

**ANNUAL FINANCIAL REPORT**  
**SEQUATCHIE COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2013**



**ANNUAL FINANCIAL REPORT**  
**SEQUATCHIE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

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

*CARL LOWE, CGFM*  
*Audit Manager*

*ANITA SCARLETT, CPA*  
*Auditor 4*

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

This financial report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)

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# ***Audit Highlights***

Annual Financial Report  
Sequatchie County, Tennessee  
For the Year Ended June 30, 2013

## ***Scope***

We have audited the financial statements of Sequatchie County as of and for the year ended June 30, 2013.

## ***Results***

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

Our audit resulted in 17 findings and recommendations, which we have reviewed with Sequatchie County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings and Best Practice***

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

### **OFFICE OF COUNTY EXECUTIVE**

- ◆ The General, Ambulance Service, and General Capital Projects funds required material audit adjustments for proper financial statement presentation.
- ◆ The office had deficiencies in budget operations.
- ◆ Funds were transferred from the General Fund to the Solid Waste/Sanitation Fund without County Commission approval.
- ◆ Requests for reimbursement on a construction grant were not submitted timely.
- ◆ Capital projects funds were not disbursed in compliance with County Commission resolutions.
- ◆ The office had deficiencies related to credit card disbursements.
- ◆ Constables were allowed to purchase fuel utilizing the county's tax-exempt status.
- ◆ Numerous misclassifications were noted in the accounting records.

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### **OFFICE OF HIGHWAY SUPERVISOR**

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.
  - ◆ The actual fund balance exceeded the estimated beginning fund balance by a material amount.
  - ◆ Deficiencies were noted in the administration of payroll deductions and benefits.
-

## **OFFICE OF TRUSTEE**

- ◆ Usernames and passwords were shared by employees.
- 

## **OFFICE OF COUNTY CLERK**

- ◆ Usernames and passwords were shared by employees.
- 

## **OFFICES OF CLERK AND MASTER AND SHERIFF**

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

## **OFFICE OF SHERIFF**

- ◆ Inmate phone cards were missing from the Sheriff's Department.
  - ◆ The office did not deposit some funds within three days of collection.
- 

## **OFFICES OF HIGHWAY SUPERVISOR, CLERK AND MASTER, AND SHERIFF**

- ◆ Duties were not segregated adequately.
- 

## **BEST PRACTICE**

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

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# INTRODUCTORY SECTION

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# Sequatchie County Officials

## June 30, 2013

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### **Officials**

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

### **Board of County Commissioners**

Tommy Johnson, Chairman  
Raymond Chris Albright  
Jeff Barger  
David Cartwright  
Brian Farley  
Bryan Harmon  
Richard Harvey  
Ray Hobbs

Clint Huth  
Denise Kell  
Ronnie Land  
Phillip Martin  
Winston Pickett  
Paul Powell  
Carolyn Sims  
Don Walker

### **Board of Education**

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

### **Audit Committee**

Kurt Wissehr, Chairman  
Larry Hare  
Denise Kell

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**FINANCIAL SECTION**

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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, 2013, 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, 2013, and the respective changes in financial position and the respective budgetary comparison for the General, Ambulance Service, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note V.B., Sequatchie County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Sequatchie County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

### ***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 funding progress – pension plan and other postemployment benefit plans on pages 68-70 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.

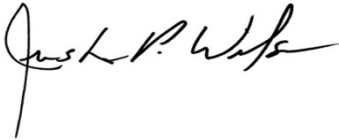
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Sequatchie County School Department (a discretely presented component unit), and miscellaneous schedules 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. 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 is 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 11, 2013, on our consideration of Sequatchie County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sequatchie County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and "W".

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 11, 2013

JPW/sb

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Sequatchie County, Tennessee  
Statement of Net Position  
June 30, 2013

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>ASSETS</u>		
Cash	\$ 500	\$ 1,054
Equity in Pooled Cash and Investments	1,319,600	10,045,150
Accounts Receivable	3,416,745	0
Allowance for Uncollectibles	(2,880,928)	0
Due from Other Governments	442,900	455,111
Due from Component Units	590,000	0
Property Taxes Receivable	3,827,107	2,866,013
Allowance for Uncollectible Property Taxes	(211,198)	(164,713)
Notes Receivable - Current	18,222	0
Capital Assets:		
Assets Not Depreciated:		
Land	631,739	1,256,649
Construction in Progress	0	820,470
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	8,095,446	18,092,469
Other Capital Assets	503,988	813,142
Infrastructure	1,880,894	882,221
Total Assets	<u>\$ 17,635,015</u>	<u>\$ 35,067,566</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 13,833	\$ 6,105
Payroll Deductions Payable	16,081	559,360
Due to Primary Government	0	590,000
Accrued Interest Payable	6,694	0
Noncurrent Liabilities:		
Due Within One Year	829,828	0
Due in More Than One Year	5,203,100	365,354
Total Liabilities	<u>\$ 6,069,536</u>	<u>\$ 1,520,819</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	<u>\$ 3,455,400</u>	<u>\$ 2,569,742</u>
Total Deferred Outflows of Resources	<u>\$ 3,455,400</u>	<u>\$ 2,569,742</u>

(Continued)



Exhibit A

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

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Sequatchie County School Department</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 5,762,066	\$ 21,274,951
Restricted for:		
Solid Waste/Sanitation	49,538	0
Ambulance Service	508,399	0
Drug Control	28,706	0
Highway/Public Works	634,571	0
School Federal Projects	0	5,862
Central Cafeteria	0	321,841
Debt Service	542,187	0
Capital Projects	0	1,265,890
Other Purposes	201,582	12,759
Unrestricted	<u>383,030</u>	<u>8,095,702</u>
Total Net Position	<u>\$ 8,110,079</u>	<u>\$ 30,977,005</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, 2013

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		Component Unit	
					Total Governmental Activities	Sequatchie County School Department		
Primary Government:								
Governmental Activities:								
General Government	\$ 1,035,897	\$ 105,604	\$ 16,211	\$ 20,775	\$ (893,307)	\$ 0	0	
Finance	571,914	377,857	0	0	(194,057)	0	0	
Administration of Justice	499,783	310,675	14,535	0	(174,573)	0	0	
Public Safety	2,836,072	701,478	117,605	0	(2,016,989)	0	0	
Public Health and Welfare	1,497,198	94,444	165,728	448,149	(788,877)	0	0	
Social, Cultural, and Recreational Services	190,050	2,757	0	0	(187,293)	0	0	
Agriculture and Natural Resources	109,153	0	0	0	(109,153)	0	0	
Other Operations	770,244	70,490	0	0	(699,754)	0	0	
Highways/Public Works	1,382,227	0	1,388,643	0	6,416	0	0	
Interest on Long-term Debt	167,620	0	143,483	0	(24,137)	0	0	
Other Debt Service	47,218	0	0	0	(47,218)	0	0	
<b>Total Primary Government</b>	<b>\$ 9,107,376</b>	<b>\$ 1,663,305</b>	<b>\$ 1,846,205</b>	<b>\$ 468,924</b>	<b>\$ (5,128,942)</b>	<b>\$ 0</b>	<b>0</b>	
Component Unit:								
Sequatchie County School Department	\$ 18,110,602	\$ 288,105	\$ 2,681,598	\$ 0	0	\$ (15,140,899)		
<b>Total Component Unit</b>	<b>\$ 18,110,602</b>	<b>\$ 288,105</b>	<b>\$ 2,681,598</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (15,140,899)</b>		

(Continued)

Exhibit B

Sequatchie County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary	Component Unit
				Government Total	Sequatchie County School Department
	Expenses	Contributions	Governmental Activities		
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes			2,580,965	\$	2,797,471
Property Taxes Levied for Debt Service			345,220		0
Property Taxes Levied for Solid Waste			470,009		0
Local Option Sales Taxes			254,304		1,634,594
Hotel/Motel Tax			13,997		0
Litigation Tax - General			42,619		0
Litigation Tax - Special Purpose			16,540		0
Litigation Tax - Jail, Workhouse, or Courthouse			12,076		0
Business Tax			93,874		0
Wholesale Beer Tax			75,441		0
Other Local Taxes			757		1,148
Grants and Contributions Not Restricted to Specific Programs			335,305		12,450,769
Unrestricted Investment Earnings			30,815		23,768
Miscellaneous			36,154		63,392
Sale of Non-Capital Assets			11,803		0
Total General Revenues			4,319,879	\$	16,971,142
Change in Net Position			(809,063)	\$	1,830,243
Net Position, July 1, 2012			8,919,142		29,146,762
Net Position, June 30, 2013			8,110,079	\$	30,977,005

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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500	500
Equity in Pooled Cash and Investments	344,396	8,596	401,925	508,283	56,400	1,319,600	1,319,600
Accounts Receivable	7,499	3,406,747	177	525	1,797	3,416,745	3,416,745
Allowance for Uncollectibles	0	(2,880,928)	0	0	0	(2,880,928)	(2,880,928)
Due from Other Governments	184,135	0	251,445	0	7,320	442,900	442,900
Due from Other Funds	123,219	0	0	0	136,522	259,741	259,741
Property Taxes Receivable	2,994,051	0	0	476,032	357,024	3,827,107	3,827,107
Allowance for Uncollectible Property Taxes	(163,321)	0	0	(27,358)	(20,519)	(211,198)	(211,198)
Notes Receivable - Current	0	0	0	18,222	0	18,222	18,222
Total Assets	\$ 3,489,979	\$ 534,415	\$ 653,547	\$ 975,704	\$ 539,044	\$ 6,192,689	6,192,689

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  
 Notes Receivable - Current

LIABILITIES

Accounts Payable  
 Payroll Deductions Payable  
 Due to Other Funds  
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

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

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other Governmental Funds	
Restricted:						
Restricted for General Government	\$ 48,400	\$ 0	\$ 0	\$ 0	\$ 0	48,400
Restricted for Finance	28,361	0	0	0	0	28,361
Restricted for Administration of Justice	91,971	0	0	0	0	91,971
Restricted for Public Safety	1,968	0	0	0	28,706	30,674
Restricted for Public Health and Welfare	30,882	0	0	0	34,150	65,032
Restricted for Highways/Public Works	0	0	505,479	0	0	505,479
Restricted for Debt Service	0	0	0	528,530	0	528,530
Committed:						
Committed for Public Health and Welfare	0	26,016	0	0	0	26,016
Committed for Other Purposes	0	0	0	0	15,228	15,228
Unassigned	297,942	0	0	0	0	297,942
Total Fund Balances	\$ 499,524	\$ 26,016	\$ 505,479	\$ 528,530	\$ 78,084	\$ 1,637,633
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,489,979	\$ 534,415	\$ 653,547	\$ 975,704	\$ 539,044	\$ 6,192,689

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, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	1,637,633
(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		8,095,446	
Add: infrastructure net of accumulated depreciation		1,880,894	
Add: other capital assets net of accumulated depreciation		<u>503,988</u>	11,112,067
(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	\$	(270,001)	
Less: other loan payable		(5,080,000)	
Less: bonds payable		(590,000)	
Add: bond payments to be contributed by School Department		590,000	
Less: accrued interest on notes		(6,694)	
Less: other postemployment benefits liability		<u>(92,927)</u>	(5,449,622)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>810,001</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>8,110,079</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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 3,163,717	\$ 0	\$ 0	\$ 474,455	\$ 355,869	\$ 0	\$ 3,994,041
Licenses and Permits	37,442	0	0	0	0	0	37,442
Fines, Forfeitures, and Penalties	70,620	0	0	0	24,033	0	94,653
Charges for Current Services	38,806	713,952	0	0	2,454	0	755,212
Other Local Revenues	109,235	0	9,263	6,977	20,962	0	146,437
Fees Received from County Officials	670,430	0	0	0	0	0	670,430
State of Tennessee	1,058,634	0	1,375,312	27,159	73,036	0	2,534,141
Federal Government	418,257	0	1,047	0	136,522	0	555,826
Other Governments and Citizens Groups	31,032	0	0	3,658,483	0	0	3,689,515
<b>Total Revenues</b>	<b>\$ 5,598,173</b>	<b>\$ 713,952</b>	<b>\$ 1,385,622</b>	<b>\$ 4,167,074</b>	<b>\$ 612,876</b>	<b>\$ 0</b>	<b>\$ 12,477,697</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 1,198,483	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,198,483
Finance	569,460	0	0	0	2,454	0	571,914
Administration of Justice	499,783	0	0	0	0	0	499,783
Public Safety	2,598,357	0	0	0	17,902	0	2,616,259
Public Health and Welfare	128,439	819,554	0	0	486,521	0	1,434,514
Social, Cultural, and Recreational Services	169,933	0	0	0	0	0	169,933
Agriculture and Natural Resources	105,403	0	0	0	0	0	105,403
Other Operations	535,413	0	0	0	234,831	0	770,244
Highways	0	0	1,427,287	0	0	0	1,427,287
Debt Service:							
Principal on Debt	0	0	23,333	3,751,333	0	0	3,774,666
Interest on Debt	0	0	2,985	161,127	0	0	164,112
Other Debt Service	0	0	0	47,218	0	0	47,218
<b>Total Expenditures</b>	<b>\$ 5,805,271</b>	<b>\$ 819,554</b>	<b>\$ 1,453,605</b>	<b>\$ 3,959,678</b>	<b>\$ 741,708</b>	<b>\$ 0</b>	<b>\$ 12,779,816</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (207,098)	\$ (105,602)	\$ (67,983)	\$ 207,396	\$ (128,832)	\$ (302,119)	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 200,000	\$ 0	\$ 0	\$ 0	\$ 15,000	\$ 215,000	
Insurance Recovery	0	0	16,962	0	0	16,962	
Transfers In	0	86,000	0	0	6,000	92,000	
Transfers Out	(92,000)	0	0	0	0	(92,000)	
Total Other Financing Sources (Uses)	\$ 108,000	\$ 86,000	\$ 16,962	\$ 0	\$ 21,000	\$ 231,962	
Net Change in Fund Balances	\$ (99,098)	\$ (19,602)	\$ (51,021)	\$ 207,396	\$ (107,832)	\$ (70,157)	
Fund Balance, July 1, 2012	598,622	45,618	556,500	321,134	185,916	1,707,790	
Fund Balance, June 30, 2013	\$ 499,524	\$ 26,016	\$ 505,479	\$ 528,530	\$ 78,084	\$ 1,637,633	

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, 2013

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)		\$	(70,157)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	353,982	
Less: current-year depreciation expense		<u>(451,346)</u>	(97,364)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$	810,001	
Less: deferred delinquent property taxes and other deferred June 30, 2012		<u>(1,474,385)</u>	(664,384)
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Less: note proceeds	\$	(215,000)	
Add: principal payments on notes		63,666	
Add: principal payments on other loan		196,000	
Add: principal payments on bonds		3,515,000	
Less: principal payments contributed by School Department on bonds		<u>(3,515,000)</u>	44,666
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(3,508)	
Change in other postemployment benefits liability		<u>(18,316)</u>	(21,824)
Change in net position of governmental activities (Exhibit B)			<u>\$ (809,063)</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 3,163,717	\$ 2,958,550	\$ 2,958,550	\$ 205,167
Licenses and Permits	37,442	36,000	36,000	1,442
Fines, Forfeitures, and Penalties	70,620	71,450	71,450	(830)
Charges for Current Services	38,806	26,100	35,600	3,206
Other Local Revenues	109,235	50,400	50,400	58,835
Fees Received from County Officials	670,430	638,000	638,000	32,430
State of Tennessee	1,058,634	1,050,400	1,074,126	(15,492)
Federal Government	418,257	30,000	499,326	(81,069)
Other Governments and Citizens Groups	31,032	0	0	31,032
<b>Total Revenues</b>	<b>\$ 5,598,173</b>	<b>\$ 4,860,900</b>	<b>\$ 5,363,452</b>	<b>\$ 234,721</b>
<b>Expenditures</b>				
<b>General Government</b>				
County Commission	\$ 348,570	\$ 155,732	\$ 355,732	\$ 7,162
Board of Equalization	3,036	3,450	3,450	414
Beer Board	800	1,000	1,000	200
County Mayor/Executive	158,429	159,310	160,110	1,681
County Attorney	7,800	7,800	7,800	0
Election Commission	147,792	167,342	167,342	19,550
Register of Deeds	134,757	139,287	139,287	4,530
County Buildings	397,299	300,729	393,251	(4,048)
<b>Finance</b>				
Property Assessor's Office	205,032	209,379	209,360	4,328
Reappraisal Program	5,098	5,750	5,769	671
County Trustee's Office	146,983	150,220	150,220	3,237
County Clerk's Office	212,347	217,868	218,589	6,242
<b>Administration of Justice</b>				
Circuit Court	176,527	182,254	196,854	20,327
General Sessions Court	111,134	112,161	112,161	1,027
Chancery Court	102,418	104,340	104,340	1,922
Juvenile Court	86,095	99,700	99,700	13,605
Judicial Commissioners	23,609	24,755	24,755	1,146
<b>Public Safety</b>				
Sheriff's Department	1,046,198	1,029,859	1,124,649	78,451
Jail	1,338,905	1,303,998	1,304,688	(34,217)
Fire Prevention and Control	56,000	56,000	56,000	0
Rescue Squad	5,000	5,000	5,000	0
Other Emergency Management	127,184	68,717	130,467	3,283
County Coroner/Medical Examiner	25,070	20,000	25,070	0
<b>Public Health and Welfare</b>				
Local Health Center	16,426	39,282	20,250	3,824
Crippled Children Services	1,026	1,026	1,026	0
Other Local Health Services	91,955	96,200	96,200	4,245
Appropriation to State	19,032	200	19,232	200

(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	\$ 3,500	\$ 3,500	\$ 3,500	\$ 0
Libraries	106,090	107,430	109,430	3,340
Parks and Fair Boards	56,343	57,200	57,200	857
Other Social, Cultural, and Recreational	4,000	4,000	4,000	0
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	52,760	53,146	53,146	386
Soil Conservation	15,435	15,435	15,435	0
Flood Control	37,208	15,000	39,609	2,401
<u>Other Operations</u>				
Tourism	12,150	12,150	12,150	0
Industrial Development	669	700	700	31
Other Economic and Community Development	384,823	110,000	492,966	108,143
Veterans' Services	13,717	14,520	14,520	803
Other Charges	124,054	121,520	123,520	(534)
Total Expenditures	\$ 5,805,271	\$ 5,175,960	\$ 6,058,478	\$ 253,207
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (207,098)	\$ (315,060)	\$ (695,026)	\$ 487,928
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 200,000	\$ 77,170	\$ 315,170	\$ (115,170)
Insurance Recovery	0	0	2,497	(2,497)
Transfers Out	(92,000)	(90,000)	(90,000)	(2,000)
Total Other Financing Sources	\$ 108,000	\$ (12,830)	\$ 227,667	\$ (119,667)
Net Change in Fund Balance	\$ (99,098)	\$ (327,890)	\$ (467,359)	\$ 368,261
Fund Balance, July 1, 2012	598,622	583,440	583,440	15,182
Fund Balance, June 30, 2013	\$ 499,524	\$ 255,550	\$ 116,081	\$ 383,443

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

Exhibit C-6

Sequatchie County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Ambulance Service Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 713,952	\$ 736,000	\$ 736,000	\$ (22,048)
Total Revenues	\$ 713,952	\$ 736,000	\$ 736,000	\$ (22,048)
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 819,554	\$ 811,700	\$ 811,700	\$ (7,854)
Total Expenditures	\$ 819,554	\$ 811,700	\$ 811,700	\$ (7,854)
Excess (Deficiency) of Revenues Over Expenditures	\$ (105,602)	\$ (75,700)	\$ (75,700)	\$ (29,902)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 86,000	\$ 90,000	\$ 90,000	\$ (4,000)
Total Other Financing Sources	\$ 86,000	\$ 90,000	\$ 90,000	\$ (4,000)
Net Change in Fund Balance	\$ (19,602)	\$ 14,300	\$ 14,300	\$ (33,902)
Fund Balance, July 1, 2012	45,618	45,574	45,574	44
Fund Balance, June 30, 2013	\$ 26,016	\$ 59,874	\$ 59,874	\$ (33,858)

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

Exhibit C-7

Sequatchie County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 9,263	\$ 6,000	\$ 6,000	\$ 3,263
State of Tennessee	1,375,312	2,193,853	2,193,853	(818,541)
Federal Government	1,047	0	0	1,047
Other Governments and Citizens Groups	0	1,000	1,000	(1,000)
Total Revenues	<u>\$ 1,385,622</u>	<u>\$ 2,200,853</u>	<u>\$ 2,200,853</u>	<u>\$ (815,231)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 159,609	\$ 168,309	\$ 169,009	\$ 9,400
Highway and Bridge Maintenance	668,892	847,799	853,799	184,907
Operation and Maintenance of Equipment	248,985	289,363	301,863	52,878
Other Charges	46,992	53,800	53,800	6,808
Employee Benefits	189,156	193,203	226,703	37,547
Capital Outlay	113,653	648,406	568,650	454,997
<u>Principal on Debt</u>				
Highways and Streets	23,333	0	23,334	1
<u>Interest on Debt</u>				
Highways and Streets	2,985	0	3,722	737
Total Expenditures	<u>\$ 1,453,605</u>	<u>\$ 2,200,880</u>	<u>\$ 2,200,880</u>	<u>\$ 747,275</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (67,983)</u>	<u>\$ (27)</u>	<u>\$ (27)</u>	<u>\$ (67,956)</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 16,962	\$ 0	\$ 0	\$ 16,962
Total Other Financing Sources	<u>\$ 16,962</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 16,962</u>
Net Change in Fund Balance	\$ (51,021)	\$ (27)	\$ (27)	\$ (50,994)
Fund Balance, July 1, 2012	<u>556,500</u>	<u>435,002</u>	<u>435,002</u>	<u>121,498</u>
Fund Balance, June 30, 2013	<u>\$ 505,479</u>	<u>\$ 434,975</u>	<u>\$ 434,975</u>	<u>\$ 70,504</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 811,980
Due from Other Governments	60,000
Cash Shortage	<u>7,793</u>
Total Assets	<u>\$ 879,773</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 60,000
Due to Litigants, Heirs, and Others	<u>819,773</u>
Total Liabilities	<u>\$ 879,773</u>

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

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**SEQUATCHIE COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**SEQUATCHIE COUNTY, TENNESSEE**  
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**SEQUATCHIE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2013**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

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

Administrative Office:

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

**B. Government-wide and Fund Financial Statements**

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

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

Sequatchie County issues all debt for the discretely presented Sequatchie County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2013.

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

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

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

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

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

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

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

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

Sequatchie County reports the following major governmental funds:

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

**Ambulance Service Fund** – This special revenue fund is used to account for transactions involving patient transportation. Patient charges are the foundational revenue of this fund.

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

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

Additionally, Sequatchie County reports the following fund types:

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

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

The discretely presented Sequatchie County School Department reports the following major governmental funds:

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

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

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

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

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

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

**1. Deposits and Investments**

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

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

with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

## **2. Receivables and Payables**

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

All ambulance and property taxes receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 3.1 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 three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

**4. Deferred Outflows/Inflows of Resources**

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

period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Sequatchie County had no deferred outflows of resources to report at June 30, 2013.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes, local option sales tax, business taxes, patient charges, and gasoline and motor fuel taxes. 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.

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$201,582, with the primary restrictions being for: (1) reappraisal funds (\$28,361), (2) computer systems for various offices (\$72,815), (3) courtroom security (\$60,814), (4) drug and alcohol treatment (\$30,882), and (5) drug court (\$8,710).

As of June 30, 2013, Sequatchie County had \$590,000 in outstanding debt for capital purposes for the discretely presented Sequatchie County School Department. This debt is a liability of Sequatchie County, but the capital assets acquired are reported in the financial statements of the School Department. Sequatchie County has incurred a liability for this debt; however, there is also a corresponding asset reported as due from component units for debt

proceeds to be contributed by the School Department; therefore, net position has not been affected.

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 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.

## **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**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be

consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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

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

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

**B. Cash Shortages - Prior and Current Year**

The audit of Sequatchie County for the 2006-07 year reported a cash shortage of \$8,669 in the commissary operation at the Sheriff's Department. This cash shortage resulted from commissary receipts not being deposited to the official bank account or otherwise accounted for properly. On December 18, 2008, a former employee entered into a pretrial diversion agreement on charges related to this cash shortage and has agreed to pay restitution of \$8,551.26. The difference of \$117.74 (\$8,669-\$8,551.26) between the original shortage amount and the agreed to restitution amount was written-off. The county received restitution of \$758 in prior years. The county did not receive any restitution during the current year leaving a balance of \$7,793.26 at June 30, 2013.

The audit of Sequatchie County for the 2007-08 year reported a cash shortage of \$4,248.51 in the Office of County Clerk. This shortage resulted from an employee of the office altering several motor vehicle title application transactions. This former employee entered into a plea agreement on

April 27, 2009. In prior years, the bonding company paid the county 3,248.51 and the defendant paid restitution of \$690. The county did not receive any restitution during the year leaving a balance of \$310 at June 30, 2013.

During the year, the Sheriff's Department had a cash shortage of \$1,260 resulting from missing inmate telephone cards, which were purchased by the Sheriff's Department for resale to the inmates. This shortage has been reviewed with the District Attorney General. The inmate phone card company is expected to replace the missing cards.

**C. Actual Beginning Fund Balances Differed from Estimated Beginning Fund Balances by Material Amounts**

The Highway/Public Works and the General Debt Service funds' actual beginning fund balances at July 1, 2013, differed from the estimated beginning fund balances presented to the County Commission by the amounts noted below.

Funds	Actual Fund Balance 7-1-12	Estimated Fund Balance 7-1-12	Variance
General Debt Service	\$ 321,134	\$ 446,433	\$ (125,299)
Highway/Public Works	556,500	435,002	121,498

**D. Expenditures Exceeded Appropriations**

1. Expenditures exceeded total appropriations approved by the County Commission in the Ambulance Service Fund by \$7,854.
2. Expenditures exceeded appropriations approved by the County Commission in the following General and Solid Waste/Sanitation funds' major appropriation categories (the legal level of control):

Funds	Major Appropriation Category	Amount Overspent
General	County Buildings	\$ 4,048
"	Jail	34,217
"	Other Charges	534
"	Transfers Out	2,000
Solid Waste/Sanitation	Sanitation Education Information	806

3. The medical personnel salary line-item in the Ambulance Service Fund exceeded appropriations approved by the County Commission by \$27,450.

Expenditures that exceed appropriations are a violation of state statutes. The expenditures in excess of appropriations in the General and Solid Waste/Sanitation funds were funded by greater than anticipated revenues and by available fund balance in the Ambulance Service Fund.

**E. Budget Amendments Were Posted to the General and Ambulance Service Funds Without County Commission Approval**

Budget amendments were posted to the General (\$96,784) and Ambulance Service (\$7,666) funds that were not approved by the County Commission.

**F. Funds Were Transferred from the General Fund to the Solid Waste/Sanitation Fund Without County Commission Approval**

The General Fund transferred \$6,000 to the Solid Waste/Sanitation Fund without the County Commission's approval. Transferring funds between funds without County Commission approval is a violation of state statutes.

**G. Capital Projects Funds Were Not Disbursed in Compliance With County Commission Appropriations**

The county disbursed funds from the General Capital Projects Fund for landfill expenditures and water line construction that were appropriated by the County Commission for industrial park purposes.

**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.

**Investment Balances.** As of June 30, 2013, Sequatchie County had the following investments carried at fair value. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Sequatchie County and the discretely presented Sequatchie County School Department since both pool their deposits and investments through the county trustee.

Investment	Weighted Average Maturity (days)	Maturities	Fair Value
State Treasurer's Investment Pool	11 to 138	Daily	\$ 2,039,795

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

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Sequatchie County has no investment policy that would further limit its investment choices. As of June 30, 2013, Sequatchie County's investment in the State Treasurer's Investment Pool was unrated.

**B. Notes Receivable**

Notes receivable of \$18,222 in the General Debt Service Fund resulted from the county entering into a contract with SP Acquisition, Corp., to reimburse the county for costs related to roofing the medical center owned by the county and leased by the corporation. The corporation suspended their lease with the county during the year, and did not make the final payment on contract with the county. Subsequent to June 30, 2013, the county negotiated an agreement with the corporation. The county received \$12,000 on September 23, 2013, as settlement of the debt owed by the corporation.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2013, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 432,665	\$ 199,074	\$ 0	\$ 631,739
Total Capital Assets Not Depreciated	\$ 432,665	\$ 199,074	\$ 0	\$ 631,739



**Governmental Activities (Cont.):**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Buildings and Improvements	\$ 11,259,130	\$ 9,850	\$ 0	\$ 11,268,980
Infrastructure	14,295,077	2,947	0	14,298,024
Other Capital Assets	2,470,451	142,111	(19,502)	2,593,060
Total Capital Assets Depreciated	<u>\$ 28,024,658</u>	<u>\$ 154,908</u>	<u>\$ (19,502)</u>	<u>\$ 28,160,064</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,895,802	\$ 277,732	\$ 0	\$ 3,173,534
Infrastructure	12,346,232	70,898	0	12,417,130
Other Capital Assets	2,005,858	102,716	(19,502)	2,089,072
Total Accumulated Depreciation	<u>\$ 17,247,892</u>	<u>\$ 451,346</u>	<u>\$ (19,502)</u>	<u>\$ 17,679,736</u>
Total Capital Assets Depreciated, Net	<u>\$ 10,776,766</u>	<u>\$ (296,438)</u>	<u>\$ 0</u>	<u>\$ 10,480,328</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,209,431</u>	<u>\$ (97,364)</u>	<u>\$ 0</u>	<u>\$ 11,112,067</u>

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

**Governmental Activities:**

General Administration	\$ 28,022
Public Safety	235,317
Public Health and Welfare	77,312
Social, Cultural, and Recreational Services	20,117
Agriculture and Natural Resources	3,750
Highways/Public Works	<u>86,828</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 451,346</u>

**Discretely Presented Sequatchie County School Department**

**Governmental Activities:**

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets			
Not Depreciated:			
Land	\$ 1,256,649	\$ 0	\$ 1,256,649
Construction in Progress	820,470	0	820,470
Total Capital Assets			
Not Depreciated	<u>\$ 2,077,119</u>	<u>\$ 0</u>	<u>\$ 2,077,119</u>
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 27,440,359	\$ 130,874	\$ 27,571,233
Infrastructure	830,382	552,692	1,383,074
Other Capital Assets	2,907,326	226,136	3,133,462
Total Capital Assets			
Depreciated	<u>\$ 31,178,067</u>	<u>\$ 909,702</u>	<u>\$ 32,087,769</u>
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 8,907,789	\$ 570,975	\$ 9,478,764
Infrastructure	469,007	31,846	500,853
Other Capital Assets	2,209,397	110,923	2,320,320
Total Accumulated			
Depreciation	<u>\$ 11,586,193</u>	<u>\$ 713,744</u>	<u>\$ 12,299,937</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 19,591,874</u>	<u>\$ 195,958</u>	<u>\$ 19,787,832</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 21,668,993</u>	<u>\$ 195,958</u>	<u>\$ 21,864,951</u>

There were no decreases in capital assets to report during the year ended June 30, 2013.

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

**Governmental Activities:**

Instruction	\$ 570,975
Support Services	31,846
Operation of Non-Instructional Services	<u>110,923</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 713,744</u></u>

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2013, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 123,219
Nonmajor governmental	General	136,522

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.

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General Debt Service	Component Unit: School Department	\$ 590,000

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>	
	Ambulance Service Fund	Nonmajor Governmental Fund
General Fund	\$ 86,000	\$ 6,000

**Discretely Presented Sequatchie County School Department**

Transfers Out	Transfers In General Purpose School Fund
School Federal Projects Fund	\$ 29,785
Nonmajor governmental fund	52,906
	\$ 82,691

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.

**E. Long-term Obligations**

**Primary Government**

**General Obligation Bonds, Notes and Other Loans**

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to six years for bonds, 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 bonds, notes, and other loans included in long-term debt as of June 30, 2013, will be retired from the General Debt Service and Highway/Public Works funds, and contributions from the General Purpose School Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds -				
Refunding	3 to 3.5	% 4-22-14	\$ 4,215,000	\$ 590,000
Capital Outlay Notes	2.47 to 3.19	7-27-24	340,000	270,001
Other Loans	Variable	5-25-32	6,500,000	5,080,000

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, 2013, the variable interest rate was .17 percent, and other fees totaled approximately .52 percent (letter of credit) and .08 percent (remarketing) of the outstanding loan principal plus \$1,020 (trustee) annually.

The annual requirements to amortize all bonds, notes, and other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 590,000	\$ 20,650	\$ 610,650

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 37,828	\$ 7,242	\$ 45,070
2015	38,191	6,134	44,325
2016	38,564	5,018	43,582
2017	15,601	3,903	19,504
2018	16,002	3,501	19,503
2019-2023	86,218	11,298	97,516
2024-2025	37,597	1,410	39,007
Total	\$ 270,001	\$ 38,506	\$ 308,507

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2014	\$ 202,000	\$ 7,358	\$ 30,018	\$ 239,376
2015	208,000	7,014	28,664	243,678
2016	215,000	6,661	27,271	248,932
2017	221,000	6,295	25,830	253,125
2018	228,000	5,919	24,349	258,268
2019-2023	1,245,000	25,118	97,922	1,368,040
2024-2026	1,443,000	15,807	54,840	1,513,647
2027-2032	1,318,000	3,761	23,926	1,345,687
Total	<u>\$ 5,080,000</u>	<u>\$ 77,933</u>	<u>\$ 312,820</u>	<u>\$ 5,470,753</u>

There is \$528,530 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and the other loan totaled \$421, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
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BONDS PAYABLE

Payable through General Purpose School Fund

School Refunding Bonds Series 2008	\$ 590,000
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Changes in Long-term Obligations

Long-term obligation activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loan
Balance, July 1, 2012	\$ 0	\$ 118,667	\$ 5,276,000
Reclassification of School Debt	4,105,000	0	0
Additions	0	215,000	0
Reductions	<u>(3,515,000)</u>	<u>(63,666)</u>	<u>(196,000)</u>
Balance, June 30, 2013	<u>\$ 590,000</u>	<u>\$ 270,001</u>	<u>\$ 5,080,000</u>
Balance Due Within One Year	<u>\$ 590,000</u>	<u>\$ 37,828</u>	<u>\$ 202,000</u>

	Other Postemployment Benefits
Balance, July 1, 2012	\$ 74,611
Additions	20,817
Reductions	<u>(2,500)</u>
Balance, June 30, 2013	<u>\$ 92,927</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 6,032,928
Less: Balance Due Within One Year	<u>(829,828)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 5,203,100</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 obligation activity for the discretely presented Sequatchie County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:	Bonds	Other Postemployment Benefits
Balance, July 1, 2012	\$ 4,105,000	\$ 288,185
Additions	0	193,291
Reductions	0	(116,123)
Reclassification of School Debt	(4,105,000)	0
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 365,354</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, 2013	<u>\$ 365,354</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 365,354</u>

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

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

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Sequatchie County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2013, were \$38,371 and \$16,657, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. Short-term Debt**

Sequatchie County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating payments coming due before current tax collections. Short-term debt activity for the year ended June 30, 2013, was as follows:



	Balance 7-1-12	Issued	Paid	Balance 6-30-13
Tax Anticipation Notes	\$ 0	\$ 600,000	\$ (600,000)	\$ 0

V. **OTHER INFORMATION**

A. **Risk Management**

**Primary Government**

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

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

**Employee Health Insurance**

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

## **Discretely Presented Sequatchie County School Department**

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

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

### **B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Sequatchie County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modified guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

**C. Subsequent Events**

On September 3, 2013, the county issued a \$220,000 capital outlay note to purchase four heart monitors and an ambulance remount.

On September 3, 2013, Sequatchie County issued tax anticipation notes of \$600,000 for temporary operating funds for the General Fund.

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

**F. Joint Ventures**

The Bledsoe/Sequatchie Landfill Board operates a regional sanitary landfill, which is owned by Bledsoe County, Sequatchie County, the City of Dunlap, and the City of Pikeville. The landfill is governed by a ten-member board, including the county mayor/executive and two members appointed by the County Commission. The remaining seven members are appointed by the other joint owners. Sequatchie County has control over budgeting and financing the joint venture only to the extent of representation by the three board members and is responsible for funding approximately 28.5 percent of any deficits from operation. Sequatchie County contributed \$14,989 to the operation of the board during the year examined. Complete financial statements for the Bledsoe/Sequatchie Landfill Board can be obtained from the board's administrative office at the following address:

Administrative Office:

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

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District and the municipalities within the district. The district is composed of Rhea, Bledsoe, Franklin, Grundy, Marion, and Sequatchie counties and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Sequatchie County made no contributions to the DTF for the year ended June 30, 2013, 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**

Information for this footnote for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2012.

## **Plan Description**

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

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

## **Funding Policy**

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

## **Annual Pension Cost**

For the year ended June 30, 2012, the county's annual pension cost of \$473,3061 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual inflation rate,

(c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was six years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$473,306	100%	\$0
6-30-11	474,801	100	0
6-30-10	438,524	100	0

**Funded Status and Funding Progress**

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

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

**SCHOOL TEACHERS**

**Plan Description**

The Sequatchie County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula

using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

## **Funding Policy**

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

## **H. Other Postemployment Benefits (OPEB)**

### **Plan Description**

Sequatchie County and the Sequatchie County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, these plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, *Tennessee Code Annotated (TCA)*, for local governments and Section 8-27-302, *TCA*, for teachers. Prior to reaching the age of 65, all members have the option of choosing between the standard

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, \$2,500 was contributed by Sequatchie County for postemployment health care premiums, and expenditures totaling \$116,123 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	\$ 21,000	\$ 194,000
Interest on the NOPEBO	2,984	11,527
Adjustment to the ARC	(3,168)	(12,236)
Annual OPEB cost	\$ 20,817	\$ 193,291
Amount of contribution	(2,500)	(116,123)
Increase/decrease in NOPEBO	\$ 18,316	\$ 77,169
Net OPEB obligation, 7-1-12	74,611	288,185
Net OPEB obligation, 6-30-13	\$ 92,927	\$ 365,354



Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Government Group	\$ 33,053	16 %	\$ 50,104
6-30-12	"	26,877	9	74,611
6-30-13	"	20,817	12	92,927
6-30-11	Local Education Group	165,437	82	212,869
6-30-12	"	191,476	61	288,185
6-30-13	"	193,291	60	365,354

### Funded Status and Funding Progress

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

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

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

### Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Sequatchie County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Sequatchie County School Department  
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 12,969	\$ 13,907	\$ 938	93.26 %	\$ 5,388	17.4 %
7-1-09	10,475	10,475	0	100	5,117	0
7-1-07	9,468	9,468	0	100	4,400	0

Information for this exhibit for the year ended June 30, 2013, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2012.

Exhibit E-2

Sequatchie County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Sequatchie County School Department  
June 30, 2013

(Dollar amounts in thousands)

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

**SEQUATCHIE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2013**

**BUDGETARY INFORMATION**

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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

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

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

## Capital Projects Fund

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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.

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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, 2013

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects		
\$	0	0	500	500	0	0	500
	26,692	28,631	0	55,323	1,077	0	56,400
	1,374	75	348	1,797	0	0	1,797
	7,320	0	0	7,320	0	0	7,320
	0	0	0	0	136,522	0	136,522
	357,024	0	0	357,024	0	0	357,024
	(20,519)	0	0	(20,519)	0	0	(20,519)
\$	371,891	28,706	848	401,445	137,599	0	539,044

ASSETS

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

Total Assets

LIABILITIES

Accounts Payable  
 Due to Other Funds  
 Total Liabilities

DEFERRED INFLOWS OF RESOURCES

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

FUND BALANCES

Restricted:  
 Restricted for Public Safety  
 Restricted for Public Health and Welfare  
 Committed:  
 Committed for Other Purposes  
 Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

\$	2,236	0	0	2,236	0	0	2,236
	0	0	848	848	122,371	0	123,219
\$	2,236	0	848	3,084	122,371	0	125,455
\$	320,117	0	0	320,117	0	0	320,117
	15,388	0	0	15,388	0	0	15,388
\$	335,505	0	0	335,505	0	0	335,505
\$	0	28,706	0	28,706	0	0	28,706
	34,150	0	0	34,150	0	0	34,150
	0	0	0	0	15,228	0	15,228
\$	34,150	28,706	0	62,856	15,228	0	78,084
\$	371,891	28,706	848	401,445	137,599	0	539,044

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, 2013

	Special Revenue Funds				Capital Projects Fund		Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 355,869	\$ 0	\$ 0	\$ 355,869	\$ 0	\$ 355,869	
Fines, Forfeitures, and Penalties	0	24,033	0	24,033	0	24,033	
Charges for Current Services	0	0	2,454	2,454	0	2,454	
Other Local Revenues	18,242	2,720	0	20,962	0	20,962	
State of Tennessee	52,086	175	0	52,261	20,775	73,036	
Federal Government	0	0	0	0	136,522	136,522	
Total Revenues	\$ 426,197	\$ 26,928	\$ 2,454	\$ 455,579	\$ 157,297	\$ 612,876	
<u>Expenditures</u>							
Current:							
Finance	0	0	2,454	2,454	0	2,454	
Public Safety	0	17,902	0	17,902	0	17,902	
Public Health and Welfare	480,933	0	0	480,933	5,588	486,521	
Other Operations	7,087	0	0	7,087	227,744	234,831	
Total Expenditures	\$ 488,020	\$ 17,902	\$ 2,454	\$ 508,376	\$ 233,332	\$ 741,708	
Excess (Deficiency) of Revenues Over Expenditures	\$ (61,823)	\$ 9,026	\$ 0	\$ (52,797)	\$ (76,035)	\$ (128,832)	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 15,000	\$ 0	\$ 0	\$ 15,000	\$ 0	\$ 15,000	
Transfers In	6,000	0	0	6,000	0	6,000	
Total Other Financing Sources (Uses)	\$ 21,000	\$ 0	\$ 0	\$ 21,000	\$ 0	\$ 21,000	
Net Change in Fund Balances	\$ (40,823)	\$ 9,026	\$ 0	\$ (31,797)	\$ (76,035)	\$ (107,832)	
Fund Balance, July 1, 2012	74,973	19,680	0	94,653	91,263	185,916	
Fund Balance, June 30, 2013	\$ 34,150	\$ 28,706	\$ 0	\$ 62,856	\$ 15,228	\$ 78,084	

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 355,869	\$ 338,700	\$ 338,700	\$ 17,169
Other Local Revenues	18,242	25,000	25,000	(6,758)
State of Tennessee	52,086	55,400	55,400	(3,314)
Total Revenues	<u>\$ 426,197</u>	<u>\$ 419,100</u>	<u>\$ 419,100</u>	<u>\$ 7,097</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 40,006	\$ 39,200	\$ 39,200	\$ (806)
Waste Pickup	109,692	105,863	112,863	3,171
Convenience Centers	179,872	162,900	185,050	5,178
Other Waste Collection	141,962	145,000	145,000	3,038
Landfill Operation and Maintenance	9,401	9,500	9,500	99
<u>Other Operations</u>				
Other Charges	7,087	8,500	8,500	1,413
Total Expenditures	<u>\$ 488,020</u>	<u>\$ 470,963</u>	<u>\$ 500,113</u>	<u>\$ 12,093</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (61,823)</u>	<u>\$ (51,863)</u>	<u>\$ (81,013)</u>	<u>\$ 19,190</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 15,000	\$ 0	\$ 15,000	\$ 0
Transfers In	6,000	0	0	6,000
Total Other Financing Sources	<u>\$ 21,000</u>	<u>\$ 0</u>	<u>\$ 15,000</u>	<u>\$ 6,000</u>
Net Change in Fund Balance	<u>\$ (40,823)</u>	<u>\$ (51,863)</u>	<u>\$ (66,013)</u>	<u>\$ 25,190</u>
Fund Balance, July 1, 2012	<u>74,973</u>	<u>74,839</u>	<u>74,839</u>	<u>134</u>
Fund Balance, June 30, 2013	<u><u>\$ 34,150</u></u>	<u><u>\$ 22,976</u></u>	<u><u>\$ 8,826</u></u>	<u><u>\$ 25,324</u></u>

Exhibit F-4

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 24,033	\$ 34,500	\$ 34,500	\$ (10,467)
Other Local Revenues	2,720	0	0	2,720
State of Tennessee	175	150	150	25
Total Revenues	<u>\$ 26,928</u>	<u>\$ 34,650</u>	<u>\$ 34,650</u>	<u>\$ (7,722)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 17,902	\$ 39,000	\$ 39,000	\$ 21,098
Total Expenditures	<u>\$ 17,902</u>	<u>\$ 39,000</u>	<u>\$ 39,000</u>	<u>\$ 21,098</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 9,026</u>	<u>\$ (4,350)</u>	<u>\$ (4,350)</u>	<u>\$ 13,376</u>
Net Change in Fund Balance	\$ 9,026	\$ (4,350)	\$ (4,350)	\$ 13,376
Fund Balance, July 1, 2012	19,680	19,681	19,681	(1)
Fund Balance, June 30, 2013	<u>\$ 28,706</u>	<u>\$ 15,331</u>	<u>\$ 15,331</u>	<u>\$ 13,375</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit G

Sequatchie County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 474,455	\$ 441,525	\$ 441,525	\$ 32,930
Other Local Revenues	6,977	20,000	20,000	(13,023)
State of Tennessee	27,159	21,000	21,000	6,159
Other Governments and Citizens Groups	3,658,483	19,000	3,677,483	(19,000)
Total Revenues	<u>\$ 4,167,074</u>	<u>\$ 501,525</u>	<u>\$ 4,160,008</u>	<u>\$ 7,066</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 236,333	\$ 225,500	\$ 240,400	\$ 4,067
Education	3,515,000	0	3,515,000	0
<u>Interest on Debt</u>				
General Government	19,447	120,700	80,706	61,259
Education	141,680	0	141,680	0
<u>Other Debt Service</u>				
General Government	45,415	12,000	52,000	6,585
Education	1,803	0	1,803	0
Total Expenditures	<u>\$ 3,959,678</u>	<u>\$ 358,200</u>	<u>\$ 4,031,589</u>	<u>\$ 71,911</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 207,396</u>	<u>\$ 143,325</u>	<u>\$ 128,419</u>	<u>\$ 78,977</u>
Net Change in Fund Balance	\$ 207,396	\$ 143,325	\$ 128,419	\$ 78,977
Fund Balance, July 1, 2012	<u>321,134</u>	<u>446,433</u>	<u>446,433</u>	<u>(125,299)</u>
Fund Balance, June 30, 2013	<u>\$ 528,530</u>	<u>\$ 589,758</u>	<u>\$ 574,852</u>	<u>\$ (46,322)</u>

# Fiduciary Funds

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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.

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

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

Exhibit H-1

Sequatchie County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 811,980	\$ 811,980
Due from Other Governments	60,000	0	60,000
Cash Shortage	0	7,793	7,793
Total Assets	<u>\$ 60,000</u>	<u>\$ 819,773</u>	<u>\$ 879,773</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 60,000	\$ 0	\$ 60,000
Due to Litigants, Heirs, and Others	0	819,773	819,773
Total Liabilities	<u>\$ 60,000</u>	<u>\$ 819,773</u>	<u>\$ 879,773</u>



Exhibit H-2

Sequatchie County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 383,068	\$ 383,068	\$ 0
Due from Other Governments	60,000	60,000	60,000	60,000
Total Assets	<u>\$ 60,000</u>	<u>\$ 443,068</u>	<u>\$ 443,068</u>	<u>\$ 60,000</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,000	\$ 443,068	\$ 443,068	\$ 60,000
Total Liabilities	<u>\$ 60,000</u>	<u>\$ 443,068</u>	<u>\$ 443,068</u>	<u>\$ 60,000</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 713,325	\$ 2,709,693	\$ 2,611,038	\$ 811,980
Cash Shortage	7,793	0	0	7,793
Total Assets	<u>\$ 721,118</u>	<u>\$ 2,709,693</u>	<u>\$ 2,611,038</u>	<u>\$ 819,773</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 721,118	\$ 2,709,693	\$ 2,611,038	\$ 819,773
Total Liabilities	<u>\$ 721,118</u>	<u>\$ 2,709,693</u>	<u>\$ 2,611,038</u>	<u>\$ 819,773</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 713,325	\$ 2,709,693	\$ 2,611,038	\$ 811,980
Equity in Pooled Cash and Investments	0	383,068	383,068	0
Due from Other Governments	60,000	60,000	60,000	60,000
Cash Shortage	7,793	0	0	7,793
Total Assets	<u>\$ 781,118</u>	<u>\$ 3,152,761</u>	<u>\$ 3,054,106</u>	<u>\$ 879,773</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 60,000	\$ 443,068	\$ 443,068	\$ 60,000
Due to Litigants, Heirs, and Others	721,118	2,709,693	2,611,038	819,773
Total Liabilities	<u>\$ 781,118</u>	<u>\$ 3,152,761</u>	<u>\$ 3,054,106</u>	<u>\$ 879,773</u>

# Sequatchie County School Department

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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.

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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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 11,044,401	\$ 25,873	\$ 1,709,776	\$ (9,308,752)
Support Services	5,471,309	0	0	(5,471,309)
Operation of Non-Instructional Services	1,490,211	262,232	971,822	(256,157)
Interest on Debt	83,040	0	0	(83,040)
Other Debt Service	21,641	0	0	(21,641)
Total Governmental Activities	\$ 18,110,602	\$ 288,105	\$ 2,681,598	\$ (15,140,899)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,797,471
Local Option Sales Taxes				1,634,594
Other Local Taxes				1,148
Grants and Contributions Not Restricted to Specific Programs				12,450,769
Unrestricted Investment Earnings				23,768
Miscellaneous				63,392
Total General Revenues				\$ 16,971,142
Change in Net Position				\$ 1,830,243
Net Position, July 1, 2012				29,146,762
Net Position, June 30, 2013				\$ 30,977,005

Exhibit I-2

Sequatchie County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Sequatchie County School Department  
June 30, 2013

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Govern-</u>	
	<u>School</u>	<u>Projects</u>	<u>mental</u>	<u>Governmental</u>
			<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,054	\$ 1,054
Equity in Pooled Cash and Investments	9,541,150	200,516	303,484	10,045,150
Due from Other Governments	332,461	105,346	17,304	455,111
Property Taxes Receivable	2,866,013	0	0	2,866,013
Allowance for Uncollectible Property Taxes	(164,713)	0	0	(164,713)
Total Assets	<u>\$ 12,574,911</u>	<u>\$ 305,862</u>	<u>\$ 321,842</u>	<u>\$ 13,202,615</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 6,105	\$ 0	\$ 0	\$ 6,105
Payroll Deductions Payable	559,360	0	0	559,360
Total Liabilities	<u>\$ 565,465</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 565,465</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,569,742	\$ 0	\$ 0	\$ 2,569,742
Deferred Delinquent Property Taxes	123,558	0	0	123,558
Other Deferred/Unavailable Revenue	103,602	0	8,948	112,550
Total Deferred Inflows of Resources	<u>\$ 2,796,902</u>	<u>\$ 0</u>	<u>\$ 8,948</u>	<u>\$ 2,805,850</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Instruction	\$ 12,759	\$ 5,862	\$ 0	\$ 18,621
Restricted for Operation of Non-Instructional Services	0	0	312,893	312,893
Restricted for Capital Outlay	1,265,890	0	0	1,265,890
Committed:				
Committed for Instruction	6,754,832	0	0	6,754,832
Committed for Capital Outlay	0	0	1	1
Assigned:				
Assigned for Instruction	235,050	300,000	0	535,050
Unassigned	944,013	0	0	944,013
Total Fund Balances	<u>\$ 9,212,544</u>	<u>\$ 305,862</u>	<u>\$ 312,894</u>	<u>\$ 9,831,300</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,574,911</u>	<u>\$ 305,862</u>	<u>\$ 321,842</u>	<u>\$ 13,202,615</u>

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, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	9,831,300
(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		820,470	
Add: buildings and improvements net of accumulated depreciation		18,092,469	
Add: infrastructure net of accumulated depreciation		882,221	
Add: other capital assets net of accumulated depreciation		<u>813,142</u>	21,864,951
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable on primary government debt	\$	(590,000)	
Less: other postemployment benefits liability		<u>(365,354)</u>	(955,354)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>236,108</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>30,977,005</u></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, 2013

	Major Funds		Nonmajor	Total
	General	School	Funds	
			Other	
Purpose	Federal	Govern-	Governmental	
	School	Projects	mental	Funds
			Funds	
<u>Revenues</u>				
Local Taxes	\$ 4,518,632	\$ 0	\$ 0	\$ 4,518,632
Licenses and Permits	1,330	0	0	1,330
Charges for Current Services	25,873	0	263,299	289,172
Other Local Revenues	77,731	0	800	78,531
State of Tennessee	11,777,424	0	12,923	11,790,347
Federal Government	158,513	2,211,545	958,899	3,328,957
Total Revenues	<u>\$ 16,559,503</u>	<u>\$ 2,211,545</u>	<u>\$ 1,235,921</u>	<u>\$ 20,006,969</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,004,125	\$ 1,392,132	\$ 0	\$ 10,396,257
Support Services	4,300,341	684,716	0	4,985,057
Operation of Non-Instructional Services	100,164	102,522	1,176,602	1,379,288
Capital Outlay	726,334	0	0	726,334
Debt Service:				
Principal on Debt	3,515,000	0	0	3,515,000
Interest on Debt	141,680	0	0	141,680
Other Debt Service	1,803	0	0	1,803
Capital Projects	0	0	637,774	637,774
Total Expenditures	<u>\$ 17,789,447</u>	<u>\$ 2,179,370</u>	<u>\$ 1,814,376</u>	<u>\$ 21,783,193</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (1,229,944)</u>	<u>\$ 32,175</u>	<u>\$ (578,455)</u>	<u>\$ (1,776,224)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 82,691	\$ 0	\$ 0	\$ 82,691
Transfers Out	0	(29,785)	(52,906)	(82,691)
Total Other Financing Sources (Uses)	<u>\$ 82,691</u>	<u>\$ (29,785)</u>	<u>\$ (52,906)</u>	<u>\$ 0</u>
Net Change in Fund Balances				
Fund Balance, July 1, 2012	\$ (1,147,253)	\$ 2,390	\$ (631,361)	\$ (1,776,224)
	10,359,797	303,472	944,255	11,607,524
Fund Balance, June 30, 2013	<u>\$ 9,212,544</u>	<u>\$ 305,862</u>	<u>\$ 312,894</u>	<u>\$ 9,831,300</u>

Exhibit I-5

Sequatchie County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$ (1,776,224)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 909,702	
Less: current-year depreciation expense	<u>(713,744)</u>	195,958
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 236,108	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(311,611)</u>	(75,503)
(3) The issuance of long-term debt (e.g., notes, other loans, and capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: change in premium on debt issuance	\$ 16,827	
Less: change in deferred debt issuance costs	(19,838)	
Add: principal payments on bonds for primary government	3,515,000	
Less: change in deferred amount on refunding debt	<u>(7,448)</u>	3,504,541
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in other postemployment benefits liability	\$ (77,169)	
Change in accrued interest payable	<u>58,640</u>	<u>(18,529)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,830,243</u>

Exhibit I-6

Sequatchie County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Sequatchie County School Department  
June 30, 2013

	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	Central Cafeteria	Education Capital Projects	
<u>ASSETS</u>			
Cash	\$ 1,054	\$ 0	\$ 1,054
Equity in Pooled Cash and Investments	303,483	1	303,484
Due from Other Governments	17,304	0	17,304
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 321,841</u>	<u>\$ 1</u>	<u>\$ 321,842</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Other Deferred/Unavailable Revenue	\$ 8,948	\$ 0	\$ 8,948
Total Deferred Inflows of Resources	<u>\$ 8,948</u>	<u>\$ 0</u>	<u>\$ 8,948</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Operation of Non-Instructional Services	\$ 312,893	\$ 0	\$ 312,893
Committed:			
Committed for Capital Outlay	0	1	1
Total Fund Balances	<u>\$ 312,893</u>	<u>\$ 1</u>	<u>\$ 312,894</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 321,841</u>	<u>\$ 1</u>	<u>\$ 321,842</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, 2013

	Special Revenue Fund	Capital Projects Education Capital Projects	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 263,299	\$ 0	\$ 263,299
Other Local Revenues	799	1	800
State of Tennessee	12,923	0	12,923
Federal Government	958,899	0	958,899
Total Revenues	<u>\$ 1,235,920</u>	<u>\$ 1</u>	<u>\$ 1,235,921</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 1,176,602	\$ 0	\$ 1,176,602
Capital Projects	0	637,774	637,774
Total Expenditures	<u>\$ 1,176,602</u>	<u>\$ 637,774</u>	<u>\$ 1,814,376</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 59,318</u>	<u>\$ (637,773)</u>	<u>\$ (578,455)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (52,906)	\$ 0	\$ (52,906)
Total Other Financing Sources (Uses)	<u>\$ (52,906)</u>	<u>\$ 0</u>	<u>\$ (52,906)</u>
Net Change in Fund Balances	\$ 6,412	\$ (637,773)	\$ (631,361)
Fund Balance, July 1, 2012	306,481	637,774	944,255
Fund Balance, June 30, 2013	<u>\$ 312,893</u>	<u>\$ 1</u>	<u>\$ 312,894</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,518,632	\$ 4,334,807	\$ 4,334,807	\$ 183,825
Licenses and Permits	1,330	1,200	1,200	130
Charges for Current Services	25,873	19,000	20,247	5,626
Other Local Revenues	77,731	47,000	48,677	29,054
State of Tennessee	11,777,424	11,710,488	11,803,516	(26,092)
Federal Government	158,513	185,838	198,466	(39,953)
Total Revenues	<u>\$ 16,559,503</u>	<u>\$ 16,298,333</u>	<u>\$ 16,406,913</u>	<u>\$ 152,590</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 7,033,507	\$ 7,245,794	\$ 7,262,203	\$ 228,696
Alternative Instruction Program	76,697	86,239	77,224	527
Special Education Program	1,597,599	1,641,129	1,681,757	84,158
Vocational Education Program	203,109	338,911	345,289	142,180
Student Body Education Program	18,256	17,111	18,358	102
Adult Education Program	74,957	80,133	80,133	5,176
<u>Support Services</u>				
Attendance	108,159	103,653	108,903	744
Health Services	137,545	154,846	155,334	17,789
Other Student Support	309,287	319,178	319,178	9,891
Regular Instruction Program	550,284	564,917	570,134	19,850
Special Education Program	186,689	224,368	197,055	10,366
Adult Programs	96,526	102,542	102,542	6,016
Other Programs	55,028	0	55,028	0
Board of Education	219,818	238,142	244,731	24,913
Director of Schools	171,391	170,541	173,941	2,550
Office of the Principal	603,469	612,120	613,697	10,228
Fiscal Services	161,983	162,057	163,077	1,094
Operation of Plant	1,005,583	1,094,815	1,094,815	89,232
Maintenance of Plant	211,137	212,577	212,577	1,440
Transportation	483,442	572,042	572,042	88,600
<u>Operation of Non-Instructional Services</u>				
Community Services	1,675	0	1,677	2
Early Childhood Education	98,489	101,150	101,150	2,661
<u>Capital Outlay</u>				
Regular Capital Outlay	726,334	10,499,431	7,997,628	7,271,294
<u>Principal on Debt</u>				
Education	3,515,000	1,015,000	3,515,000	0
<u>Interest on Debt</u>				
Education	141,680	141,680	141,680	0
<u>Other Debt Service</u>				
Education	1,803	0	1,803	0
Total Expenditures	<u>\$ 17,789,447</u>	<u>\$ 25,698,376</u>	<u>\$ 25,806,956</u>	<u>\$ 8,017,509</u>

(Continued)

Exhibit I-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,229,944)	\$ (9,400,043)	\$ (9,400,043)	\$ 8,170,099
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 82,691	\$ 87,683	\$ 687,683	\$ (604,992)
Transfers Out	0	0	(600,000)	600,000
Total Other Financing Sources	\$ 82,691	\$ 87,683	\$ 87,683	\$ (4,992)
Net Change in Fund Balance	\$ (1,147,253)	\$ (9,312,360)	\$ (9,312,360)	\$ 8,165,107
Fund Balance, July 1, 2012	10,359,797	10,329,049	10,329,049	30,748
Fund Balance, June 30, 2013	\$ 9,212,544	\$ 1,016,689	\$ 1,016,689	\$ 8,195,855

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,211,545	\$ 2,646,602	\$ 2,654,102	\$ (442,557)
Total Revenues	\$ 2,211,545	\$ 2,646,602	\$ 2,654,102	\$ (442,557)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 843,799	\$ 974,329	\$ 972,829	\$ 129,030
Special Education Program	512,874	579,761	583,883	71,009
Vocational Education Program	35,459	34,122	35,459	0
<u>Support Services</u>				
Other Student Support	115,847	118,456	118,618	2,771
Regular Instruction Program	402,297	527,881	527,881	125,584
Special Education Program	70,156	75,856	71,799	1,643
Vocational Education Program	2,106	2,106	2,106	0
Transportation	94,310	103,227	103,227	8,917
<u>Operation of Non-Instructional Services</u>				
Community Services	102,522	95,511	102,896	374
Total Expenditures	\$ 2,179,370	\$ 2,511,249	\$ 2,518,698	\$ 339,328
Excess (Deficiency) of Revenues Over Expenditures	\$ 32,175	\$ 135,353	\$ 135,404	\$ (103,229)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (29,785)	\$ (138,320)	\$ (138,371)	\$ 108,586
Total Other Financing Sources	\$ (29,785)	\$ (138,320)	\$ (138,371)	\$ 108,586
Net Change in Fund Balance	\$ 2,390	\$ (2,967)	\$ (2,967)	\$ 5,357
Fund Balance, July 1, 2012	303,472	2,967	2,967	300,505
Fund Balance, June 30, 2013	\$ 305,862	\$ 0	\$ 0	\$ 305,862

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 263,299	\$ 304,000	\$ 304,000	\$ (40,701)
Other Local Revenues	799	3,500	3,500	(2,701)
State of Tennessee	12,923	12,000	12,000	923
Federal Government	958,899	773,500	844,205	114,694
Total Revenues	<u>\$ 1,235,920</u>	<u>\$ 1,093,000</u>	<u>\$ 1,163,705</u>	<u>\$ 72,215</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,176,602	\$ 1,346,573	\$ 1,417,278	\$ 240,676
Total Expenditures	<u>\$ 1,176,602</u>	<u>\$ 1,346,573</u>	<u>\$ 1,417,278</u>	<u>\$ 240,676</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 59,318</u>	<u>\$ (253,573)</u>	<u>\$ (253,573)</u>	<u>\$ 312,891</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	\$ 6,412	\$ (306,479)	\$ (306,479)	\$ 312,891
Fund Balance, July 1, 2012	306,481	306,484	306,484	(3)
Fund Balance, June 30, 2013	<u>\$ 312,893</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 312,888</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Sequatchie County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
North Valley Medical Center Roof	\$ 76,000	2.75 %	11-4-09	11-4-12	\$ 25,333	\$ 0	\$ 25,333	\$ 0
Solid Waste Containers	15,000	1.75	9-7-12	9-17-12	0	15,000	15,000	0
Land (Valley Fest)	200,000	2.47	7-27-12	7-27-24	0	200,000	0	200,000
Total Payable through General Debt Service Fund					\$ 25,333	\$ 215,000	\$ 40,333	\$ 200,000
<u>Payable through Highway/Public Works Fund</u>								
Highway Department Garage and Office	140,000	3.19	7-29-09	7-29-15	\$ 93,334	\$ 0	\$ 23,333	\$ 70,001
Total Payable through Highway/Public Works Fund					\$ 93,334	\$ 0	\$ 23,333	\$ 70,001
Total Notes Payable					\$ 118,667	\$ 215,000	\$ 63,666	\$ 270,001
<u>OTHER LOAN PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Justice Center	6,500,000	Variable	11-1-04	5-25-32	\$ 5,276,000	\$ 0	\$ 196,000	\$ 5,080,000
<u>BONDS PAYABLE</u>								
<u>Payable by School Department Contributions from the General Purpose School Fund to the General Debt Service Fund</u>								
School Bonds - Series 2003	2,500,000	3.3 to 3.5	5-21-03	1-8-13	\$ 2,500,000	\$ 0	\$ 2,500,000	\$ 0
School Refunding Bonds Series 2008	4,215,000	3 to 3.5	4-2-08	4-22-14	1,605,000	0	1,015,000	590,000
Total Bonds Payable					\$ 4,105,000	\$ 0	\$ 3,515,000	\$ 590,000

Exhibit J-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 37,828	\$ 7,242	\$ 45,070
2015	38,191	6,134	44,325
2016	38,564	5,018	43,582
2017	15,601	3,903	19,504
2018	16,002	3,501	19,503
2019	16,403	3,101	19,504
2020	16,813	2,690	19,503
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	19,035	468	19,503
Total	\$ 270,001	\$ 38,506	\$ 308,507

Year Ending June 30	Other Loan			
	Principal	Interest	Other Fees	Total
2014	\$ 202,000	\$ 7,358	\$ 30,018	\$ 239,376
2015	208,000	7,014	28,664	243,678
2016	215,000	6,661	27,271	248,932
2017	221,000	6,295	25,830	253,125
2018	228,000	5,919	24,349	258,268
2019	234,000	5,532	22,822	262,354
2020	242,000	5,134	21,254	268,388
2021	249,000	5,029	19,633	273,662
2022	256,000	4,920	17,964	278,884
2023	264,000	4,503	16,249	284,752
2024	272,000	4,073	14,480	290,553
2025	280,000	3,630	12,658	296,288
2026	288,000	3,174	10,782	301,956
2027	297,000	2,706	8,852	308,558
2028	306,000	2,224	8,068	316,292
2029	315,000	1,725	7,258	323,983
2030	325,000	1,212	6,427	332,639
2031	334,000	683	5,563	340,246
2032	344,000	141	4,678	348,819
Total	\$ 5,080,000	\$ 77,933	\$ 312,820	\$ 5,470,753

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 590,000	\$ 20,650	\$ 610,650



Exhibit J-3

Sequatchie County, Tennessee  
Schedule of Notes Receivable  
For the Year Ended June 30, 2013

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-13
<u>General Debt Service Fund</u>						
Medical Center Roof	SP Acquisition, Corp.	\$ 52,962	11-3-09	11-1-12	2.75%	\$ 18,222 (1)
Total Notes Receivable						<u>\$ 18,222</u>

(1) The corporation suspended its lease with the county during the year, and did not make the final payment on the contract with the county. Subsequent to June 30, 2013, the county negotiated an agreement with the corporation. The county received \$12,000 on September 23, 2013, as settlement of the debt owed by the corporation.

Exhibit J-4

Sequatchie County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2013

From Fund	To Fund	Purpose	Amount
<u>PRIMARY GOVERNMENT</u>			
General	Ambulance Service	Operations	\$ 86,000
"	Solid Waste/Sanitation	Operations	6,000
Total Transfers Primary Government			<u>\$ 92,000</u>
<u>DISCRETELY PRESENTED SEQUATCHIE</u>			
<u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 29,785
Central Cafeteria	"	Direct costs	52,906
Total Transfers Discretely Presented Sequatchie County School Department			<u>\$ 82,691</u>

Sequatchie County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
<b>County Executive:</b>				
Claude Lewis (7-1-12 through 8-31-12)	Section 8-24-102, TCA	\$ 11,307	\$ 25,000	Western Surety Company
Keith Cartwright (9-1-12 through 6-30-13)	Section 8-24-102, TCA	56,536	25,000	"
Highway Supervisor	Section 8-24-102, TCA	64,613	100,000	"
Director of Schools	State Board of Education and Sequatchie County Board of Education	100,511 (1)	(2)	
Trustee	Section 8-24-102, TCA	58,739	638,287	RLI Insurance Company
Assessor of Property	Section 8-24-102, TCA	58,739	50,000	Western Surety Company
County Clerk	Section 8-24-102, TCA	58,739	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	58,739	25,000	"
Clerk and Master	Section 8-24-102, TCA	58,739	25,000	State Farm Fire and Casualty Company
Register of Deeds	Section 8-24-102, TCA	58,739	15,000	Western Surety Company
Sheriff	Section 8-24-102, TCA	64,613 (3)	25,000	"
<b>Employee Dishonesty Bond Coverage:</b>				
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-6

Sequatchie County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2013

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<b>Local Taxes</b>										
<b>County Property Taxes</b>										
Current Property Tax	\$ 2,277,635	\$ 305,273	\$ 0	\$ 0	\$ 0	\$ 0	\$ 407,039	\$ 0	\$ 2,989,947	
Trustee's Collections - Prior Year	165,756	22,217	0	0	0	0	29,622	0	217,595	
Circuit/Clerk & Master Collections - Prior Years	155,114	21,175	0	0	0	0	28,233	0	204,522	
Interest and Penalty	28,876	3,870	0	0	0	0	5,115	0	37,861	
Payments in-Lieu-of Taxes - T.V.A.	1,264	169	0	0	0	0	226	0	1,659	
Payments in-Lieu-of Taxes - Local Utilities	14,231	1,907	0	0	0	0	2,543	0	18,681	
Payments in-Lieu-of Taxes - Other	440	59	0	0	0	0	79	0	578	
<b>County Local Option Taxes</b>										
Local Option Sales Tax	256,154	0	0	0	0	0	0	0	256,154	
Hotel/Motel Tax	13,997	0	0	0	0	0	0	0	13,997	
Litigation Tax - General	42,619	0	0	0	0	0	0	0	42,619	
Litigation Tax - Special Purpose	16,540	0	0	0	0	0	0	0	16,540	
Litigation Tax - Jail, Workhouse, or Courthouse	12,076	0	0	0	0	0	0	0	12,076	
Business Tax	93,874	0	0	0	0	0	0	0	93,874	
<b>Statutory Local Taxes</b>										
Bank Excise Tax	8,943	1,199	0	0	0	0	1,598	0	11,740	
Wholesale Beer Tax	75,441	0	0	0	0	0	0	0	75,441	
Interstate Telecommunications Tax	757	0	0	0	0	0	0	0	757	
<b>Total Local Taxes</b>	<b>\$ 3,163,717</b>	<b>\$ 355,869</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 474,455</b>	<b>\$ 0</b>	<b>\$ 3,994,041</b>	
<b>Licenses and Permits</b>										
<b>Licenses</b>										
Cable TV Franchise	\$ 36,302	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 36,302	
Permits	1,140	0	0	0	0	0	0	0	1,140	
Beer Permits	37,442	0	0	0	0	0	0	0	37,442	
<b>Total Licenses and Permits</b>	<b>\$ 74,884</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 74,884</b>	
<b>Fines, Forfeitures, and Penalties</b>										
<b>Circuit Court</b>										
Fines	\$ 7,059	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,059	
Officers Costs	1,970	0	0	0	0	0	0	0	1,970	
Drug Control Fines	0	0	0	1,221	0	0	0	0	1,221	
Drug Court Fees	1,035	0	0	0	0	0	0	0	1,035	
Jail Fees	1,427	0	0	0	0	0	0	0	1,427	
DUI Treatment Fines	475	0	0	0	0	0	0	0	475	
Data Entry Fee - Circuit Court	732	0	0	0	0	0	0	0	732	
Courtroom Security Fee	3,359	0	0	0	0	0	0	0	3,359	

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Criminal Court</u>										
Jail Fees	646 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	646
DUI Treatment Fines	428	0	0	0	0	0	0	0	0	428
<u>General Sessions Court</u>										
Fines	9,101	0	0	0	0	0	0	0	0	9,101
Game and Fish Fines	68	0	0	0	0	0	0	0	0	68
Drug Control Fines	2,594	0	0	11,009	0	0	0	0	0	13,603
Drug Court Fees	1,311	0	0	0	0	0	0	0	0	1,311
Jail Fees	1,053	0	0	0	0	0	0	0	0	1,053
DUI Treatment Fines	1,798	0	0	0	0	0	0	0	0	1,798
Data Entry Fee - General Sessions Court	4,476	0	0	0	0	0	0	0	0	4,476
Courtroom Security Fee	28,230	0	0	0	0	0	0	0	0	28,230
<u>Chancery Court</u>										
Officers Costs	101	0	0	0	0	0	0	0	0	101
Data Entry Fee - Chancery Court	1,702	0	0	0	0	0	0	0	0	1,702
Courtroom Security Fee	1,307	0	0	0	0	0	0	0	0	1,307
<u>Other Courts - In-county</u>										
Drug Court Fees	1,748	0	0	0	0	0	0	0	0	1,748
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	0	11,803	0	0	0	0	0	11,803
Total Fines, Forfeitures, and Penalties	70,620 \$	0 \$	0 \$	24,033 \$	0 \$	0 \$	0 \$	0 \$	0 \$	94,653
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Patient Charges	0 \$	0 \$	713,952 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	713,952
Work Release Charges for Board	4,800	0	0	0	0	0	0	0	0	4,800
Service Charges	50	0	0	0	0	0	0	0	0	50
<u>Fees</u>										
Copy Fees	235	0	0	0	0	0	0	0	0	235
Library Fees	2,472	0	0	0	0	0	0	0	0	2,472
Telephone Commissions	24,224	0	0	0	0	0	0	0	0	24,224
Constitutional Officers' Fees and Commissions	0	0	0	0	2,454	0	0	0	0	2,454
Data Processing Fee - Register	5,184	0	0	0	0	0	0	0	0	5,184
Data Processing Fee - Sheriff	915	0	0	0	0	0	0	0	0	915
Data Processing Fee - County Clerk	926	0	0	0	0	0	0	0	0	926
Total Charges for Current Services	38,806 \$	0 \$	713,952 \$	0 \$	2,454 \$	0 \$	0 \$	0 \$	0 \$	755,212

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 23,838	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,977	\$ 0	\$ 0	\$ 30,815
Lease/Rentals	49,800	0	0	0	0	0	0	0	0	49,800
Commissary Sales	3,574	0	0	0	0	0	0	0	0	3,574
Sale of Gasoline	0	0	0	0	0	2,626	0	0	0	2,626
Sale of Maps	278	0	0	0	0	0	0	0	0	278
Sale of Recycled Materials	2,228	18,242	0	220	0	0	0	0	0	20,690
Miscellaneous Refunds	25,717	0	0	0	0	6,637	0	0	0	32,354
<u>Nonrecurring Items</u>										
Sale of Equipment	3,800	0	0	0	0	0	0	0	0	3,800
Contributions and Gifts	0	0	0	2,500	0	0	0	0	0	2,500
<b>Total Other Local Revenues</b>	<b>\$ 109,235</b>	<b>\$ 18,242</b>	<b>\$ 0</b>	<b>\$ 2,720</b>	<b>\$ 0</b>	<b>\$ 9,263</b>	<b>\$ 6,977</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 146,437</b>
<u>Fees Received from County Officials</u>										
<u>Fees in-Lieu-of Salary</u>										
County Clerk	\$ 172,329	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 172,329
Circuit Court Clerk	37,762	0	0	0	0	0	0	0	0	37,762
General Sessions Court Clerk	117,482	0	0	0	0	0	0	0	0	117,482
Clerk and Master	72,303	0	0	0	0	0	0	0	0	72,303
Register	62,052	0	0	0	0	0	0	0	0	62,052
Sheriff	5,428	0	0	0	0	0	0	0	0	5,428
Trustee	203,074	0	0	0	0	0	0	0	0	203,074
<b>Total Fees Received from County Officials</b>	<b>\$ 670,430</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 670,430</b>
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 14,535	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,535
Solid Waste Grants	0	13,201	0	0	0	0	0	0	0	13,201
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	10,800	0	0	0	0	0	0	0	0	10,800
<u>Health and Welfare Grants</u>										
Health Department Programs	113,642	0	0	0	0	0	0	0	0	113,642
<u>Public Works Grants</u>										
Litter Program	0	38,885	0	0	0	0	0	0	0	38,885
<u>State Education Funds</u>										
Energy Efficient School Initiative	0	0	0	0	0	0	0	0	20,775	20,775

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Ambulance Service	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service				General Capital Projects
<u>State of Tennessee (Cont.)</u>											
<u>Other State Revenues</u>											
Income Tax	\$ 51,257	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 51,257	
Resort District Sales Tax	2,113	0	0	0	0	0	0	0	0	2,113	
Beer Tax	18,586	0	0	0	0	0	0	0	0	18,586	
Alcoholic Beverage Tax	28,687	0	0	0	0	0	0	0	0	28,687	
State Revenue Sharing - T.V.A.	172,345	0	0	0	0	0	27,159	0	0	199,504	
Contracted Prisoner Boarding	631,505	0	0	0	0	0	0	0	0	631,505	
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,365,042	0	0	0	1,365,042	
Petroleum Special Tax	0	0	0	0	0	10,270	0	0	0	10,270	
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	15,164	
Other State Revenues	0	0	0	175	0	0	0	0	0	175	
Total State of Tennessee	\$ 1,058,634	\$ 52,086	\$ 0	\$ 175	\$ 0	\$ 1,375,312	\$ 27,159	\$ 0	\$ 20,775	\$ 2,534,141	
<u>Federal Government</u>											
<u>Federal Through State</u>											
Community Development	\$ 279,519	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 136,522	\$ 0	\$ 416,041	
Disaster Relief	0	0	0	0	0	1,047	0	0	0	1,047	
Homeland Security Grants	106,630	0	0	0	0	0	0	0	0	106,630	
Other Federal through State	32,108	0	0	0	0	0	0	0	0	32,108	
Total Federal Government	\$ 418,257	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,047	\$ 0	\$ 136,522	\$ 0	\$ 555,826	
<u>Other Governments and Citizens Groups</u>											
<u>Other Governments</u>											
Contributions	\$ 31,032	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,658,483	\$ 0	\$ 0	\$ 3,689,515	
Total Other Governments and Citizens Groups	\$ 31,032	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,658,483	\$ 0	\$ 0	\$ 3,689,515	
Total	\$ 5,598,173	\$ 426,197	\$ 713,952	\$ 26,928	\$ 2,454	\$ 1,385,622	\$ 4,167,074	\$ 157,297	\$ 12,477,697		

Exhibit J-7

Sequatchie County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2013

	General Purpose School	Special Revenue Funds		Capital Projects Fund	Total
		School Projects	Central Cafeteria	Education Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,450,622	\$ 0	\$ 0	\$ 0	\$ 2,450,622
Trustee's Collections - Prior Year	175,085	0	0	0	175,085
Circuit/Clerk & Master Collections - Prior Years	169,296	0	0	0	169,296
Interest and Penalty	30,720	0	0	0	30,720
Payments in-Lieu-of Taxes - T.V.A.	1,361	0	0	0	1,361
Payments in-Lieu-of Taxes - Local Utilities	15,312	0	0	0	15,312
Payments in-Lieu-of Taxes - Other	474	0	0	0	474
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,664,992	0	0	0	1,664,992
<u>Statutory Local Taxes</u>					
Bank Excise Tax	9,622	0	0	0	9,622
Interstate Telecommunications Tax	1,148	0	0	0	1,148
<b>Total Local Taxes</b>	<b>\$ 4,518,632</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,518,632</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,330	\$ 0	\$ 0	\$ 0	\$ 1,330
<b>Total Licenses and Permits</b>	<b>\$ 1,330</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,330</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 133,557	\$ 0	\$ 133,557
Lunch Payments - Adults	0	0	24,805	0	24,805
Income from Breakfast	0	0	22,417	0	22,417
A la carte Sales	0	0	82,520	0	82,520
Receipts from Individual Schools	25,873	0	0	0	25,873
<b>Total Charges for Current Services</b>	<b>\$ 25,873</b>	<b>\$ 0</b>	<b>\$ 263,299</b>	<b>\$ 0</b>	<b>\$ 289,172</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 22,992	\$ 0	\$ 775	\$ 1	\$ 23,768
Miscellaneous Refunds	26,570	0	24	0	26,594
<u>Nonrecurring Items</u>					
Sale of Equipment	1,880	0	0	0	1,880
Damages Recovered from Individuals	1,237	0	0	0	1,237
Contributions and Gifts	750	0	0	0	750
<u>Other Local Revenues</u>					
Other Local Revenues	24,302	0	0	0	24,302
<b>Total Other Local Revenues</b>	<b>\$ 77,731</b>	<b>\$ 0</b>	<b>\$ 799</b>	<b>\$ 1</b>	<b>\$ 78,531</b>
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 55,028	\$ 0	\$ 0	\$ 0	\$ 55,028
<u>State Education Funds</u>					
Basic Education Program	11,250,930	0	0	0	11,250,930
Early Childhood Education	98,993	0	0	0	98,993
School Food Service	0	0	12,923	0	12,923
Driver Education	1,193	0	0	0	1,193
Other State Education Funds	123,535	0	0	0	123,535
Career Ladder Program	61,527	0	0	0	61,527
Career Ladder - Extended Contract	22,700	0	0	0	22,700
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	163,518	0	0	0	163,518
<b>Total State of Tennessee</b>	<b>\$ 11,777,424</b>	<b>\$ 0</b>	<b>\$ 12,923</b>	<b>\$ 0</b>	<b>\$ 11,790,347</b>

(Continued)



Exhibit J-7

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

	General Purpose School	Special Revenue Funds		Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 645,811	\$ 0	\$ 645,811
USDA - Commodities	0	0	70,705	0	70,705
Breakfast	0	0	220,775	0	220,775
USDA - Other	0	0	21,608	0	21,608
Adult Education State Grant Program	120,596	0	0	0	120,596
Vocational Education - Basic Grants to States	0	42,146	0	0	42,146
Other Vocational	25,289	0	0	0	25,289
Title I Grants to Local Education Agencies	0	924,265	0	0	924,265
Special Education - Grants to States	12,628	579,191	0	0	591,819
Special Education Preschool Grants	0	110,748	0	0	110,748
Rural Education	0	56,174	0	0	56,174
Eisenhower Professional Development State Grants	0	113,613	0	0	113,613
Race-to-the-Top - ARRA	0	143,137	0	0	143,137
Other Federal through State	0	103,611	0	0	103,611
<u>Direct Federal Revenue</u>					
Other Direct Federal Revenue	0	138,660	0	0	138,660
Total Federal Government	\$ 158,513	\$ 2,211,545	\$ 958,899	\$ 0	\$ 3,328,957
Total	\$ 16,559,503	\$ 2,211,545	\$ 1,235,920	\$ 1	\$ 20,006,969

Exhibit J-8

Sequatchie County, Tennessee  
 Schedule of Detailed Expenditures -  
All Governmental Fund Types  
 For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	34,750	
Social Security		2,018	
Employer Medicare		504	
Audit Services		4,234	
Dues and Memberships		12,792	
Legal Services		2,625	
Legal Notices, Recording, and Court Costs		1,460	
Travel		3,325	
Other Contracted Services		1,506	
Liability Insurance		86,282	
Land		199,074	
Total County Commission			\$ 348,570

Board of Equalization

Board and Committee Members Fees	\$	2,925	
Travel		111	
Total Board of Equalization			3,036

Beer Board

Board and Committee Members Fees	\$	800	
Total Beer Board			800

County Mayor/Executive

County Official/Administrative Officer	\$	67,843	
Assistant(s)		48,130	
In-Service Training		1,268	
Social Security		7,199	
State Retirement		9,569	
Unemployment Compensation		253	
Employer Medicare		1,673	
Communication		5,944	
Data Processing Services		5,194	
Postal Charges		2,188	
Travel		2,000	
Office Supplies		4,018	
Premiums on Corporate Surety Bonds		170	
Office Equipment		2,980	
Total County Mayor/Executive			158,429

County Attorney

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

Election Commission

County Official/Administrative Officer	\$	52,865	
Deputy(ies)		21,800	
Computer Programmer(s)		2,400	
Clerical Personnel		9,510	
Election Commission		6,750	
Election Workers		10,735	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

In-Service Training	\$	1,675	
Social Security		5,141	
State Retirement		6,161	
Medical Insurance		3,699	
Unemployment Compensation		275	
Employer Medicare		1,163	
Communication		1,692	
Dues and Memberships		225	
Legal Notices, Recording, and Court Costs		1,676	
Postal Charges		2,414	
Printing, Stationery, and Forms		1,201	
Rentals		700	
Travel		4,077	
Other Contracted Services		11,452	
Office Supplies		2,131	
Premiums on Corporate Surety Bonds		50	
Total Election Commission			\$ 147,792

Register of Deeds

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		45,387	
In-Service Training		175	
Social Security		6,491	
State Retirement		8,591	
Unemployment Compensation		180	
Employer Medicare		1,510	
Communication		2,187	
Data Processing Services		4,587	
Dues and Memberships		522	
Postal Charges		382	
Rentals		804	
Travel		778	
Other Contracted Services		3,500	
Duplicating Supplies		210	
Office Supplies		614	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			134,757

County Buildings

Custodial Personnel	\$	11,260	
Maintenance Personnel		23,487	
Social Security		2,228	
State Retirement		1,985	
Unemployment Compensation		172	
Employer Medicare		504	
Communication		1,294	
Maintenance Agreements		19,273	
Maintenance and Repair Services - Buildings		124,659	
Rentals		1,994	
Duplicating Supplies		1,395	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Electricity	\$	132,435	
Gasoline		2,839	
Natural Gas		35,400	
Water and Sewer		23,127	
Other Supplies and Materials		15,247	
Total County Buildings			\$ 397,299

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,739	
Secretary(ies)		71,753	
Social Security		8,995	
State Retirement		10,962	
Medical Insurance		3,680	
Unemployment Compensation		442	
Employer Medicare		2,082	
Audit Services		8,764	
Communication		5,302	
Data Processing Services		8,498	
Dues and Memberships		1,100	
Postal Charges		1,624	
Printing, Stationery, and Forms		485	
Travel		4,113	
Other Contracted Services		11,320	
Office Supplies		2,295	
Premiums on Corporate Surety Bonds		400	
Office Equipment		4,478	
Total Property Assessor's Office			205,032

Reappraisal Program

Medical Insurance	\$	19	
Other Contracted Services		5,079	
Total Reappraisal Program			5,098

County Trustee's Office

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		45,024	
Overtime Pay		1,838	
Social Security		6,578	
State Retirement		8,713	
Unemployment Compensation		255	
Employer Medicare		1,531	
Communication		1,855	
Data Processing Services		3,173	
Dues and Memberships		110	
Legal Notices, Recording, and Court Costs		224	
Maintenance and Repair Services - Office Equipment		5,990	
Postal Charges		7,072	
Travel		976	
Other Contracted Services		560	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Supplies	\$	2,409	
Premiums on Corporate Surety Bonds		1,936	
Total County Trustee's Office			\$ 146,983

County Clerk's Office

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		89,052	
Overtime Pay		588	
Social Security		8,787	
State Retirement		12,217	
Medical Insurance		10,693	
Unemployment Compensation		363	
Employer Medicare		1,996	
Communication		3,453	
Dues and Memberships		507	
Maintenance and Repair Services - Office Equipment		15,007	
Postal Charges		6,400	
Travel		1,442	
Office Supplies		2,107	
Premiums on Corporate Surety Bonds		125	
Office Equipment		871	
Total County Clerk's Office			212,347

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,739	
Deputy(ies)		55,607	
Jury and Witness Expense		1,670	
Social Security		7,125	
State Retirement		8,412	
Medical Insurance		3,166	
Unemployment Compensation		356	
Employer Medicare		1,656	
Communication		2,873	
Data Processing Services		7,952	
Dues and Memberships		407	
Postal Charges		3,460	
Rentals		5,200	
Other Contracted Services		6,185	
Office Supplies		13,594	
Premiums on Corporate Surety Bonds		125	
Total Circuit Court			176,527

General Sessions Court

Judge(s)	\$	86,402	
Other Salaries and Wages		9,409	
In-Service Training		299	
Social Security		5,639	
Medical Insurance		7,606	
Employer Medicare		1,279	
Travel		500	
Total General Sessions Court			111,134

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	58,739	
Assistant(s)		23,421	
Social Security		5,089	
State Retirement		6,779	
Unemployment Compensation		90	
Employer Medicare		1,184	
Communication		520	
Dues and Memberships		467	
Postal Charges		500	
Rentals		822	
Office Supplies		863	
Premiums on Corporate Surety Bonds		557	
Office Equipment		3,387	
Total Chancery Court			\$ 102,418

Juvenile Court

Youth Service Officer(s)	\$	39,146	
Part-time Personnel		10,300	
In-Service Training		441	
Social Security		3,020	
State Retirement		3,588	
Medical Insurance		3,544	
Unemployment Compensation		193	
Employer Medicare		663	
Communication		3,073	
Contributions		7,915	
Dues and Memberships		45	
Travel		1,665	
Other Contracted Services		9,839	
Office Supplies		1,651	
Other Equipment		1,012	
Total Juvenile Court			86,095

Judicial Commissioners

County Official/Administrative Officer	\$	17,505	
Social Security		1,028	
State Retirement		1,333	
Medical Insurance		3,449	
Unemployment Compensation		90	
Employer Medicare		204	
Total Judicial Commissioners			23,609

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,613	
Deputy(ies)		319,688	
Investigator(s)		96,932	
Accountants/Bookkeepers		24,210	
Salary Supplements		11,400	
School Resource Officer		27,934	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Overtime Pay	\$	37,333	
Other Salaries and Wages		1,796	
In-Service Training		23,998	
Social Security		39,240	
State Retirement		42,980	
Medical Insurance		7,842	
Unemployment Compensation		1,207	
Employer Medicare		9,089	
Other Fringe Benefits		58,435	
Communication		24,361	
Dues and Memberships		1,968	
Maintenance and Repair Services - Equipment		60,661	
Maintenance and Repair Services - Vehicles		34,322	
Postal Charges		1,984	
Rentals		2,000	
Travel		6,550	
Drugs and Medical Supplies		51	
Gasoline		84,531	
Law Enforcement Supplies		37,041	
Office Supplies		6,140	
Uniforms		12,484	
Premiums on Corporate Surety Bonds		1,950	
Data Processing Equipment		5,458	
Total Sheriff's Department			\$ 1,046,198

Jail

Supervisor/Director	\$	38,325	
Deputy(ies)		509,864	
Part-time Personnel		22,085	
Overtime Pay		32,643	
In-Service Training		5,985	
Social Security		40,335	
State Retirement		63,124	
Medical Insurance		5,183	
Unemployment Compensation		2,536	
Employer Medicare		9,394	
Other Fringe Benefits		59,057	
Communication		1,095	
Maintenance and Repair Services - Buildings		15,323	
Maintenance and Repair Services - Equipment		15,986	
Postal Charges		152	
Rentals		2,388	
Transportation - Other than Students		1,100	
Disposal Fees		7,932	
Drugs and Medical Supplies		279,185	
Food Supplies		161,053	
Law Enforcement Supplies		19,116	
Office Supplies		7,492	
Uniforms		12,991	
Other Supplies and Materials		24,861	
Premiums on Corporate Surety Bonds		1,700	
Total Jail			1,338,905

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contracts with Other Public Agencies	\$ 1,000	
Contributions	55,000	
Total Fire Prevention and Control		\$ 56,000

Rescue Squad

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

Other Emergency Management

County Official/Administrative Officer	\$ 12,598	
Social Security	899	
Employer Medicare	183	
Communication	2,528	
Maintenance and Repair Services - Vehicles	644	
Gasoline	3,041	
Office Supplies	262	
Uniforms	282	
Law Enforcement Equipment	106,747	
Total Other Emergency Management		127,184

County Coroner/Medical Examiner

Contributions	\$ 25,070	
Total County Coroner/Medical Examiner		25,070

Public Health and Welfare

Local Health Center

Communication	\$ 4,315	
Dues and Memberships	200	
Maintenance and Repair Services - Buildings	2,201	
Disposal Fees	1,189	
Other Contracted Services	7,200	
Office Supplies	880	
Other Supplies and Materials	441	
Total Local Health Center		16,426

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$ 72,032	
Social Security	4,362	
State Retirement	5,748	
Medical Insurance	2,304	
Unemployment Compensation	334	
Employer Medicare	1,004	
Travel	6,171	
Total Other Local Health Services		91,955

(Continued)



Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Appropriation to State

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

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 3,500	
Total Senior Citizens Assistance		3,500

Libraries

Supervisor/Director	\$ 33,259	
Clerical Personnel	21,389	
Part-time Personnel	9,521	
Social Security	3,882	
State Retirement	4,706	
Medical Insurance	7,373	
Unemployment Compensation	266	
Employer Medicare	846	
Communication	2,728	
Dues and Memberships	221	
Licenses	2,074	
Maintenance and Repair Services - Buildings	115	
Postal Charges	500	
Travel	646	
Other Contracted Services	2,400	
Library Books/Media	7,834	
Office Supplies	2,330	
Other Supplies and Materials	698	
Data Processing Equipment	2,903	
Other Equipment	2,399	
Total Libraries		106,090

Parks and Fair Boards

Contributions	\$ 3,000	
Maintenance and Repair Services - Buildings	14,158	
Other Contracted Services	29,058	
Electricity	5,593	
Gasoline	778	
Water and Sewer	2,256	
Other Supplies and Materials	1,500	
Total Parks and Fair Boards		56,343

Other Social, Cultural, and Recreational

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

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 35,592	
Employer Medicare	8,254	
Communication	2,817	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Contributions	\$	1,000	
Maintenance and Repair Services - Equipment		600	
Travel		1,368	
Office Supplies		1,000	
Other Equipment		2,129	
Total Agriculture Extension Service			\$ 52,760

Soil Conservation

Contributions	\$	15,435	
Total Soil Conservation			15,435

Flood Control

Communication	\$	72	
Printing, Stationery, and Forms		72	
Travel		157	
Other Contracted Services		36,882	
Office Supplies		25	
Total Flood Control			37,208

Other Operations

Tourism

Contributions	\$	12,150	
Total Tourism			12,150

Industrial Development

Dues and Memberships	\$	669	
Total Industrial Development			669

Other Economic and Community Development

Contracts with Government Agencies	\$	294,823	
Contracts with Other Public Agencies		90,000	
Total Other Economic and Community Development			384,823

Veterans' Services

Clerical Personnel	\$	9,270	
Social Security		629	
Unemployment Compensation		92	
Employer Medicare		134	
Communication		1,526	
Data Processing Services		399	
Postal Charges		212	
Travel		1,178	
Office Supplies		277	
Total Veterans' Services			13,717

Other Charges

Trustee's Commission	\$	62,534	
Workers' Compensation Insurance		61,520	
Total Other Charges			124,054

Total General Fund \$ 5,805,271

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Truck Drivers	\$	19,352	
Secretary(ies)		6,000	
Social Security		1,720	
Employer Medicare		400	
Maintenance and Repair Services - Vehicles		1,316	
Gasoline		2,574	
Instructional Supplies and Materials		5,794	
Other Supplies and Materials		1,500	
Refunds		1,350	
Total Sanitation Education/Information			\$ 40,006

Waste Pickup

Equipment Operators	\$	50,374	
Social Security		2,999	
State Retirement		4,195	
Medical Insurance		3,268	
Unemployment Compensation		209	
Employer Medicare		684	
Maintenance and Repair Services - Vehicles		14,407	
Diesel Fuel		31,415	
Gasoline		1,941	
Lubricants		200	
Total Waste Pickup			109,692

Convenience Centers

Attendants	\$	122,660	
Social Security		7,230	
State Retirement		7,946	
Medical Insurance		3,975	
Unemployment Compensation		763	
Employer Medicare		1,680	
Communication		2,317	
Maintenance and Repair Services - Buildings		11,218	
Other Contracted Services		1,200	
Custodial Supplies		200	
Electricity		3,598	
Water and Sewer		1,426	
Other Supplies and Materials		15,659	
Total Convenience Centers			179,872

Other Waste Collection

Contracts with Private Agencies	\$	20,000	
Contracts for Landfill Facilities		121,962	
Total Other Waste Collection			141,962

Landfill Operation and Maintenance

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

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 7,087	
Total Other Charges		\$ 7,087

Total Solid Waste/Sanitation Fund \$ 488,020

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 44,020	
Medical Personnel	482,450	
Clerical Personnel	21,964	
In-Service Training	12,860	
Social Security	33,681	
State Retirement	36,799	
Medical Insurance	3,604	
Unemployment Compensation	1,789	
Employer Medicare	7,882	
Communication	4,125	
Data Processing Services	2,358	
Dues and Memberships	442	
Licenses	1,000	
Maintenance and Repair Services - Buildings	907	
Maintenance and Repair Services - Equipment	1,321	
Maintenance and Repair Services - Vehicles	38,282	
Postal Charges	579	
Travel	958	
Other Contracted Services	28,010	
Data Processing Supplies	816	
Drugs and Medical Supplies	27,186	
Electricity	3,607	
Gasoline	45,593	
Natural Gas	1,931	
Office Supplies	2,481	
Uniforms	802	
Other Supplies and Materials	6,781	
Trustee's Commission	7,326	
Total Ambulance/Emergency Medical Services		\$ 819,554

Total Ambulance Service Fund 819,554

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 2,500	
Maintenance and Repair Services - Vehicles	2,763	
Veterinary Services	6,777	
Other Supplies and Materials	5,610	
Trustee's Commission	252	
Total Drug Enforcement		\$ 17,902

Total Drug Control Fund 17,902

(Continued)

Exhibit J-8

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

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 2,454	
Total County Clerk's Office		\$ 2,454

Total Constitutional Officers - Fees Fund \$ 2,454

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,613	
Accountants/Bookkeepers	31,548	
Clerical Personnel	26,602	
Employee and Dependent Insurance	25,179	
Data Processing Services	5,459	
Dues and Memberships	2,206	
Evaluation and Testing	800	
Legal Services	52	
Legal Notices, Recording, and Court Costs	736	
Maintenance and Repair Services - Office Equipment	206	
Postal Charges	319	
Printing, Stationery, and Forms	225	
Travel	822	
Data Processing Supplies	151	
Drugs and Medical Supplies	4	
Instructional Supplies and Materials	278	
Office Supplies	409	
Total Administration		\$ 159,609

Highway and Bridge Maintenance

Foremen	\$ 32,837	
Equipment Operators	88,320	
Truck Drivers	83,616	
Laborers	169,476	
Employee and Dependent Insurance	121,603	
Other Contracted Services	22,184	
Asphalt - Hot Mix	96,288	
Asphalt - Liquid	12,484	
Concrete	972	
Crushed Stone	15,648	
Fertilizer, Lime, and Seed	105	
Other Road Supplies	167	
Pipe	510	
Pipe - Metal	18,343	
Road Signs	5,842	
Small Tools	497	
Total Highway and Bridge Maintenance		668,892

Operation and Maintenance of Equipment

Mechanic(s)	\$ 60,611	
Nightwatchmen	61,913	
Employee and Dependent Insurance	34,142	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Maintenance and Repair Services - Equipment	\$	4,050	
Diesel Fuel		25,194	
Equipment and Machinery Parts		20,486	
Garage Supplies		5,094	
Gasoline		28,081	
Lubricants		1,994	
Propane Gas		528	
Small Tools		157	
Tires and Tubes		5,239	
Other Supplies and Materials		1,496	
Total Operation and Maintenance of Equipment			\$ 248,985

Other Charges

Communication	\$	3,664	
Electricity		1,367	
Natural Gas		580	
Water and Sewer		636	
Liability Insurance		9,500	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		13,728	
Vehicle and Equipment Insurance		17,167	
Total Other Charges			46,992

Employee Benefits

Social Security	\$	45,932	
State Retirement		50,219	
Employee and Dependent Insurance		12,885	
Unemployment Compensation		1,081	
Workers' Compensation Insurance		79,039	
Total Employee Benefits			189,156

Capital Outlay

Other Contracted Services	\$	897	
Other Supplies and Materials		35	
Highway Equipment		111,979	
Plant Operation Equipment		742	
Total Capital Outlay			113,653

Principal on Debt

Highways and Streets

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

Interest on Debt

Highways and Streets

Interest on Notes	\$	2,985	
Total Highways and Streets			2,985

Total Highway/Public Works Fund \$ 1,453,605

(Continued)

Exhibit J-8

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 40,333	
Principal on Other Loans	196,000	
Total General Government		\$ 236,333
<u>Education</u>		
Principal on Bonds	\$ 3,515,000	
Total Education		3,515,000
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 706	
Interest on Other Loans	18,741	
Total General Government		19,447
<u>Education</u>		
Interest on Bonds	\$ 141,680	
Total Education		141,680
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 9,789	
Other Debt Issuance Charges	35,626	
Total General Government		45,415
<u>Education</u>		
Other Debt Service	\$ 1,803	
Total Education		1,803
Total General Debt Service Fund		\$ 3,959,678
<u>General Capital Projects Fund</u>		
<u>Public Health and Welfare</u>		
<u>Landfill Operation and Maintenance</u>		
Other Charges	\$ 5,588	
Total Landfill Operation and Maintenance		\$ 5,588
<u>Other Operations</u>		
<u>Other Economic and Community Development</u>		
Contracts with Government Agencies	\$ 16,200	
Engineering Services	68,049	
Other Construction	143,495	
Total Other Economic and Community Development		227,744
Total General Capital Projects Fund		233,332
Total Governmental Funds - Primary Government		\$ 12,779,816

Exhibit J-9

Sequatchie County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Sequatchie County School Department  
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,833,254	
Career Ladder Program		32,055	
Career Ladder Extended Contracts		17,350	
Homebound Teachers		70,976	
Educational Assistants		188,076	
Certified Substitute Teachers		8,227	
Non-certified Substitute Teachers		62,755	
Social Security		294,298	
State Retirement		448,548	
Medical Insurance		715,936	
Employer Medicare		69,549	
Maintenance and Repair Services - Equipment		870	
Travel		560	
Instructional Supplies and Materials		87,540	
Textbooks		165,693	
Other Supplies and Materials		1,537	
Other Charges		7,861	
Regular Instruction Equipment		28,422	
Total Regular Instruction Program			\$ 7,033,507

Alternative Instruction Program

Teachers	\$	51,692	
Career Ladder Program		1,000	
Educational Assistants		12,703	
Social Security		4,055	
State Retirement		5,727	
Employer Medicare		948	
Instructional Supplies and Materials		572	
Total Alternative Instruction Program			76,697

Special Education Program

Teachers	\$	967,633	
Career Ladder Program		5,500	
Career Ladder Extended Contracts		375	
Homebound Teachers		22,680	
Clerical Personnel		23,611	
Educational Assistants		132,509	
Certified Substitute Teachers		1,432	
Non-certified Substitute Teachers		21,462	
Social Security		66,021	
State Retirement		98,140	
Medical Insurance		157,403	
Employer Medicare		15,783	
Communication		2,116	
Contracts with Other School Systems		1,938	
Contracts with Private Agencies		11,790	
Travel		491	
Other Contracted Services		41,822	
Instructional Supplies and Materials		7,324	

(Continued)



Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	295	
Other Charges		19,274	
Total Special Education Program			\$ 1,597,599

Vocational Education Program

Teachers	\$	152,566	
Career Ladder Extended Contracts		950	
Non-certified Substitute Teachers		578	
Social Security		9,054	
State Retirement		13,632	
Medical Insurance		20,813	
Employer Medicare		2,118	
Instructional Supplies and Materials		1,550	
Vocational Instruction Equipment		1,495	
Other Equipment		353	
Total Vocational Education Program			203,109

Student Body Education Program

Other Salaries and Wages	\$	16,119	
Social Security		993	
State Retirement		912	
Employer Medicare		232	
Total Student Body Education Program			18,256

Adult Education Program

Teachers	\$	38,862	
Clerical Personnel		23,144	
Other Salaries and Wages		1,785	
Social Security		3,476	
State Retirement		3,258	
Employer Medicare		923	
Instructional Supplies and Materials		3,509	
Total Adult Education Program			74,957

Support Services

Attendance

Supervisor/Director	\$	60,481	
Career Ladder Program		1,000	
Clerical Personnel		16,523	
Social Security		4,328	
State Retirement		6,823	
Medical Insurance		15,655	
Employer Medicare		1,012	
Travel		2,337	
Total Attendance			108,159

Health Services

Medical Personnel	\$	36,197	
Other Salaries and Wages		60,229	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Social Security	\$	5,525	
State Retirement		8,183	
Medical Insurance		10,900	
Employer Medicare		1,292	
Communication		467	
Postal Charges		300	
Travel		2,920	
Other Contracted Services		3,000	
Other Supplies and Materials		8,532	
Total Health Services	\$		137,545

Other Student Support

Guidance Personnel	\$	175,296	
Other Salaries and Wages		14,494	
Social Security		11,455	
State Retirement		16,762	
Medical Insurance		5,272	
Employer Medicare		2,679	
Evaluation and Testing		6,584	
Travel		184	
Other Contracted Services		36,975	
Other Supplies and Materials		174	
Other Charges		283	
Other Equipment		39,129	
Total Other Student Support			309,287

Regular Instruction Program

Supervisor/Director	\$	126,731	
Career Ladder Program		5,000	
Librarians		129,900	
Instructional Computer Personnel		56,990	
Clerical Personnel		25,646	
Other Salaries and Wages		25,051	
Social Security		21,600	
State Retirement		32,314	
Medical Insurance		35,372	
Employer Medicare		5,052	
Travel		11,095	
Other Contracted Services		4,291	
Library Books/Media		12,000	
Other Supplies and Materials		49,832	
In Service/Staff Development		370	
Other Charges		6,644	
Other Equipment		2,396	
Total Regular Instruction Program			550,284

Special Education Program

Supervisor/Director	\$	64,442	
Career Ladder Program		500	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Psychological Personnel	\$	48,217	
Other Salaries and Wages		15,652	
Social Security		8,279	
State Retirement		12,346	
Medical Insurance		13,037	
Employer Medicare		1,936	
Travel		4,439	
Other Contracted Services		14,375	
Other Supplies and Materials		792	
In Service/Staff Development		2,228	
Other Charges		446	
Total Special Education Program			\$ 186,689

Adult Programs

Supervisor/Director	\$	65,966	
Career Ladder Program		2,000	
Clerical Personnel		3,000	
Social Security		4,009	
State Retirement		6,283	
Medical Insurance		7,934	
Employer Medicare		938	
Communication		871	
Operating Lease Payments		500	
Postal Charges		150	
Travel		1,395	
In Service/Staff Development		3,175	
Other Charges		305	
Total Adult Programs			96,526

Other Programs

On-Behalf Payments to OPEB	\$	55,028	
Total Other Programs			55,028

Board of Education

Board and Committee Members Fees	\$	19,831	
Social Security		962	
Unemployment Compensation		21,120	
Employer Medicare		288	
Audit Services		6,105	
Dues and Memberships		4,948	
Legal Services		957	
Travel		15,564	
Other Contracted Services		2,000	
Liability Insurance		11,182	
Trustee's Commission		98,527	
Workers' Compensation Insurance		34,618	
Refund to Applicant for Criminal Investigation		720	
Other Charges		2,996	
Total Board of Education			219,818

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	99,511	
Assistant(s)		3,026	
Career Ladder Program		1,000	
Secretary(ies)		13,506	
Social Security		6,982	
State Retirement		10,308	
Medical Insurance		7,412	
Employer Medicare		1,633	
Communication		12,973	
Dues and Memberships		4,249	
Postal Charges		2,331	
Other Contracted Services		3,029	
Office Supplies		1,962	
Other Supplies and Materials		1,002	
Other Charges		2,467	
Total Director of Schools			\$ 171,391

Office of the Principal

Principals	\$	194,520	
Career Ladder Program		4,000	
Accountants/Bookkeepers		42,831	
Career Ladder Extended Contracts		4,625	
Assistant Principals		180,703	
Secretary(ies)		44,660	
Social Security		27,162	
State Retirement		40,704	
Medical Insurance		54,539	
Employer Medicare		6,353	
Travel		1,226	
Other Charges		2,146	
Total Office of the Principal			603,469

Fiscal Services

Supervisor/Director	\$	68,064	
Clerical Personnel		27,463	
Other Salaries and Wages		22,058	
Social Security		6,696	
State Retirement		9,701	
Medical Insurance		13,337	
Employer Medicare		1,566	
Data Processing Services		9,320	
Maintenance and Repair Services - Equipment		354	
Travel		1,860	
Data Processing Supplies		540	
Office Supplies		387	
Other Supplies and Materials		622	
Other Charges		15	
Total Fiscal Services			161,983

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	258,029	
Social Security		14,707	
State Retirement		21,288	
Medical Insurance		66,334	
Employer Medicare		3,440	
Other Contracted Services		60,530	
Custodial Supplies		44,532	
Electricity		388,668	
Natural Gas		47,799	
Water and Sewer		58,276	
Other Supplies and Materials		8,786	
Building and Contents Insurance		29,126	
Other Charges		2,443	
Plant Operation Equipment		1,625	
Total Operation of Plant			\$ 1,005,583

Maintenance of Plant

Supervisor/Director	\$	35,019	
Maintenance Personnel		93,477	
Social Security		6,861	
State Retirement		10,601	
Medical Insurance		34,507	
Employer Medicare		1,605	
Maintenance and Repair Services - Buildings		3,333	
Maintenance and Repair Services - Equipment		323	
Maintenance and Repair Services - Vehicles		415	
Travel		2,617	
Other Contracted Services		3,433	
Equipment and Machinery Parts		68	
Other Supplies and Materials		18,064	
Other Charges		814	
Total Maintenance of Plant			211,137

Transportation

Supervisor/Director	\$	1,384	
Mechanic(s)		35,019	
Bus Drivers		150,037	
Other Salaries and Wages		10,454	
In-Service Training		416	
Social Security		12,270	
State Retirement		16,217	
Medical Insurance		8,716	
Employer Medicare		2,890	
Other Fringe Benefits		5,100	
Maintenance and Repair Services - Vehicles		1,268	
Medical and Dental Services		2,165	
Travel		747	
Other Contracted Services		5,127	
Diesel Fuel		65,938	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Equipment and Machinery Parts	\$	1,830	
Gasoline		12,730	
Lubricants		2,492	
Tires and Tubes		5,359	
Vehicle Parts		29,226	
Other Supplies and Materials		3,865	
Vehicle and Equipment Insurance		7,369	
Other Charges		1,660	
Administration Equipment		5,114	
Transportation Equipment		96,049	
Total Transportation	\$		483,442

Operation of Non-Instructional Services

Community Services

Other Charges	\$	1,675	
Total Community Services			1,675

Early Childhood Education

Teachers	\$	46,957	
Clerical Personnel		3,000	
Educational Assistants		12,076	
Non-certified Substitute Teachers		2,313	
Social Security		3,842	
State Retirement		5,414	
Medical Insurance		5,272	
Employer Medicare		899	
Travel		2,587	
Instructional Supplies and Materials		12,347	
Other Supplies and Materials		3,782	
Total Early Childhood Education			98,489

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	726,334	
Total Regular Capital Outlay			726,334

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	3,515,000	
Total Education			3,515,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	141,680	
Total Education			141,680

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	1,803	
Total Education			1,803

Total General Purpose School Fund \$ 17,789,447

(Continued)

Exhibit J-9

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	311,089	
Clerical Personnel		1,000	
Educational Assistants		100,762	
Certified Substitute Teachers		330	
Non-certified Substitute Teachers		3,630	
Social Security		21,117	
State Retirement		32,336	
Medical Insurance		58,624	
Unemployment Compensation		2,082	
Employer Medicare		5,515	
Travel		653	
Instructional Supplies and Materials		101,993	
Other Supplies and Materials		28,867	
Other Charges		1,959	
Regular Instruction Equipment		173,842	
Total Regular Instruction Program	\$		843,799

Special Education Program

Teachers	\$	18,235	
Educational Assistants		238,161	
Speech Pathologist		26,388	
Social Security		15,565	
State Retirement		22,372	
Medical Insurance		70,864	
Unemployment Compensation		1,412	
Employer Medicare		3,640	
Other Fringe Benefits		7,738	
Contracts with Private Agencies		13,358	
Other Contracted Services		5,990	
Instructional Supplies and Materials		37,915	
Special Education Equipment		51,236	
Total Special Education Program			512,874

Vocational Education Program

Clerical Personnel	\$	1,000	
Social Security		62	
State Retirement		82	
Employer Medicare		14	
Instructional Supplies and Materials		5,267	
Vocational Instruction Equipment		29,034	
Total Vocational Education Program			35,459

Support Services

Other Student Support

Bus Drivers	\$	142	
Social Security		9	
State Retirement		12	
Employer Medicare		2	
Travel		3,949	

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Contracted Services	\$	18,429	
In Service/Staff Development		78,238	
Other Charges		15,066	
Total Other Student Support			\$ 115,847

Regular Instruction Program

Supervisor/Director	\$	77,777	
Clerical Personnel		14,317	
Other Salaries and Wages		44,018	
Social Security		8,156	
State Retirement		12,031	
Medical Insurance		15,041	
Unemployment Compensation		680	
Employer Medicare		1,908	
Travel		9,550	
Other Contracted Services		105,063	
Instructional Supplies and Materials		10,962	
Other Supplies and Materials		7,810	
In Service/Staff Development		92,509	
Other Charges		1,435	
Other Equipment		1,040	
Total Regular Instruction Program			402,297

Special Education Program

Psychological Personnel	\$	29,620	
Clerical Personnel		8,254	
Other Salaries and Wages		3,234	
Social Security		712	
State Retirement		968	
Unemployment Compensation		56	
Employer Medicare		554	
Other Fringe Benefits		193	
Travel		2,000	
Other Contracted Services		20,448	
In Service/Staff Development		4,117	
Total Special Education Program			70,156

Vocational Education Program

Travel	\$	2,106	
Total Vocational Education Program			2,106

Transportation

Bus Drivers	\$	40,475	
Other Salaries and Wages		18,027	
Social Security		3,071	
State Retirement		4,052	
Medical Insurance		6,509	
Unemployment Compensation		292	
Employer Medicare		752	

(Continued)



Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Fringe Benefits	\$	3,450	
Diesel Fuel		12,438	
Lubricants		238	
Tires and Tubes		1,483	
Vehicle Parts		3,523	
Total Transportation			\$ 94,310

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	3,500	
Teachers		53,540	
Bus Drivers		712	
Clerical Personnel		999	
Educational Assistants		16,835	
Social Security		4,686	
State Retirement		6,442	
Unemployment Compensation		377	
Employer Medicare		1,096	
Travel		2,016	
Instructional Supplies and Materials		4,949	
Other Supplies and Materials		1,050	
In Service/Staff Development		480	
Other Charges		5,840	
Total Community Services			102,522

Total School Federal Projects Fund \$ 2,179,370

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	31,350	
Accountants/Bookkeepers		14,288	
Clerical Personnel		21,176	
Cafeteria Personnel		271,305	
Temporary Personnel		14,642	
Other Salaries and Wages		9,844	
Social Security		19,540	
State Retirement		26,864	
Medical Insurance		110,138	
Employer Medicare		4,669	
Communication		4,457	
Maintenance and Repair Services - Equipment		5,186	
Transportation - Other than Students		2,617	
Travel		1,582	
Other Contracted Services		9,611	
Food Preparation Supplies		703	
Food Supplies		500,878	
Office Supplies		3,258	
USDA - Commodities		70,705	

(Continued)

Exhibit J-9

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Other Supplies and Materials	\$	41,606	
In Service/Staff Development		3,708	
Criminal Investigation of Applicants - TBI		420	
Other Charges		1,674	
Food Service Equipment		6,381	
Total Food Service			\$ 1,176,602

Total Central Cafeteria Fund \$ 1,176,602

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Other Capital Outlay	\$	637,774	
Total Education Capital Projects			\$ 637,774

Total Education Capital Projects Fund 637,774

Total Governmental Funds - Sequatchie County School Department \$ 21,783,193

Exhibit J-10

Sequatchie County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 383,068
Total Cash Receipts	<u>\$ 383,068</u>
<u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 379,237
Trustee's Commission	<u>3,831</u>
Total Cash Disbursements	<u>\$ 383,068</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0
Cash Balance, July 1, 2012	<u>0</u>
Cash Balance, June 30, 2013	<u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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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, 2013, 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 11, 2013.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses: 2013-001, 2013-002(A), 2013-004, 2013-009, and 2013-010.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-002(B), 2013-006(A,B), 2013-008, 2013-011, 2013-012, 2013-013, 2013-014, and 2013-017.

## **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: 2013-002(C,D,E), 2013-003, 2013-005, 2013-006(C), 2013-007, 2013-015, and 2013-016.

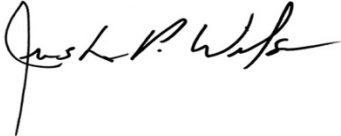
## **Sequatchie County's Responses to Findings**

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,

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

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 11, 2013

JPW/sb



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

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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Sequatchie County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Sequatchie County's major federal programs for the year ended June 30, 2013. 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, 2013.

### **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

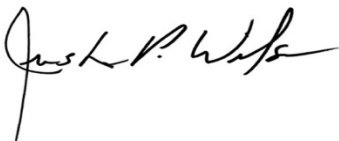
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2013, and the related notes to the financial statements, which collectively comprise Sequatchie County's basic financial statements. We issued our report thereon dated October 11, 2013, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 11, 2013

JPW/sb

Sequatchie County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2013

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	\$ 70,705 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	220,775
National School Lunch Program	10.555	N/A	645,811 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	4,304
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	17,304
Total U.S. Department of Agriculture			<u>\$ 958,899</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program	14.228	(2)	\$ 227,744
Passed-through State Housing Development Agency:			
HOME Investment Partnership Program	14.239	(2)	279,519
Total U.S. Department of Housing and Urban Development			<u>\$ 507,263</u>
U.S. Department of Justice:			
Passed-through State Commission on Children and Youth:			
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	(2)	\$ 5,535
Passed-through State Department of Justice:			
Bulletproof Vest Partnership Program	16.607	(2)	8,381
Total U.S. Department of Justice			<u>\$ 13,916</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	\$ 23,727
Total U.S. Department of Transportation			<u>\$ 23,727</u>
U.S. Department of Education:			
Direct Program:			
Fund for the Improvement of Education	84.215	(2)	\$ 138,660
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	120,596
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	721,584
Special Education Cluster:			
Special Education - Grants to States (IDEA, Part B)	84.027	N/A	589,109
Special Education - Preschool Grants (IDEA Preschool)	84.173	N/A	110,615

(Continued)

Sequatchie County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through State Department of Education (Cont.):			
Career and Technical Education - Basic Grants to States	84.048	N/A	\$ 42,146
Rehabilitation Services - Vocational Rehabilitation Grants to States (Perkins IV)	84.126	(2)	25,289
Twenty-first Century Community Learning Centers	84.287	(2)	103,611
Education Technology State Grants Cluster:			
Rural Education	84.358	(2)	51,952
Improving Teacher Quality State Grants	84.367	(2)	86,980
School Improvement Grants Cluster:			
School Improvement Grants	84.377	N/A	178,777
School Improvement Grants, Recovery Act	84.388	N/A	55,261
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	<u>143,087</u>
Total U.S. Department of Education			<u>\$ 2,367,667</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 1,047
Hazard Mitigation Grant (HMGP)	97039	(2)	28,562
Homeland Security Grant Program	97.067	(4)	<u>78,068</u>
Total U.S. Department of Homeland Security			<u>\$ 107,677</u>
Total Expenditures of Federal Awards			<u>\$ 3,979,149</u>
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 38,885
Early Childhood Education - State Department of Education	N/A	(2)	98,993
Drivers Education - State Department of Education	N/A	(2)	1,193
Coordinated School Health - State Department of Education	N/A	(2)	94,895
Safe Schools - State Department of Education	N/A	(2)	12,700
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Rural Local Health Services - State Department of Health	N/A	(2)	113,642
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	<u>13,201</u>
Total State Grants			<u>\$ 382,509</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 \$716,516.

(4) 2009-SS-T9-0086: \$2,568; (2): \$75,500.

Sequatchie County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2013

*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, 2012, which have not been corrected.

**OFFICE OF COUNTY EXECUTIVE**

Finding Number	Page Number	Subject
12.02(A)	151	The General Debt Service Fund's actual beginning fund balance differed from the estimated beginning fund balance presented to the County Commission
12.03(A,B)	151	Deficiencies were noted related to credit card purchases

**OFFICE OF HIGHWAY SUPERVISOR**

Finding Number	Page Number	Subject
12.05	153	The Highway/Public Works Fund's actual fund balance exceeded the estimated beginning fund balance by a material amount

**OFFICES OF CLERK AND MASTER AND SHERIFF**

Finding Number	Page Number	Subject
12.06	154	Multiple employees operated from the same cash drawer

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
12.08	155	The office did not deposit some funds within three days of collection

**OFFICES OF HIGHWAY SUPERVISOR, CLERK AND MASTER, AND SHERIFF**

Finding Number	Page Number	Subject
12.09	156	Duties were not segregated adequately

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**SEQUATCHIE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2013**

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**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. Five of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Sequatchie County.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); the School Improvement Grants Cluster: School Improvement Grants and School Improvement Grants, Recovery Act (CFDA Nos. 84.377 and 84.388); 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 on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **OFFICE OF COUNTY EXECUTIVE**

#### **FINDING 2013-001**

#### **THE GENERAL, AMBULANCE SERVICE, AND GENERAL CAPITAL PROJECTS FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION** (Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the General, Ambulance Service, and General Capital Projects funds were not materially correct. Audit adjustments totaling \$340,810 (General Fund), \$1,591,182 (Ambulance Service Fund), and \$258,893 (General Capital Projects Fund) 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 a lack of management oversight. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

#### **RECOMMENDATION**

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

#### **MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE**

I concur.

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FINDING 2013-002

**THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**

(A. – Internal Control – Material Weakness Under *Government Auditing Standards*; B. – Significant Deficiency Under – *Government Auditing Standards*; C., D., and E. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations:

- A. The General Debt Service Fund’s actual beginning fund balance at July 1, 2012, was less than the estimated beginning fund balance presented to the County Commission by \$125,299. Sound business practices dictate that realistic estimates of the beginning fund balance should be presented to the County Commission during the budget process. This deficiency is due to management’s failure to properly estimate the actual ending fund balance for June 30, 2012, and resulted in materially overstating the estimated beginning fund balance. Also, management failed to correct this deficiency noted in the prior-year audit report.
- B. During the year, budget amendments were posted to the General (\$96,784) and Ambulance Service (\$7,666) funds that were not approved by the County Commission. These budget amendments have not been recognized in the financial statements of this report.
- C. Ambulance Service Fund expenditures exceeded total appropriations approved by the County Commission by \$7,854.
- D. Expenditures exceeded appropriations approved by the County Commission in the following General and Solid Waste/Sanitation funds’ major appropriation categories (the legal level of control):

<u>Fund</u>	<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General	County Buildings	\$ 4,048
"	Jail	34,217
"	Other Charges	534
"	Transfers Out	2,000
Solid Waste/Sanitation	Sanitation Education Information	806

- E. The medical personnel salary line-item in the Ambulance Service Fund exceeded appropriations approved by the County Commission by \$27,450. The budget resolution approved by the County Commission states that the salary, wages, or enumeration of each official, employee, or agent of the county will not exceed appropriations that accompany this resolution. Therefore, the salaries that exceeded line-item appropriations were expenditures not approved by the County Commission.

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending within limits authorized by the County Commission, which resulted in unauthorized expenditures.

#### RECOMMENDATION

Estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual fund balance by a material amount. Budget amendments should be submitted to the County Commission for their approval. Furthermore, county officials should ensure that expenditures are held within appropriations approved by the County Commission.

#### MANAGEMENT’S RESPONSE – COUNTY EXECUTIVE

All budget deficiencies were fixed by executive order and approved by the County Commission, including the payroll for the Ambulance Service Fund. Otherwise, I concur.

#### AUDITOR’S COMMENT

Only budget amendments approved by the County Commission on or before June 30, 2013, can be recognized in the financial statements of this report.

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#### FINDING 2013-003

#### **FUNDS WERE TRANSFERRED FROM THE GENERAL FUND TO THE SOLID WASTE/SANITATION FUND WITHOUT COUNTY COMMISSION APPROVAL** (Noncompliance Under *Government Auditing Standards*)

The General Fund transferred \$6,000 to the Solid Waste/Sanitation Fund without the County Commission’s approval. According to county officials, these funds were transferred to the Solid Waste/Sanitation Fund to cover payroll disbursements before property tax collections started coming in for the year. Section 5-9-401, *Tennessee Code Annotated*, provides that “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency was due to a lack of management oversight.

#### RECOMMENDATION

All transfers between funds should be approved by the County Commission.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The transfer was made from the transfers-out line item, which was approved by the County Commission.

AUDITOR'S COMMENT

The county's original budget included a transfer of \$90,000 from the General Fund to the Ambulance Service Fund. There was no transfer budgeted for the Solid Waste/Sanitation Fund in the county's original budget. Also, there was no budget amendment subsequently approved by the County Commission for a transfer to the Solid Waste/Sanitation Fund.

FINDING 2013-004

**REQUESTS FOR REIMBURSEMENT ON A CONSTRUCTION GRANT WERE NOT SUBMITTED TIMELY**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

The county was awarded a federal grant for a water line construction project. From November 8, 2012, through June 27, 2013, the county paid vendors \$61,600 for the water line project. However, the county did not submit a reimbursement request for grant funds until July 23, 2013, when the auditor began questioning the grant reimbursements. We also noted various disbursements totaling \$2,180 for the water line project from October 27, 2011, through May 3, 2012, that were not included on any of the reimbursement requests submitted to the grantor agency. These deficiencies are the result of a lack of management oversight and could result in a loss of grant revenues.

RECOMMENDATION

Grant requests for reimbursement should be made to the grantor agency timely.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

I concur.

FINDING 2013-005

**CAPITAL PROJECTS FUNDS WERE NOT DISBURSED IN COMPLIANCE WITH COUNTY COMMISSION RESOLUTIONS**

(Noncompliance Under *Government Auditing Standards*)

In the prior year, the County Commission transferred \$100,000 to the General Capital Projects Fund for industrial development (Antebellum Project). On July 1, 2012, \$28,401 of these funds remained in the General Capital Projects Fund. During the current year, the county did not expend any funds related to the industrial park project. However, the funds

were disbursed for landfill expenditures related to the Bledsoe/Sequatchie County Landfill and for the water line project noted in Finding 2013-004. This deficiency was due to a lack of management oversight.

### RECOMMENDATION

Capital projects funds should be disbursed in compliance with County Commission resolutions.

### MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

From now on, we will set up cost centers in the Capital Projects Funds to keep projects separate.

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### FINDING 2013-006

### **THE OFFICE HAD DEFICIENCIES RELATED TO CREDIT CARD DISBURSEMENTS**

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

Because of deficiencies related to credit card disbursements in the prior-year audit, we examined all credit card disbursements for the current year. During our examination, we noted the following deficiencies related to credit card disbursements, which were the result of the failure of management to correct the deficiencies noted in the prior-year audit report.

- A. We noted 13 credit card disbursements without adequate documentation to support the charges. Charges for purchases such as travel and software were paid without detailed invoices to document the goods and or services purchased. Without adequate supporting documentation, we cannot determine if the disbursements were for the benefit of the county.
- B. Purchase orders were not issued for eight credit card purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. The failure to issue purchase orders increases the risks of unauthorized purchases.
- C. As part of the travel expenditures charged to the credit card, we noted eight disbursements for restaurants within the county. We also noted that there were meal charges for individuals who were not county employees. The county's travel policy requires detailed documentation for meal reimbursements and does not provide for travel reimbursements for anyone other than a county employee on travel status (out-of-town travel).

RECOMMENDATION

Credit card purchases should be supported with adequate documentation. Purchase orders should be issued in all applicable instances. Travel expenditures should only be paid in compliance with the county's travel policy.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

I concur.

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FINDING 2013-007

**CONSTABLES WERE ALLOWED TO PURCHASE FUEL UTILIZING THE COUNTY'S TAX-EXEMPT STATUS**  
(Noncompliance Under *Government Auditing Standards*)

Constables were allowed to purchase tax-exempt fuel for their private vehicles using fuel cards issued to the county. At the end of each month, the constables were given a list of fuel charged to the county's account, and the constables reimbursed the county for the fuel. During the year, the county received reimbursements of \$2,044 from the constables. On December 12, 2008, the state Attorney General opined (Opinion No. 08-186) that governmental entities could not use their governmental exemption to purchase fuel for use in non-government vehicles.

RECOMMENDATION

The county should not allow constables to use the county's tax-exempt status to purchase fuel for their private vehicles.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

This deficiency has been fixed. Fuel cards have been taken back from all constables.

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FINDING 2013-008

**NUMEROUS MISCLASSIFICATIONS WERE NOTED IN THE ACCOUNTING RECORDS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our audit disclosed the following misclassifications in the accounting records:

- A. During the period under examination, we noted revenues and expenditures in both the General and the General Capital Projects funds related to a single water line construction project instead of being reported only in one fund. In order to determine if the grant proceeds for this project agreed with the related expenditures, all revenues and expenditures for the water line project are reported in the General Capital Projects Fund in the financial statements of this report.

- B. As part of our analysis of the water line grant disbursements, we noted expenditures of \$95,535 charged to county buildings and administration of justice projects.
- C. Expenditures of \$5,588 for landfill payments to the Bledsoe/Sequatchie Landfill were posted to the county buildings in the General Capital Projects Fund.

We presented audit adjustments to management that they approved and posted for the misclassifications noted during our examination to properly present disbursements in the financial statements of this report. These deficiencies were the result of a lack of management oversight.

**RECOMMENDATION**

All transactions should be posted to the correct fund and properly classified in the accounting records using the current County Uniform Chart of Accounts.

**MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE**

I concur.

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**OFFICE OF HIGHWAY SUPERVISOR**

**FINDING 2013-009**

**THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the Highway/Public Works Fund were not materially correct. Audit adjustments totaling \$84,489 were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require the Highway Department to have adequate controls over the maintenance of its accounting records. Material audit adjustments were required because the department'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 department 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. This deficiency is 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

The Highway Department should have appropriate processes in place to ensure that its general ledgers are materially correct.

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### FINDING 2013-010

#### **THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT**

(Internal Control – Material Weakness Under *Government Auditing Standards*)

The Highway/Public Works Fund's actual beginning fund balance at July 1, 2012, exceeded the estimated beginning fund balance presented to the County Commission by \$121,498. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency is due to management's failure to properly estimate the actual ending fund balance for June 30, 2012, and resulted in materially understating the estimated beginning fund balance.

## RECOMMENDATION

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

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### FINDING 2013-011

#### **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF PAYROLL DEDUCTIONS AND BENEFITS**

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

The Highway Department pays a portion of the employees' retirement and 100 percent of the health and life insurance benefits for individuals. The employees pay 100 percent of the premiums for dental, vision, disability, cancer, and accident insurance and the family portion of health insurance benefits. We noted the following deficiencies related to the deductions and expenditures for these benefits and premiums:

- A. General ledger payroll liability accounts were not reconciled with subsidiary payroll records and payments. As a result, unidentified balances accumulated in the liability accounts for several payroll deductions, and expenditures for employee benefits were misstated. Sound business practices dictate that payroll liability accounts should be reconciled with billings monthly. The failure to regularly reconcile payroll liability accounts is a

significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner.

- B. Four checks issued to the Tennessee Consolidated Retirement System totaling \$20,107 were misclassified between the employee payroll liability accounts and the county's expenditure accounts for retirement during the year. The net effect of these misclassifications overstated the Highway Department's expenditures for retirement. In addition, two journal entries totaling \$20,360 were posted to the fund equity account at year-end to clear the balance in the payroll liability account for retirement instead of identifying and correcting the posting errors that created the balance.
- C. The premiums for health insurance are posted to the payroll liability account by the software's payroll application as each payroll is processed. During the year, four disbursements for health insurance totaling \$16,754 were misclassified to the Highway Department's expenditure account for health insurance premiums rather than the payroll liability account, which overstated the department's expenditures for health insurance.
- D. Employees pay 100 percent of the premiums for dental, vision, disability, cancer, and accident insurance. During the year, amounts were withheld from the employees' payroll checks for these insurances and posted to payroll liability accounts; however, 15 disbursements for these payroll deductions totaling \$4,205 were posted to the Highway Department's expenditure accounts rather than the payroll liability account for health insurance. These misclassifications overstated the Highway Department's expenditures for employee health insurance.
- E. The Highway Department pays 100 percent of the life insurance premiums for its employees; however, during the year seven disbursements for life insurance premiums totaling \$2,159 were posted to payroll deduction accounts rather than the expenditure accounts. These misclassifications understated the Highway Department's expenditures for employee insurance.
- F. Due to the errors noted above, we examined the earnings records for all 21 employees at the Highway Department. We noted payroll deduction errors for five employees including deductions that did not agree with the employee's insurance premiums and one employee who had a payroll deduction for dental insurance but was never included on the dental insurance policy.

The above-noted misclassifications were presented to management, and management approved reclassifications for proper presentation in the financial statements of this report. These deficiencies exist due to a lack of management oversight.

#### RECOMMENDATION

General ledger payroll liability accounts and benefits should be reconciled monthly with payroll reports and invoices, and any errors discovered should be corrected promptly.



## **OFFICE OF TRUSTEE**

### **FINDING 2013-012**

### **USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES**

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

Although most employees had been assigned a unique username and password for accessing the office's accounting software, two employees of the office shared a username and password. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because these employees shared this user account. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight and was corrected in March 2013.

### **RECOMMENDATION**

Each employee should be assigned a username and password and should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared among employees.

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## **OFFICE OF COUNTY CLERK**

### **FINDING 2013-013**

### **USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES**

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

Although each employee had been assigned a unique username and password for accessing the office's accounting software, this information was shared with other employees. Employees also processed transactions using other users' logins. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because employees had access to each other's username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight and was corrected in March 2013.

### **RECOMMENDATION**

Each employee should continue to access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared among employees.

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## **OFFICES OF CLERK AND MASTER AND SHERIFF**

**FINDING 2013-014**

### **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**

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

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

### **RECOMMENDATION**

Officials should assign each employee their own cash drawer.

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## **OFFICE OF SHERIFF**

**FINDING 2013-015**

### **INMATE PHONE CARDS WERE MISSING FROM THE SHERIFF'S DEPARTMENT**

(Noncompliance Under *Government Auditing Standards*)

In August 2012, the Sheriff's Department contracted with a vendor to sell phone cards to inmates at the jail through a kiosk machine. The contract required the Sheriff's Department to purchase the phone cards from a vendor for one-half of the face value of the card, load the cards into the machine, and withdraw the collections from the machine. Collections from the kiosk were then deposited into the Sheriff's Department bank account. In addition to the proceeds from the card sales, the Sheriff's Department also received a commission check from the vendor. On February 5, 2013, an employee at the Sheriff's Department filed a fraud reporting form with the Comptroller's Office reporting that there were missing phone cards. We noted the following deficiencies:

- A. There were a total of 152 phone cards with a face value of \$2,520 that could not be accounted for in the Sheriff's Department during the period September 2012, through February 2013. Of the 152 missing phone cards, 52 had a face value of \$10 each and 100 had a face value of \$20. These cards were purchased by the Sheriff's Department for \$1,260. Of the 152 missing cards, only seven had not been activated according to information provided by the phone card vendor.

- B. The Sheriff's Department had not properly reconciled the phone card sales. A Sheriff's Department employee did maintain a record of the cards sold; however, this record was not properly reconciled with the cards purchased and on hand.
- C. Phone cards were not adequately secured when they were not in the machine. Instead, phone cards were maintained in an unlocked desk drawer in the bookkeeper's office. We also observed that the bookkeeper's office was not always locked while unoccupied.
- D. The phone card kiosk had a motorized counter that allowed multiple cards to be disbursed for one payment. In order to count cards, the kiosk's motor could be switched to a count mode that would run an entire stack of cards through the machine. If this motor was not reset to the vendor mode before the machine was closed, all of the cards in that vendor slot would be disbursed for a single cash transaction.

This finding has been reviewed with the district attorney.

#### RECOMMENDATION

The Sheriff's Department should take steps to recover the costs (\$1,260) of the missing phone cards. Phone card sales should be reconciled with the cards purchased and on hand on a regular basis, and any differences should be investigated. Phone cards that are not in the kiosk should be adequately secured until they are needed, and the Sheriff's Department should implement controls to make sure that the kiosk is only disbursing one card per transaction.

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#### FINDING 2013-016

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

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected three deposits encompassing 26 receipts to reconcile receipts with deposits. The Sheriff's Department did not deposit three of the 26 receipts examined to the office bank account within three days of collection. These funds were deposited to the bank account from five to eight days after collection. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The failure to deposit funds currently increases the risks of fraud and abuse.

#### RECOMMENDATION

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

## **OFFICES OF HIGHWAY SUPERVISOR, CLERK AND MASTER, AND SHERIFF**

**FINDING 2013-017**

### **DUTIES WERE NOT SEGREGATED ADEQUATELY**

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

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

### **RECOMMENDATION**

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

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### **BEST PRACTICE**

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

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

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

There were no findings and questioned costs for federal programs.

**SEQUATCHIE COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2013**

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