144
Additions	116,914
Reductions	<hr/> (113,953)
Balance, June 30, 2015	<hr/> \$ 331,105
Balance Due Within One Year	<hr/> <hr/> \$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	<hr/> \$ 331,105
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<hr/> <hr/> \$ 331,105

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

E. 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, 2015, were \$2,700. 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, 2015, were \$23,020 and \$11,725, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

F. Short-term Debt

Sequatchie County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2015, was as follows:

	Balance			Balance
	7-1-14	Issued	Paid	6-30-15
Tax Anticipation Notes	\$ 0	\$ 800,000	\$ (800,000)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

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

Sequatchie County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *Tennessee Code Annotated (TCA)*, all local

governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Sequatchie County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Subsequent Events

On September 29, 2015, the county issued a tax anticipation note of \$300,000, for temporary operating funds for the General Fund.

Director of Schools, Johnny Cordell retired on June 30, 2015, and was succeeded by Michael Swafford effective July 1, 2015.

D. Contingent Liabilities

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

E. Change in Administration

On August 31, 2014, Connie Green left the Office of Register of Deeds and was succeeded by Kendra Boyd.

F. Joint Ventures

The Sequatchie/Bledsoe Landfill Board is responsible for a closed regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board, including the county mayor/executive and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Sequatchie County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 28.5 percent of any postclosure care costs. Sequatchie County made no contributions to the operation of the board during the year examined. Complete financial statements for the Sequatchie/Bledsoe Landfill Board can be obtained from the board's administrative office at the following address:

Administrative Office:

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

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district is composed of Rhea, Bledsoe, Franklin, Grundy, Marion, and Sequatchie counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the

forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Sequatchie County made no contributions to the DTF for the year ended June 30, 2015, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Sequatchie County and non-certified employees of the discretely presented Sequatchie County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 44.8 percent and the non-certified employees of the discretely present School Department comprise 55.2 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early

retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPA is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	112
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	245
Active Employees	<u>221</u>
 Total	 <u><u>578</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Sequatchie County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Sequatchie County were \$466,889 based on a rate of 8.54 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Sequatchie County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Sequatchie County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Sequatchie County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 14,934,532	\$ 13,874,183	\$ 1,060,349
Changes for the Year:			
Service Cost	\$ 509,663	\$ 0	\$ 509,663
Interest	1,130,481	0	1,130,481
Differences Between Expected and Actual Experience	(263,725)	0	(263,725)
Contributions-Employer	0	483,083	(483,083)
Contributions-Employees	0	292,779	(292,779)
Net Investment Income	0	2,304,821	(2,304,821)
Benefit Payments, Including Refunds of Employee Contributions	(742,243)	(742,243)	0
Administrative Expense	0	(9,355)	9,355
Other Changes	0	0	0
Net Changes	\$ 634,176	\$ 2,329,085	\$ (1,694,909)
Balance, June 30, 2014	\$ 15,568,708	\$ 16,203,268	\$ (634,560)

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	44.8%	\$ 6,974,781	\$ 7,259,064	\$ (284,283)
School Department	55.2%	8,593,927	8,944,204	(350,277)
Total		\$ 15,568,708	\$ 16,203,268	\$ (634,560)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Sequatchie County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>Sequatchie County</u>	6.5%	7.5%	8.5%

Net Pension Liability \$ 1,335,479 \$ (634,560) \$ (2,271,867)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2015, Sequatchie County recognized pension expense of \$9,832.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Sequatchie County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 210,980
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,010,678
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	466,889	N/A
Total	<u>\$ 466,889</u>	<u>\$ 1,221,658</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 278,015	\$ 547,303
School Department	188,874	674,355
Total	<u>\$ 466,889</u>	<u>\$ 1,221,658</u>

Amounts reported as deferred outflows of resource with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (305,414)
2017	(305,414)
2018	(305,414)
2019	(305,414)
2020	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Sequatchie County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Sequatchie County and non-certified employees of the discretely presented Sequatchie County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 44.8 percent and the non-certified employees of the discretely present School Department comprise 55.2 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Sequatchie County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are

defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$27,330, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Sequatchie County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Sequatchie County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 27,330	N/A

The Sequatchie County School Department's employer contributions of \$27,330 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Sequatchie County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent

COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Sequatchie County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$628,457, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Sequatchie County School Department reported an asset of \$32,161 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Sequatchie County School Department's proportion of the net pension asset was based on the Sequatchie County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Sequatchie County School Department's proportion was .197918 percent. The proportion measured as of June 30, 2013, was .202828 percent.

Pension Income. For the year ended June 30, 2015, the Sequatchie County School Department recognized a pension income of \$39,124.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Sequatchie County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 78,078	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,649,843
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions	0	69,249
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	<u>628,457</u>	<u>N/A</u>
Total	<u>\$ 706,535</u>	<u>\$ 2,719,092</u>

The Sequatchie County School Department's employer contributions of \$628,457 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (660,989)
2017	(660,989)
2018	(660,989)
2019	(660,989)
2020	1,471
Thereafter	1,471

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
	0.98	29
	4.73	7
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents Sequatchie County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Sequatchie County School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
------------------------------------------------------------------------------	---------------------	-------------------------------	---------------------

Net Pension Liability \$ 5,424,279 \$ (32,161) \$ (4,549,501)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

2. Deferred Compensation – School Department

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

Teachers hired after July 1, 2014, by the discretely presented Sequatchie County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Sequatchie County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Sequatchie County School Department contributed \$34,187 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

H. Other Postemployment Benefits (OPEB)

Plan Description

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

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, Sequatchie County contributed \$18,525 for postemployment health care premiums, and expenditures totaling \$113,953 were recognized for postemployment health care by the Sequatchie County School Department.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 8,000	\$ 91,000
Interest on the NOPEBO	4,002	13,126
Adjustment to the ARC	(3,899)	12,788
Annual OPEB cost	\$ 8,103	\$ 116,914
Amount of contribution	(3,576)	(113,953)
Increase/decrease in NOPEBO	\$ 4,527	\$ 2,961
Net OPEB obligation, 7-1-14	100,050	328,144
Net OPEB obligation, 6-30-15	\$ 104,577	\$ 331,105

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Government Group	\$ 20,817	12 %	\$ 92,927
6-30-14	"	8,096	12	100,050
6-30-15	"	8,103	44	104,577
6-30-13	Local Education Group	193,291	60	365,354
6-30-14	"	87,376	143	328,144
6-30-15	"	116,914	97	331,105

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

I. Purchasing Laws

Office of County Executive

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

Office of Highway Supervisor

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

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Sequatchie County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 509,663
Interest	1,130,481
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(263,725)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(742,243)</u>
Net Change in Total Pension Liability (Asset)	\$ 634,176
Total Pension Liability (Asset), Beginning	<u>14,934,532</u>
 Total Pension Liability (Asset), Ending (a)	 <u>\$ 15,568,708</u>
 Plan Fiduciary Net Position	
Contributions - Employer	\$ 483,083
Contributions - Employee	292,779
Net Investment Income	2,304,821
Benefit Payments, Including Refunds of Employee Contributions	(742,243)
Administrative Expense	<u>(9,355)</u>
Net Change in Plan Fiduciary Net Position	\$ 2,329,085
Plan Fiduciary Net Position, Beginning	<u>13,874,183</u>
 Plan Fiduciary Net Position, Ending (b)	 <u>\$ 16,203,268</u>
 Net Pension Liability (Asset), Ending (a - b)	 <u>\$ (634,560)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.08%
Covered Employee Payroll	\$ 5,855,543
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	10.84%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-2

Sequatchie County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 483,083	\$ 466,889
Less Contributions in Relation to the Actuarially Determined Contribution	(483,083)	(466,889)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 5,855,543	\$ 5,561,452
Contributions as a Percentage of Covered Employee Payroll	8.25%	8.40%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit E-3

Sequatchie County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Sequatchie County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 17,093
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(27,330)</u>
Contribution Deficiency (Excess)	<u><u>\$ (10,237)</u></u>
Covered Employee Payroll	\$ 683,727
Contributions as a Percentage of Covered Employee Payroll	4%

Note: ten years of data will be presented when available.

Exhibit E-4

Sequatchie County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Sequatchie County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 689,822	\$ 628,457
Less Contributions in Relation to the Actuarially Determined Contribution	(689,822)	(628,457)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
 Covered Employee Payroll	 \$ 7,768,279	 \$ 6,951,952
 Contributions as a Percentage of Covered Employee Payroll	 8.88%	 9.04%

Note: ten years of data will be presented when available.

Exhibit E-5

Sequatchie County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Sequatchie County School Department
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.197918%
School Department's Proportionate Share of the Net Pension Asset	\$ 32,161
Covered Employee Payroll	\$ 7,768,279
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Sequatchie County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Sequatchie County School Department
June 30, 2015

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-10	\$ 0	205	\$ 205	0 %	\$ 1,111	18 %
"	7-1-11	0	160	160	0	3,324	5
"	7-1-13	0	61	61	0	3,244	2
<u>DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	1,344	1,344	0	6,663	20
"	7-1-11	0	1,611	1,611	0	6,586	24
"	7-1-13	0	731	731	0	6,522	11

SEQUATCHIE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	2 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**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.

Ambulance Service Fund – The Ambulance Service Fund is used to account for transactions of the Sequatchie County Ambulance Service. This fund was closed during the year.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register of deeds, and sheriff.

Capital Projects Fund

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

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

Exhibit F-1

Sequatchie County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
\$	0 \$	0 \$	985 \$	985 \$	0 \$	0 \$	985
Equity in Pooled Cash and Investments	46,544	37,709	0	84,253	29,071		113,324
Accounts Receivable	0	0	98	98	0		98
Due from Other Governments	4,684	0	0	4,684	0		4,684
Property Taxes Receivable	357,024	0	0	357,024	0		357,024
Allowance for Uncollectible Property Taxes	(20,519)	0	0	(20,519)	0		(20,519)
Total Assets	387,733 \$	37,709 \$	1,083 \$	426,525 \$	29,071 \$		455,596

ASSETS

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

LIABILITIES

Accounts Payable
 Due to Other Funds
 Total Liabilities

\$	1,250 \$	0 \$	0 \$	1,250 \$	0 \$		1,250
\$	0	0	1,083	1,083	0		1,083
\$	1,250 \$	0 \$	1,083 \$	2,333 \$	0 \$		2,333

DEFERRED INFLOWS OF RESOURCES

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

\$	320,117 \$	0 \$	0 \$	320,117 \$	0 \$		320,117
\$	15,388	0	0	15,388	0		15,388
\$	335,505 \$	0 \$	0 \$	335,505 \$	0 \$		335,505

FUND BALANCES

Restricted:
 Restricted for Public Safety

\$	0 \$	37,709 \$	0 \$	37,709 \$	0 \$		37,709
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(Continued)

Exhibit F-1

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

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
\$	50,978	0	0	50,978	0	50,978	
\$	0	0	0	0	29,071	29,071	
\$	50,978	37,709	0	88,687	29,071	117,758	
\$	387,733	37,709	1,083	426,525	29,071	455,596	

FUND BALANCES (Cont.)

Restricted (Cont.):
 Restricted for Public Health and Welfare
 Restricted for Capital Outlay
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

Exhibit F-2

Sequatchie County, Tennessee
Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds					Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Ambulance Service	Drug Control	Total	Capital Projects			
					General Capital	Projects		
<u>Revenues</u>								
Local Taxes	\$ 391,907	\$ 0	\$ 0	\$ 391,907	\$ 0	\$ 0	\$ 391,907	
Fines, Forfeitures, and Penalties	0	0	39,963	39,963	0	0	39,963	
Charges for Current Services	1,195	0	0	1,195	0	0	1,195	
Other Local Revenues	13,805	0	1,500	15,305	0	0	15,305	
State of Tennessee	37,643	0	125	37,768	0	0	37,768	
Total Revenues	\$ 444,550	\$ 0	\$ 41,588	\$ 486,138	\$ 0	\$ 0	\$ 486,138	
<u>Expenditures</u>								
Current:								
Public Safety	\$ 0	\$ 0	\$ 53,111	\$ 53,111	\$ 0	\$ 0	\$ 53,111	
Public Health and Welfare	450,680	0	0	450,680	0	0	450,680	
Other Operations	7,786	0	0	7,786	28,401	0	36,187	
Total Expenditures	\$ 458,466	\$ 0	\$ 53,111	\$ 511,577	\$ 28,401	\$ 0	\$ 539,978	
Excess (Deficiency) of Revenues Over Expenditures	\$ (13,916)	\$ 0	\$ (11,523)	\$ (25,439)	\$ (28,401)	\$ 0	\$ (53,840)	
<u>Other Financing Sources (Uses)</u>								
Transfers In	\$ 55,000	\$ 0	\$ 0	\$ 55,000	\$ 0	\$ 0	\$ 55,000	
Transfers Out	0	(6,659)	0	(6,659)	0	0	(6,659)	
Total Other Financing Sources (Uses)	\$ 55,000	\$ (6,659)	\$ 0	\$ 48,341	\$ 0	\$ 0	\$ 48,341	
Net Change in Fund Balances	\$ 41,084	\$ (6,659)	\$ (11,523)	\$ 22,902	\$ (28,401)	\$ 0	\$ (5,499)	
Fund Balance, July 1, 2014	9,894	6,659	49,232	65,785	57,472	0	123,257	
Fund Balance, June 30, 2015	\$ 50,978	\$ 0	\$ 37,709	\$ 88,687	\$ 29,071	\$ 0	\$ 117,758	

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 391,907	\$ 391,639	\$ 391,639	\$ 268
Charges for Current Services	1,195	3,000	3,000	(1,805)
Other Local Revenues	13,805	10,000	10,000	3,805
State of Tennessee	37,643	41,700	41,700	(4,057)
Total Revenues	<u>\$ 444,550</u>	<u>\$ 446,339</u>	<u>\$ 446,339</u>	<u>\$ (1,789)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 31,963	\$ 33,700	\$ 33,700	\$ 1,737
Waste Pickup	88,208	108,375	108,375	20,167
Convenience Centers	167,552	166,600	171,600	4,048
Other Waste Collection	142,856	137,000	143,103	247
Landfill Operation and Maintenance	20,101	18,802	20,102	1
<u>Other Operations</u>				
Other Charges	7,786	8,000	8,000	214
Total Expenditures	<u>\$ 458,466</u>	<u>\$ 472,477</u>	<u>\$ 484,880</u>	<u>\$ 26,414</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,916)</u>	<u>\$ (26,138)</u>	<u>\$ (38,541)</u>	<u>\$ 24,625</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 55,000	\$ 50,000	\$ 55,000	\$ 0
Total Other Financing Sources	<u>\$ 55,000</u>	<u>\$ 50,000</u>	<u>\$ 55,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 41,084	\$ 23,862	\$ 16,459	\$ 24,625
Fund Balance, July 1, 2014	9,894	11,172	11,172	(1,278)
Fund Balance, June 30, 2015	<u>\$ 50,978</u>	<u>\$ 35,034</u>	<u>\$ 27,631</u>	<u>\$ 23,347</u>

Exhibit F-4

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Ambulance Service Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (6,659)	\$ 0	\$ (6,659)	\$ 0
Total Other Financing Sources	\$ (6,659)	\$ 0	\$ (6,659)	\$ 0
Net Change in Fund Balance	\$ (6,659)	\$ 0	\$ (6,659)	\$ 0
Fund Balance, July 1, 2014	6,659	6,659	6,659	0
Fund Balance, June 30, 2015	\$ 0	\$ 6,659	\$ 0	\$ 0

Exhibit F-5

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 39,963	\$ 31,500	\$ 31,500	\$ 8,463
Other Local Revenues	1,500	0	0	1,500
State of Tennessee	125	150	150	(25)
Total Revenues	<u>\$ 41,588</u>	<u>\$ 31,650</u>	<u>\$ 31,650</u>	<u>\$ 9,938</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 53,111	\$ 49,000	\$ 53,605	\$ 494
Total Expenditures	<u>\$ 53,111</u>	<u>\$ 49,000</u>	<u>\$ 53,605</u>	<u>\$ 494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,523)</u>	<u>\$ (17,350)</u>	<u>\$ (21,955)</u>	<u>\$ 10,432</u>
Net Change in Fund Balance	\$ (11,523)	\$ (17,350)	\$ (21,955)	\$ 10,432
Fund Balance, July 1, 2014	<u>49,232</u>	<u>49,232</u>	<u>49,232</u>	<u>0</u>
Fund Balance, June 30, 2015	<u><u>\$ 37,709</u></u>	<u><u>\$ 31,882</u></u>	<u><u>\$ 27,277</u></u>	<u><u>\$ 10,432</u></u>

Major Governmental Fund

General Debt Service Fund

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

Exhibit G

Sequatchie County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 452,956	\$ 453,556	\$ 453,556	\$ (600)
Other Local Revenues	6,876	6,000	6,000	876
State of Tennessee	23,066	25,000	25,000	(1,934)
Other Governments and Citizens Groups	19,503	0	0	19,503
Total Revenues	<u>\$ 502,401</u>	<u>\$ 484,556</u>	<u>\$ 484,556</u>	<u>\$ 17,845</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 222,899	\$ 255,000	\$ 255,000	\$ 32,101
<u>Interest on Debt</u>				
General Government	14,772	85,000	45,000	30,228
<u>Other Debt Service</u>				
General Government	48,281	12,000	58,000	9,719
Total Expenditures	<u>\$ 285,952</u>	<u>\$ 352,000</u>	<u>\$ 358,000</u>	<u>\$ 72,048</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 216,449</u>	<u>\$ 132,556</u>	<u>\$ 126,556</u>	<u>\$ 89,893</u>
Net Change in Fund Balance	\$ 216,449	\$ 132,556	\$ 126,556	\$ 89,893
Fund Balance, July 1, 2014	530,716	538,245	538,245	(7,529)
Fund Balance, June 30, 2015	<u>\$ 747,165</u>	<u>\$ 670,801</u>	<u>\$ 664,801</u>	<u>\$ 82,364</u>

Fiduciary Funds

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

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

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

Exhibit H-1

Sequatchie County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 903,643	\$ 903,643
Due from Other Governments	148,682	0	148,682
Total Assets	<u>\$ 148,682</u>	<u>\$ 903,643</u>	<u>\$ 1,052,325</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 148,682	\$ 0	\$ 148,682
Due to Litigants, Heirs, and Others	0	903,643	903,643
Total Liabilities	<u>\$ 148,682</u>	<u>\$ 903,643</u>	<u>\$ 1,052,325</u>

Exhibit H-2

Sequatchie County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 835,389	\$ 835,389	\$ 0
Due from Other Governments	135,212	148,682	135,212	148,682
Total Assets	\$ 135,212	\$ 984,071	\$ 970,601	\$ 148,682
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 135,212	\$ 984,071	\$ 970,601	\$ 148,682
Total Liabilities	\$ 135,212	\$ 984,071	\$ 970,601	\$ 148,682
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 778,297	\$ 2,409,062	\$ 2,283,716	\$ 903,643
Total Assets	\$ 778,297	\$ 2,409,062	\$ 2,283,716	\$ 903,643
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 778,297	\$ 2,409,062	\$ 2,283,716	\$ 903,643
Total Liabilities	\$ 778,297	\$ 2,409,062	\$ 2,283,716	\$ 903,643
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 778,297	\$ 2,409,062	\$ 2,283,716	\$ 903,643
Equity in Pooled Cash and Investments	0	835,389	835,389	0
Due from Other Governments	135,212	148,682	135,212	148,682
Total Assets	\$ 913,509	\$ 3,393,133	\$ 3,254,317	\$ 1,052,325
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 135,212	\$ 984,071	\$ 970,601	\$ 148,682
Due to Litigants, Heirs, and Others	778,297	2,409,062	2,283,716	903,643
Total Liabilities	\$ 913,509	\$ 3,393,133	\$ 3,254,317	\$ 1,052,325

Sequatchie County School Department

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

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

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

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

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

Exhibit I-1

Sequatchie County, Tennessee
Statement of Activities
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 10,153,375	\$ 37,174	\$ 1,500,020	\$ (8,616,181)
Support Services	5,601,047	0	13,790	(5,587,257)
Operation of Non-instructional Services	1,582,922	63,137	1,293,383	(226,402)
Total Governmental Activities	\$ 17,337,344	\$ 100,311	\$ 2,807,193	\$ (14,429,840)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,886,725
Local Option Sales Taxes				1,303,139
Other Local Taxes				16,402
Grants and Contributions Not Restricted to Specific Programs				12,661,043
Unrestricted Investment Earnings				27,295
Miscellaneous				92,323
Pension Income				39,124
Total General Revenues				\$ 17,026,051
Insurance Recovery				\$ 9,099
Change in Net Position				\$ 2,605,310
Net Position, July 1, 2014				32,753,963
Restatement - see Note I.D.8				(2,966,629)
Net Position, June 30, 2015				\$ 32,392,644

Sequatchie County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Sequatchie County School Department
 June 30, 2015

	Major Funds		Nonmajor Funds		Total Governmental Funds
	General Purpose School	Education Capital Projects	Other	Governmental Funds	
\$	384,836	0	1,602	\$	386,438
	9,576,566	1,625,275	736,940		11,938,781
	2,033	0	0		2,033
	369,793	0	161		369,954
	3,130,151	0	0		3,130,151
	(186,257)	0	0		(186,257)
\$	13,277,122	1,625,275	738,703	\$	15,641,100

ASSETS

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

Total Assets

LIABILITIES

Accounts Payable
 Payroll Deductions Payable
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

Deferred Current Property Taxes
 Deferred Delinquent Property Taxes
 Other Deferred/Unavailable Revenue
 Total Deferred Inflows of Resources

FUND BALANCES

Restricted:
 Restricted for Operation of Non-instructional Services

\$	0	0	0	\$	431,739
					\$ 431,739

(Continued)

Sequatchie County, Tennessee
 Balance Sheet - Governmental Funds
 Discretely Presented Sequatchie County School Department (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	Education Capital Projects		Other Governmental Funds		
\$	1,225,913	\$	0	\$	0	\$ 1,225,913
	6,988,313		0		0	6,988,313
	0		1,625,275		0	1,625,275
	230,980		0		300,000	530,980
	1,184,541		0		0	1,184,541
\$	9,629,747	\$	1,625,275	\$	731,739	\$ 11,986,761
\$	13,277,122	\$	1,625,275	\$	738,703	\$ 15,641,100

FUND BALANCES (Cont.)

Restricted (Cont.):	
Restricted for Capital Outlay	
Committed:	
Committed for Instruction	
Committed for Capital Outlay	
Assigned:	
Assigned for Instruction	
Unassigned	
Total Fund Balances	
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	

Exhibit I-3

Sequatchie County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Sequatchie County School Department
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 11,986,761
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 1,256,649	
Add: construction in progress	1,122,894	
Add: buildings and improvements net of accumulated depreciation	18,516,793	
Add: infrastructure net of accumulated depreciation	1,013,616	
Add: other capital assets net of accumulated depreciation	<u>633,549</u>	22,543,501
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other postemployment benefits liability		(331,105)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 922,739	
Less: deferred inflows of resources related to pensions	<u>(3,393,448)</u>	(2,470,709)
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension assets - agent plan	\$ 350,277	
Add: net pension assets - cost-sharing plan	<u>32,161</u>	382,438
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>281,758</u>
Net position of governmental activities (Exhibit A)		<u>\$ 32,392,644</u>

Exhibit I-4

Sequatchie County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Governmental Funds	Other Governmental Funds	Governmental Funds	
<u>Revenues</u>						
Local Taxes	\$ 4,182,911	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,182,911
Licenses and Permits	1,264	0	0	0	0	1,264
Charges for Current Services	25,439	0	0	64,854	0	90,293
Other Local Revenues	134,371	0	0	3,212	0	137,583
State of Tennessee	12,263,288	0	0	12,174	0	12,275,462
Federal Government	186,848	0	0	2,985,400	0	3,172,248
Total Revenues	\$ 16,794,121	\$ 0	\$ 0	\$ 3,065,640	\$ 0	\$ 19,859,761
<u>Expenditures</u>						
Current:						
Instruction	\$ 9,387,946	\$ 0	\$ 0	\$ 1,007,780	\$ 0	\$ 10,395,726
Support Services	4,577,463	0	0	491,501	0	5,068,964
Operation of Non-instructional Services	105,369	0	0	1,430,030	0	1,535,399
Capital Outlay	611,289	0	0	0	0	611,289
Capital Projects	0	209,427	0	0	0	209,427
Total Expenditures	\$ 14,682,067	\$ 209,427	\$ 0	\$ 2,929,311	\$ 0	\$ 17,820,805
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,112,054	\$ (209,427)	\$ 0	\$ 136,329	\$ 0	\$ 2,038,956
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 9,099	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,099
Transfers In	80,860	1,820,502	0	0	0	1,901,362
Transfers Out	(1,820,502)	0	0	(80,860)	0	(1,901,362)
Total Other Financing Sources (Uses)	\$ (1,730,543)	\$ 1,820,502	\$ 0	\$ (80,860)	\$ 0	\$ 9,099
Net Change in Fund Balances	\$ 381,511	\$ 1,611,075	\$ 0	\$ 55,469	\$ 0	\$ 2,048,055
Fund Balance, July 1, 2014	9,248,236	14,200	0	676,270	0	9,938,706
Fund Balance, June 30, 2015	\$ 9,629,747	\$ 1,625,275	\$ 0	\$ 731,739	\$ 0	\$ 11,986,761

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, 2015

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)		\$ 2,048,055
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 436,343	
Less: current-year depreciation expense	<u>(789,155)</u>	(352,812)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2015	\$ 281,758	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(247,088)</u>	34,670
<p>(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.</p>		
Change in other postemployment benefits liability	\$ (2,961)	
Change in net pension liability/asset	3,349,067	
Change in deferred outflows related to pensions	922,739	
Change in deferred inflows related to pensions	<u>(3,393,448)</u>	<u>875,397</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 2,605,310</u>

Exhibit I-6

Sequatchie County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Sequatchie County School Department
June 30, 2015

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 1,602	\$ 1,602
Equity in Pooled Cash and Investments	299,839	437,101	736,940
Due from Other Governments	161	0	161
Total Assets	<u>\$ 300,000</u>	<u>\$ 438,703</u>	<u>\$ 738,703</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 0	\$ 6,964	\$ 6,964
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 6,964</u>	<u>\$ 6,964</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-instructional Services	\$ 0	\$ 431,739	\$ 431,739
Assigned:			
Assigned for Instruction	300,000	0	300,000
Total Fund Balances	<u>\$ 300,000</u>	<u>\$ 431,739</u>	<u>\$ 731,739</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 300,000</u>	<u>\$ 438,703</u>	<u>\$ 738,703</u>

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, 2015

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 64,854	\$ 64,854
Other Local Revenues	0	3,212	3,212
State of Tennessee	0	12,174	12,174
Federal Government	1,705,341	1,280,059	2,985,400
Total Revenues	<u>\$ 1,705,341</u>	<u>\$ 1,360,299</u>	<u>\$ 3,065,640</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,007,780	\$ 0	\$ 1,007,780
Support Services	491,501	0	491,501
Operation of Non-instructional Services	178,485	1,251,545	1,430,030
Total Expenditures	<u>\$ 1,677,766</u>	<u>\$ 1,251,545</u>	<u>\$ 2,929,311</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 27,575</u>	<u>\$ 108,754</u>	<u>\$ 136,329</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (27,954)	\$ (52,906)	\$ (80,860)
Total Other Financing Sources (Uses)	<u>\$ (27,954)</u>	<u>\$ (52,906)</u>	<u>\$ (80,860)</u>
Net Change in Fund Balances	\$ (379)	\$ 55,848	\$ 55,469
Fund Balance, July 1, 2014	300,379	375,891	676,270
Fund Balance, June 30, 2015	<u>\$ 300,000</u>	<u>\$ 431,739</u>	<u>\$ 731,739</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,182,911	\$ 4,408,659	\$ 4,415,659	\$ (232,748)
Licenses and Permits	1,264	1,200	1,200	64
Charges for Current Services	25,439	19,000	19,000	6,439
Other Local Revenues	134,371	37,000	86,600	47,771
State of Tennessee	12,263,288	12,191,950	12,220,945	42,343
Federal Government	186,848	225,686	225,686	(38,838)
Total Revenues	\$ 16,794,121	\$ 16,883,495	\$ 16,969,090	\$ (174,969)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 7,271,288	\$ 7,625,105	\$ 7,582,830	\$ 311,542
Alternative Instruction Program	78,703	88,299	88,299	9,596
Special Education Program	1,692,576	1,671,816	1,742,116	49,540
Vocational Education Program	221,199	345,039	356,039	134,840
Student Body Education Program	15,582	17,111	17,111	1,529
Adult Education Program	108,598	123,908	114,700	6,102
<u>Support Services</u>				
Attendance	114,925	115,037	115,037	112
Health Services	166,368	195,430	195,430	29,062
Other Student Support	347,376	322,229	360,229	12,853
Regular Instruction Program	625,884	600,993	639,093	13,209
Special Education Program	191,830	205,784	201,584	9,754
Adult Programs	106,702	99,587	108,795	2,093
Other Programs	34,745	0	34,745	0
Board of Education	254,739	265,303	280,666	25,927
Director of Schools	186,563	195,302	195,302	8,739
Office of the Principal	619,307	633,907	642,232	22,925
Fiscal Services	179,607	181,394	181,394	1,787
Operation of Plant	1,068,806	1,146,072	1,143,120	74,314
Maintenance of Plant	230,504	237,622	235,461	4,957
Transportation	450,107	561,813	561,813	111,706
<u>Operation of Non-Instructional Services</u>				
Community Services	4,548	0	4,600	52
Early Childhood Education	100,821	101,150	101,149	328
<u>Capital Outlay</u>				
Regular Capital Outlay	611,289	10,576,307	8,672,554	8,061,265
Total Expenditures	\$ 14,682,067	\$ 25,309,208	\$ 23,574,299	\$ 8,892,232
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,112,054	\$ (8,425,713)	\$ (6,605,209)	\$ 8,717,263
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,099	\$ 0	\$ 0	\$ 9,099
Transfers In	80,860	81,566	881,566	(800,706)
Transfers Out	(1,820,502)	0	(2,620,503)	800,001
Total Other Financing Sources	\$ (1,730,543)	\$ 81,566	\$ (1,738,937)	\$ 8,394
Net Change in Fund Balance	\$ 381,511	\$ (8,344,147)	\$ (8,344,146)	\$ 8,725,657
Fund Balance, July 1, 2014	9,248,236	9,257,360	9,257,360	(9,124)
Fund Balance, June 30, 2015	\$ 9,629,747	\$ 913,213	\$ 913,214	\$ 8,716,533

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,705,341	\$ 1,754,861	\$ 1,927,812	\$ (222,471)
Total Revenues	\$ 1,705,341	\$ 1,754,861	\$ 1,927,812	\$ (222,471)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 597,504	\$ 657,204	\$ 715,572	\$ 118,068
Special Education Program	380,349	402,487	436,447	56,098
Vocational Education Program	29,927	25,528	29,927	0
<u>Support Services</u>				
Other Student Support	13,201	25,478	15,340	2,139
Regular Instruction Program	275,934	251,065	294,522	18,588
Special Education Program	105,136	88,795	116,996	11,860
Vocational Education Program	1,743	1,969	1,743	0
Transportation	95,487	102,505	106,370	10,883
<u>Operation of Non-Instructional Services</u>				
Community Services	178,485	172,042	181,005	2,520
Total Expenditures	\$ 1,677,766	\$ 1,727,073	\$ 1,897,922	\$ 220,156
Excess (Deficiency) of Revenues Over Expenditures	\$ 27,575	\$ 27,788	\$ 29,890	\$ (2,315)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (27,954)	\$ (28,546)	\$ (30,268)	\$ 2,314
Total Other Financing Sources	\$ (27,954)	\$ (28,546)	\$ (30,268)	\$ 2,314
Net Change in Fund Balance	\$ (379)	\$ (758)	\$ (378)	\$ (1)
Fund Balance, July 1, 2014	300,379	300,379	300,379	0
Fund Balance, June 30, 2015	\$ 300,000	\$ 299,621	\$ 300,001	\$ (1)

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 64,854	\$ 316,149	\$ 316,149	\$ (251,295)
Other Local Revenues	3,212	3,500	3,500	(288)
State of Tennessee	12,174	58,225	58,225	(46,051)
Federal Government	1,280,059	970,358	970,358	309,701
Total Revenues	<u>\$ 1,360,299</u>	<u>\$ 1,348,232</u>	<u>\$ 1,348,232</u>	<u>\$ 12,067</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,251,545	\$ 1,670,254	\$ 1,670,254	\$ 418,709
Total Expenditures	<u>\$ 1,251,545</u>	<u>\$ 1,670,254</u>	<u>\$ 1,670,254</u>	<u>\$ 418,709</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 108,754</u>	<u>\$ (322,022)</u>	<u>\$ (322,022)</u>	<u>\$ 430,776</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (52,906)	\$ (52,906)	\$ (52,906)	\$ 0
Total Other Financing Sources	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ (52,906)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 55,848	\$ (374,928)	\$ (374,928)	\$ 430,776
Fund Balance, July 1, 2014	<u>375,891</u>	<u>375,894</u>	<u>375,894</u>	<u>(3)</u>
Fund Balance, June 30, 2015	<u>\$ 431,739</u>	<u>\$ 966</u>	<u>\$ 966</u>	<u>\$ 430,773</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Sequatchie County, Tennessee
Schedule of Changes in Long-term Notes and Other Loans
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Land (Valley Fest)	\$ 200,000	2.47 %	7-27-12	7-27-24	\$ 185,437	\$ 0	\$ 14,899	\$ 170,538
Jail Upgrades	50,000	1.55	4-10-15	4-10-18	0	50,000	0	50,000
Total Payable through General Debt Service Fund					\$ 185,437	\$ 50,000	\$ 14,899	\$ 220,538
<u>Payable through Highway/Public Works Fund</u>								
Highway Department Garage and Office	140,000	3.19	7-29-09	7-29-15	\$ 46,668	\$ 0	\$ 23,333	\$ 23,335
Total Notes Payable					\$ 232,105	\$ 50,000	\$ 38,232	\$ 243,873
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center	6,500,000	Variable	11-1-04	5-25-32	\$ 4,878,000	\$ 0	\$ 208,000	\$ 4,670,000

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 55,231	\$ 5,795	\$ 61,026
2017	32,267	4,419	36,686
2018	32,669	3,760	36,429
2019	16,403	3,101	19,504
2020	16,814	2,690	19,504
2021	17,228	2,275	19,503
2022	17,666	1,837	19,503
2023	18,108	1,395	19,503
2024	18,562	942	19,504
2025	18,925	469	19,394
Total	\$ 243,873	\$ 26,683	\$ 270,556

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2016	\$ 215,000	\$ 9,807	\$ 32,262	\$ 257,069
2017	221,000	9,356	30,824	261,180
2018	228,000	8,891	29,345	266,236
2019	234,000	8,413	27,820	270,233
2020	242,000	7,921	26,255	276,176
2021	249,000	7,413	24,636	281,049
2022	256,000	6,890	22,970	285,860
2023	264,000	6,353	21,257	291,610
2024	272,000	5,798	19,491	297,289
2025	280,000	5,227	17,671	302,898
2026	288,000	4,639	15,798	308,437
2027	297,000	4,034	13,871	314,905
2028	306,000	3,410	11,885	321,295
2029	315,000	2,768	9,837	327,605
2030	325,000	2,106	7,730	334,836
2031	334,000	1,424	5,556	340,980
2032	344,000	722	3,321	348,043
Total	\$ 4,670,000	\$ 95,172	\$ 320,529	\$ 5,085,701

Exhibit J-3

Sequatchie County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Ambulance Service	Solid Waste/Sanitation General	Operations To close fund	\$ 55,000 6,659
Total Transfers Primary Government			\$ 61,659
<u>DISCRETELY PRESENTED SEQUATCHIE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects Central Cafeteria General Purpose School	General Purpose School " Education Capital Projects	Indirect costs Direct costs Construction costs	\$ 27,954 52,906 1,820,502
Total Transfers Discretely Presented Sequatchie County School Department			\$ 1,901,362

Exhibit J-4

Sequatchie County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 73,738	\$ 100,000	RLI Insurance Company
Highway Supervisor	Section 8-24-102, TCA	70,228	100,000	"
Director of Schools	State Board of Education and Sequatchie County Board of Education	101,893 (1)	(2)	
Trustee	Section 8-24-102, TCA	63,843	760,000	"
Assessor of Property	Section 8-24-102, TCA	63,843	50,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	63,843	50,000	RLI Insurance Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	63,843	50,000	"
Clerk and Master Register of Deeds:	Section 8-24-102, TCA	63,843	25,000	State Farm Fire and Casualty Company
Connie Green (7-1-14 through 8-31-14)	Section 8-24-102, TCA	10,640	15,000	Western Surety Company
Kendra Boyd (9-1-14 through 6-30-15)	Section 8-24-102, TCA	53,203	50,000	RLI Insurance Company
Sheriff	Section 8-24-102, TCA	70,228 (3)	100,000	"
Employee Dishonesty Bond Coverage:				
General County Employees			150,000	Tennessee Risk Management Trust
Highway Department Employees			150,000	Local Government Insurance Pool
School Department Employees			150,000	Southern States Insurance Group, Inc.

(1) Includes a chief executive officer training supplement of \$1,000 and a travel allowance of \$9,500.

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

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

Exhibit J-5

Sequatchie County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2015

	Special Revenue Funds				Debt Service		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General	Debt Service	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 3,212,381	\$ 361,143	\$ 0	\$ 0	\$ 412,736	\$ 3,986,260	
Trustee's Collections - Prior Year	106,970	15,591	0	0	20,425	142,986	
Circuit/Clerk and Master Collections - Prior Years	60,997	8,176	0	0	10,901	80,074	
Interest and Penalty	20,695	2,687	0	0	3,498	26,880	
Payments in-Lieu-of Taxes - T.V.A.	1,464	165	0	0	188	1,817	
Payments in-Lieu-of Taxes - Local Utilities	18,392	2,465	0	0	3,287	24,144	
Payments in-Lieu-of Taxes - Other	550	62	0	0	71	683	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	449,725	0	0	0	0	449,725	
Hotel/Motel Tax	10,557	0	0	0	0	10,557	
Litigation Tax - General	29,768	0	0	0	0	29,768	
Litigation Tax - Special Purpose	9,820	0	0	0	0	9,820	
Litigation Tax - Jail, Workhouse, or Courthouse	7,859	0	0	0	0	7,859	
Business Tax	92,805	0	0	0	0	92,805	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	14,396	1,618	0	0	1,850	17,864	
Wholesale Beer Tax	64,344	0	0	0	0	64,344	
Interstate Telecommunications Tax	810	0	0	0	0	810	
Total Local Taxes	\$ 4,101,533	\$ 391,907	\$ 0	\$ 0	\$ 452,956	\$ 4,946,396	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 38,887	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,887	
<u>Permits</u>							
Beer Permits	712	0	0	0	0	712	
Total Licenses and Permits	\$ 39,599	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,599	

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	General Debt Service		
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	8,988	0	0	0	0	0	0	8,988
Officers Costs	2,679	0	0	0	0	0	0	2,679
Drug Control Fines	0	0	3,559	0	0	0	0	3,559
Drug Court Fees	484	0	0	0	0	0	0	484
Jail Fees	1,958	0	0	0	0	0	0	1,958
DUI Treatment Fines	1,425	0	0	0	0	0	0	1,425
Data Entry Fee - Circuit Court	1,048	0	0	0	0	0	0	1,048
Courtroom Security Fee	4,505	0	0	0	0	0	0	4,505
<u>Criminal Court</u>								
Jail Fees	920	0	0	0	0	0	0	920
DUI Treatment Fines	902	0	0	0	0	0	0	902
<u>General Sessions Court</u>								
Fines	10,835	0	0	0	0	0	0	10,835
Fines for Littering	10	0	0	0	0	0	0	10
Game and Fish Fines	112	0	0	0	0	0	0	112
Drug Control Fines	2,042	0	9,069	0	0	0	0	11,111
Drug Court Fees	1,115	0	0	0	0	0	0	1,115
Jail Fees	901	0	0	0	0	0	0	901
DUI Treatment Fines	1,006	0	0	0	0	0	0	1,006
Data Entry Fee - General Sessions Court	2,994	0	0	0	0	0	0	2,994
Courtroom Security Fee	17,179	0	0	0	0	0	0	17,179
<u>Chancery Court</u>								
Data Entry Fee - Chancery Court	1,456	0	0	0	0	0	0	1,456
Courtroom Security Fee	1,912	0	0	0	0	0	0	1,912

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service		Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Fund			
					General	Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Other Courts - In-county</u>								
Drug Court Fees	1,345	0	0	0	0	0	0	1,345
Other Fines, Forfeitures, and Penalties								
Proceeds from Confiscated Property	0	0	27,335	0	0	0	0	27,335
Total Fines, Forfeitures, and Penalties	\$ 63,816	\$ 0	\$ 39,963	\$ 0	\$ 0	\$ 0	\$ 0	\$ 103,779
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Surcharge - Waste Tire Disposal	0	1,195	0	0	0	0	0	1,195
Patient Charges	26,598	0	0	0	0	0	0	26,598
Work Release Charges for Board Fees	15,460	0	0	0	0	0	0	15,460
Copy Fees	453	0	0	0	0	0	0	453
Library Fees	3,346	0	0	0	0	0	0	3,346
Telephone Commissions	44,744	0	0	0	0	0	0	44,744
Vending Machine Collections	28,839	0	0	0	0	0	0	28,839
Data Processing Fee - Register	4,660	0	0	0	0	0	0	4,660
Data Processing Fee - Sheriff	1,088	0	0	0	0	0	0	1,088
Data Processing Fee - County Clerk	2,635	0	0	0	0	0	0	2,635
Total Charges for Current Services	\$ 127,823	\$ 1,195	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 129,018
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	23,492	0	0	0	0	6,876	0	30,368
Lease/Rentals	4,920	0	0	0	0	0	0	4,920
Commissary Sales	7,486	0	0	0	0	0	0	7,486

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt	Service
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Sale of Gasoline	\$ 0	\$ 0	\$ 0	\$ 1,564	\$ 0	\$ 1,564
Sale of Maps	65	0	0	0	0	65
Sale of Recycled Materials	0	13,805	0	630	0	14,435
Miscellaneous Refunds	11,543	0	0	194	0	11,737
<u>Nonrecurring Items</u>						
Contributions and Gifts	0	0	1,500	0	0	1,500
Total Other Local Revenues	\$ 47,506	\$ 13,805	\$ 1,500	\$ 2,388	\$ 6,876	\$ 72,075
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 182,831	\$ 0	\$ 0	\$ 0	\$ 0	\$ 182,831
Circuit Court Clerk	68,254	0	0	0	0	68,254
General Sessions Court Clerk	77,586	0	0	0	0	77,586
Clerk and Master	32,955	0	0	0	0	32,955
Register	55,407	0	0	0	0	55,407
Sheriff	5,819	0	0	0	0	5,819
Trustee	215,083	0	0	0	0	215,083
Total Fees Received from County Officials	\$ 637,935	\$ 0	\$ 0	\$ 0	\$ 0	\$ 637,935
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 900
Solid Waste Grants	0	5,793	0	0	0	5,793
On-behalf Contributions for OPEB	2,700	0	0	0	0	2,700

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service		
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt	Service	Total
<u>State of Tennessee (Cont.)</u>							
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	\$ 10,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	10,800
Health and Welfare Grants	125,871	0	0	0	0	0	125,871
<u>Public Works Grants</u>							
State Aid Program	0	0	0	136,273	0	0	136,273
Litter Program	0	31,850	0	0	0	0	31,850
<u>Other State Revenues</u>							
Income Tax	38,116	0	0	0	0	0	38,116
Beer Tax	18,055	0	0	0	0	0	18,055
Vehicle Certificate of Title Fees	5,939	0	0	0	0	0	5,939
Alcoholic Beverage Tax	31,380	0	0	0	0	0	31,380
State Revenue Sharing - T.V.A.	199,727	0	0	0	23,066	0	222,793
Contracted Prisoner Boarding	634,032	0	0	0	0	0	634,032
Gasoline and Motor Fuel Tax	0	0	0	1,404,914	0	0	1,404,914
Petroleum Special Tax	0	0	0	10,182	0	0	10,182
Registrar's Salary Supplement	15,164	0	0	0	0	0	15,164
Other State Grants	9,760	0	0	0	0	0	9,760
Other State Revenues	21,398	0	125	0	0	0	21,523
Total State of Tennessee	\$ 1,113,842	\$ 37,643	\$ 125	\$ 1,551,369	\$ 23,066	\$ 0	\$ 2,726,045
<u>Federal Government</u>							
<u>Federal Through State</u>							
Appalachian Regional Commission	\$ 250,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	250,000
Homeland Security Grants	52,540	0	0	0	0	0	52,540
Other Federal through State	33,510	0	0	0	0	0	33,510
Total Federal Government	\$ 336,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 336,050

(Continued)

Exhibit J-5

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

	Special Revenue Funds				Debt Service	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Total
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 76,996	\$ 0	\$ 0	\$ 0	\$ 19,503	\$ 96,499
Total Other Governments and Citizens Groups	\$ 76,996	\$ 0	\$ 0	\$ 0	\$ 19,503	\$ 96,499
Total	\$ 6,545,100	\$ 444,550	\$ 41,588	\$ 1,553,757	\$ 502,401	\$ 9,087,396

Exhibit J-6

Sequatchie County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2015

	General Purpose School	Special Revenue Funds			Total
		School	Federal Projects	Central Cafeteria	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,631,702	\$ 0	\$ 0	\$ 0	\$ 2,631,702
Trustee's Collections - Prior Year	118,286	0	0	0	118,286
Circuit/Clerk and Master Collections - Prior Years	65,629	0	0	0	65,629
Interest and Penalty	21,216	0	0	0	21,216
Payments in-Lieu-of Taxes - T.V.A.	1,203	0	0	0	1,203
Payments in-Lieu-of Taxes - Local Utilities	19,789	0	0	0	19,789
Payments in-Lieu-of Taxes - Other	452	0	0	0	452
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,296,403	0	0	0	1,296,403
Mixed Drink Tax	15,051	0	0	0	15,051
<u>Statutory Local Taxes</u>					
Bank Excise Tax	11,829	0	0	0	11,829
Interstate Telecommunications Tax	1,351	0	0	0	1,351
Total Local Taxes	\$ 4,182,911	\$ 0	\$ 0	\$ 0	\$ 4,182,911

<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,264	\$ 0	\$ 0	\$ 0	\$ 1,264
Total Licenses and Permits	\$ 1,264	\$ 0	\$ 0	\$ 0	\$ 1,264

<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Adults	\$ 0	\$ 0	\$ 0	\$ 15,716	\$ 15,716
A la carte Sales	0	0	0	49,138	49,138

(Continued)

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
Receipts from Individual Schools	\$ 25,439	\$ 0	\$ 0	\$ 0	\$ 25,439
Total Charges for Current Services	\$ 25,439	\$ 0	\$ 0	\$ 64,854	\$ 90,293
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 26,724	\$ 0	\$ 0	\$ 571	\$ 27,295
Lease/Rentals	8,000	0	0	0	8,000
E-Rate Funding	11,735	0	0	0	11,735
Miscellaneous Refunds	71,748	0	0	2,641	74,389
<u>Nonrecurring Items</u>					
Sale of Equipment	3,004	0	0	0	3,004
Sale of Property	1,000	0	0	0	1,000
Damages Recovered from Individuals	1,130	0	0	0	1,130
Contributions and Gifts	6,230	0	0	0	6,230
<u>Other Local Revenues</u>	4,800	0	0	0	4,800
Other Local Revenues	134,371	0	0	3,212	137,583
Total Other Local Revenues	\$ 134,371	\$ 0	\$ 0	\$ 3,212	\$ 137,583
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	\$ 34,745	\$ 0	\$ 0	\$ 0	\$ 34,745
<u>State Education Funds</u>					
Basic Education Program	11,756,891	0	0	0	11,756,891
Early Childhood Education	101,150	0	0	0	101,150

(Continued)

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
<u>State of Tennessee (Cont.)</u>					
<u>State Education Funds (Cont.)</u>					
School Food Service	0 \$	0 \$	12,174 \$		12,174
Energy Efficient School Initiative	1,150	0	0		1,150
Driver Education	10,441	0	0		10,441
Other State Education Funds	31,381	0	0		31,381
Coordinated School Health	99,995	0	0		99,995
Career Ladder Program	48,290	0	0		48,290
Career Ladder - Extended Contract	17,920	0	0		17,920
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	147,535	0	0		147,535
Other State Revenues	13,790	0	0		13,790
Total State of Tennessee	\$ 12,263,288 \$	0 \$	12,174 \$		12,275,462
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	0 \$	0 \$	813,708 \$		813,708
USDA - Commodities	0	0	64,213		64,213
Breakfast	0	0	330,849		330,849
USDA - Other	0	0	71,289		71,289
Adult Education State Grant Program	164,806	0	0		164,806
Vocational Education - Basic Grants to States	0	40,369	0		40,369
Other Vocational	22,042	0	0		22,042
Title I Grants to Local Education Agencies	0	634,941	0		634,941
Special Education - Grants to States	0	544,488	0		544,488
Special Education Preschool Grants	0	46,439	0		46,439

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds			Total
		School Federal Projects	Central Cafeteria		
Federal Government (Cont.)					
Federal Through State (Cont.)					
Safe and Drug-free Schools - State Grants	\$ 0	\$ 181,562	\$ 0	\$ 0	\$ 181,562
Rural Education	0	7,967	0	0	7,967
Eisenhower Professional Development State Grants	0	100,769	0	0	100,769
Race to the Top - ARRA	0	148,806	0	0	148,806
Total Federal Government	\$ 186,848	\$ 1,705,341	\$ 1,280,059	\$ 0	\$ 3,172,248
Total	\$ 16,794,121	\$ 1,705,341	\$ 1,360,299	\$ 0	\$ 19,859,761

Exhibit J-7

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	37,305	
Social Security		2,349	
Employer Medicare		577	
Audit Services		4,234	
Dues and Memberships		9,945	
Legal Services		1,296	
Legal Notices, Recording, and Court Costs		2,500	
Travel		2,169	
Other Contracted Services		1,956	
Liability Insurance		107,194	
Total County Commission			\$ 169,525

Board of Equalization

Board and Committee Members Fees	\$	3,475	
Travel		274	
Total Board of Equalization			3,749

Beer Board

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

County Mayor/Executive

County Official/Administrative Officer	\$	73,738	
Assistant(s)		49,518	
Other Salaries and Wages		7,325	
In-service Training		1,456	
Social Security		8,062	
Pensions		10,935	
Medical Insurance		2,205	
Unemployment Compensation		320	
Employer Medicare		1,913	
Communication		7,371	
Data Processing Services		7,925	
Postal Charges		2,082	
Travel		9,979	
Other Contracted Services		60,000	
Office Supplies		1,795	
Premiums on Corporate Surety Bonds		397	
Office Equipment		1,337	
Total County Mayor/Executive			246,358

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	57,459	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Deputy(ies)	\$	22,454	
Computer Programmer(s)		2,400	
Clerical Personnel		8,868	
Election Commission		8,875	
Election Workers		10,535	
In-service Training		1,695	
Social Security		5,540	
Pensions		6,825	
Unemployment Compensation		339	
Employer Medicare		1,323	
Communication		1,559	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		2,790	
Maintenance and Repair Services - Equipment		273	
Postal Charges		1,498	
Printing, Stationery, and Forms		2,500	
Rentals		700	
Travel		3,987	
Other Contracted Services		11,900	
Office Supplies		960	
Premiums on Corporate Surety Bonds		44	
Office Equipment		719	
Total Election Commission			\$ 153,468

Register of Deeds

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		45,616	
In-service Training		220	
Social Security		7,721	
Pensions		8,449	
Unemployment Compensation		398	
Employer Medicare		1,623	
Communication		2,327	
Data Processing Services		4,098	
Dues and Memberships		822	
Rentals		831	
Travel		425	
Other Contracted Services		3,800	
Office Supplies		38	
Premiums on Corporate Surety Bonds		98	
Office Equipment		1,203	
Total Register of Deeds			141,512

County Buildings

Custodial Personnel	\$	23,481
Maintenance Personnel		24,274
Social Security		2,997

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Pensions	\$	3,834	
Unemployment Compensation		332	
Employer Medicare		728	
Communication		884	
Maintenance Agreements		17,772	
Maintenance and Repair Services - Buildings		371,763	
Rentals		310	
Custodial Supplies		3,000	
Duplicating Supplies		1,736	
Electricity		117,608	
Gasoline		3,370	
Natural Gas		32,470	
Water and Sewer		18,853	
Other Supplies and Materials		2,718	
Total County Buildings			\$ 626,130

Other General Administration

On-behalf Payments to OPEB	\$	2,700	
Total Other General Administration			2,700

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	63,843	
Secretary(ies)		94,488	
Social Security		10,037	
Pensions		13,582	
Medical Insurance		3,846	
Unemployment Compensation		511	
Employer Medicare		2,375	
Audit Services		7,245	
Communication		4,660	
Data Processing Services		6,391	
Dues and Memberships		1,150	
Postal Charges		2,700	
Printing, Stationery, and Forms		270	
Travel		1,822	
Other Contracted Services		6,614	
Office Supplies		2,486	
Office Equipment		4,142	
Total Property Assessor's Office			226,162

Reappraisal Program

Other Contracted Services	\$	1,965	
Total Reappraisal Program			1,965

County Trustee's Office

County Official/Administrative Officer	\$	63,843	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Deputy(ies)	\$	47,424	
Part-time Personnel		10,865	
Overtime Pay		1,847	
Social Security		7,723	
Pensions		9,506	
Unemployment Compensation		405	
Employer Medicare		1,833	
Communication		1,781	
Data Processing Services		2,780	
Dues and Memberships		210	
Legal Notices, Recording, and Court Costs		250	
Maintenance and Repair Services - Office Equipment		6,652	
Postal Charges		6,875	
Travel		802	
Other Contracted Services		600	
Office Supplies		2,110	
Premiums on Corporate Surety Bonds		2,000	
Total County Trustee's Office			\$ 167,506

County Clerk's Office

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		94,652	
Overtime Pay		409	
Social Security		9,316	
Pensions		13,570	
Medical Insurance		9,159	
Unemployment Compensation		432	
Employer Medicare		2,206	
Communication		6,191	
Dues and Memberships		607	
Maintenance and Repair Services - Office Equipment		16,586	
Postal Charges		6,700	
Travel		709	
Office Supplies		2,365	
Premiums on Corporate Surety Bonds		500	
Office Equipment		800	
Total County Clerk's Office			228,045

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,843
Deputy(ies)		60,212
Jury and Witness Expense		2,060
Social Security		7,307
Pensions		9,266
Medical Insurance		7,530
Unemployment Compensation		335

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Employer Medicare	\$	1,736	
Communication		753	
Data Processing Services		12,917	
Dues and Memberships		407	
Postal Charges		2,800	
Rentals		5,622	
Other Contracted Services		825	
Office Supplies		13,202	
Premiums on Corporate Surety Bonds		98	
Total Circuit Court			\$ 188,913

General Sessions Court

Judge(s)	\$	89,540	
In-service Training		385	
Social Security		4,926	
Medical Insurance		5,592	
Employer Medicare		1,179	
Travel		500	
Total General Sessions Court			102,122

Chancery Court

County Official/Administrative Officer	\$	63,843	
Assistant(s)		24,715	
Social Security		5,496	
Pensions		7,717	
Unemployment Compensation		108	
Employer Medicare		1,313	
Communication		517	
Dues and Memberships		407	
Postal Charges		418	
Rentals		897	
Office Supplies		928	
Office Equipment		4,000	
Total Chancery Court			110,359

Juvenile Court

Youth Service Officer(s)	\$	40,310	
Part-time Personnel		10,610	
In-service Training		468	
Social Security		2,946	
Pensions		3,443	
Medical Insurance		3,784	
Unemployment Compensation		221	
Employer Medicare		716	
Communication		3,095	
Travel		1,000	
Other Contracted Services		5,815	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Office Supplies	\$	782	
Other Equipment		1,012	
Total Juvenile Court			\$ 74,202

Judicial Commissioners

County Official/Administrative Officer	\$	18,030	
Social Security		930	
Pensions		1,540	
Medical Insurance		3,734	
Unemployment Compensation		108	
Employer Medicare		245	
Total Judicial Commissioners			24,587

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	70,228	
Deputy(ies)		399,602	
Investigator(s)		98,237	
Accountants/Bookkeepers		28,338	
Salary Supplements		10,800	
School Resource Officer		85,792	
Overtime Pay		27,374	
In-service Training		16,873	
Social Security		46,405	
Pensions		50,872	
Medical Insurance		7,904	
Unemployment Compensation		2,520	
Employer Medicare		10,880	
Other Fringe Benefits		30,844	
Communication		40,952	
Dues and Memberships		1,800	
Maintenance and Repair Services - Equipment		18,010	
Maintenance and Repair Services - Vehicles		23,165	
Postal Charges		1,151	
Rentals		2,000	
Travel		3,776	
Drugs and Medical Supplies		400	
Gasoline		64,874	
Law Enforcement Supplies		32,068	
Office Supplies		6,212	
Uniforms		10,047	
Premiums on Corporate Surety Bonds		1,000	
Data Processing Equipment		9,710	
Total Sheriff's Department			1,101,834

Jail

Supervisor/Director	\$	37,347	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Deputy(ies)	\$	558,697	
Overtime Pay		36,745	
In-service Training		2,453	
Social Security		40,900	
Pensions		65,000	
Medical Insurance		10,554	
Unemployment Compensation		3,589	
Employer Medicare		9,593	
Other Fringe Benefits		30,955	
Communication		900	
Maintenance and Repair Services - Buildings		28,799	
Maintenance and Repair Services - Equipment		71,301	
Rentals		2,595	
Transportation - Other than Students		406	
Disposal Fees		10,379	
Drugs and Medical Supplies		190,567	
Food Supplies		130,000	
Law Enforcement Supplies		21,535	
Office Supplies		2,201	
Uniforms		12,600	
Other Supplies and Materials		25,898	
Premiums on Corporate Surety Bonds		995	
Total Jail			\$ 1,294,009

Fire Prevention and Control

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

Rescue Squad

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

Other Emergency Management

County Official/Administrative Officer	\$	14,501	
Social Security		999	
Unemployment Compensation		39	
Employer Medicare		246	
Communication		3,930	
Maintenance and Repair Services - Vehicles		1,172	
Travel		281	
Other Contracted Services		7,494	
Gasoline		3,014	
Office Supplies		1,308	
Law Enforcement Equipment		23,763	
Total Other Emergency Management			56,747

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Contributions	\$ 35,979	
Total County Coroner/Medical Examiner		\$ 35,979

Public Health and Welfare

Local Health Center

Communication	\$ 4,357	
Dues and Memberships	200	
Maintenance and Repair Services - Buildings	1,493	
Disposal Fees	1,719	
Other Contracted Services	7,200	
Office Supplies	141	
Other Supplies and Materials	578	
Total Local Health Center		15,688

Ambulance/Emergency Medical Services

Contracts with Private Agencies	\$ 10,691	
Other Contracted Services	145,833	
Office Equipment	11,685	
Total Ambulance/Emergency Medical Services		168,209

Alcohol and Drug Programs

In-service Training	\$ 4,644	
Printing, Stationery, and Forms	407	
Travel	1,491	
Drug Treatment	1,080	
Instructional Supplies and Materials	2,001	
Office Supplies	143	
Other Supplies and Materials	2,976	
Total Alcohol and Drug Programs		12,742

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$ 85,121	
Social Security	5,424	
Pensions	6,476	
Medical Insurance	3,784	
Unemployment Compensation	502	
Employer Medicare	1,296	
Travel	7,543	
Total Other Local Health Services		110,146

Appropriation to State

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

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 5,000	
Total Senior Citizens Assistance		\$ 5,000

Libraries

Supervisor/Director	\$ 35,256	
Clerical Personnel	22,071	
Part-time Personnel	10,651	
Social Security	3,847	
Pensions	5,101	
Medical Insurance	7,693	
Unemployment Compensation	370	
Employer Medicare	927	
Communication	2,569	
Dues and Memberships	400	
Licenses	150	
Postal Charges	400	
Travel	258	
Other Contracted Services	2,400	
Library Books/Media	6,872	
Office Supplies	1,996	
Other Supplies and Materials	591	
Other Equipment	5,279	
Total Libraries		106,831

Parks and Fair Boards

Contributions	\$ 3,000	
Maintenance and Repair Services - Buildings	14,000	
Other Contracted Services	31,249	
Electricity	6,351	
Gasoline	608	
Water and Sewer	2,392	
Other Supplies and Materials	1,500	
Total Parks and Fair Boards		59,100

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agricultural Extension Service

Salary Supplements	\$ 33,570	
Employer Medicare	8,302	
Communication	2,736	
Contributions	1,000	
Maintenance and Repair Services - Equipment	531	
Travel	273	
Office Supplies	994	
Other Equipment	1,902	
Total Agricultural Extension Service		49,308

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Contributions	\$ 16,935	
Total Soil Conservation		\$ 16,935

Other Operations

Tourism

Contributions	\$ 24,485	
Total Tourism		24,485

Industrial Development

Dues and Memberships	\$ 667	
Total Industrial Development		667

Other Economic and Community Development

Contracts with Government Agencies	\$ 3,850	
Contracts with Other Public Agencies	90,000	
Contracts for Development Costs	250,000	
Total Other Economic and Community Development		343,850

Veterans' Services

Clerical Personnel	\$ 9,932	
Social Security	659	
Unemployment Compensation	108	
Employer Medicare	172	
Communication	1,403	
Data Processing Services	399	
Postal Charges	46	
Travel	590	
Office Supplies	309	
Other Equipment	120	
Total Veterans' Services		13,738

Other Charges

Trustee's Commission	\$ 80,000	
Workers' Compensation Insurance	60,020	
Total Other Charges		140,020

Total General Fund \$ 6,123,549

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$ 15,010
Secretary(ies)	6,000
Social Security	1,303
Unemployment Compensation	242
Employer Medicare	305
Maintenance and Repair Services - Vehicles	1,302

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Gasoline	\$	1,668	
Instructional Supplies and Materials		4,947	
Other Supplies and Materials		1,186	
Total Sanitation Education/Information			\$ 31,963

Waste Pickup

Equipment Operators	\$	43,513	
Social Security		2,698	
Pensions		3,248	
Medical Insurance		3,750	
Unemployment Compensation		293	
Employer Medicare		631	
Maintenance and Repair Services - Vehicles		6,239	
Diesel Fuel		27,836	
Total Waste Pickup			88,208

Convenience Centers

Attendants	\$	126,882	
Social Security		7,617	
Pensions		8,400	
Medical Insurance		3,846	
Unemployment Compensation		1,014	
Employer Medicare		1,781	
Communication		2,093	
Maintenance and Repair Services - Buildings		7,828	
Other Contracted Services		1,186	
Electricity		3,753	
Water and Sewer		1,652	
Other Supplies and Materials		1,500	
Total Convenience Centers			167,552

Other Waste Collection

Contracts with Private Agencies	\$	21,388	
Contracts for Landfill Facilities		121,468	
Total Other Waste Collection			142,856

Landfill Operation and Maintenance

Contracts for Postclosure Care Costs	\$	20,101	
Total Landfill Operation and Maintenance			20,101

Other Operations

Other Charges

Trustee's Commission	\$	7,786	
Total Other Charges			7,786

Total Solid Waste/Sanitation Fund \$ 458,466

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Veterinary Services		325	
Other Supplies and Materials		1,464	
Trustee's Commission		331	
Motor Vehicles		45,991	
Total Drug Enforcement			\$ 53,111

Total Drug Control Fund \$ 53,111

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	70,228	
Accountants/Bookkeepers		32,230	
Clerical Personnel		26,717	
Employee and Dependent Insurance		27,871	
Data Processing Services		6,165	
Dues and Memberships		2,167	
Evaluation and Testing		1,105	
Legal Services		18	
Legal Notices, Recording, and Court Costs		702	
Maintenance and Repair Services - Office Equipment		394	
Postal Charges		429	
Travel		1,703	
Data Processing Supplies		267	
Drugs and Medical Supplies		200	
Office Supplies		410	
Other Charges		100	
Data Processing Equipment		1,460	
Office Equipment		19	
Total Administration			\$ 172,185

Highway and Bridge Maintenance

Foremen	\$	35,845	
Equipment Operators		90,910	
Truck Drivers		60,898	
Laborers		167,479	
Employee and Dependent Insurance		95,038	
Other Contracted Services		15,800	
Asphalt - Cold Mix		187	
Asphalt - Hot Mix		1,402	
Asphalt - Liquid		12,102	
Concrete		268	
Crushed Stone		18,121	
Fertilizer, Lime, and Seed		316	
Other Road Materials		208	
Pipe		1,904	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Pipe - Metal	\$	3,258	
Road Signs		6,196	
Salt		7,229	
Small Tools		911	
Wood Products		88	
Total Highway and Bridge Maintenance			\$ 518,160

Operation and Maintenance of Equipment

Mechanic(s)	\$	60,283	
Nightwatchmen		63,560	
Employee and Dependent Insurance		37,319	
Maintenance and Repair Services - Equipment		17,059	
Diesel Fuel		17,889	
Equipment and Machinery Parts		21,663	
Garage Supplies		5,215	
Gasoline		17,046	
Lubricants		3,499	
Propane Gas		300	
Small Tools		344	
Tires and Tubes		5,320	
Other Supplies and Materials		3,851	
Total Operation and Maintenance of Equipment			253,348

Other Charges

Communication	\$	4,082	
Electricity		1,467	
Natural Gas		498	
Water and Sewer		684	
Liability Insurance		8,998	
Premiums on Corporate Surety Bonds		197	
Trustee's Commission		14,100	
Vehicle and Equipment Insurance		17,500	
Total Other Charges			47,526

Employee Benefits

Social Security	\$	47,881	
Pensions		49,353	
Employee and Dependent Insurance		3,173	
Unemployment Compensation		746	
Workers' Compensation Insurance		107,214	
Total Employee Benefits			208,367

Capital Outlay

Maintenance and Repair Services - Buildings	\$	99	
Other Contracted Services		560	
Other Supplies and Materials		22	
Bridge Construction		55,485	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$	16,500	
Right-of-Way		300	
Other Construction		184,892	
Total Capital Outlay			\$ 257,858

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	\$	1,489	
Total Highways and Streets			1,489

Total Highway/Public Works Fund \$ 1,482,266

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	14,899	
Principal on Other Loans		208,000	
Total General Government			\$ 222,899

Interest on Debt

General Government

Interest on Notes	\$	4,605	
Interest on Other Loans		10,167	
Total General Government			14,772

Other Debt Service

General Government

Trustee's Commission	\$	9,280	
Other Debt Issuance Charges		39,001	
Total General Government			48,281

Total General Debt Service Fund 285,952

General Capital Projects Fund

Other Operations

Other Economic and Community Development

Contracts with Government Agencies	\$	28,401	
Total Other Economic and Community Development			\$ 28,401

Total General Capital Projects Fund 28,401

Total Governmental Funds - Primary Government \$ 8,431,745

Exhibit J-8

Sequatchie County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Sequatchie County School Department
For the Year Ended June 30, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,054,986	
Career Ladder Program	24,750	
Career Ladder Extended Contracts	11,956	
Homebound Teachers	22,463	
Educational Assistants	202,069	
Other Salaries and Wages	5,482	
Certified Substitute Teachers	11,712	
Non-certified Substitute Teachers	50,136	
Social Security	300,177	
Pensions	463,824	
Medical Insurance	679,026	
Employer Medicare	71,189	
Maintenance and Repair Services - Equipment	7,533	
Other Contracted Services	12,100	
Instructional Supplies and Materials	95,409	
Textbooks	238,247	
Other Charges	8,539	
Regular Instruction Equipment	11,690	
Total Regular Instruction Program		\$ 7,271,288

Alternative Instruction Program

Teachers	\$ 52,711	
Career Ladder Program	1,000	
Educational Assistants	13,347	
Social Security	4,158	
Pensions	5,995	
Employer Medicare	972	
Other Supplies and Materials	520	
Total Alternative Instruction Program		78,703

Special Education Program

Teachers	\$ 977,121
Career Ladder Program	4,500
Career Ladder Extended Contracts	1,269
Homebound Teachers	9,391
Clerical Personnel	18,972
Educational Assistants	156,990
Certified Substitute Teachers	302
Non-certified Substitute Teachers	16,531
Social Security	69,323
Pensions	107,167
Medical Insurance	196,612
Employer Medicare	16,331
Other Contracted Services	102,037
Instructional Supplies and Materials	5,609
Other Supplies and Materials	38

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Charges	\$	8,389	
Special Education Equipment		1,994	
Total Special Education Program			\$ 1,692,576

Vocational Education Program

Teachers	\$	165,915	
Career Ladder Extended Contracts		1,000	
Other Salaries and Wages		90	
Non-certified Substitute Teachers		522	
Social Security		9,727	
Pensions		15,089	
Medical Insurance		21,922	
Employer Medicare		2,275	
Instructional Supplies and Materials		1,517	
Vocational Instruction Equipment		3,142	
Total Vocational Education Program			221,199

Student Body Education Program

Other Salaries and Wages	\$	13,782	
Social Security		847	
Pensions		755	
Employer Medicare		198	
Total Student Body Education Program			15,582

Adult Education Program

Teachers	\$	64,223	
Clerical Personnel		27,063	
Other Salaries and Wages		1,692	
Social Security		5,393	
Pensions		5,967	
Employer Medicare		1,328	
Other Contracted Services		600	
Instructional Supplies and Materials		1,487	
Other Charges		845	
Total Adult Education Program			108,598

Support Services

Attendance

Supervisor/Director	\$	64,367	
Career Ladder Program		1,000	
Clerical Personnel		17,298	
Social Security		4,549	
Pensions		7,386	
Medical Insurance		16,463	
Employer Medicare		1,064	
Travel		2,614	
Other Supplies and Materials		184	
Total Attendance			114,925

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services

Medical Personnel	\$	59,934	
Other Salaries and Wages		62,191	
Social Security		7,015	
Pensions		10,729	
Medical Insurance		11,481	
Employer Medicare		1,641	
Communication		483	
Postal Charges		296	
Travel		2,464	
Other Contracted Services		3,000	
Other Supplies and Materials		7,134	
Total Health Services			\$ 166,368

Other Student Support

Guidance Personnel	\$	184,919	
Other Salaries and Wages		15,216	
Social Security		11,997	
Pensions		18,016	
Medical Insurance		10,869	
Employer Medicare		2,806	
Evaluation and Testing		6,831	
Travel		28	
Other Contracted Services		41,840	
Other Supplies and Materials		376	
Other Charges		1,111	
Other Equipment		53,367	
Total Other Student Support			347,376

Regular Instruction Program

Supervisor/Director	\$	129,086	
Career Ladder Program		4,000	
Librarians		135,872	
Instructional Computer Personnel		60,460	
Clerical Personnel		34,405	
Other Salaries and Wages		24,807	
Social Security		21,726	
Pensions		34,983	
Medical Insurance		53,814	
Employer Medicare		5,081	
Travel		3,579	
Other Contracted Services		35,909	
Library Books/Media		12,000	
Other Supplies and Materials		67,995	
In Service/Staff Development		560	
Other Charges		1,607	
Total Regular Instruction Program			625,884

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	69,574	
Career Ladder Program		1,000	
Psychological Personnel		51,109	
Clerical Personnel		16,759	
Social Security		7,716	
Pensions		12,431	
Medical Insurance		21,847	
Employer Medicare		1,805	
Communication		1,935	
Travel		3,730	
Other Contracted Services		728	
Other Supplies and Materials		2,185	
In Service/Staff Development		1,011	
Total Special Education Program			\$ 191,830

Adult Programs

Supervisor/Director	\$	71,428	
Career Ladder Program		2,000	
Clerical Personnel		3,000	
Social Security		4,305	
Pensions		6,894	
Medical Insurance		8,678	
Employer Medicare		1,007	
Communication		146	
Travel		2,156	
In Service/Staff Development		7,088	
Total Adult Programs			106,702

Other Programs

On-behalf Payments to OPEB	\$	34,745	
Total Other Programs			34,745

Board of Education

Board and Committee Members Fees	\$	20,888	
Social Security		1,124	
Unemployment Compensation		15,937	
Employer Medicare		303	
Audit Services		5,875	
Dues and Memberships		6,792	
Legal Services		17,734	
Travel		14,837	
Other Contracted Services		2,000	
Liability Insurance		16,718	
Trustee's Commission		95,082	
Workers' Compensation Insurance		55,092	
Refund to Applicant for Criminal Investigation		126	
Other Charges		2,231	
Total Board of Education			254,739

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	100,893	
Assistant(s)		3,071	
Career Ladder Program		1,000	
Secretary(ies)		27,984	
Social Security		7,997	
Pensions		11,878	
Medical Insurance		6,631	
Employer Medicare		1,870	
Communication		14,803	
Dues and Memberships		2,941	
Postal Charges		2,372	
Office Supplies		2,146	
Other Supplies and Materials		494	
Other Charges		2,483	
Total Director of Schools			\$ 186,563

Office of the Principal

Principals	\$	209,853	
Career Ladder Program		3,000	
Accountants/Bookkeepers		49,996	
Career Ladder Extended Contracts		3,000	
Assistant Principals		174,533	
Secretary(ies)		45,618	
Social Security		28,019	
Pensions		43,456	
Medical Insurance		54,928	
Employer Medicare		6,553	
Travel		351	
Total Office of the Principal			619,307

Fiscal Services

Supervisor/Director	\$	69,318	
Clerical Personnel		28,406	
Other Salaries and Wages		35,062	
Social Security		7,633	
Pensions		11,329	
Medical Insurance		12,243	
Employer Medicare		1,785	
Data Processing Services		9,379	
Travel		3,058	
Office Supplies		1,374	
Other Supplies and Materials		20	
Total Fiscal Services			179,607

Operation of Plant

Custodial Personnel	\$	271,580	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Social Security	\$	15,270	
Pensions		23,023	
Medical Insurance		60,709	
Employer Medicare		3,571	
Maintenance and Repair Services - Equipment		400	
Other Contracted Services		80,968	
Custodial Supplies		40,998	
Electricity		415,901	
Natural Gas		62,356	
Water and Sewer		56,030	
Other Supplies and Materials		3,908	
Building and Contents Insurance		32,323	
Other Charges		294	
Plant Operation Equipment		1,475	
Total Operation of Plant			\$ 1,068,806

Maintenance of Plant

Supervisor/Director	\$	35,899	
Maintenance Personnel		111,189	
Other Salaries and Wages		66	
Social Security		7,796	
Pensions		12,555	
Medical Insurance		39,393	
Employer Medicare		1,823	
Maintenance and Repair Services - Buildings		3,107	
Maintenance and Repair Services - Equipment		2,919	
Maintenance and Repair Services - Vehicles		43	
Travel		2,419	
Other Supplies and Materials		12,297	
Other Charges		698	
Maintenance Equipment		300	
Total Maintenance of Plant			230,504

Transportation

Supervisor/Director	\$	1,384	
Mechanic(s)		35,899	
Bus Drivers		158,259	
Other Salaries and Wages		8,714	
In-service Training		576	
Social Security		12,260	
Pensions		15,414	
Medical Insurance		5,642	
Employer Medicare		3,000	
Other Fringe Benefits		5,220	
Maintenance and Repair Services - Vehicles		5,077	
Medical and Dental Services		2,170	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Travel	\$	384	
Other Contracted Services		7,779	
Diesel Fuel		45,345	
Equipment and Machinery Parts		1,815	
Gasoline		8,424	
Lubricants		1,615	
Tires and Tubes		10,188	
Vehicle Parts		19,245	
Other Supplies and Materials		4,651	
Vehicle and Equipment Insurance		8,571	
Other Charges		1,225	
Transportation Equipment		87,250	
Total Transportation	\$		450,107

Operation of Non-Instructional Services

Community Services

Other Charges	\$	4,548	
Total Community Services			4,548

Early Childhood Education

Teachers	\$	50,101	
Clerical Personnel		3,000	
Educational Assistants		14,802	
Non-certified Substitute Teachers		1,155	
Social Security		3,945	
Pensions		6,049	
Medical Insurance		10,530	
Employer Medicare		922	
Travel		1,524	
Instructional Supplies and Materials		7,734	
In Service/Staff Development		1,059	
Total Early Childhood Education			100,821

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	611,289	
Total Regular Capital Outlay			611,289

Total General Purpose School Fund \$ 14,682,067

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	289,929	
Educational Assistants		89,966	
Other Salaries and Wages		1,100	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Certified Substitute Teachers	\$	110	
Non-certified Substitute Teachers		2,365	
Social Security		21,285	
Pensions		33,992	
Medical Insurance		64,847	
Unemployment Compensation		1,901	
Employer Medicare		4,978	
Instructional Supplies and Materials		25,646	
Other Supplies and Materials		36,040	
Other Charges		1,787	
Regular Instruction Equipment		23,558	
Total Regular Instruction Program			\$ 597,504

Special Education Program

Educational Assistants	\$	229,499	
Social Security		12,322	
Pensions		19,319	
Medical Insurance		59,857	
Unemployment Compensation		1,147	
Employer Medicare		2,882	
Other Fringe Benefits		6,814	
Contracts with Private Agencies		22,741	
Other Contracted Services		1,614	
Instructional Supplies and Materials		12,017	
Special Education Equipment		12,137	
Total Special Education Program			380,349

Vocational Education Program

Clerical Personnel	\$	1,000	
Social Security		62	
Pensions		85	
Employer Medicare		14	
Instructional Supplies and Materials		10,428	
Vocational Instruction Equipment		18,338	
Total Vocational Education Program			29,927

Support Services

Other Student Support

Bus Drivers	\$	146	
Other Salaries and Wages		800	
Social Security		59	
Pensions		85	
Employer Medicare		14	
Travel		7,471	
Other Contracted Services		124	
Other Charges		4,502	
Total Other Student Support			13,201

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	64,038	
Clerical Personnel		11,021	
Other Salaries and Wages		44,936	
Certified Substitute Teachers		110	
Non-certified Substitute Teachers		742	
Social Security		7,326	
Pensions		10,789	
Medical Insurance		10,768	
Unemployment Compensation		603	
Employer Medicare		1,713	
Other Contracted Services		49,000	
Other Supplies and Materials		1,926	
In Service/Staff Development		71,323	
Other Charges		567	
Other Equipment		1,072	
Total Regular Instruction Program			\$ 275,934

Special Education Program

Psychological Personnel	\$	52,712	
Clerical Personnel		1,500	
Other Salaries and Wages		3,234	
Social Security		1,985	
Pensions		2,916	
Unemployment Compensation		161	
Employer Medicare		800	
Other Fringe Benefits		269	
Other Contracted Services		26,340	
In Service/Staff Development		15,219	
Total Special Education Program			105,136

Vocational Education Program

Travel	\$	1,743	
Total Vocational Education Program			1,743

Transportation

Bus Drivers	\$	42,428	
Other Salaries and Wages		18,696	
Social Security		3,431	
Pensions		4,629	
Medical Insurance		6,860	
Unemployment Compensation		305	
Employer Medicare		807	
Other Fringe Benefits		3,688	
Diesel Fuel		10,255	
Lubricants		273	
Tires and Tubes		1,446	
Vehicle Parts		2,669	
Total Transportation			95,487

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	3,500	
Teachers		84,100	
Clerical Personnel		1,000	
Educational Assistants		39,639	
Other Salaries and Wages		870	
Social Security		8,005	
Pensions		11,393	
Unemployment Compensation		645	
Employer Medicare		1,872	
Travel		1,212	
Food Supplies		439	
Instructional Supplies and Materials		11,317	
Other Supplies and Materials		1,300	
In Service/Staff Development		978	
Other Charges		9,773	
Other Equipment		2,442	
Total Community Services			\$ 178,485

Total School Federal Projects Fund

\$ 1,677,766

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	34,020
Accountants/Bookkeepers		8,264
Clerical Personnel		16,685
Cafeteria Personnel		275,610
Temporary Personnel		16,949
Other Salaries and Wages		12,490
In-service Training		157
Social Security		19,572
Pensions		27,404
Medical Insurance		113,458
Employer Medicare		4,592
Communication		3,975
Maintenance and Repair Services - Equipment		12,965
Transportation - Other than Students		2,749
Travel		3,704
Other Contracted Services		12,784
Food Preparation Supplies		2,367
Food Supplies		535,736
Office Supplies		3,761
USDA - Commodities		64,213
Other Supplies and Materials		46,646
In Service/Staff Development		3,203
Criminal Investigation of Applicants - TBI		168

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Charges	\$ 642	
Food Service Equipment	29,431	
Total Food Service	<u>29,431</u>	\$ 1,251,545

Total Central Cafeteria Fund \$ 1,251,545

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Capital Outlay	\$ 209,427	
Total Education Capital Projects	<u>209,427</u>	\$ 209,427

Total Education Capital Projects Fund 209,427

Total Governmental Funds - Sequatchie County School Department \$ 17,820,805

Exhibit J-9

Sequatchie County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 835,389
Total Cash Receipts	<u>\$ 835,389</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 827,035
Trustee's Commission	8,354
Total Cash Disbursements	<u>\$ 835,389</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2014	<u>0</u>
Cash Balance, June 30, 2015	<u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Sequatchie County's basic financial statements, and have issued our report thereon dated October 23, 2015.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2015-001.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency: 2015-004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sequatchie County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2015-002 and 2015-003.

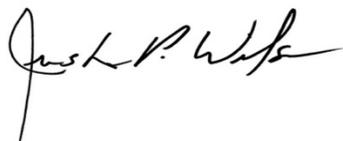
Responses to Finding

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

Purpose of this Report

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

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 23, 2015

JPW/yu



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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Sequatchie County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sequatchie County's major federal programs for the year ended June 30, 2015. Sequatchie County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sequatchie County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and

material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sequatchie County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Sequatchie County's compliance.

Opinion on Each Major Federal Program

In our opinion, Sequatchie County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Sequatchie County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sequatchie County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sequatchie County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on

the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sequatchie County, Tennessee, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Sequatchie County's basic financial statements. We issued our report thereon dated October 23, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

October 23, 2015

JPW/yu

Sequatchie County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 64,213 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	330,849
National School Lunch Program	10.555	N/A	827,944 (3)
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	2,718
Total U.S. Department of Agriculture			\$ 1,225,724
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.UNKNOWN	(2)	\$ 136,664
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Open Alcohol Container Requirements	20.607	(2)	\$ 23,868
Appalachian Regional Commission:			
Direct Program:			
Appalachian Area Development	23.002	N/A	\$ 250,000
U.S. Institute of Museum and Library Services:			
Passed-through Tennessee Secretary of State:			
Grants to States	45.310	(2)	\$ 372
Tennessee Valley Authority:			
Direct Program:			
Nuclear Emergency Preparedness	62.XXX	N/A	\$ 9,270
U.S. Department of Education:			
Direct Program:			
Adult Education-State Grant Program	84.002	N/A	\$ 164,806
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	22,042
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	634,941
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	544,488
Special Education - Preschool Grants	84.173	N/A	46,739
Career and Technical Education - Basic Grants to States	84.048	N/A	40,369
Twenty-first Century Community Learning Centers	84.287	(2)	181,562
Rural Education	84.358	(2)	7,967
Improving Teacher Quality State Grants	84.367	(2)	100,769
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	149,185
Total U.S. Department of Education			\$ 1,892,868
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 52,540
Total Expenditures of Federal Awards			\$ 3,591,306

(Continued)

Sequatchie County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 34,150
Early Childhood Education - State Department of Education	N/A	(2)	101,150
ThreeStar Grant Program - State Department of Economic and Community Development	N/A	(2)	9,760
Coordinated School Health - State Department of Education	N/A	(2)	99,995
Energy Efficient Schools Initiative Grant - State Energy Efficient Schools Initiative	N/A	(2)	1,150
ConnecTenn - State Department of Education	N/A	(2)	6,625
Safe Schools - State Department of Education	N/A	(2)	13,790
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	900
Rural Local Health Services - State Department of Health	N/A	(2)	125,871
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>5,793</u>
Total State Grants			<u>\$ 399,184</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Total for CFDA No. 10.555 is \$892,157.

Sequatchie County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

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, 2014, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-001	149	The General Debt Service Fund required material audit adjustments for proper financial statement presentation
2014-004(A,C)	151	The office had deficiencies related to credit card disbursements

OFFICE OF HIGHWAY SUPERVISOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-006	153	Duties were not segregated adequately

SEQUATCHIE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Sequatchie County is unmodified.
2. The audit of the financial statements of Sequatchie County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Sequatchie County.
4. The audit reported no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Sequatchie County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The County Executive provided written responses, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 2015-001 **THE GENERAL DEBT SERVICE FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2015, certain general ledger account balances in the General Debt Service Fund were not materially correct. Audit adjustments totaling \$250,000 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Sequatchie County to have adequate controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. These deficiencies are the result of management's failure to correct the finding noted in the prior-year audit report. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

I concur with the finding as presented.

FINDING 2015-002 **THE OFFICE HAD DEFICIENCIES RELATED TO CREDIT CARD TRANSACTIONS**
(Noncompliance Under *Government Auditing Standards*)

During our review of expenditures, we noted the following deficiencies related to credit card transactions. These deficiencies were the result of the failure of management to adhere to county policies regarding credit card use and management's failure to correct the deficiencies noted in the prior-year audit report.

- A. We noted three credit card disbursements without detailed invoices to document the goods and/or services purchased. Without adequate supporting documentation, we cannot determine if the disbursements were for the benefit of the county.
- B. County governments are exempt from paying state sales tax; however, we noted nine credit card purchases from various vendors that included the payment of state sales taxes.
- C. We noted four disbursements to restaurants supported by invoices that reflected meals for multiple individuals without any documentation of who was present or the business purpose for the meal.
- D. We noted two credit card disbursements for items that appeared to be questionable purchases for a county government. The county purchased a closet organization system (\$207) and three gallons of color matched paint (\$130). County officials could not provide explanations for these purchases, and these items could not be located in a county building.

Sequatchie County's policy regarding the use of county-issued credit cards states the following: "Credit card bills submitted to the County Executive's Office for payment must include supporting documentation, such as receipts and invoices, which clearly show what goods and services were purchased using the credit card. Documentation for travel, meals, and entertainment expenses must show the business purpose for the expenditures and for meals who was present."

RECOMMENDATION

County officials should comply with the county's credit card use policy when making purchases using county-issued credit cards. These purchases should be supported with detailed documentation, exclude the payment of sales taxes, and show a clear business purpose for the expenditure of county funds.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

- A. After looking over the credit card statements, these three disbursements were for hotel stays by the Sequatchie County Sheriff's Department on the Sheriff's visa card.
- B. I concur with the finding as presented.
- C. I concur with the finding as presented. All meal receipts on the county credit card are now being marked as to who was present and the reason for the meeting.
- D. The closet organization system was bought for the EMA building, as explained to the auditor. It was decided the system would not work in the space available and was moved to the county leased building until a usage could be determined. The system was shown to the auditor at the county leased building. The three gallons of color matched paint, as I explained to the auditor, was used at the county library hosted book signing event at the vacant Dunlap Industries Building. It was requested that I

pick up three gallons of specialty paint at Sherwin-Williams because it was unavailable at the local Ace Hardware in Dunlap. Two gallons were black. Only one gallon was color matched. I was able to find the empty black cans and where, specifically, the paint was used at the Dunlap industries site, but could not find the other color paint nor where the paint was used. Many displays were used at booths at this event and, I suspect the paint was used on one of them.

AUDITOR'S REBUTTAL

- A. The three credit card disbursements that had no supporting documentation were all charges made on the credit card assigned to the county executive and none of them were for hotel stays.

- D. During the audit, the county executive was asked about the closet system and the paint and gave no explanation at that time. On the day of the exit conference, the county executive took the auditor to the residence of a county employee and showed him three pieces of shelving that were in disrepair and being stored in the employee's garage. Upon seeing these pieces, the county executive agreed that they were not the pieces that had been purchased and stated that he "didn't know where they were." Furthermore, auditors checked out the claim that the paint in question had been used for the book signing event hosted by the library and found that the Sequatchie County Library's website maintains newsletters of sponsored events. A newsletter dated October 2013, has an article about the book signing event held at the county-owned Dunlap Industries Building and revealed that this event took place on September 19, 2013. The receipt for the purchase of the paint in question was dated almost one year later on September 2, 2014.

FINDING 2015-003

COMPETITIVE BIDS WERE NOT SOLICITED FOR FOUR SERVICE CONTRACTS TOTALING \$134,377 (Material Noncompliance Under *Government Auditing Standards*)

During the prior year, the county executive entered into contracts with four individuals for services that were provided and paid for during the year ended June 30, 2015. These contracts were for various services including debris maintenance (\$51,525), painting (\$23,175), computer maintenance (\$20,000), and general labor to be performed at various county buildings (\$39,677). The contracts were for the period July 1, 2014, through June 30, 2015, and none were competitively bid in accordance with state statutes. Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated*, require public advertisement and solicitation of competitive bids on purchases exceeding \$10,000. This deficiency is the result of a lack of management oversight. As a result, the lowest and best price may not have been obtained for these services.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

With the exception of the computer maintenance contract, the three mentioned individuals are all independent contractors. These contractors were not paid more than \$10,000 on any single job site or project. I was unaware of the requirement to bid the cumulative amount per year on contracts. These three contracts were not renewed for the fiscal year 2015/2016.

OFFICE OF HIGHWAY SUPERVISOR

FINDING 2015-004

DUTIES WERE NOT SEGREGATED ADEQUATELY

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

Duties were not segregated adequately among the official and employees in the Office of Highway Supervisor. The official and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Effective internal controls should be designed to provide reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency exists because the highway supervisor failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

There were no findings and questioned costs for federal programs.

BEST PRACTICE

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

The Division of Local Government Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Sequatchie County.

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

Sequatchie County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

SEQUATCHIE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015

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