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# **ANNUAL FINANCIAL REPORT**

## **PICKETT COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2008**



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**ANNUAL FINANCIAL REPORT**  
**PICKETT COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2008**

*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*

*RODNEY MALIN, CGFM*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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## PICKETT COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		9-10
<u>INTRODUCTORY SECTION</u>		11
Pickett County Officials		13
<u>FINANCIAL SECTION</u>		15
Independent Auditor's Report		17-19
BASIC FINANCIAL STATEMENTS:		21
Government-wide Financial Statements:		
Statement of Net Assets	A	23
Statement of Activities	B	24-25
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	26
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	27
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	29
Proprietary Fund:		
Statement of Net Assets	D-1	30
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	31
Statement of Cash Flows	D-3	32
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	33
Notes to the Financial Statements		35-65
REQUIRED SUPPLEMENTARY INFORMATION:		67
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	69-71
Highway/Public Works Fund	F-2	72
Schedule of Funding Progress – Pension Plan	F-3	73
Schedule of Funding Progress – Other Postemployment Benefits Plan	F-4	74
Notes to the Required Supplementary Information		75

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		77
Nonmajor Governmental Funds:		79
Combining Balance Sheet	G-1	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	82
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	G-3	83
Major Governmental Fund:		85
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	87
Fiduciary Funds:		89
Combining Statement of Fiduciary Assets and Liabilities	I-1	91
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	92
Component Unit:		
Discretely Presented Pickett County School Department:		93
Statement of Activities	J-1	95
Balance Sheet – Governmental Funds	J-2	96
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	97
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	98
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	99
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	100
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	101
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	J-8	102
School Federal Projects Fund	J-9	103
Central Cafeteria Fund	J-10	104
Miscellaneous Schedules:		105
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds – Primary Government and Discretely Presented Pickett County School Department	K-1	107
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Pickett County School Department	K-2	108-109

	Exhibit	Page(s)
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Pickett County School Department	K-3	110
Schedule of Detailed Revenues – All Governmental Fund Types	K-4	111-114
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-5	115-116
Schedule of Detailed Expenditures – All Governmental Fund Types	K-6	117-128
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-7	129-137
Schedule of Detailed Revenues and Expenses – Solid Waste Disposal Fund (Enterprise Fund)	K-8	138-139
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-9	140
 <u>SINGLE AUDIT SECTION</u>		 141
Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		143-145
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		147-149
Schedule of Expenditures of Federal Awards and State Grants		151-152
Schedule of Audit Findings Not Corrected		153-154
Schedule of Findings and Questioned Costs		155-164
Auditee Reporting Responsibilities		165

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# ***Audit Highlights***

Annual Financial Report  
Pickett County, Tennessee  
For the Year Ended June 30, 2008

## ***Scope***

We have audited the basic financial statements of Pickett County as of and for the year ended June 30, 2008.

## ***Results***

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

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 section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **PICKETT COUNTY AND PICKETT COUNTY SCHOOL DEPARTMENT**

- ◆ Pickett County and the Pickett County School Department do not have the resources to produce financial statements and notes to the financial statements.

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### **OFFICE OF COUNTY EXECUTIVE**

- ◆ The Solid Waste Disposal Fund required material audit adjustments for proper financial statement presentation.

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### **OFFICE OF ROAD SUPERINTENDENT**

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statements presentation.
- ◆ The Highway Department did not maintain adequate controls over fuel.
- ◆ In several instances, purchase orders were either not issued or were issued after the purchases were made. In addition, some purchase orders did not include dollar limits or descriptions of the items to be purchased. In some instances, invoices were paid without documentation that goods had been received and/or services had been rendered, and invoices were paid without being canceled or without being marked paid. Furthermore, competitive bids were not solicited for crushed stone.

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ Traffic school collections were not reported and paid to the county in compliance with state statutes.
  - ◆ Numerous receipts were not issued when funds were received, and some funds were not deposited within three days of collection.
  - ◆ Bank statements for General Sessions Court were not accurately reconciled with the general ledger.
  - ◆ Accounting records were not maintained for Probate Court.
  - ◆ Trial balances of execution docket cause balances for Circuit and General Sessions Courts did not reconcile with general ledger accounts by \$4,135 and \$38,648, respectively.
  - ◆ The office did not review software audit logs.
- 

## **OTHER FINDINGS**

- ◆ The general sessions judge ordered contributions to charitable or civic organizations contrary to the state attorney general's opinions.
- ◆ 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, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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## INTRODUCTORY SECTION

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## Pickett County Officials

June 30, 2008

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### **Officials**

Stephen Bilbrey, County Executive  
Jimmy Cope, Road Superintendent  
Diane Elder, Director of Schools  
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

### **Board of Education**

John Reagan, Chairman  
Frank Capps  
Terrell Garner  
Jimmy Storie

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## FINANCIAL SECTION

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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 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

December 19, 2008

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 the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Pickett County's basic financial statements as listed in the table of contents. 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 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 business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and for the year 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 December 19, 2008, on our consideration of Pickett County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Pickett County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, as described in Note V.B., Pickett County adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The management of Pickett County did not prepare a 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 accounting principles generally accepted in the United States of America.

The budgetary comparison, pension, and other postemployment benefits information on pages 69 through 75 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, combining and individual fund financial statements of the Pickett County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements,

budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Pickett County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Pickett County, Tennessee  
Statement of Net Assets  
June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities	Total	Pickett County School Department
<u>ASSETS</u>				
Cash	\$ 9,652	\$ 790,650	\$ 800,302	\$ 0
Equity in Pooled Cash and Investments	1,570,724	0	1,570,724	561,757
Accounts Receivable	389,489	14,063	403,552	0
Allowance for Uncollectibles	(96,072)	0	(96,072)	0
Due from Other Governments	313,996	26,072	340,068	206,365
Property Taxes Receivable	975,468	212,343	1,187,811	587,168
Allowance for Uncollectible Property Taxes	(35,458)	(7,651)	(43,109)	(21,182)
Prepaid Items	16,750	0	16,750	0
Capital Assets:				
Assets Not Depreciated:				
Land	296,241	110,900	407,141	22,955
Assets Net of Accumulated Depreciation:				
Landfill Facilities and Development	0	147,392	147,392	0
Buildings and Improvements	2,812,537	133,165	2,945,702	5,095,339
Other Capital Assets	1,170,868	358,848	1,529,716	235,937
Infrastructure	10,147,213	0	10,147,213	0
Total Assets	\$ 17,571,408	\$ 1,785,782	\$ 19,357,190	\$ 6,688,339
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 1,684	\$ 27	\$ 1,711	\$ 0
Accounts Payable	6,685	1,147	7,832	13,420
Accrued Interest Payable	21,035	0	21,035	17,192
Deferred Revenue - Current Property Taxes	898,336	0	898,336	541,305
Noncurrent Liabilities:				
Due Within One Year	282,039	18,320	300,359	181,993
Due in More Than One Year	2,384,167	273,664	2,657,831	4,002,186
Total Liabilities	\$ 3,593,946	\$ 293,158	\$ 3,887,104	\$ 4,756,096
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 11,760,653	\$ 720,839	\$ 12,481,492	\$ 1,214,231
Restricted for:				
Drug Control	3,803	0	3,803	0
Highway/Public Works	336,739	0	336,739	0
School Federal Projects	0	0	0	3,120
Central Cafeteria	0	0	0	53,473
General Debt Service	397,475	0	397,475	0
Capital Projects	332,088	0	332,088	0
Capital Outlay	212,659	0	212,659	0
Basic Education Program	0	0	0	279,808
Other Purposes	0	0	0	6,338
Unrestricted	934,045	771,785	1,705,830	375,273
Total Net Assets	\$ 13,977,462	\$ 1,492,624	\$ 15,470,086	\$ 1,932,243

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

Exhibit B

Pickett County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets										Component Unit		
	Program Revenues					Primary Government Business-type Activities						Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Business-type Activities						
<b>Primary Government:</b>													
Governmental Activities:													
General Government	\$ 464,971	\$ 207,269	\$ 57,078	\$ 1,773	\$ (198,851)	\$ 0	\$ (198,851)	\$ 0	\$ (198,851)	\$ 0	\$ 0	\$ 0	\$ 0
Finance	205,877	142,520	3,461	0	(59,896)	0	(59,896)	0	(59,896)	0	(59,896)	0	0
Administration of Justice	263,610	98,953	9,000	0	(155,657)	0	(155,657)	0	(155,657)	0	(155,657)	0	0
Public Safety	843,068	66,764	25,724	2,644	(747,936)	0	(747,936)	0	(747,936)	0	(747,936)	0	0
Public Health and Welfare	606,537	588,032	31,314	0	12,809	0	12,809	0	12,809	0	12,809	0	0
Social, Cultural, and Recreational Services	133,082	1,474	14,345	0	(117,263)	0	(117,263)	0	(117,263)	0	(117,263)	0	0
Agriculture and Natural Resources	42,357	0	0	0	(42,357)	0	(42,357)	0	(42,357)	0	(42,357)	0	0
Other Operations	710,555	0	19,623	0	(690,932)	0	(690,932)	0	(690,932)	0	(690,932)	0	0
Highways/Public Works	933,878	15,058	1,229,066	0	310,246	0	310,246	0	310,246	0	310,246	0	0
Interest on Long-term Debt	128,373	0	0	0	(128,373)	0	(128,373)	0	(128,373)	0	(128,373)	0	0
Other Debt Service	1,470	0	0	28,514	27,044	0	27,044	0	27,044	0	27,044	0	0
<b>Total Governmental Activities</b>	<b>\$ 4,333,778</b>	<b>\$ 1,120,070</b>	<b>\$ 1,389,611</b>	<b>\$ 32,931</b>	<b>\$ (1,791,166)</b>	<b>\$ 0</b>	<b>\$ (1,791,166)</b>	<b>\$ 0</b>	<b>\$ (1,791,166)</b>	<b>\$ 0</b>	<b>\$ (1,791,166)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Business-type Activities:</b>													
Landfill	\$ 342,497	\$ 110,909	\$ 2,114	\$ 25,000	\$ 0	\$ (204,474)	\$ (204,474)	\$ 0	\$ (204,474)	\$ 0	\$ (204,474)	\$ 0	\$ 0
<b>Total Business-type Activities</b>	<b>\$ 342,497</b>	<b>\$ 110,909</b>	<b>\$ 2,114</b>	<b>\$ 25,000</b>	<b>\$ 0</b>	<b>\$ (204,474)</b>	<b>\$ (204,474)</b>	<b>\$ 0</b>	<b>\$ (204,474)</b>	<b>\$ 0</b>	<b>\$ (204,474)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Total Primary Government</b>	<b>\$ 4,676,275</b>	<b>\$ 1,230,979</b>	<b>\$ 1,391,725</b>	<b>\$ 57,931</b>	<b>\$ (1,791,166)</b>	<b>\$ (204,474)</b>	<b>\$ (1,995,640)</b>	<b>\$ 0</b>	<b>\$ (1,995,640)</b>	<b>\$ 0</b>	<b>\$ (1,995,640)</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Component Unit:</b>													
School Department	\$ 6,219,238	\$ 108,268	\$ 820,117	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,290,853)	\$ (5,290,853)	\$ 0
<b>Total Component Unit</b>	<b>\$ 6,219,238</b>	<b>\$ 108,268</b>	<b>\$ 820,117</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (5,290,853)</b>	<b>\$ (5,290,853)</b>	<b>\$ 0</b>

(Continued)

Exhibit B

Pickett County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					Component Unit Pickett County School Department
	Program Revenues		Primary Government		Total	
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities		
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes			\$ 850,166	\$ 257,735	\$ 1,107,901	\$ 545,891
Property Taxes Levied for Debt Service			71,592	0	71,592	0
Local Option Sales Taxes			202,139	0	202,139	411,786
Wheel Tax			31,035	0	31,035	0
Wholesale Beer Tax			297,966	0	297,966	0
Other Local Taxes			27,869	0	27,869	23,196
Grants and Contributions Not Restricted to Specific Programs			434,591	0	434,591	4,292,209
Unrestricted Investment Income			26,998	7,225	34,223	25,549
Miscellaneous			26,045	0	26,045	54,317
Total General Revenues			\$ 1,968,401	\$ 264,960	\$ 2,233,361	\$ 5,352,948
Insurance Recovery			\$ 18,175	\$ 0	\$ 18,175	\$ 0
Change in Net Assets			\$ 195,410	\$ 60,486	\$ 255,896	\$ 62,095
Net Assets, July 1, 2007			13,782,052	1,363,254	15,145,306	1,870,148
Prior-period Adjustment			0	68,884	68,884	0
Net Assets, June 30, 2008			\$ 13,977,462	\$ 1,492,624	\$ 15,470,086	\$ 1,932,243

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

Exhibit C-1

Pickett County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2008

	Major Funds			Nonmajor Funds	Total Govern- mental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 9,652	\$ 9,652
Equity in Pooled Cash and Investments	714,893	455,976	388,445	11,410	1,570,724
Accounts Receivable	379,489	0	10,000	0	389,489
Allowance for Uncollectibles	(96,072)	0	0	0	(96,072)
Due from Other Governments	107,694	206,223	79	0	313,996
Due from Other Funds	9,652	0	0	0	9,652
Property Taxes Receivable	900,388	0	75,080	0	975,468
Allowance for Uncollectible Property Taxes	(32,717)	0	(2,741)	0	(35,458)
Prepaid Items	0	0	16,750	0	16,750
<b>Total Assets</b>	<b>\$ 1,983,327</b>	<b>\$ 662,199</b>	<b>\$ 487,613</b>	<b>\$ 21,062</b>	<b>\$ 3,154,201</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 5,706	\$ 979	\$ 0	\$ 0	\$ 6,685
Payroll Deductions Payable	1,684	0	0	0	1,684
Due to Other Funds	0	0	0	9,652	9,652
Deferred Revenue - Current Property Taxes	829,233	0	69,103	0	898,336
Deferred Revenue - Delinquent Property Taxes	37,783	0	3,182	0	40,965
Other Deferred Revenues	290,179	100,806	0	0	390,985
<b>Total Liabilities</b>	<b>\$ 1,164,585</b>	<b>\$ 101,785</b>	<b>\$ 72,285</b>	<b>\$ 9,652</b>	<b>\$ 1,348,307</b>
<u>Fund Balances</u>					
Reserved for Sexual Offender Registration	\$ 500	\$ 0	\$ 0	\$ 0	\$ 500
Reserved for Computer System - Register	31,648	0	0	0	31,648
Reserved for Capital Outlay	180,511	324,481	0	0	504,992
Unreserved, Reported In:					
General Fund	606,083	0	0	0	606,083
Special Revenue Funds	0	235,933	0	3,803	239,736
Debt Service Funds	0	0	415,328	0	415,328
Capital Projects Funds	0	0	0	7,607	7,607
<b>Total Fund Balances</b>	<b>\$ 818,742</b>	<b>\$ 560,414</b>	<b>\$ 415,328</b>	<b>\$ 11,410</b>	<b>\$ 1,805,894</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,983,327</b>	<b>\$ 662,199</b>	<b>\$ 487,613</b>	<b>\$ 21,062</b>	<b>\$ 3,154,201</b>

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

Exhibit C-2

Pickett County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2008

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)		\$	1,805,894
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	296,241	
Add: infrastructure net of accumulated depreciation		10,147,213	
Add: buildings and improvements net of accumulated depreciation		2,812,537	
Add: other capital assets net of accumulated depreciation		<u>1,170,868</u>	14,426,859
(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	\$	(1,261,294)	
Less: notes payable		(1,404,912)	
Less: accrued interest on bonds, notes, other loans, and capital leases		<u>(21,035)</u>	(2,687,241)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>431,950</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,977,462</u></u>

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

Exhibit C-3

Pickett County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2008

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,463,535	\$ 0	\$ 104,579	\$ 0	\$ 1,568,114
Licenses and Permits	3,356	0	0	0	3,356
Fines, Forfeitures, and Penalties	23,457	0	0	7,783	31,240
Charges for Current Services	552,162	0	0	0	552,162
Other Local Revenues	77,021	19,905	130,554	7,586	235,066
Fees Received from County Officials	215,678	0	0	0	215,678
State of Tennessee	494,183	1,235,593	0	0	1,729,776
Federal Government	41,676	0	0	28,514	70,190
Other Governments and Citizens Groups	44,625	0	0	0	44,625
<b>Total Revenues</b>	<b>\$ 2,915,693</b>	<b>\$ 1,255,498</b>	<b>\$ 235,133</b>	<b>\$ 43,883</b>	<b>\$ 4,450,207</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 445,868	\$ 0	\$ 0	\$ 0	\$ 445,868
Finance	205,877	0	0	0	205,877
Administration of Justice	263,610	0	0	0	263,610
Public Safety	748,739	0	0	13,483	762,222
Public Health and Welfare	573,209	0	0	0	573,209
Social, Cultural, and Recreational Services	92,880	0	0	0	92,880
Agriculture and Natural Resources	42,357	0	0	0	42,357
Other Operations	681,908	0	0	28,647	710,555
Highways	0	1,339,769	0	0	1,339,769
Debt Service:					
Principal on Debt	0	65,876	217,999	0	283,875
Interest on Debt	0	39,771	90,186	0	129,957
Other Debt Service	0	0	1,470	0	1,470
<b>Total Expenditures</b>	<b>\$ 3,054,448</b>	<b>\$ 1,445,416</b>	<b>\$ 309,655</b>	<b>\$ 42,130</b>	<b>\$ 4,851,649</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (138,755)	\$ (189,918)	\$ (74,522)	\$ 1,753	\$ (401,442)
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 0	\$ 18,175	\$ 0	\$ 0	\$ 18,175
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 18,175</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 18,175</b>
Net Change in Fund Balances	\$ (138,755)	\$ (171,743)	\$ (74,522)	\$ 1,753	\$ (383,267)
Fund Balance, July 1, 2007	957,497	732,157	489,850	9,657	2,189,161
<b>Fund Balance, June 30, 2008</b>	<b>\$ 818,742</b>	<b>\$ 560,414</b>	<b>\$ 415,328</b>	<b>\$ 11,410</b>	<b>\$ 1,805,894</b>

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

Exhibit C-4

Pickett County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (383,267)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 625,698	
Less: current year depreciation expense	<u>(365,597)</u>	260,101
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(27,689)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 431,950	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(371,144)</u>	60,806
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net 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 payments on notes	\$ 214,088	
Add: principal payments on bonds	<u>69,787</u>	283,875
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable		<u>1,584</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 195,410</u>

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

Exhibit D-1

Pickett County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2008

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste
	<u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 790,650
Accounts Receivable	14,063
Due from Other Governments	26,072
Property Taxes Receivable	212,343
Allowance for Uncollectible Property Taxes	(7,651)
Total Current Assets	<u>\$ 1,035,477</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 110,900
Landfill Facilities and Development	147,392
Buildings and Improvements	133,165
Machinery and Equipment	358,848
Total Noncurrent Assets	<u>\$ 750,305</u>
Total Assets	<u>\$ 1,785,782</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 1,147
Payroll Deductions Payable	27
Total Current Liabilities	<u>\$ 1,174</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 18,320
Due in More Than One Year	273,664
Total Noncurrent Liabilities	<u>\$ 291,984</u>
Total Liabilities	<u>\$ 293,158</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 720,839
Unrestricted	<u>771,785</u>
Total Net Assets	<u>\$ 1,492,624</u>

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

Exhibit D-2

Pickett County, Tennessee  
Statement of Revenues, Expenses, and Changes in Net Assets  
Proprietary Fund  
For the Year Ended June 30, 2008

	Business-type Activities
	<u>Major Fund</u>
	Solid Waste Disposal Fund
<hr/>	
<u>Operating Revenues</u>	
Charges for Current Services	\$ 97,722
Other Local Revenues	13,187
Total Operating Revenues	<u>\$ 110,909</u>
 <u>Operating Expenses</u>	
Landfill Operation and Maintenance	\$ 296,421
Depreciation	44,019
Total Operating Expenses	<u>\$ 340,440</u>
Operating Income (Loss)	<u>\$ (229,531)</u>
 <u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 257,735
Investment Income	7,225
Interest on Bonds	(2,057)
Solid Waste Grants	27,114
Total Nonoperating Revenues (Expenses)	<u>\$ 290,017</u>
 Net Income	\$ 60,486
Net Assets, July 1, 2007	1,363,254
Prior-period Adjustment	<u>68,884</u>
 Net Assets, June 30, 2008	<u><u>\$ 1,492,624</u></u>

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

Exhibit D-3

Pickett County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2008

	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	\$ 116,281
Payments to Suppliers	(129,129)
Payments to Employees	(143,150)
Other Payments	(23,933)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (179,931)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Grants Received	\$ 2,299
Local Taxes	249,243
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 251,542</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (43,186)
Principal Paid on Debt	(8,631)
Interest Paid on Debt	(2,057)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (53,874)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 7,226
Net Cash Provided By (Used In) Investing Activities	<u>\$ 7,226</u>
Net Increase (Decrease) in Cash	\$ 24,963
Cash, July 1, 2007	<u>765,687</u>
Cash, June 30, 2008	<u><u>\$ 790,650</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (229,531)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided By (Used In) Operating Activities:	
Depreciation	44,019
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	3,295
(Increase) Decrease in Cash Shortage	2,077
Increase (Decrease) in Accounts Payable	182
Increase (Decrease) in Payroll Deductions Payable	27
Net Cash Provided By Operating Activities	<u><u>\$ (179,931)</u></u>

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

Exhibit E

Pickett County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 62,901
Due from Other Governments	<u>35,303</u>
Total Assets	<u><u>\$ 98,204</u></u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 62,901
Due to Other Taxing Units	<u>35,303</u>
Total Liabilities	<u><u>\$ 98,204</u></u>

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

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**PICKETT COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2008**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of 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) and its component unit. The component unit discussed below is included in the county's reporting entity because of the significance of its operational or financial relationship with the county.

**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.

**Discretely Presented Component Unit** – The following entity meets the criteria for a discretely presented component unit of the county. It is reported in a separate column on the government-wide financial statements to emphasize that it is 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 does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents.

**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 primary government and its component unit. For the most

part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Pickett County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Pickett County issues all debt for the discretely presented Pickett County School Department.

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

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

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

Fund financial statements of Pickett County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories:

governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Pickett County only reports one proprietary fund, an enterprise fund.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds and the major 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.

The discretely presented Pickett County School Department reports the following major governmental fund:

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

Additionally, the discretely presented Pickett County School Department reports the following fund type:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and 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.

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.

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 fund's 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.

**D. 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 funds and the discretely presented Pickett County 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 assigned to the 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**

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 1.93 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.

**Primary Government**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column and the business-type column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 to \$25,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives with salvage values of 25 percent for buildings and improvements, five percent for other capital assets, and 50 percent for infrastructure (roads):

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25 - 40
Other Capital Assets	5 - 20
Infrastructure:	
Roads	50 - 75
Bridges	75

**Discretely Presented Pickett County School Department**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School Department 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

**5. Compensated Absences**

**Primary Government**

The county's policy does not permit employees to accumulate earned but unused vacation and sick leave benefits beyond the fiscal year end.

**Discretely Presented Pickett County School Department**

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.

**6. Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

**7. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

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

**8. Prior-period Adjustment**

A prior-period adjustment was recognized in the Solid Waste Disposal Fund to decrease the liability for landfill postclosure care costs (\$68,884) as of July 1, 2007. There was a modification to the landfill, which extended its useful life and changed the estimated amount of postclosure care costs.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

**Primary Government**

Exhibit C-2 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.

**Discretely Presented Pickett County School Department**

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net 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**

**Primary Government**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total

governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

### **Discretely Presented Pickett County School Department**

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net 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 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. Prior-year Cash Shortage**

At June 30, 2007, we reported a cash shortage of \$2,077 in the Solid Waste Disposal Fund. This shortage resulted from collections exceeding deposits (\$1,880) and an apparent burglary (\$197) at the landfill. The Tennessee Bureau of Investigation dropped the investigation of this case due to a lack of evidence, and the county's bonding company has refused to make payment on

the shortage because the investigation was dropped. Since the county does not expect to recover this shortage, the \$2,077 was written-off in the Solid Waste Disposal Fund.

#### IV. 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 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 reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

##### Deposits

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

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

##### Investments

**Legal Provisions.** Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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. Pickett County had no pooled or nonpooled investments at June 30, 2008.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2008, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 296,241	\$ 0	\$ 0	\$ 296,241
Total Capital Assets Not Depreciated	<u>\$ 296,241</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 296,241</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,395,629	\$ 0	\$ 0	\$ 4,395,629
Roads and Bridges	12,050,466	371,157	0	12,421,623
Other Capital Assets	2,208,973	256,041	(133,352)	2,331,662
Total Capital Assets Depreciated	<u>\$ 18,655,068</u>	<u>\$ 627,198</u>	<u>\$ (133,352)</u>	<u>\$ 19,148,914</u>

**Governmental Activities (Cont.):**

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,507,749	\$ 75,343	\$ 0	\$ 1,583,092
Roads and Bridges	2,159,120	115,290	0	2,274,410
Other Capital Assets	1,089,993	174,964	(104,163)	1,160,794
Total Accumulated Depreciation	<u>\$ 4,756,862</u>	<u>\$ 365,597</u>	<u>\$ (104,163)</u>	<u>\$ 5,018,296</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,898,206</u>	<u>\$ 261,601</u>	<u>\$ (29,189)</u>	<u>\$ 14,130,618</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,194,447</u>	<u>\$ 261,601</u>	<u>\$ (29,189)</u>	<u>\$ 14,426,859</u>

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

**Governmental Activities:**

General Government	\$ 19,103
Public Safety	80,846
Public Health and Welfare	33,328
Social, Cultural, and Recreational Services	40,202
Highways/Public Works	<u>192,118</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 365,597</u>

**Business-type Activities:**

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 110,900	\$ 0	\$ 110,900
Total Capital Assets Not Depreciated	<u>\$ 110,900</u>	<u>\$ 0</u>	<u>\$ 110,900</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 233,635	\$ 0	\$ 233,635
Landfill Facilities and Development	203,954	0	203,954
Machinery and Equipment	719,358	43,186	762,544
Total Capital Assets Depreciated	<u>\$ 1,156,947</u>	<u>\$ 43,186</u>	<u>\$ 1,200,133</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 93,350	\$ 7,120	\$ 100,470
Landfill Facilities and Development	49,824	6,738	56,562
Machinery and Equipment	373,535	30,161	403,696
Total Accumulated Depreciation	<u>\$ 516,709</u>	<u>\$ 44,019</u>	<u>\$ 560,728</u>
Total Capital Assets Depreciated, Net	<u>\$ 640,238</u>	<u>\$ (833)</u>	<u>\$ 639,405</u>
Business-type Activities Capital Assets, Net	<u>\$ 751,138</u>	<u>\$ (833)</u>	<u>\$ 750,305</u>

Depreciation expense of \$44,019 was recorded by the Solid Waste Disposal Fund.

**Discretely Presented Pickett County School Department****Governmental Activities:**

	Balance 7-1-07	Increases	Balance 6-30-08
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>

**Governmental Activities (Cont.):**

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Depreciated:			
Buildings and Improvements	\$ 6,937,182	\$ 0	\$ 6,937,182
Other Capital Assets	599,872	62,000	661,872
Total Capital Assets			
Depreciated	\$ 7,537,054	\$ 62,000	\$ 7,599,054
Less Accumulated			
Depreciation For:			
Buildings and Improvements	\$ 1,669,082	\$ 172,761	\$ 1,841,843
Other Capital Assets	390,022	35,913	425,935
Total Accumulated			
Depreciation	\$ 2,059,104	\$ 208,674	\$ 2,267,778
Total Capital Assets			
Depreciated, Net	\$ 5,477,950	\$ (146,674)	\$ 5,331,276
Governmental Activities			
Capital Assets, Net	\$ 5,500,905	\$ (146,674)	\$ 5,354,231

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

**Governmental Activities:**

Instruction	\$ 142,534
Support Services	43,691
Operation of Non-Instructional Services	22,449
Total Depreciation Expense - Governmental Activities	\$ 208,674

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2008, is as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 9,652

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. Long-term Debt**

**Primary Government**

**General Obligation Bonds and Notes**

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 39 years for bonds and up to seven years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund. Notes included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund and the Highway/Public Works Fund.

General obligation bonds and capital outlay notes outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	4.125 to 6 %	\$ 2,015,000	\$ 1,261,294
Capital Outlay Notes	4.1 to 5.05	1,687,000	1,404,912

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 222,177	\$ 54,811	\$ 276,988
2010	232,448	45,138	277,586
2011	165,940	36,696	202,636
2012	142,422	29,748	172,170
2013	80,836	24,811	105,647
2014-2018	457,751	70,485	528,236
2019	103,338	2,309	105,647
Total	\$ 1,404,912	\$ 263,998	\$ 1,668,910

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 59,862	\$ 63,730	\$ 123,592
2010	60,938	60,660	121,598
2011	62,068	57,530	119,598
2012	68,259	54,339	122,598
2013	69,518	50,830	120,348
2014-2018	409,057	196,182	605,239
2019-2023	382,033	83,470	465,503
2024-2028	74,765	27,055	101,820
2029-2033	74,794	9,962	84,756
Total	\$ 1,261,294	\$ 603,758	\$ 1,865,052

There is \$415,328 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$255, based on the 2000 federal census. Debt per capita, including bonds and notes totaled \$350, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

**Governmental Activities:**

	<u>Bonds</u>		<u>Notes</u>	
Balance, July 1, 2007	\$	1,331,081	\$	1,619,000
Deductions		(69,787)		(214,088)
Balance, June 30, 2008	\$	<u>1,261,294</u>	\$	<u>1,404,912</u>
Balance Due Within One Year	\$	<u>59,862</u>	\$	<u>222,177</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$	2,666,206
Less: Balance Due Within One Year		<u>(282,039)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$	<u>2,384,167</u>

**Pickett County Solid Waste Disposal Fund (enterprise fund)**

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 9,270	\$ 1,418	\$ 10,688
2010	9,763	925	10,688
2011	10,433	404	10,837
Total	\$ 29,466	\$ 2,747	\$ 32,213

**Changes in Long-term Liabilities**

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2008, was as follows:

**Business-type Activities:**

	Bonds	Closure/ Postclosure Care Costs
Balance, July 1, 2007	\$ 38,097	\$ 331,402
Additions	0	4,832
Deductions	(8,631)	(73,716)
Balance, June 30, 2008	<u>\$ 29,466</u>	<u>\$ 262,518</u>
Balance Due Within One Year	<u>\$ 9,270</u>	<u>\$ 9,050</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 291,984
Less: Balance Due Within One Year	<u>(18,320)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 273,664</u>

**Discretely Presented Pickett County School Department**

**General Obligation Bonds**

Pickett County issues general obligation bonds for the School Department to provide funds 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 were originally issued for 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, 2008, will be retired from the General Purpose School Fund.

The general obligation bonds outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds	3.3 to 4.9 %	\$ 5,500,000	\$ 4,140,000

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 180,000	\$ 192,323	\$ 372,323
2010	190,000	184,853	374,853
2011	200,000	176,873	376,873
2012	205,000	168,373	373,373
2013	215,000	159,558	374,558
2014-2018	1,230,000	643,591	1,873,591
2019-2023	1,560,000	323,065	1,883,065
2024	360,000	17,636	377,636
Total	<u>\$ 4,140,000</u>	<u>\$ 1,866,272</u>	<u>\$ 6,006,272</u>

Debt per capita, including bonds, totaled \$837, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Pickett County School Department for the year ended June 30, 2008, was as follows:

#### **Governmental Activities:**

	Bonds	Compensated Absences	Other
			Postemployment Benefits
Balance, July 1, 2007	\$ 4,315,000	\$ 9,232	\$ 0
Additions	0	2,740	51,733
Deductions	(175,000)	(2,146)	(17,380)
Balance, June 30, 2008	<u>\$ 4,140,000</u>	<u>\$ 9,826</u>	<u>\$ 34,353</u>
Balance Due Within One Year	<u>\$ 180,000</u>	<u>\$ 1,993</u>	<u>\$ 0</u>

#### Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 4,184,179
Less: Balance Due Within One Year	<u>(181,993)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,002,186</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School Fund.

**E. On-Behalf Payments – Discretely Presented Pickett County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Pickett County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$279,373 and \$5,650, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county's risk of loss relating to general liability, property, casualty, and workers' compensation is covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund (LWCF), which are public entity risk pools established by the Tennessee County Services Association, an association of member counties. The 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. The LGPCF and LWCF reinsure through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Pickett County does not provide health insurance for its employees.

**Discretely Presented Pickett County School Department**

The discretely presented Pickett County School Department participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays annual premiums to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

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

**B. Accounting Changes**

At the beginning of the year, Pickett County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, Pickett County had elected only to implement the provisions of Statement No. 34 that related to the fund financial statements. Also, the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the discretely presented Pickett County School Department’s financial statements. In previous years, the School Department had only recognized the current-year cost (expense) of these benefits. GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Pickett County. GASB Statement No. 48 had no effect on the financial statements of Pickett County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is

reasonably expected that Pickett County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Pickett County to provide additional and more detailed pension plan note disclosures than in previous years.

**C. Subsequent Event**

Phyllis Ford, Register of Deeds, died on July 17, 2008. The County Commission appointed Letha McCurdy as interim register effective July 28, 2008. Jeff Ford was elected register in November and assumed office on November 17, 2008.

**D. Contingent Liabilities**

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

**E. 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 \$262,518 reported as landfill closure and postclosure care liability at June 30, 2008, represents the cumulative amount reported to date based on the use of 100 percent capacity of the old landfill (\$117,650) and 21 percent capacity of the current landfill (\$144,868). The percentage of the landfill capacity was less than the prior year due to engineering modifications, which extended the capacity of the landfill. The current landfill will recognize the remaining estimated cost of closure and postclosure care of \$544,979 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 2008. Actual costs may vary from these estimates due to inflation, changes in technology, or changes in regulations.

**F. 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. Complete financial statements for the Overton/Pickett Emergency Communications District can be obtained from its administrative office at 255 Industrial Drive, Livingston, TN 38570.

**G. 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, 2008, 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, 2008, Pickett County's annual pension cost of \$198,509 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 postretirement 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, 2007, which established contribution rates effective July 1, 2008.

## Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$198,509	100%	\$0
6-30-07	184,898	100	0
6-30-06	155,071	100	0

## Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 95.57 percent funded. The actuarial accrued liability for benefits was \$4.92 million, and the actuarial value of assets was \$4.70 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.22 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.36 million, and the ratio of the UAAL to the covered payroll was 9.23 percent.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

## **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](http://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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$192,754, \$184,908, and \$161,616, respectively, equal to the required contributions for each year.

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

### Plan Description

The discretely presented Pickett County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plan is reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The required contribution rate for retirees ranges from ten to 55 percent based on the years of service. During the year ended June 30, 2008, the discretely presented Pickett County School Department contributed \$17,380 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 51,733
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<hr/> \$ 51,733
Amount of contribution	(17,380)
Increase/decrease in NPO	<hr/> \$ 34,353
Net OPEB obligation, 7-1-07	<hr/> 0
Net OPEB obligation, 6-30-08	<hr/> <hr/> \$ 34,353

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
		<hr/>		
6-30-08	Local Education Group	\$ 51,733	34 %	\$ 34,353

\* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 519,277
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 519,277
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,284,774
UAAL as a % of covered payroll	23%

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

#### Actuarial Methods and Assumptions

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

In the June 30, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

### **I. Purchasing Laws**

#### Office of County Executive

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), provide for all purchases exceeding \$10,000 (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 Chapter 104, Private Acts of 1957, and provisions of the Uniform Road Law, Section 54-7-113, TCA, which provide for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-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, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,463,535	\$ 0	\$ 1,463,535	\$ 1,407,465	\$ 1,428,798	\$ 34,737
Licenses and Permits	3,356	0	3,356	3,615	3,615	(259)
Fines, Forfeitures, and Penalties	23,457	0	23,457	18,309	19,286	4,171
Charges for Current Services	552,162	0	552,162	416,300	459,232	92,930
Other Local Revenues	77,021	0	77,021	66,300	69,050	7,971
Fees Received from County Officials	215,678	0	215,678	206,700	207,367	8,311
State of Tennessee	494,183	0	494,183	348,943	455,483	38,700
Federal Government	41,676	0	41,676	515,000	516,442	(474,766)
Other Governments and Citizens Groups	44,625	0	44,625	44,625	44,625	0
Total Revenues	\$ 2,915,693	\$ 0	\$ 2,915,693	\$ 3,027,257	\$ 3,203,898	\$ (288,205)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 30,742	\$ 0	\$ 30,742	\$ 30,742	\$ 32,329	\$ 1,587
Board of Equalization	200	0	200	200	200	0
Beer Board	2,698	0	2,698	2,660	2,699	1
County Mayor/Executive	109,655	0	109,655	109,982	110,845	1,190
County Attorney	0	0	0	3,000	3,000	3,000
Election Commission	92,494	0	92,494	88,488	95,142	2,648
Register of Deeds	71,501	0	71,501	70,695	72,059	558
Planning	2,875	0	2,875	2,875	2,875	0
County Buildings	135,703	0	135,703	137,520	144,576	8,873
<u>Finance</u>						
Property Assessor's Office	56,237	0	56,237	60,297	60,323	4,086
County Trustee's Office	74,910	0	74,910	71,619	75,144	234
County Clerk's Office	74,730	0	74,730	74,005	74,944	214

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	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	\$ 91,245	\$ 0	\$ 91,245	\$ 87,569	\$ 91,692	\$ 447
General Sessions Judge	66,688	0	66,688	66,288	66,738	50
Chancery Court	53,103	0	53,103	53,631	54,343	1,240
Juvenile Court	11,496	0	11,496	11,288	11,568	72
Judicial Commissioners	5,882	0	5,882	5,969	5,969	87
Probation Services	35,196	0	35,196	35,082	35,197	1
<u>Public Safety</u>						
Sheriff's Department	446,392	0	446,392	407,979	446,518	126
Drug Enforcement	563	0	563	1,000	1,000	437
Jail	221,912	0	221,912	176,440	224,190	2,278
Fire Prevention and Control	59,715	0	59,715	59,800	59,800	85
Rescue Squad	3,000	0	3,000	3,000	3,000	0
Other Emergency Management	2,895	0	2,895	0	2,895	0
County Coroner/Medical Examiner	5,650	0	5,650	7,500	7,500	1,850
Other Public Safety	8,612	0	8,612	8,612	8,612	0
<u>Public Health and Welfare</u>						
Local Health Center	19,242	0	19,242	20,983	21,793	2,551
Ambulance/Emergency Medical Services	513,167	0	513,167	605,916	627,141	113,974
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	1,707	0	1,707	2,700	2,700	993
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	18,959	0	18,959	14,000	18,960	1
Libraries	44,069	0	44,069	44,418	45,208	1,139
Other Social, Cultural, and Recreational	29,852	0	29,852	26,221	30,613	761

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	\$ 26,195	\$ 0	\$ 26,195	\$ 37,191	\$ 37,211	\$ 11,016
Soil Conservation	16,162	0	16,162	17,060	16,292	130
<u>Other Operations</u>						
Tourism	20,000	0	20,000	20,000	20,000	0
Industrial Development	0	0	0	2,000	2,000	2,000
Other Economic and Community Development	0	0	0	500,000	500,000	500,000
Veterans' Services	16,377	0	16,377	16,320	16,494	117
Other Charges	106,334	0	106,334	98,790	106,549	215
Contributions to Other Agencies	11,850	0	11,850	12,050	12,050	200
Employee Benefits	314,086	0	314,086	307,545	314,121	35
Miscellaneous	213,261	(172,476)	40,785	27,000	40,786	1
Total Expenditures	\$ 3,054,448	\$ (172,476)	\$ 2,881,972	\$ 3,367,528	\$ 3,544,169	\$ 662,197
Excess (Deficiency) of Revenues Over Expenditures	\$ (138,755)	\$ 172,476	\$ 33,721	\$ (340,271)	\$ (340,271)	\$ 373,992
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 106,000	\$ 106,000	\$ (106,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 106,000	\$ 106,000	\$ (106,000)
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (138,755)	\$ 172,476	\$ 33,721	\$ (234,271)	\$ (234,271)	\$ 267,992
Fund Balance, July 1, 2007	957,497	(172,476)	785,021	782,691	782,691	2,330
Fund Balance, June 30, 2008	\$ 818,742	\$ 0	\$ 818,742	\$ 548,420	\$ 548,420	\$ 270,322

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 19,905	\$ 100	\$ 17,711	\$ 2,194
State of Tennessee	1,235,593	1,289,980	1,371,980	(136,387)
Other Governments and Citizens Groups	0	2,000	2,000	(2,000)
Total Revenues	<u>\$ 1,255,498</u>	<u>\$ 1,292,080</u>	<u>\$ 1,391,691</u>	<u>\$ (136,193)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 77,191	\$ 82,410	\$ 77,655	\$ 464
Highway and Bridge Maintenance	604,003	530,325	610,695	6,692
Operation and Maintenance of Equipment	287,140	221,596	288,071	931
Quarry Operations	11,406	29,200	11,406	0
Other Charges	45,412	41,900	45,575	163
Employee Benefits	119,698	103,000	122,000	2,302
Capital Outlay	194,919	678,000	640,401	445,482
<u>Principal on Debt</u>				
Highways and Streets	65,876	105,649	65,877	1
<u>Interest on Debt</u>				
Highways and Streets	39,771	0	39,772	1
Total Expenditures	<u>\$ 1,445,416</u>	<u>\$ 1,792,080</u>	<u>\$ 1,901,452</u>	<u>\$ 456,036</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (189,918)</u>	<u>\$ (500,000)</u>	<u>\$ (509,761)</u>	<u>\$ 319,843</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 18,175	\$ 0	\$ 0	\$ 18,175
Total Other Financing Sources (Uses)	<u>\$ 18,175</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,175</u>
Net Change in Fund Balance	\$ (171,743)	\$ (500,000)	\$ (509,761)	\$ 338,018
Fund Balance, July 1, 2007	<u>732,157</u>	<u>664,903</u>	<u>664,903</u>	<u>67,254</u>
Fund Balance, June 30, 2008	<u>\$ 560,414</u>	<u>\$ 164,903</u>	<u>\$ 155,142</u>	<u>\$ 405,272</u>

Exhibit F-3

Pickett County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 4,703	\$ 4,921	\$ 218	95.57 %	\$ 2,361	9.23 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

Exhibit F-4

Pickett County, Tennessee  
Schedule of Funding Progress - Other Postemployment Benefits Plan  
Discretely Presented Pickett County School Department  
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date *	Actuarial Value of Assets	Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b)-(a)	(a/b)	(c)	
Local Education Group Plan	6-30-07 \$	0 \$	519 \$	0 %	2,285	23 %

\*Data not available for two preceding years.

**PICKETT COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2008**

**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.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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 for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

## Capital Projects Funds

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

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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 Partnership Program.

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Exhibit G-1

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Industrial Park Projects	Health Department Projects	
\$	0 \$	9,652 \$	9,652 \$	0 \$	0 \$	9,652
	3,803	0	3,803	6,703	904	7,607
\$	3,803 \$	9,652 \$	13,455 \$	6,703 \$	904 \$	7,607 \$
\$	0 \$	9,652 \$	9,652 \$	0 \$	0 \$	9,652
\$	0 \$	9,652 \$	9,652 \$	0 \$	0 \$	9,652
	3,803 \$	0 \$	3,803 \$	6,703 \$	904 \$	7,607 \$
\$	3,803 \$	0 \$	3,803 \$	6,703 \$	904 \$	7,607 \$
\$	3,803 \$	9,652 \$	13,455 \$	6,703 \$	904 \$	7,607 \$

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Total Assets

LIABILITIES AND FUND BALANCES

Liabilities  
 Due to Other Funds  
 Total Liabilities  
Fund Balances  
 Unreserved  
 Total Fund Balances

Total Liabilities and Fund Balances

Exhibit G-2

Pickett County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2008

	Special Revenue Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
		Industrial Park Projects	Health Department Projects	HUD Grant Projects	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 7,783	0 \$	0 \$	0 \$	7,783
Other Local Revenues	7,578	0	8	0	7,586
Federal Government	0	0	0	28,514	28,514
Total Revenues	\$ 15,361	0 \$	8 \$	28,514 \$	43,883
<u>Expenditures</u>					
Current:					
Public Safety	\$ 13,483	0 \$	0 \$	0 \$	13,483
Other Operations	0	133	0	28,514	28,647
Total Expenditures	\$ 13,483	133 \$	0 \$	28,514 \$	42,130
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,878	(133) \$	8 \$	0 \$	1,753
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ 1,878	(133) \$	8 \$	0 \$	1,753
Fund Balance, July 1, 2007	1,925	6,836	896	0	9,657
Fund Balance, June 30, 2008	\$ 3,803	6,703 \$	904 \$	0 \$	11,410

Exhibit G-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 7,783	\$ 2,000	\$ 6,205	\$ 1,578
Other Local Revenues	7,578	500	7,278	300
Total Revenues	<u>\$ 15,361</u>	<u>\$ 2,500</u>	<u>\$ 13,483</u>	<u>\$ 1,878</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 13,483	\$ 2,500	\$ 13,483	\$ 0
Total Expenditures	<u>\$ 13,483</u>	<u>\$ 2,500</u>	<u>\$ 13,483</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,878</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,878</u>
Net Change in Fund Balance	\$ 1,878	\$ 0	\$ 0	\$ 1,878
Fund Balance, July 1, 2007	<u>1,925</u>	<u>1,923</u>	<u>1,923</u>	<u>2</u>
Fund Balance, June 30, 2008	<u>\$ 3,803</u>	<u>\$ 1,923</u>	<u>\$ 1,923</u>	<u>\$ 1,880</u>

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# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit H

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 104,579	\$ 70,856	\$ 71,917	\$ 32,662
Other Local Revenues	130,554	120,000	120,000	10,554
Total Revenues	<u>\$ 235,133</u>	<u>\$ 190,856</u>	<u>\$ 191,917</u>	<u>\$ 43,216</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 217,999	\$ 221,300	\$ 221,300	\$ 3,301
<u>Interest on Debt</u>				
General Government	90,186	95,500	96,561	6,375
<u>Other Debt Service</u>				
General Government	1,470	2,500	2,500	1,030
Total Expenditures	<u>\$ 309,655</u>	<u>\$ 319,300</u>	<u>\$ 320,361</u>	<u>\$ 10,706</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (74,522)</u>	<u>\$ (128,444)</u>	<u>\$ (128,444)</u>	<u>\$ 53,922</u>
Net Change in Fund Balance	\$ (74,522)	\$ (128,444)	\$ (128,444)	\$ 53,922
Fund Balance, July 1, 2007	<u>489,850</u>	<u>483,738</u>	<u>483,738</u>	<u>6,112</u>
Fund Balance, June 30, 2008	<u>\$ 415,328</u>	<u>\$ 355,294</u>	<u>\$ 355,294</u>	<u>\$ 60,034</u>

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# Fiduciary Funds

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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.

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

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

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Exhibit I-1

Pickett County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 62,901	\$ 62,901
Due from Other Governments	35,303	0	35,303
Total Assets	<u>\$ 35,303</u>	<u>\$ 62,901</u>	<u>\$ 98,204</u>
<u>LIABILITIES</u>			
Due to Litigants, Heirs, and Others	\$ 0	\$ 62,901	\$ 62,901
Due to Other Taxing Units	35,303	0	35,303
Total Liabilities	<u>\$ 35,303</u>	<u>\$ 62,901</u>	<u>\$ 98,204</u>

Exhibit I-2

Pickett County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 159,514	\$ 159,514	\$ 0
Due from Other Governments	29,103	35,303	29,103	35,303
Total Assets	\$ 29,103	\$ 194,817	\$ 188,617	\$ 35,303
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 29,103	\$ 194,817	\$ 188,617	\$ 35,303
Total Liabilities	\$ 29,103	\$ 194,817	\$ 188,617	\$ 35,303
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 81,017	\$ 1,317,363	\$ 1,335,479	\$ 62,901
Total Assets	\$ 81,017	\$ 1,317,363	\$ 1,335,479	\$ 62,901
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 81,017	\$ 1,317,363	\$ 1,335,479	\$ 62,901
Total Liabilities	\$ 81,017	\$ 1,317,363	\$ 1,335,479	\$ 62,901
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 159,514	\$ 159,514	\$ 0
Cash	81,017	1,317,363	1,335,479	62,901
Due from Other Governments	29,103	35,303	29,103	35,303
Total Assets	\$ 110,120	\$ 1,512,180	\$ 1,524,096	\$ 98,204
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 29,103	\$ 194,817	\$ 188,617	\$ 35,303
Due to Litigants, Heirs, and Others	81,017	1,317,363	1,335,479	62,901
Total Liabilities	\$ 110,120	\$ 1,512,180	\$ 1,524,096	\$ 98,204

# Pickett County School Department

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

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

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

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

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Exhibit J-1

Pickett County, Tennessee  
Statement of Activities  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net Expense (Revenue) and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 3,462,991	\$ 0	\$ 281,451	\$ (3,181,540)
Support Services	2,140,346	720	157,187	(1,982,439)
Operation of Non-Instructional Services	415,837	107,548	381,479	73,190
Interest on Long-term Debt	200,064	0	0	(200,064)
<b>Total Governmental Activities</b>	<b>\$ 6,219,238</b>	<b>\$ 108,268</b>	<b>\$ 820,117</b>	<b>\$ (5,290,853)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 545,891
Local Option Sales Taxes				411,786
Other Local Taxes				23,196
Grants and Contributions Not Restricted to Specific Programs				4,292,209
Unrestricted Investment Income				25,549
Miscellaneous				54,317
<b>Total General Revenues</b>				<b>\$ 5,352,948</b>
Change in Net Assets				\$ 62,095
Net Assets, July 1, 2007				<u>1,870,148</u>
Net Assets, June 30, 2008				<u><u>\$ 1,932,243</u></u>

Exhibit J-2

Pickett County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Pickett County School Department  
June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 519,494	\$ 42,263	\$ 561,757
Due from Other Governments	178,615	27,750	206,365
Property Taxes Receivable	587,168	0	587,168
Allowance for Uncollectible Property Taxes	(21,182)	0	(21,182)
Total Assets	<u>\$ 1,264,095</u>	<u>\$ 70,013</u>	<u>\$ 1,334,108</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 0	\$ 13,420	\$ 13,420
Deferred Revenue - Current Property Taxes	541,305	0	541,305
Deferred Revenue - Delinquent Property Taxes	22,806	0	22,806
Other Deferred Revenues	47,957	0	47,957
Total Liabilities	<u>\$ 612,068</u>	<u>\$ 13,420</u>	<u>\$ 625,488</u>
<u>Fund Balances</u>			
Reserved for Career Ladder - Extended Contract	\$ 1,782	\$ 0	\$ 1,782
Reserved for Career Ladder Program	4,556	0	4,556
Reserved for Basic Education Program	279,808	0	279,808
Reserved for Special Education - Grants to States	0	3,120	3,120
Unreserved, Reported In:			
General Fund	365,881	0	365,881
Special Revenue Funds	0	53,473	53,473
Total Fund Balances	<u>\$ 652,027</u>	<u>\$ 56,593</u>	<u>\$ 708,620</u>
Total Liabilities and Fund Balances	<u>\$ 1,264,095</u>	<u>\$ 70,013</u>	<u>\$ 1,334,108</u>

Exhibit J-3

Pickett County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  
Discretely Presented Pickett County School Department  
June 30, 2008

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	708,620
(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 and improvements net of accumulated depreciation		5,095,339	
Add: other capital assets net of accumulated depreciation		<u>235,937</u>	5,354,231
(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	\$	(4,140,000)	
Less: accrued interest on bonds		(17,192)	
Less: compensated absences payable		(9,826)	
Less: other postemployment benefits plan		<u>(34,353)</u>	(4,201,371)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>70,763</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>1,932,243</u></u>

Exhibit J-4

Pickett County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern-	Governmental
	School	mental	Funds
		Funds	
<u>Revenues</u>			
Local Taxes	\$ 997,648	\$ 0	\$ 997,648
Licenses and Permits	256	0	256
Charges for Current Services	720	107,548	108,268
Other Local Revenues	79,294	316	79,610
State of Tennessee	4,336,848	3,715	4,340,563
Federal Government	86,383	659,120	745,503
Total Revenues	<u>\$ 5,501,149</u>	<u>\$ 770,699</u>	<u>\$ 6,271,848</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,912,760	\$ 375,400	\$ 3,288,160
Support Services	2,044,002	50,003	2,094,005
Operation of Non-Instructional Services	145,235	293,673	438,908
Debt Service:			
Principal on Debt	175,000	0	175,000
Interest on Debt	199,497	0	199,497
Total Expenditures	<u>\$ 5,476,494</u>	<u>\$ 719,076</u>	<u>\$ 6,195,570</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ 24,655</u>	<u>\$ 51,623</u>	<u>\$ 76,278</u>
Net Change in Fund Balances	\$ 24,655	\$ 51,623	\$ 76,278
Fund Balance, July 1, 2007	627,372	4,970	632,342
Fund Balance, June 30, 2008	<u>\$ 652,027</u>	<u>\$ 56,593</u>	<u>\$ 708,620</u>

Exhibit J-5

Pickett County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2008

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	76,278
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current-period	\$	62,000	
Less: current year depreciation expense		<u>(208,674)</u>	(146,674)
(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/other deferred June 30, 2008	\$	70,763	
Less: deferred delinquent property taxes/other deferred June 30, 2007		<u>(77,758)</u>	(6,995)
(3) The issuance of long-term debt (e.g., notes, other loans) 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 affect on net assets.			
Add: principal payments on bonds			175,000
(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 the governmental funds.			
Change in accrued interest payable	\$	(567)	
Change in compensated absences payable		(594)	
Change in other postemployment benefits plan		<u>(34,353)</u>	<u>(35,514)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 62,095</u>

Exhibit J-6

Pickett County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Pickett County School Department  
June 30, 2008

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 4,614	\$ 37,649	\$ 42,263
Due from Other Governments	0	27,750	27,750
Total Assets	<u>\$ 4,614</u>	<u>\$ 65,399</u>	<u>\$ 70,013</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,494	\$ 11,926	\$ 13,420
Total Liabilities	<u>\$ 1,494</u>	<u>\$ 11,926</u>	<u>\$ 13,420</u>
<u>Fund Balances</u>			
Reserved for Special Education - Grants to States	\$ 3,120	0	\$ 3,120
Unreserved	0	53,473	53,473
Total Fund Balances	<u>\$ 3,120</u>	<u>\$ 53,473</u>	<u>\$ 56,593</u>
Total Liabilities and Fund Balances	<u>\$ 4,614</u>	<u>\$ 65,399</u>	<u>\$ 70,013</u>

Exhibit J-7

Pickett County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 107,548	\$ 107,548
Other Local Revenues	0	316	316
State of Tennessee	0	3,715	3,715
Federal Government	426,017	233,103	659,120
Total Revenues	<u>\$ 426,017</u>	<u>\$ 344,682</u>	<u>\$ 770,699</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 375,400	\$ 0	\$ 375,400
Support Services	50,003	0	50,003
Operation of Non-Instructional Services	0	293,673	293,673
Total Expenditures	<u>\$ 425,403</u>	<u>\$ 293,673</u>	<u>\$ 719,076</u>
Excess (Deficiency) of Revenues			
Over Expenditures	\$ 614	\$ 51,009	\$ 51,623
Net Change in Fund Balances	\$ 614	\$ 51,009	\$ 51,623
Fund Balance, July 1, 2007	2,506	2,464	4,970
Fund Balance, June 30, 2008	<u>\$ 3,120</u>	<u>\$ 53,473</u>	<u>\$ 56,593</u>

Exhibit J-8

Pickett County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Pickett County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 997,648	\$ 953,625	\$ 953,625	\$ 44,023
Licenses and Permits	256	250	250	6
Charges for Current Services	720	960	960	(240)
Other Local Revenues	79,294	38,000	89,898	(10,604)
State of Tennessee	4,336,848	3,989,926	4,327,049	9,799
Federal Government	86,383	88,000	90,700	(4,317)
<b>Total Revenues</b>	<b>\$ 5,501,149</b>	<b>\$ 5,070,761</b>	<b>\$ 5,462,482</b>	<b>\$ 38,667</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,298,293	\$ 2,264,050	\$ 2,334,026	\$ 35,733
Special Education Program	269,854	270,435	270,435	581
Vocational Education Program	325,567	329,145	329,145	3,578
Adult Education Program	19,046	22,000	24,701	5,655
<u>Support Services</u>				
Attendance	43,275	44,745	44,745	1,470
Health Services	146,512	125,555	156,620	10,108
Other Student Support	103,718	105,640	105,640	1,922
Regular Instruction Program	207,704	209,550	209,550	1,846
Special Education Program	34,539	36,295	36,295	1,756
Other Programs	285,023	0	285,023	0
Board of Education	82,190	91,215	97,370	15,180
Director of Schools	61,621	65,175	65,175	3,554
Office of the Principal	195,551	198,190	198,190	2,639
Fiscal Services	54,202	54,560	54,560	358
Operation of Plant	384,341	386,320	392,670	8,329
Maintenance of Plant	124,382	120,310	140,082	15,700
Transportation	315,343	271,655	355,697	40,354
Central and Other	5,601	7,100	7,100	1,499
<u>Operation of Non-Instructional Services</u>				
Community Services	50,000	50,000	50,000	0
Early Childhood Education	95,235	95,235	95,235	0
<u>Principal on Debt</u>				
Education	175,000	175,000	175,000	0
<u>Interest on Debt</u>				
Education	199,497	199,500	199,500	3
<b>Total Expenditures</b>	<b>\$ 5,476,494</b>	<b>\$ 5,121,675</b>	<b>\$ 5,626,759</b>	<b>\$ 150,265</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 24,655	\$ (50,914)	\$ (164,277)	\$ 188,932
Net Change in Fund Balance	\$ 24,655	\$ (50,914)	\$ (164,277)	\$ 188,932
Fund Balance, July 1, 2007	627,372	625,496	625,496	1,876
<b>Fund Balance, June 30, 2008</b>	<b>\$ 652,027</b>	<b>\$ 574,582</b>	<b>\$ 461,219</b>	<b>\$ 190,808</b>

Exhibit J-9

Pickett County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Pickett County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 426,017	\$ 443,543	\$ 444,466	\$ (18,449)
Total Revenues	\$ 426,017	\$ 443,543	\$ 444,466	\$ (18,449)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 217,570	\$ 216,734	\$ 216,734	\$ (836)
Special Education Program	146,043	164,625	164,625	18,582
Vocational Education Program	11,787	10,864	11,787	0
<u>Support Services</u>				
Other Student Support	3,434	4,215	4,215	781
Regular Instruction Program	37,154	37,210	37,210	56
Special Education Program	4,432	4,500	4,500	68
Vocational Education Program	714	714	714	0
Transportation	4,269	4,681	4,681	412
Total Expenditures	\$ 425,403	\$ 443,543	\$ 444,466	\$ 19,063
Excess (Deficiency) of Revenues Over Expenditures	\$ 614	\$ 0	\$ 0	\$ 614
Net Change in Fund Balance	\$ 614	\$ 0	\$ 0	\$ 614
Fund Balance, July 1, 2007	2,506	0	0	2,506
Fund Balance, June 30, 2008	\$ 3,120	\$ 0	\$ 0	\$ 3,120

Exhibit J-10

Pickett County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Pickett County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 107,548	\$ 115,500	\$ 115,500	\$ (7,952)
Other Local Revenues	316	188	188	128
State of Tennessee	3,715	3,800	3,800	(85)
Federal Government	233,103	215,000	215,000	18,103
Total Revenues	<u>\$ 344,682</u>	<u>\$ 334,488</u>	<u>\$ 334,488</u>	<u>\$ 10,194</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 293,673	\$ 328,034	\$ 328,034	\$ 34,361
Total Expenditures	<u>\$ 293,673</u>	<u>\$ 328,034</u>	<u>\$ 328,034</u>	<u>\$ 34,361</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 51,009</u>	<u>\$ 6,454</u>	<u>\$ 6,454</u>	<u>\$ 44,555</u>
Net Change in Fund Balance	\$ 51,009	\$ 6,454	\$ 6,454	\$ 44,555
Fund Balance, July 1, 2007	<u>2,464</u>	<u>0</u>	<u>0</u>	<u>2,464</u>
Fund Balance, June 30, 2008	<u>\$ 53,473</u>	<u>\$ 6,454</u>	<u>\$ 6,454</u>	<u>\$ 47,019</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Pickett County, Tennessee  
Schedule of Changes in Long-term Notes, Capital Leases, and Bonds  
Primary Government and Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Paid and/or Matured During Period	Outstanding 6-30-08
<u>PRIMARY GOVERNMENT</u>							
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
EMS Building Expansion	\$ 175,000	5.05 %	6-24-04	6-1-11	\$ 107,000	\$ 25,000	\$ 82,000
Sheriff's Cars and Ambulance	212,000	4.29	11-28-06	11-1-09	212,000	68,000	144,000
Highway Equipment	300,000	4.1	6-8-07	6-15-12	300,000	55,212	244,788
Total Payable through General Debt Service Fund					\$ 619,000	\$ 148,212	\$ 470,788
<u>Payable through Highway/Public Works Fund</u>							
Highway, Street, Road Improvements, and Refunding (1)	1,000,000	4.1	4-20-07	6-10-19	\$ 1,000,000	\$ 65,876	\$ 934,124
Total Payable through Highway/Public Works Fund					\$ 1,000,000	\$ 65,876	\$ 934,124
Total Notes Payable					\$ 1,619,000	\$ 214,088	\$ 1,404,912
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Fund</u>							
Fire Truck	115,229	6.1	7-15-00	7-15-07	\$ 19,523	\$ 19,523	\$ 0
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Nursing Home	1,200,000	5	8-31-1982	1-1-21	\$ 705,000	\$ 35,000	\$ 670,000
Nursing Home Addition - FHA	425,000	6	5-18-1990	5-18-23	302,786	11,746	291,040
Public Library	390,000	4.125	11-1-06	6-1-33	323,295	23,041	300,254
Total Bonds Payable					\$ 1,331,081	\$ 69,787	\$ 1,261,294
<u>DISCRETELY PRESENTED PICKETT COUNTY SCHOOL DEPARTMENT</u>							
<u>BONDS PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
K-8 Elementary School Building	5,500,000	3.3 to 4.9	1-28-1999	6-1-24	\$ 4,315,000	\$ 175,000	\$ 4,140,000

(1) \$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 K-2

Pickett County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Pickett County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 222,177	\$ 54,811	\$ 276,988
2010	232,448	45,138	277,586
2011	165,940	36,696	202,636
2012	142,422	29,748	172,170
2013	80,836	24,811	105,647
2014	84,213	21,434	105,647
2015	87,732	17,915	105,647
2016	91,397	14,250	105,647
2017	95,215	10,432	105,647
2018	99,194	6,454	105,648
2019	103,338	2,309	105,647
Total	\$ 1,404,912	\$ 263,998	\$ 1,668,910

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 59,862	\$ 63,730	\$ 123,592
2010	60,938	60,660	121,598
2011	62,068	57,530	119,598
2012	68,259	54,339	122,598
2013	69,518	50,830	120,348
2014	75,846	47,252	123,098
2015	77,248	43,349	120,597
2016	78,729	39,369	118,098
2017	85,292	35,306	120,598
2018	91,942	30,906	122,848
2019	93,685	26,163	119,848
2020	100,526	21,321	121,847
2021	107,469	17,004	124,473
2022	39,522	10,576	50,098
2023	40,831	8,406	49,237
2024	13,748	6,616	20,364
2025	14,325	6,039	20,364
2026	14,928	5,436	20,364
2027	15,555	4,809	20,364
2028	16,209	4,155	20,364
2029	16,891	3,473	20,364
2030	17,601	2,763	20,364
2031	18,341	2,023	20,364
2032	19,112	1,252	20,364
2033	2,849	451	3,300
Total	\$ 1,261,294	\$ 603,758	\$ 1,865,052

(Continued)

Exhibit K-2

Pickett County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Pickett County School Department (Cont.)

DISCRETELY PRESENTED PICKETT COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 180,000	\$ 192,323	\$ 372,323
2010	190,000	184,853	374,853
2011	200,000	176,873	376,873
2012	205,000	168,373	373,373
2013	215,000	159,558	374,558
2014	225,000	150,098	375,098
2015	235,000	140,085	375,085
2016	245,000	129,393	374,393
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	17,636	377,636
Total	<u>\$ 4,140,000</u>	<u>\$ 1,866,272</u>	<u>\$ 6,006,272</u>

Exhibit K-3

Pickett County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Picket County School Department  
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 57,025	\$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u> , and Chapter 104, Private Acts of 1957	54,310 (1)	100,000	"
Director of Schools	State Board of Education and Pickett County Board of Education	73,500 (2)	(4)	"
Trustee	Section 8-24-102, <u>TCA</u>	49,372	276,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	49,372	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	49,372	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	49,372	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	49,372	50,000	"
Register	Section 8-24-102, <u>TCA</u>	49,372	15,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	54,310 (3)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Does not include monthly travel payments totaling \$1,800 approved by private act.
- (2) The director of schools also served as the special education director. The salary listed above includes \$29,000 for the special education director and \$1,000 for a chief executive officer training supplement.
- (3) Includes law enforcement training supplement of \$600.
- (4) The director of schools is covered by the \$150,000 employee blanket bond.

Exhibit K-4

Pickett County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2008

	Special Revenue Funds					Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Highway / Public Works	General	Debt Service	Health Department Projects	HUD Grant Projects				
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 793,200	\$ 0	\$ 0	\$ 66,794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 859,994		
Trustee's Collections - Prior Year	42,460	0	0	3,576	0	0	0	0	46,036		
Circuit/Clerk & Master Collections - Prior Years	14,274	0	0	1,202	0	0	0	0	15,476		
Interest and Penalty	8,144	0	0	686	0	0	0	0	8,830		
Payments in-Lieu-of Taxes - Other	41,125	0	0	1,286	0	0	0	0	42,411		
<u>County Local Option Taxes</u>											
Local Option Sales Tax	205,544	0	0	0	0	0	0	0	205,544		
Wheel Tax	0	0	0	31,035	0	0	0	0	31,035		
Litigation Tax - General	9,786	0	0	0	0	0	0	0	9,786		
Litigation Tax - Special Purpose	1,018	0	0	0	0	0	0	0	1,018		
Business Tax	1,908	0	0	0	0	0	0	0	1,908		
Mineral Severance Tax	15,109	0	0	0	0	0	0	0	15,109		
<u>Statutory Local Taxes</u>											
Bank Excise Tax	33,001	0	0	0	0	0	0	0	33,001		
Wholesale Beer Tax	297,966	0	0	0	0	0	0	0	297,966		
Total Local Taxes	\$ 1,463,535	\$ 0	\$ 0	\$ 104,579	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,568,114		
<u>Licenses and Permits</u>											
Licenses	\$ 256	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 256		
Marriage Licenses											
Permits	3,100	0	0	0	0	0	0	0	3,100		
Beer Permits	3,356	0	0	0	0	0	0	0	3,356		
Total Licenses and Permits	\$ 3,356	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,356		
<u>Fines, Forfeitures, and Penalties</u>											
<u>Circuit Court</u>											
Fines	\$ 3,809	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,809		
Officers Costs	473	0	0	0	0	0	0	0	473		
Drug Control Fines	0	284	0	0	0	0	0	0	284		
Drug Court Fees	60	0	0	0	0	0	0	0	60		
Jail Fees	355	0	0	0	0	0	0	0	355		
DUI Treatment Fines	255	0	0	0	0	0	0	0	255		

(Continued)

Exhibit K-4

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

	Debt Service Fund										Total	
	Special Revenue Funds					Capital Projects Funds						
	General	Drug Control	Highway / Public Works	General	Debt Service	Health Department Projects	HUD Grant Projects	HUD Grant Projects	HUD Grant Projects	HUD Grant Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>												
<u>Circuit Court (Cont.)</u>												
Data Entry Fee - Circuit Court	\$ 118	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 118
<u>General Sessions Court</u>												
Fines	8,232	0	0	0	0	0	0	0	0	0	0	8,232
Officers Costs	2,990	0	0	0	0	0	0	0	0	0	0	2,990
Game and Fish Fines	417	0	0	0	0	0	0	0	0	0	0	417
Drug Control Fines	0	7,499	0	0	0	0	0	0	0	0	0	7,499
Drug Court Fees	731	0	0	0	0	0	0	0	0	0	0	731
Jail Fees	2,698	0	0	0	0	0	0	0	0	0	0	2,698
DUI Treatment Fines	1,235	0	0	0	0	0	0	0	0	0	0	1,235
Data Entry Fee - General Sessions Court	766	0	0	0	0	0	0	0	0	0	0	766
<u>Chancery Court</u>												
Officers Costs	752	0	0	0	0	0	0	0	0	0	0	752
Data Entry Fee - Chancery Court	54	0	0	0	0	0	0	0	0	0	0	54
Courtroom Security Fee	6	0	0	0	0	0	0	0	0	0	0	6
<u>Other Courts - In-county</u>												
Fines	426	0	0	0	0	0	0	0	0	0	0	426
<u>Other Fines, Forfeitures, and Penalties</u>												
Other Fines, Forfeitures, and Penalties	80	0	0	0	0	0	0	0	0	0	0	80
Total Fines, Forfeitures, and Penalties	\$ 23,457	\$ 7,783	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,240

Charges for Current Services												
General Service Charges												
Patient Charges	\$ 515,124	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 515,124
Other General Service Charges	3,372	0	0	0	0	0	0	0	0	0	0	3,372
<u>Fees</u>												
Copy Fees	1,093	0	0	0	0	0	0	0	0	0	0	1,093
Data Processing Fee - Register	2,956	0	0	0	0	0	0	0	0	0	0	2,956
Probation Fees	29,317	0	0	0	0	0	0	0	0	0	0	29,317
Sexual Offender Registration Fees - Sheriff	300	0	0	0	0	0	0	0	0	0	0	300
Total Charges for Current Services	\$ 552,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 552,162

(Continued)

Exhibit K-4

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

	Debt Service Fund							Total
	Special Revenue Funds			Capital Projects Funds		HUD	Grant	
	General	Drug Control	Highway / Public Works	General	Health Department Projects			
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 26,990	\$ 0	\$ 0	\$ 0	\$ 8	\$ 0	\$ 0	\$ 26,998
Lease/Rentals	40,200	0	0	120,000	0	0	0	160,200
Miscellaneous Refunds	5,920	0	247	0	0	0	0	6,167
<u>Nonrecurring Items</u>								
Sale of Equipment	0	0	3,700	0	0	0	0	3,700
Damages Recovered from Individuals	0	0	0	10,554	0	0	0	10,554
Contributions and Gifts	2,437	7,578	900	0	0	0	0	10,915
<u>Other Local Revenues</u>								
Other Local Revenues	1,474	0	15,058	0	0	0	0	16,532
Total Other Local Revenues	\$ 77,021	\$ 7,578	\$ 19,905	\$ 130,554	\$ 8	\$ 0	\$ 0	\$ 235,066
<u>Fees Received from County Officials</u>								
<u>Fees in-Lieu-of Salary</u>								
County Clerk	\$ 63,520	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 63,520
Circuit Court Clerk	12,221	0	0	0	0	0	0	12,221
General Sessions Court Clerk	18,039	0	0	0	0	0	0	18,039
Clerk and Master	5,693	0	0	0	0	0	0	5,693
Probate Court Clerk	2,443	0	0	0	0	0	0	2,443
Register	37,543	0	0	0	0	0	0	37,543
Sheriff	1,343	0	0	0	0	0	0	1,343
Trustee	74,876	0	0	0	0	0	0	74,876
Total Fees Received from County Officials	\$ 215,678	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 215,678
<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	7,408	0	0	0	0	0	0	7,408
State Reappraisal Grant	3,461	0	0	0	0	0	0	3,461
<u>Public Safety Grants</u>								
Law Enforcement Training Programs	4,200	0	0	0	0	0	0	4,200
<u>Health and Welfare Grants</u>								
Other Health and Welfare Grants	2,077	0	0	0	0	0	0	2,077

(Continued)

Exhibit K-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	Highway / Public Works	General	Debt Service	Health Department Projects	HUD			
							Grant	Projects		
<u>State of Tennessee (Cont.)</u>										
<u>Public Works Grants</u>										
Litter Program	\$ 29,237	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 29,237	
<u>Other State Revenues</u>										
Flood Control	153,070	0	0	0	0	0	0	0	153,070	
Income Tax	13,413	0	0	0	0	0	0	0	13,413	
Beer Tax	19,312	0	0	0	0	0	0	0	19,312	
Alcoholic Beverage Tax	11,648	0	0	0	0	0	0	0	11,648	
State Revenue Sharing - T.V.A.	147,311	0	0	0	0	0	0	0	147,311	
Contracted Prisoner Boarding	8,833	0	0	0	0	0	0	0	8,833	
Gasoline and Motor Fuel Tax	0	0	1,231,622	0	0	0	0	0	1,231,622	
Petroleum Special Tax	0	0	3,971	0	0	0	0	0	3,971	
T.B.I. - Equipment Reimbursement	38	0	0	0	0	0	0	0	38	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380	
Other State Grants	47,729	0	0	0	0	0	0	0	47,729	
Other State Revenues	21,066	0	0	0	0	0	0	0	21,066	
Total State of Tennessee	\$ 494,183	\$ 0	\$ 1,235,593	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,729,776	
<u>Federal Government</u>										
<u>Federal Through State</u>										
Other Federal through State	\$ 30,234	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,514	\$ 0	\$ 58,748	
<u>Direct Federal Revenue</u>										
Police Service (Lake Area)	11,442	0	0	0	0	0	0	0	11,442	
Total Federal Government	\$ 41,676	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,514	\$ 0	\$ 70,190	
<u>Other Governments and Citizens Groups</u>										
<u>Other Governments</u>										
Contracted Services	\$ 44,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,625	
Total Other Governments and Citizens Groups	\$ 44,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,625	
Total	\$ 2,915,693	\$ 15,361	\$ 1,255,498	\$ 235,133	\$ 8	\$ 28,514	\$ 4,450,207			

Exhibit K-5

Pickett County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 511,188	\$ 0	\$ 0	\$ 511,188
Trustee's Collections - Prior Year	25,449	0	0	25,449
Circuit/Clerk & Master Collections - Prior Years	9,166	0	0	9,166
Interest and Penalty	5,229	0	0	5,229
Payments in-Lieu-of Taxes - Other	9,780	0	0	9,780
<u>County Local Option Taxes</u>				
Local Option Sales Tax	225,935	0	0	225,935
Business Tax	23,196	0	0	23,196
Other County Local Option Taxes	187,705	0	0	187,705
Total Local Taxes	\$ 997,648	\$ 0	\$ 0	\$ 997,648
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 256	\$ 0	\$ 0	\$ 256
Total Licenses and Permits	\$ 256	\$ 0	\$ 0	\$ 256
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 39,636	\$ 39,636
Lunch Payments - Adults	0	0	16,462	16,462
Income from Breakfast	0	0	24,762	24,762
A la carte Sales	0	0	26,688	26,688
TBI Criminal Background Fees	720	0	0	720
Total Charges for Current Services	\$ 720	\$ 0	\$ 107,548	\$ 108,268
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 25,233	\$ 0	\$ 316	\$ 25,549
Miscellaneous Refunds	40,865	0	0	40,865
<u>Other Local Revenues</u>				
Other Local Revenues	13,196	0	0	13,196
Total Other Local Revenues	\$ 79,294	\$ 0	\$ 316	\$ 79,610
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 285,023	\$ 0	\$ 0	\$ 285,023
<u>State Education Funds</u>				
Basic Education Program	3,690,772	0	0	3,690,772
School Food Service	0	0	3,715	3,715
Driver Education	2,990	0	0	2,990
Other State Education Funds	257,614	0	0	257,614
Career Ladder Program	61,503	0	0	61,503
Career Ladder - Extended Contract	33,273	0	0	33,273
<u>Other State Revenues</u>				
Other State Revenues	5,673	0	0	5,673
Total State of Tennessee	\$ 4,336,848	\$ 0	\$ 3,715	\$ 4,340,563

(Continued)

Exhibit K-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 145,754	\$ 145,754
Breakfast	0	0	55,820	55,820
USDA - Other	0	0	31,529	31,529
Adult Education State Grant Program	12,259	0	0	12,259
Vocational Education - Basic Grants to States	0	15,216	0	15,216
Title I Grants to Local Education Agencies	0	177,143	0	177,143
Innovative Education Program Strategies	0	15,343	0	15,343
Special Education - Grants to States	0	154,954	0	154,954
Special Education Preschool Grants	0	1,495	0	1,495
Safe and Drug-Free Schools - State Grants	0	2,505	0	2,505
Rural Education	0	5,712	0	5,712
Eisenhower Professional Development State Grants	0	52,624	0	52,624
Job Training Partnership Act	21,842	0	0	21,842
Other Federal through State	9,500	1,025	0	10,525
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	42,782	0	0	42,782
Total Federal Government	<u>\$ 86,383</u>	<u>\$ 426,017</u>	<u>\$ 233,103</u>	<u>\$ 745,503</u>
Total	<u>\$ 5,501,149</u>	<u>\$ 426,017</u>	<u>\$ 344,682</u>	<u>\$ 6,271,848</u>

Exhibit K-6

Pickett County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	25,900	
Audit Services		1,886	
Contracts with Other Public Agencies		234	
Dues and Memberships		1,748	
Legal Notices, Recording, and Court Costs		974	
Total County Commission			\$ 30,742

Board of Equalization

Board and Committee Members Fees	\$	200	
Total Board of Equalization			200

Beer Board

Board and Committee Members Fees	\$	2,160	
Legal Services		538	
Total Beer Board			2,698

County Mayor/Executive

County Official/Administrative Officer	\$	57,025	
Accountants/Bookkeepers		23,920	
Secretary(ies)		12,437	
Communication		2,398	
Data Processing Services		6,579	
Dues and Memberships		800	
Postal Charges		771	
Printing, Stationery, and Forms		62	
Office Supplies		5,272	
Other Supplies and Materials		391	
Total County Mayor/Executive			109,655

Election Commission

County Official/Administrative Officer	\$	44,435	
Secretary(ies)		17,828	
Election Commission		6,512	
Election Workers		4,552	
Communication		1,552	
Data Processing Services		10,236	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		792	
Postal Charges		463	
Travel		4,425	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Office Supplies	\$	1,002	
Other Supplies and Materials		<u>522</u>	
Total Election Commission			\$ 92,494

Register of Deeds

County Official/Administrative Officer	\$	49,372	
Other Salaries and Wages		15,873	
Communication		588	
Dues and Memberships		351	
Maintenance Agreements		756	
Postal Charges		336	
Duplicating Supplies		1,414	
Office Supplies		<u>2,811</u>	
Total Register of Deeds			71,501

Planning

Contracts with Government Agencies	\$	<u>2,875</u>	
Total Planning			2,875

County Buildings

Custodial Personnel	\$	35,086	
Communication		4,268	
Maintenance and Repair Services - Buildings		27,348	
Maintenance and Repair Services - Vehicles		2,075	
Custodial Supplies		5,961	
Electricity		50,723	
Gasoline		663	
Uniforms		306	
Water and Sewer		8,155	
Other Supplies and Materials		<u>1,118</u>	
Total County Buildings			135,703

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	49,372	
Communication		551	
Legal Notices, Recording, and Court Costs		52	
Postal Charges		60	
Travel		3,191	
Other Contracted Services		2,900	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Office Supplies	\$ 111	
Total Property Assessor's Office		\$ 56,237

County Trustee's Office

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	8,057	
Communication	1,460	
Data Processing Services	4,844	
Dues and Memberships	271	
Legal Notices, Recording, and Court Costs	276	
Postal Charges	2,134	
Printing, Stationery, and Forms	467	
Other Contracted Services	2,900	
Office Supplies	915	
Refunds	4,214	
Total County Trustee's Office		74,910

County Clerk's Office

County Official/Administrative Officer	\$ 49,372	
Deputy(ies)	19,831	
Communication	873	
Dues and Memberships	346	
Postal Charges	1,628	
Printing, Stationery, and Forms	264	
Office Supplies	1,616	
Other Supplies and Materials	800	
Total County Clerk's Office		74,730

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 49,372
Deputy(ies)	16,990
Jury and Witness Fees	5,080
Communication	3,482
Data Processing Services	9,958
Dues and Memberships	271
Legal Notices, Recording, and Court Costs	152
Postal Charges	491
Remittance of Revenue Collected	931
Office Supplies	3,904

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Other Supplies and Materials	\$ 614	
Total Circuit Court		\$ 91,245

General Sessions Judge

Judge(s)	\$ 58,288	
Legal Services	8,250	
Other Supplies and Materials	150	
Total General Sessions Judge		66,688

Chancery Court

County Official/Administrative Officer	\$ 49,372	
Communication	1,164	
Dues and Memberships	271	
Postal Charges	728	
Office Supplies	1,137	
Periodicals	431	
Total Chancery Court		53,103

Juvenile Court

Youth Service Officer(s)	\$ 10,606	
Communication	62	
Travel	454	
Office Supplies	374	
Total Juvenile Court		11,496

Judicial Commissioners

Other Per Diem and Fees	\$ 5,794	
Office Supplies	88	
Total Judicial Commissioners		5,882

Probation Services

Probation Officer(s)	\$ 21,462	
Other Salaries and Wages	12,798	
Other Supplies and Materials	936	
Total Probation Services		35,196

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 54,310	
Deputy(ies)	295,512	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Salary Supplements	\$	4,200	
In-Service Training		1,310	
Dues and Memberships		825	
Maintenance and Repair Services - Equipment		574	
Maintenance and Repair Services - Vehicles		23,593	
Postal Charges		939	
Tow-in Services		250	
Gasoline		43,708	
Office Supplies		7,341	
Tires and Tubes		4,438	
Uniforms		9,392	
Total Sheriff's Department			\$ 446,392

Drug Enforcement

Animal Food and Supplies	\$	563	
Total Drug Enforcement			563

Jail

Deputy(ies)	\$	109,381	
Communication		6,901	
Contracts with Government Agencies		22,575	
Laundry Service		228	
Maintenance and Repair Services - Buildings		9,800	
Medical and Dental Services		37,557	
Custodial Supplies		1,414	
Food Supplies		34,056	
Total Jail			221,912

Fire Prevention and Control

Contributions	\$	39,000	
Principal on Capital Leases		19,523	
Interest on Capital Leases		1,192	
Total Fire Prevention and Control			59,715

Rescue Squad

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

Other Emergency Management

Other Equipment	\$	2,895	
Total Other Emergency Management			2,895

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Medical and Dental Services	\$ 5,650	
Total County Coroner/Medical Examiner		\$ 5,650

Other Public Safety

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

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 8,867	
Communication	1,512	
Dues and Memberships	100	
Medical and Dental Services	208	
Custodial Supplies	674	
Electricity	5,042	
Office Supplies	634	
Water and Sewer	412	
Other Supplies and Materials	921	
Building Improvements	872	
Total Local Health Center		19,242

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 34,566
Medical Personnel	382,119
In-Service Training	1,442
Communication	5,270
Dues and Memberships	140
Licenses	650
Maintenance and Repair Services - Buildings	2,874
Maintenance and Repair Services - Equipment	658
Maintenance and Repair Services - Vehicles	8,251
Postal Charges	615
Tow-in Services	180
Other Contracted Services	3,275
Custodial Supplies	2,070
Drugs and Medical Supplies	14,890
Electricity	8,528
Gasoline	22,570
Office Supplies	3,801
Tires and Tubes	1,352

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Uniforms	\$	5,190	
Water and Sewer		1,259	
Refunds		8,798	
Data Processing Equipment		4,669	
Total Ambulance/Emergency Medical Services			\$ 513,167

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 and Wages	\$	1,544	
Travel		163	
Total Other Public Health and Welfare			1,707

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	18,959	
Total Senior Citizens Assistance			18,959

Libraries

County Official/Administrative Officer	\$	20,567	
Assistant(s)		17,780	
Communication		1,519	
Postal Charges		244	
Office Supplies		2,590	
Data Processing Equipment		1,289	
Office Equipment		80	
Total Libraries			44,069

Other Social, Cultural, and Recreational

Supervisor/Director	\$	23,771	
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(Continued)

Exhibit K-6

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 (Cont.)

Other Salaries and Wages	\$	4,368	
Communication		462	
Postal Charges		41	
Travel		605	
Office Supplies		93	
Other Supplies and Materials		512	
Total Other Social, Cultural, and Recreational	\$		29,852

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,573	
Contributions		3,992	
Other Contracted Services		17,648	
Office Supplies		19	
Other Supplies and Materials		2,963	
Total Agriculture Extension Service			26,195

Soil Conservation

Secretary(ies)	\$	7,212	
Communication		970	
Contributions		7,980	
Total Soil Conservation			16,162

Other Operations

Tourism

Contributions	\$	20,000	
Total Tourism			20,000

Veterans' Services

Other Salaries and Wages	\$	14,920	
Communication		533	
Office Supplies		924	
Total Veterans' Services			16,377

Other Charges

Travel	\$	5,455	
Building and Contents Insurance		9,541	
Liability Insurance		33,738	
Premiums on Corporate Surety Bonds		4,568	
Trustee's Commission		27,320	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Vehicle and Equipment Insurance	\$ 22,511	
Liability Claims	3,201	
Total Other Charges		\$ 106,334

Contributions to Other Agencies

Contributions	\$ 11,850	
Total Contributions to Other Agencies		11,850

Employee Benefits

Social Security	\$ 129,360	
State Retirement	110,894	
Unemployment Compensation	12,682	
Workers' Compensation Insurance	61,150	
Total Employee Benefits		314,086

Miscellaneous

Highway Equipment	\$ 172,476	
Other Capital Outlay	40,785	
Total Miscellaneous		213,261

Total General Fund \$ 3,054,448

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 2,000	
Other Supplies and Materials	11,483	
Total Drug Enforcement		\$ 13,483

Total Drug Control Fund 13,483

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 54,310
Accountants/Bookkeepers	11,340
Advertising	360
Data Processing Services	3,712
Dues and Memberships	1,867
Maintenance and Repair Services - Office Equipment	13

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Postal Charges	\$	328	
Travel		1,800	
Office Supplies		1,526	
Other Charges		1,935	
Total Administration			\$ 77,191

Highway and Bridge Maintenance

Foremen	\$	48,183	
Laborers		388,807	
Asphalt		18,193	
Crushed Stone		130,911	
Pipe		10,863	
Road Signs		1,214	
Salt		2,415	
Other Charges		3,417	
Total Highway and Bridge Maintenance			604,003

Operation and Maintenance of Equipment

Mechanic(s)	\$	90,509	
Maintenance and Repair Services - Vehicles		4,326	
Diesel Fuel		66,824	
Equipment and Machinery Parts		54,726	
Gasoline		32,702	
Lubricants		4,729	
Propane Gas		816	
Tires and Tubes		9,710	
Other Supplies and Materials		8,565	
Other Charges		14,233	
Total Operation and Maintenance of Equipment			287,140

Quarry Operations

Laborers	\$	10,326	
Communication		179	
Operating Lease Payments		650	
Utilities		251	
Total Quarry Operations			11,406

Other Charges

Communication	\$	4,300	
Contributions		2,600	

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Utilities	\$	5,261	
Building and Contents Insurance		652	
Liability Insurance		5,366	
Premiums on Corporate Surety Bonds		253	
Trustee's Commission		12,341	
Vehicle and Equipment Insurance		14,639	
Total Other Charges			\$ 45,412

Employee Benefits

Social Security	\$	46,166	
State Retirement		40,492	
Unemployment Compensation		7,603	
Workers' Compensation Insurance		25,437	
Total Employee Benefits			119,698

Capital Outlay

Building Improvements	\$	3,700	
Highway Construction		187,219	
Highway Equipment		4,000	
Total Capital Outlay			194,919

Principal on Debt

Highways and Streets

Principal on Notes	\$	65,876	
Total Highways and Streets			65,876

Interest on Debt

Highways and Streets

Interest on Notes	\$	39,771	
Total Highways and Streets			39,771

Total Highway/Public Works Fund \$ 1,445,416

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	69,787	
Principal on Notes		148,212	
Total General Government			\$ 217,999

(Continued)

Exhibit K-6

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$ 66,449	
Interest on Notes	<u>23,737</u>	
Total General Government		\$ 90,186

Other Debt Service

General Government

Trustee's Commission	\$ 1,470	
Total General Government		<u>1,470</u>

Total General Debt Service Fund		\$ 309,655
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Industrial Park Projects Fund

Other Operations

Industrial Development

Other Supplies and Materials	\$ 133	
Total Industrial Development		<u>\$ 133</u>

Total Industrial Park Projects Fund		133
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HUD Grant Projects Fund

Other Operations

Housing and Urban Development

Other Contracted Services	\$ 28,514	
Total Housing and Urban Development		<u>\$ 28,514</u>

Total HUD Grant Projects Fund		<u>28,514</u>
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Total Governmental Funds - Primary Government		<u>\$ 4,851,649</u>
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Exhibit K-7

Pickett County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,711,842	
Career Ladder Program	34,000	
Career Ladder Extended Contracts	27,650	
Certified Substitute Teachers	5,971	
Non-certified Substitute Teachers	32,835	
Social Security	102,972	
State Retirement	110,650	
Medical Insurance	111,830	
Employer Medicare	24,082	
Maintenance and Repair Services - Equipment	1,087	
Other Contracted Services	13,112	
Instructional Supplies and Materials	21,378	
Textbooks	50,795	
Regular Instruction Equipment	50,089	
Total Regular Instruction Program		\$ 2,298,293

Special Education Program

Teachers	\$ 210,360	
Career Ladder Program	4,000	
Homebound Teachers	5,588	
Social Security	11,928	
State Retirement	13,663	
Medical Insurance	21,525	
Employer Medicare	2,790	
Total Special Education Program		269,854

Vocational Education Program

Teachers	\$ 240,001	
Career Ladder Program	8,000	
Other Salaries and Wages	15,003	
Social Security	14,778	
State Retirement	16,474	
Medical Insurance	17,997	
Employer Medicare	3,456	
Other Charges	9,858	
Total Vocational Education Program		325,567

Adult Education Program

Supervisor/Director	\$ 11,095	
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(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Teachers	\$	4,428	
Social Security		876	
State Retirement		692	
Employer Medicare		205	
Travel		70	
Instructional Supplies and Materials		791	
In Service/Staff Development		889	
Total Adult Education Program			\$ 19,046

Support Services

Attendance

Supervisor/Director	\$	37,046	
Social Security		2,103	
State Retirement		2,312	
Employer Medicare		492	
Travel		922	
Other Supplies and Materials		400	
Total Attendance			43,275

Health Services

Medical Personnel	\$	17,149	
Other Salaries and Wages		58,545	
Social Security		4,643	
State Retirement		5,109	
Medical Insurance		82	
Employer Medicare		1,086	
Communication		355	
Postal Charges		615	
Travel		1,944	
Other Contracted Services		1,677	
Drugs and Medical Supplies		27	
Instructional Supplies and Materials		10,000	
Other Supplies and Materials		27,766	
In Service/Staff Development		17,514	
Total Health Services			146,512

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		82,175	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Security	\$	4,681	
State Retirement		5,190	
Medical Insurance		5,609	
Employer Medicare		1,095	
Evaluation and Testing		3,849	
Travel		119	
Total Other Student Support			\$ 103,718

Regular Instruction Program

Supervisor/Director	\$	60,395	
Career Ladder Program		2,000	
Librarians		80,250	
Instructional Computer Personnel		28,071	
Social Security		10,209	
State Retirement		10,653	
Medical Insurance		9,155	
Employer Medicare		2,388	
Travel		1,583	
In Service/Staff Development		3,000	
Total Regular Instruction Program			207,704

Special Education Program

Supervisor/Director	\$	29,000	
Social Security		1,628	
State Retirement		1,810	
Employer Medicare		381	
Travel		479	
Other Contracted Services		1,200	
Other Supplies and Materials		41	
Total Special Education Program			34,539

Other Programs

On-Behalf Payments to OPEB	\$	285,023	
Total Other Programs			285,023

Board of Education

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

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

State Retirement	\$	90	
Life Insurance		4,477	
Employer Medicare		104	
Audit Services		2,025	
Dues and Memberships		3,023	
Legal Services		135	
Travel		1,435	
Trustee's Commission		27,833	
Workers' Compensation Insurance		23,235	
In Service/Staff Development		2,138	
Criminal Investigation of Applicants - TBI		720	
Other Charges		9,329	
Total Board of Education			\$ 82,190

Director of Schools

County Official/Administrative Officer	\$	43,500	
Career Ladder Program		1,000	
Social Security		2,505	
State Retirement		2,777	
Medical Insurance		5,555	
Employer Medicare		586	
Communication		3,996	
Dues and Memberships		812	
Postal Charges		239	
Travel		651	
Total Director of Schools			61,621

Office of the Principal

Principals	\$	108,490	
Career Ladder Program		2,000	
Secretary(ies)		46,281	
Social Security		8,387	
State Retirement		10,352	
Medical Insurance		16,826	
Employer Medicare		1,961	
Communication		399	
Postal Charges		82	
Travel		773	
Total Office of the Principal			195,551

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	45,869	
Social Security		2,728	
State Retirement		3,542	
Medical Insurance		1,398	
Employer Medicare		665	
Total Fiscal Services			\$ 54,202

Operation of Plant

Custodial Personnel	\$	100,983	
Social Security		6,001	
State Retirement		6,941	
Employer Medicare		1,403	
Other Contracted Services		5,375	
Electricity		132,300	
Natural Gas		47,712	
Water and Sewer		16,044	
Other Supplies and Materials		34,590	
Building and Contents Insurance		32,992	
Total Operation of Plant			384,341

Maintenance of Plant

Supervisor/Director	\$	29,697	
Maintenance Personnel		34,760	
Social Security		3,727	
State Retirement		4,450	
Employer Medicare		872	
Maintenance and Repair Services - Buildings		22,748	
Maintenance and Repair Services - Equipment		11,348	
Travel		90	
Other Supplies and Materials		6,286	
Other Charges		5,159	
Maintenance Equipment		5,245	
Total Maintenance of Plant			124,382

Transportation

Mechanic(s)	\$	35,317	
Bus Drivers		96,160	
Social Security		7,497	
State Retirement		9,232	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Medical Insurance	\$	15,690	
Employer Medicare		1,753	
Communication		407	
Diesel Fuel		40,661	
Garage Supplies		1,001	
Gasoline		7,006	
Lubricants		945	
Tires and Tubes		2,699	
Vehicle Parts		24,236	
Other Charges		4,911	
Transportation Equipment		67,828	
Total Transportation			\$ 315,343

Central and Other

Data Processing Services	\$	5,557	
Maintenance and Repair Services - Equipment		44	
Total Central and Other			5,601

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	33,297	
Clerical Personnel		4,565	
Social Security		2,088	
State Retirement		2,419	
Medical Insurance		3,945	
Employer Medicare		488	
Other Supplies and Materials		70	
Other Charges		3,128	
Total Community Services			50,000

Early Childhood Education

Supervisor/Director	\$	14,999	
Teachers		44,990	
Educational Assistants		12,600	
Social Security		4,310	
State Retirement		4,676	
Medical Insurance		5,721	
Employer Medicare		1,008	
Instructional Supplies and Materials		6,931	
Total Early Childhood Education			95,235

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Bonds	\$ 175,000	
Total Education		\$ 175,000

Interest on Debt

Education

Interest on Bonds	\$ 199,497	
Total Education		<u>199,497</u>

Total General Purpose School Fund		\$ 5,476,494
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 161,199	
Educational Assistants	9,298	
Social Security	9,799	
State Retirement	10,761	
Medical Insurance	10,103	
Employer Medicare	2,292	
Instructional Supplies and Materials	4,969	
Regular Instruction Equipment	<u>9,149</u>	
Total Regular Instruction Program		\$ 217,570

Special Education Program

Educational Assistants	\$ 89,925	
Other Salaries and Wages	976	
Social Security	5,156	
State Retirement	5,777	
Medical Insurance	5,609	
Employer Medicare	1,206	
Other Contracted Services	11,723	
Instructional Supplies and Materials	<u>25,671</u>	
Total Special Education Program		146,043

Vocational Education Program

Instructional Supplies and Materials	\$ 7,351	
Vocational Instruction Equipment	<u>4,436</u>	
Total Vocational Education Program		11,787

(Continued)

Exhibit K-7

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

School Federal Projects Fund (Cont.)

Support Services

Other Student Support

Travel	\$	2,000	
In Service/Staff Development		715	
Other Charges		719	
Total Other Student Support			\$ 3,434

Regular Instruction Program

Supervisor/Director	\$	17,950	
Social Security		1,113	
State Retirement		1,120	
Employer Medicare		260	
Library Books/Media		1,143	
In Service/Staff Development		15,568	
Total Regular Instruction Program			37,154

Special Education Program

Travel	\$	3,932	
In Service/Staff Development		500	
Total Special Education Program			4,432

Vocational Education Program

Travel	\$	214	
In Service/Staff Development		500	
Total Vocational Education Program			714

Transportation

Bus Drivers	\$	3,708	
Social Security		230	
State Retirement		277	
Employer Medicare		54	
Total Transportation			4,269

Total School Federal Projects Fund \$ 425,403

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	106,694	
Social Security		6,551	
State Retirement		4,439	

(Continued)

Exhibit K-7

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Medical Insurance	\$ 728	
Employer Medicare	1,532	
Communication	879	
Maintenance and Repair Services - Equipment	1,937	
Travel	612	
Other Contracted Services	9,076	
Food Preparation Supplies	11,030	
Food Supplies	149,561	
Office Supplies	425	
Other Supplies and Materials	209	
Total Food Service	<u>293,673</u>	<u>\$ 293,673</u>

Total Central Cafeteria Fund \$ 293,673

Total Governmental Funds - Pickett County School Department \$ 6,195,570

Exhibit K-8

Pickett County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2008

	Business-type Activities <hr/> Enterprise Fund <hr/> Solid Waste Disposal Fund
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Tipping Fees	\$ 97,722
<u>Other Local Revenues</u>	
Sale of Recycled Materials	13,187
Total Operating Revenues	<u>\$ 110,909</u>
<u>Nonoperating Revenues</u>	
Local Taxes	\$ 257,735
Investment Income	7,225
Solid Waste Grants	27,114
Total Nonoperating Revenues	<u>\$ 292,074</u>
Total Revenues	<u><u>\$ 402,983</u></u>
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 30,468
Clerical Personnel	17,512
Part-time Personnel	7,878
Other Salaries and Wages	69,528
Social Security	9,592
State Retirement	6,588
Unemployment Compensation	1,611
Advertising	192
Communication	2,053
Contracts with Government Agencies	4,187
Contract with Private Agencies	12,396
Data Processing Services	3,790
Engineering Services	6,282
Evaluation and Testing	8,052
Licenses	3,350
Maintenance and Repair - Buildings	940
Maintenance and Repair - Equipment	14,314
Maintenance and Repair - Vehicles	3,990
Medical and Dental Services	286
Postal Charges	233
Travel	877
Other Contracted Services	47,907

(Continued)

Exhibit K-8

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

	<u>Business-type</u> <u>Activities</u> <u>Enterprise</u> <u>Fund</u> <u>Solid Waste</u> <u>Disposal Fund</u>
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance (Cont.)</u>	
Crushed Stone	\$ 1,286
Custodial Supplies	818
Electricity	10,371
Gasoline	12,938
Office Supplies	532
Tires and Tubes	540
Uniforms	1,849
Water and Sewer	411
Wire	4,093
Other Supplies and Materials	2,209
Trustee's Commission	4,516
Depreciation	44,019
Landfill Closure/Postclosure Care Costs	4,832
Total Operating Expenses	<u>\$ 340,440</u>
<u>Nonoperating Expenses</u>	
Interest on Bonds	<u>\$ 2,057</u>
Total Expenses	<u><u>\$ 342,497</u></u>

Exhibit K-9

Pickett County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 159,514
Total Cash Receipts	<u>\$ 159,514</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 157,919
Trustee's Commission	1,595
Total Cash Disbursements	<u>\$ 159,514</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	 <u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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

REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

December 19, 2008

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

To the County Executive and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Pickett County's basic financial statements and have issued our report thereon dated December 19, 2008. 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 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Pickett County'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: 08.01, 08.02, 08.03, 08.04, 08.05(A,B,C), 08.08, 08.09, 08.11, and 08.14.

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 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 material weaknesses. However, of the significant deficiencies described above, we consider items 08.01, 08.02, and 08.03 to be material weaknesses.

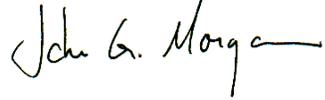
### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pickett County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.05(D), 08.06, 08.07, 08.10, and 08.12.

We consider item 08.13 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 in separate communications.

This report is intended solely for the information and use of management, the county executive, director of schools, road superintendent, County Commission, Board of Education, others within Pickett County, 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". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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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 37243-1402  
PHONE (615) 401-7841

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

December 19, 2008

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Pickett County 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 its major federal programs for the year ended June 30, 2008. Pickett County'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 its major federal programs is the responsibility of Pickett County's management. Our responsibility is to express an opinion on Pickett County'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 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 compliance with those requirements.

In our opinion, Pickett County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

#### Internal Control Over Compliance

The management of Pickett County 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 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 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 the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Pickett County'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, director of schools, road superintendent, County Commission, 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,

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

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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Pickett County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 16,480 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	55,820
National School Lunch Program	10.555	N/A	145,754 (3)
Passed-through State Department of Human Services:			
Summer Food Service Program for Children	10.559	N/A	31,529
Total U.S. Department of Agriculture			<u>\$ 249,583</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnership Program	14.239	HM-05-41	\$ 28,514
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 25,849
U.S. Department of Justice:			
Passed-through Appalachia HIDTA:			
Appalachia High Intensity Drug Traffic Area Program	16.XXX	I8PAPP501Z	\$ 4,868
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
Workforce Investment Act	17.250	08-07-137-007-09-82	\$ 21,842
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-08-024011-00	\$ 16,656
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 42,782
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Programs	84.002	Z-08-020813-00	12,259
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	178,234
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	152,442
Special Education - Preschool Grants	84.173	N/A	2,302
Vocational Education - Basic Grants to States	84.048	N/A	15,216
Safe and Drug-Free Schools and Communities - State Grant	84.186	GG-08-20881-00	13,030
State Grants for Innovative Programs	84.298	N/A	1,143
Education Technology State Grants	84.318	(2)	1,776
Rural Education	84.358	N/A	19,912
Improving Teacher Quality State Grants	84.367	N/A	50,848
Total U.S. Department of Education			<u>\$ 489,944</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-08-201109-00	\$ 1,773
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)	\$ 6,937
Total Expenditures of Federal Awards			<u>\$ 845,966</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Adult Education - State Department of Labor and Workforce Development	N/A	(4)	\$ 7,141
Family Resource Center - State Department of Education	N/A	07-12046	33,300
Coordinated School Health Grant - State Department of Education	N/A	GZ8 AAX 9	95,000
Aging Program - Upper Cumberland Development District	N/A	(2)	7,408
Courtroom Security Grant - Administrative Office of the Courts	N/A	(2)	2,606
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	27,000
Youth Services Program - State Commission on Children and Youth	N/A	Z-08-022798	9,000
Law Enforcement Training - State Department of Safety	N/A	(2)	4,200
Litter Program - State Department of Transportation	N/A	Z-08-021034	29,237
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	3,461
Three Star Energy Education Program - State Department of Economic and Community Development	N/A	Z-08-200506-00	500
Tobacco Use Prevention and Cessation Grant - State Department of Health	N/A	GG-08-23387-00	15,789
Voluntary Lottery Funded Classrooms Grant - State Department of Education	N/A	MW8ACX	94,881
Safe Schools Act - State Department of Education	N/A	(2)	4,600
Rural Health Services - State Department of Health	N/A	Z-08-020379-01	2,077
Volunteer Fire Department Grant - State Department of Agriculture	N/A	Z-08-020258-00	1,834
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	Z-05-020923-00	25,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-08-020258-00	2,114
Total State Grants			<u>\$ 365,148</u>

CFDA = Catalog of Federal Domestic Assistance  
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$162,234.
- (4) Z-08-020813-00: \$4,441; Z-08-021241-00: \$2,700

Pickett County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2008

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, for the year ended June 30, 2007, which have not been corrected.

**OFFICE OF ROAD SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.04	16	The office did not maintain adequate controls over fuel
07.06	17	The office had deficiencies in purchasing procedures

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.08	18	Traffic school collections were not reported and paid to the county in compliance with state statutes
07.09	18	Collections were not receipted and deposited properly
07.10	19	Bank statements were not accurately reconciled with the general ledger for General Sessions Court
07.11	19	Accounting records were not maintained for Probate Court
07.12	20	The execution docket trial balance for the General Sessions Court did not reconcile with general ledger accounts

**OTHER FINDINGS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.13	20	The general sessions judge ordered contributions to charitable or civic organizations contrary to the state attorney general's opinion

**OTHER FINDINGS (Cont.)**

Finding Number	Page Number	Subject
07.14	21	A central system of accounting, budgeting, and purchasing had not been adopted
07.15	21	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

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**PICKETT COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2008**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of Pickett County is unqualified.
2. The audit of the financial statements of Pickett County disclosed significant deficiencies in internal control. Three of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Pickett County.
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 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 did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Management offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **PICKETT COUNTY AND PICKETT COUNTY SCHOOL DEPARTMENT**

#### **FINDING 08.01      **PICKETT COUNTY AND THE PICKETT COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS****

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Pickett County's and the Pickett County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist Pickett County and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

#### **RECOMMENDATION**

Pickett County and the Pickett County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

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## **OFFICE OF COUNTY EXECUTIVE**

### **FINDING 08.02      **THE SOLID WASTE DISPOSAL FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION****

(Internal Control – Material Weakness Under Government Auditing  
Standards)

Generally accepted accounting principles require Pickett County to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, certain general ledger account balances in the Solid Waste Disposal Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

### **RECOMMENDATION**

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

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## **OFFICE OF ROAD SUPERINTENDENT**

### **FINDING 08.03      **THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION****

(Internal Control – Material Weakness Under Government Auditing  
Standards)

Generally accepted accounting principles require the Pickett County Highway Department to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, certain general ledger account balances in the Highway/Public Works Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the Highway Department's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the Highway Department in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the Highway Department has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

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

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FINDING 08.04      **THE HIGHWAY DEPARTMENT DID NOT MAINTAIN ADEQUATE CONTROLS OVER FUEL**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The department dispensed fuel from pumps that did not have meters to measure the amounts dispensed. Therefore, the department did not reconcile amounts used with amounts purchased and on hand. Generally accepted accounting principles require accountability of consumable assets. This deficiency can be attributed to the failure of management to correct audit findings noted in prior reports. The failure to maintain adequate records of consumable assets weakens controls over these assets and increases the risk of inventory loss.

RECOMMENDATION

The department should reconcile fuel usage with fuel purchased and on hand, as well as with gallons pumped.

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FINDING 08.05      **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(A., B., and C. – Internal Control – Significant Deficiency Under Government Auditing Standards; D. – Noncompliance Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following purchasing deficiencies. These deficiencies can be attributed to the lack of management’s oversight of the purchasing process.

- A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. Also, in some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. Furthermore, some purchase orders did not include a dollar limit or a description of the purchase. The dollar amounts and descriptions of items on purchase orders are necessary to quantify purchasing commitments and to identify the items purchased.

- B. In some 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 and increases the risks of paying for something that was never received.
- C. In some instances, the office paid invoices without canceling or marking them paid. This weakness could result in the office paying invoices more than once.
- D. Competitive bids were not solicited for the purchase of crushed stone (\$130,911). Section 54-7-113, Tennessee Code Annotated, requires competitive bids to be solicited through public advertisement for purchases exceeding \$10,000. The road superintendent purchased crushed stone from the quarry closest to the road being repaired because of transportation costs; however, he did not have any documentation supporting the additional costs for transportation. The failure to solicit competitive bids could result in the county paying more than the competitive price.

### RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before the purchase is made and should include a dollar limit and a description of the purchase. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. All invoices should be canceled when paid. Also, competitive bids should be solicited for all purchases exceeding \$10,000.

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### OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Findings 08.06, 08.07, 08.08, 08.09, and 08.10 can be attributed to the failure of management to correct audit findings noted in prior year reports.

#### FINDING 08.06      **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 \$14,734. The majority of these disbursements (\$13,200) 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 (\$1,534) were for community service programs. Section 5-9-401, TCA, requires all funds to be appropriated by the County Commission. On June 30, 2008, the office had traffic school collections of \$2,246 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 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 08.07      **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 appeared that the official issued handwritten receipts because he did not use the computer receipting system. In addition, it appeared the office issued handwritten receipts if a case number was unknown and when the bookkeeper was 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 as required by state statutes.

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### FINDING 08.08      **BANK STATEMENTS FOR GENERAL SESSIONS COURT WERE NOT ACCURATELY RECONCILED WITH THE GENERAL LEDGER**

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Bank statements were not accurately reconciled with the general ledger in General Sessions Court. The clerk had not identified variances between the bank statements and the general ledger balances. These unidentified variances totaled \$2,640 at June 30, 2008. 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.

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FINDING 08.09      **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, 2008.

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.

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FINDING 08.10      **EXECUTION DOCKET TRIAL BALANCES FOR CIRCUIT AND GENERAL SESSIONS COURTS DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**  
(Noncompliance Under Government Auditing Standards)

As of June 30, 2008, the clerk had prepared trial balances of execution docket cause balances for Circuit and General Sessions Courts as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, these trial balances failed to reconcile with general ledger accounts by \$4,135 and \$38,648, respectively. 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.

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### FINDING 08.11      **THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated a daily log that displayed changes made by users. Because this log provided the only audit trail of these changes, it should be reviewed daily for inappropriate activity. Since management was not aware of its importance, they did not review the log during the audit period. It should be noted that during the year under audit, the office began using a new software program that does not allow users to make changes; therefore, the review of this log is no longer necessary.

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## OTHER FINDINGS AND RECOMMENDATIONS

### FINDING 08.12      **THE GENERAL SESSIONS JUDGE ORDERED CONTRIBUTIONS TO CHARITABLE OR CIVIC ORGANIZATIONS CONTRARY TO THE STATE ATTORNEY GENERAL'S OPINION** (Noncompliance Under Government Auditing Standards)

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

## RECOMMENDATION

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

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**FINDING 08.13      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. Sound business practices indicate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort.

**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.

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**FINDING 08.14      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. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

**RECOMMENDATION**

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

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

There were no findings and questioned costs for federal awards.

**PICKETT COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2008**

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