

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
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State Auditors

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

PICKETT COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Pickett County, Tennessee
For the Year Ended June 30, 2007

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, 2007.

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

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

OFFICE OF COUNTY EXECUTIVE

- ◆ A cash shortage of \$2,077 existed in the Solid Waste Disposal Fund at June 30, 2007.
- ◆ Inventory records were not maintained for assets owned by the general county government as required by generally accepted accounting principles.

OFFICE OF ROAD SUPERINTENDENT

- ◆ The office did not maintain adequate controls over fuel.
 - ◆ Receivables and payables were not determined and recorded in the Highway/Public Works Fund at June 30, 2007.
 - ◆ In several instances, purchase orders were not signed or did not include descriptions of the items to be purchased. Instances were also noted where some invoices were paid without documentation that goods had been received and/or services had been rendered.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Collections for traffic school were not reported and paid to the county in compliance with state statute.
 - ◆ Receipts were not properly issued when funds were received, and funds were not deposited within three days of collection.
 - ◆ Bank statements were not accurately reconciled with the general ledgers in Circuit and General Sessions Courts.
 - ◆ Accounting records were not maintained for Probate Court.
 - ◆ A trial balance of execution docket cause balances for General Sessions Court did not reconcile with the general ledger by \$98,799.
-

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, Road Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

INTRODUCTORY SECTION

Pickett County Officials
June 30, 2007

Officials

Stephen Bilbrey, County Executive
Jimmy Cope, Road Superintendent
Jennifer Anderson, Trustee
Larry Anderson, Assessor of Property
Robert Lee, County Clerk
Larry Brown, Circuit and General Sessions Courts Clerk
Sue Whited, Clerk and Master
Phyllis Ford, Register
Clois Brown, Sheriff

Board of County Commissioners

Stephen Bilbrey, Chairman
David Beaty
Wayne Clayborn
Danny Dennis
Misty Dowdy
Deborah Garrett
William Gibson
Eddie Holt
Colan Huddleston
Penny Russell
Alice Storie
Kenny Tompkins
Evan Wright

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

September 27, 2007

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, 2007, as shown on pages 15 through 38, 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, 2007, 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, 2007, 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.

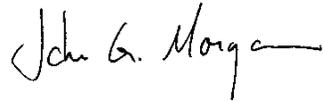
In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2007, on our consideration of Pickett County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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.

The budgetary comparison and pension information on pages 41 through 47 are not required parts of the basic financial statements but they do provide 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, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Pickett County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

| | Major Funds | | | Nonmajor | Total |
|--|---------------------|------------------------------|----------------------------|-------------------------------------|---------------------|
| | General | Highway / Public Works | General Debt Service | Other Govern- mental Funds | |
| <u>ASSETS</u> | | | | | |
| Cash | \$ 0 | \$ 0 | \$ 0 | \$ 6,302 | \$ 6,302 |
| Equity in Pooled Cash and Investments | 913,431 | 684,923 | 462,086 | 9,657 | 2,070,097 |
| Accounts Receivable | 325,106 | 0 | 10,000 | 0 | 335,106 |
| Allowance for Uncollectibles | (123,053) | 0 | 0 | 0 | (123,053) |
| Due from Other Governments | 78,250 | 388,900 | 75 | 0 | 467,225 |
| Due from Other Funds | 6,302 | 0 | 0 | 0 | 6,302 |
| Property Taxes Receivable | 878,035 | 0 | 73,940 | 0 | 951,975 |
| Allowance for Uncollectible Property Taxes | (30,760) | 0 | (2,590) | 0 | (33,350) |
| Prepaid Items | 0 | 0 | 17,625 | 0 | 17,625 |
| Total Assets | <u>\$ 2,047,311</u> | <u>\$ 1,073,823</u> | <u>\$ 561,136</u> | <u>\$ 15,959</u> | <u>\$ 3,698,229</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | |
| <u>Liabilities</u> | | | | | |
| Accounts Payable | \$ 28,359 | \$ 4,137 | \$ 0 | \$ 0 | \$ 32,496 |
| Payroll Deductions Payable | 660 | 0 | 0 | 0 | 660 |
| Contracts Payable | 0 | 230,196 | 0 | 0 | 230,196 |
| Due to Other Funds | 0 | 0 | 0 | 6,302 | 6,302 |
| Deferred Revenue - Current Property Taxes | 800,832 | 0 | 67,438 | 0 | 868,270 |
| Deferred Revenue - Delinquent Property Taxes | 45,695 | 0 | 3,848 | 0 | 49,543 |
| Other Deferred Revenues | 214,268 | 107,333 | 0 | 0 | 321,601 |
| Total Liabilities | <u>\$ 1,089,814</u> | <u>\$ 341,666</u> | <u>\$ 71,286</u> | <u>\$ 6,302</u> | <u>\$ 1,509,068</u> |
| <u>Fund Balances</u> | | | | | |
| Reserved for Encumbrances | \$ 172,476 | \$ 0 | \$ 0 | \$ 0 | \$ 172,476 |
| Reserved for Computer System - Register | 30,035 | 0 | 0 | 0 | 30,035 |
| Reserved for Capital Outlay | 163,055 | 500,000 | 0 | 0 | 663,055 |
| Unreserved, Reported In: | | | | | |
| General Fund | 591,931 | 0 | 0 | 0 | 591,931 |
| Special Revenue Funds | 0 | 232,157 | 0 | 1,925 | 234,082 |
| Debt Service Funds | 0 | 0 | 489,850 | 0 | 489,850 |
| Capital Projects Funds | 0 | 0 | 0 | 7,732 | 7,732 |
| Total Fund Balances | <u>\$ 957,497</u> | <u>\$ 732,157</u> | <u>\$ 489,850</u> | <u>\$ 9,657</u> | <u>\$ 2,189,161</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,047,311</u> | <u>\$ 1,073,823</u> | <u>\$ 561,136</u> | <u>\$ 15,959</u> | <u>\$ 3,698,229</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, 2007

| | Major Funds | | | Nonmajor | Total |
|--|---------------------|------------------------------|----------------------------|-------------------------------------|---------------------|
| | General | Highway / Public Works | General Debt Service | Other Govern- mental Funds | |
| <u>Revenues</u> | | | | | |
| Local Taxes | \$ 1,442,887 | \$ 0 | \$ 70,416 | \$ 0 | \$ 1,513,303 |
| Licenses and Permits | 3,706 | 0 | 0 | 0 | 3,706 |
| Fines, Forfeitures, and Penalties | 23,846 | 0 | 0 | 3,327 | 27,173 |
| Charges for Current Services | 426,432 | 0 | 0 | 286 | 426,718 |
| Other Local Revenues | 79,749 | 17,006 | 120,000 | 9 | 216,764 |
| Fees Received from County Officials | 218,609 | 0 | 0 | 0 | 218,609 |
| State of Tennessee | 381,699 | 1,390,246 | 0 | 0 | 1,771,945 |
| Federal Government | 323,878 | 0 | 0 | 221,486 | 545,364 |
| Other Governments and Citizens Groups | 69,288 | 0 | 0 | 0 | 69,288 |
| Total Revenues | \$ 2,970,094 | \$ 1,407,252 | \$ 190,416 | \$ 225,108 | \$ 4,792,870 |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| General Government | \$ 590,582 | \$ 0 | \$ 0 | \$ 0 | \$ 590,582 |
| Finance | 195,346 | 0 | 0 | 277 | 195,623 |
| Administration of Justice | 245,451 | 0 | 0 | 9 | 245,460 |
| Public Safety | 647,323 | 0 | 0 | 4,518 | 651,841 |
| Public Health and Welfare | 610,219 | 0 | 0 | 0 | 610,219 |
| Social, Cultural, and Recreational Services | 88,508 | 0 | 0 | 0 | 88,508 |
| Agricultural and Natural Resources | 35,490 | 0 | 0 | 0 | 35,490 |
| Other Operations | 975,059 | 0 | 0 | 234,286 | 1,209,345 |
| Highways | 0 | 1,439,525 | 0 | 0 | 1,439,525 |
| Debt Service: | | | | | |
| Principal on Debt | 0 | 500,000 | 108,066 | 73,540 | 681,606 |
| Interest on Debt | 0 | 32,663 | 66,748 | 10,754 | 110,165 |
| Other Debt Service | 0 | 0 | 1,425 | 1,050 | 2,475 |
| Total Expenditures | \$ 3,387,978 | \$ 1,972,188 | \$ 176,239 | \$ 324,434 | \$ 5,860,839 |
| Excess (Deficiency) of Revenues Over Expenditures | | | | | |
| | \$ (417,884) | \$ (564,936) | \$ 14,177 | \$ (99,326) | \$ (1,067,969) |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Notes Issued | \$ 512,000 | \$ 500,000 | \$ 0 | \$ 0 | \$ 1,012,000 |
| Refunding Debt Issued | 0 | 500,000 | 0 | 0 | 500,000 |
| Total Other Financing Sources (Uses) | \$ 512,000 | \$ 1,000,000 | \$ 0 | \$ 0 | \$ 1,512,000 |
| Net Change in Fund Balances | | | | | |
| Fund Balance, July 1, 2006 | \$ 863,381 | \$ 297,093 | \$ 475,673 | \$ 108,983 | \$ 1,745,130 |
| Fund Balance, June 30, 2007 | \$ 957,497 | \$ 732,157 | \$ 489,850 | \$ 9,657 | \$ 2,189,161 |

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

Exhibit C-1

Pickett County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2007

| | Business-type Activities |
|---|-----------------------------|
| | <u>Major Fund</u> |
| | Solid Waste |
| | <u>Disposal Fund</u> |
| <u>ASSETS</u> | |
| Current Assets: | |
| Equity in Pooled Cash and Investments | \$ 765,687 |
| Accounts Receivable | 17,357 |
| Due from Other Governments | 1,247 |
| Cash Shortage | 2,077 |
| Property Taxes Receivable | 203,335 |
| Allowance for Uncollectible Property Taxes | (7,123) |
| Total Current Assets | <u>\$ 982,580</u> |
| Noncurrent Assets: | |
| Capital Assets (Net of Accumulated Depreciation): | |
| Land | \$ 110,900 |
| Landfill Facilities and Development | 154,130 |
| Buildings and Improvements | 140,285 |
| Machinery and Equipment | 345,823 |
| Total Noncurrent Assets | <u>\$ 751,138</u> |
| Total Assets | <u>\$ 1,733,718</u> |
| <u>LIABILITIES</u> | |
| Current Liabilities: | |
| Accounts Payable | \$ 965 |
| Total Current Liabilities | <u>\$ 965</u> |
| Noncurrent Liabilities: | |
| Due Within One Year | \$ 17,852 |
| Due in More Than One Year | 351,647 |
| Total Noncurrent Liabilities | <u>\$ 369,499</u> |
| Total Liabilities | <u>\$ 370,464</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, Net of Related Debt | \$ 713,041 |
| Unrestricted | <u>650,213</u> |
| Total Net Assets | <u>\$ 1,363,254</u> |

The notes to the financial statements 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, 2007

| | Business-type Activities |
|---|------------------------------|
| | Major Fund |
| | Solid Waste Disposal Fund |
| <hr/> | |
| <u>Operating Revenues</u> | |
| Charges for Current Services | \$ 93,267 |
| Other Local Revenues | 13,148 |
| Total Operating Revenues | <u>\$ 106,415</u> |
| <u>Operating Expenses</u> | |
| Landfill Operation and Maintenance | \$ 279,275 |
| Depreciation | 42,819 |
| Total Operating Expenses | <u>\$ 322,094</u> |
| Operating Income (Loss) | <u>\$ (215,679)</u> |
| <u>Nonoperating Revenues (Expenses)</u> | |
| Local Taxes | \$ 245,983 |
| Investment Income | 6,628 |
| Interest on Bonds | (2,331) |
| Solid Waste Grants | 6,224 |
| Total Nonoperating Revenues (Expenses) | <u>\$ 256,504</u> |
| Net Income | \$ 40,825 |
| Net Assets, July 1, 2006 | 1,233,362 |
| Prior Period Adjustments | <u>89,067</u> |
| Net Assets, June 30, 2007 | <u><u>\$ 1,363,254</u></u> |

The notes to the financial statements 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, 2007

| | Business-type Activities |
|---|-----------------------------|
| | <u>Major Fund</u> |
| | Solid Waste |
| | <u>Disposal Fund</u> |
| <u>Cash Flows from Operating Activities</u> | |
| Receipts from Customers and Users | \$ 86,980 |
| Payments to Suppliers | (96,017) |
| Payments to Employees | (136,315) |
| Other Payments | (29,541) |
| Net Cash Provided By (Used In) Operating Activities | <u>\$ (174,893)</u> |
| <u>Cash Flows from Noncapital Financing Activities</u> | |
| Grants Received | \$ 16,442 |
| Local Taxes | 240,800 |
| Net Cash Provided By (Used In) Noncapital Financing Activities | <u>\$ 257,242</u> |
| <u>Cash Flows from Capital and Related Financing Activities</u> | |
| Principal Paid on Debt | \$ (8,357) |
| Interest Paid on Debt | (2,331) |
| Net Cash Provided By (Used In) Capital and Related Financing Activities | <u>\$ (10,688)</u> |
| <u>Cash Flows from Investing Activities</u> | |
| Interest Earned | \$ 6,630 |
| Net Cash Provided By (Used In) Investing Activities | <u>\$ 6,630</u> |
| Net Increase (Decrease) in Cash | \$ 78,291 |
| Cash, July 1, 2006 | <u>687,396</u> |
| Cash, June 30, 2007 | <u><u>\$ 765,687</u></u> |
| <u>Reconciliation of Operating Income to Net Provided</u> | |
| Operating Income (Loss) | \$ (215,679) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities: | |
| Depreciation | 42,819 |
| Change in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable | (19,435) |
| Increase (Decrease) in Accounts Payable | 119 |
| Increase (Decrease) in Accrued Liability for Landfill Closure Cost | 17,283 |
| Net Cash Provided by Operating Activities | <u><u>\$ (174,893)</u></u> |

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

Exhibit D

Pickett County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

| | <u>Agency Funds</u> |
|-------------------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash | \$ 81,017 |
| Due from Other Governments | <u>29,103</u> |
| Total Assets | <u>\$ 110,120</u> |
| <u>LIABILITIES</u> | |
| Due to Litigants, Heirs, and Others | \$ 81,017 |
| Due to Other Taxing Units | <u>29,103</u> |
| Total Liabilities | <u>\$ 110,120</u> |

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

PICKETT COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

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 No. 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 No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 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. Pickett County only reports one proprietary fund, a major enterprise fund. An emphasis is placed on major funds within the governmental and proprietary categories.

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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

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

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 Fund – This fund accounts for solid waste disposal operations at the Pickett County 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 and 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 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

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

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.86 percent of total taxes levied.

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

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

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

year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

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 fund. Pickett County defines capital assets as assets with an initial, individual cost of \$5,000 to \$35,000, depending on the type asset, 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 fund is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the proprietary fund are depreciated using the straight-line method over the estimated useful lives as established by 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 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.

8. Prior-period Adjustments

Prior-period adjustments were recognized in the Solid Waste Disposal Fund to increase capital assets (\$64,180) and to decrease the liability for landfill postclosure care costs (\$24,887) as of July 1, 2006. A capital asset had been expensed in the prior year, and there was a change in the estimated amount of postclosure care costs for the old landfill.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

The budgetary level of control is at the major category level established by the 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 County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. Cash Shortage

A cash shortage of \$2,077 existed in the Solid Waste Disposal Fund at June 30, 2007. This shortage resulted from collections exceeding deposits and an apparent burglary at the landfill. Details of this cash shortage are

discussed in the Schedule of Findings and Questioned Costs section of this report.

C. Expenditures Exceeded Appropriations

Highway/Public Works Fund expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) by \$42,077. These overexpenditures were funded by greater than anticipated revenues and available fund balance.

III. 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, 2007, 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>\$ 40,289</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, 2007, Pickett County's investment in the State Treasurer's Investment Pool was unrated.

B. Capital Assets

Capital assets activity of the Solid Waste Disposal Fund for the year ended June 30, 2007, was as follows:

Business-type Activities:

| | Balance 7-1-06 | Increases | Decreases | Balance 6-30-07 |
|--|-------------------|-----------|------------|--------------------|
| 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 | 66,393 | 0 | 203,954 |
| Machinery and Equipment | 726,942 | 0 | (7,584) | 719,358 |
| Total Capital Assets Depreciated | \$ 1,098,138 | \$ 66,393 | \$ (7,584) | \$ 1,156,947 |
| Less Accumulated Depreciation For: | | | | |
| Buildings and Improvements | \$ 86,230 | \$ 7,120 | \$ 0 | \$ 93,350 |
| Landfill Facilities and Development | 40,874 | 8,950 | 0 | 49,824 |
| Machinery and Equipment | 352,155 | 28,964 | (7,584) | 373,535 |
| Total Accumulated Depreciation | \$ 479,259 | \$ 45,034 | \$ (7,584) | \$ 516,709 |
| Total Capital Assets Depreciated, Net | \$ 618,879 | \$ 21,359 | \$ 0 | \$ 640,238 |
| Business-type Activities Capital Assets, Net | \$ 729,779 | \$ 21,359 | \$ 0 | \$ 751,138 |

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from other funds:

| Receivable Fund | Payable Fund | Amount |
|-----------------|-----------------------|----------|
| General | Nonmajor governmental | \$ 6,302 |

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

D. Capital Lease

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 of these minimum lease payments as of June 30, 2007, were as follows:

| <u>Year Ending June 30</u> | <u>Governmental Funds</u> |
|--|-------------------------------|
| 2008 | \$ 20,714 |
| Total Minimum Lease Payments | \$ 20,714 |
| Amount Representing Interest | (1,191) |
| Present Value of Minimum Lease Payments | <u>\$ 19,523</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 and bond anticipation notes 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, bond anticipation notes, and capital outlay notes are direct obligations and pledge the full faith and credit of the government.

General obligation bonds, bond anticipation notes, 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 included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund. Notes included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund and the Highway/Public Works Fund.

General obligation bonds, bond anticipation notes, capital outlay notes, and capital leases outstanding as of June 30, 2007, are as follows:

| Type | Interest Rate | Original Amount of Issue | Balance 6-30-07 |
|--------------------------|---------------|--------------------------|-----------------|
| General Obligation Bonds | 4.125 to 6 % | \$ 2,015,000 | \$ 1,331,081 |
| Capital Outlay Notes | 4.1 to 5.05 | 1,687,000 | 1,619,000 |
| Capital Leases | 6.1 | 115,229 | 19,523 |

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following table:

| Year Ending June 30 | Bonds | | Notes | |
|------------------------|--------------|------------|--------------|------------|
| | Principal | Interest | Principal | Interest |
| 2008 | \$ 52,688 | \$ 64,266 | \$ 214,088 | \$ 64,121 |
| 2009 | 59,868 | 63,730 | 222,177 | 54,811 |
| 2010 | 60,938 | 60,660 | 232,448 | 45,138 |
| 2011 | 62,068 | 57,530 | 165,940 | 36,696 |
| 2012 | 68,259 | 54,339 | 142,422 | 29,748 |
| 2013-2017 | 386,633 | 216,106 | 439,393 | 88,842 |
| 2018-2022 | 433,144 | 105,970 | 202,532 | 8,763 |
| 2023-2027 | 99,387 | 31,306 | 0 | 0 |
| 2028-2032 | 88,154 | 13,666 | 0 | 0 |
| 2023 | 19,942 | 451 | 0 | 0 |
| Total | \$ 1,331,081 | \$ 668,024 | \$ 1,619,000 | \$ 328,119 |

There is \$489,850 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$277, based on the 2000 federal census. Debt per capita, including bonds, notes, and capital leases totaled \$608, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

| | Bonds | Notes | Capital Leases |
|-----------------------------|---------------------|---------------------|-------------------|
| Balance, July 1, 2006 | \$ 1,053,852 | \$ 1,059,000 | \$ 37,925 |
| Additions | 390,000 | 1,512,000 | 0 |
| Deductions | (112,771) | (952,000) | (18,402) |
| Balance, June 30, 2007 | <u>\$ 1,331,081</u> | <u>\$ 1,619,000</u> | <u>\$ 19,523</u> |
| Balance Due Within One Year | <u>\$ 52,688</u> | <u>\$ 214,088</u> | <u>\$ 19,523</u> |

Pickett County Solid Waste Disposal Fund (Enterprise Fund)

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2007, including interest payments, are presented in the following table:

| Year Ending June 30 | Bond | |
|------------------------|------------------|-----------------|
| | Principal | Interest |
| 2008 | \$ 8,802 | \$ 1,886 |
| 2009 | 9,270 | 1,418 |
| 2010 | 9,763 | 925 |
| 2011 | 10,262 | 404 |
| Total | <u>\$ 38,097</u> | <u>\$ 4,633</u> |

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2007, was as follows:

Business-type Activities:

| | Bonds | Closure/ Postclosure Care Costs |
|-----------------------------|------------------|--|
| Balance, July 1, 2006 | \$ 46,454 | \$ 339,006 |
| Additions | 0 | 1,446 |
| Deductions | (8,357) | (9,050) |
| Balance, June 30, 2007 | <u>\$ 38,097</u> | <u>\$ 331,402</u> |
| Balance Due Within One Year | <u>\$ 8,802</u> | <u>\$ 9,050</u> |

IV. 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. 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.

C. Changes in Administration

On August 31, 2006, Amos Nicholas left the Office of Road Superintendent and was succeeded by Jimmy Cope, and Carl Evans left the Office of Sheriff and was succeeded by Clois Brown.

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 \$331,402 reported as landfill closure and postclosure care liability at June 30, 2007, represents the cumulative amount reported to date based on the use of 100 percent of the capacity of the old landfill (\$126,700) and 32 percent of the capacity of the current landfill (\$204,702). The current landfill will recognize the remaining estimated cost of closure and postclosure care of \$434,991 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 2007. 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

Employees

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 <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, 2007, was 7.46 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, 2007, Pickett County's annual pension cost of \$184,898 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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, 2005, was 13 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------|---------------------------|-------------------------------|------------------------|
| 6-30-07 | \$155,071 | 100% | \$0 |
| 6-30-06 | 155,071 | 100 | 0 |
| 6-30-05 | 148,085 | 100 | 0 |

G. Purchasing Laws

Office of County Executive

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), provides for all purchases exceeding \$5,000 (\$10,000 effective May 10, 2007) (excluding emergency purchases) to

be made based on competitive bids solicited through newspaper advertisement.

Office of Road Superintendent

Purchasing procedures for the Road Department were governed by Section 54-7-113, TCA, which provides for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of 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, 2007

| | Actual (GAAP Basis) | Add: Encumbrances 6/30/2007 | Actual Revenues/ Expenditures (Budgetary Basis) | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---------------------------------------|---------------------------|-----------------------------------|---|---------------------|---------------------|--|
| | | | | Original | Final | |
| <u>Revenues</u> | | | | | | |
| Local Taxes | \$ 1,442,887 | \$ 0 | \$ 1,442,887 | \$ 1,355,275 | \$ 1,412,270 | \$ 30,617 |
| Licenses and Permits | 3,706 | 0 | 3,706 | 3,400 | 3,715 | (9) |
| Fines, Forfeitures, and Penalties | 23,846 | 0 | 23,846 | 41,875 | 43,492 | (19,646) |
| Charges for Current Services | 426,432 | 0 | 426,432 | 463,000 | 464,142 | (37,710) |
| Other Local Revenues | 79,749 | 0 | 79,749 | 68,100 | 85,034 | (5,285) |
| Fees Received from County Officials | 218,609 | 0 | 218,609 | 195,000 | 203,635 | 14,974 |
| State of Tennessee | 381,699 | 0 | 381,699 | 321,633 | 365,112 | 16,587 |
| Federal Government | 323,878 | 0 | 323,878 | 199,215 | 319,031 | 4,847 |
| Other Governments and Citizens Groups | 69,288 | 0 | 69,288 | 18,000 | 69,287 | 1 |
| Total Revenues | \$ 2,970,094 | \$ 0 | \$ 2,970,094 | \$ 2,665,498 | \$ 2,965,718 | \$ 4,376 |
| <u>Expenditures</u> | | | | | | |
| <u>General Government</u> | | | | | | |
| County Commission | \$ 37,268 | \$ 0 | \$ 37,268 | \$ 29,742 | \$ 39,695 | \$ 2,427 |
| Board of Equalization | 120 | 0 | 120 | 200 | 200 | 80 |
| Beer Board | 3,136 | 0 | 3,136 | 2,560 | 3,196 | 60 |
| County Mayor/Executive | 119,347 | 0 | 119,347 | 116,404 | 119,630 | 283 |
| County Attorney | 1,298 | 0 | 1,298 | 3,000 | 1,500 | 202 |
| Election Commission | 217,209 | 0 | 217,209 | 95,851 | 218,507 | 1,298 |
| Register of Deeds | 53,137 | 0 | 53,137 | 53,249 | 53,817 | 680 |
| Planning | 2,500 | 0 | 2,500 | 2,500 | 2,500 | 0 |
| County Buildings | 156,567 | 0 | 156,567 | 130,830 | 157,954 | 1,387 |
| <u>Finance</u> | | | | | | |
| Property Assessor's Office | 50,977 | 0 | 50,977 | 55,244 | 51,897 | 920 |
| County Trustee's Office | 73,130 | 0 | 73,130 | 72,569 | 73,868 | 738 |
| County Clerk's Office | 71,239 | 0 | 71,239 | 72,694 | 73,109 | 1,870 |

(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) | Add: Encumbrances 6/30/2007 | 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 | \$ 83,178 | \$ 0 | \$ 83,178 | \$ 82,996 | \$ 84,010 | \$ 832 |
| General Sessions Judge | 59,271 | 0 | 59,271 | 64,480 | 64,698 | 5,427 |
| Chancery Court | 52,119 | 0 | 52,119 | 50,069 | 52,136 | 17 |
| Juvenile Court | 11,042 | 0 | 11,042 | 11,047 | 11,047 | 5 |
| Judicial Commissioners | 5,709 | 0 | 5,709 | 5,839 | 5,839 | 130 |
| Probation Services | 34,132 | 0 | 34,132 | 34,172 | 34,172 | 40 |
| <u>Public Safety</u> | | | | | | |
| Sheriff's Department | 377,870 | 0 | 377,870 | 350,638 | 388,275 | 10,405 |
| Drug Enforcement | 562 | 0 | 562 | 1,000 | 1,000 | 438 |
| Jail | 179,444 | 0 | 179,444 | 171,500 | 193,807 | 14,363 |
| Fire Prevention and Control | 59,732 | 0 | 59,732 | 59,716 | 59,733 | 1 |
| Rescue Squad | 3,000 | 0 | 3,000 | 3,000 | 3,000 | 0 |
| Other Emergency Management | 3,578 | 0 | 3,578 | 0 | 3,578 | 0 |
| County Coroner/Medical Examiner | 14,525 | 0 | 14,525 | 7,500 | 14,525 | 0 |
| Other Public Safety | 8,612 | 0 | 8,612 | 8,612 | 8,612 | 0 |
| <u>Public Health and Welfare</u> | | | | | | |
| Local Health Center | 17,081 | 0 | 17,081 | 19,923 | 19,420 | 2,339 |
| Ambulance/Emergency Medical Services | 552,287 | 0 | 552,287 | 550,646 | 562,197 | 9,910 |
| 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 | 29,237 | 0 | 29,237 | 29,237 | 29,237 | 0 |
| Other Public Health and Welfare | 1,758 | 0 | 1,758 | 2,700 | 2,700 | 942 |
| <u>Social, Cultural, and Recreational Services</u> | | | | | | |
| Senior Citizens Assistance | 19,985 | 0 | 19,985 | 14,000 | 19,985 | 0 |
| Libraries | 43,062 | 0 | 43,062 | 43,478 | 44,294 | 1,232 |
| Other Social, Cultural, and Recreational | 25,461 | 0 | 25,461 | 25,501 | 25,765 | 304 |

(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) | Add: Encumbrances 6/30/2007 | 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 | \$ 18,562 | \$ 0 | \$ 18,562 | \$ 37,185 | \$ 27,185 | \$ 8,623 |
| Soil Conservation | 16,928 | 0 | 16,928 | 17,060 | 17,060 | 132 |
| <u>Other Operations</u> | | | | | | |
| Tourism | 25,000 | 0 | 25,000 | 25,000 | 25,000 | 0 |
| Industrial Development | 660 | 0 | 660 | 2,000 | 1,000 | 340 |
| Other Economic and Community Development | 218,227 | 0 | 218,227 | 213,069 | 218,227 | 0 |
| Veterans' Services | 15,095 | 0 | 15,095 | 15,056 | 15,101 | 6 |
| Other Charges | 102,481 | 0 | 102,481 | 91,678 | 103,576 | 1,095 |
| Contributions to Other Agencies | 12,100 | 0 | 12,100 | 12,050 | 12,100 | 0 |
| Employee Benefits | 289,253 | 0 | 289,253 | 278,162 | 289,959 | 706 |
| Miscellaneous | 312,243 | 172,476 | 484,719 | 158,000 | 489,265 | 4,546 |
| Total Expenditures | \$ 3,387,978 | \$ 172,476 | \$ 3,560,454 | \$ 3,030,013 | \$ 3,632,232 | \$ 71,778 |
| Excess (Deficiency) of Revenues | | | | | | |
| Over Expenditures | \$ (417,884) | \$ (172,476) | \$ (590,360) | \$ (364,515) | \$ (666,514) | \$ 76,154 |
| <u>Other Financing Sources (Uses)</u> | | | | | | |
| Notes Issued | \$ 512,000 | \$ 0 | \$ 512,000 | \$ 210,000 | \$ 512,000 | \$ 0 |
| Total Other Financing Sources (Uses) | \$ 512,000 | \$ 0 | \$ 512,000 | \$ 210,000 | \$ 512,000 | \$ 0 |
| Net Change in Fund Balance | | | | | | |
| Fund Balance, July 1, 2006 | \$ 94,116 | \$ (172,476) | \$ (78,360) | \$ (154,515) | \$ (154,514) | \$ 76,154 |
| | 863,381 | 0 | 863,381 | 801,833 | 801,833 | 61,548 |
| Fund Balance, June 30, 2007 | | | | | | |
| | \$ 957,497 | \$ (172,476) | \$ 785,021 | \$ 647,318 | \$ 647,319 | \$ 137,702 |

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, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Other Local Revenues | \$ 17,006 | \$ 100 | \$ 11,707 | \$ 5,299 |
| State of Tennessee | 1,390,246 | 1,351,635 | 1,356,414 | 33,832 |
| Other Governments and Citizens Groups | 0 | 0 | 2,000 | (2,000) |
| Total Revenues | \$ 1,407,252 | \$ 1,351,735 | \$ 1,370,121 | \$ 37,131 |
| <u>Expenditures</u> | | | | |
| <u>Highways</u> | | | | |
| Administration | \$ 83,501 | \$ 76,589 | \$ 86,726 | \$ 3,225 |
| Highway and Bridge Maintenance | 720,624 | 713,419 | 784,084 | 63,460 |
| Operation and Maintenance of Equipment | 202,136 | 240,450 | 207,163 | 5,027 |
| Quarry Operations | 30,495 | 28,100 | 30,625 | 130 |
| Other Charges | 40,133 | 44,700 | 41,200 | 1,067 |
| Employee Benefits | 119,321 | 105,500 | 139,000 | 19,679 |
| Capital Outlay | 243,315 | 5,000 | 201,238 | (42,077) |
| <u>Principal on Debt</u> | | | | |
| General Government | 0 | 75,083 | 0 | 0 |
| Highways and Streets | 500,000 | 0 | 500,000 | 0 |
| <u>Interest on Debt</u> | | | | |
| Highways and Streets | 32,663 | 0 | 32,675 | 12 |
| Total Expenditures | \$ 1,972,188 | \$ 1,288,841 | \$ 2,022,711 | \$ 50,523 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (564,936) | \$ 62,894 | \$ (652,590) | \$ 87,654 |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Notes Issued | \$ 500,000 | \$ 0 | \$ 500,000 | \$ 0 |
| Refunding Debt Issued | 500,000 | 0 | 500,000 | 0 |
| Total Other Financing Sources (Uses) | \$ 1,000,000 | \$ 0 | \$ 1,000,000 | \$ 0 |
| Net Change in Fund Balance | \$ 435,064 | \$ 62,894 | \$ 347,410 | \$ 87,654 |
| Fund Balance, July 1, 2006 | 297,093 | 297,094 | 297,094 | (1) |
| Fund Balance, June 30, 2007 | \$ 732,157 | \$ 359,988 | \$ 644,504 | \$ 87,653 |

Exhibit E-3

Pickett County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

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 | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|---|--------------------------------------|--------------------------|--------------------|---|
| 6-30-05 | \$ 4,016 | \$ 4,202 | \$ 186 | 95.56 % | \$ 1,997 | 9.34 % |
| 6-30-03 | 3,366 | 3,569 | 203 | 94.31 | 1,781 | 11.40 |
| 6-30-01 | 2,825 | 3,140 | 315 | 89.97 | 1,590 | 19.81 |

PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the 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 County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Highway/Public Works Fund expenditures exceeded appropriations approved by the County Commission in the Capital Outlay major appropriation category (the legal level of control) by \$42,077. These overexpenditures were funded by greater than anticipated revenues and available fund balance.

**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.

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. This fund closed during the year.

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

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.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for the HOME Investment Program. This fund closed during the year.

Exhibit F-1

Pickett County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

| | Special Revenue Funds | | | Capital Projects Funds | | | Total Nonmajor Governmental Funds |
|--|-----------------------|--|-----------------|--------------------------------|----------------------------------|-----------------|--|
| | Drug Control | Constitu - tional Officers - Fees | Total | Industrial Park Projects | Health Department Projects | Total | |
| <u>ASSETS</u> | | | | | | | |
| Cash | \$ 0 | \$ 6,302 | \$ 6,302 | \$ 0 | \$ 0 | \$ 0 | 6,302 |
| Equity in Pooled Cash and Investments | 1,925 | 0 | 1,925 | 6,836 | 896 | 7,732 | 9,657 |
| Total Assets | \$ 1,925 | \$ 6,302 | \$ 8,227 | \$ 6,836 | \$ 896 | \$ 7,732 | \$ 15,959 |
| <u>LIABILITIES AND FUND BALANCES</u> | | | | | | | |
| <u>Liabilities</u> | | | | | | | |
| Due to Other Funds | \$ 0 | \$ 6,302 | \$ 6,302 | \$ 0 | \$ 0 | \$ 0 | 6,302 |
| Total Liabilities | \$ 0 | \$ 6,302 | \$ 6,302 | \$ 0 | \$ 0 | \$ 0 | 6,302 |
| <u>Fund Balances</u> | | | | | | | |
| Unreserved | \$ 1,925 | \$ 0 | \$ 1,925 | \$ 6,836 | \$ 896 | \$ 7,732 | 9,657 |
| Total Fund Balances | \$ 1,925 | \$ 0 | \$ 1,925 | \$ 6,836 | \$ 896 | \$ 7,732 | 9,657 |
| Total Liabilities and Fund Balances | \$ 1,925 | \$ 6,302 | \$ 8,227 | \$ 6,836 | \$ 896 | \$ 7,732 | \$ 15,959 |

Exhibit F-2

Pickett County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

| | Special Revenue Funds | | | Capital Projects Funds | | | | Total Nonmajor Governmental Funds | |
|------------------------------------|-----------------------|--|-----------------|---------------------------------------|--------------------------------|----------------------------------|--------------------------|--|-------------------|
| | Drug Control | Constitu - tional Officers - Fees | Total | Public Library Building Fund | Industrial Park Projects | Health Department Projects | HUD Grant Projects | | |
| <u>Revenues</u> | | | | | | | | | |
| Fines, Forfeitures, and Penalties | 3,327 | \$ 0 | \$ 3,327 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 3,327 |
| Charges for Current Services | 0 | 286 | 286 | 0 | 0 | 0 | 0 | 0 | 286 |
| Other Local Revenues | 0 | 0 | 0 | 0 | 0 | 9 | 0 | 9 | 9 |
| Federal Government | 0 | 0 | 0 | 0 | 0 | 0 | 221,486 | 221,486 | 221,486 |
| Total Revenues | 3,327 | \$ 286 | \$ 3,613 | \$ 0 | \$ 0 | \$ 9 | \$ 221,486 | \$ 221,495 | \$ 225,108 |
| <u>Expenditures</u> | | | | | | | | | |
| Current: | | | | | | | | | |
| Finance | 0 | \$ 277 | \$ 277 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 277 |
| Administration of Justice | 0 | 9 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| Public Safety | 4,518 | 0 | 4,518 | 0 | 0 | 0 | 0 | 0 | 4,518 |
| Other Operations | 0 | 0 | 0 | 0 | 0 | 0 | 234,286 | 234,286 | 234,286 |
| Debt Service: | | | | | | | | | |
| Principal on Debt | 0 | 0 | 0 | 73,540 | 0 | 0 | 0 | 73,540 | 73,540 |
| Interest on Debt | 0 | 0 | 0 | 10,754 | 0 | 0 | 0 | 10,754 | 10,754 |
| Other Debt Service | 0 | 0 | 0 | 1,050 | 0 | 0 | 0 | 1,050 | 1,050 |
| Total Expenditures | 4,518 | \$ 286 | \$ 4,804 | \$ 85,344 | \$ 0 | \$ 0 | \$ 234,286 | \$ 319,630 | \$ 324,434 |
| Excess (Deficiency) of Revenues | | | | | | | | | |
| Over Expenditures | (1,191) | \$ 0 | \$ (1,191) | \$ (85,344) | \$ 0 | \$ 9 | \$ (12,800) | \$ (98,135) | \$ (99,326) |
| Net Change in Fund Balances | | | | | | | | | |
| Fund Balance, July 1, 2006 | 3,116 | 0 | 3,116 | 85,344 | 6,836 | 887 | 12,800 | 105,867 | 108,983 |
| Fund Balance, June 30, 2007 | 1,925 | \$ 0 | \$ 1,925 | \$ 0 | \$ 6,836 | \$ 896 | \$ 0 | \$ 7,732 | \$ 9,657 |

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, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|------------|------------------|------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Fines, Forfeitures, and Penalties | \$ 3,327 | \$ 1,500 | \$ 2,399 | \$ 928 |
| Total Revenues | \$ 3,327 | \$ 1,500 | \$ 2,399 | \$ 928 |
| <u>Expenditures</u> | | | | |
| <u>Public Safety</u> | | | | |
| Drug Enforcement | \$ 4,518 | \$ 2,000 | \$ 4,518 | \$ 0 |
| Total Expenditures | \$ 4,518 | \$ 2,000 | \$ 4,518 | \$ 0 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (1,191) | \$ (500) | \$ (2,119) | \$ 928 |
| Net Change in Fund Balance | \$ (1,191) | \$ (500) | \$ (2,119) | \$ 928 |
| Fund Balance, July 1, 2006 | 3,116 | 3,115 | 3,115 | 1 |
| Fund Balance, June 30, 2007 | \$ 1,925 | \$ 2,615 | \$ 996 | \$ 929 |

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, long-term 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, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|-------------------|--------------------|--------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 70,416 | \$ 67,400 | \$ 70,789 | \$ (373) |
| Other Local Revenues | 120,000 | 120,000 | 120,000 | 0 |
| Total Revenues | <u>\$ 190,416</u> | <u>\$ 187,400</u> | <u>\$ 190,789</u> | <u>\$ (373)</u> |
| <u>Expenditures</u> | | | | |
| <u>Principal on Debt</u> | | | | |
| General Government | \$ 108,066 | \$ 141,500 | \$ 139,676 | \$ 31,610 |
| <u>Interest on Debt</u> | | | | |
| General Government | 66,748 | 67,714 | 73,652 | 6,904 |
| <u>Other Debt Service</u> | | | | |
| General Government | 1,425 | 1,425 | 1,575 | 150 |
| Total Expenditures | <u>\$ 176,239</u> | <u>\$ 210,639</u> | <u>\$ 214,903</u> | <u>\$ 38,664</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 14,177</u> | <u>\$ (23,239)</u> | <u>\$ (24,114)</u> | <u>\$ 38,291</u> |
| Net Change in Fund Balance | \$ 14,177 | \$ (23,239) | \$ (24,114) | \$ 38,291 |
| Fund Balance, July 1, 2006 | <u>475,673</u> | <u>476,345</u> | <u>476,345</u> | <u>(672)</u> |
| Fund Balance, June 30, 2007 | <u>\$ 489,850</u> | <u>\$ 453,106</u> | <u>\$ 452,231</u> | <u>\$ 37,619</u> |

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

Exhibit H-1

Pickett County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

| | <u>Agency Funds</u> | | |
|-------------------------------------|--------------------------|---|-------------------|
| | Cities - Sales Tax | Constitu- tional Officers - Agency | Total |
| <u>ASSETS</u> | | | |
| Cash | \$ 0 | \$ 81,017 | \$ 81,017 |
| Due from Other Governments | 29,103 | 0 | 29,103 |
| Total Assets | <u>\$ 29,103</u> | <u>\$ 81,017</u> | <u>\$ 110,120</u> |
| <u>LIABILITIES</u> | | | |
| Due to Litigants, Heirs, and Others | \$ 0 | \$ 81,017 | \$ 81,017 |
| Due to Other Taxing Units | 29,103 | 0 | 29,103 |
| Total Liabilities | <u>\$ 29,103</u> | <u>\$ 81,017</u> | <u>\$ 110,120</u> |

Exhibit H-2

Pickett County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2007

| | Beginning Balance | Additions | Deductions | Ending Balance |
|--|----------------------|--------------|--------------|-------------------|
| <u>Cities - Sales Tax Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 148,571 | \$ 148,571 | \$ 0 |
| Due from Other Governments | 25,410 | 29,103 | 25,410 | 29,103 |
| Total Assets | \$ 25,410 | \$ 177,674 | \$ 173,981 | \$ 29,103 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 25,410 | \$ 177,674 | \$ 173,981 | \$ 29,103 |
| Total Liabilities | \$ 25,410 | \$ 177,674 | \$ 173,981 | \$ 29,103 |
| <u>Constitutional Officers - Agency Fund</u> | | | | |
| <u>Assets</u> | | | | |
| Cash | \$ 96,881 | \$ 2,449,077 | \$ 2,464,941 | \$ 81,017 |
| Accounts Receivable | 1,125 | 0 | 1,125 | 0 |
| Total Assets | \$ 98,006 | \$ 2,449,077 | \$ 2,466,066 | \$ 81,017 |
| <u>Liabilities</u> | | | | |
| Due to Litigants, Heirs, and Others | \$ 98,006 | \$ 2,449,077 | \$ 2,466,066 | \$ 81,017 |
| Total Liabilities | \$ 98,006 | \$ 2,449,077 | \$ 2,466,066 | \$ 81,017 |
| <u>Totals - All Agency Funds</u> | | | | |
| <u>Assets</u> | | | | |
| Equity in Pooled Cash and Investments | \$ 0 | \$ 148,571 | \$ 148,571 | \$ 0 |
| Cash | 96,881 | 2,449,077 | 2,464,941 | 81,017 |
| Accounts Receivable | 1,125 | 0 | 1,125 | 0 |
| Due from Other Governments | 25,410 | 29,103 | 25,410 | 29,103 |
| Total Assets | \$ 123,416 | \$ 2,626,751 | \$ 2,640,047 | \$ 110,120 |
| <u>Liabilities</u> | | | | |
| Due to Other Taxing Units | \$ 25,410 | \$ 177,674 | \$ 173,981 | \$ 29,103 |
| Due to Litigants, Heirs, and Others | 98,006 | 2,449,077 | 2,466,066 | 81,017 |
| Total Liabilities | \$ 123,416 | \$ 2,626,751 | \$ 2,640,047 | \$ 110,120 |

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, 2007

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-06 | Issued During Period | Paid and/or Matured During Period | Outstanding 6-30-07 |
|---|--------------------------|---------------|---------------|--------------------|--------------------|----------------------|-----------------------------------|---------------------|
| NOTES PAYABLE | | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | | |
| EMS Building Expansion | \$ 175,000 | 5.05 % | 6-24-04 | 6-1-11 | \$ 131,000 | \$ 0 | \$ 24,000 | \$ 107,000 |
| Ambulance and Library Building | 75,000 | 3.15 | 12-29-04 | 12-1-06 | 38,000 | 0 | 38,000 | 0 |
| Bond Anticipation Notes | 390,000 | 4.13 | 5-17-06 | 5-12-08 | 390,000 | 0 | 390,000 (1) | 0 |
| Sheriff's Cars and Ambulance | 212,000 | 4.29 | 11-28-06 | 11-1-09 | 0 | 212,000 | 0 | 212,000 |
| Highway Equipment | 300,000 | 4.1 | 6-8-07 | 6-15-12 | 0 | 300,000 | 0 | 300,000 |
| Total Payable through General Debt Service Fund | | | | | \$ 559,000 | \$ 512,000 | \$ 452,000 | \$ 619,000 |
| <u>Payable through Highway/Public Works Fund</u> | | | | | | | | |
| Highway, Street, and Road Improvements | 500,000 | 5.38 | 4-25-06 | 4-1-14 | \$ 500,000 | \$ 0 | \$ 500,000 | \$ 0 |
| Highway, Street, Road Improvements, and Refunding (2) | 1,000,000 | 4.1 | 4-20-07 | 6-10-19 | 0 | 1,000,000 | 0 | 1,000,000 |
| Total Payable through Highway/Public Works Fund | | | | | \$ 500,000 | \$ 1,000,000 | \$ 500,000 | \$ 1,000,000 |
| Total Notes Payable | | | | | \$ 1,059,000 | \$ 1,512,000 | \$ 952,000 | \$ 1,619,000 |
| CAPITAL LEASES PAYABLE | | | | | | | | |
| <u>Payable through General Fund</u> | | | | | | | | |
| Fire Truck | 115,229 | 6.1 | 7-15-00 | 7-15-07 | \$ 37,925 | \$ 0 | \$ 18,402 | \$ 19,523 |
| BONDS PAYABLE | | | | | | | | |
| <u>Payable through General Debt Service Fund</u> | | | | | | | | |
| Nursing Home | 1,200,000 | 5 | 8-31-1982 | 1-1-21 | \$ 740,000 | \$ 0 | \$ 35,000 | \$ 705,000 |
| Nursing Home Addition - FHA | 425,000 | 6 | 5-18-1990 | 5-18-23 | 313,852 | 0 | 11,066 | 302,786 |
| Public Library | 390,000 | 4.125 | 11-1-06 | 6-1-33 | 0 | 390,000 (1) | 66,705 | 323,295 |
| Total Bonds Payable | | | | | \$ 1,053,852 | \$ 390,000 | \$ 112,771 | \$ 1,331,081 |

(1) The USDA converted the anticipation note to a bond on November 1, 2006.

(2) \$500,000 of this note was used to pay the Highway, Street, and Road Improvement note issued April 25, 2006, which was issued at a higher interest rate.

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 |
|---------------------------|----------------------|--------------------------|-----------------------------|---------------------------------|-----------------------|
| 2008 | \$ 40,948 | \$ 46,272 | \$ 11,740 | \$ 17,994 | \$ 116,954 |
| 2009 | 47,413 | 46,451 | 12,455 | 17,279 | 123,598 |
| 2010 | 47,724 | 44,140 | 13,214 | 16,520 | 121,598 |
| 2011 | 48,049 | 41,815 | 14,019 | 15,715 | 119,598 |
| 2012 | 53,387 | 39,477 | 14,872 | 14,862 | 122,598 |
| 2013 | 53,740 | 36,874 | 15,778 | 13,956 | 120,348 |
| 2014 | 59,107 | 34,257 | 16,739 | 12,995 | 123,098 |
| 2015 | 59,490 | 31,374 | 17,758 | 11,975 | 120,597 |
| 2016 | 59,889 | 28,475 | 18,840 | 10,894 | 118,098 |
| 2017 | 65,305 | 25,559 | 19,987 | 9,747 | 120,598 |
| 2018 | 70,738 | 22,376 | 21,204 | 8,530 | 122,848 |
| 2019 | 71,189 | 18,925 | 22,496 | 7,238 | 119,848 |
| 2020 | 76,660 | 15,454 | 23,866 | 5,867 | 121,847 |
| 2021 | 82,150 | 12,589 | 25,319 | 4,415 | 124,473 |
| 2022 | 12,661 | 7,703 | 26,861 | 2,873 | 50,098 |
| 2023 | 13,193 | 7,171 | 27,638 | 1,235 | 49,237 |
| 2024 | 13,748 | 6,616 | 0 | 0 | 20,364 |
| 2025 | 14,325 | 6,039 | 0 | 0 | 20,364 |
| 2026 | 14,928 | 5,436 | 0 | 0 | 20,364 |
| 2027 | 15,555 | 4,809 | 0 | 0 | 20,364 |
| 2028 | 16,209 | 4,155 | 0 | 0 | 20,364 |
| 2029 | 16,891 | 3,473 | 0 | 0 | 20,364 |
| 2030 | 17,601 | 2,763 | 0 | 0 | 20,364 |
| 2031 | 18,341 | 2,023 | 0 | 0 | 20,364 |
| 2032 | 19,112 | 1,252 | 0 | 0 | 20,364 |
| 2033 | 19,942 | 451 | 0 | 0 | 20,393 |
| Total | \$ 1,028,295 | \$ 495,929 | \$ 302,786 | \$ 172,095 | \$ 1,999,105 |

Exhibit I-3

Pickett County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|--|--|---------------------------|-----------|---------------------------------|
| County Executive | Section 8-24-102, <u>TCA</u> | \$ 53,787 | \$ 25,000 | RLI Insurance Company |
| Road Superintendent: | | | | |
| Amos Nicholas (7-1-06 through 8-31-06) | Section 8-24-102, <u>TCA</u> , and Chapter 104, Private Acts of 1957 | 8,838 (1) | 100,000 | " |
| Jimmy Cope (9-1-06 through 6-30-07) | Section 8-24-102, <u>TCA</u> , and Chapter 104, Private Acts of 1957 | 44,188 (2) | 100,000 | " |
| Trustee | Section 8-24-102, <u>TCA</u> | 46,569 | 276,000 | " |
| Assessor of Property | Section 8-24-102, <u>TCA</u> | 46,569 | 10,000 | " |
| County Clerk | Section 8-24-102, <u>TCA</u> | 46,569 | 25,000 | " |
| Circuit Court Clerk | Section 8-24-102, <u>TCA</u> | 46,569 | 25,000 | " |
| Clerk and Master | Section 8-24-102, <u>TCA</u> | 46,569 | 50,000 | " |
| Register | Section 8-24-102, <u>TCA</u> | 46,569 | 15,000 | " |
| Sheriff: | | | | |
| Carl Evans (7-1-06 through 8-31-06) | Section 8-24-102, <u>TCA</u> | 11,003 (3) | 25,000 | " |
| Clois Brown (9-1-06 through 6-30-07) | Section 8-24-102, <u>TCA</u> | 40,823 | 25,000 | " |
| Employee Blanket Bond Coverage: | | | | |
| General Government Employees | | | 150,000 | Local Government Insurance Pool |

- (1) Includes monthly travel payments totaling \$300 approved by private act.
(2) Includes monthly travel payments totaling \$1,500 approved by private act.
(3) Includes law enforcement training supplement of \$600.

Exhibit I-4

Pickett County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2007

| | Special Revenue Funds | | | | Debt Service Fund | Capital Projects Funds | | Total |
|--|-----------------------|--------------|--------------------------------|------------------------|----------------------|----------------------------|--------------------|--------------|
| | General | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | Health Department Projects | HUD Grant Projects | |
| <u>Local Taxes</u> | | | | | | | | |
| <u>County Property Taxes</u> | | | | | | | | |
| Current Property Tax | \$ 751,795 | \$ 0 | \$ 0 | \$ 0 | \$ 63,307 | \$ 0 | \$ 0 | \$ 815,102 |
| Trustee's Collections - Prior Year | 41,801 | 0 | 0 | 0 | 3,520 | 0 | 0 | 45,321 |
| Circuit/Clerk & Master Collections - Prior Years | 32,589 | 0 | 0 | 0 | 2,773 | 0 | 0 | 35,362 |
| Interest and Penalty | 7,907 | 0 | 0 | 0 | 666 | 0 | 0 | 8,573 |
| Payments in-Lieu-of Taxes - Other | 27,947 | 0 | 0 | 0 | 150 | 0 | 0 | 28,097 |
| <u>County Local Option Taxes</u> | | | | | | | | |
| Local Option Sales Tax | 220,534 | 0 | 0 | 0 | 0 | 0 | 0 | 220,534 |
| Litigation Tax - General | 10,561 | 0 | 0 | 0 | 0 | 0 | 0 | 10,561 |
| Litigation Tax - Special Purpose | 1,958 | 0 | 0 | 0 | 0 | 0 | 0 | 1,958 |
| Business Tax | 2,105 | 0 | 0 | 0 | 0 | 0 | 0 | 2,105 |
| Mineral Severance Tax | 16,802 | 0 | 0 | 0 | 0 | 0 | 0 | 16,802 |
| <u>Statutory Local Taxes</u> | | | | | | | | |
| Bank Excise Tax | 36,879 | 0 | 0 | 0 | 0 | 0 | 0 | 36,879 |
| Wholesale Beer Tax | 292,009 | 0 | 0 | 0 | 0 | 0 | 0 | 292,009 |
| Total Local Taxes | \$ 1,442,887 | \$ 0 | \$ 0 | \$ 0 | \$ 70,416 | \$ 0 | \$ 0 | \$ 1,513,303 |
| <u>Licenses and Permits</u> | | | | | | | | |
| <u>Licenses</u> | | | | | | | | |
| Marriage Licenses | \$ 266 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 266 |
| Cable TV Franchise | 340 | 0 | 0 | 0 | 0 | 0 | 0 | 340 |
| <u>Permits</u> | | | | | | | | |
| Beer Permits | 3,100 | 0 | 0 | 0 | 0 | 0 | 0 | 3,100 |
| Total Licenses and Permits | \$ 3,706 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 3,706 |
| <u>Fines, Forfeitures, and Penalties</u> | | | | | | | | |
| <u>Circuit Court</u> | | | | | | | | |
| Fines | \$ 4,023 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 4,023 |
| Officers Costs | 468 | 0 | 0 | 0 | 0 | 0 | 0 | 468 |
| Drug Control Fines | 0 | 818 | 0 | 0 | 0 | 0 | 0 | 818 |
| Jail Fees | 26 | 0 | 0 | 0 | 0 | 0 | 0 | 26 |
| DUI Treatment Fines | 170 | 0 | 0 | 0 | 0 | 0 | 0 | 170 |
| Data Entry Fee - Circuit Court | 40 | 0 | 0 | 0 | 0 | 0 | 0 | 40 |

(Continued)

Exhibit I-4

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

| | Special Revenue Funds | | | | Debt Service Fund | Capital Projects Funds | | Total |
|--|-----------------------|--------------|--------------------------------|------------------------|----------------------|----------------------------|--------------------|---------|
| | General | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | Health Department Projects | HUD Grant Projects | |
| <u>Fines, Forfeitures, and Penalties (Cont.)</u> | | | | | | | | |
| <u>General Sessions Court</u> | | | | | | | | |
| Fines | \$ 7,785 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 7,785 |
| Officers Costs | 2,810 | 0 | 0 | 0 | 0 | 0 | 0 | 2,810 |
| Game and Fish Fines | 558 | 0 | 0 | 0 | 0 | 0 | 0 | 558 |
| Drug Control Fines | 0 | 2,509 | 0 | 0 | 0 | 0 | 0 | 2,509 |
| Drug Court Fees | 931 | 0 | 0 | 0 | 0 | 0 | 0 | 931 |
| Jail Fees | 3,291 | 0 | 0 | 0 | 0 | 0 | 0 | 3,291 |
| DUI Treatment Fines | 764 | 0 | 0 | 0 | 0 | 0 | 0 | 764 |
| Data Entry Fee - General Sessions Court | 642 | 0 | 0 | 0 | 0 | 0 | 0 | 642 |
| <u>Chancery Court</u> | | | | | | | | |
| Officers Costs | 888 | 0 | 0 | 0 | 0 | 0 | 0 | 888 |
| Data Entry Fee - Chancery Court | 54 | 0 | 0 | 0 | 0 | 0 | 0 | 54 |
| Courtroom Security Fee | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| <u>Other Courts - In-county</u> | | | | | | | | |
| Fines | 394 | 0 | 0 | 0 | 0 | 0 | 0 | 394 |
| <u>Other Fines, Forfeitures, and Penalties</u> | | | | | | | | |
| Other Fines, Forfeitures, and Penalties | 1,000 | 0 | 0 | 0 | 0 | 0 | 0 | 1,000 |
| Total Fines, Forfeitures, and Penalties | \$ 23,846 | \$ 3,327 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 27,173 |
| <u>Charges for Current Services</u> | | | | | | | | |
| <u>General Service Charges</u> | | | | | | | | |
| Patient Charges | \$ 389,103 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 389,103 |
| Other General Service Charges | 3,716 | 0 | 0 | 0 | 0 | 0 | 0 | 3,716 |
| <u>Fees</u> | | | | | | | | |
| Copy Fees | 1,297 | 0 | 0 | 0 | 0 | 0 | 0 | 1,297 |
| Vending Machine Collections | 42 | 0 | 0 | 0 | 0 | 0 | 0 | 42 |
| Constitutional Officers' Fees and Commissions | 0 | 0 | 286 | 0 | 0 | 0 | 0 | 286 |
| Data Processing Fee - Register | 3,056 | 0 | 0 | 0 | 0 | 0 | 0 | 3,056 |
| Probation Fees | 29,218 | 0 | 0 | 0 | 0 | 0 | 0 | 29,218 |
| Total Charges for Current Services | \$ 426,432 | \$ 0 | \$ 286 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 426,718 |

(Continued)

Exhibit I-4

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

| | Special Revenue Funds | | | | Debt Service Fund | Capital Projects Funds | | Total |
|--|-----------------------|--------------|--------------------------------|------------------------|----------------------|----------------------------|--------------------|----------------|
| | General | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | Health Department Projects | HUD Grant Projects | |
| <u>Other Local Revenues</u> | | | | | | | | |
| <u>Recurring Items</u> | | | | | | | | |
| Investment Income | \$ 21,807 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 9 | \$ 0 | 21,816 |
| Lease/Rentals | 41,750 | 0 | 0 | 0 | 120,000 | 0 | 0 | 161,750 |
| Sale of Recycled Materials | 0 | 0 | 0 | 201 | 0 | 0 | 0 | 201 |
| Miscellaneous Refunds | 3,816 | 0 | 0 | 406 | 0 | 0 | 0 | 4,222 |
| Expenditure Credits | 384 | 0 | 0 | 0 | 0 | 0 | 0 | 384 |
| <u>Nonrecurring Items</u> | | | | | | | | |
| Sale of Equipment | 0 | 0 | 0 | 11,607 | 0 | 0 | 0 | 11,607 |
| Contributions & Gifts | 10,518 | 0 | 0 | 2,000 | 0 | 0 | 0 | 12,518 |
| <u>Other Local Revenues</u> | | | | | | | | |
| Other Local Revenues | 1,474 | 0 | 0 | 2,792 | 0 | 0 | 0 | 4,266 |
| Total Other Local Revenues | \$ 79,749 | \$ 0 | \$ 0 | \$ 17,006 | \$ 120,000 | \$ 9 | \$ 0 | 216,764 |
| <u>Fees Received from County Officials</u> | | | | | | | | |
| <u>Fees-In-Lieu of Salary</u> | | | | | | | | |
| County Clerk | \$ 64,992 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 64,992 |
| Circuit Court Clerk | 9,962 | 0 | 0 | 0 | 0 | 0 | 0 | 9,962 |
| General Sessions Court Clerk | 18,786 | 0 | 0 | 0 | 0 | 0 | 0 | 18,786 |
| Clerk and Master | 8,682 | 0 | 0 | 0 | 0 | 0 | 0 | 8,682 |
| Probate Court Clerk | 3,251 | 0 | 0 | 0 | 0 | 0 | 0 | 3,251 |
| Register | 38,354 | 0 | 0 | 0 | 0 | 0 | 0 | 38,354 |
| Sheriff | 1,433 | 0 | 0 | 0 | 0 | 0 | 0 | 1,433 |
| Trustee | 73,149 | 0 | 0 | 0 | 0 | 0 | 0 | 73,149 |
| Total Fees Received from County Officials | \$ 218,609 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 218,609 |
| <u>State of Tennessee</u> | | | | | | | | |
| <u>General Government Grants</u> | | | | | | | | |
| Juvenile Services Program | \$ 9,000 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 9,000 |
| Aging Programs | 7,420 | 0 | 0 | 0 | 0 | 0 | 0 | 7,420 |
| State Reappraisal Grant | 3,428 | 0 | 0 | 0 | 0 | 0 | 0 | 3,428 |
| <u>Public Safety Grants</u> | | | | | | | | |
| Law Enforcement Training Programs | 5,400 | 0 | 0 | 0 | 0 | 0 | 0 | 5,400 |

(Continued)

Exhibit I-4

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

| | Special Revenue Funds | | | | Debt Service Fund | Capital Projects Funds | | Total |
|--|-----------------------|--------------|--------------------------------|------------------------|----------------------|----------------------------|--------------------|--------------|
| | General | Drug Control | Constitutional Officers - Fees | Highway / Public Works | General Debt Service | Health Department Projects | HUD Grant Projects | |
| <u>State of Tennessee (Cont.)</u> | | | | | | | | |
| <u>Health and Welfare Grants</u> | | | | | | | | |
| Other Health and Welfare Grants | \$ 1,832 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 1,832 |
| <u>Public Works Grants</u> | | | | | | | | |
| State Aid Program | 0 | 0 | 0 | 175,455 | 0 | 0 | 0 | 175,455 |
| Litter Program | 29,237 | 0 | 0 | 0 | 0 | 0 | 0 | 29,237 |
| <u>Other State Revenues</u> | | | | | | | | |
| Flood Control | 142,112 | 0 | 0 | 0 | 0 | 0 | 0 | 142,112 |
| Beer Tax | 18,753 | 0 | 0 | 0 | 0 | 0 | 0 | 18,753 |
| Alcoholic Beverage Tax | 10,994 | 0 | 0 | 0 | 0 | 0 | 0 | 10,994 |
| State Revenue Sharing - T.V.A. | 130,341 | 0 | 0 | 0 | 0 | 0 | 0 | 130,341 |
| Contracted Prisoner Boarding | 4,554 | 0 | 0 | 0 | 0 | 0 | 0 | 4,554 |
| Gasoline and Motor Fuel Tax | 0 | 0 | 0 | 1,210,482 | 0 | 0 | 0 | 1,210,482 |
| Petroleum Special Tax | 0 | 0 | 0 | 4,309 | 0 | 0 | 0 | 4,309 |
| T.B.I. - Equipment Reimbursement | 75 | 0 | 0 | 0 | 0 | 0 | 0 | 75 |
| Registrar's Salary Supplement | 16,380 | 0 | 0 | 0 | 0 | 0 | 0 | 16,380 |
| Other State Grants | 2,173 | 0 | 0 | 0 | 0 | 0 | 0 | 2,173 |
| Total State of Tennessee | \$ 381,699 | \$ 0 | \$ 0 | \$ 1,390,246 | \$ 0 | \$ 0 | \$ 0 | \$ 1,771,945 |
| <u>Federal Government</u> | | | | | | | | |
| <u>Federal Through State</u> | | | | | | | | |
| Community Development | \$ 189,215 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 189,215 |
| Homeland Security Grants | 3,578 | 0 | 0 | 0 | 0 | 0 | 0 | 3,578 |
| Other Federal through State | 120,130 | 0 | 0 | 0 | 0 | 0 | 221,486 | 341,616 |
| <u>Direct Federal Revenue</u> | | | | | | | | |
| Police Service (Lake Area) | 10,955 | 0 | 0 | 0 | 0 | 0 | 0 | 10,955 |
| Total Federal Government | \$ 323,878 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 221,486 | \$ 545,364 |
| <u>Other Governments and Citizens Groups</u> | | | | | | | | |
| <u>Other Governments</u> | | | | | | | | |
| Contracted Services | \$ 69,288 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 69,288 |
| Total Other Governments and Citizens Groups | \$ 69,288 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | 69,288 |
| Total | \$ 2,970,094 | \$ 3,327 | \$ 286 | \$ 1,407,252 | \$ 190,416 | \$ 9 | \$ 221,486 | \$ 4,792,870 |

Exhibit I-5

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

| | | | |
|---|----|--------|-----------|
| Board and Committee Members Fees | \$ | 33,075 | |
| Audit Services | | 1,153 | |
| Dues and Memberships | | 1,748 | |
| Legal Notices, Recording, and Court Costs | | 1,292 | |
| Total County Commission | | | \$ 37,268 |

Board of Equalization

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

Beer Board

| | | | |
|----------------------------------|----|-------|-------|
| Board and Committee Members Fees | \$ | 2,100 | |
| Legal Services | | 1,036 | |
| Total Beer Board | | | 3,136 |

County Mayor/Executive

| | | | |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 53,787 | |
| Accountants/Bookkeepers | | 23,446 | |
| Secretary(ies) | | 11,969 | |
| Communication | | 2,544 | |
| Data Processing Services | | 17,036 | |
| Dues and Memberships | | 800 | |
| Postal Charges | | 803 | |
| Printing, Stationery, and Forms | | 128 | |
| Office Supplies | | 8,587 | |
| Other Supplies and Materials | | 247 | |
| Total County Mayor/Executive | | | 119,347 |

County Attorney

| | | | |
|-----------------------|----|-------|-------|
| Legal Services | \$ | 1,298 | |
| Total County Attorney | | | 1,298 |

Election Commission

| | | | |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 41,912 | |
| Secretary(ies) | | 15,938 | |
| Election Commission | | 5,925 | |
| Election Workers | | 13,381 | |
| Communication | | 1,059 | |
| Data Processing Services | | 131,234 | |
| Dues and Memberships | | 175 | |

(Continued)

Exhibit I-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

| | | | |
|---|----|-------|------------|
| Legal Notices, Recording, and Court Costs | \$ | 1,420 | |
| Postal Charges | | 539 | |
| Travel | | 4,177 | |
| Office Supplies | | 1,268 | |
| Other Supplies and Materials | | 181 | |
| Total Election Commission | | | \$ 217,209 |

Register of Deeds

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Other Salaries & Wages | | 1,836 | |
| Communication | | 452 | |
| Dues and Memberships | | 323 | |
| Maintenance Agreements | | 756 | |
| Postal Charges | | 204 | |
| Printing, Stationery, and Forms | | 96 | |
| Duplicating Supplies | | 1,029 | |
| Office Supplies | | 1,872 | |
| Total Register of Deeds | | | 53,137 |

Planning

| | | | |
|------------------------------------|----|-------|-------|
| Contracts with Government Agencies | \$ | 2,500 | |
| Total Planning | | | 2,500 |

County Buildings

| | | | |
|---|----|--------|---------|
| Custodial Personnel | \$ | 34,682 | |
| Communication | | 3,845 | |
| Maintenance & Repair Services - Buildings | | 48,014 | |
| Maintenance & Repair Services - Vehicles | | 203 | |
| Custodial Supplies | | 6,327 | |
| Electricity | | 54,560 | |
| Gasoline | | 338 | |
| Water and Sewer | | 6,702 | |
| Other Supplies and Materials | | 1,896 | |
| Total County Buildings | | | 156,567 |

Finance

Property Assessor's Office

| | | | |
|---|----|--------|--|
| County Official/Administrative Officer | \$ | 46,569 | |
| Communication | | 421 | |
| Legal Notices, Recording, and Court Costs | | 84 | |

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

| | | | |
|----------------------------------|----|-------|-----------|
| Postal Charges | \$ | 84 | |
| Travel | | 2,502 | |
| Other Contracted Services | | 1,251 | |
| Office Supplies | | 66 | |
| Total Property Assessor's Office | | | \$ 50,977 |

County Trustee's Office

| | | | |
|---|----|--------|--------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Deputy(ies) | | 7,009 | |
| Communication | | 1,389 | |
| Data Processing Services | | 12,186 | |
| Dues and Memberships | | 243 | |
| Legal Notices, Recording, and Court Costs | | 216 | |
| Postal Charges | | 1,698 | |
| Printing, Stationery, and Forms | | 461 | |
| Other Contracted Services | | 2,868 | |
| Office Supplies | | 491 | |
| Total County Trustee's Office | | | 73,130 |

County Clerk's Office

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Deputy(ies) | | 17,267 | |
| Communication | | 873 | |
| Dues and Memberships | | 318 | |
| Postal Charges | | 1,113 | |
| Office Supplies | | 2,104 | |
| Other Supplies and Materials | | 2,995 | |
| Total County Clerk's Office | | | 71,239 |

Administration of Justice

Circuit Court

| | | |
|---|----|--------|
| County Official/Administrative Officer | \$ | 46,569 |
| Deputy(ies) | | 16,574 |
| Board and Committee Members Fees | | 200 |
| Jury and Witness Fees | | 4,549 |
| Communication | | 3,508 |
| Data Processing Services | | 6,510 |
| Dues and Memberships | | 243 |
| Legal Notices, Recording, and Court Costs | | 144 |
| Postal Charges | | 463 |

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

| | | | |
|---------------------------------|----|-------|-----------|
| Remittance of Revenue Collected | \$ | 566 | |
| Office Supplies | | 3,374 | |
| Other Supplies and Materials | | 478 | |
| Total Circuit Court | | | \$ 83,178 |

General Sessions Judge

| | | | |
|------------------------------|----|--------|--------|
| Judge(s) | \$ | 51,053 | |
| Legal Services | | 7,950 | |
| Other Supplies and Materials | | 268 | |
| Total General Sessions Judge | | | 59,271 |

Chancery Court

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 46,569 | |
| Communication | | 936 | |
| Dues and Memberships | | 243 | |
| Maintenance & Repair Services - Office Equipment | | 151 | |
| Postal Charges | | 782 | |
| Office Supplies | | 1,395 | |
| Periodicals | | 310 | |
| Office Equipment | | 1,733 | |
| Total Chancery Court | | | 52,119 |

Juvenile Court

| | | | |
|--------------------------|----|--------|--------|
| Youth Service Officer(s) | \$ | 10,365 | |
| Communication | | 62 | |
| Travel | | 600 | |
| Office Supplies | | 15 | |
| Total Juvenile Court | | | 11,042 |

Judicial Commissioners

| | | | |
|------------------------------|----|-------|-------|
| Other Per Diem & Fees | \$ | 5,664 | |
| Office Supplies | | 45 | |
| Total Judicial Commissioners | | | 5,709 |

Probation Services

| | | | |
|------------------------------|----|--------|--------|
| Probation Officer(s) | \$ | 20,942 | |
| Other Salaries & Wages | | 12,408 | |
| Other Supplies and Materials | | 782 | |
| Total Probation Services | | | 34,132 |

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Public Safety

Sheriff's Department

| | | | |
|---|----|---------|---------|
| County Official/Administrative Officer | \$ | 51,226 | |
| Deputy(ies) | | 245,265 | |
| Salary Supplements | | 5,400 | |
| In-Service Training | | 6,140 | |
| Dues and Memberships | | 400 | |
| Maintenance & Repair Services - Equipment | | 734 | |
| Maintenance & Repair Services - Vehicles | | 9,698 | |
| Postal Charges | | 849 | |
| Tow-in Services | | 5,380 | |
| Gasoline | | 34,398 | |
| Office Supplies | | 4,438 | |
| Tires and Tubes | | 3,635 | |
| Uniforms | | 10,307 | |
| Total Sheriff's Department | \$ | | 377,870 |

Drug Enforcement

| | | | |
|--------------------------|----|-----|-----|
| Animal Food and Supplies | \$ | 562 | |
| Total Drug Enforcement | | | 562 |

Jail

| | | | |
|---|----|---------|---------|
| Deputy(ies) | \$ | 107,501 | |
| Communication | | 6,516 | |
| Contracts with Government Agencies | | 5,670 | |
| Laundry Service | | 405 | |
| Maintenance & Repair Services - Buildings | | 4,790 | |
| Medical and Dental Services | | 20,134 | |
| Custodial Supplies | | 345 | |
| Food Supplies | | 34,083 | |
| Total Jail | | | 179,444 |

Fire Prevention and Control

| | | | |
|-----------------------------------|----|--------|--------|
| Contributions | \$ | 39,000 | |
| Other Supplies and Materials | | 17 | |
| Principal on Capital Leases | | 18,402 | |
| Interest on Capital Leases | | 2,313 | |
| Total Fire Prevention and Control | | | 59,732 |

Rescue Squad

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

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

| | | | |
|----------------------------------|----|-------|----------|
| Other Equipment | \$ | 3,578 | |
| Total Other Emergency Management | | | \$ 3,578 |

County Coroner/Medical Examiner

| | | | |
|---------------------------------------|----|--------|--------|
| Medical and Dental Services | \$ | 14,525 | |
| Total County Coroner/Medical Examiner | | | 14,525 |

Other Public Safety

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

Public Health and Welfare

Local Health Center

| | | | |
|------------------------------|----|-------|--------|
| Other Salaries & Wages | \$ | 8,607 | |
| Communication | | 1,559 | |
| Dues and Memberships | | 100 | |
| Medical and Dental Services | | 68 | |
| Custodial Supplies | | 190 | |
| Electricity | | 4,531 | |
| Office Supplies | | 225 | |
| Water and Sewer | | 396 | |
| Other Supplies and Materials | | 626 | |
| Building Improvements | | 779 | |
| Total Local Health Center | | | 17,081 |

Ambulance/Emergency Medical Services

| | | | |
|---|----|---------|--|
| Supervisor/Director | \$ | 34,046 | |
| Medical Personnel | | 366,720 | |
| In-Service Training | | 2,672 | |
| Communication | | 5,707 | |
| Dues and Memberships | | 240 | |
| Licenses | | 667 | |
| Maintenance & Repair Services - Buildings | | 1,796 | |
| Maintenance & Repair Services - Equipment | | 1,647 | |
| Maintenance & Repair Services - Vehicles | | 8,837 | |
| Postal Charges | | 633 | |
| Other Contracted Services | | 2,200 | |
| Custodial Supplies | | 1,312 | |
| Drugs and Medical Supplies | | 16,828 | |
| Electricity | | 7,077 | |

(Continued)

Exhibit I-5

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.)

| | | | |
|--|----|--------|------------|
| Gasoline | \$ | 17,760 | |
| Office Supplies | | 2,832 | |
| Tires and Tubes | | 1,376 | |
| Uniforms | | 5,363 | |
| Water and Sewer | | 862 | |
| Refunds | | 9,269 | |
| Data Processing Equipment | | 2,543 | |
| Motor Vehicles | | 61,900 | |
| Total Ambulance/Emergency Medical Services | | | \$ 552,287 |

Regional Mental Health Center

| | | | |
|-------------------------------------|----|-------|-------|
| Contributions | \$ | 2,274 | |
| Total Regional Mental Health Center | | | 2,274 |

Appropriation to State

| | | | |
|------------------------------|----|-------|-------|
| Contributions | \$ | 7,582 | |
| Total Appropriation to State | | | 7,582 |

Sanitation Management

| | | | |
|-----------------------------|----|--------|--------|
| Other Contracted Services | \$ | 29,237 | |
| Total Sanitation Management | | | 29,237 |

Other Public Health and Welfare

| | | | |
|---------------------------------------|----|-------|-------|
| Other Salaries & Wages | \$ | 1,651 | |
| Travel | | 107 | |
| Total Other Public Health and Welfare | | | 1,758 |

Social, Cultural, and Recreational Services

Senior Citizens Assistance

| | | | |
|----------------------------------|----|--------|--------|
| Contributions | \$ | 19,985 | |
| Total Senior Citizens Assistance | | | 19,985 |

Libraries

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 20,047 | |
| Assistant(s) | | 17,244 | |
| Communication | | 1,585 | |
| Postal Charges | | 156 | |
| Office Supplies | | 2,715 | |
| Data Processing Equipment | | 874 | |
| Office Equipment | | 441 | |
| Total Libraries | | | 43,062 |

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

| | | | |
|--|----|--------|-----------|
| Supervisor/Director | \$ | 23,251 | |
| Communication | | 449 | |
| Postal Charges | | 80 | |
| Travel | | 1,073 | |
| Office Supplies | | 184 | |
| Other Supplies and Materials | | 424 | |
| Total Other Social, Cultural, and Recreational | | | \$ 25,461 |

Agriculture & Natural Resources

Agriculture Extension Service

| | | | |
|-------------------------------------|----|--------|--------|
| Communication | \$ | 1,527 | |
| Contributions | | 2,400 | |
| Other Contracted Services | | 14,635 | |
| Total Agriculture Extension Service | | | 18,562 |

Soil Conservation

| | | | |
|-------------------------|----|--------|--------|
| Communication | \$ | 968 | |
| Contributions | | 15,960 | |
| Total Soil Conservation | | | 16,928 |

Other Operations

Tourism

| | | | |
|---------------|----|--------|--------|
| Contributions | \$ | 25,000 | |
| Total Tourism | | | 25,000 |

Industrial Development

| | | | |
|------------------------------|----|-----|-----|
| Contributions | \$ | 660 | |
| Total Industrial Development | | | 660 |

Other Economic and Community Development

| | | | |
|--|----|---------|---------|
| Consultants | \$ | 23,500 | |
| Other Equipment | | 194,727 | |
| Total Other Economic and Community Development | | | 218,227 |

Veterans' Services

| | | | |
|--------------------------|----|--------|--------|
| Other Salaries & Wages | \$ | 13,906 | |
| Communication | | 484 | |
| Office Supplies | | 705 | |
| Total Veterans' Services | | | 15,095 |

(Continued)

Exhibit I-5

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

| | | | |
|------------------------------------|----|--------------|---------|
| Travel | \$ | 4,184 | |
| Building and Contents Insurance | | 12,166 | |
| Liability Insurance | | 33,787 | |
| Premiums on Corporate Surety Bonds | | 4,590 | |
| Trustee's Commission | | 26,476 | |
| Vehicle and Equipment Insurance | | 16,725 | |
| Liability Claims | | <u>4,553</u> | |
| Total Other Charges | \$ | | 102,481 |

Contributions to Other Agencies

| | | | |
|---------------------------------------|----|---------------|--------|
| Contributions | \$ | <u>12,100</u> | |
| Total Contributions to Other Agencies | | | 12,100 |

Employee Benefits

| | | | |
|---------------------------------|----|---------------|---------|
| Social Security | \$ | 121,427 | |
| State Retirement | | 102,895 | |
| Unemployment Compensation | | 14,213 | |
| Workers' Compensation Insurance | | <u>50,718</u> | |
| Total Employee Benefits | | | 289,253 |

Miscellaneous

| | | | |
|----------------------|----|----------------|----------------|
| Highway Equipment | \$ | 122,979 | |
| Other Capital Outlay | | <u>189,264</u> | |
| Total Miscellaneous | | | <u>312,243</u> |

Total General Fund \$ 3,387,978

Drug Control Fund

Public Safety

Drug Enforcement

| | | | |
|--|----|--------------|--------------|
| Confidential Drug Enforcement Payments | \$ | 3,500 | |
| Other Supplies and Materials | | <u>1,018</u> | |
| Total Drug Enforcement | \$ | | <u>4,518</u> |

Total Drug Control Fund 4,518

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

| | | | |
|---|----|------------|-----|
| Constitutional Officers' Operating Expenses | \$ | <u>166</u> | |
| Total County Trustee's Office | \$ | | 166 |

(Continued)

Exhibit I-5

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

Constitutional Officers - Fees Fund (Cont.)

Finance (Cont.)

County Clerk's Office

| | | |
|---|--------|--------|
| Constitutional Officers' Operating Expenses | \$ 111 | |
| Total County Clerk's Office | | \$ 111 |

Administration of Justice

Chancery Court

| | | |
|---|------|----------|
| Constitutional Officers' Operating Expenses | \$ 9 | |
| Total Chancery Court | | <u>9</u> |

Total Constitutional Officers - Fees Fund \$ 286

Highway/Public Works Fund

Highways

Administration

| | | |
|--|--------------|-----------|
| County Official/Administrative Officer | \$ 51,226 | |
| Accountants/Bookkeepers | 13,293 | |
| Advertising | 286 | |
| Data Processing Services | 3,678 | |
| Dues and Memberships | 1,867 | |
| Postal Charges | 403 | |
| Printing, Stationery, and Forms | 65 | |
| Travel | 1,800 | |
| Office Supplies | 2,609 | |
| Other Charges | 3,994 | |
| Data Processing Equipment | <u>4,280</u> | |
| Total Administration | | \$ 83,501 |

Highway and Bridge Maintenance

| | | |
|--------------------------------------|----------------|---------|
| Foremen | \$ 51,595 | |
| Laborers | 355,538 | |
| Asphalt | 45,402 | |
| Crushed Stone | 127,244 | |
| Pipe | 10,324 | |
| Road Signs | 688 | |
| Salt | 4,943 | |
| Other Charges | 5,990 | |
| Highway Construction | <u>118,900</u> | |
| Total Highway and Bridge Maintenance | | 720,624 |

Operation and Maintenance of Equipment

| | |
|-------------|-----------|
| Mechanic(s) | \$ 63,735 |
|-------------|-----------|

(Continued)

Exhibit I-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

| | | | |
|--|----|--------|------------|
| Maintenance & Repair Services - Vehicles | \$ | 4,974 | |
| Diesel Fuel | | 43,359 | |
| Equipment and Machinery Parts | | 32,146 | |
| Gasoline | | 17,982 | |
| Lubricants | | 4,765 | |
| Propane Gas | | 1,117 | |
| Tires and Tubes | | 8,639 | |
| Other Supplies and Materials | | 11,169 | |
| Other Charges | | 14,250 | |
| Total Operation and Maintenance of Equipment | | | \$ 202,136 |

Quarry Operations

| | | | |
|--------------------------|----|--------|--------|
| Laborers | \$ | 28,624 | |
| Communication | | 471 | |
| Operating Lease Payments | | 900 | |
| Utilities | | 500 | |
| Total Quarry Operations | | | 30,495 |

Other Charges

| | | | |
|---------------------------------|----|--------|--------|
| Communication | \$ | 3,420 | |
| Contributions | | 2,600 | |
| Utilities | | 4,652 | |
| Building and Contents Insurance | | 463 | |
| Liability Insurance | | 5,113 | |
| Trustee's Commission | | 12,109 | |
| Vehicle and Equipment Insurance | | 11,776 | |
| Total Other Charges | | | 40,133 |

Employee Benefits

| | | | |
|---------------------------------|----|--------|---------|
| Social Security | \$ | 43,147 | |
| State Retirement | | 37,112 | |
| Unemployment Compensation | | 13,352 | |
| Workers' Compensation Insurance | | 25,710 | |
| Total Employee Benefits | | | 119,321 |

Capital Outlay

| | | | |
|-------------------------|----|---------|---------|
| Building Construction | \$ | 6,469 | |
| Communication Equipment | | 2,000 | |
| Highway Equipment | | 4,650 | |
| State Aid Projects | | 230,196 | |
| Total Capital Outlay | | | 243,315 |

(Continued)

Exhibit I-5

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

Highway/Public Works Fund (Cont.)

Principal on Debt

Highways and Streets

| | | |
|----------------------------|------------|------------|
| Principal on Notes | \$ 500,000 | |
| Total Highways and Streets | | \$ 500,000 |

Interest on Debt

Highways and Streets

| | | |
|----------------------------|-----------|--------|
| Interest on Notes | \$ 32,663 | |
| Total Highways and Streets | | 32,663 |

| | | |
|---------------------------------|--|--------------|
| Total Highway/Public Works Fund | | \$ 1,972,188 |
|---------------------------------|--|--------------|

General Debt Service Fund

Principal on Debt

General Government

| | | |
|--------------------------|-----------|------------|
| Principal on Bonds | \$ 46,066 | |
| Principal on Notes | 62,000 | |
| Total General Government | | \$ 108,066 |

Interest on Debt

General Government

| | | |
|--------------------------|-----------|--------|
| Interest on Bonds | \$ 55,669 | |
| Interest on Notes | 11,079 | |
| Total General Government | | 66,748 |

Other Debt Service

General Government

| | | |
|--------------------------|----------|-------|
| Trustee's Commission | \$ 1,425 | |
| Total General Government | | 1,425 |

| | | |
|---------------------------------|--|---------|
| Total General Debt Service Fund | | 176,239 |
|---------------------------------|--|---------|

Public Library Building Fund

Principal on Debt

General Government

| | | |
|--------------------------|-----------|-----------|
| Principal on Bonds | \$ 66,705 | |
| Total General Government | | \$ 66,705 |

Interest on Debt

General Government

| | | |
|--------------------------|-----------|--------|
| Interest on Bonds | \$ 10,754 | |
| Interest on Notes | 6,835 | |
| Total General Government | | 17,589 |

(Continued)

Exhibit I-5

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

| | | | |
|---|----|---------|--------------|
| <u>Public Library Building Fund (Cont.)</u> | | | |
| <u>Other Debt Service</u> | | | |
| <u>General Government</u> | | | |
| Other Debt Issuance Charges | \$ | 1,050 | |
| Total General Government | | | \$ 1,050 |
| Total Public Library Building Fund | | | \$ 85,344 |
| <u>HUD Grant Projects Fund</u> | | | |
| <u>Other Operations</u> | | | |
| <u>Housing and Urban Development</u> | | | |
| Other Contracted Services | \$ | 234,286 | |
| Total Housing and Urban Development | | | \$ 234,286 |
| Total HUD Grant Projects Fund | | | 234,286 |
| Total Governmental Funds - Primary Government | | | \$ 5,860,839 |

Exhibit I-6

Pickett County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2007

| | Business-type Activities |
|---|------------------------------|
| | Enterprise Fund |
| | Solid Waste Disposal Fund |
| <u>Operating Revenues</u> | |
| <u>Charges for Current Services</u> | |
| Tipping Fees | \$ 93,267 |
| <u>Other Local Revenues</u> | |
| Sale of Recycled Materials | 13,148 |
| Total Operating Revenues | <u>\$ 106,415</u> |
| <u>Nonoperating Revenues</u> | |
| Local Taxes | \$ 245,983 |
| Investment Income | 6,628 |
| Solid Waste Grants | 6,224 |
| Total Nonoperating Revenues | <u>\$ 258,835</u> |
| Total Revenues | <u>\$ 365,250</u> |
| <u>Operating Expenses</u> | |
| <u>Landfill Operation and Maintenance</u> | |
| Supervisor/Director | \$ 29,768 |
| Clerical Personnel | 15,313 |
| Part-time Personnel | 7,617 |
| Other Salaries and Wages | 66,618 |
| Social Security | 9,128 |
| State Retirement | 6,241 |
| Unemployment Compensation | 1,630 |
| Advertising | 220 |
| Communication | 2,037 |
| Contracts with Government Agencies | 3,511 |
| Contract with Private Agencies | 8,661 |
| Data Processing Services | 6,566 |
| Engineering Services | 10,004 |
| Evaluation and Testing | 23,967 |
| Licenses | 3,425 |
| Maintenance & Repair - Buildings | 612 |
| Maintenance & Repair - Equipment | 24,398 |
| Maintenance & Repair - Vehicles | 648 |
| Medical and Dental Services | 307 |
| Postal Charges | 106 |
| Travel | 1,558 |
| Custodial Supplies | 663 |

(Continued)

Exhibit I-6

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

| | Business-type Activities |
|---|------------------------------|
| | Enterprise Fund |
| | Solid Waste Disposal Fund |
| <u>Operating Expenses (Cont.)</u> | |
| <u>Landfill Operation and Maintenance (Cont.)</u> | |
| Electricity | \$ 9,128 |
| Gasoline | 8,032 |
| Office Supplies | 1,149 |
| Tires and Tubes | 4,516 |
| Uniforms | 1,598 |
| Water and Sewer | 405 |
| Wire | 5,380 |
| Other Supplies and Materials | 4,393 |
| Trustee's Commission | 4,393 |
| Depreciation | 42,819 |
| Landfill Closure/Postclosure Care Costs | 17,283 |
| Total Operating Expenses | <u>\$ 322,094</u> |
| <u>Nonoperating Expenses</u> | |
| Interest on Bonds | <u>\$ 2,331</u> |
| Total Expenses | <u><u>\$ 324,425</u></u> |

Exhibit I-7

Pickett County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2007

| | Cities - Sales Tax Fund |
|--|-------------------------------|
| <hr/> | |
| <u>Cash Receipts</u> | |
| Local Option Sales Tax | \$ 148,571 |
| Total Cash Receipts | <u>\$ 148,571</u> |
| <u>Cash Disbursements</u> | |
| Remittance of Revenues Collected | \$ 147,085 |
| Trustee's Commission | 1,486 |
| Total Cash Disbursements | <u>\$ 148,571</u> |
| Excess of Cash Receipts Over (Under) Cash Disbursements | \$ 0 |
| Cash Balance, July 1, 2006 | <u>0</u> |
| Cash Balance, June 30, 2007 | <u><u>\$ 0</u></u> |

ANNUAL FINANCIAL REPORT
PICKETT COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

TIM BRASHEARS
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

**PICKETT COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PICKETT COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Pickett County School Department
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of the Pickett County School Department as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following is a summary of the audit findings:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Funds were transferred from the General Purpose School Fund to the Central Cafeteria Fund without County Commission approval.

OTHER FINDINGS

- ◆ County 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.

INTRODUCTORY SECTION

Pickett County School Department Officials
June 30, 2007

Official

Carolyn Cope, Director of Schools

Board of Education

Frank Capps, Chairman

Terrell Garner

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

September 27, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, the 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, 2007, 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 provides 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, the major fund, and the aggregate remaining fund information of the Pickett County School Department as

of June 30, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2007, 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.

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 37 through 39 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 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,



John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Pickett County, Tennessee
Statement of Net Assets
Pickett County School Department
June 30, 2007

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>ASSETS</u> | |
| Equity in Pooled Cash and Investments | \$ 552,810 |
| Due from Other Governments | 138,756 |
| Property Taxes Receivable | 563,791 |
| Allowance for Uncollectible Property Taxes | (19,751) |
| Assets Not Depreciated: | |
| Land | 22,955 |
| Assets Net of Accumulated Depreciation: | |
| Buildings and Improvements | 5,268,100 |
| Other Capital Assets | 209,850 |
| Total Assets | <u>\$ 6,736,511</u> |
| <u>LIABILITIES</u> | |
| Accounts Payable | \$ 11,288 |
| Accrued Interest Payable | 16,625 |
| Deferred Revenue - Current Property Taxes | 514,218 |
| Noncurrent Liabilities: | |
| Due Within One Year | 177,145 |
| Due in More Than One Year | 4,147,087 |
| Total Liabilities | <u>\$ 4,866,363</u> |
| <u>NET ASSETS</u> | |
| Invested in Capital Assets, Net of Related Debt | \$ 1,169,280 |
| Restricted for: | |
| Other Purposes | 276,778 |
| Unrestricted | 424,090 |
| Total Net Assets | <u>\$ 1,870,148</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, 2007

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities |
|--|---------------------|----------------------------|---|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental Activities: | | | | | |
| Instruction | \$ 3,431,849 | \$ 0 | \$ 388,536 | \$ 1,487 | \$ (3,041,826) |
| Support Services | 1,627,818 | 109,192 | 240,559 | 0 | (1,278,067) |
| Operation of Non-Instructional Services | 524,109 | 888 | 159,574 | 12,727 | (350,920) |
| Interest on Long-term Debt | 205,730 | 0 | 0 | 0 | (205,730) |
| Other Debt Service | 431 | 0 | 0 | 0 | (431) |
| Total Governmental Activities | \$ 5,789,937 | \$ 110,080 | \$ 788,669 | \$ 14,214 | \$ (4,876,974) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes Levied for General Purposes | | | | | \$ 536,158 |
| Local Option Sales Tax | | | | | 423,150 |
| Other Local Taxes | | | | | 25,623 |
| Grants and Contributions Not Restricted to Specific Programs | | | | | 3,775,521 |
| Unrestricted Investment Income | | | | | 22,903 |
| Miscellaneous | | | | | 27,197 |
| Total General Revenues | | | | | \$ 4,810,552 |
| Change in Net Assets | | | | | \$ (66,422) |
| Net Assets, July 1, 2006 | | | | | 1,936,570 |
| Net Assets, June 30, 2007 | | | | | \$ 1,870,148 |

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, 2007

| | <u>Major Fund</u> | Nonmajor <u>Funds</u> | Total |
|---|------------------------------|-------------------------------------|----------------------------|
| | General Purpose School | Other Govern- mental Funds | Govern- mental Funds |
| <u>ASSETS</u> | | | |
| Equity in Pooled Cash and Investments | \$ 548,647 | \$ 4,163 | \$ 552,810 |
| Due from Other Governments | 126,853 | 11,903 | 138,756 |
| Property Taxes Receivable | 563,791 | 0 | 563,791 |
| Allowance for Uncollectible Property Taxes | (19,751) | 0 | (19,751) |
| Total Assets | <u>\$ 1,219,540</u> | <u>\$ 16,066</u> | <u>\$ 1,235,606</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 192 | \$ 11,096 | \$ 11,288 |
| Deferred Revenue - Current Property Taxes | 514,218 | 0 | 514,218 |
| Deferred Revenue - Delinquent Property Taxes | 27,947 | 0 | 27,947 |
| Other Deferred Revenues | 49,811 | 0 | 49,811 |
| Total Liabilities | <u>\$ 592,168</u> | <u>\$ 11,096</u> | <u>\$ 603,264</u> |
| <u>Fund Balances</u> | | | |
| Reserved for Career Ladder Program | \$ 2,275 | \$ 0 | \$ 2,275 |
| Reserved for Basic Education Program | 269,533 | 0 | 269,533 |
| Reserved for Title I Grants to Local Education Agencies | 0 | 1,091 | 1,091 |
| Reserved for Special Education - Grants to States | 0 | 1,415 | 1,415 |
| Unreserved, Reported In: | | | |
| General Fund | 355,564 | 0 | 355,564 |
| Special Revenue Funds | 0 | 2,464 | 2,464 |
| Total Fund Balances | <u>\$ 627,372</u> | <u>\$ 4,970</u> | <u>\$ 632,342</u> |
| Total Liabilities and Fund Balances | <u>\$ 1,219,540</u> | <u>\$ 16,066</u> | <u>\$ 1,235,606</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, 2007

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) | | \$ | 632,342 |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | | | |
| Add: land | \$ | 22,955 | |
| Add: buildings net of accumulated depreciation | | 5,268,100 | |
| Add: other capital assets net of accumulated depreciation | | <u>209,850</u> | 5,500,905 |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. | | | |
| Less: bonds payable | \$ | (4,315,000) | |
| Less: compensated absences payable | | (9,232) | |
| Less: accrued interest on bonds | | <u>(16,625)</u> | (4,340,857) |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. | | | <u>77,758</u> |
| Net assets of governmental activities (Exhibit A) | | \$ | <u><u>1,870,148</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, 2007

| | Major Fund | Nonmajor Funds | Total Governmental Funds |
|--|------------------------------|-------------------------------------|--------------------------------|
| | General Purpose School | Other Govern- mental Funds | |
| <u>Revenues</u> | | | |
| Local Taxes | \$ 978,665 | \$ 0 | \$ 978,665 |
| Licenses and Permits | 266 | 0 | 266 |
| Charges for Current Services | 888 | 109,192 | 110,080 |
| Other Local Revenues | 47,914 | 2,186 | 50,100 |
| State of Tennessee | 3,765,143 | 3,909 | 3,769,052 |
| Federal Government | 102,134 | 694,155 | 796,289 |
| Total Revenues | <u>\$ 4,895,010</u> | <u>\$ 809,442</u> | <u>\$ 5,704,452</u> |
| <u>Expenditures</u> | | | |
| Current: | | | |
| Instruction | \$ 2,882,132 | \$ 406,887 | \$ 3,289,019 |
| Support Services | 1,489,143 | 74,638 | 1,563,781 |
| Operation of Non-Instructional Services | 141,673 | 347,760 | 489,433 |
| Debt Service: | | | |
| Principal on Debt | 170,000 | 0 | 170,000 |
| Interest on Debt | 206,297 | 0 | 206,297 |
| Other Debt Service | 431 | 0 | 431 |
| Capital Projects | 0 | 17,840 | 17,840 |
| Total Expenditures | <u>\$ 4,889,676</u> | <u>\$ 847,125</u> | <u>\$ 5,736,801</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 5,334</u> | <u>\$ (37,683)</u> | <u>\$ (32,349)</u> |
| <u>Other Financing Sources (Uses)</u> | | | |
| Transfers In | \$ 0 | \$ 27,547 | \$ 27,547 |
| Transfers Out | (27,547) | 0 | (27,547) |
| Total Other Financing Sources (Uses) | <u>\$ (27,547)</u> | <u>\$ 27,547</u> | <u>\$ 0</u> |
| Net Change in Fund Balances | \$ (22,213) | \$ (10,136) | \$ (32,349) |
| Fund Balance, July 1, 2006 | <u>649,585</u> | <u>15,106</u> | <u>664,691</u> |
| Fund Balance, June 30, 2007 | <u>\$ 627,372</u> | <u>\$ 4,970</u> | <u>\$ 632,342</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, 2007

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) | | \$ | (32,349) |
| (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. The difference between capital outlays and depreciation is itemized as follows. | | | |
| Less: current year depreciation expense | | | (211,050) |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | | |
| Add: deferred delinquent property taxes and other deferred June 30, 2007 | \$ | 77,758 | |
| Less: deferred delinquent property taxes and other deferred June 30, 2006 | | <u>(70,922)</u> | 6,836 |
| (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. | | | |
| Add: principal on bonds | | | 170,000 |
| (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>141</u> |
| Change in net assets of governmental activities (Exhibit B) | | \$ | <u><u>(66,422)</u></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, 2007**

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. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Purpose School Fund for payments to be made early in the following year.

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

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

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

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

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.

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 1.86 percent of total taxes levied.

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

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

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court

for collection are not included in taxes receivable since they are neither measurable nor available.

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

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 Capital 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.

On the government-wide statement of net assets (Exhibit A), the account balance in Restricted for Other Purposes (\$276,778) consists of restrictions for state and federal assistance programs, primarily the Basic Education Program (\$269,533).

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

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the capital projects fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

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 schedule.

B. Funds Were Transferred From the General Purpose School Fund to the Central Cafeteria Fund Without County Commission Approval

The General Purpose School Fund transferred \$27,547 to the Central Cafeteria Fund without the approval of the Pickett County Commission in violation of state statute. This transfer was approved by the Board of Education to liquidate a fund deficit and a cash overdraft in the Central Cafeteria Fund.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the Pickett County Commission in the Central Cafeteria Fund by \$3,190. These overexpenditures were funded by a transfer from the General Purpose School Fund.

IV. 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.

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, 2007, 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>\$ 40,289</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, 2007, 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, 2007, was as follows:

Governmental Activities:

| | Balance 7-1-06 | Increases | Balance 6-30-07 |
|--|---------------------|---------------------|---------------------|
| Capital Assets Not Depreciated: | | | |
| Land | \$ 22,955 | \$ 0 | \$ 22,955 |
| Total Capital Assets Not Depreciated | <u>\$ 22,955</u> | <u>\$ 0</u> | <u>\$ 22,955</u> |
| Capital Assets Depreciated: | | | |
| Buildings and Improvements | \$ 6,937,182 | \$ 0 | \$ 6,937,182 |
| Other Capital Assets | 599,872 | 0 | 599,872 |
| Total Capital Assets Depreciated | <u>\$ 7,537,054</u> | <u>\$ 0</u> | <u>\$ 7,537,054</u> |
| Less Accumulated Depreciated For: | | | |
| Buildings and Improvements | \$ 1,496,025 | \$ 173,057 | \$ 1,669,082 |
| Other Capital Assets | 352,029 | 37,993 | 390,022 |
| Total Accumulated Depreciation | <u>\$ 1,848,054</u> | <u>\$ 211,050</u> | <u>\$ 2,059,104</u> |
| Total Capital Assets Depreciated, Net | <u>\$ 5,689,000</u> | <u>\$ (211,050)</u> | <u>\$ 5,477,950</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 5,711,955</u> | <u>\$ (211,050)</u> | <u>\$ 5,500,905</u> |

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

Governmental Activities:

| | |
|---|--------------------------|
| Instruction | \$ 142,830 |
| Support Services | 45,771 |
| Operation of Non-Instructional Services | <u>22,449</u> |
| Total Depreciation Expense - Governmental Activities | <u><u>\$ 211,050</u></u> |

C. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

| <u>Transfers Out</u> | <u>Transfers In</u> Nonmajor Governmental Funds |
|-----------------------------|--|
| General Purpose School Fund | <u><u>\$ 27,547</u></u> |

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

The School Department made a one-time transfer of \$27,547 from the General Purpose School Fund to the Central Cafeteria Fund to liquidate a fund deficit and cash overdraft. This resulted in the General Purpose School Fund paying all of the food service director's salary instead of one-half as was originally budgeted.

D. 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 bonds outstanding were 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 bonds included in long-term debt as of June 30, 2007, will be retired from the General Purpose School Fund.

General obligation bonds outstanding as of June 30, 2007, are as follows:

| Type | Interest Rate | Original Amount of Issue | Balance 6-30-07 |
|--------------------------|---------------|--------------------------|-----------------|
| General Obligation Bonds | 3.3 to 4.9 % | \$ 5,500,000 | \$ 4,315,000 |

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2007, including interest payments, are presented in the following table:

| Year Ending June 30 | Bonds | |
|------------------------|--------------|--------------|
| | Principal | Interest |
| 2008 | \$ 175,000 | \$ 199,498 |
| 2009 | 180,000 | 192,322 |
| 2010 | 190,000 | 184,853 |
| 2011 | 200,000 | 176,872 |
| 2012 | 205,000 | 168,372 |
| 2013-2017 | 1,175,000 | 697,133 |
| 2018-2022 | 1,485,000 | 394,534 |
| 2023-2024 | 705,000 | 52,186 |
| Total | \$ 4,315,000 | \$ 2,065,770 |

Bonded debt per capita for the School Department amounted to \$873, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

| Governmental Activities: | Bonds | Compensated Absences |
|-----------------------------|--------------|----------------------|
| Balance, July 1, 2006 | \$ 4,485,000 | \$ 8,806 |
| Additions | 0 | 2,145 |
| Deductions | (170,000) | (1,719) |
| Balance, June 30, 2007 | \$ 4,315,000 | \$ 9,232 |
| Balance Due Within One Year | \$ 175,000 | \$ 2,145 |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

| | |
|---|---------------------|
| Total Noncurrent Liabilities, June 30, 2007 | \$ 4,324,232 |
| Less: Balance Due Within One Year | <u>(177,145)</u> |
| Noncurrent Liabilities - Due in More Than One Year - Exhibit A | <u>\$ 4,147,087</u> |

Compensated absences will be paid from the employing funds.

V. OTHER INFORMATION

A. Risk Management

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

The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school districts. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT 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 Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that 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. Subsequent Event

Carolyn Cope left the Office of Director of Schools on June 30, 2007, and was succeeded by Diane Elder effective July 1, 2007.

C. Contingent Liabilities

The School Department's attorney advised that the School Department is not involved in any pending lawsuits.

D. Retirement Commitments

Employees

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 <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 IV.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.

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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$184,908, \$161,616, and \$159,657, 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 \$10,000.

**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, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|---------------------|---------------------|---------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Local Taxes | \$ 978,665 | \$ 901,575 | \$ 901,575 | \$ 77,090 |
| Licenses and Permits | 266 | 250 | 250 | 16 |
| Charges for Current Services | 888 | 960 | 960 | (72) |
| Other Local Revenues | 47,914 | 30,000 | 30,000 | 17,914 |
| State of Tennessee | 3,765,143 | 3,693,095 | 3,752,184 | 12,959 |
| Federal Government | 102,134 | 98,600 | 101,600 | 534 |
| Total Revenues | <u>\$ 4,895,010</u> | <u>\$ 4,724,480</u> | <u>\$ 4,786,569</u> | <u>\$ 108,441</u> |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 2,264,037 | \$ 2,257,495 | \$ 2,332,122 | \$ 68,085 |
| Special Education Program | 252,965 | 257,935 | 257,935 | 4,970 |
| Vocational Education Program | 332,561 | 334,400 | 337,400 | 4,839 |
| Adult Education Program | 32,569 | 45,000 | 45,000 | 12,431 |
| <u>Support Services</u> | | | | |
| Attendance | 61,064 | 61,285 | 61,285 | 221 |
| Health Services | 23,045 | 4,500 | 25,025 | 1,980 |
| Other Student Support | 98,936 | 99,505 | 99,505 | 569 |
| Regular Instruction Program | 189,345 | 189,420 | 189,420 | 75 |
| Special Education Program | 48,897 | 51,300 | 53,417 | 4,520 |
| Vocational Education Program | 10,845 | 11,200 | 11,200 | 355 |
| Board of Education | 84,053 | 92,315 | 92,315 | 8,262 |
| Director of Schools | 63,691 | 64,035 | 64,035 | 344 |
| Office of the Principal | 180,835 | 184,660 | 184,660 | 3,825 |
| Fiscal Services | 52,813 | 53,035 | 53,035 | 222 |
| Operation of Plant | 390,214 | 386,450 | 395,085 | 4,871 |
| Maintenance of Plant | 20,370 | 20,370 | 20,370 | 0 |
| Transportation | 258,371 | 281,590 | 287,350 | 28,979 |
| Central and Other | 6,664 | 7,700 | 7,700 | 1,036 |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Community Services | 47,237 | 51,000 | 51,000 | 3,763 |
| Early Childhood Education | 94,436 | 91,460 | 94,552 | 116 |
| <u>Principal on Debt</u> | | | | |
| Education | 170,000 | 170,000 | 170,000 | 0 |
| <u>Interest on Debt</u> | | | | |
| Education | 206,297 | 210,000 | 209,569 | 3,272 |
| <u>Other Debt Service</u> | | | | |
| Education | 431 | 0 | 431 | 0 |
| Total Expenditures | <u>\$ 4,889,676</u> | <u>\$ 4,924,655</u> | <u>\$ 5,042,411</u> | <u>\$ 152,735</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ 5,334</u> | <u>\$ (200,175)</u> | <u>\$ (255,842)</u> | <u>\$ 261,176</u> |

(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 | |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers Out | \$ (27,547) | \$ 0 | \$ 0 | \$ (27,547) |
| Total Other Financing Sources (Uses) | \$ (27,547) | \$ 0 | \$ 0 | \$ (27,547) |
| Net Change in Fund Balance | \$ (22,213) | \$ (200,175) | \$ (255,842) | \$ 233,629 |
| Fund Balance, July 1, 2006 | 649,585 | 648,062 | 648,062 | 1,523 |
| Fund Balance, June 30, 2007 | \$ 627,372 | \$ 447,887 | \$ 392,220 | \$ 235,152 |

**PICKETT COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007**

A. 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 schedule.

B. FUNDS WERE TRANSFERRED FROM THE GENERAL PURPOSE SCHOOL FUND TO THE CENTRAL CAFETERIA FUND WITHOUT COUNTY COMMISSION APPROVAL

The General Purpose School Fund transferred \$27,547 to the Central Cafeteria Fund without the approval of the Pickett County Commission in violation of state statute. This transfer was approved by the Board of Education to liquidate a fund deficit and a cash overdraft in the Central Cafeteria Fund.

**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

Capital Projects Funds are 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. This fund closed during the year.

Exhibit F-1

Pickett County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Pickett County School Department
June 30, 2007

| | <u>Special Revenue Funds</u> | | |
|---|-------------------------------|----------------------|--|
| | School Federal Projects | Central Cafeteria | Total Nonmajor Governmental Funds |
| <u>ASSETS</u> | | | |
| Equity in Pooled Cash and Investments | \$ 2,271 | \$ 1,892 | \$ 4,163 |
| Due from Other Governments | 2,300 | 9,603 | 11,903 |
| Total Assets | <u>\$ 4,571</u> | <u>\$ 11,495</u> | <u>\$ 16,066</u> |
| <u>LIABILITIES AND FUND BALANCES</u> | | | |
| <u>Liabilities</u> | | | |
| Accounts Payable | \$ 2,065 | \$ 9,031 | \$ 11,096 |
| Total Liabilities | <u>\$ 2,065</u> | <u>\$ 9,031</u> | <u>\$ 11,096</u> |
| <u>Fund Balances</u> | | | |
| Reserved for Title I Grants to Local Education Agencies | \$ 1,091 | \$ 0 | \$ 1,091 |
| Reserved for Special Education - Grants to States | 1,415 | 0 | 1,415 |
| Unreserved | 0 | 2,464 | 2,464 |
| Total Fund Balances | <u>\$ 2,506</u> | <u>\$ 2,464</u> | <u>\$ 4,970</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,571</u> | <u>\$ 11,495</u> | <u>\$ 16,066</u> |

Exhibit F-2

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, 2007

| | <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 | \$ 109,192 | \$ 109,192 | \$ 0 | \$ 109,192 |
| Other Local Revenues | 0 | 188 | 188 | 1,998 | 2,186 |
| State of Tennessee | 0 | 3,909 | 3,909 | 0 | 3,909 |
| Federal Government | 480,826 | 213,329 | 694,155 | 0 | 694,155 |
| Total Revenues | <u>\$ 480,826</u> | <u>\$ 326,618</u> | <u>\$ 807,444</u> | <u>\$ 1,998</u> | <u>\$ 809,442</u> |
| <u>Expenditures</u> | | | | | |
| Current: | | | | | |
| Instruction | \$ 406,887 | \$ 0 | \$ 406,887 | \$ 0 | \$ 406,887 |
| Support Services | 74,638 | 0 | 74,638 | 0 | 74,638 |
| Operation of Non-Instructional Services | 0 | 347,760 | 347,760 | 0 | 347,760 |
| Capital Projects | 0 | 0 | 0 | 17,840 | 17,840 |
| Total Expenditures | <u>\$ 481,525</u> | <u>\$ 347,760</u> | <u>\$ 829,285</u> | <u>\$ 17,840</u> | <u>\$ 847,125</u> |
| Excess (Deficiency) of Revenues | | | | | |
| Over Expenditures | <u>\$ (699)</u> | <u>\$ (21,142)</u> | <u>\$ (21,841)</u> | <u>\$ (15,842)</u> | <u>\$ (37,683)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | | |
| Transfers In | \$ 0 | \$ 27,547 | \$ 27,547 | \$ 0 | \$ 27,547 |
| Total Other Financing Sources (Uses) | <u>\$ 0</u> | <u>\$ 27,547</u> | <u>\$ 27,547</u> | <u>\$ 0</u> | <u>\$ 27,547</u> |
| Net Change in Fund Balances | | | | | |
| Fund Balance, July 1, 2006 | \$ (699) | \$ 6,405 | \$ 5,706 | \$ (15,842) | \$ (10,136) |
| | <u>3,205</u> | <u>(3,941)</u> | <u>(736)</u> | <u>15,842</u> | <u>15,106</u> |
| Fund Balance, June 30, 2007 | <u>\$ 2,506</u> | <u>\$ 2,464</u> | <u>\$ 4,970</u> | <u>\$ 0</u> | <u>\$ 4,970</u> |

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, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|--|------------|------------------|------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Federal Government | \$ 480,826 | \$ 419,858 | \$ 522,689 | \$ (41,863) |
| Total Revenues | \$ 480,826 | \$ 419,858 | \$ 522,689 | \$ (41,863) |
| <u>Expenditures</u> | | | | |
| <u>Instruction</u> | | | | |
| Regular Instruction Program | \$ 244,380 | \$ 220,892 | \$ 256,677 | \$ 12,297 |
| Special Education Program | 149,396 | 133,107 | 174,879 | 25,483 |
| Vocational Education Program | 13,111 | 14,411 | 13,111 | 0 |
| <u>Support Services</u> | | | | |
| Health Services | 4,111 | 4,111 | 4,111 | 0 |
| Other Student Support | 3,500 | 3,000 | 3,500 | 0 |
| Regular Instruction Program | 57,468 | 35,231 | 58,799 | 1,331 |
| Special Education Program | 4,615 | 4,500 | 5,745 | 1,130 |
| Vocational Education Program | 800 | 0 | 800 | 0 |
| Transportation | 4,144 | 4,606 | 5,067 | 923 |
| Total Expenditures | \$ 481,525 | \$ 419,858 | \$ 522,689 | \$ 41,164 |
| Excess (Deficiency) of Revenues Over Expenditures | \$ (699) | \$ 0 | \$ 0 | \$ (699) |
| Net Change in Fund Balance | \$ (699) | \$ 0 | \$ 0 | \$ (699) |
| Fund Balance, July 1, 2006 | 3,205 | 0 | 0 | 3,205 |
| Fund Balance, June 30, 2007 | \$ 2,506 | \$ 0 | \$ 0 | \$ 2,506 |

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, 2007

| | Actual | Budgeted Amounts | | Variance with Final Budget - Positive (Negative) |
|---|--------------------|-------------------|-------------------|--|
| | | Original | Final | |
| <u>Revenues</u> | | | | |
| Charges for Current Services | \$ 109,192 | \$ 126,676 | \$ 126,676 | \$ (17,484) |
| Other Local Revenues | 188 | 200 | 200 | (12) |
| State of Tennessee | 3,909 | 4,100 | 4,100 | (191) |
| Federal Government | 213,329 | 222,426 | 222,426 | (9,097) |
| Total Revenues | <u>\$ 326,618</u> | <u>\$ 353,402</u> | <u>\$ 353,402</u> | <u>\$ (26,784)</u> |
| <u>Expenditures</u> | | | | |
| <u>Operation of Non-Instructional Services</u> | | | | |
| Food Service | \$ 347,760 | \$ 344,570 | \$ 344,570 | \$ (3,190) |
| Total Expenditures | <u>\$ 347,760</u> | <u>\$ 344,570</u> | <u>\$ 344,570</u> | <u>\$ (3,190)</u> |
| Excess (Deficiency) of Revenues Over Expenditures | <u>\$ (21,142)</u> | <u>\$ 8,832</u> | <u>\$ 8,832</u> | <u>\$ (29,974)</u> |
| <u>Other Financing Sources (Uses)</u> | | | | |
| Transfers In | \$ 27,547 | 0 | 0 | \$ 27,547 |
| Total Other Financing Sources (Uses) | <u>\$ 27,547</u> | <u>0</u> | <u>0</u> | <u>\$ 27,547</u> |
| Net Change in Fund Balance | \$ 6,405 | \$ 8,832 | \$ 8,832 | \$ (2,427) |
| Fund Balance, July 1, 2006 | <u>(3,941)</u> | <u>(2,794)</u> | <u>(2,794)</u> | <u>(1,147)</u> |
| Fund Balance, June 30, 2007 | <u>\$ 2,464</u> | <u>\$ 6,038</u> | <u>\$ 6,038</u> | <u>\$ (3,574)</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, 2007

| Description of Indebtedness | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-06 | Paid and/or Matured During Period | Outstanding 6-30-07 |
|--|--------------------------------|------------------|---------------------|--------------------------|-----------------------|--|------------------------|
| <u>BONDS PAYABLE</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 | \$ 4,485,000 | \$ 170,000 | \$ 4,315,000 |

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 |
|---------------------------|----------------------|--------------------------|-----------------------|
| 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 | <u>\$ 4,315,000</u> | <u>\$ 2,065,770</u> | <u>\$ 6,380,770</u> |

Exhibit G-3

Pickett County, Tennessee
Schedule of Transfers
Pickett County School Department
For the Year Ended June 30, 2007

| <u>From Fund</u> | <u>To Fund</u> | <u>Purpose</u> | <u>Amount</u> |
|------------------------|-------------------|--------------------------------------|------------------|
| General Purpose School | Central Cafeteria | To reimburse the supervisor's salary | <u>\$ 27,547</u> |

Exhibit G-4

Pickett County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Pickett County School Department
For the Year Ended June 30, 2007

| Official | Authorization for Salary | Salary Paid During Period | Bond | Surety |
|--------------------------------|---|------------------------------------|------------|---|
| Director of Schools | State Board of Education and Pickett County Board of Education | \$ 74,337 (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 an instruction supervisor salary of \$28,704, a chief executive officer training supplement of \$1,000, a one time bonus of \$257 for professional employees, and an extended contract of \$1,320.
- (2) The director of schools is covered by the \$150,000 employee blanket bond.

Exhibit G-5

Pickett County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Pickett County School Department
For the Year Ended June 30, 2007

| | General Purpose School | School Federal Projects | Central Cafeteria | Education Capital Projects | Total |
|--|------------------------------|-------------------------------|----------------------|----------------------------------|--------------|
| <u>Local Taxes</u> | | | | | |
| <u>County Property Taxes</u> | | | | | |
| Current Property Tax | \$ 482,536 | \$ 0 | \$ 0 | \$ 0 | \$ 482,536 |
| Trustee's Collections - Prior Year | 28,426 | 0 | 0 | 0 | 28,426 |
| Circuit/Clerk & Master Collections - Prior Years | 20,926 | 0 | 0 | 0 | 20,926 |
| Interest and Penalty | 5,077 | 0 | 0 | 0 | 5,077 |
| Payments in-Lieu-of Taxes - Other | 570 | 0 | 0 | 0 | 570 |
| <u>County Local Option Taxes</u> | | | | | |
| Local Option Sales Tax | 226,985 | 0 | 0 | 0 | 226,985 |
| Local Amusement Tax | 31 | 0 | 0 | 0 | 31 |
| Business Tax | 25,592 | 0 | 0 | 0 | 25,592 |
| Other County Local Option Taxes | 188,522 | 0 | 0 | 0 | 188,522 |
| Total Local Taxes | \$ 978,665 | \$ 0 | \$ 0 | \$ 0 | \$ 978,665 |
| <u>Licenses and Permits</u> | | | | | |
| <u>Licenses</u> | | | | | |
| Marriage Licenses | \$ 266 | \$ 0 | \$ 0 | \$ 0 | \$ 266 |
| Total Licenses and Permits | \$ 266 | \$ 0 | \$ 0 | \$ 0 | \$ 266 |
| <u>Charges for Current Services</u> | | | | | |
| <u>Education Charges</u> | | | | | |
| Lunch Payments - Children | \$ 0 | \$ 0 | \$ 38,679 | \$ 0 | \$ 38,679 |
| Lunch Payments - Adults | 0 | 0 | 16,981 | 0 | 16,981 |
| Income from Breakfast | 0 | 0 | 30,894 | 0 | 30,894 |
| A la carte Sales | 0 | 0 | 22,638 | 0 | 22,638 |
| TBI Criminal Background Fees | 888 | 0 | 0 | 0 | 888 |
| Total Charges for Current Services | \$ 888 | \$ 0 | \$ 109,192 | \$ 0 | \$ 110,080 |
| <u>Other Local Revenues</u> | | | | | |
| <u>Recurring Items</u> | | | | | |
| Investment Income | \$ 20,717 | \$ 0 | \$ 188 | \$ 1,998 | \$ 22,903 |
| Miscellaneous Refunds | 27,197 | 0 | 0 | 0 | 27,197 |
| Total Other Local Revenues | \$ 47,914 | \$ 0 | \$ 188 | \$ 1,998 | \$ 50,100 |
| <u>State of Tennessee</u> | | | | | |
| <u>State Education Funds</u> | | | | | |
| Basic Education Program | \$ 3,481,214 | \$ 0 | \$ 0 | \$ 0 | \$ 3,481,214 |
| School Food Service | 0 | 0 | 3,909 | 0 | 3,909 |
| Driver Education | 4,896 | 0 | 0 | 0 | 4,896 |
| Other State Education Funds | 140,112 | 0 | 0 | 0 | 140,112 |
| Career Ladder Program | 64,990 | 0 | 0 | 0 | 64,990 |
| Career Ladder - Extended Contract | 33,273 | 0 | 0 | 0 | 33,273 |
| <u>Other State Revenues</u> | | | | | |
| Other State Grants | 9,688 | 0 | 0 | 0 | 9,688 |
| Other State Revenues | 30,970 | 0 | 0 | 0 | 30,970 |
| Total State of Tennessee | \$ 3,765,143 | \$ 0 | \$ 3,909 | \$ 0 | \$ 3,769,052 |
| <u>Federal Government</u> | | | | | |
| <u>Federal Through State</u> | | | | | |
| USDA School Lunch Program | \$ 0 | \$ 0 | \$ 137,904 | \$ 0 | \$ 137,904 |

(Continued)

Exhibit G-5

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> | | | | | |
| Breakfast | \$ 0 | \$ 0 | \$ 54,070 | \$ 0 | \$ 54,070 |
| USDA - Other | 0 | 0 | 21,355 | 0 | 21,355 |
| Adult Education State Grant Program | 23,055 | 0 | 0 | 0 | 23,055 |
| Vocational Education - Basic Grants to States | 0 | 16,411 | 0 | 0 | 16,411 |
| Title I Grants to Local Education Agencies | 0 | 195,229 | 0 | 0 | 195,229 |
| Innovative Education Program Strategies | 0 | 37,967 | 0 | 0 | 37,967 |
| Special Education - Grants to States | 94 | 156,405 | 0 | 0 | 156,499 |
| Special Education Preschool Grants | 0 | 7,240 | 0 | 0 | 7,240 |
| Eisenhower Professional Development State Grants | 0 | 63,836 | 0 | 0 | 63,836 |
| Job Training Partnership Act | 18,710 | 0 | 0 | 0 | 18,710 |
| Other Federal through State | 0 | 3,738 | 0 | 0 | 3,738 |
| <u>Direct Federal Revenue</u> | | | | | |
| Public Law 874 - Maintenance and Operation | 60,275 | 0 | 0 | 0 | 60,275 |
| Total Federal Government | \$ 102,134 | \$ 480,826 | \$ 213,329 | \$ 0 | \$ 796,289 |
| Total | \$ 4,895,010 | \$ 480,826 | \$ 326,618 | \$ 1,998 | \$ 5,704,452 |

Exhibit G-6

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Pickett County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

| | | |
|---|--------------|--------------|
| Teachers | \$ 1,685,174 | |
| Career Ladder Program | 36,000 | |
| Career Ladder Extended Contracts | 29,243 | |
| Educational Assistants | 924 | |
| Certified Substitute Teachers | 17,570 | |
| Non-certified Substitute Teachers | 31,608 | |
| Social Security | 102,540 | |
| State Retirement | 106,815 | |
| Medical Insurance | 105,940 | |
| Employer Medicare | 23,981 | |
| Maintenance & Repair Services - Equipment | 2,964 | |
| Other Contracted Services | 14,625 | |
| Instructional Supplies and Materials | 29,773 | |
| Textbooks | 19,465 | |
| Regular Instruction Equipment | 57,415 | |
| Total Regular Instruction Program | | \$ 2,264,037 |

Special Education Program

| | | |
|--------------------------------------|------------|---------|
| Teachers | \$ 202,590 | |
| Career Ladder Program | 3,000 | |
| Homebound Teachers | 5,806 | |
| Social Security | 12,125 | |
| State Retirement | 13,024 | |
| Medical Insurance | 13,506 | |
| Employer Medicare | 2,836 | |
| Instructional Supplies and Materials | 78 | |
| Total Special Education Program | | 252,965 |

Vocational Education Program

| | | |
|------------------------------------|------------|---------|
| Teachers | \$ 251,011 | |
| Career Ladder Program | 9,000 | |
| Other Salaries & Wages | 14,166 | |
| Social Security | 15,957 | |
| State Retirement | 16,807 | |
| Medical Insurance | 15,887 | |
| Employer Medicare | 3,731 | |
| Other Charges | 6,002 | |
| Total Vocational Education Program | | 332,561 |

(Continued)

Exhibit G-6

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

| | | | |
|--------------------------------------|----|--------|-----------|
| Supervisor/Director | \$ | 23,454 | |
| Teachers | | 765 | |
| Social Security | | 1,391 | |
| State Retirement | | 1,438 | |
| Medical Insurance | | 1,596 | |
| Employer Medicare | | 325 | |
| Instructional Supplies and Materials | | 2,583 | |
| In Service/Staff Development | | 1,017 | |
| Total Adult Education Program | | | \$ 32,569 |

Support Services

Attendance

| | | | |
|------------------------------|----|--------|--------|
| Supervisor/Director | \$ | 52,285 | |
| Career Ladder Program | | 1,000 | |
| Social Security | | 3,275 | |
| State Retirement | | 3,266 | |
| Employer Medicare | | 766 | |
| Travel | | 250 | |
| Other Supplies and Materials | | 222 | |
| Total Attendance | | | 61,064 |

Health Services

| | | | |
|--------------------------------------|----|--------|--------|
| Medical Personnel | \$ | 16,200 | |
| Social Security | | 1,004 | |
| State Retirement | | 1,210 | |
| Employer Medicare | | 235 | |
| Other Contracted Services | | 3,562 | |
| Instructional Supplies and Materials | | 104 | |
| Other Supplies and Materials | | 730 | |
| Total Health Services | | | 23,045 |

Other Student Support

| | | | |
|------------------------|----|--------|--|
| Career Ladder Program | \$ | 1,000 | |
| Guidance Personnel | | 78,625 | |
| Social Security | | 4,485 | |
| State Retirement | | 4,881 | |
| Medical Insurance | | 5,291 | |
| Employer Medicare | | 1,049 | |
| Evaluation and Testing | | 3,405 | |

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

| | | |
|-----------------------------|--------|-----------|
| Travel | \$ 200 | |
| Total Other Student Support | | \$ 98,936 |

Regular Instruction Program

| | | |
|-----------------------------------|-----------|---------|
| Supervisor/Director | \$ 28,704 | |
| Career Ladder Program | 2,000 | |
| Librarians | 77,565 | |
| Instructional Computer Personnel | 49,750 | |
| Social Security | 9,164 | |
| State Retirement | 9,686 | |
| Medical Insurance | 8,723 | |
| Employer Medicare | 2,143 | |
| Travel | 110 | |
| In Service/Staff Development | 1,500 | |
| Total Regular Instruction Program | | 189,345 |

Special Education Program

| | | |
|---------------------------------|-----------|--------|
| Supervisor/Director | \$ 36,720 | |
| Career Ladder Program | 1,000 | |
| Social Security | 1,939 | |
| State Retirement | 2,312 | |
| Medical Insurance | 5,240 | |
| Employer Medicare | 454 | |
| Travel | 293 | |
| Other Contracted Services | 900 | |
| Other Supplies and Materials | 39 | |
| Total Special Education Program | | 48,897 |

Vocational Education Program

| | | |
|------------------------------------|----------|--------|
| Supervisor/Director | \$ 9,612 | |
| Social Security | 521 | |
| State Retirement | 589 | |
| Employer Medicare | 123 | |
| Total Vocational Education Program | | 10,845 |

Board of Education

| | |
|----------------------------------|----------|
| Secretary to Board | \$ 1,200 |
| Board and Committee Members Fees | 6,200 |
| Social Security | 459 |

(Continued)

Exhibit G-6

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.)

| | | | |
|--|----|--------|-----------|
| State Retirement | \$ | 90 | |
| Life Insurance | | 4,699 | |
| Unemployment Compensation | | 3,000 | |
| Employer Medicare | | 107 | |
| Audit Services | | 1,900 | |
| Dues and Memberships | | 1,004 | |
| Legal Services | | 3,965 | |
| Travel | | 438 | |
| Trustee's Commission | | 27,438 | |
| Workers' Compensation Insurance | | 26,423 | |
| In Service/Staff Development | | 2,335 | |
| Criminal Investigation of Applicants - TBI | | 888 | |
| Other Charges | | 3,907 | |
| Total Board of Education | | | \$ 84,053 |

Director of Schools

| | | | |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 43,056 | |
| Career Ladder Program | | 1,000 | |
| Social Security | | 2,693 | |
| State Retirement | | 2,701 | |
| Medical Insurance | | 5,240 | |
| Employer Medicare | | 630 | |
| Communication | | 5,230 | |
| Dues and Memberships | | 1,084 | |
| Postal Charges | | 542 | |
| Travel | | 1,000 | |
| Office Supplies | | 15 | |
| Other Charges | | 500 | |
| Total Director of Schools | | | 63,691 |

Office of the Principal

| | | | |
|-----------------------|----|---------|--|
| Principals | \$ | 102,386 | |
| Career Ladder Program | | 2,000 | |
| Secretary(ies) | | 45,121 | |
| Social Security | | 8,461 | |
| State Retirement | | 9,755 | |
| Medical Insurance | | 10,590 | |
| Employer Medicare | | 1,873 | |
| Communication | | 469 | |

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

| | | |
|-------------------------------|--------|------------|
| Postal Charges | \$ 180 | |
| Total Office of the Principal | | \$ 180,835 |

Fiscal Services

| | | |
|-------------------------|-----------|--------|
| Accountants/Bookkeepers | \$ 44,532 | |
| Social Security | 2,761 | |
| State Retirement | 3,324 | |
| Medical Insurance | 1,050 | |
| Employer Medicare | 646 | |
| Office Supplies | 500 | |
| Total Fiscal Services | | 52,813 |

Operation of Plant

| | | |
|---------------------------------|------------|---------|
| Custodial Personnel | \$ 114,153 | |
| Social Security | 6,827 | |
| State Retirement | 7,526 | |
| Employer Medicare | 1,597 | |
| Other Contracted Services | 4,486 | |
| Electricity | 130,269 | |
| Natural Gas | 45,414 | |
| Water and Sewer | 18,932 | |
| Other Supplies and Materials | 26,435 | |
| Building and Contents Insurance | 34,575 | |
| Total Operation of Plant | | 390,214 |

Maintenance of Plant

| | | |
|---|-----------|--------|
| Maintenance & Repair Services - Equipment | \$ 15,000 | |
| Other Supplies and Materials | 5,370 | |
| Total Maintenance of Plant | | 20,370 |

Transportation

| | |
|---------------------------|-----------|
| Mechanic(s) | \$ 47,000 |
| Bus Drivers | 97,506 |
| Social Security | 8,415 |
| State Retirement | 10,274 |
| Medical Insurance | 14,802 |
| Employer Medicare | 1,968 |
| Other Contracted Services | 1,223 |
| Diesel Fuel | 26,555 |

(Continued)

Exhibit G-6

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.)

| | | | |
|----------------------|----|--------------|------------|
| Garage Supplies | \$ | 530 | |
| Gasoline | | 4,181 | |
| Lubricants | | 750 | |
| Tires and Tubes | | 8,816 | |
| Vehicle Parts | | 28,000 | |
| Other Charges | | <u>8,351</u> | |
| Total Transportation | | | \$ 258,371 |

Central and Other

| | | | |
|---|----|------------|-------|
| Data Processing Services | \$ | 5,375 | |
| Maintenance & Repair Services - Equipment | | 589 | |
| Data Processing Supplies | | 500 | |
| Office Supplies | | <u>200</u> | |
| Total Central and Other | | | 6,664 |

Operation of Non-Instructional Services

Community Services

| | | | |
|------------------------------|----|--------------|--------|
| Supervisor/Director | \$ | 33,539 | |
| Clerical Personnel | | 4,432 | |
| Social Security | | 2,089 | |
| State Retirement | | 2,249 | |
| Medical Insurance | | 2,120 | |
| Employer Medicare | | 489 | |
| Travel | | 135 | |
| Other Supplies and Materials | | 259 | |
| Other Charges | | <u>1,925</u> | |
| Total Community Services | | | 47,237 |

Early Childhood Education

| | | | |
|--------------------------------------|----|---------------|--------|
| Teachers | \$ | 42,765 | |
| Educational Assistants | | 11,722 | |
| Social Security | | 3,378 | |
| State Retirement | | 3,488 | |
| Medical Insurance | | 5,378 | |
| Employer Medicare | | 790 | |
| Instructional Supplies and Materials | | <u>26,915</u> | |
| Total Early Childhood Education | | | 94,436 |

(Continued)

Exhibit G-6

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

| | | |
|--------------------|------------|------------|
| Principal on Bonds | \$ 170,000 | |
| Total Education | | \$ 170,000 |

Interest on Debt

Education

| | | |
|-------------------|------------|---------|
| Interest on Bonds | \$ 206,297 | |
| Total Education | | 206,297 |

Other Debt Service

Education

| | | |
|--------------------|--------|------------|
| Other Debt Service | \$ 431 | |
| Total Education | | <u>431</u> |

| | | |
|-----------------------------------|--|--------------|
| Total General Purpose School Fund | | \$ 4,889,676 |
|-----------------------------------|--|--------------|

School Federal Projects Fund

Instruction

Regular Instruction Program

| | | |
|--------------------------------------|---------------|------------|
| Teachers | \$ 162,735 | |
| Educational Assistants | 12,989 | |
| Social Security | 10,136 | |
| State Retirement | 10,945 | |
| Medical Insurance | 11,080 | |
| Employer Medicare | 2,371 | |
| Instructional Supplies and Materials | <u>34,124</u> | |
| Total Regular Instruction Program | | \$ 244,380 |

Special Education Program

| | | |
|--------------------------------------|---------------|---------|
| Educational Assistants | \$ 84,136 | |
| Other Salaries & Wages | 677 | |
| Social Security | 4,803 | |
| State Retirement | 6,011 | |
| Medical Insurance | 5,291 | |
| Employer Medicare | 1,123 | |
| Other Contracted Services | 10,633 | |
| Instructional Supplies and Materials | <u>36,722</u> | |
| Total Special Education Program | | 149,396 |

(Continued)

Exhibit G-6

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

| | | | |
|--------------------------------------|----|--------------|-----------|
| Instructional Supplies and Materials | \$ | 6,368 | |
| Vocational Instruction Equipment | | <u>6,743</u> | |
| Total Vocational Education Program | | | \$ 13,111 |

Support Services

Health Services

| | | | |
|-----------------------|----|-----------|-------|
| Medical Personnel | \$ | 3,570 | |
| Social Security | | 222 | |
| State Retirement | | 267 | |
| Employer Medicare | | <u>52</u> | |
| Total Health Services | | | 4,111 |

Other Student Support

| | | | |
|------------------------------|----|--------------|-------|
| Travel | \$ | 2,000 | |
| In Service/Staff Development | | 500 | |
| Other Charges | | <u>1,000</u> | |
| Total Other Student Support | | | 3,500 |

Regular Instruction Program

| | | | |
|-----------------------------------|----|---------------|--------|
| Supervisor/Director | \$ | 18,323 | |
| Social Security | | 1,136 | |
| State Retirement | | 1,123 | |
| Employer Medicare | | 266 | |
| Library Books/Media | | 1,141 | |
| In Service/Staff Development | | <u>35,479</u> | |
| Total Regular Instruction Program | | | 57,468 |

Special Education Program

| | | | |
|---------------------------------|----|--------------|-------|
| Travel | \$ | 3,259 | |
| In Service/Staff Development | | <u>1,356</u> | |
| Total Special Education Program | | | 4,615 |

Vocational Education Program

| | | | |
|------------------------------------|----|------------|-----|
| Travel | \$ | 400 | |
| In Service/Staff Development | | <u>400</u> | |
| Total Vocational Education Program | | | 800 |

Transportation

| | | | |
|-------------|----|-------|--|
| Bus Drivers | \$ | 3,600 | |
|-------------|----|-------|--|

(Continued)

Exhibit G-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

| | | | |
|----------------------|----|-----------|-----------------|
| Social Security | \$ | 223 | |
| State Retirement | | 269 | |
| Employer Medicare | | 52 | |
| Total Transportation | | <u>52</u> | \$ <u>4,144</u> |

Total School Federal Projects Fund \$ 481,525

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

| | | | |
|---|----|------------|-------------------|
| Supervisor/Director | \$ | 21,390 | |
| Cafeteria Personnel | | 108,239 | |
| Social Security | | 7,446 | |
| State Retirement | | 5,777 | |
| Medical Insurance | | 9,183 | |
| Employer Medicare | | 1,741 | |
| Communication | | 835 | |
| Maintenance & Repair Services - Equipment | | 52 | |
| Travel | | 696 | |
| Other Contracted Services | | 8,107 | |
| Food Preparation Supplies | | 11,284 | |
| Food Supplies | | 172,267 | |
| Office Supplies | | 624 | |
| Other Supplies and Materials | | 119 | |
| Total Food Service | | <u>119</u> | \$ <u>347,760</u> |

Total Central Cafeteria Fund 347,760

Education Capital Projects Fund

Capital Projects

Education Capital Projects

| | | | |
|----------------------------------|----|---------------|------------------|
| Building Improvements | \$ | 17,840 | |
| Total Education Capital Projects | | <u>17,840</u> | \$ <u>17,840</u> |

Total Education Capital Projects Fund 17,840

Total Governmental Funds - Pickett County School Department \$ 5,736,801

SINGLE AUDIT REPORT
PICKETT COUNTY, TENNESSEE
AND
PICKETT COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

ANITA SCARLETT, CPA
Auditor 4

TIM BRASHEARS
KELLEY J. McNEAL, CPA, CGFM
State Auditors

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

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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 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

September 27, 2007

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, the major fund, and the aggregate remaining fund information of the Pickett County School Department as of and for the year ended June 30, 2007, 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 September 27, 2007. 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 is unqualified. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the

financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pickett County's and the Pickett County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pickett County's and the Pickett County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03, 07.04, 07.05, 07.06, 07.10, 07.11, and 07.15.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Pickett County's and the Pickett County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, of the significant deficiencies described above, we consider items 07.03, 07.05, and 07.06 to be material weaknesses.

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 their 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.07, 07.08, 07.09, 07.12, and 07.13.

We consider item 07.14 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations.

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

This report is intended solely for the information and use of management, the county executive, County Commission, road superintendent, director of schools, Board of Education, others within Pickett County, 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/rc



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 27, 2007

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, 2007. 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 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 of 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 their major federal programs for the year ended June 30, 2007.

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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pickett County's and the Pickett County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Pickett County, and the governmental activities, the major fund, and the aggregate remaining fund information of the Pickett County School Department as of and for the year ended June 30, 2007, and have issued our reports thereon dated September 27, 2007. 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 our opinions on the financial statements that collectively comprise Pickett County's and the Pickett County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 management, the county executive, County Commission, road superintendent, director of schools, Board of Education, others within Pickett County, 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.

Yours very truly,



John G. Morgan
Comptroller of the Treasury

JGM/rc

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, 2007

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Pass-through Entity Identifying Number | Expenditures |
|---|---------------------------|--|---------------------|
| U.S. Department of Agriculture: | | | |
| Passed-through State Department of Agriculture: | | | |
| Food Distribution (Noncash Assistance) | 10.550 | N/A | \$ 12,227 |
| Passed-through State Department of Education: | | | |
| Child Nutrition Cluster: | | | |
| School Breakfast Program | 10.553 | N/A | 54,070 |
| National School Lunch Program | 10.555 | N/A | 137,904 |
| Passed-through State Department of Human Services: | | | |
| Summer Food Service Program for Children | 10.559 | N/A | 21,355 |
| Total U.S. Department of Agriculture | | | <u>\$ 225,556</u> |
| U.S. Department of Housing and Urban Development: | | | |
| Passed-through State Department of Economic and Community Development: | | | |
| Community Development Block Grants/State's Program | 14.228 | GG-05-11804-00 | \$ 189,215 |
| Passed-through Tennessee Housing Development Agency: | | | |
| HOME Investment Partnership Program | 14.239 | HM-05-41 | 221,486 |
| Total U.S. Department of Housing and Urban Development | | | <u>\$ 410,701</u> |
| U.S. Department of Labor: | | | |
| Passed-through Upper Cumberland Human Resource Agency: | | | |
| WIA Youth Activities | 17.250 | (2) | \$ 18,710 |
| U.S. Department of Education: | | | |
| Direct Programs: | | | |
| Impact Aid | 84.041 | N/A | \$ 60,275 |
| Passed-through State Department of Labor and Workforce Development: | | | |
| Adult Education - State Grant Programs | 84.002 | Z-07-033724-00 | 23,055 |
| Passed-through State Department of Education: | | | |
| Title I Grants to Local Education Agencies | 84.010 | N/A | 194,138 |
| Special Education Cluster: | | | |
| Special Education - Grants to States | 84.027 | N/A | 155,926 |
| Special Education - Preschool Grants | 84.173 | N/A | 6,434 |
| Vocational Education - Basic Grants to States | 84.048 | N/A | 16,411 |
| Safe and Drug-Free Schools and Communities - State Grant | 84.186 | (2) | 3,738 |
| Innovative Education Program Strategies | 84.298 | N/A | 1,141 |
| Education Technology State Grants | 84.318 | (2) | 1,987 |
| Rural Education | 84.358 | N/A | 39,994 |
| Improving Teacher Quality State Grants | 84.367 | N/A | 61,849 |
| Total U.S. Department of Education | | | <u>\$ 564,948</u> |
| U.S. Elections Assistance Commission: | | | |
| Passed-through Tennessee Office of Secretary of State: | | | |
| Help America Vote Act Requirements Payments | 90.401 | (3) | \$ 113,630 |
| 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) | \$ 6,500 |
| U.S. Department of Homeland Security: | | | |
| Passed-through State Department of Military: | | | |
| Homeland Security Grant Program | 97.067 | Z-05-025198-00 | \$ 3,578 |
| Total Expenditures of Federal Awards | | | <u>\$ 1,343,623</u> |

(Continued)

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

| Federal/Pass-through Agency/State Grantor Program Title | Federal CFDA Number | Contract Number | Expenditures |
|---|---------------------------|--------------------|-------------------|
| <u>State Grants</u> | | | |
| Adult Education - State Department of Labor and Workforce Development | N/A | Z-07-033724-00 | \$ 7,685 |
| Family Resource Center - State Department of Education | N/A | (2) | 33,300 |
| Drug Abuse Resistance Education (D.A.R.E.) - State Department of Safety | N/A | (2) | 9,688 |
| Aging Program - Upper Cumberland Development District | N/A | (2) | 7,420 |
| Youth Services Program - State Commission on Children and Youth | N/A | Z-07-036571-00 | 9,000 |
| Law Enforcement Training - State Department of Safety | N/A | (2) | 5,400 |
| Litter Program - State Department of Transportation | N/A | Z-07-033837-00 | 29,237 |
| State Reappraisal Program - Comptroller of the Treasury | N/A | (2) | 3,428 |
| Lottery Funded Volunteer Pre-K Program - State Department of Education | N/A | (2) | 94,436 |
| Safe Schools Act - State Department of Education | N/A | (2) | 4,691 |
| Rural Health Services - State Department of Health | N/A | (2) | 1,832 |
| Fire Assistance Grant Program - State Department of Agriculture | N/A | Z-07-034484-00 | 2,173 |
| Waste Tire Grant - State Department of Environment and Conservation | N/A | Z-03-011337-00 | 6,224 |
| Total State Grants | | | \$ 214,514 |

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) Z-06-032984-00: \$110,455; Z-07-037386-00: \$3,175

Pickett County, Tennessee, and the Pickett County School Department
Schedule of Audit Findings Not Corrected
June 30, 2007

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 the Pickett County School Department for the year ended June 30, 2006, which have not been corrected.

PICKETT COUNTY

| Finding Number | Page Number | Subject |
|----------------|-------------|---|
| 06.01 | 12 | Government-wide financial statements were not presented in accordance with generally accepted accounting principles |

OFFICE OF COUNTY EXECUTIVE

| Finding Number | Page Number | Subject |
|----------------|-------------|---------------------------------------|
| 06.02 | 13 | Inventory records were not maintained |

OFFICE OF ROAD SUPERINTENDENT

| Finding Number | Page Number | Subject |
|----------------|-------------|---|
| 06.04 | 14 | The office did not maintain adequate controls over fuel |

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

| Finding Number | Page Number | Subject |
|----------------|-------------|--|
| 06.06 | 15 | Traffic school collections were not reported and paid to the county in compliance with state statutes |
| 06.07 | 15 | Collections were not receipted and deposited properly |
| 06.08 | 16 | The execution docket trial balance for the General Sessions Court did not reconcile with general ledger accounts |

OTHER FINDINGS

| Finding Number | Page Number | Subject |
|-------------------|----------------|---|
| 06.11 | 17 | The General Sessions Judge ordered contributions to charitable or civic organizations contrary to the State Attorney General's opinion |
| 06.12 | 18 | A central system of accounting, budgeting, and purchasing had not been adopted |
| 06.13 | 18 | Duties were not segregated adequately in the Offices of County Executive, Road 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, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Pickett County. Our report on the financial statements of the Pickett County School Department is unqualified.
2. The audit of the financial statements of Pickett County and the Pickett County School Department disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses in Pickett County.
3. The audit disclosed two instances of noncompliance that were material to the financial statements of Pickett County. The audit disclosed no instances of noncompliance that were material to the financial statements of the Pickett County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, the National School Lunch Program, and the Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); the HOME Investment Partnerships Program (CFDA No. 14.239); the Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold 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

FINDING 07.01 **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 adverse opinions on the government’s financial statements.

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’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Pickett County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the 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 07.02 **A CASH SHORTAGE OF \$2,077 EXISTED IN THE SOLID WASTE DISPOSAL FUND
(Material Noncompliance Under Government Auditing Standards)**

Our examination of solid waste collections revealed the following deficiencies:

- A. During the period July 1, 2006, through October 27, 2006, the landfill office deposited its collections directly with the county trustee. Effective October 30, 2006, the landfill office began depositing its collections into a bank clearing account maintained by the County Executive's Office. In January 2007, the County Executive's Office contacted auditors because they could not reconcile the receipts issued by the landfill office with the bank deposits. We examined their bank reconciliations and discovered that receipts issued by the landfill office exceeded bank deposits by \$734. We then reconciled receipts issued by the landfill office with deposits made directly with the county trustee and discovered that receipts issued by the landfill office exceeded deposits with the county trustee by \$1,146. The failure to deposit or otherwise account for collections resulted in a cash shortage of \$1,880 for the period examined. The bookkeeper at the landfill office left employment in March 2007.

- B. On March 8, 2007, county officials discovered what appeared to be a burglary at the landfill office. Cash totaling \$197 and a check for \$2,100 from the sale of cardboard were missing. The Sheriff's Department is investigating the burglary; however, the cash has not been recovered as of the date of this report. The stolen check for cardboard has been reissued to the county by the cardboard recycler. Therefore, the \$1,880 cash shortage noted above plus the \$197 theft brings the total cash shortage to \$2,077 at June 30, 2007.

We have discussed this finding with the district attorney general.

RECOMMENDATION

Officials should seek restitution for any missing funds. Receipts should be reconciled with deposits and any variances should be identified and resolved.

FINDING 07.03 **INVENTORY RECORDS WERE NOT MAINTAINED
(Internal Control – Material Weakness 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.

OFFICE OF ROAD SUPERINTENDENT

FINDING 07.04 **THE OFFICE DID NOT MAINTAIN ADEQUATE CONTROLS OVER FUEL**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not maintain adequate controls over fuel. The failure to maintain adequate records of consumable assets weakens controls over these assets and increases the risk of inventory loss.

RECOMMENDATION

The Highway Department should develop and implement a system to account for fuel.

FINDING 07.05 **RECEIVABLES AND PAYABLES WERE NOT DETERMINED AND RECORDED**
(Internal Control – Material Weakness Under Government Auditing Standards)

Receivables and payables were not determined and recorded on the accounting records of the Highway/Public Works Fund at June 30, 2007. We performed additional audit procedures to properly determine receivables and payables at June 30, 2007. Audit adjustments for receivables (\$281,567) and payables (\$234,333) were presented to management for their consideration and posting to the financial records. As a result of these adjustments, receivables and payables are properly presented in the financial statements of this report.

RECOMMENDATION

Receivables and payables should be properly determined and recorded on the accounting records each June 30.

FINDING 07.06 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(Internal Control – Material Weakness Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. In several instances, purchase orders were not signed. This practice defeats the purpose of issuing a purchase order because the responsible official does not give their approval for the purchase. Also, our examination of purchase orders disclosed that descriptions of purchases were not listed on some purchase orders. The description of items to be purchased is necessary to quantify purchasing commitments and to identify the items to be purchased.
- B. In several instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

The office should improve purchasing procedures by having the authorizing official sign the purchase order. Descriptions of items to be purchased should be listed on the purchase order. Also, documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 07.07 FUNDS WERE TRANSFERRED FROM THE GENERAL PURPOSE SCHOOL FUND TO THE CENTRAL CAFETERIA FUND WITHOUT COUNTY COMMISSION APPROVAL

(Noncompliance Under Government Auditing Standards)

One employee works as both an instructional employee and as the school food service director. The School Department paid one-half of this employee's salary for instructional services from the General Purpose School Fund and the other half from the Central Cafeteria Fund for the employee's services as school food service director. On June 13, 2007, the General Purpose School Fund transferred \$27,547 to the Central Cafeteria Fund to reimburse the Central Cafeteria Fund for the cost of the employee's services as school food service director and to liquidate a fund deficit and cash overdraft in the Central Cafeteria Fund. This transfer resulted in the General Purpose School Fund paying the entire cost of this employee's salary. This transfer was approved by the Board of Education but was not approved by the County Commission.

Section 5-9-401, Tennessee Code Annotated, provides that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that

are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

Fund transfers should be approved by the County Commission.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 07.08 **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 directly disbursed traffic school collections of \$14,078. The majority of these disbursements (\$11,975) were to pay the clerk’s bookkeeper for her duties at the traffic school. These payments were reported to the Internal Revenue Service on a Form 1099. The remainder of the disbursements (\$2,103) were for community service programs; pagers for the clerk, general sessions judge, and youth services officer; and contributions to the DARE program and the Sheriff’s Department. Section 5-9-401, TCA, requires all funds to be appropriated by the County Commission. On June 30, 2007, the office had traffic school collections of \$1,527 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 retirement contributions. Employees should not receive both Forms W-2 and 1099 from the same employer.

FINDING 07.09 **COLLECTIONS WERE NOT RECEIPTED AND DEPOSITED PROPERLY**
(Noncompliance Under Government Auditing Standards)

Collections were not receipted and deposited properly. The clerk has a computerized receipting system that posts automatically to the general ledger; however, numerous handwritten receipts were issued by the office on computer receipt stock and entered into the general ledger manually. We noted numerous instances where the handwritten receipts were not entered into the computerized general ledger for several days after they were issued, and they were not entered intact; i.e., receipts issued during a specific time period

were not posted together. It appears that handwritten receipts are issued by the official because he does not use the computer receipting system if a case number is not known when the receipt is issued and when the bookkeeper is working on month-end reports. Handwritten receipts and collections were held in the office until the bookkeeper had time to enter the receipts manually or until a case number was determined. The collections were deposited to the office bank accounts after the receipts were posted to the general ledger. Section 5-8-207, Tennessee Code Annotated, 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 07.10 BANK STATEMENTS WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGERS
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Bank statements were not accurately reconciled with the general ledgers in Circuit and General Sessions Courts. The clerk had not identified variances between the bank statements and the general ledger balances. These unidentified variances totaled \$16,745 in circuit court and \$5,790 in general sessions at June 30, 2007. Auditors identified these variances and presented adjustments to the clerk. Many of these differences were from the prior year and remained uncorrected.

RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly, and any errors noted should be corrected promptly.

FINDING 07.11 ACCOUNTING RECORDS WERE NOT MAINTAINED FOR PROBATE COURT
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The clerk did not maintain accounting records for probate court. Probate court was moved from the County Clerk's Office to the Circuit and General Sessions Courts Clerk's Office on July 1, 2006. The Circuit and General Sessions Courts Clerk issued official prenumbered receipts for collections, deposited the funds into a separate checking account, and maintained a check register for disbursements. However, the clerk did not maintain a general ledger or dockets for probate activity, prepare monthly reconciliations of the probate bank account with the check register, or prepare a docket trial balance to identify probate funds remaining in the checking account at June 30, 2007.

RECOMMENDATION

The clerk should maintain a general ledger for all probate court activity and reconcile the general ledger with the bank statements monthly. Furthermore, the clerk should post the probate court activity to an execution docket and reconcile trial balances of execution docket cause balances with general ledger accounts.

**FINDING 07.12 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, 2007, the clerk had prepared a trial balance of execution docket cause balances for the 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 \$98,799. 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 courts 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 trial balances 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.

OTHER FINDINGS AND RECOMMENDATIONS

**FINDING 07.13 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 07.14 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency Under Government Auditing Standards)

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

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 07.15 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, ROAD SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Executive, Road 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, 2007**

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

Director of Schools – Summary Schedule of Prior Year's Findings

FINDINGS 06.13 and 06.14

Although the School Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditure of federal funds and reporting to federal agencies that we feel mitigates the lack of segregation of duties as it pertains to federal awards.