

**ANNUAL FINANCIAL REPORT
OF
PICKETT COUNTY, TENNESSEE
AND
PICKETT COUNTY SCHOOL DEPARTMENT**

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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State Auditors

This financial report is available at www.comptroller.state.tn.us

PICKETT COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit/Table	Page
Audit Highlights		i
 <u>INTRODUCTORY SECTION</u>		
Pickett County Officials		1
 <u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	12
Proprietary Funds:		
Statement of Net Assets	C-1	13
Statement of Revenues, Expenses, and Changes in Net Assets	C-2	14
Statement of Cash Flows	C-3	15
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	16
Notes to the Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	37
Highway/Public Works Fund	E-2	40
Notes to the Required Supplementary Information		41
 COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		
Nonmajor Governmental Funds :		
Combining Balance Sheet	F-1	47
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	48
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget: Drug Control Fund	F-3	49

	Exhibit/Table	Page
Major Governmental Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	53
Agency Funds:		
Combining Statement of Fiduciary Assets and Liabilities	H-1	57
Combining Statement of Changes in Assets and Liabilities	H-2	58
Miscellaneous Schedules:		
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds	I-1	61
Schedule of Bond and Interest Requirements by Year	I-2	62
Schedule of Transfers – All Funds	I-3	63
Schedule of Salaries and Official Bonds of Principal Officials	I-4	64
Schedule of Detailed Revenues – All Governmental Fund Types	I-5	65
Schedule of Detailed Expenditures – All Governmental Fund Types	I-6	69
Schedule of Detailed Revenues and Expenses – Proprietary Fund	I-7	81
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	I-8	83

STATISTICAL SECTION

Uncollected Taxes Filed in Chancery Court	1	87
Tax Rates and Assessments – Last Ten Years	2	88

Audit Highlights

Annual Financial Report
Pickett County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Pickett County as of and for the year ended June 30, 2005.

Results

Our report on Pickett County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 14 findings and recommendations, which we have reviewed with Pickett County management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

PICKETT COUNTY PRIMARY GOVERNMENT

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICE OF COUNTY EXECUTIVE

- ◆ Inventory records were not maintained for assets owned by the general county government as required by generally accepted accounting principles.
- ◆ Several invoices were paid without documentation that goods had been received or services had been rendered.
- ◆ Landfill personnel did not issue receipts for some collections, and they did not deposit collections with the county trustee within three days as required by state statutes. Also, landfill collections were not reconciled with amounts deposited with the county trustee.

OFFICE OF HIGHWAY SUPERINTENDENT

- ◆ The office did not maintain inventory records of consumable assets.
 - ◆ The highway superintendent did not submit a complete list of county roads, including the required classification, width and distance of each road, and a summary of changes from the prior year, to the County Commission.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ The general sessions court clerk did not turn traffic school collections over to the county. Also, the clerk made disbursements of \$19,773 from these collections.
 - ◆ Receipts were not properly issued when funds were received, and funds were not deposited within three days of collection.
 - ◆ A trial balance of execution docket cause balances for General Sessions Court did not reconcile with the general ledger by \$11,409.
-

OFFICE OF SHERIFF

- ◆ The cash journal did not properly reflect the operations of the office. Bank statements were not reconciled with cash journal accounts. Collections were not adequately safeguarded when received. Receipts were not properly issued and collections were not deposited to the bank within three days.
 - ◆ On several occasions, the office did not fingerprint inmates and file the fingerprints with the Tennessee Bureau of Investigation.
-

OTHER FINDINGS

- ◆ The general sessions judge ordered contributions to charitable or civic organizations without legal authority.
- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Pickett County Officials
June 30, 2005

Officials:

Stephen Bilbrey, County Executive
Amos Nicholas, Highway Superintendent
Jennifer Anderson, Trustee
Larry Anderson, Assessor of Property
Robert E. Lee, County Clerk
Larry Brown, Circuit and General Sessions Courts Clerk
Sue Whited, Clerk and Master
Phyllis Ford, Register
Carl Evans, Sheriff

Board of County Commissioners:

Stephen Bilbrey, Chairman
David Beaty
Tim Booher
Wayne Clayborn
Vickie Craig
Charles Cross
David Dowdy
Misty Dowdy
Deborah Garrett
William Gibson
Eddie Holt
Colon Huddleston
Stacy Moody

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

August 18, 2005

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

To the County Executive and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 34, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Pickett County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and the discretely presented component unit. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide

financial statements for the county's governmental activities, business-type activities, and the discretely presented component unit are not reasonably determinable.

As described in Note I, Pickett County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Pickett County, Tennessee, as of June 30, 2005, or the changes in its financial position or cash flows, where applicable, for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Pickett County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

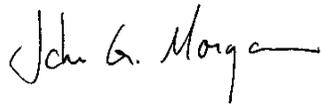
In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005, on our consideration of Pickett County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note III.B., Pickett County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 37 through 41 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pickett 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, miscellaneous schedules, and statistical tables 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, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Pickett County, Tennessee
 Balance Sheet
 Governmental Funds
 June 30, 2005

Exhibit A

	Major Funds			Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 6,971	\$ 6,971
Equity in Pooled Cash and Investments	507,573	240,579	421,908	17,676	1,187,736
Due from Other Governments	265,816	205,179	0	0	470,995
Due from Other Funds	6,971	0	0	0	6,971
Property Taxes Receivable	832,835	0	70,078	0	902,913
Allowance for Uncollectible Property Taxes	(36,525)	0	(3,060)	0	(39,585)
Prepaid Items	0	0	19,375	0	19,375
Total Assets	<u>\$ 1,576,670</u>	<u>\$ 445,758</u>	<u>\$ 508,301</u>	<u>\$ 24,647</u>	<u>\$ 2,555,376</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 109,356	\$ 0	\$ 0	\$ 0	\$ 109,356
Payroll Deductions Payable	587	0	0	0	587
Due to Other Funds	0	0	0	6,971	6,971
Deferred Revenue - Current Property Taxes	751,057	0	63,247	0	814,304
Deferred Revenue - Delinquent Property Taxes	45,253	0	3,771	0	49,024
Other Deferred Revenues	25,000	100,331	0	0	125,331
Total Liabilities	<u>\$ 931,253</u>	<u>\$ 100,331</u>	<u>\$ 67,018</u>	<u>\$ 6,971</u>	<u>\$ 1,105,573</u>
<u>Fund Balances</u>					
Reserved for Computer System - Register	\$ 23,597	\$ 0	\$ 0	\$ 0	\$ 23,597
Reserved for Capital Outlay	6,982	0	0	0	6,982
Reserved for Other General Purposes	118,581	0	0	0	118,581
Unreserved, Reported In:					
General Fund	496,257	0	0	0	496,257
Special Revenue Funds	0	345,427	0	3,376	348,803
Debt Service Funds	0	0	441,283	0	441,283
Capital Projects Funds	0	0	0	14,300	14,300
Total Fund Balances	<u>\$ 645,417</u>	<u>\$ 345,427</u>	<u>\$ 441,283</u>	<u>\$ 17,676</u>	<u>\$ 1,449,803</u>
Total Liabilities and Fund Balances	<u>\$ 1,576,670</u>	<u>\$ 445,758</u>	<u>\$ 508,301</u>	<u>\$ 24,647</u>	<u>\$ 2,555,376</u>

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

Exhibit B

Pickett County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,308,333	\$ 0	\$ 65,765	\$ 0	\$ 1,374,098
Licenses and Permits	4,183	0	0	0	4,183
Fines, Forfeitures and Penalties	14,337	0	0	1,368	15,705
Charges for Current Services	500,995	0	0	55	501,050
Other Local Revenues	77,099	39	110,000	25	187,163
Fees Received from County Officials	188,689	0	0	0	188,689
State of Tennessee	337,541	1,389,330	0	16,683	1,743,554
Federal Government	223,240	0	0	4,800	228,040
Other Governments and Citizens Groups	18,625	0	0	0	18,625
Total Revenues	<u>\$ 2,673,042</u>	<u>\$ 1,389,369</u>	<u>\$ 175,765</u>	<u>\$ 22,931</u>	<u>\$ 4,261,107</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 368,845	\$ 0	\$ 0	\$ 0	\$ 368,845
Finance	171,387	0	0	55	171,442
Administration of Justice	198,734	0	0	0	198,734
Public Safety	798,348	0	0	21,296	819,644
Public Health and Welfare	577,663	0	0	7,950	585,613
Social, Cultural, and Recreational Services	67,207	0	0	0	67,207
Agricultural and Natural Resources	41,178	0	0	0	41,178
Other Operations	383,626	0	0	12,090	395,716
Highways	0	1,447,059	0	0	1,447,059
Debt Service:					
Principal	0	0	60,832	0	60,832
Interest	0	0	69,422	0	69,422
Other Debt Service	0	0	1,316	0	1,316
Capital Projects	156,359	0	0	90,918	247,277
Total Expenditures	<u>\$ 2,763,347</u>	<u>\$ 1,447,059</u>	<u>\$ 131,570</u>	<u>\$ 132,309</u>	<u>\$ 4,474,285</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (90,305)</u>	<u>\$ (57,690)</u>	<u>\$ 44,195</u>	<u>\$ (109,378)</u>	<u>\$ (213,178)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 56,982	\$ 0	\$ 0	\$ 18,018	\$ 75,000
Transfers In	2,081	0	0	0	2,081
Transfers Out	0	0	0	(2,081)	(2,081)
Total Other Financing Sources (Uses)	<u>\$ 59,063</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,937</u>	<u>\$ 75,000</u>
Net Change in Fund Balances	\$ (31,242)	\$ (57,690)	\$ 44,195	\$ (93,441)	\$ (138,178)
Fund Balance, July 1, 2004	<u>676,659</u>	<u>403,117</u>	<u>397,088</u>	<u>111,117</u>	<u>1,587,981</u>
Fund Balance, June 30, 2005	<u>\$ 645,417</u>	<u>\$ 345,427</u>	<u>\$ 441,283</u>	<u>\$ 17,676</u>	<u>\$ 1,449,803</u>

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

Pickett County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 643,149
Property Taxes Receivable	192,861
Allowance for Uncollectible Property Taxes	(8,457)
Total Current Assets	<u>\$ 827,553</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 110,900
Landfill Facilities and Development	101,212
Buildings and Improvements	154,525
Machinery and Equipment	404,173
Total Noncurrent Assets	<u>\$ 770,810</u>
Total Assets	<u>\$ 1,598,363</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 756
Total Current Liabilities	<u>\$ 756</u>
Noncurrent Liabilities:	
Accrued Liability for Landfill Closure/Postclosure Care Costs	\$ 317,338
General Obligation Bonds Payable:	
Due Within One Year	7,935
Due in More Than One Year	46,454
Total Noncurrent Liabilities	<u>\$ 371,727</u>
Total Liabilities	<u>\$ 372,483</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 656,421
Unrestricted	<u>569,459</u>
Total Net Assets	<u>\$ 1,225,880</u>

The accompanying notes are an integral part of this statement.

Exhibit C-2

Pickett County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	Business-type Activities
	Major Fund
	Solid Waste Disposal Fund
<hr/>	
<u>Operating Revenues</u>	
Charges for Current Services	\$ 77,546
Other Local Revenues	13,226
Total Operating Revenues	<u>\$ 90,772</u>
<u>Operating Expenses</u>	
Landfill Operation and Maintenance	\$ 218,158
Depreciation	45,946
Total Operating Expenses	<u>\$ 264,104</u>
Operating Income (Loss)	<u>\$ (173,332)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 222,312
Investment Income	2,459
Interest on Bonds	(3,153)
Gain on Disposal of Property	630
Sale of Equipment	1,863
Solid Waste Grants	3,497
Total Nonoperating Revenues (Expenses)	<u>\$ 227,608</u>
Net Income	\$ 54,276
Net Assets, July 1, 2004	<u>1,171,604</u>
Net Assets, June 30, 2005	<u><u>\$ 1,225,880</u></u>

The accompanying notes are an integral part of this statement.

Exhibit C-3

Pickett County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 90,772
Payments to Suppliers	(80,776)
Payments to Employees	(122,678)
Other Payments	(24,465)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (137,147)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 3,497
Local Taxes	222,673
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 226,170</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal Paid on Capital Debt	\$ (7,535)
Interest Paid on Capital Debt	(3,153)
Purchase of Capital Asset	(4,500)
Proceeds from Sale of Capital Assets	4,118
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (11,070)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 2,459
Net Cash Provided By (Used In) Investing Activities	<u>\$ 2,459</u>
Net Increase (Decrease) in Cash	\$ 80,412
Cash, July 1, 2004	<u>562,737</u>
Cash, June 30, 2005	<u><u>\$ 643,149</u></u>
<u>Reconciliation of Operating Income to Net Provided</u>	
Operating Income (Loss)	\$ (173,332)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	45,946
Change in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	(7,613)
Increase (Decrease) in Accrued Liability for Landfill Closure Cost	(2,148)
Net Cash Provided by Operating Activities	<u><u>\$ (137,147)</u></u>

The accompanying notes are an integral part of this statement.

Exhibit D

Pickett County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 107,808
Accounts Receivable	545
Due from Other Governments	<u>20,667</u>
Total Assets	<u><u>\$ 129,020</u></u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 108,353
Due to Other Taxing Units	<u>20,667</u>
Total Liabilities	<u><u>\$ 129,020</u></u>

The accompanying notes are an integral part of this statement.

PICKETT COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pickett County's financial statements are not 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.

Pickett County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities, business-type activities, and discretely presented component unit. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Pickett County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Pickett County's auditor to issue an adverse opinion on the county's financial statements.

Although Pickett County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Pickett County is a public municipal corporation governed by an elected 12-member board. As required by GAAP, these financial statements present Pickett County (the primary government)

Blended Component Units – There are no legally separate component units of Pickett County that meet the criteria for being reported as part of the primary government by the blending method.

Excluded Component Unit – The following entity meets the criteria for a discretely presented component unit of the county. Since Pickett County is presenting fund financial statements only, the financial information of the entity that meets the criteria for a discretely presented component unit is not included in the fund financial statements, as required by generally accepted accounting principles. This entity would have been presented as a separate column in those statements to emphasize that it is legally separate from the county.

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

The Pickett County School Department issues separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements.

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

Fund financial statements of Pickett County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Pickett County only reports one proprietary fund, an enterprise fund.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the major individual enterprise fund 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. Pickett County considers grant 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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.

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized 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.

Pickett County reports the following major governmental funds:

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

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

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.

Pickett County reports the following major enterprise fund:

Solid Waste Disposal – This fund accounts for transactions of the county-operated landfill.

Additionally, Pickett County reports the following fund types:

Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Pickett 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. Pickett County has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund used to account for the operations of the landfill. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's enterprise fund are property taxes and tipping fees.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

C. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee.

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Pickett County and Pickett County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the county's General Fund and the School Department's General Purpose School Fund. Pickett County and the Pickett County

School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.39 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 revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are not material for financial reporting purposes and thus are not 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.

3. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in fund financial statements.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Pickett County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Pickett County does not present government-wide statements.

Capital assets are reported in the statement of net assets of the proprietary funds. Pickett County defines capital assets as assets with an initial, individual cost of \$5,000 to \$35,000, depending on the type asset, or more and an estimated useful life of more than one year. 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. Interest incurred during the construction phase of capital assets of the enterprise funds is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the proprietary funds are depreciated using the straight-line method over the estimated useful lives as established by Marshall and Swift, a private valuation company.

5. Compensated Absences

The county's policy does not permit employees to accumulate earned but unused vacation and sick leave benefits beyond the fiscal year-end. A liability for vacation pay is reported only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds 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 landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

Long-term debt and other long-term obligations are reported as liabilities in the proprietary 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.

7. Net Assets and Fund Equity

In the proprietary fund, equity is classified as net assets and displayed in three components:

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

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Pickett County and the Pickett County School Department participate in an internal cash and investment pool through the Office of Trustee. The Pickett County School Department meets the criteria for a discretely presented component unit of Pickett County. Since Pickett County is presenting fund financial statements only, the financial information for the Pickett County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and investments reflected in the fund financial statements represent 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Pickett County had the following investments carried at cost. All investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Pickett County and the discretely presented Pickett County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 78,742</u>

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. Pickett 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. Pickett County has no investment policy that would further limit its investment choices. As of June 30, 2005, Pickett County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity of the proprietary fund for the year ended June 30, 2005, was as follows:

Business-type Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 110,900	\$ 0	\$ 0	\$ 110,900
Total Capital Assets Not Depreciated	\$ 110,900	\$ 0	\$ 0	\$ 110,900
Capital Assets Depreciated:				
Buildings and Improvements	\$ 233,635	\$ 0	\$ 0	\$ 233,635
Landfill Facilities and Development	137,561	0	0	137,561
Machinery and Equipment	740,942	4,500	(23,400)	722,042
Total Capital Assets Depreciated	\$ 1,112,138	\$ 4,500	\$ (23,400)	\$ 1,093,238
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 71,990	\$ 7,120	\$ 0	\$ 79,110
Landfill Facilities and Development	31,824	4,525	0	36,349
Machinery and Equipment	305,343	34,301	(21,775)	317,869
Total Accumulated Depreciation	\$ 409,157	\$ 45,946	\$ (21,775)	\$ 433,328
Total Capital Assets Depreciated, Net	\$ 702,981	\$ (41,446)	\$ (1,625)	\$ 659,910
Business-type Activities Capital Assets, Net	\$ 813,881	\$ (41,446)	\$ (1,625)	\$ 770,810

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 6,971

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In General Fund</u>
Nonmajor governmental funds	\$ 2,081
Total	<u>\$ 2,081</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

The county made a one-time transfer of \$2,081 from the Waterline Projects Fund to the General Fund to close the fund. County funds were originally placed in the capital projects fund for the matching share of grant proceeds to fund waterline projects. The projects were completed and the remaining balance was transferred to the General Fund.

D. Capital Leases

On October 15, 1998, Pickett County entered into a seven-year lease-purchase agreement for a voter scanning machine. The terms of the agreement require total lease payments of \$24,683 plus interest of 7.7 percent. Title to the voter scanning machine transfers to Pickett County at the end of the lease period. The lease payments are made by the General Fund.

On July 15, 2000, Pickett County entered into a seven-year lease-purchase agreement for a fire truck. The terms of the agreement require total lease payments of \$115,229 plus interest of 6.1 percent. Title to the fire truck transfers to Pickett County at the end of the lease period. The lease payments are made by the General Fund

Since Pickett County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Pickett County is not presenting government-wide financial statements. Future minimum lease payments and the net present value these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 25,407
2007	20,715
2008	<u>20,715</u>
Total Minimum Lease Payments	\$ 66,837
Amounts Representing Interest	<u>7,211</u>
Present Value of Minimum Lease Payments	<u><u>\$ 59,626</u></u>

E. Long-term Debt

Since Pickett County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Pickett County is not presenting government-wide financial statements.

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 39 years for bonds and up to seven years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate		Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	5 to 6 %	\$	1,625,000	\$ 1,099,283
Capital Outlay Notes	3.15 to 5.05		250,000	229,000
Capital Leases	6.1 to 7.7		139,912	59,626

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 45,431	\$ 58,053	\$ 60,000	\$ 9,557
2007	46,067	55,667	62,000	7,214
2008	46,740	53,244	25,000	5,403
2009	52,455	50,779	26,000	4,141
2010	53,214	48,020	27,000	2,828
2011-2015	309,167	195,253	29,000	1,465
2016-2020	396,394	105,026	0	0
2021-2023	149,815	12,025	0	0
Total	<u>\$ 1,099,283</u>	<u>\$ 578,067</u>	<u>\$ 229,000</u>	<u>\$ 30,608</u>

There is \$441,283 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$222, based on the 2000 federal census. Total debt per capita, including bonds, notes, and capital leases amounted to \$281, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 1,139,115	\$ 175,000	\$ 80,017
Additions	0	75,000	0
Deductions	(39,832)	(21,000)	(20,391)
Balance, June 30, 2005	<u>\$ 1,099,283</u>	<u>\$ 229,000</u>	<u>\$ 59,626</u>
Balance Due Within One Year	<u>\$ 45,431</u>	<u>\$ 60,000</u>	<u>\$ 21,700</u>

Pickett County Solid Waste Disposal Fund (Enterprise Fund)

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bond	
	Principal	Interest
2006	\$ 7,935	\$ 2,753
2007	8,358	2,330
2008	8,802	1,886
2009	9,270	1,418
2010	9,763	925
2011-2012	10,261	405
Total	\$ 54,389	\$ 9,717

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2005, was as follows:

Business-type Activities:	Bonds	Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 61,924	\$ 319,486
Additions	0	6,902
Deductions	(7,535)	(9,050)
Balance, June 30, 2005	\$ 54,389	\$ 317,338
Balance Due Within One Year	\$ 7,935	\$ 9,050

III. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation.

Pickett County is a member of the Local Government Insurance Pool and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The county pays annual premiums to these

pools for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of these pools provides for them to be self-sustaining through member premiums.

B. Accounting Change

During the year, Pickett County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

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

D. Landfill Closure/Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill sites when they stop accepting waste, and to perform certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the Solid Waste Disposal Fund reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$317,338 reported as landfill closure and postclosure care liability at June 30, 2005, represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the old landfill (\$144,800) and 25 percent of the capacity of the current landfill (\$172,538). The current landfill will recognize the remaining estimated cost of closure and postclosure care of \$517,612 as the remaining estimated capacity of the landfill is used. The county expects to close the current landfill around the year 2048. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual costs may vary from these estimates due to inflation, changes in technology, or changes in regulations.

E. Jointly Governed Organization

The Overton/Pickett County Emergency Communications District (OPCECD) was established with the merger of the Pickett County Emergency Communications District into the Overton County Emergency Communications District. The merger was adopted by both boards with an

effective date of February 1, 2002. The board of the OPCECD includes 13 members; four are appointed by the Pickett County Commission, and the remaining nine are appointed by the Overton County Commission. Pickett County does not have any ongoing financial interest or responsibility for the entity.

F. Retirement Commitments

Plan Description

Employees of Pickett 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 Pickett 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

Pickett County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 6.95 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Pickett County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Pickett County's annual pension cost of \$148,085 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, 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 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), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three 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 five-year period. Pickett 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, 2003, was 15 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2005	\$148,085	100%	\$0
June 30, 2004	130,428	100	0
June 30, 2003	113,580	100	0

Required Supplementary Information

Schedule of Funding Progress for Pickett County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2003	\$3,366	\$3,569	\$203	94.31%	\$1,781	11.40%
June 30, 2001	2,825	3,140	315	89.97	1,590	19.81
June 30, 1999	2,339	2,580	241	90.66	1,382	17.44

G. Purchasing Laws

Office of County Executive

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, provides for purchases for the general county government be made for all purchases exceeding \$5,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Highway Superintendent

Section 54-7-113, Tennessee Code Annotated (Uniform Road Law), governs purchasing procedures for the Highway Department. These statutes require all purchases exceeding \$10,000 to be made on the basis of publicly advertised competitive bids.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,308,333	\$ 0	\$ 1,308,333	\$ 1,219,888	\$ 1,253,494	\$ 54,839
Licenses and Permits	4,183	0	4,183	5,600	5,600	(1,417)
Fines, Forfeitures and Penalties	14,337	0	14,337	14,235	16,598	(2,261)
Charges for Current Services	500,995	0	500,995	483,050	485,718	15,277
Other Local Revenues	77,099	0	77,099	41,835	65,637	11,462
Fees Received from County Officials	188,689	0	188,689	177,250	180,091	8,598
State of Tennessee	337,541	0	337,541	289,850	345,580	(8,039)
Federal Government	223,240	0	223,240	344,000	534,035	(310,795)
Other Governments and Citizens Groups	18,625	0	18,625	12,000	13,969	4,656
Total Revenues	\$ 2,673,042	\$ 0	\$ 2,673,042	\$ 2,587,708	\$ 2,900,722	\$ (227,680)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 23,342	\$ 0	\$ 23,342	\$ 27,742	\$ 27,742	\$ 4,400
Board of Equalization	120	0	120	200	200	80
Beer Board	1,650	0	1,650	1,840	1,840	190
County Executive	96,307	0	96,307	95,783	96,708	401
County Attorney	10,860	0	10,860	3,000	10,860	0
Election Commission (Including Voter Registration)	79,979	0	79,979	86,686	89,122	9,143
Register of Deeds	47,023	0	47,023	48,980	49,021	1,998
Planning	5,000	0	5,000	2,500	5,000	0
County Buildings	104,564	0	104,564	107,779	110,639	6,075
<u>Finance</u>						
Property Assessor's Office	50,564	0	50,564	50,594	51,006	442
County Trustee's Office	58,806	0	58,806	58,213	61,232	2,426
County Clerk's Office	62,017	0	62,017	64,551	64,551	2,534

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 78,248	\$ 0	\$ 78,248	\$ 75,710	\$ 78,498	\$ 250
General Sessions Judge	33,959	0	33,959	34,809	34,609	650
Chancery Court	45,547	0	45,547	46,069	46,215	668
Juvenile Court	10,755	0	10,755	11,044	11,124	369
Judicial Commissioners	5,613	0	5,613	5,579	5,656	43
Probation Services	24,612	0	24,612	22,225	24,613	1
<u>Public Safety</u>						
Sheriff's Department	318,700	0	318,700	312,933	337,208	18,508
Drug Enforcement	928	0	928	1,500	1,500	572
Jail	147,138	0	147,138	132,000	151,338	4,200
Fire Prevention and Control	52,715	0	52,715	52,716	52,716	1
Rescue Squad	3,000	0	3,000	3,000	3,000	0
Other Emergency Management	258,145	0	258,145	35,000	258,145	0
County Coroner/Medical Examiner	9,110	0	9,110	4,000	9,110	0
Other Public Safety	8,612	0	8,612	8,612	8,612	0
<u>Public Health and Welfare</u>						
Local Health Center	18,636	0	18,636	19,138	20,027	1,391
Ambulance/Emergency Medical Services	517,046	0	517,046	468,809	526,022	8,976
Regional Mental Health Center	2,274	0	2,274	2,274	2,274	0
Appropriation to State	7,582	0	7,582	7,582	7,582	0
Sanitation Management	31,734	0	31,734	31,500	31,737	3
Other Public Health and Welfare	391	0	391	0	391	0
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	6,747	0	6,747	6,208	6,747	0
Libraries	41,027	0	41,027	41,264	41,585	558
Other Social, Cultural and Recreational	19,433	0	19,433	24,632	24,632	5,199

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	\$ 34,615	\$ 0	\$ 34,615	\$ 35,291	\$ 35,541	\$ 926
Soil Conservation	6,563	0	6,563	6,235	6,563	0
<u>Other Operations</u>						
Tourism	20,000	0	20,000	20,000	20,000	0
Industrial Development	0	0	0	2,000	2,000	2,000
Other Economic and Community Development	0	0	0	344,827	340,304	340,304
Veterans' Services	14,435	0	14,435	13,470	14,435	0
Other Charges	90,082	0	90,082	85,141	89,518	(564)
Contributions to Other Agencies	8,550	0	8,550	8,000	8,550	0
Employee Benefits	237,416	0	237,416	234,362	242,104	4,688
Miscellaneous	13,143	0	13,143	10,500	13,146	3
<u>Capital Projects</u>						
General Administration Projects	156,359	(155,484)	875	155,484	156,359	155,484
Total Expenditures	\$ 2,763,347	\$ (155,484)	\$ 2,607,863	\$ 2,809,782	\$ 3,179,782	\$ 571,919
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (90,305)	\$ 155,484	\$ 65,179	\$ (222,074)	\$ (279,060)	\$ 344,239
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 56,982	\$ 0	\$ 56,982	\$ 0	\$ 56,982	\$ 0
Transfers In	2,081	0	2,081	0	0	2,081
Total Other Financing Sources (Uses)	\$ 59,063	\$ 0	\$ 59,063	\$ 0	\$ 56,982	\$ 2,081
Net Change in Fund Balance						
Fund Balance, July 1, 2004	\$ (31,242)	\$ 155,484	\$ 124,242	\$ (222,074)	\$ (222,078)	\$ 346,320
	676,659	(155,484)	521,175	675,216	675,216	(154,041)
Fund Balance, June 30, 2005						
	\$ 645,417	\$ 0	\$ 645,417	\$ 453,142	\$ 453,138	\$ 192,279

Exhibit E-2

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 39	\$ 9,500	\$ 9,500	\$ (9,461)
State of Tennessee	1,389,330	1,368,980	1,375,981	13,349
Total Revenues	<u>\$ 1,389,369</u>	<u>\$ 1,378,480</u>	<u>\$ 1,385,481</u>	<u>\$ 3,888</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 73,398	\$ 71,181	\$ 76,581	\$ 3,183
Highway and Bridge Maintenance	690,739	752,300	738,601	47,862
Operation and Maintenance of Equipment	206,219	212,372	216,372	10,153
Quarry Operations	24,670	25,700	25,700	1,030
Other Charges	42,563	53,600	46,400	3,837
Employee Benefits	77,833	91,931	98,431	20,598
Capital Outlay	331,637	348,000	360,000	28,363
Total Expenditures	<u>\$ 1,447,059</u>	<u>\$ 1,555,084</u>	<u>\$ 1,562,085</u>	<u>\$ 115,026</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (57,690)</u>	<u>\$ (176,604)</u>	<u>\$ (176,604)</u>	<u>\$ 118,914</u>
Net Change in Fund Balance	\$ (57,690)	\$ (176,604)	\$ (176,604)	\$ 118,914
Fund Balance, July 1, 2004	403,117	411,798	411,798	(8,681)
Fund Balance, June 30, 2005	<u>\$ 345,427</u>	<u>\$ 235,194</u>	<u>\$ 235,194</u>	<u>\$ 110,233</u>

PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the State 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 Executive, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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 Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Waterline Projects Fund – The Waterline Projects Fund is used to account for Appalachian Regional Commission grant revenues and local matching funds to be used for rural waterline construction.

Health Department Projects Fund – The Health Department Projects Fund is used to account for revenues received from the State of Tennessee to be used for health department projects.

Public Library Building Fund – The Public Library Building Fund is used to account for funds received from the sale of property to be used for the acquisition or construction of a public library building.

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for revenues received from the State of Tennessee to be used for industrial park projects.

Pickett County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2005

Exhibit F-1

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Health Department Projects	Other Capital Projects	Total	
<u>ASSETS</u>							
Cash	\$ 0	\$ 6,971	\$ 6,971	\$ 0	\$ 0	\$ 0	6,971
Equity in Pooled Cash and Investments	3,376	0	3,376	2,758	11,542	14,300	17,676
Total Assets	\$ 3,376	\$ 6,971	\$ 10,347	\$ 2,758	\$ 11,542	\$ 14,300	\$ 24,647
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Due to Other Funds	\$ 0	\$ 6,971	\$ 6,971	\$ 0	\$ 0	\$ 0	6,971
Total Liabilities	\$ 0	\$ 6,971	\$ 6,971	\$ 0	\$ 0	\$ 0	6,971
<u>Fund Balances</u>							
Unreserved	\$ 3,376	\$ 0	\$ 3,376	\$ 2,758	\$ 11,542	\$ 14,300	17,676
Total Fund Balances	\$ 3,376	\$ 0	\$ 3,376	\$ 2,758	\$ 11,542	\$ 14,300	17,676
Total Liabilities and Fund Balances	\$ 3,376	\$ 6,971	\$ 10,347	\$ 2,758	\$ 11,542	\$ 14,300	\$ 24,647

Pickett County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

Exhibit F-2

	Special Revenue Funds			Capital Projects Funds					Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Waterline Projects	Health Department Projects	Public Library Building	Other Capital Projects	Total	
<u>Revenues</u>									
Fines, Forfeitures and Penalties	\$ 1,368	\$ 0	\$ 1,368	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,368
Charges for Current Services	0	55	55	0	0	0	0	0	55
Other Local Revenues	0	0	0	0	25	0	0	25	25
State of Tennessee	15,000	0	15,000	0	1,683	0	0	1,683	16,683
Federal Government	4,800	0	4,800	0	0	0	0	0	4,800
Total Revenues	\$ 21,168	\$ 55	\$ 21,223	\$ 0	\$ 1,708	\$ 0	\$ 0	\$ 1,708	\$ 22,931
<u>Expenditures</u>									
Current:									
Finance	\$ 0	\$ 55	\$ 55	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 55
Public Safety	21,296	0	21,296	0	0	0	0	0	21,296
Public Health and Welfare	0	0	0	0	7,950	0	0	7,950	7,950
Other Operations	0	0	0	0	0	0	12,090	12,090	12,090
Capital Projects	0	0	0	0	0	90,918	0	90,918	90,918
Total Expenditures	\$ 21,296	\$ 55	\$ 21,351	\$ 0	\$ 7,950	\$ 90,918	\$ 12,090	\$ 110,958	\$ 132,309
Excess (Deficiency) of Revenues Over Expenditures	\$ (128)	\$ 0	\$ (128)	\$ 0	\$ (6,242)	\$ (90,918)	\$ (12,090)	\$ (109,250)	\$ (109,378)
<u>Other Financing Sources (Uses)</u>									
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,018	\$ 0	\$ 18,018	\$ 18,018
Transfers Out	0	0	0	(2,081)	0	0	0	(2,081)	(2,081)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ (2,081)	\$ 0	\$ 18,018	\$ 0	\$ 15,937	\$ 15,937
Net Change in Fund Balances	\$ (128)	\$ 0	\$ (128)	\$ (2,081)	\$ (6,242)	\$ (72,900)	\$ (12,090)	\$ (93,313)	\$ (93,441)
Fund Balance, July 1, 2004	3,504	0	3,504	2,081	9,000	72,900	23,632	107,613	111,117
Fund Balance, June 30, 2005	\$ 3,376	\$ 0	\$ 3,376	\$ 0	\$ 2,758	\$ 0	\$ 11,542	\$ 14,300	\$ 17,676

Exhibit F-3

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 1,368	\$ 3,000	\$ 3,000	\$ (1,632)
State of Tennessee	15,000	0	15,000	0
Federal Government	4,800	0	4,800	0
Total Revenues	<u>\$ 21,168</u>	<u>\$ 3,000</u>	<u>\$ 22,800</u>	<u>\$ (1,632)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 21,296	\$ 3,000	\$ 22,800	\$ 1,504
Total Expenditures	<u>\$ 21,296</u>	<u>\$ 3,000</u>	<u>\$ 22,800</u>	<u>\$ 1,504</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (128)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (128)</u>
Net Change in Fund Balance	\$ (128)	\$ 0	\$ 0	\$ (128)
Fund Balance, July 1, 2004	3,504	0	3,502	2
Fund Balance, June 30, 2005	<u><u>\$ 3,376</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 3,502</u></u>	<u><u>\$ (126)</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for the accumulation of resources for and the payment of debt principal, interest, and related costs.

Exhibit G

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 65,765	\$ 66,599	\$ 67,057	\$ (1,292)
Other Local Revenues	110,000	114,000	114,000	(4,000)
Total Revenues	<u>\$ 175,765</u>	<u>\$ 180,599</u>	<u>\$ 181,057</u>	<u>\$ (5,292)</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 60,832	\$ 60,832	\$ 63,461	\$ 2,629
<u>Interest</u>				
General Government	69,422	68,293	69,422	0
<u>Other Debt Service</u>				
General Government	1,316	4,000	4,000	2,684
Total Expenditures	<u>\$ 131,570</u>	<u>\$ 133,125</u>	<u>\$ 136,883</u>	<u>\$ 5,313</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 44,195</u>	<u>\$ 47,474</u>	<u>\$ 44,174</u>	<u>\$ 21</u>
Net Change in Fund Balance	\$ 44,195	\$ 47,474	\$ 44,174	\$ 21
Fund Balance, July 1, 2004	<u>397,088</u>	<u>397,835</u>	<u>397,835</u>	<u>(747)</u>
Fund Balance, June 30, 2005	<u>\$ 441,283</u>	<u>\$ 445,309</u>	<u>\$ 442,009</u>	<u>\$ (726)</u>

Agency Funds

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

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

Constitutional Officers - Agency Funds – 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

Pickett County, Tennessee
Combining Statement of Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>		
	Constitu- tional Officers - Agency	Cities - Sales Tax	Total
<u>ASSETS</u>			
Cash	\$ 107,808	\$ 0	\$ 107,808
Accounts Receivable	545	0	545
Due from Other Governments	0	20,667	20,667
Total Assets	<u>\$ 108,353</u>	<u>\$ 20,667</u>	<u>\$ 129,020</u>
<u>LIABILITIES</u>			
Due to Litigants, Heirs, and Others	\$ 108,353	\$ 0	\$ 108,353
Due to Other Taxing Units	0	20,667	20,667
Total Liabilities	<u>\$ 108,353</u>	<u>\$ 20,667</u>	<u>\$ 129,020</u>

Exhibit H-2

Pickett County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 143,826	\$ 143,826	\$ 0
Due From Other Governments	23,172	20,667	23,172	20,667
Total Assets	\$ 23,172	\$ 164,493	\$ 166,998	\$ 20,667
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 23,172	\$ 164,493	\$ 166,998	\$ 20,667
Total Liabilities	\$ 23,172	\$ 164,493	\$ 166,998	\$ 20,667
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 89,088	\$ 1,243,578	\$ 1,224,858	\$ 107,808
Accounts Receivable	1,235	545	1,235	545
Total Assets	\$ 90,323	\$ 1,244,123	\$ 1,226,093	\$ 108,353
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 90,323	\$ 1,244,123	\$ 1,226,093	\$ 108,353
Total Liabilities	\$ 90,323	\$ 1,244,123	\$ 1,226,093	\$ 108,353
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 143,826	\$ 143,826	\$ 0
Cash	89,088	1,243,578	1,224,858	107,808
Accounts Receivable	1,235	545	1,235	545
Due From Other Governments	23,172	20,667	23,172	20,667
Total Assets	\$ 113,495	\$ 1,408,616	\$ 1,393,091	\$ 129,020
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 23,172	\$ 164,493	\$ 166,998	\$ 20,667
Due to Litigants, Heirs, and Others	90,323	1,244,123	1,226,093	108,353
Total Liabilities	\$ 113,495	\$ 1,408,616	\$ 1,393,091	\$ 129,020

MISCELLANEOUS SCHEDULES

Exhibit I-1

Pickett County, Tennessee
Schedule of Changes in Long-term Notes,
Capital Leases, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
EMS Building Expansion	\$ 175,000	5.05 %	6-24-04	6-1-11	\$ 175,000	\$ 0	\$ 21,000	\$ 154,000
Ambulance and Library Building	75,000	3.15	12-29-04	12-1-06	0	75,000	0	75,000
Total Notes Payable					\$ 175,000	\$ 75,000	\$ 21,000	\$ 229,000
CAPITAL LEASES								
<u>Payable through General Fund</u>								
Voter Scanning Machine	24,683	7.7	10-15-1998	7-1-05	\$ 8,402	\$ 0	\$ 4,045	\$ 4,357
Fire Truck	115,229	6.1	7-15-00	7-15-07	71,615	0	16,346	55,269
Total Capital Leases					\$ 80,017	\$ 0	\$ 20,391	\$ 59,626
GENERAL BONDED DEBT								
<u>Payable through General Debt Service Fund</u>								
Nursing Home	1,200,000	5	8-31-1982	1-1-21	\$ 805,000	\$ 0	\$ 30,000	\$ 775,000
Nursing Home Addition - FHA	425,000	6	5-18-1990	5-18-23	334,115	0	9,832	324,283
Total General Bonded Debt					\$ 1,139,115	\$ 0	\$ 39,832	\$ 1,099,283

Exhibit I-2

Pickett County, Tennessee
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	FHA Bond Requirements	FHA Interest Requirements	Total Requirements
2006	\$ 35,000	\$ 38,750	\$ 10,431	\$ 19,303	\$ 103,484
2007	35,000	37,000	11,067	18,667	101,734
2008	35,000	35,250	11,740	17,994	99,984
2009	40,000	33,500	12,455	17,279	103,234
2010	40,000	31,500	13,214	16,520	101,234
2011	40,000	29,500	14,019	15,715	99,234
2012	45,000	27,500	14,872	14,862	102,234
2013	45,000	25,250	15,778	13,956	99,984
2014	50,000	23,000	16,739	12,995	102,734
2015	50,000	20,500	17,759	11,975	100,234
2016	50,000	18,000	18,840	10,894	97,734
2017	55,000	15,500	19,987	9,747	100,234
2018	60,000	12,750	21,205	8,529	102,484
2019	60,000	9,750	22,496	7,238	99,484
2020	65,000	6,750	23,866	5,868	101,484
2021	70,000	3,500	25,319	4,415	103,234
2022	0	0	26,861	2,873	29,734
2023	0	0	27,635	1,237	28,872
Total	\$ 775,000	\$ 368,000	\$ 324,283	\$ 210,067	\$ 1,677,350

Exhibit I-3

Pickett County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Waterline Projects	General	To close fund	<u>\$ 2,081</u>

Exhibit I-4

Pickett County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 49,051	\$ 25,000	RLI Insurance Company
Highway Superintendent	Section 8-24-102, <u>TCA</u> , and Chapter 104, Private Acts of 1957	48,515 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	42,469	246,400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	42,469	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	42,469	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	42,469	50,000	"
Register	Section 8-24-102, <u>TCA</u>	42,469	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	47,234 (2)	25,000	"
Employee Blanket Bond Coverage: General Government Employees			150,000	Local Government Insurance Pool

(1) Includes monthly travel payments totaling \$1,800 approved by private act.

(2) Includes law enforcement training supplement of \$519.

Pickett County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2005

Exhibit I-5

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway/Public Works	General Debt Service	Health Department Projects	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 695,409	\$ 0	\$ 0	\$ 0	\$ 57,957	\$ 0	\$ 753,366
Trustee's Collections - Prior Year	38,094	0	0	0	5,772	0	43,866
Circuit/Clerk & Master Collections - Prior Years	5,375	0	0	0	864	0	6,239
Interest and Penalty	6,866	0	0	0	974	0	7,840
Payments in Lieu of Taxes - Other	27,562	0	0	0	198	0	27,760
<u>County Local Option Taxes</u>							
Local Option Sales Tax	204,406	0	0	0	0	0	204,406
Litigation Tax - General	9,685	0	0	0	0	0	9,685
Litigation Tax - Special Purpose	1,102	0	0	0	0	0	1,102
Business Tax	1,616	0	0	0	0	0	1,616
Mineral Severance Tax	16,149	0	0	0	0	0	16,149
<u>Statutory Local Taxes</u>							
Bank Excise Tax	24,088	0	0	0	0	0	24,088
Wholesale Beer Tax	277,981	0	0	0	0	0	277,981
Total Local Taxes	\$ 1,308,333	\$ 0	\$ 0	\$ 0	\$ 65,765	\$ 0	\$ 1,374,098
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 271	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 271
Cable TV Franchise	512	0	0	0	0	0	512
<u>Permits</u>							
Beer Permits	3,400	0	0	0	0	0	3,400
Total Licenses and Permits	\$ 4,183	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,183
<u>Fines, Forfeitures and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 385	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 385
Officers Costs	403	0	0	0	0	0	403
Drug Control Fines	0	1,110	0	0	0	0	1,110
Drug Court Fees	1,955	0	0	0	0	0	1,955
Jail Fees	23	0	0	0	0	0	23
DUI Treatment Fines	85	0	0	0	0	0	85

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

Exhibit I-5

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway/Public Works	General Debt Service	Health Department Projects	
<u>Fines, Forfeitures and Penalties (Cont.)</u>							
<u>General Sessions Court</u>							
Fines	\$ 4,850	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,850
Officers Costs	1,997	0	0	0	0	0	1,997
Game and Fish Fines	853	0	0	0	0	0	853
Drug Control Fines	0	258	0	0	0	0	258
Drug Court Fees	66	0	0	0	0	0	66
Jail Fees	2,263	0	0	0	0	0	2,263
DUI Treatment Fines	893	0	0	0	0	0	893
<u>Chancery Court</u>							
Officers Costs	300	0	0	0	0	0	300
<u>Other Courts - In-county</u>							
Fines	264	0	0	0	0	0	264
Total Fines, Forfeitures and Penalties	\$ 14,337	\$ 1,368	\$ 0	\$ 0	\$ 0	\$ 0	15,705
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 462,398	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	462,398
Other General Service Charges	1,656	0	0	0	0	0	1,656
<u>Fees</u>							
Copy Fees	966	0	0	0	0	0	966
Vending Machine Collections	146	0	0	0	0	0	146
Constitutional Officers' Fees and Commissions	0	0	55	0	0	0	55
Data Processing Fee - Register	3,040	0	0	0	0	0	3,040
Probation Fees	32,789	0	0	0	0	0	32,789
Total Charges for Current Services	\$ 500,995	\$ 0	\$ 55	\$ 0	\$ 0	\$ 0	501,050
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 10,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25	10,301
Lease/Rentals	41,700	0	0	0	110,000	0	151,700
Miscellaneous Refunds	8,293	0	0	39	0	0	8,332
<u>Nonrecurring Items</u>							
Insurance Recovery	3,364	0	0	0	0	0	3,364

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

Exhibit I-5

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway/Public Works	General Debt Service	Health Department Projects	
<u>Other Local Revenues (Cont.)</u>							
<u>Nonrecurring Items (Cont.)</u>							
Sale of Equipment	\$ 11,955	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,955
Contributions & Gifts	1,500	0	0	0	0	0	1,500
<u>Other Local Revenues</u>							
Other Local Revenues	11	0	0	0	0	0	11
Total Other Local Revenues	\$ 77,099	\$ 0	\$ 0	\$ 39	\$ 110,000	\$ 25	\$ 187,163
<u>Fees Received from County Officials</u>							
<u>Fees In Lieu of Salary</u>							
County Clerk	\$ 63,545	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	63,545
Circuit Court Clerk	7,050	0	0	0	0	0	7,050
General Sessions Court Clerk	13,483	0	0	0	0	0	13,483
Clerk and Master	2,135	0	0	0	0	0	2,135
Register	34,240	0	0	0	0	0	34,240
Sheriff	778	0	0	0	0	0	778
Trustee	67,458	0	0	0	0	0	67,458
Total Fees Received from County Officials	\$ 188,689	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	188,689
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Aging Programs	8,003	0	0	0	0	0	8,003
State Reappraisal Grant	3,350	0	0	0	0	0	3,350
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	3,112	0	0	0	0	0	3,112
<u>Health and Welfare Grants</u>							
Other Health and Welfare Grants	733	0	0	0	0	0	733
<u>Public Works Grants</u>							
State Aid Program	0	0	0	191,621	0	0	191,621
Litter Program	31,734	0	0	0	0	0	31,734
<u>Other State Revenues</u>							
Flood Control	84,725	0	0	0	0	0	84,725
Income Tax	3,086	0	0	0	0	0	3,086

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

Exhibit I-5

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway/Public Works	General Debt Service	Health Department Projects	
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Beer Tax	\$ 16,778	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	16,778
Alcoholic Beverage Tax	9,041	0	0	0	0	0	9,041
State Revenue Sharing - T.V.A.	108,954	0	0	0	0	0	108,954
Contracted Prisoner Boarding	5,526	0	0	0	0	0	5,526
Gasoline and Motor Fuel Tax	0	0	0	1,193,731	0	0	1,193,731
Petroleum Special Tax	0	0	0	3,978	0	0	3,978
T.B.I. - Equipment Reimbursement	19	0	0	0	0	0	19
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	37,100	15,000	0	0	0	1,683	53,783
Total State of Tennessee	\$ 337,541	\$ 15,000	\$ 0	\$ 1,389,330	\$ 0	\$ 1,683	\$ 1,743,554
<u>Federal Government</u>							
<u>Federal Through State</u>							
Other Federal through State	\$ 213,205	\$ 4,800	\$ 0	\$ 0	\$ 0	\$ 0	218,005
<u>Direct Federal Revenue</u>							
Police Service (Lake Area)	10,035	0	0	0	0	0	10,035
Total Federal Government	\$ 223,240	\$ 4,800	\$ 0	\$ 0	\$ 0	\$ 0	\$ 228,040
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contracted Services	\$ 18,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	18,625
Total Other Governments and Citizens Groups	\$ 18,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,625
Total	\$ 2,673,042	\$ 21,168	\$ 55	\$ 1,389,369	\$ 175,765	\$ 1,708	\$ 4,261,107

Exhibit I-6

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	19,050	
Audit Services		1,153	
Contracts with Other Public Agencies		230	
Dues and Memberships		2,036	
Legal Notices, Recording and Court Costs		873	
Total County Commission			\$ 23,342

Board of Equalization

Board and Committee Members Fees	\$	120	
Total Board of Equalization			120

Beer Board

Board and Committee Members Fees	\$	1,440	
Legal Services		210	
Total Beer Board			1,650

County Executive

County Official/Administrative Officer	\$	49,051	
Accountants/Bookkeepers		22,289	
Secretary(s)		11,033	
Communication		2,349	
Data Processing Services		6,036	
Dues and Memberships		800	
Postal Charges		776	
Printing, Stationery and Forms		145	
Office Supplies		3,446	
Other Supplies and Materials		382	
Total County Executive			96,307

County Attorney

Legal Services	\$	10,860	
Total County Attorney			10,860

Election Commission (Including Voter Registration)

County Official/Administrative Officer	\$	34,543	
Secretary(s)		14,679	
Election Commission		5,775	
Election Workers		6,978	
Communication		848	
Data Processing Services		5,527	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Including Voter Registration)
(Cont.)

Dues and Memberships	\$	175	
Legal Notices, Recording and Court Costs		999	
Postal Charges		1,005	
Travel		3,785	
Office Supplies		719	
Other Supplies and Materials		254	
Principal on Capitalized Leases		4,045	
Interest on Capitalized Leases		647	
Total Election Commission (Including Voter Registration)			\$ 79,979

Register of Deeds

County Official/Administrative Officer	\$	42,469	
Other Salaries & Wages		122	
Communication		440	
Dues and Memberships		281	
Maintenance Agreements		504	
Postal Charges		333	
Duplicating Supplies		873	
Office Supplies		2,001	
Total Register of Deeds			47,023

Planning

Contracts with Government Agencies	\$	5,000	
Total Planning			5,000

County Buildings

Custodial Personnel	\$	31,602	
Communication		3,291	
Maintenance & Repair Services- Buildings		17,650	
Custodial Supplies		5,812	
Electricity		37,963	
Gasoline		337	
Uniforms		1,316	
Water and Sewer		5,503	
Other Supplies and Materials		1,090	
Total County Buildings			104,564

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	42,469	
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(Continued)

Exhibit I-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Communication	\$	408	
Legal Notices, Recording and Court Costs		40	
Postal Charges		5	
Travel		1,740	
Other Contracted Services		5,672	
Office Supplies		211	
Other Supplies and Materials		19	
Total Property Assessor's Office			\$ 50,564

County Trustee's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		4,349	
Communication		812	
Data Processing Services		4,690	
Dues and Memberships		201	
Legal Notices, Recording and Court Costs		258	
Postal Charges		1,727	
Printing, Stationery and Forms		186	
Other Contracted Services		2,858	
Office Supplies		1,061	
Refunds		195	
Total County Trustee's Office			58,806

County Clerk's Office

County Official/Administrative Officer	\$	42,469	
Deputy(ies)		15,881	
Communication		881	
Dues and Memberships		238	
Postal Charges		1,124	
Printing, Stationery and Forms		131	
Office Supplies		1,267	
Other Supplies and Materials		26	
Total County Clerk's Office			62,017

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	42,469
Deputy(ies)		15,742
Jury and Witness Fees		5,967
Communication		2,319

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Data Processing Services	\$	6,773	
Dues and Memberships		281	
Legal Notices, Recording and Court Costs		284	
Postal Charges		438	
Office Supplies		3,390	
Other Supplies and Materials		585	
Total Circuit Court			\$ 78,248

General Sessions Judge

Judge(s)	\$	26,609	
Legal Services		7,350	
Total General Sessions Judge			33,959

Chancery Court

County Official/Administrative Officer	\$	42,469	
Communication		939	
Dues and Memberships		286	
Postal Charges		499	
Office Supplies		996	
Periodicals		358	
Total Chancery Court			45,547

Juvenile Court

Youth Service Officer(s)	\$	9,884	
Communication		329	
Travel		82	
Office Supplies		460	
Total Juvenile Court			10,755

Judicial Commissioners

Other Per Diem & Fees	\$	5,404	
Office Supplies		209	
Total Judicial Commissioners			5,613

Probation Services

Probation Officer(s)	\$	16,538	
Other Salaries & Wages		7,253	
Other Supplies and Materials		821	
Total Probation Services			24,612

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	46,715	
Deputy(ies)		187,441	
Salary Supplements		3,112	
In-Service Training		2,411	
Dues and Memberships		100	
Maintenance & Repair Services- Equipment		790	
Maintenance & Repair Services- Vehicles		22,627	
Postal Charges		1,675	
Other Contracted Services		1,000	
Gasoline		19,591	
Office Supplies		2,877	
Tires and Tubes		567	
Uniforms		8,981	
Motor Vehicles		20,813	
Total Sheriff's Department			\$ 318,700

Drug Enforcement

Animal Food and Supplies	\$	928	
Total Drug Enforcement			928

Jail

Deputy(ies)	\$	85,463	
Communication		5,237	
Contracts with Government Agencies		14,710	
Laundry Service		150	
Maintenance & Repair Services- Buildings		1,292	
Medical and Dental Services		14,286	
Custodial Supplies		562	
Food Supplies		25,438	
Total Jail			147,138

Fire Prevention and Control

Contributions	\$	32,000	
Principal on Capitalized Leases		16,346	
Interest on Capitalized Leases		4,369	
Total Fire Prevention and Control			52,715

Rescue Squad

Contributions	\$	3,000	
Total Rescue Squad			3,000

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Other Equipment	\$ 258,145	
Total Other Emergency Management		\$ 258,145

County Coroner/Medical Examiner

Medical and Dental Services	\$ 9,110	
Total County Coroner/Medical Examiner		9,110

Other Public Safety

Supervisor/Director	\$ 8,612	
Total Other Public Safety		8,612

Public Health and Welfare

Local Health Center

Other Salaries & Wages	\$ 8,087	
Communication	2,487	
Dues and Memberships	100	
Medical and Dental Services	640	
Postal Charges	213	
Custodial Supplies	522	
Electricity	3,999	
Office Supplies	528	
Water and Sewer	462	
Other Supplies and Materials	632	
Building Improvements	966	
Total Local Health Center		18,636

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 32,999	
Medical Personnel	350,407	
In-Service Training	4,027	
Communication	6,441	
Dues and Memberships	1,035	
Legal Notices, Recording and Court Costs	48	
Licenses	767	
Maintenance & Repair Services- Buildings	2,670	
Maintenance & Repair Services- Equipment	1,247	
Maintenance & Repair Services- Vehicles	9,107	
Postal Charges	628	
Other Contracted Services	2,900	
Custodial Supplies	639	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Drugs and Medical Supplies	\$	11,368	
Electricity		9,510	
Gasoline		13,358	
Office Supplies		2,301	
Tires and Tubes		1,250	
Uniforms		6,630	
Water and Sewer		1,265	
Refunds		2,811	
Data Processing Equipment		2,182	
Motor Vehicles		50,000	
Other Capital Outlay		<u>3,456</u>	
Total Ambulance/Emergency Medical Services			\$ 517,046

Regional Mental Health Center

Contributions	\$	<u>2,274</u>	
Total Regional Mental Health Center			2,274

Appropriation to State

Contributions	\$	<u>7,582</u>	
Total Appropriation to State			7,582

Sanitation Management

Other Contracted Services	\$	<u>31,734</u>	
Total Sanitation Management			31,734

Other Public Health and Welfare

Other Salaries & Wages	\$	<u>391</u>	
Total Other Public Health and Welfare			391

Social, Cultural and Recreational Services

Senior Citizens Assistance

Contributions	\$	<u>6,747</u>	
Total Senior Citizens Assistance			6,747

Libraries

County Official/Administrative Officer	\$	13,099	
Assistant(s)		15,385	
Communication		1,581	
Postal Charges		274	
Office Supplies		8,603	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries (Cont.)

Data Processing Equipment	\$	2,085	
Total Libraries			\$ 41,027

Other Social, Cultural and Recreational

Supervisor/Director	\$	17,745	
Communication		433	
Postal Charges		74	
Travel		422	
Office Supplies		259	
Other Supplies and Materials		500	
Total Other Social, Cultural and Recreational			19,433

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$	1,575	
Contributions		2,400	
Other Contracted Services		30,390	
Office Supplies		250	
Total Agriculture Extension Service			34,615

Soil Conservation

Communication	\$	703	
Contributions		5,860	
Total Soil Conservation			6,563

Other Operations

Tourism

Contributions	\$	20,000	
Total Tourism			20,000

Veterans' Services

Temporary Personnel	\$	808	
Other Salaries & Wages		13,120	
Communication		507	
Total Veterans' Services			14,435

Other Charges

Travel	\$	4,938	
Building and Contents Insurance		29,505	
Liability Insurance		19,895	

(Continued)

Exhibit I-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Premiums on Corporate Surety Bonds	\$	3,563	
Trustee's Commission		22,941	
Vehicle and Equipment Insurance		9,240	
Total Other Charges			\$ 90,082

Contributions to Other Agencies

Contributions	\$	8,550	
Total Contributions to Other Agencies			8,550

Employee Benefits

Social Security	\$	102,711	
State Retirement		83,340	
Unemployment Compensation		11,402	
Workers' Compensation Insurance		39,963	
Total Employee Benefits			237,416

Miscellaneous

Other Capital Outlay	\$	13,143	
Total Miscellaneous			13,143

Capital Projects

General Administration Projects

Building Construction	\$	156,359	
Total General Administration Projects			156,359

Total General Fund \$ 2,763,347

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$	21,296	
Total Drug Enforcement			\$ 21,296

Total Drug Control Fund 21,296

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Other Charges	\$	55	
Total County Trustee's Office			\$ 55

Total Constitutional Officers - Fees Fund 55

(Continued)

Exhibit I-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	46,715	
Accountants/Bookkeepers		10,847	
Advertising		25	
Data Processing Services		6,884	
Dues and Memberships		1,467	
Postal Charges		259	
Printing, Stationery and Forms		51	
Travel		2,625	
Drugs and Medical Supplies		52	
Office Supplies		765	
Other Charges		2,409	
Office Equipment		1,299	
Total Administration			\$ 73,398

Highway and Bridge Maintenance

Foremen	\$	66,000	
Laborers		244,300	
Asphalt		65,659	
Crushed Stone		136,074	
Pipe		8,978	
Salt		993	
Other Charges		4,439	
Highway Construction		164,296	
Total Highway and Bridge Maintenance			690,739

Operation and Maintenance of Equipment

Mechanic(s)	\$	50,160	
Diesel Fuel		24,932	
Equipment and Machinery Parts		52,966	
Gasoline		10,898	
Lubricants		6,027	
Propane Gas		1,087	
Tires and Tubes		19,895	
Other Supplies and Materials		15,040	
Other Charges		25,214	
Total Operation and Maintenance of Equipment			206,219

Quarry Operations

Laborers	\$	22,995	
Communication		416	

(Continued)

Exhibit I-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations (Cont.)

Operating Lease Payments	\$	900	
Utilities		359	
Total Quarry Operations			\$ 24,670

Other Charges

Communication	\$	3,152	
Contributions		2,600	
Utilities		3,966	
Building and Contents Insurance		5,246	
Liability Insurance		7,123	
Premiums on Corporate Surety Bonds		100	
Trustee's Commission		11,925	
Vehicle and Equipment Insurance		8,451	
Total Other Charges			42,563

Employee Benefits

Social Security	\$	33,738	
State Retirement		24,896	
Unemployment Compensation		3,951	
Workers' Compensation Insurance		15,248	
Total Employee Benefits			77,833

Capital Outlay

Highway Construction	\$	252,637	
Highway Equipment		14,000	
Land		65,000	
Total Capital Outlay			331,637

Total Highway/Public Works Fund \$ 1,447,059

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	39,832	
Principal on Notes		21,000	
Total General Government			\$ 60,832

Interest

General Government

Interest on Bonds	\$	60,152	
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(Continued)

Exhibit I-6

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

General Debt Service Fund (Cont.)

Interest (Cont.)

General Government (Cont.)

Interest on Notes	\$ 9,270	
Total General Government		\$ 69,422

Other Debt Service

General Government

Trustee's Commission	\$ 1,316	
Total General Government		<u>1,316</u>

Total General Debt Service Fund		\$ 131,570
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Health Department Projects Fund

Public Health and Welfare

Local Health Center

Maintenance & Repair Services- Buildings	\$ 7,950	
Total Local Health Center		<u>\$ 7,950</u>

Total Health Department Projects Fund		7,950
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Public Library Building Fund

Capital Projects

Other General Government Projects

Building Purchases	\$ 90,918	
Total Other General Government Projects		<u>\$ 90,918</u>

Total Public Library Building Fund		90,918
------------------------------------	--	--------

Other Capital Projects Fund

Other Operations

Industrial Development

Consultants	\$ 12,090	
Total Industrial Development		<u>\$ 12,090</u>

Total Other Capital Projects Fund		<u>12,090</u>
-----------------------------------	--	---------------

Total Governmental Funds - Primary Government		<u><u>\$ 4,474,285</u></u>
---	--	----------------------------

Pickett County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2005

	Primary Government Enterprise Fund Solid Waste Disposal Fund
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Tipping Fees	\$ 77,546
<u>Other Local Revenues</u>	
Sale of Recycled Materials	13,226
Total Operating Revenues	<u>\$ 90,772</u>
<u>Nonoperating Revenues</u>	
Local Taxes	\$ 222,312
Investment Income	2,459
Gain on Disposal of Property	630
Sale of Equipment	1,863
Solid Waste Grants	3,497
Total Nonoperating Revenues	<u>\$ 230,761</u>
Total Revenues	<u>\$ 321,533</u>
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 27,797
Clerical Personnel	18,123
Part-time Personnel	7,095
Other Salaries and Wages	54,079
Social Security	8,193
State Retirement	6,058
Unemployment Compensation	1,333
Advertising	216
Communication	1,385
Contracts with Government Agencies	3,275
Contract with Private Agencies	10,632
Data Processing Services	2,890
Engineering Services	2,702
Evaluation and Testing	9,500
Licenses	3,017
Maintenance & Repair - Buildings	1,669
Maintenance & Repair - Equipment	17,683
Maintenance & Repair - Vehicles	1,755
Postal Charges	60
Travel	471
Other Contracted Services	6,705
Custodial Supplies	130

Pickett County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund (Cont.)

	<u>Primary</u> <u>Government</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance (Cont.)</u>	
Electricity	\$ 8,265
Gasoline	7,007
Office Supplies	1,478
Sand	5,312
Uniforms	1,760
Water and Sewer	422
Wire	4,365
Other Supplies and Materials	797
Trustee's Commission	3,984
Depreciation	45,946
Landfill Closure/Postclosure Care Costs	
Total Operating Expenses	<u>\$ 264,104</u>
<u>Nonoperating Expenses</u>	
Interest on Bonds	<u>\$ 3,153</u>
Total Expenses	<u><u>\$ 267,257</u></u>

Exhibit I-8

Pickett County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 143,826
Total Cash Receipts	<u>\$ 143,826</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 142,388
Trustee's Commission	1,438
Total Cash Disbursements	<u>\$ 143,826</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

STATISTICAL SECTION

Table 1

Pickett County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

<u>Year</u>	<u>Amount</u>
1994	\$ 10,165
1995	8,632
1996	1,639
1997	1,656
1998	1,877
1999	7,081
2000	26,598
2001	24,998
2002	28,653
2003	<u>34,015</u>
Total	<u>\$ 145,314</u>

Table 2

Pickett County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.50	\$ 1.22	\$ 1.22	\$ 1.22	\$ 1.15	\$ 1.15	\$ 1.15	\$ 0.81	\$ 0.99	1.08
General Purpose School	1.26	1.02	1.02	1.02	0.83	0.83	0.83	0.70	0.70	0.70
General Debt Service	0.33	0.27	0.27	0.27	0.22	0.22	0.22	0.33	0.15	0.09
Solid Waste Disposal	0.35	0.28	0.28	0.28	0.33	0.33	0.33	0.28	0.28	0.25
Total Tax Rate	\$ 3.44	\$ 2.79	\$ 2.79	\$ 2.79	\$ 2.53	\$ 2.53	\$ 2.53	\$ 2.12	\$ 2.12	2.12
<u>Assessed Valuations</u>										
Real and Personal	\$ 26,569,724	\$ 34,780,796	\$ 35,459,894	\$ 37,052,842	\$ 46,291,879	\$ 47,832,961	\$ 49,052,428	\$ 59,414,772	\$ 62,959,350	\$ 66,805,921
Public Utilities	3,841,404	3,858,217	3,516,215	3,133,776	4,095,129	4,253,700	3,427,967	4,669,625	4,364,595	4,088,509
Total Assessed Valuation	\$ 30,411,128	\$ 38,639,013	\$ 38,976,109	\$ 40,186,618	\$ 50,387,008	\$ 52,086,661	\$ 52,480,395	\$ 64,084,397	\$ 67,323,945	\$ 70,894,430

ANNUAL FINANCIAL REPORT
PICKETT COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY D. RAMSEY, CPA
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This financial report is available at www.comptroller.state.tn.us

TABLE OF CONTENTS

	Exhibit	Page
Audit Highlights		i
<u>INTRODUCTORY SECTION</u>		
Pickett County School Officials		1
<u>FINANCIAL SECTION</u>		
Independent Auditor's Report		5
BASIC FINANCIAL STATEMENTS:		
Government-wide Financial Statements:		
Statement of Net Assets	A	11
Statement of Activities	B	12
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	D-1	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	D-2	16
Notes to the Financial Statements		17
REQUIRED SUPPLEMENTARY INFORMATION:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Purpose School Fund	E	35
Notes to the Required Supplementary Information		37
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		
Governmental Funds:		
Nonmajor Funds :		
Combining Balance Sheet	F-1	43
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	44
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
School Federal Projects Fund	F-3	45
Central Cafeteria Fund	F-4	46

	Exhibit	Page
Miscellaneous Schedules:		
Schedule of Changes in Long-term Bonds	G-1	49
Schedule of Bond and Interest Requirements by Year	G-2	50
Schedule of Salaries and Official Bonds of Principal Official	G-3	51
Schedule of Detailed Revenues – All Governmental Fund Types	G-4	52
Schedule of Detailed Expenditures – All Governmental Fund Types	G-5	54

Audit Highlights

Annual Financial Report
Pickett County School Department
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickett County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Pickett County School Department's financial statements was unqualified.

Our audit resulted in two findings and recommendations, which we have reviewed with Pickett County School Department's management. Detailed findings and recommendations are included in the Single Audit Report.

Findings

The following is a summary of the audit findings:

- ◆ Officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Pickett County School Department Officials
June 30, 2005

Official:

Carolyn Cope, Director of Schools

Board of Education:

Joe Sells, Chairman

Frank Capps

John Reagan

Jimmy Storie

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

August 18, 2005

Pickett County Director of Schools and
Board of Education
Pickett County, Tennessee

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickett County School Department, a component unit of Pickett County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the Pickett County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Pickett County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pickett County School Department as of June 30, 2005, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 18, 2005, on our consideration of the Pickett County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Pickett County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include government-wide financial statements.

As described in Note IV.B., the Pickett County School Department has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The management of the Pickett County School Department did not prepare the management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 35 through 37 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pickett County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated

in all material respects in relation to the basic financial statements taken 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 express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Pickett County, Tennessee
Statement of Net Assets
Pickett County School Department
June 30, 2005

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Equity in Pool Cash and Investments	\$ 677,509
Due from Other Governments	101,825
Property Taxes Receivable	535,151
Allowance for Uncollectible Property Taxes	(23,562)
Assets Not Depreciated:	
Land	22,955
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	5,521,665
Other Capital Assets	285,834
Total Assets	<u>\$ 7,121,377</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 10,768
Accrued Interest Payable	8,856
Deferred Revenue - Current Property Taxes	482,258
Noncurrent Liabilities:	
Due Within One Year	161,597
Due In More Than One Year	4,491,998
Total Liabilities	<u>\$ 5,155,477</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 1,185,454
Restricted for:	
Capital Projects	52,332
Other Purposes	291,851
Unrestricted	<u>436,263</u>
Total Net Assets	<u>\$ 1,965,900</u>

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

Exhibit B

Pickett County, Tennessee
Statement of Activities
Pickett County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 3,291,595	\$ 636	\$ 3,984,276	\$ 693,317
Support Services	1,531,860	0	0	(1,531,860)
Operation of Non-Instructional Services	415,550	101,495	231,238	(82,817)
Other Debt Service	218,183	0	0	(218,183)
Total Governmental Activities	\$ 5,457,188	\$ 102,131	\$ 4,215,514	\$ (1,139,543)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				\$ 484,549
Local option sales tax				218,794
Other local taxes				199,048
Grants & Contributions not restricted for specific programs				42,885
Interest Income				13,268
Miscellaneous				28,322
Total General Revenues				\$ 986,866
Change in net assets				\$ (152,677)
Net assets, July 1, 2004				<u>2,118,577</u>
Net assets, June 30, 2005				<u>\$ 1,965,900</u>

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

Exhibit C-1

Pickett County, Tennessee
Balance Sheet - Governmental Funds
Pickett County School Department
June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
ASSETS			
Equity in Pooled Cash and Investments	\$ 610,267	\$ 67,242	\$ 677,509
Due from Other Governments	93,797	8,028	101,825
Property Taxes Receivable	535,151	0	535,151
Allowance for Uncollectible Property Taxes	(23,562)	0	(23,562)
Total Assets	<u>\$ 1,215,653</u>	<u>\$ 75,270</u>	<u>\$ 1,290,923</u>
LIABILITIES AND FUND BALANCES			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 10,768	\$ 10,768
Deferred Revenue - Current Property Taxes	482,258	0	482,258
Deferred Revenue - Delinquent Property Taxes	29,331	0	29,331
Other Deferred Revenues	36,000	0	36,000
Total Liabilities	<u>\$ 547,589</u>	<u>\$ 10,768</u>	<u>\$ 558,357</u>
<u>Fund Balances</u>			
Reserved for Career Ladder Program	\$ 1,374	\$ 0	\$ 1,374
Reserved for Basic Education Program	286,565	0	286,565
Reserved for Title I Grants to Local Education Agencies	0	827	827
Reserved for Innovative Education Program Strategies	0	1	1
Reserved for Special Education - Grants to States	0	3,084	3,084
Unreserved, Reported In:			
General Fund	380,125	0	380,125
Special Revenue Funds	0	8,258	8,258
Capital Projects Funds	0	52,332	52,332
Total Fund Balances	<u>\$ 668,064</u>	<u>\$ 64,502</u>	<u>\$ 732,566</u>
Total Liabilities and Fund Balances	<u>\$ 1,215,653</u>	<u>\$ 75,270</u>	<u>\$ 1,290,923</u>

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

Exhibit C-2

Pickett County, Tennessee
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
Pickett County School Department
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	\$	732,566
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,830,454
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(4,662,451)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		<u>65,331</u>
Net assets of governmental activities (Exhibit A)	\$	<u><u>1,965,900</u></u>

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

Exhibit D-1

Pickett County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Pickett County School Department
For the Year Ended June 30, 2005

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 901,813	\$ 0	\$ 901,813
Licenses and Permits	271	0	271
Charges for Current Services	636	101,495	102,131
Other Local Revenues	38,678	2,912	41,590
State of Tennessee	3,496,372	3,969	3,500,341
Federal Government	101,918	656,140	758,058
Total Revenues	<u>\$ 4,539,688</u>	<u>\$ 764,516</u>	<u>\$ 5,304,204</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,751,903	\$ 365,390	\$ 3,117,293
Support Services	1,415,682	70,751	1,486,433
Operation of Non-Instructional Services	50,000	344,972	394,972
Debt Service:			
Principal	155,000	0	155,000
Interest	218,428	0	218,428
Capital Projects	0	105,579	105,579
Total Expenditures	<u>\$ 4,591,013</u>	<u>\$ 886,692</u>	<u>\$ 5,477,705</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (51,325)</u>	<u>\$ (122,176)</u>	<u>\$ (173,501)</u>
Net Change in Fund Balances	\$ (51,325)	\$ (122,176)	\$ (173,501)
Fund Balance, July 1, 2004	719,389	186,678	906,067
Fund Balance, June 30, 2005	<u>\$ 668,064</u>	<u>\$ 64,502</u>	<u>\$ 732,566</u>

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

Exhibit D-2

Pickett County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Pickett County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit D-1)	\$ (173,501)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less than depreciation in the current period.	(135,071)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	307
(3) The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	155,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	<u>588</u>
Change in net assets of governmental activities (Exhibit B)	<u>\$ (152,677)</u>

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

**PICKETT COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF
PICKETT COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pickett County School Department'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 the School Department:

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. 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 School Department does not have any business-type activities to report.

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.

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

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. The School Department considers grant 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 Purpose School Fund for payments to be made early in the following year.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 School Department receives cash.

The School Department reports the following major governmental fund:

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

Additionally, the School Department reports the following fund types:

Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Education Capital Projects Fund – This fund is used to account for financial resources to be used in the acquisition or construction of major capital projects.

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

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they become available.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds of Pickett County, the primary government, and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is divided between Pickett County's General Fund and the School Department's General Purpose School Fund. Pickett County and the School Department have adopted a policy of reporting

U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.39 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are not material for financial reporting purposes and are thus not 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.

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, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 - 40
Other Fixed Assets	5 - 15

4. Compensated Absences

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end for professional personnel. However, the School Department's policy does permit 12-month support personnel to accumulate earned but unused vacation benefits not to exceed 40 days. All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment attached, and therefore, is not required to be accrued or recorded. Support personnel are compensated for any sick days not used each year, and

any accumulated leave has no guaranteed payment attached upon termination. All support personnel vacation pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

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 bonds 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 are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Primary Government

Exhibit C-2 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the \$4,662,451 difference are as follows:

Bonds payable	\$ (4,645,000)
Accrued interest payable	(8,856)
Compensated absences	<u>(8,595)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ (4,662,451)</u>

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

Exhibit D-2 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this \$135,071 difference are as follows:

Capital outlay	\$ 70,263
Depreciation expense	<u>(205,334)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (135,071)</u>

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The \$155,000 difference is for principal repayments on bonds.

Another element of that reconciliation states that 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 governmental funds. The details of this \$588 difference are as follows:

Net change in compensated absences	\$ 343
Net change in accrued interest on bonds	<u>245</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 588</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Pickett County and the 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, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash and Investments reflected on the balance sheets or statements of net assets represent 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Pickett County had the following investments carried at cost. All investments are in the county trustee’s investment pool. Separate disclosures concerning pooled investments cannot be made for Pickett County and the School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
State Treasurer's Investment Pool	Daily	<u>\$ 78,742</u>

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. Pickett 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. Pickett County has no investment policy that would further limit its investment choices. As of June 30, 2005, Pickett County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Balance 7-1-04	Increases	Transfers	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 22,955	\$ 0	\$ 0	\$ 22,955
Construction in Progress	166,037	0	(166,037)	0
Total Capital Assets Not Depreciated	\$ 188,992	\$ 0	\$ (166,037)	\$ 22,955
Capital Assets Depreciated:				
Buildings and Improvements	\$ 6,612,177	\$ 70,263	\$ 166,037	\$ 6,848,477
Other Capital Assets	599,872	0	0	599,872
Total Capital Assets Depreciated	\$ 7,212,049	\$ 70,263	\$ 166,037	\$ 7,448,349
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 1,159,470	\$ 167,342	\$ 0	\$ 1,326,812
Other Capital Assets	276,046	37,992	0	314,038
Total Accumulated Depreciation	\$ 1,435,516	\$ 205,334	\$ 0	\$ 1,640,850
Total Capital Assets Depreciated, Net	\$ 5,776,533	\$ (135,071)	\$ 166,037	\$ 5,807,499
Governmental Activities Capital Assets, Net	\$ 5,965,525	\$ (135,071)	\$ 0	\$ 5,830,454

Depreciation expense was charged to functions of the School Department as follows:

Governmental Activities:

Instruction	\$ 138,986
Support Services	45,770
Operation of Non-Instructional Services	<u>20,578</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 205,334</u></u>

C. Long-term Debt

General Obligation Bonds

The county issues general obligation bonds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The general obligation bond outstanding was issued for an original term of 25 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The bond included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund.

General obligation bonds outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3.3 to 4.9 %	\$ 5,500,000	\$ 4,645,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 160,000	\$ 212,538
2007	170,000	206,297
2008	175,000	199,498
2009	180,000	192,322
2010	190,000	184,853
2011-2015	1,080,000	794,985
2016-2020	1,350,000	526,107
2021-2024	1,340,000	168,005
Total	<u>\$ 4,645,000</u>	<u>\$ 2,484,605</u>

General bonded debt per capita for the School Department amounted to \$939, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:	Bonds		Compensated Absences	
Balance, July 1, 2004	\$	4,800,000	\$	8,938
Additions		0		2,063
Deductions		(155,000)		(2,406)
Balance, June 30, 2005	<u>\$</u>	<u>4,645,000</u>	<u>\$</u>	<u>8,595</u>
Balance Due Within One Year	<u>\$</u>	<u>160,000</u>	<u>\$</u>	<u>1,597</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 4,653,595
Less: Balance Due Within One Year	<u>(161,597)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 4,491,998</u>

Compensated absences will be paid from General Purpose School Fund.

IV. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation.

The School Department is a member of the Tennessee School Boards Risk Management Trust, a public entity risk pool established by the Tennessee School Boards Association. The School Department pays annual premiums to the pool for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of this pool provides for it to be self-sustaining through member premiums.

The School Department provides health insurance to its employees through the Local Government Group Insurance (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 were 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, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual 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.

B. Accounting Changes

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Contingent Liabilities

The School Department is not involved in any pending lawsuits. The School Department attorney estimates that any potential claims against the School Department would not materially affect the county's financial statements.

D. Retirement Commitments

Plan Description

Employees of Pickett County, including the School Department, 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 Pickett 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 www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Since the Pickett County School Department participates in Pickett County's plan, retirement information for the Pickett County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote III. F. of the Annual Financial Report of Pickett County, Tennessee.

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/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 Pickett County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Pickett County 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, 2005, 2004, and 2003, were \$159,657, \$89,352, and \$85,536, respectively, equal to the required contributions for each year.

E. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, 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 \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Pickett County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 901,813	\$ 870,500	\$ 870,500	\$ 31,313
Licenses and Permits	271	300	300	(29)
Charges for Current Services	636	0	0	636
Other Local Revenues	38,678	25,000	28,089	10,589
State of Tennessee	3,496,372	3,457,900	3,525,233	(28,861)
Federal Government	101,918	90,870	90,870	11,048
Total Revenues	\$ 4,539,688	\$ 4,444,570	\$ 4,514,992	\$ 24,696
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,246,940	\$ 2,267,475	\$ 2,301,032	\$ 54,092
Special Education Program	247,743	260,345	251,345	3,602
Vocational Education Program	244,371	246,095	246,095	1,724
Adult Education Program	12,849	23,168	23,168	10,319
<u>Support Services</u>				
Attendance	58,320	58,515	58,515	195
Health Services	1,341	1,500	2,750	1,409
Other Student Support	92,062	93,210	93,210	1,148
Regular Instruction Program	174,806	193,539	181,539	6,733
Special Education Program	53,857	45,205	56,205	2,348
Vocational Education Program	10,093	10,205	10,205	112
Adult Programs	40,202	58,748	58,748	18,546
Board of Education	73,176	96,645	86,145	12,969
Director of Schools	59,940	63,730	63,730	3,790
Office of the Principal	177,323	196,700	181,700	4,377
Fiscal Services	50,216	54,155	54,155	3,939
Operation of Plant	366,446	344,905	379,230	12,784
Maintenance of Plant	20,714	25,000	25,000	4,286
Transportation	230,467	232,275	247,275	16,808
Central and Other	6,719	6,750	6,750	31
<u>Operation of Non-Instructional Services</u>				
Community Services	50,000	17,210	50,000	0
<u>Principal</u>				
Education	155,000	155,000	155,000	0
<u>Interest</u>				
Education	218,428	220,000	220,000	1,572
Total Expenditures	\$ 4,591,013	\$ 4,670,375	\$ 4,751,797	\$ 160,784
Excess (Deficiency) of Revenues Over Expenditures	\$ (51,325)	\$ (225,805)	\$ (236,805)	\$ 185,480

(Continued)

Exhibit E

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Net Change in Fund Balance	\$ (51,325)	\$ (225,805)	\$ (236,805)	\$ 185,480
Fund Balance, July 1, 2004	719,389	458,892	458,892	260,497
Fund Balance, June 30, 2005	\$ 668,064	\$ 233,087	\$ 222,087	\$ 445,977

**PICKETT COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

BUDGETARY INFORMATION

The School Department 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 Pickett 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 State 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 Purpose School Fund major categories: Regular Instruction Program, Special Education Program, Board of Education, Director of Schools, etc.). Management may make revisions within major categories, but only the Pickett County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used in the acquisition or construction of major capital projects.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for expenditures related to the renovation and construction of school buildings in Pickett County.

Exhibit F-1

Pickett County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Pickett County School Department
June 30, 2005

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>School Federal Projects</u>	<u>Central Cafeteria</u>	<u>Total</u>	<u>Education Capital Projects</u>	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 3,192	\$ 11,718	\$ 14,910	\$ 52,332	\$ 67,242
Due from Other Governments	720	7,308	8,028	0	8,028
Total Assets	\$ 3,912	\$ 19,026	\$ 22,938	\$ 52,332	\$ 75,270
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 10,768	\$ 10,768	\$ 0	\$ 10,768
Total Liabilities	\$ 0	\$ 10,768	\$ 10,768	\$ 0	\$ 10,768
<u>Fund Balances</u>					
Reserved for Title I Grants to Local Education Agencies	\$ 827	\$ 0	\$ 827	\$ 0	\$ 827
Reserved for Innovative Education Program Strategies	1	0	1	0	1
Reserved for Special Education - Grants to States	3,084	0	3,084	0	3,084
Unreserved	0	8,258	8,258	52,332	60,590
Total Fund Balances	\$ 3,912	\$ 8,258	\$ 12,170	\$ 52,332	\$ 64,502
Total Liabilities and Fund Balances	\$ 3,912	\$ 19,026	\$ 22,938	\$ 52,332	\$ 75,270

Pickett County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Pickett County School Department
For the Year Ended June 30, 2005

Exhibit F-2

	<u>Special Revenue Funds</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>School</u> <u>Federal</u> <u>Projects</u>	<u>Central</u> <u>Cafeteria</u>	<u>Total</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 101,495	\$ 101,495	\$ 0	\$ 101,495
Other Local Revenues	0	113	113	2,799	2,912
State of Tennessee	0	3,969	3,969	0	3,969
Federal Government	428,871	227,269	656,140	0	656,140
Total Revenues	\$ 428,871	\$ 332,846	\$ 761,717	\$ 2,799	\$ 764,516
<u>Expenditures</u>					
Current:					
Instruction	\$ 365,390	\$ 0	\$ 365,390	\$ 0	\$ 365,390
Support Services	70,751	0	70,751	0	70,751
Operation of Non-Instructional Services	0	344,972	344,972	0	344,972
Capital Projects	0	0	0	105,579	105,579
Total Expenditures	\$ 436,141	\$ 344,972	\$ 781,113	\$ 105,579	\$ 886,692
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,270)	\$ (12,126)	\$ (19,396)	\$ (102,780)	\$ (122,176)
Net Change in Fund Balances	\$ (7,270)	\$ (12,126)	\$ (19,396)	\$ (102,780)	\$ (122,176)
Fund Balance, July 1, 2004	11,182	20,384	31,566	155,112	186,678
Fund Balance, June 30, 2005	\$ 3,912	\$ 8,258	\$ 12,170	\$ 52,332	\$ 64,502

Exhibit F-3

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Pickett County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 428,871	\$ 514,546	\$ 526,115	\$ (97,244)
Total Revenues	\$ 428,871	\$ 514,546	\$ 526,115	\$ (97,244)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 202,602	\$ 235,280	\$ 214,978	\$ 12,376
Special Education Program	145,414	170,604	171,992	26,578
Vocational Education Program	17,374	19,375	17,375	1
<u>Support Services</u>				
Health Services	7,866	7,866	7,866	0
Other Student Support	2,000	1,000	3,000	1,000
Regular Instruction Program	53,966	71,389	101,872	47,906
Special Education Program	3,197	4,629	4,629	1,432
Transportation	3,722	4,403	4,403	681
Total Expenditures	\$ 436,141	\$ 514,546	\$ 526,115	\$ 89,974
Excess (Deficiency) of Revenues Over Expenditures	\$ (7,270)	\$ 0	\$ 0	\$ (7,270)
Net Change in Fund Balance	\$ (7,270)	\$ 0	\$ 0	\$ (7,270)
Fund Balance, July 1, 2004	11,182	0	0	11,182
Fund Balance, June 30, 2005	\$ 3,912	\$ 0	\$ 0	\$ 3,912

Exhibit F-4

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Pickett County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 101,495	\$ 102,000	\$ 102,000	\$ (505)
Other Local Revenues	113	100	100	13
State of Tennessee	3,969	4,330	4,330	(361)
Federal Government	227,269	214,000	240,000	(12,731)
Total Revenues	<u>\$ 332,846</u>	<u>\$ 320,430</u>	<u>\$ 346,430</u>	<u>\$ (13,584)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 344,972	\$ 334,507	\$ 360,507	\$ 15,535
Total Expenditures	<u>\$ 344,972</u>	<u>\$ 334,507</u>	<u>\$ 360,507</u>	<u>\$ 15,535</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (12,126)</u>	<u>\$ (14,077)</u>	<u>\$ (14,077)</u>	<u>\$ 1,951</u>
Net Change in Fund Balance	\$ (12,126)	\$ (14,077)	\$ (14,077)	\$ 1,951
Fund Balance, July 1, 2004	20,384	14,077	14,077	6,307
Fund Balance, June 30, 2005	<u>\$ 8,258</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 8,258</u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

Pickett County, Tennessee
Schedule of Changes in Long-term Bonds
Pickett County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>GENERAL BONDED DEBT</u>							
<u>Payable through General Purpose School Fund</u>							
K-8 Elementary School Building Project	\$ 5,500,000	3.3 to 4.9 %	1-28-1999	6-1-24	<u>\$ 4,800,000</u>	<u>\$ 155,000</u>	<u>\$ 4,645,000</u>

Exhibit G-2

Pickett County, Tennessee
Schedule of Bond and Interest Requirements by Year
Pickett County School Department

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 160,000	\$ 212,538	\$ 372,538
2007	170,000	206,297	376,297
2008	175,000	199,498	374,498
2009	180,000	192,322	372,322
2010	190,000	184,853	374,853
2011	200,000	176,872	376,872
2012	205,000	168,373	373,373
2013	215,000	159,557	374,557
2014	225,000	150,098	375,098
2015	235,000	140,085	375,085
2016	245,000	129,392	374,392
2017	255,000	118,000	373,000
2018	270,000	106,015	376,015
2019	285,000	93,190	378,190
2020	295,000	79,510	374,510
2021	310,000	65,350	375,350
2022	325,000	50,470	375,470
2023	345,000	34,545	379,545
2024	360,000	17,640	377,640
Total	\$ 4,645,000	\$ 2,484,605	\$ 7,129,605

Exhibit G-3

Pickett County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Pickett County School Department
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Pickett County Board of Education	\$ 70,441 (1)	(2)	
Employee Blanket Bond Coverage			\$ 150,000	Tennessee School Boards Risk Management Trust

(1) The director of schools also served as the instruction supervisor. The salary listed above includes instruction supervisor salary of \$27,590, career ladder supplement of \$1,000, and a \$466 one time bonus.

(2) The director of schools is covered by the \$150,000 employee blanket bond.

Exhibit G-4

Pickett County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Pickett County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 450,738	\$ 0	\$ 0	\$ 0	\$ 450,738
Trustee's Collections - Prior Year	26,937	0	0	0	26,937
Circuit/Clerk & Master Collections - Prior Years	3,622	0	0	0	3,622
Interest and Penalty	4,797	0	0	0	4,797
Payments in Lieu of Taxes - Other	1,148	0	0	0	1,148
<u>County Local Option Taxes</u>					
Local Option Sales Tax	215,794	0	0	0	215,794
Local Amusement Tax	35	0	0	0	35
Business Tax	19,647	0	0	0	19,647
Other County Local Option Taxes	179,095	0	0	0	179,095
Total Local Taxes	\$ 901,813	\$ 0	\$ 0	\$ 0	\$ 901,813
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 271	\$ 0	\$ 0	\$ 0	\$ 271
Total Licenses and Permits	\$ 271	\$ 0	\$ 0	\$ 0	\$ 271
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 30,994	\$ 0	\$ 30,994
Lunch Payments - Adults	0	0	14,409	0	14,409
Income from Breakfast	0	0	21,156	0	21,156
A la carte Sales	0	0	34,936	0	34,936
TBI Criminal Background Fee	636	0	0	0	636
Total Charges for Current Services	\$ 636	\$ 0	\$ 101,495	\$ 0	\$ 102,131
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 10,356	\$ 0	\$ 113	\$ 2,799	\$ 13,268
Miscellaneous Refunds	28,322	0	0	0	28,322
Total Other Local Revenues	\$ 38,678	\$ 0	\$ 113	\$ 2,799	\$ 41,590
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 3,304,527	\$ 0	\$ 0	\$ 0	\$ 3,304,527
School Food Service	0	0	3,969	0	3,969
Driver Education	7,140	0	0	0	7,140
Other State Education Funds	77,857	0	0	0	77,857
Career Ladder Program	66,580	0	0	0	66,580
Career Ladder - Extended Contract	33,301	0	0	0	33,301
<u>Other State Revenues</u>					
Other State Revenues	6,967	0	0	0	6,967
Total State of Tennessee	\$ 3,496,372	\$ 0	\$ 3,969	\$ 0	\$ 3,500,341
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 131,040	\$ 0	\$ 131,040
Breakfast	0	0	53,498	0	53,498

(Continued)

Exhibit G-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>					
<u>Federal Through State (Cont.)</u>					
USDA - Other	\$ 0	\$ 0	\$ 42,731	\$ 0	\$ 42,731
Adult Education State Grant Program	37,673	0	0	0	37,673
Vocational Education - Basic Grants to States	0	19,375	0	0	19,375
Title I Grants to Local Education Agencies	0	182,196	0	0	182,196
Innovative Education Program Strategies	0	5,409	0	0	5,409
Special Education - Grants to States	0	155,337	0	0	155,337
Special Education Preschool Grants	0	4,283	0	0	4,283
Eisenhower Professional Development State Grants	0	57,948	0	0	57,948
Job Training Partnership Act	16,759	0	0	0	16,759
Other Federal through State	4,601	4,323	0	0	8,924
<u>Direct Federal Revenue</u>					
Public Law 874 - Maintenance and Operation	42,885	0	0	0	42,885
Total Federal Government	\$ 101,918	\$ 428,871	\$ 227,269	\$ 0	\$ 758,058
Total	\$ 4,539,688	\$ 428,871	\$ 332,846	\$ 2,799	\$ 5,304,204

Exhibit G-5

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Pickett County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,685,062	
Career Ladder Program	38,000	
Career Ladder Extended Contracts	30,513	
Educational Assistants	4,175	
Other Salaries & Wages	24,091	
Certified Substitute Teachers	43,107	
Social Security	104,766	
State Retirement	97,957	
Medical Insurance	101,073	
Employer Medicare	24,502	
Maintenance & Repair Services- Equipment	572	
Other Contracted Services	12,750	
Instructional Supplies and Materials	26,171	
Textbooks	45,178	
Regular Instruction Equipment	9,023	
Total Regular Instruction Program		\$ 2,246,940

Special Education Program

Teachers	\$ 194,511	
Career Ladder Program	4,000	
Homebound Teachers	9,498	
Social Security	12,238	
State Retirement	10,918	
Medical Insurance	13,716	
Employer Medicare	2,862	
Total Special Education Program		247,743

Vocational Education Program

Teachers	\$ 180,820	
Career Ladder Program	6,000	
Other Salaries & Wages	13,220	
Social Security	11,652	
State Retirement	11,002	
Medical Insurance	11,023	
Employer Medicare	2,725	
Other Charges	7,929	
Total Vocational Education Program		244,371

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program

Teachers	\$	9,824	
Social Security		548	
State Retirement		540	
Employer Medicare		128	
Instructional Supplies and Materials		1,809	
Total Adult Education Program			\$ 12,849

Support Services

Attendance

Supervisor/Director	\$	50,250	
Career Ladder Program		1,000	
Social Security		3,152	
State Retirement		2,819	
Employer Medicare		737	
Travel		91	
Other Supplies and Materials		271	
Total Attendance			58,320

Health Services

Other Contracted Services	\$	1,341	
Total Health Services			1,341

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		73,920	
Social Security		4,272	
State Retirement		4,125	
Medical Insurance		4,908	
Employer Medicare		999	
Evaluation and Testing		2,800	
Travel		38	
Total Other Student Support			92,062

Regular Instruction Program

Supervisor/Director	\$	27,590	
Career Ladder Program		2,285	
Librarians		70,966	
Instructional Computer Personnel		45,023	
Social Security		8,297	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	7,945	
Medical Insurance		7,217	
Employer Medicare		1,940	
Travel		138	
In Service/Staff Development		3,405	
Total Regular Instruction Program			\$ 174,806

Special Education Program

Supervisor/Director	\$	33,500	
Career Ladder Program		1,000	
Social Security		1,774	
State Retirement		1,897	
Medical Insurance		4,770	
Employer Medicare		415	
Travel		475	
Other Contracted Services		9,900	
Other Supplies and Materials		126	
Total Special Education Program			53,857

Vocational Education Program

Supervisor/Director	\$	8,920	
Social Security		553	
State Retirement		491	
Employer Medicare		129	
Total Vocational Education Program			10,093

Adult Programs

Supervisor/Director	\$	33,924	
Social Security		1,971	
State Retirement		1,866	
Employer Medicare		461	
Other Charges		1,980	
Total Adult Programs			40,202

Board of Education

Secretary to Board	\$	1,200	
Board and Committee Members Fees		6,000	
Social Security		446	
State Retirement		83	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Life Insurance	\$	4,814	
Unemployment Compensation		75	
Employer Medicare		104	
Audit Services		1,800	
Dues and Memberships		125	
Legal Services		1,501	
Travel		262	
Trustee's Commission		25,929	
Workers' Compensation Insurance		24,387	
In Service/Staff Development		2,950	
Other Charges		3,500	
Total Board of Education			\$ 73,176

Director of Schools

County Official/Administrative Officer	\$	41,385	
Career Ladder Program		1,000	
Social Security		2,409	
State Retirement		2,331	
Medical Insurance		4,770	
Employer Medicare		563	
Communication		5,774	
Postal Charges		518	
Travel		449	
Office Supplies		23	
Other Charges		718	
Total Director of Schools			59,940

Office of the Principal

Principals	\$	99,430	
Career Ladder Program		4,000	
Secretary(s)		44,128	
Social Security		8,342	
State Retirement		8,755	
Medical Insurance		10,083	
Employer Medicare		1,951	
Communication		484	
Postal Charges		150	
Total Office of the Principal			177,323

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	42,706	
Social Security		2,648	
State Retirement		2,968	
Medical Insurance		956	
Employer Medicare		619	
Other Supplies and Materials		319	
Total Fiscal Services			\$ 50,216

Operation of Plant

Custodial Personnel	\$	111,942	
Social Security		6,725	
State Retirement		7,033	
Medical Insurance		1,956	
Employer Medicare		1,573	
Other Contracted Services		3,900	
Electricity		107,076	
Natural Gas		52,331	
Water and Sewer		18,490	
Other Supplies and Materials		23,802	
Building and Contents Insurance		31,618	
Total Operation of Plant			366,446

Maintenance of Plant

Maintenance & Repair Services- Equipment	\$	15,000	
Other Contracted Services		5,714	
Total Maintenance of Plant			20,714

Transportation

Mechanic(s)	\$	43,984
Bus Drivers		83,513
Social Security		6,775
State Retirement		8,578
Medical Insurance		16,703
Employer Medicare		1,585
Other Contracted Services		3,094
Diesel Fuel		21,100
Garage Supplies		303
Gasoline		4,831
Lubricants		661

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Tires and Tubes	\$	6,000	
Vehicle Parts		23,114	
Other Supplies and Materials		400	
Other Charges		9,826	
Total Transportation			\$ 230,467

Central and Other

Data Processing Services	\$	4,969	
Maintenance & Repair Services- Equipment		1,000	
Data Processing Supplies		750	
Total Central and Other			6,719

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	7,855	
Clerical Personnel		4,345	
Other Salaries & Wages		15,400	
Social Security		1,955	
State Retirement		2,040	
Medical Insurance		5,160	
Employer Medicare		475	
Travel		200	
Other Charges		12,570	
Total Community Services			50,000

Principal

Education

Principal on Bonds	\$	155,000	
Total Education			155,000

Interest

Education

Interest on Bonds	\$	218,428	
Total Education			218,428

Total General Purpose School Fund \$ 4,591,013

(Continued)

Exhibit G-5

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	158,109	
Educational Assistants		10,360	
Social Security		9,863	
State Retirement		9,416	
Medical Insurance		12,050	
Employer Medicare		2,307	
Instructional Supplies and Materials		497	
Total Regular Instruction Program			\$ 202,602

Special Education Program

Homebound Teachers	\$	508	
Educational Assistants		78,575	
Social Security		4,897	
State Retirement		5,286	
Medical Insurance		4,828	
Employer Medicare		1,145	
Contracts with Other School Systems		9,900	
Other Contracted Services		8,249	
Instructional Supplies and Materials		27,970	
Special Education Equipment		4,056	
Total Special Education Program			145,414

Vocational Education Program

Educational Assistants	\$	4,160	
Social Security		110	
State Retirement		289	
Medical Insurance		1,671	
Employer Medicare		26	
Instructional Supplies and Materials		9,781	
Special Education Equipment		1,337	
Total Vocational Education Program			17,374

Support Services

Health Services

Medical Personnel	\$	6,900	
Social Security		432	
State Retirement		433	
Employer Medicare		101	
Total Health Services			7,866

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Other Student Support

Travel	\$ 2,000	
Total Other Student Support		\$ 2,000

Regular Instruction Program

Supervisor/Director	\$ 16,750	
Social Security	1,038	
State Retirement	921	
Employer Medicare	243	
Library Books/Media	234	
In Service/Staff Development	34,780	
Total Regular Instruction Program		53,966

Special Education Program

Travel	\$ 3,177	
In Service/Staff Development	20	
Total Special Education Program		3,197

Transportation

Bus Drivers	\$ 3,249	
Social Security	201	
State Retirement	225	
Employer Medicare	47	
Total Transportation		3,722

Total School Federal Projects Fund \$ 436,141

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 26,738
Cafeteria Personnel	106,759
Social Security	7,515
State Retirement	6,422
Medical Insurance	10,653
Employer Medicare	1,757
Communication	882
Maintenance & Repair Services- Equipment	357
Travel	1,015
Other Contracted Services	5,070

(Continued)

Exhibit G-5

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Food Preparation Supplies	\$	12,427	
Food Supplies		164,718	
Office Supplies		119	
Other Supplies and Materials		540	
Total Food Service			\$ 344,972

Total Central Cafeteria Fund \$ 344,972

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Fiscal Agent Charges	\$	15	
Building Improvements		105,564	
Total Education Capital Projects			\$ 105,579

Total Education Capital Projects Fund 105,579

Total Governmental Funds - Pickett County School Department \$ 5,477,705

SINGLE AUDIT REPORT
PICKETT COUNTY, TENNESSEE
AND
PICKETT COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
RICHARD V. NORMENT
Assistant to the Comptroller

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

GARY D. RAMSEY, CPA
KELLEY J. McNEAL, CPA, CGFM
State Auditors

This report is available at www.comptroller.state.tn.us

SINGLE AUDIT REPORT TABLE OF CONTENTS

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3
Schedule of Expenditures of Federal Awards and State Grants	7
Schedule of Audit Findings Not Corrected	9
Schedule of Findings and Questioned Costs	11
Auditee Reporting Responsibilities	21



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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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

August 18, 2005

Pickett County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Pickett County, Tennessee

To the County Executive, Board of County Commissioners, Director of Schools, and
Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Pickett County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Pickett County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Pickett County's and the Pickett County School Department's basic financial statements and have issued our reports thereon dated August 18, 2005. Our report on the financial statements of the Pickett County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Pickett County School Department expresses an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pickett County's and the Pickett County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting.

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Pickett County's and the Pickett County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.02, 05.03, 05.04(C), 05.05, 05.10(A, B, C), 05.13, and 05.14.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

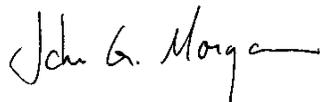
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pickett County's and the Pickett County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.04(A, B), 05.06, 05.07, 05.08, 05.09, 05.10(D, E), 05.11, and 05.12.

We also noted certain matters that we reported to the management of Pickett County and the Pickett County School Department in separate communications.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 18, 2005

Pickett County Executive, Board of County Commissioners,
Director of Schools, and Board of Education
Pickett County, Tennessee

To the County Executive, Board of County Commissioners, Director of Schools, and
Board of Education:

Compliance

We have audited the compliance of Pickett County and the Pickett County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Pickett County's and the Pickett County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Pickett County's and the Pickett County School Department's management. Our responsibility is to express an opinion on Pickett County's and the Pickett County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Pickett County's and the Pickett County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pickett County's and the Pickett County School Department's compliance with those requirements.

In our opinion, Pickett County and the Pickett County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Pickett County and the Pickett County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Pickett County's and the Pickett County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Pickett County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Pickett County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated August 18, 2005. Our report on the financial statements of Pickett County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Pickett County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/sb

Pickett County, Tennessee, and the Pickett County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

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:			
Food Distribution (Noncash Assistance)	10.550	(2)	\$ 32,392
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	53,498
National School Lunch Program	10.555	N/A	131,040
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	(2)	42,731
Total U.S. Department of Agriculture			\$ 259,661
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial State and Local Law Enforcement Assistance	16.580	Z-01-098958-00	\$ 15,000
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
Workforce Investment Act	17.250	(2)	\$ 16,759
Passed-through State Department of Labor and Workforce Development:			
Workforce Investment Act Incentive Grants to States	17.267	Z-04-019477-00	4,601
Total U.S. Department of Labor			\$ 21,360
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 42,885
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Programs	84.002	Z-04-016701-00	405 (3)
Adult Education - State Grant Programs	84.002	Z-05-022255-00	37,268 (3)
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	187,607
Special Education - Grants to States	84.027	N/A	160,199
Vocational Education - Basic Grants to States	84.048	N/A	19,375
Safe and Drug-Free Schools and Communities - State Grant	84.186	(2)	4,769
Innovative Education Program Strategies	84.298	N/A	234
Education Technology State Grants	84.318	(2)	1,011
Rural Education	84.358	N/A	5,409
Improving Teacher Quality State Grants	84.367	N/A	57,539
Total U.S. Department of Education			\$ 516,701
U.S. Department of Health and Human Services:			
Passed-through Upper Cumberland Development District:			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 7,227

(Continued)

Pickett County, Tennessee, and Pickett County School Department
Schedule of Expenditures of Federal Awards and State Grants (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Direct Programs:			
Assistance to Firefighters Grant	97.044	N/A	\$ 189,000
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020135-00	14,835 (4)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022483-00	6,943 (4)
Total U.S. Department of Homeland Security			\$ 210,778
Total Expenditures of Federal Awards			\$ 1,030,727
<u>State Grants</u>			
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	\$ 10,014
Family Resource Center - State Department of Education	N/A	(2)	6,967
Drug Abuse Resistance Education (D.A.R.E.) - State Department of Safety	N/A	(2)	33,300
Aging Program - Upper Cumberland Human Resource Agency	N/A	(2)	8,003
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	9,000
Law Enforcement Training - State Department of Safety	N/A	(2)	3,112
Litter Program - State Department of Transportation	N/A	(2)	31,734
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	3,350
Technology Grant - Department of State	N/A	(2)	1,200
Archives Grant - Department of State	N/A	(2)	4,000
Health Grant - State Department of Health	N/A	(2)	733
Health Grant - State Department of Health	N/A	(2)	31,900
Health Grant - State Department of Health	N/A	(2)	1,683
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	3,497
Total State Grants			\$ 148,493

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 Adult Education (CFDA Number 84.002) from the U.S. Department of Education was \$37,673.
- (4) Total State Domestic Preparedness Equipment Support Program (CFDA Number 97.004) from the U.S. Department of Homeland Security was \$21,778.

Pickett County, Tennessee, and the Pickett County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report of Pickett County, Tennessee, and Pickett County School Department for the year ended June 30, 2004, which have not been corrected.

PICKETT COUNTY PRIMARY GOVERNMENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	13	Inventory records were not maintained
04.03	13	The office had paid invoices without proper supporting documentation
04.04(A,C)	13	Deficiencies were noted in landfill operations

OFFICE OF HIGHWAY SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06	14	The office did not maintain adequate controls over consumable assets

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.07	15	Traffic school collections were not reported and paid to the county in compliance with state statutes
04.08	15	Collections were not receipted and deposited properly
04.09	16	The execution docket trial balance did not reconcile with general ledger accounts for the General Sessions Court

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.10	16	Accounting records were not maintained properly
04.12	17	The Sheriff's Office had deficiencies in its booking procedures

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.13	18	The General Sessions Judge ordered contributions to charitable or civic organizations contrary to the State Attorney General's opinion
04.14	18	A central system of accounting, budgeting, and purchasing had not been adopted
04.15	19	Duties were not segregated adequately in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

**PICKETT COUNTY, TENNESSEE, AND THE
PICKETT COUNTY SCHOOL DEPARTMENT**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Pickett County, and an unqualified opinion was issued on the financial statements of the Pickett County School Department.
2. The audit of the financial statements of Pickett County and the Pickett County School Department disclosed reportable conditions in internal control. None of these conditions were considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Pickett County. The audit did not disclose any instances of noncompliance that are material to the financial statements of the Pickett County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, National School Lunch Program, and the Summer Food Service Program (CFDA Nos. 10.553, 10.555, and 10.559); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and Special Education - Grants to States (CFDA No. 84.027) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Pickett County and the Pickett County School Department did not qualify as low-risk auditees.

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. Management offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

PICKETT COUNTY PRIMARY GOVERNMENT

FINDING 05.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

Pickett County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Pickett County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Pickett County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the financial statements of the primary government.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Pickett County primary government’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

The Pickett County primary government should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical cost of the county’s capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

OFFICE OF COUNTY EXECUTIVE

**FINDING 05.02 INVENTORY RECORDS WERE NOT MAINTAINED
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Inventory records were not maintained for assets owned by the general county government. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles.

RECOMMENDATION

The office should maintain inventory records of all assets as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

**FINDING 05.03 THE OFFICE PAID SEVERAL INVOICES WITHOUT PROPER SUPPORTING DOCUMENTATION
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Several invoices were paid without documentation that goods had been received or services had been rendered. This practice could result in the county's paying for items not received or paying invoices more than once. We extended our audit procedures and determined that these goods and services were received.

RECOMMENDATION

The office should maintain documentation that goods have been received or services have been rendered before invoices are paid.

**FINDING 05.04 THE LANDFILL OPERATION HAD ACCOUNTING DEFICIENCIES
(A. and B. Noncompliance Under Government Auditing Standards; C. Internal Control – Reportable Condition Under Government Auditing Standards)**

Our review of the landfill operations revealed the following accounting deficiencies:

- A. Official prenumbered receipts were not issued for some collections received at the landfill as required by Section 9-2-103, Tennessee Code Annotated, (TCA).

- B. Collections were not remitted to the county trustee for deposit within three days of collection, as required by Section 5-8-207, TCA.
- C. Landfill receipts and collections were not reconciled with the amounts deposited with the county trustee.

RECOMMENDATION

Landfill personnel should issue official prenumbered receipts for all collections and remit the collections to the county trustee within three days as required by state statutes. Also, landfill receipts and collections should be reconciled with amounts deposited with the county trustee.

OFFICE OF HIGHWAY SUPERINTENDENT

FINDING 05.05 **THE OFFICE DID NOT MAINTAIN ADEQUATE CONTROLS OVER CONSUMABLE ASSETS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not maintain inventory records of consumable assets, such as fuel, tires, repair parts, and rock. The failure to maintain adequate records of consumable assets weakens controls over these assets and increases the risk of inventory loss.

RECOMMENDATION

The office should maintain records of consumable assets, such as fuel, tires, repair parts, and rock. Furthermore, personnel independent of maintaining the inventory should periodically verify these records.

FINDING 05.06 **A COMPLETE COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

The highway superintendent submitted a list of county road names to the County Commission; however, this list did not include the required classification, width of each county road, nor the summary of changes from the prior year. Section 54-10-103, Tennessee Code Annotated, requires the highway superintendent to submit a list of county roads to the County Commission for its approval at the January session each year. This list must include the classification, width and distance of each county-maintained road, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change. Highway Department

officials need a current approved list of county roads to determine roads the department is authorized to work.

RECOMMENDATION

The highway superintendent should submit to the County Commission a list of county roads that includes the classification, width and distance of each road, and a summary of changes, as required by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 05.07 **TRAFFIC SCHOOL COLLECTIONS WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTES**

(Noncompliance Under Government Auditing Standards)

The general sessions court clerk did not report and pay traffic school tuition to the county, as required by Section 5-8-105, Tennessee Code Annotated, (TCA). Instead, the clerk disbursed traffic school collections of \$19,773 for community service program expenditures; traffic school expenditures; pagers for the clerk, general sessions judge, and youth services officer; furniture for the office; and a contribution to the DARE program. These disbursements also included payments of \$11,700 that were made to the clerk's bookkeeper for her duties at the traffic school at the order of the general sessions judge. These payments were reported to the Internal Revenue Service on a Form 1099; however federal income taxes, social security, and retirement were not withheld. Section 5-9-401, TCA, requires all funds to be appropriated by the County Commission. On June 30, 2005, the office had traffic school collections of \$9,873 in the bank that had not been remitted to the county.

RECOMMENDATION

All traffic school collections should be remitted to the county trustee monthly and placed in the General Fund, and all disbursements of traffic school collections should be made only from the General Fund after being appropriated by the County Commission. In addition, county officials should review the payments made to the clerk's bookkeeper to determine additional liabilities, such as overtime pay and additional retirement benefits.

FINDING 05.08 **COLLECTIONS WERE NOT RECEIPTED AND DEPOSITED PROPERLY**

(Noncompliance Under Government Auditing Standards)

Collections were not receipted and deposited properly. Office employees stated that collections pertaining to a case often were not receipted until a case number was

determined. If a case number was not known at the time collections were received, a handwritten receipt from the computer receipt stock was often issued to the individual making the payment to the office. The handwritten receipt and money were then held in the office until a case number was determined. Once the case number was assigned, an official, computer-generated receipt was issued, the receipt was entered into the general ledger, and the funds were deposited. Section 9-2-103, et seq., Tennessee Code Annotated (TCA), requires that official, prenumbered receipts be issued at the time funds are received. Also, Section 5-8-207, TCA, requires that county officials deposit funds within three days of collection.

RECOMMENDATION

Official receipts should be issued when funds are received, and all collections should be deposited to the office bank account within three days of collection in compliance with state statutes.

FINDING 05.09 THE EXECUTION DOCKET TRIAL BALANCE FOR THE GENERAL SESSIONS COURT DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS
(Noncompliance Under Government Auditing Standards)

As of June 30, 2005, the clerk had prepared a trial balance of execution docket cause balances for General Sessions Court, as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, this trial balance failed to reconcile with general ledger accounts by \$11,409. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-101, TCA. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

The clerk should reconcile the trial balance of execution docket cause balances with general ledger accounts. To comply with state statutes, the clerk should report and pay to the state Treasurer's Office any unclaimed funds held for more than one year.

OFFICE OF SHERIFF

FINDING 05.10 **ACCOUNTING RECORDS WERE NOT MAINTAINED PROPERLY**

(A., B., and C. Internal Control – Reportable Condition Under Government Auditing Standards; D. and E. Noncompliance Under Government Auditing Standards)

The following deficiencies were noted during our examination of the office's accounting records:

- A. The cash journal did not accurately reflect the operations of the office. Also, drug control transactions were not posted to the cash journal. Cash receipts and disbursements for this office were determined by substantive testing and alternative auditing procedures.
- B. Bank statements were not reconciled with cash journal accounts. The bank balance was determined by confirmation and alternative auditing procedures.
- C. The Sheriff's Department did not have adequate controls over collections. Some collections were not receipted when received, and collections were not placed in a central or secure location when received. When the audit began, the bookkeeper found checks and cash at various locations at the Sheriff's Department, including on desk tops and in unlocked desk drawers. It should be noted that these locations are accessible to the public and to inmates. The collections found have been included in the financial statements of this report.
- D. Official prenumbered receipts were not issued for some collections. Section 9-2-103, Tennessee Code Annotated, requires that official prenumbered receipts be issued for all collections.
- E. Funds were not deposited to the office bank account within three days of collection, as required by Section 5-8-207, Tennessee Code Annotated. This statute requires county officials to deposit all funds within three days of collection.

RECOMMENDATION

The cash journal should accurately reflect all operations. Bank statements should be reconciled with cash journal accounts monthly, and collections should be adequately safeguarded. Also, official prenumbered receipts should be issued for all collections when received, and funds should be deposited to the office bank account within three days of collection, as required by state statutes.

**FINDING 05.11 THE SHERIFF'S OFFICE HAD DEFICIENCIES IN ITS
BOOKING PROCEDURES**
(Noncompliance Under Government Auditing Standards)

The office purchased an electronic fingerprint imaging machine during the year; however, due to technical difficulties, the machine was not working on several occasions during the year. The sheriff advised that the department did not take or file any fingerprints with the Tennessee Bureau of Investigation (TBI) during the periods that the machine was not working. Section 8-4-115, Tennessee Code Annotated, requires that law enforcement agencies take two full sets of classifiable fingerprints at the time of a person's arrest, and the agency file the fingerprints with the TBI.

RECOMMENDATION

The Sheriff's Office should document that all arrestees are fingerprinted, and all fingerprints are filed with the TBI, as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 05.12 THE GENERAL SESSIONS JUDGE ORDERED
CONTRIBUTIONS TO CHARITABLE OR CIVIC
ORGANIZATIONS CONTRARY TO THE STATE ATTORNEY
GENERAL'S OPINION**
(Noncompliance Under Government Auditing Standards)

The general sessions judge ordered defendants to make contributions to charitable or civic organizations in addition to fines and costs on certain General Sessions Court cases. The contributions were collected from defendants by the general sessions court clerk and paid to the charitable or civic organization designated by the judge. The state attorney general opined in opinion number U91-80 that the general sessions judge does not have the authority to order a defendant to make a contribution to a designated charitable or civic organization in addition to a fine or as an alternative to incarceration.

RECOMMENDATION

All General Sessions Court cases should be adjudicated in accordance with provisions specifically authorized by state statutes or other legal authority.

FINDING 05.13 A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED
(Internal Control – Reportable Condition Under Government Auditing Standards)

Pickett County officials had not adopted a central system of accounting, budgeting, and purchasing. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

RECOMMENDATION

Pickett County officials should consider adopting the County Financial Management System of 1981 or a private act that would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

FINDING 05.14 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Executive, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

**PICKETT COUNTY, TENNESSEE, AND THE
PICKETT COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

There were no audit findings relative to federal awards presented in the prior audit's Schedule of Findings and Questioned Costs or the current year's Schedule of Findings and Questioned Costs.