



**STATE OF TENNESSEE**  
**COMPTROLLER OF THE TREASURY**  
OFFICE OF STATE AND LOCAL FINANCE  
SUITE 1600 JAMES K. POLK STATE OFFICE BUILDING  
505 DEADERICK STREET  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872  
FAX (615) 741-5986

August 13, 2014

The Honorable County Executive  
and Board of Commissioners of Sequatchie County  
P.O. Box 595  
Dunlap, TN 37327

Re: Unbalanced General Fund Budget and Improper Transfer of Debt Service Monies

Dear Mr. Cartwright and Commissioners:

The Division of Local Government Audit (LGA) informed our Office, that during fiscal year 2014, the Sequatchie County Commission had approved a transfer of \$200,000 of restricted monies from the General Debt Service Fund to the General Fund. These restricted monies are from property taxes established solely for paying the County's debt service. These monies cannot be used for General Fund expenditures; therefore, this statutorily non-compliant transfer to the General Fund must be repaid to the General Debt Service Fund.

The cause of this improper transfer appears to be that the County overspent money in the General Fund during the fiscal year 2014. State statutes require that monies first be appropriated before they can be spent and that cash be available to support those expenditures.

The County Commission must immediately repay the improper transfer or adopt by resolution a plan to repay the improper transfer. This plan must address how the underlying internal control challenge that permitted the County to spend more than its available cash will be corrected.

A more immediate concern is that the County Commission needs to fulfill its duty to adopt a balanced budget for fiscal year 2015 by either cutting expenditures or increasing revenues for the County General Fund. The General Fund needs sufficient revenue to meet all required services and for repayment of the improper use of restricted Debt service Fund revenues. Our Office will contact you concerning monitoring that must be done for the County Commission to prevent future overspending.

2

If you need any assistance please contact our Office or your CTAS consultant.

Sincerely,

A handwritten signature in cursive script that reads "Sandra Thompson".

Sandra Thompson  
Director of the Office of State and Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. Joe Kimery, Assistant Director of Local Government Audit, COT