

---

---

# ANNUAL FINANCIAL REPORT PICKETT COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2011



**ANNUAL FINANCIAL REPORT  
PICKETT COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2011**

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

***DIVISION OF COUNTY AUDIT  
JAMES R. ARNETTE  
Director***

***CARL LOWE, CGFM  
Audit Manager***

***STEVE REEDER, CPA, CGFM, CFE  
Auditor 4***

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

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

---



---

## PICKETT COUNTY, TENNESSEE

### TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Pickett County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor’s Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	19
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	21
Proprietary Fund:		
Statement of Net Assets	D-1	22
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	23
Statement of Cash Flows	D-3	24
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	25
Notes to the Financial Statements		26-58
REQUIRED SUPPLEMENTARY INFORMATION:		59
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	F-1	60-61
Highway/Public Works Fund	F-2	62
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Pickett County School Department	F-3	63

	Exhibit	Page(s)
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Pickett County School Department	F-4	64
Notes to the Required Supplementary Information		65
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		66
Nonmajor Governmental Funds:		67
Combining Balance Sheet	G-1	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	G-3	70
Major Governmental Fund:		71
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	72
Fiduciary Funds:		73
Combining Statement of Fiduciary Assets and Liabilities	I-1	74
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	75
Component Unit:		
Discretely Presented Pickett County School Department:		76
Statement of Activities	J-1	77
Balance Sheet – Governmental Funds	J-2	78
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	79
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	80
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	81
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	J-6	82-83
School Federal Projects Fund	J-7	84
Central Cafeteria Fund	J-8	85
Miscellaneous Schedules:		86
Schedule of Changes in Long-term Notes and Bonds – Primary Government and Discretely Presented Pickett County School Department	K-1	87
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Pickett County School Department	K-2	88-89

	Exhibit	Page(s)
Schedule of Transfers – Discretely Presented Pickett County School Department	K-3	90
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Pickett County School Department	K-4	91
Schedule of Detailed Revenues – All Governmental Fund Types	K-5	92-96
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-6	97-98
Schedule of Detailed Expenditures – All Governmental Fund Types	K-7	99-110
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-8	111-119
Schedule of Detailed Revenues and Expenses – Solid Waste Disposal Fund (Enterprise Fund)	K-9	120-121
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-10	122
 <u>SINGLE AUDIT SECTION</u>		 123
Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		124-126
Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		127-129
Schedule of Expenditures of Federal Awards and State Grants		130-131
Schedule of Audit Findings Not Corrected		132-133
Schedule of Findings and Questioned Costs		134-145
Auditee Reporting Responsibilities		146

# ***Audit Highlights***

Annual Financial Report  
Pickett County, Tennessee  
For the Year Ended June 30, 2011

## ***Scope***

We have audited the basic financial statements of Pickett County as of and for the year ended June 30, 2011.

## ***Results***

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

Our audit resulted in 16 findings and recommendations, which we have reviewed with Pickett County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings and Best Practices***

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

### **OFFICES OF COUNTY EXECUTIVE AND ROAD SUPERINTENDENT**

- ◆ The General and Highway/Public Works funds required material audit adjustments for proper financial statement presentation.

---

### **OFFICE OF COUNTY EXECUTIVE**

- ◆ A capital outlay note was not issued in compliance with state statutes.
- ◆ Expenditures exceeded appropriations.
- ◆ The Ambulance Service had deficiencies in computer system backup procedures.

---

### **OFFICE OF ROAD SUPERINTENDENT**

- ◆ Expenditures exceeded appropriations.
  - ◆ The Highway Department did not maintain adequate controls over fuel.
  - ◆ The office had deficiencies in purchasing procedures.
-

## **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ Expenditures exceeded appropriations.
- 

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

- ◆ Traffic school collections were not reported and paid to the county in compliance with state statute.
  - ◆ The office did not deposit some funds within three days of collection.
  - ◆ Unclaimed funds were not reported and paid to the state.
  - ◆ Bank statements for General Sessions Court were not accurately reconciled with the general ledger.
  - ◆ The execution docket trial balance for General Sessions Court did not reconcile with general ledger accounts.
- 

## **OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND SHERIFF**

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

## **OFFICES OF COUNTY EXECUTIVE, ROAD SUPERINTENDENT, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

- ◆ Duties were not segregated adequately.
- 

## **PICKETT COUNTY**

- ◆ The general sessions judge ordered contributions to charitable or civic organizations contrary to a state attorney general's opinion.
- 

## **BEST PRACTICES**

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens in Pickett County.

- Pickett County should adopt a central system of accounting, budgeting, and purchasing.
- Pickett County should establish an Audit Committee.

---

---

# INTRODUCTORY SECTION

---

---

# Pickett County Officials

## June 30, 2011

---

### **Officials**

Johnie Neal, 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  
Letha McCurdy, Register  
Dana Dowdy, Sheriff

### **Board of County Commissioners**

Johnie Neal, County Executive, Chairman  
Tony Beaty  
Darrell Garrett  
Joe Harden  
Eddie Holt  
Colan Huddleston  
Doug Manis  
Terry Manis  
Daniel Masiongale  
Rebecca Matheny  
Lana Baker Rossi  
Kenny Tompkins  
Lowell Winningham

### **Board of Education**

Jerry Mitchell, Chairman  
Terrell Garner  
John Reagan  
Jimmy Storie

---

---

## **FINANCIAL SECTION**

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

January 5, 2012

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 units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2011, 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 units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of June 30, 2011,

and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2012, 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.C., Pickett County has adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

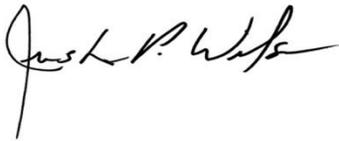
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 60 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 do not express an opinion or provide any assurance on it.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

---

---

# **BASIC FINANCIAL STATEMENTS**

---

---

Exhibit A

Pickett County, Tennessee  
Statement of Net Assets  
June 30, 2011

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Pickett County School Department
<u>ASSETS</u>				
Cash	\$ 6,702	\$ 8,167	\$ 14,869	\$ 0
Equity in Pooled Cash and Investments	863,771	1,053,728	1,917,499	726,301
Accounts Receivable	284,259	16,428	300,687	493
Allowance for Uncollectibles	(22,302)	0	(22,302)	0
Due from Other Governments	515,119	0	515,119	338,386
Prepaid Items	13,750	0	13,750	0
Property Taxes Receivable	1,395,471	202,687	1,598,158	635,084
Allowance for Uncollectible Property Taxes	(42,512)	(6,878)	(49,390)	(21,550)
Deferred Charges - Debt Issuance Costs	0	0	0	97,729
Capital Assets:				
Assets Not Depreciated:				
Land	222,805	110,900	333,705	22,955
Assets Net of Accumulated Depreciation:				
Landfill Facilities and Development	0	127,178	127,178	0
Buildings and Improvements	2,266,229	111,805	2,378,034	4,596,299
Other Capital Assets	1,231,675	267,182	1,498,857	209,371
Infrastructure	10,262,657	0	10,262,657	0
Total Assets	<u>\$ 16,997,624</u>	<u>\$ 1,891,197</u>	<u>\$ 18,888,821</u>	<u>\$ 6,605,068</u>
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 3,360	\$ 59	\$ 3,419	\$ 0
Accounts Payable	36,449	0	36,449	25,516
Accrued Payroll	0	0	0	11,257
Contracts Payable	117,910	0	117,910	0
Claims and Judgments Payable	3,143	0	3,143	0
Accrued Interest Payable	29,187	0	29,187	0
Deferred Revenue - Current Property Taxes	1,296,309	0	1,296,309	580,253
Noncurrent Liabilities:				
Due Within One Year	340,456	14,174	354,630	227,921
Due in More Than One Year (net of deferred amount on refunding and unamortized debt premium)	2,036,098	1,231,681	3,267,779	3,524,846
Total Liabilities	<u>\$ 3,862,912</u>	<u>\$ 1,245,914</u>	<u>\$ 5,108,826</u>	<u>\$ 4,369,793</u>
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 11,606,812	\$ 614,980	\$ 12,221,792	\$ 1,232,599
Restricted for:				
Drug Control	11,029	0	11,029	0
Highway/Public Works	458,785	0	458,785	0
School Federal Projects	0	0	0	51,960
Central Cafeteria	0	0	0	117,366
General Debt Service	355,053	0	355,053	0
Capital Outlay	6,482	0	6,482	0
Other Purposes	260,423	0	260,423	424,737
Unrestricted	436,128	30,303	466,431	408,613
Total Net Assets	<u>\$ 13,134,712</u>	<u>\$ 645,283</u>	<u>\$ 13,779,995</u>	<u>\$ 2,235,275</u>

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, 2011

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets										Component Unit Pickett County School Department	
	Program Revenues					Primary Government Business-type Activities						Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Primary Government Business-type Activities					
<b>Primary Government:</b>												
Governmental Activities:												
General Government	\$ 483,942	\$ 94,975	\$ 20,797	\$ 0	\$ 0	\$ (368,170)	\$ 0	\$ 0	\$ (368,170)	\$ 0	\$ 0	\$ 0
Finance	228,219	144,374	0	0	0	(83,845)	0	0	(83,845)	0	0	0
Administration of Justice	264,178	97,830	9,000	0	0	(157,348)	0	0	(157,348)	0	0	0
Public Safety	676,181	77,093	5,400	0	0	(593,688)	0	0	(593,688)	0	0	0
Public Health and Welfare	649,880	676,989	3,370	0	0	30,479	0	0	30,479	0	0	0
Social, Cultural, and Recreational Services	114,901	4,778	23,243	0	0	(86,880)	0	0	(86,880)	0	0	0
Agriculture and Natural Resources	71,093	0	0	0	0	(71,093)	0	0	(71,093)	0	0	0
Other Operations	1,929,602	0	204,287	1,165,907	0	(559,408)	0	0	(559,408)	0	0	0
Highways/Public Works	1,417,436	0	1,473,496	0	0	56,060	0	0	56,060	0	0	0
Interest on Long-term Debt	113,556	0	0	0	0	(113,556)	0	0	(113,556)	0	0	0
Other Debt Service	1,549	120,000	0	0	0	118,451	0	0	118,451	0	0	0
Total Governmental Activities	\$ 5,950,537	\$ 1,216,039	\$ 1,739,593	\$ 1,165,907	\$ 0	\$ (1,828,998)	\$ 0	\$ 0	\$ (1,828,998)	\$ 0	\$ 0	\$ 0
<b>Business-type Activities:</b>												
Landfill	\$ 338,628	\$ 96,811	\$ 0	\$ 0	\$ 0	\$ 0	\$ (241,817)	\$ 0	\$ (241,817)	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 338,628	\$ 96,811	\$ 0	\$ 0	\$ 0	\$ 0	\$ (241,817)	\$ 0	\$ (241,817)	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 6,289,165	\$ 1,312,850	\$ 1,739,593	\$ 1,165,907	\$ 0	\$ (1,828,998)	\$ (241,817)	\$ (2,070,815)	\$ (2,070,815)	\$ 0	\$ 0	\$ 0
<b>Component Unit:</b>												
School Department	\$ 6,211,032	\$ 126,290	\$ 983,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,101,409)	\$ (5,101,409)	\$ (5,101,409)
Total Component Unit	\$ 6,211,032	\$ 126,290	\$ 983,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,101,409)	\$ (5,101,409)	\$ (5,101,409)

(Continued)

Exhibit B

Pickett County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues					Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total	Primary Government Activities		School Department	
						Governmental Activities	Business-type Activities		
General Revenues:									
Taxes:									
Property Taxes Levied for General Purposes						\$ 949,236	\$ 227,776	\$ 1,177,012	\$ 604,422
Property Taxes Levied for Debt Service						77,171	0	77,171	0
Local Option Sales Taxes						223,033	0	223,033	422,773
Wheel Tax						59,485	0	59,485	0
Wholesale Beer Tax						299,898	0	299,898	0
Other Local Taxes						20,111	0	20,111	20,274
Grants and Contributions Not Restricted to Specific Programs						283,568	0	283,568	4,266,308
Unrestricted Investment Income						0	3,494	3,494	8,365
Miscellaneous						26,504	18,186	44,690	33,897
Sale of Equipment						15,292	0	15,292	0
Amortization of Debt Premium						0	0	0	4,211
Total General Revenues						\$ 1,954,298	\$ 249,456	\$ 2,203,754	\$ 5,360,250
Change in Net Assets						\$ 125,300	\$ 7,639	\$ 132,939	\$ 258,841
Net Assets, July 1, 2010						13,009,412	637,644	13,647,056	1,976,434
Net Assets, June 30, 2011						\$ 13,134,712	\$ 645,283	\$ 13,779,995	\$ 2,235,275

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, 2011

	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	\$ 6,702	\$ 6,702
Equity in Pooled Cash and Investments	293,663	199,316	353,281	17,511	863,771
Accounts Receivable	284,247	0	0	12	284,259
Allowance for Uncollectibles	(22,302)	0	0	0	(22,302)
Due from Other Governments	216,756	298,363	0	0	515,119
Due from Other Funds	10,339	0	0	0	10,339
Property Taxes Receivable	1,251,501	0	143,970	0	1,395,471
Allowance for Uncollectible Property Taxes	(38,595)	0	(3,917)	0	(42,512)
Prepaid Items	0	0	13,750	0	13,750
Total Assets	<u>\$ 1,995,609</u>	<u>\$ 497,679</u>	<u>\$ 507,084</u>	<u>\$ 24,225</u>	<u>\$ 3,024,597</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 14,140	\$ 22,309	\$ 0	\$ 0	\$ 36,449
Payroll Deductions Payable	3,360	0	0	0	3,360
Contracts Payable	117,910	0	0	0	117,910
Claims and Judgments Payable	3,143	0	0	0	3,143
Due to Other Funds	0	3,625	0	6,714	10,339
Deferred Revenue - Current Property Taxes	1,160,505	0	135,804	0	1,296,309
Deferred Revenue - Delinquent Property Taxes	49,993	0	4,053	0	54,046
Other Deferred Revenues	247,377	100,330	0	0	347,707
Total Liabilities	<u>\$ 1,596,428</u>	<u>\$ 126,264</u>	<u>\$ 139,857</u>	<u>\$ 6,714</u>	<u>\$ 1,869,263</u>
<u>Fund Balances</u>					
Nonspendable:					
Prepaid Items	\$ 0	\$ 0	\$ 13,750	\$ 0	\$ 13,750
Restricted:					
Restricted for General Government	29,296	0	0	0	29,296
Restricted for Public Safety	900	0	0	11,029	11,929
Restricted for Highways/Public Works	0	371,415	0	0	371,415
Restricted for Capital Outlay	0	0	0	6,482	6,482
Committed:					
Committed for Debt Service	0	0	353,477	0	353,477
Committed for Capital Projects	230,227	0	0	0	230,227
Unassigned	138,758	0	0	0	138,758
Total Fund Balances	<u>\$ 399,181</u>	<u>\$ 371,415</u>	<u>\$ 367,227</u>	<u>\$ 17,511</u>	<u>\$ 1,155,334</u>
Total Liabilities and Fund Balances	<u>\$ 1,995,609</u>	<u>\$ 497,679</u>	<u>\$ 507,084</u>	<u>\$ 24,225</u>	<u>\$ 3,024,597</u>

Exhibit C-2

Pickett County, Tennessee  
Reconciliation of the Balance Sheet of Governmental  
Funds to the Statement of Net Assets  
June 30, 2011

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)		\$	1,155,334
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	222,805	
Add: buildings and improvements net of accumulated depreciation		2,266,229	
Add: other capital assets net of accumulated depreciation		1,231,675	
Add: infrastructure net of accumulated depreciation		<u>10,262,657</u>	13,983,366
(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	\$	(1,078,426)	
Less: notes payable		(1,298,128)	
Less: accrued interest on bonds and notes		<u>(29,187)</u>	(2,405,741)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>401,753</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,134,712</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, 2011

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,538,543	\$ 0	\$ 136,664	\$ 0	\$ 1,675,207
Licenses and Permits	3,413	0	0	0	3,413
Fines, Forfeitures, and Penalties	30,702	0	0	13,017	43,719
Charges for Current Services	518,692	107	0	0	518,799
Other Local Revenues	48,633	7,612	120,000	501	176,746
Fees Received from County Officials	214,850	0	0	0	214,850
State of Tennessee	494,756	1,197,586	0	0	1,692,342
Federal Government	1,146,167	279,784	0	238,907	1,664,858
Other Governments and Citizens Groups	44,625	0	0	0	44,625
<b>Total Revenues</b>	<b>\$ 4,040,381</b>	<b>\$ 1,485,089</b>	<b>\$ 256,664</b>	<b>\$ 252,425</b>	<b>\$ 6,034,559</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 474,431	\$ 0	\$ 0	\$ 0	\$ 474,431
Finance	228,219	0	0	0	228,219
Administration of Justice	264,178	0	0	0	264,178
Public Safety	1,004,697	0	0	9,220	1,013,917
Public Health and Welfare	655,118	0	0	0	655,118
Social, Cultural, and Recreational Services	105,168	0	0	0	105,168
Agriculture and Natural Resources	71,093	0	0	0	71,093
Other Operations	1,690,695	0	0	238,907	1,929,602
Highways	0	1,436,259	0	0	1,436,259
Debt Service:					
Principal on Debt	0	163,542	183,958	0	347,500
Interest on Debt	0	36,674	65,186	0	101,860
Other Debt Service	0	0	1,549	0	1,549
<b>Total Expenditures</b>	<b>\$ 4,493,599</b>	<b>\$ 1,636,475</b>	<b>\$ 250,693</b>	<b>\$ 248,127</b>	<b>\$ 6,628,894</b>
Excess (Deficiency) of Revenues Over Expenditures					
	\$ (453,218)	\$ (151,386)	\$ 5,971	\$ 4,298	\$ (594,335)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 145,920	\$ 425,000	\$ 0	\$ 0	\$ 570,920
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 145,920</b>	<b>\$ 425,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 570,920</b>
Net Change in Fund Balances					
Fund Balance, July 1, 2010	\$ (307,298)	\$ 273,614	\$ 5,971	\$ 4,298	\$ (23,415)
Fund Balance, July 1, 2010	706,479	97,801	361,256	13,213	1,178,749
Fund Balance, June 30, 2011					
	\$ 399,181	\$ 371,415	\$ 367,227	\$ 17,511	\$ 1,155,334

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, 2011

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)		\$ (23,415)
(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	\$ 707,555	
Less: current-year depreciation expense	<u>(344,628)</u>	362,927
(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		(20,374)
(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, 2011	\$ 401,753	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(360,475)</u>	41,278
(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:		
Less: note proceeds	\$ (570,920)	
Add: principal payments on notes	285,432	
Add: principal payments on bonds	<u>62,068</u>	(223,420)
(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>(11,696)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 125,300</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, 2011

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste</u>
	<u>Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 8,167
Equity in Pooled Cash and Investments	1,053,728
Accounts Receivable	16,428
Property Taxes Receivable	202,687
Allowance for Uncollectible Property Taxes	(6,878)
Total Current Assets	<u>\$ 1,274,132</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 110,900
Landfill Facilities and Development	127,178
Buildings and Improvements	111,805
Machinery and Equipment	267,182
Total Noncurrent Assets	<u>\$ 617,065</u>
Total Assets	<u>\$ 1,891,197</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Payroll Deductions Payable	\$ 59
Total Current Liabilities	<u>\$ 59</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 14,174
Due in More Than One Year	1,231,681
Total Noncurrent Liabilities	<u>\$ 1,245,855</u>
Total Liabilities	<u>\$ 1,245,914</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 614,980
Unrestricted	<u>30,303</u>
Total Net Assets	<u>\$ 645,283</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, 2011

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal Fund</u>
<hr/>	
<u>Operating Revenues</u>	
Charges for Current Services	\$ 96,811
Other Local Revenues	18,186
Total Operating Revenues	<u>\$ 114,997</u>
<u>Operating Expenses</u>	
Landfill Operation and Maintenance	\$ 293,542
Depreciation	42,746
Total Operating Expenses	<u>\$ 336,288</u>
Operating Income (Loss)	<u>\$ (221,291)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 227,776
Investment Income	3,494
Interest on Bonds	(2,340)
Total Nonoperating Revenues (Expenses)	<u>\$ 228,930</u>
Net Income	\$ 7,639
Net Assets, July 1, 2010	<u>637,644</u>
Net Assets, June 30, 2011	<u>\$ 645,283</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, 2011

	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	\$ 114,512
Payments to Suppliers	(85,816)
Payments to Employees	(135,942)
Other Payments	(31,794)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (139,040)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 217,033
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 217,033</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Principal Paid on Debt	\$ (8,348)
Interest Paid on Debt	(2,340)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (10,688)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 3,494
Net Cash Provided By (Used In) Investing Activities	<u>\$ 3,494</u>
Net Increase (Decrease) in Cash	\$ 70,799
Cash, July 1, 2010	<u>991,096</u>
Cash, June 30, 2011	<u>\$ 1,061,895</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (221,291)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided By (Used In) Operating Activities:	
Depreciation	42,746
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(484)
Increase (Decrease) in Accounts Payable	(850)
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	40,839
Net Cash Provided By Operating Activities	<u>\$ (139,040)</u>
<u>Reconciliation of Cash with Statement of Net Assets</u>	
Cash per Net Assets	\$ 8,167
Equity in Pooled Cash and Investments per Net Assets	<u>1,053,728</u>
Cash, June 30, 2011	<u>\$ 1,061,895</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, 2011

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 104,813
Accounts Receivable	2,219
Due from Other Governments	<u>27,852</u>
Total Assets	<u>\$ 134,884</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 107,032
Due to Other Taxing Units	<u>27,852</u>
Total Liabilities	<u>\$ 134,884</u>

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

**PICKETT COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2011**

**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 units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationship with the county.

**Discretely Presented Component Units** – The following entities meet the criteria for a discretely presented component units of the county. They are reported in separate columns on the government-wide financial statements to emphasize that they are 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 Industrial Development Board of the County of Pickett, Tennessee, provides assistance in industrial recruitment in Pickett County, and the Pickett County Commission appoints all of the members. The board acted as a decision-making board and did not have any financial activity during the year.

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; however, the county issued no debt for the School Department during the year examined.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and the 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, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

Pickett County reports the following major proprietary fund:

**Solid Waste Disposal Fund** – This fund accounts for the county’s solid waste landfill operations.

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 funds:

**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.

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

**Central Cafeteria Fund** – This special revenue fund is used to account for the cafeteria operations in each of the schools. Grant funds and collections for food sales are the foundational revenues of this fund.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

For purposes of the Statement of Cash Flows, cash includes cash on hand, demand deposits, and 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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented 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 receivables are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.85 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.

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable totaling \$3,143 are discussed in Note V.B. Risk Financing Activities.

**3. Prepaid Items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaids are offset in the nonspendable fund balance account in governmental funds.

**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 and business-type columns 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 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; however, any accumulated vacation leave has no guaranteed payment 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.

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 provision, and therefore, is not required to be accrued or recorded. Support personnel are compensated for any sick days not used each year.

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, other postemployment benefits, 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.

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$260,423, with the primary restriction being for jail construction or renovation (\$230,227). For the discretely presented School Department, the account balance in Restricted for Other Purposes totaling \$424,737 consists primarily of funds restricted for the Basic Education Program (\$418,919).

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county’s highest level of decision-making authority and the Board of Education, the School Department’s highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county’s Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

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

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net 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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County 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. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the County Commission in the General Fund, Drug Control Fund, and the discretely presented Central Cafeteria Fund by \$44,839, \$2,220, and \$7,612 respectively. Expenditures exceeded appropriations approved by the County Commission in the Operation and Maintenance of Equipment major appropriations category (the legal level of control) of the Highway/Public Works Fund by \$11,511. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

**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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

Pickett County had no pooled or nonpooled investments at June 30, 2011.

## **B. Capital Assets**

Capital assets activity for the year ended June 30, 2011, was as follows:

### Primary Government

#### **Governmental Activities:**

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	\$ 222,805	\$ 0	\$ 0	\$ 222,805
Total Capital Assets Not Depreciated	\$ 222,805	\$ 0	\$ 0	\$ 222,805
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,892,682	\$ 0	\$ 0	\$ 3,892,682
Roads and Bridges	12,701,523	207,623	(21,833)	12,887,313
Other Capital Assets	2,265,154	499,932	(60,000)	2,705,086
Total Capital Assets Depreciated	\$ 18,859,359	\$ 707,555	\$ (81,833)	\$ 19,485,081

**Governmental Activities (Cont.):**

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Less Accumulated Depreciation For: Buildings and Improvements	\$ 1,557,684	\$ 68,769	\$ 0	\$ 1,626,453
Roads and Bridges	2,509,488	119,627	(4,459)	2,624,656
Other Capital Assets	1,374,179	156,232	(57,000)	1,473,411
 Total Accumulated Depreciation	 \$ 5,441,351	 \$ 344,628	 \$ (61,459)	 \$ 5,724,520
 Total Capital Assets Depreciated, Net	 \$ 13,418,008	 \$ 362,927	 \$ (20,374)	 \$ 13,760,561
 Governmental Activities Capital Assets, Net	 \$ 13,640,813	 \$ 362,927	 \$ (20,374)	 \$ 13,983,366

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

**Governmental Activities:**

General Government	\$ 9,511
Public Safety	85,596
Public Health and Welfare	68,362
Social, Cultural, and Recreational Services	9,733
Highways/Public Works	<u>171,426</u>
 Total Depreciation Expense - Governmental Activities	 \$ <u>344,628</u>

**Business-type Activities:**

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated: Land	\$ 110,900	\$ 0	\$ 110,900
Total Capital Assets Not Depreciated	\$ 110,900	\$ 0	\$ 110,900

**Business-type Activities (Cont.):**

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Depreciated:			
Buildings and Improvements	\$ 233,635	\$ 0	\$ 233,635
Landfill Facilities and Development	203,954	0	203,954
Machinery and Equipment	762,544	0	762,544
<b>Total Capital Assets Depreciated</b>	<b>\$ 1,200,133</b>	<b>\$ 0</b>	<b>\$ 1,200,133</b>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 114,710	\$ 7,120	\$ 121,830
Landfill Facilities and Development	70,038	6,738	76,776
Machinery and Equipment	466,474	28,888	495,362
<b>Total Accumulated Depreciation</b>	<b>\$ 651,222</b>	<b>\$ 42,746</b>	<b>\$ 693,968</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 548,911</b>	<b>\$ (42,746)</b>	<b>\$ 506,165</b>
<b>Business-type Activities Capital Assets, Net</b>	<b>\$ 659,811</b>	<b>\$ (42,746)</b>	<b>\$ 617,065</b>

Depreciation expense of \$42,746 was recorded by the Solid Waste Disposal Fund. The business-type activities had no decreases in their capital assets during the year.

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

	Balance 7-1-10	Increases	Balance 6-30-11
Capital Assets Not Depreciated:			
Land	\$ 22,955	\$ 0	\$ 22,955
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 22,955</b>	<b>\$ 0</b>	<b>\$ 22,955</b>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 6,958,662	\$ 0	\$ 6,958,662
Other Capital Assets	661,872	80,500	742,372
<b>Total Capital Assets Depreciated</b>	<b>\$ 7,620,534</b>	<b>\$ 80,500</b>	<b>\$ 7,701,034</b>

**Governmental Activities (Cont.):**

	Balance 7-1-10	Increases	Balance 6-30-11
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,188,528	\$ 173,835	\$ 2,362,363
Other Capital Assets	494,217	38,784	533,001
Total Accumulated Depreciation	<u>\$ 2,682,745</u>	<u>\$ 212,619</u>	<u>\$ 2,895,364</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,937,789</u>	<u>\$ (132,119)</u>	<u>\$ 4,805,670</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,960,744</u>	<u>\$ (132,119)</u>	<u>\$ 4,828,625</u>

The School Department had no decreases in their capital assets during the year. Depreciation expense was charged to functions of the School Department as follows:

**Governmental Activities:**

Instruction	\$ 142,534
Support Services	47,637
Operation of Non-Instructional Services	<u>22,448</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 212,619</u></u>

**C. Construction Commitments**

At June 30, 2011, Pickett County had uncompleted construction contracts of approximately \$240,309 for the construction of a welcome center in the county. Funding for these future expenditures is expected to be received from federal and state grants.

At June 30, 2011, the discretely presented Pickett County School Department had uncompleted construction contracts of approximately \$141,000 for the construction of an agricultural pavilion. Funding has been received for these future expenditures.

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

The composition of interfund balances as of June 30, 2011, was as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 6,714
General	Highway/Public Works	3,625
Discretely Presented School Department:		
General Purpose School	School Federal Projects	2,700

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2011, consisted of the following amount:

**Discretely Presented Pickett County School Department**

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 6,600

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

**E. 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 12 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, 2011, will be retired from the General Debt Service Fund. Notes included in long-term debt as of June 30, 2011, will be retired from the General Debt Service and the Highway/Public Works funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds	4.125 to 6 %	\$ 2,015,000	\$ 1,078,426
Capital Outlay Notes	3.24 to 4.1	2,137,745	1,298,128

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 272,197	\$ 49,304	\$ 321,501
2013	179,019	39,192	218,211
2014	370,036	28,040	398,076
2015	87,732	17,915	105,647
2016	91,397	14,250	105,647
2017-2019	297,747	19,195	316,942
<b>Total</b>	<b>\$ 1,298,128</b>	<b>\$ 167,896</b>	<b>\$ 1,466,024</b>

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2017-2021	478,914	130,700	609,614
2022-2026	123,354	37,073	160,427
2027-2031	84,597	17,223	101,820
2032-2033	21,961	1,703	23,664
<b>Total</b>	<b>\$ 1,078,426</b>	<b>\$ 421,838</b>	<b>\$ 1,500,264</b>

There is \$353,477 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$212, based on the 2010 federal census. Debt per capita, including bonds and notes totaled \$260, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

**Governmental Activities:**

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2010	\$ 1,140,494	\$ 1,012,640
Additions	0	570,920
Deductions	<u>(62,068)</u>	<u>(285,432)</u>
Balance, June 30, 2011	<u>\$ 1,078,426</u>	<u>\$ 1,298,128</u>
Balance Due Within One Year	<u>\$ 68,259</u>	<u>\$ 272,197</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 2,376,554
Less: Balance Due Within One Year	<u>(340,456)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,036,098</u>

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

Revenue bonds outstanding as of June 30, 2011, for business-type activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-11</u>
Revenue Bonds	5.25% %	\$ 110,000	\$ 2,085

The annual requirements to amortize the revenue bonds outstanding as of June 30, 2011, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 2,085	\$ 109	\$ 2,194
Total	\$ 2,085	\$ 109	\$ 2,194

Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2011, was as follows:

**Business-type Activities:**

	Bonds		Closure/ Postclosure Care Costs
Balance, July 1, 2010	\$ 10,433	\$	1,202,931
Additions	0		52,928
Deductions	(8,348)		(12,089)
Balance, June 30, 2011	\$ 2,085	\$	1,243,770
Balance Due Within One Year	\$ 2,085	\$	12,089

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 1,245,855
Less: Balance Due Within One Year	<u>(14,174)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,231,681</u>

**Discretely Presented Pickett County School Department**

General Obligation Bonds

Pickett County issues general obligation bonds for the School Department to refund other general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. The general obligation bonds were originally issued for 15 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, 2011, will be retired from the General Purpose School Fund.

The general obligation bonds outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bonds - Refunding	3 to 4.2 %	\$ 4,100,000	\$ 3,620,000

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2011, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2012	\$ 225,000	\$ 135,085	\$ 360,085
2013	230,000	128,335	358,335
2014	240,000	121,435	361,435
2015	245,000	114,235	359,235
2016	255,000	105,660	360,660
2017-2021	1,420,000	379,675	1,799,675
2022-2024	1,005,000	84,370	1,089,370
Total	<u>\$ 3,620,000</u>	<u>\$ 1,068,795</u>	<u>\$ 4,688,795</u>

Debt per capita from bonds, totaled \$713, based on the 2010 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, 2011, was as follows:

#### **Governmental Activities:**

	Bonds	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2010	\$ 3,840,000	\$ 10,221	\$ 105,236
Additions	0	2,921	65,250
Deductions	(220,000)	(2,674)	(24,213)
Balance, June 30, 2011	<u>\$ 3,620,000</u>	<u>\$ 10,468</u>	<u>\$ 146,273</u>
Balance Due Within One Year	<u>\$ 225,000</u>	<u>\$ 2,921</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	\$ 3,776,741
Less: Balance Due Within One Year	(227,921)
Add: Unamortized Premium on Debt	55,583
Less: Deferred Amount on Refunding	<u>(79,557)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 3,524,846</u>

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

**F. On-Behalf Payments**

**Primary Government**

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Pickett County. These payments are made by the state to the Medicare Supplement Plan, which is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were \$1,097. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**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, 2011, were \$17,906 and \$7,130, 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 (LGWCF), 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 LGWCF 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. Risk Financing Activities**

Pickett County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for workers' compensation insurance for one or more policy years in 1996-97, 1997-98, and 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded specific amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has left LOGIC members exposed to significant claim liabilities for their policy years. In 2003, the LOGIC board of directors assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. In December 2009, the LOGIC board of directors made a second assessment of its members. Pickett County's share of this second assessment totaled \$10,248, of which, \$3,143 remains unpaid at June 30, 2011. This unpaid amount is reflected in the General Fund as Claims and Judgments Payable in the financial statements of this report.

**C. Accounting Change**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Pickett County and the Pickett County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

**D. Subsequent Events**

On July 14, 2011, the county issued capital outlay notes totaling \$90,000 at an interest rate of 3.5 percent for construction expenses for the county's history village and welcome center projects.

On July 14, 2011, the county's General Fund issued tax anticipation notes totaling \$200,000 at an interest rate of 3.25 percent for temporary operating funds.

On October 5, 2011, the county's Solid Waste Disposal Fund issued a \$451,112 tax anticipation note to the General Fund for temporary operating funds.

On October 14, 2011, the county issued capital outlay notes totaling \$600,000 at an interest rate of 3.24 percent for the purchase of heavy duty trucks for the Highway Department.

**E. Contingent Liabilities**

Management advised us that there are no pending or threatened claims against the county. The attorney for the discretely presented Pickett County School Department advised us that there are no pending or threatened claims against the School Department.

**F. Changes in Administration**

The following table lists officials who left office on August 31, 2010, and their successors:

Official	Office	Successor
Stephen Bilbrey	County Executive	Johnie Neal
Jeff Ford	Register	Letha McCurdy
Clois Brown	Sheriff	Dana Dowdy

**G. Landfill Closure/Postclosure Care Costs**

Pickett County has two active permits on file with the state Department of Environment and Conservation for sanitary landfills. The county has provided financial assurances for estimated closure and postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require Pickett County to place a final cover on the Highway 325 sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county 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 \$1,243,770 reported as landfill closure and postclosure care liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 26 percent of the estimated capacity of the Highway 325 landfill (\$1,066,511) and for the landfill closed in 1994 (\$177,259). The \$1,243,770 reported as closure and postclosure care liability at June 30, 2011, represents amounts based on what it would cost to perform all closure/postclosure care in 2011. The county will recognize the remaining estimated costs of closure and postclosure care of \$3,035,455 on the Highway 325 landfill as the remaining estimated capacity is filled. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**H. Jointly Governed Organization**

The Pickett County Emergency Communications District merged with the Overton County Emergency Communications District to form the Overton/Pickett County Emergency Communications District (OPCECD). 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.

## **I. Retirement Commitments**

### **Plan Description**

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

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

### **Funding Policy**

Pickett County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 6.56 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2011, the county's annual pension cost of \$184,352 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include

(a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. The county's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, was nine years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

#### **Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-11	\$184,352	100%	\$0
6-30-10	182,981	100	0
6-30-09	176,049	100	0

#### **Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 92.23 percent funded. The actuarial accrued liability for benefits was \$6 million, and the actuarial value of assets was \$5 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$2 million, and the ratio of the UAAL to the covered payroll was 17.83 percent.

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

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. Cost of living adjustments (COLA) are provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the 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.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2011, 2010, and 2009, were \$274,367, \$196,656, and \$200,617, respectively, equal to the required contributions for each year.

**J. 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*. In previous fiscal years, prior to reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed, and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://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. During the year, the discretely presented Pickett County School Department contributed \$24,213 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 65,000
Interest on the NPO	4,736
Adjustment to the ARC	(4,486)
	<hr/>
Annual OPEB cost	\$ 65,250
Amount of contribution	(24,213)
	<hr/>
Increase/decrease in NPO	\$ 41,037
Net OPEB obligation, 7-1-10	<hr/> 105,236 <hr/>
 Net OPEB obligation, 6-30-11	 \$ 146,273 <hr/> <hr/>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-09	Local Education Group	\$ 45,882	30 %	\$ 66,662
6-30-10	"	62,159	38	105,236
6-30-11	"	65,250	37	146,273

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-10
Actuarial accrued liability (AAL)	\$ 720,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 720,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,143,236
UAAL as a % of covered payroll	34%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual

results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Actuarial Methods and Assumptions

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

In the July 1, 2010, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. 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.

#### **K. 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.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit F-1

Pickett County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,538,543	\$ 1,513,268	\$ 1,545,183	\$ (6,640)
Licenses and Permits	3,413	2,893	2,945	468
Fines, Forfeitures, and Penalties	30,702	29,705	38,174	(7,472)
Charges for Current Services	518,692	553,238	557,019	(38,327)
Other Local Revenues	48,633	37,516	54,987	(6,354)
Fees Received from County Officials	214,850	203,690	208,994	5,856
State of Tennessee	494,756	444,289	461,386	33,370
Federal Government	1,146,167	375,101	1,026,735	119,432
Other Governments and Citizens Groups	44,625	44,625	44,625	0
<b>Total Revenues</b>	<b>\$ 4,040,381</b>	<b>\$ 3,204,325</b>	<b>\$ 3,940,048</b>	<b>\$ 100,333</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 29,998	\$ 31,879	\$ 31,982	\$ 1,984
Board of Equalization	200	200	200	0
Beer Board	3,767	4,100	4,100	333
County Mayor/Executive	122,718	120,213	124,754	2,036
County Attorney	1,200	1,000	1,200	0
Election Commission	97,341	117,153	117,153	19,812
Register of Deeds	63,259	77,501	77,501	14,242
Planning	4,312	2,875	4,312	0
County Buildings	150,539	136,516	151,291	752
Other General Administration	1,097	0	1,097	0
<u>Finance</u>				
Property Assessor's Office	69,941	61,501	74,364	4,423
County Trustee's Office	79,225	79,081	79,705	480
County Clerk's Office	79,053	78,761	78,761	(292)
<u>Administration of Justice</u>				
Circuit Court	86,102	86,618	87,202	1,100
General Sessions Judge	67,297	70,197	70,197	2,900
Chancery Court	55,264	57,051	57,051	1,787
Juvenile Court	11,406	11,683	11,683	277
Judicial Commissioners	6,125	6,181	6,181	56
Probation Services	37,984	37,993	38,308	324
<u>Public Safety</u>				
Sheriff's Department	533,481	507,082	517,658	(15,823)
Drug Enforcement	995	1,000	1,000	5
Jail	379,957	199,833	371,690	(8,267)
Fire Prevention and Control	68,236	50,000	68,240	4
Rescue Squad	3,000	3,000	3,000	0
Other Emergency Management	3,000	3,000	3,000	0
County Coroner/Medical Examiner	6,943	5,000	6,943	0
Other Public Safety	9,085	8,612	9,085	0

(Continued)

Exhibit F-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 20,649	\$ 21,173	\$ 22,161	\$ 1,512
Ambulance/Emergency Medical Services	592,502	603,825	608,599	16,097
Regional Mental Health Center	2,842	2,274	2,842	0
Appropriation to State	7,582	7,582	7,582	0
Sanitation Management	30,045	29,237	30,045	0
Other Public Health and Welfare	1,498	2,684	2,684	1,186
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	18,498	12,500	18,498	0
Libraries	52,835	49,683	54,321	1,486
Other Social, Cultural, and Recreational	33,835	34,469	34,986	1,151
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	27,200	37,788	37,788	10,588
Soil Conservation	43,893	27,823	44,803	910
<u>Other Operations</u>				
Tourism	137,910	20,000	20,000	(117,910)
Industrial Development	319	1,000	1,000	681
Other Economic and Community Development	1,051,020	387,000	1,051,020	0
Veterans' Services	17,924	17,556	17,924	0
Other Charges	114,837	115,185	120,601	5,764
Contributions to Other Agencies	9,127	9,850	10,627	1,500
Employee Benefits	317,503	321,451	324,807	7,304
ARRA Grant # 1	23,694	25,814	25,814	2,120
Miscellaneous	18,361	15,000	15,000	(3,361)
Total Expenditures	\$ 4,493,599	\$ 3,499,924	\$ 4,448,760	\$ (44,839)
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (453,218)	\$ (295,599)	\$ (508,712)	\$ 55,494
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 145,920	\$ 172,000	\$ 172,000	\$ (26,080)
Insurance Recovery	0	9,493	0	0
Total Other Financing Sources (Uses)	\$ 145,920	\$ 181,493	\$ 172,000	\$ (26,080)
Net Change in Fund Balance	\$ (307,298)	\$ (114,106)	\$ (336,712)	\$ 29,414
Fund Balance, July 1, 2010	706,479	701,428	701,428	5,051
Fund Balance, June 30, 2011	\$ 399,181	\$ 587,322	\$ 364,716	\$ 34,465

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 107	\$ 0	\$ 0	\$ 107
Other Local Revenues	7,612	8,500	8,500	(888)
State of Tennessee	1,197,586	1,168,980	1,180,111	17,475
Federal Government	279,784	0	185,706	94,078
Other Governments and Citizens Groups	0	6,500	6,500	(6,500)
Total Revenues	<u>\$ 1,485,089</u>	<u>\$ 1,183,980</u>	<u>\$ 1,380,817</u>	<u>\$ 104,272</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 83,816	\$ 82,053	\$ 85,303	\$ 1,487
Highway and Bridge Maintenance	821,994	622,825	844,775	22,781
Operation and Maintenance of Equipment	333,261	288,500	321,750	(11,511)
Quarry Operations	1,180	1,200	1,200	20
Other Charges	56,753	55,496	64,496	7,743
Employee Benefits	116,594	116,335	140,335	23,741
Capital Outlay	22,661	425,000	228,535	205,874
<u>Principal on Debt</u>				
General Government	0	105,647	0	0
Highways and Streets	163,542	0	163,542	0
<u>Interest on Debt</u>				
Highways and Streets	36,674	0	43,957	7,283
Total Expenditures	<u>\$ 1,636,475</u>	<u>\$ 1,697,056</u>	<u>\$ 1,893,893</u>	<u>\$ 257,418</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (151,386)</u>	<u>\$ (513,076)</u>	<u>\$ (513,076)</u>	<u>\$ 361,690</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 425,000	\$ 425,000	\$ 425,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ 425,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 273,614	\$ (88,076)	\$ (88,076)	\$ 361,690
Fund Balance, July 1, 2010	97,801	90,487	90,487	7,314
Fund Balance, June 30, 2011	<u>\$ 371,415</u>	<u>\$ 2,411</u>	<u>\$ 2,411</u>	<u>\$ 369,004</u>

Exhibit F-3

Pickett County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Pickett County School Department  
June 30, 2011

(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)
6-30-09	\$ 5,127	\$ 5,559	\$ 432	92.23 %	\$ 2,423	17.83 %
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 went into effect during the 2007 year; therefore, only the two most recent valuations are presented.

Exhibit F-4

Pickett County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Pickett County School Department  
June 30, 2011

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-07	\$ 0	\$ 519	\$ 519	0 %	\$ 2,285	23 %
"	7-1-09	0	696	696	0	2,143	32
"	7-1-10	0	720	720	0	2,143	34

**PICKETT COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2011**

**A. BUDGETARY INFORMATION**

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

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

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded total appropriations approved by the County Commission in the General Fund by \$44,839. Expenditures exceeded appropriations approved by the County Commission in the Operation and Maintenance of Equipment major appropriations category (the legal level of control) of the Highway/Public Works Fund by \$11,511. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

---

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

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

## Capital Projects Funds

---

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

---

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 projects funded by HOME Investment Partnership Grant funds.

Exhibit G-1

Pickett County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

	Special Revenue Funds		Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Industrial Park Projects	Health Department Projects	
Cash	\$ 0	\$ 6,702	\$ 6,702	\$ 0	\$ 0	\$ 6,702
Equity in Pooled Cash and Investments	11,029	0	11,029	5,570	912	17,511
Accounts Receivable	0	12	12	0	0	12
Total Assets	\$ 11,029	\$ 6,714	\$ 17,743	\$ 5,570	\$ 912	\$ 24,225
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Due to Other Funds	\$ 0	\$ 6,714	\$ 6,714	\$ 0	\$ 0	\$ 6,714
Total Liabilities	\$ 0	\$ 6,714	\$ 6,714	\$ 0	\$ 0	\$ 6,714
<u>Fund Balances</u>						
Restricted:						
Restricted for Public Safety	\$ 11,029	\$ 0	\$ 11,029	\$ 0	\$ 0	\$ 11,029
Restricted for Capital Outlay	0	0	0	5,570	912	6,482
Total Fund Balances	\$ 11,029	\$ 0	\$ 11,029	\$ 5,570	\$ 912	\$ 17,511
Total Liabilities and Fund Balances	\$ 11,029	\$ 6,714	\$ 17,743	\$ 5,570	\$ 912	\$ 24,225

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, 2011

	Special Revenue Fund	Capital Projects Funds				Total	Nonmajor Governmental Funds
		Drug Control	Industrial Park Projects	Health Department Projects	HUD Grant Projects		
<u>Revenues</u>							
Fines, Forfeitures, and Penalties	\$ 13,017	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,017
Other Local Revenues	500	0	1	0	1	0	501
Federal Government	0	0	0	238,907	238,907	0	238,907
Total Revenues	\$ 13,517	\$ 0	\$ 1	\$ 238,907	\$ 238,908	\$ 0	\$ 252,425
<u>Expenditures</u>							
Current:							
Public Safety	\$ 9,220	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,220
Other Operations	0	0	0	238,907	238,907	0	238,907
Total Expenditures	\$ 9,220	\$ 0	\$ 0	\$ 238,907	\$ 238,907	\$ 0	\$ 248,127
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,297	\$ 0	\$ 1	\$ 0	\$ 1	\$ 0	\$ 4,298
Net Change in Fund Balances	\$ 4,297	\$ 0	\$ 1	\$ 0	\$ 1	\$ 0	\$ 4,298
Fund Balance, July 1, 2010	6,732	5,570	911	0	6,481	0	13,213
Fund Balance, June 30, 2011	\$ 11,029	\$ 5,570	\$ 912	\$ 0	\$ 6,482	\$ 0	\$ 17,511

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 13,017	\$ 6,156	\$ 10,156	\$ 2,861
Other Local Revenues	500	500	500	0
Total Revenues	<u>\$ 13,517</u>	<u>\$ 6,656</u>	<u>\$ 10,656</u>	<u>\$ 2,861</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 9,220	\$ 3,000	\$ 7,000	\$ (2,220)
Total Expenditures	<u>\$ 9,220</u>	<u>\$ 3,000</u>	<u>\$ 7,000</u>	<u>\$ (2,220)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,297</u>	<u>\$ 3,656</u>	<u>\$ 3,656</u>	<u>\$ 641</u>
Net Change in Fund Balance	\$ 4,297	\$ 3,656	\$ 3,656	\$ 641
Fund Balance, July 1, 2010	<u>6,732</u>	<u>7,164</u>	<u>7,164</u>	<u>(432)</u>
Fund Balance, June 30, 2011	<u><u>\$ 11,029</u></u>	<u><u>\$ 10,820</u></u>	<u><u>\$ 10,820</u></u>	<u><u>\$ 209</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

---

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

---

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 136,664	\$ 132,626	\$ 132,626	\$ 4,038
Other Local Revenues	120,000	120,000	120,000	0
Total Revenues	<u>\$ 256,664</u>	<u>\$ 252,626</u>	<u>\$ 252,626</u>	<u>\$ 4,038</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 183,958	\$ 184,037	\$ 183,958	\$ 0
<u>Interest on Debt</u>				
General Government	65,186	65,671	65,750	564
<u>Other Debt Service</u>				
General Government	1,549	1,500	1,500	(49)
Total Expenditures	<u>\$ 250,693</u>	<u>\$ 251,208</u>	<u>\$ 251,208</u>	<u>\$ 515</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,971</u>	<u>\$ 1,418</u>	<u>\$ 1,418</u>	<u>\$ 4,553</u>
Net Change in Fund Balance	\$ 5,971	\$ 1,418	\$ 1,418	\$ 4,553
Fund Balance, July 1, 2010	<u>361,256</u>	<u>362,151</u>	<u>362,151</u>	<u>(895)</u>
Fund Balance, June 30, 2011	<u><u>\$ 367,227</u></u>	<u><u>\$ 363,569</u></u>	<u><u>\$ 363,569</u></u>	<u><u>\$ 3,658</u></u>

# Fiduciary Funds

---

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

---

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

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

Exhibit I-1

Pickett County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2011

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 104,813	\$ 104,813
Accounts Receivable	0	2,219	2,219
Due from Other Governments	27,852	0	27,852
Total Assets	<u>\$ 27,852</u>	<u>\$ 107,032</u>	<u>\$ 134,884</u>
<u>LIABILITIES</u>			
Due to Litigants, Heirs, and Others	\$ 0	\$ 107,032	\$ 107,032
Due to Other Taxing Units	27,852	0	27,852
Total Liabilities	<u>\$ 27,852</u>	<u>\$ 107,032</u>	<u>\$ 134,884</u>

Exhibit I-2

Pickett County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 160,976	\$ 160,976	\$ 0
Due from Other Governments	21,920	27,852	21,920	27,852
Total Assets	\$ 21,920	\$ 188,828	\$ 182,896	\$ 27,852
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 21,920	\$ 188,828	\$ 182,896	\$ 27,852
Total Liabilities	\$ 21,920	\$ 188,828	\$ 182,896	\$ 27,852
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 71,656	\$ 1,741,504	\$ 1,708,347	\$ 104,813
Accounts Receivable	0	2,219	0	2,219
Total Assets	\$ 71,656	\$ 1,743,723	\$ 1,708,347	\$ 107,032
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 71,656	\$ 1,743,723	\$ 1,708,347	\$ 107,032
Total Liabilities	\$ 71,656	\$ 1,743,723	\$ 1,708,347	\$ 107,032
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 71,656	\$ 1,741,504	\$ 1,708,347	\$ 104,813
Equity in Pooled Cash and Investments	0	160,976	160,976	0
Accounts Receivable	0	2,219	0	2,219
Due from Other Governments	21,920	27,852	21,920	27,852
Total Assets	\$ 93,576	\$ 1,932,551	\$ 1,891,243	\$ 134,884
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 71,656	\$ 1,743,723	\$ 1,708,347	\$ 107,032
Due to Other Taxing Units	21,920	188,828	182,896	27,852
Total Liabilities	\$ 93,576	\$ 1,932,551	\$ 1,891,243	\$ 134,884

# Pickett County School Department

---

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

---

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.

Exhibit J-1

Pickett County, Tennessee  
Statement of Activities  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 3,435,317	\$ 0	\$ 594,183	\$ (2,841,134)
Support Services	1,987,202	420	24,150	(1,962,632)
Operation of Non-Instructional Services	634,366	125,870	365,000	(143,496)
Interest on Long-term Debt	141,135	0	0	(141,135)
Other Debt Service	13,012	0	0	(13,012)
<b>Total Governmental Activities</b>	<b>\$ 6,211,032</b>	<b>\$ 126,290</b>	<b>\$ 983,333</b>	<b>\$ (5,101,409)</b>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 604,422
Local Option Sales Taxes				422,773
Other Local Taxes				20,274
Grants and Contributions Not Restricted to Specific Programs				4,266,308
Unrestricted Investment Income				8,365
Miscellaneous				33,897
Amortization of Debt Premium				4,211
<b>Total General Revenues</b>				<b>\$ 5,360,250</b>
Change in Net Assets				\$ 258,841
Net Assets, July 1, 2010				1,976,434
Net Assets, June 30, 2011				<b>\$ 2,235,275</b>

Exhibit J-2

Pickett County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Pickett County School Department  
June 30, 2011

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 607,192	\$ 43,533	\$ 75,576	\$ 726,301
Accounts Receivable	0	493	0	493
Due from Other Governments	261,969	14,985	61,432	338,386
Due from Other Funds	2,700	0	0	2,700
Property Taxes Receivable	635,084	0	0	635,084
Allowance for Uncollectible Property Taxes	(21,550)	0	0	(21,550)
Total Assets	<u>\$ 1,485,395</u>	<u>\$ 59,011</u>	<u>\$ 137,008</u>	<u>\$ 1,681,414</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 1,523	\$ 4,351	\$ 19,642	\$ 25,516
Due to Other Funds	0	2,700	0	2,700
Deferred Revenue - Current Property Taxes	580,253	0	0	580,253
Deferred Revenue - Delinquent Property Taxes	31,752	0	0	31,752
Other Deferred Revenues	46,352	0	0	46,352
Total Liabilities	<u>\$ 659,880</u>	<u>\$ 7,051</u>	<u>\$ 19,642</u>	<u>\$ 686,573</u>
<u>Fund Balances</u>				
Restricted:				
Restricted for Education	\$ 5,818	\$ 1,960	\$ 117,366	\$ 125,144
Committed:				
Committed for Education	418,919	0	0	418,919
Assigned:				
Assigned for Education	0	50,000	0	50,000
Unassigned	400,778	0	0	400,778
Total Fund Balances	<u>\$ 825,515</u>	<u>\$ 51,960</u>	<u>\$ 117,366</u>	<u>\$ 994,841</u>
Total Liabilities and Fund Balances	<u>\$ 1,485,395</u>	<u>\$ 59,011</u>	<u>\$ 137,008</u>	<u>\$ 1,681,414</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, 2011

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)		\$	994,841
(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		4,596,299	
Add: other capital assets net of accumulated depreciation		<u>209,371</u>	4,828,625
(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	\$	(3,620,000)	
Less: accrued interest on bonds		(11,257)	
Less: compensated absences payable		(10,468)	
Less: other postemployment benefits liability		(146,273)	
Less: other deferred revenue - premium on debt		(55,583)	
Add: deferred amount on refunding		79,557	
Add: deferred charges - debt issuance costs		<u>97,729</u>	(3,666,295)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>78,104</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>2,235,275</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, 2011

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 1,048,494	\$ 0	\$ 0	\$ 1,048,494
Licenses and Permits	228	0	0	228
Charges for Current Services	420	0	125,870	126,290
Other Local Revenues	41,861	0	173	42,034
State of Tennessee	3,949,663	0	4,241	3,953,904
Federal Government	61,251	899,313	328,974	1,289,538
<b>Total Revenues</b>	<b>\$ 5,101,917</b>	<b>\$ 899,313</b>	<b>\$ 459,258</b>	<b>\$ 6,460,488</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 2,572,197	\$ 679,549	\$ 0	\$ 3,251,746
Support Services	1,803,437	215,968	0	2,019,405
Operation of Non-Instructional Services	152,449	0	459,469	611,918
Capital Outlay	413	0	0	413
Debt Service:				
Principal on Debt	220,000	0	0	220,000
Interest on Debt	141,685	0	0	141,685
<b>Total Expenditures</b>	<b>\$ 4,890,181</b>	<b>\$ 895,517</b>	<b>\$ 459,469</b>	<b>\$ 6,245,167</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 211,736	\$ 3,796	\$ (211)	\$ 215,321
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 6,600	\$ 0	\$ 0	\$ 6,600
Transfers Out	0	(6,600)	0	(6,600)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 6,600</b>	<b>\$ (6,600)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Net Change in Fund Balances	\$ 218,336	\$ (2,804)	\$ (211)	\$ 215,321
Fund Balance, July 1, 2010	607,179	54,764	117,577	779,520
<b>Fund Balance, June 30, 2011</b>	<b>\$ 825,515</b>	<b>\$ 51,960</b>	<b>\$ 117,366</b>	<b>\$ 994,841</b>

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, 2011

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)		\$ 215,321
<p>(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:</p>		
Add: capital assets purchased	\$ 80,500	
Less: current-year depreciation expense	<u>(212,619)</u>	(132,119)
<p>(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2011	\$ 78,104	
Less: deferred delinquent property taxes and other deferred June 30, 2010	<u>(72,930)</u>	5,174
<p>(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.</p>		
Add: principal payments on bonds	\$ 220,000	
Less: change in deferred debt issuance costs	(7,404)	
Add: change in premium on debt issuances	4,211	
Less: change in deferred amount on refunding debt	<u>(5,607)</u>	211,200
<p>(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.</p>		
Change in accrued interest payable	\$ 549	
Change in compensated absences payable	(247)	
Change in other postemployment benefits liability	<u>(41,037)</u>	(40,735)
Change in net assets of governmental activities (Exhibit B)		<u>\$ 258,841</u>

Exhibit J-6

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,048,494	\$ 995,575	\$ 995,575	\$ 52,919
Licenses and Permits	228	250	250	(22)
Charges for Current Services	420	900	900	(480)
Other Local Revenues	41,861	65,000	114,154	(72,293)
State of Tennessee	3,949,663	3,857,690	3,886,150	63,513
Federal Government	61,251	50,000	200,000	(138,749)
Total Revenues	<u>\$ 5,101,917</u>	<u>\$ 4,969,415</u>	<u>\$ 5,197,029</u>	<u>\$ (95,112)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,053,176	\$ 2,302,600	\$ 2,341,600	\$ 288,424
Special Education Program	278,445	285,795	285,795	7,350
Vocational Education Program	240,576	249,495	249,495	8,919
<u>Support Services</u>				
Attendance	34,917	36,310	36,310	1,393
Health Services	131,902	135,370	135,370	3,468
Other Student Support	100,964	111,180	111,180	10,216
Regular Instruction Program	212,289	215,980	215,980	3,691
Special Education Program	24,942	25,610	25,610	668
Other Programs	25,036	0	25,036	0
Board of Education	73,956	92,445	92,445	18,489
Director of Schools	96,448	98,725	98,725	2,277
Office of the Principal	195,836	203,150	203,150	7,314
Fiscal Services	58,069	58,740	58,740	671
Operation of Plant	411,973	414,640	414,640	2,667
Maintenance of Plant	97,007	107,120	115,459	18,452
Transportation	333,502	347,740	347,741	14,239
Central and Other	6,596	8,100	8,100	1,504
<u>Operation of Non-Instructional Services</u>				
Community Services	50,031	51,000	51,000	969
Early Childhood Education	102,418	98,995	102,418	0
<u>Capital Outlay</u>				
Regular Capital Outlay	413	0	151,814	151,401
<u>Principal on Debt</u>				
Education	220,000	220,000	220,000	0
<u>Interest on Debt</u>				
Education	141,685	141,685	141,685	0
Total Expenditures	<u>\$ 4,890,181</u>	<u>\$ 5,204,680</u>	<u>\$ 5,432,293</u>	<u>\$ 542,112</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 211,736</u>	<u>\$ (235,265)</u>	<u>\$ (235,264)</u>	<u>\$ 447,000</u>

(Continued)

Exhibit J-6

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 (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 6,600	\$ 0	\$ 0	\$ 6,600
Total Other Financing Sources (Uses)	\$ 6,600	\$ 0	\$ 0	\$ 6,600
Net Change in Fund Balance	\$ 218,336	\$ (235,265)	\$ (235,264)	\$ 453,600
Fund Balance, July 1, 2010	607,179	390,849	390,849	216,330
Fund Balance, June 30, 2011	\$ 825,515	\$ 155,584	\$ 155,585	\$ 669,930

Exhibit J-7

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 899,313	\$ 1,083,397	\$ 1,082,261	\$ (182,948)
Total Revenues	\$ 899,313	\$ 1,083,397	\$ 1,082,261	\$ (182,948)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 509,900	\$ 553,101	\$ 542,958	\$ 33,058
Special Education Program	156,268	268,690	266,890	110,622
Vocational Education Program	13,381	10,025	13,381	0
<u>Support Services</u>				
Other Student Support	2,234	6,750	3,962	1,728
Regular Instruction Program	202,962	221,829	230,872	27,910
Special Education Program	6,267	5,542	7,542	1,275
Vocational Education Program	143	711	143	0
Transportation	4,362	4,362	4,362	0
Total Expenditures	\$ 895,517	\$ 1,071,010	\$ 1,070,110	\$ 174,593
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,796	\$ 12,387	\$ 12,151	\$ (8,355)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 30,014	\$ 0	\$ 0
Transfers Out	(6,600)	(42,401)	(12,151)	5,551
Total Other Financing Sources (Uses)	\$ (6,600)	\$ (12,387)	\$ (12,151)	\$ 5,551
Net Change in Fund Balance	\$ (2,804)	\$ 0	\$ 0	\$ (2,804)
Fund Balance, July 1, 2010	54,764	0	0	54,764
Fund Balance, June 30, 2011	\$ 51,960	\$ 0	\$ 0	\$ 51,960

Exhibit J-8

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, 2011

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 125,870	\$ 123,600	\$ 123,600	\$ 2,270
Other Local Revenues	173	250	250	(77)
State of Tennessee	4,241	3,700	3,700	541
Federal Government	328,974	279,000	297,957	31,017
Total Revenues	<u>\$ 459,258</u>	<u>\$ 406,550</u>	<u>\$ 425,507</u>	<u>\$ 33,751</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 459,469	\$ 432,900	\$ 451,857	\$ (7,612)
Total Expenditures	<u>\$ 459,469</u>	<u>\$ 432,900</u>	<u>\$ 451,857</u>	<u>\$ (7,612)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (211)</u>	<u>\$ (26,350)</u>	<u>\$ (26,350)</u>	<u>\$ 26,139</u>
Net Change in Fund Balance	\$ (211)	\$ (26,350)	\$ (26,350)	\$ 26,139
Fund Balance, July 1, 2010	<u>117,577</u>	<u>117,577</u>	<u>117,577</u>	<u>0</u>
Fund Balance, June 30, 2011	<u>\$ 117,366</u>	<u>\$ 91,227</u>	<u>\$ 91,227</u>	<u>\$ 26,139</u>

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit K-1

Pickett County, Tennessee  
 Schedule of Changes in Long-term Notes and Bonds  
 Primary Government and Discretely Presented Pickett County School Department  
 For the Year Ended June 30, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-11
<b>PRIMARY GOVERNMENT</b>								
<b>GOVERNMENTAL ACTIVITIES</b>								
<b>NOTES PAYABLE</b>								
Payable through General Debt Service Fund								
EMS Building Expansion	\$ 175,000	5.05 %	6-24-04	6-1-11	\$ 29,000	0	\$ 29,000	0
Highway Equipment	300,000	4.1	6-8-07	6-15-12	127,286	0	62,458	64,828
Ambulance	91,825	4	5-12-09	6-5-12	62,353	0	30,432	31,921
Fire Trucks	72,220	3.5	6-20-11	6-20-14	0	72,220	0	72,220
Ambulances and Heart Monitors	73,700	3.5	6-20-11	6-20-14	0	73,700	0	73,700
Total Payable through General Debt Service Fund					\$ 218,639	\$ 145,920	\$ 121,890	\$ 242,669
Payable through Highway/Public Works Fund								
Highway, Street, Road Improvements, and Refunding Road Projects - Series 2010	1,000,000	4.1	4-20-07	6-10-19	\$ 794,001	0	74,482	719,519
Total Payable through Highway/Public Works Fund	425,000	3.24	7-16-10	7-1-13	0	425,000	89,060	335,940
					\$ 794,001	\$ 425,000	\$ 163,542	\$ 1,055,459
Total Notes Payable					\$ 1,012,640	\$ 570,920	\$ 285,432	\$ 1,298,128
<b>BONDS PAYABLE</b>								
Payable through General Debt Service Fund								
Nursing Home	1,200,000	5	8-31-1982	1-1-21	\$ 590,000	0	40,000	550,000
Nursing Home Addition - FHA	425,000	6	5-18-1990	5-18-23	265,377	0	14,019	251,358
Public Library	390,000	4.125	11-1-06	6-1-33	285,117	0	8,049	277,068
Total Bonds Payable					\$ 1,140,494	0	62,068	1,078,426
<b>BUSINESS-TYPE ACTIVITIES</b>								
Payable through Solid Waste Disposal Fund								
Solid Waste Expansion	110,000	5.25	6-2-1995	12-19-11	\$ 10,433	0	8,348	2,085
<b>DISCRETELY PRESENTED PICKETT COUNTY SCHOOL DEPARTMENT</b>								
Payable through General Purpose School Fund								
School Refunding Bond, Series 2009	4,100,000	3 to 4.2	3-31-09	6-1-24	\$ 3,840,000	0	220,000	3,620,000

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

Governmental Activities:

Year Ending June 30	Notes		
	Principal	Interest	Total
2012	\$ 272,197	\$ 49,304	\$ 321,501
2013	179,019	39,192	218,211
2014	370,036	28,040	398,076
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	\$ 1,298,128	\$ 167,896	\$ 1,466,024

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 1,078,426	\$ 421,838	\$ 1,500,264

(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.)

PRIMARY GOVERNMENT (CONT.)

Business-type Activities:

Year Ending June 30	Bonds		Total
	Principal	Interest	
2012	\$ 2,085	\$ 109	\$ 2,194
Total	\$ 2,085	\$ 109	\$ 2,194

DISCRETELY PRESENTED PICKETT  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Bonds		Total
	Principal	Interest	
2012	\$ 225,000	\$ 135,085	\$ 360,085
2013	230,000	128,335	358,335
2014	240,000	121,435	361,435
2015	245,000	114,235	359,235
2016	255,000	105,660	360,660
2017	260,000	96,735	356,735
2018	275,000	87,635	362,635
2019	285,000	76,635	361,635
2020	295,000	65,235	360,235
2021	305,000	53,435	358,435
2022	320,000	41,235	361,235
2023	335,000	28,435	363,435
2024	350,000	14,700	364,700
Total	\$ 3,620,000	\$ 1,068,795	\$ 4,688,795

Exhibit K-3

Pickett County, Tennessee  
Schedule of Transfers  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2011

From Fund	To Fund	Purpose	Amount
School Federal Projects	General Purpose School	Indirect costs	\$ 6,600
Total Transfers Discretely Presented Pickett County School Department			<u>\$ 6,600</u>

Exhibit K-4

Pickett County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Stephen Bilbrey (7-1-10 through 8-31-10)	Section 8-24-102, TCA	\$ 13,231	\$ 25,000	RLI Insurance Company
Johnie Neal (9-1-10 through 6-30-11)	Section 8-24-102, TCA	47,119	25,000	"
Road Superintendent	Section 8-24-102, TCA, and Chapter 104, Private Acts of 1957	57,477 (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, TCA	52,251	276,000	"
Assessor of Property	Section 8-24-102, TCA	52,251	10,000	"
County Clerk	Section 8-24-102, TCA	52,251	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	52,251	25,000	"
Clerk and Master	Section 8-24-102, TCA	52,251	50,000	"
Register:				
Jeff Ford (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,455	25,000	"
Letha McCurdy (9-1-10 through 6-30-11)	Section 8-24-102, TCA	40,796	25,000	"
Sheriff:				
Clois Brown (7-1-10 through 8-31-10)	Section 8-24-102, TCA	12,601 (3)	25,000	"
Dana Dowdy (9-1-10 through 6-30-11)	Section 8-24-102, TCA	44,876 (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) Includes \$1,000 for a chief executive officer training supplement.
- (3) Does not include a law enforcement training supplement of \$600.
- (4) The director of schools is covered by the \$150,000 employee blanket bond.

Exhibit K-5

Pickett County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2011

	Special Revenue Funds		Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Highway / Public Works	Fund		Health Department Projects	HUD Grant Projects	
				General	Debt Service			
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 834,726	\$ 0	\$ 0	\$ 67,886	\$ 0	\$ 0	\$ 0	902,612
Trustee's Collections - Prior Year	46,786	0	0	3,794	0	0	0	50,580
Circuit/Clerk & Master Collections - Prior Years	49,752	0	0	4,034	0	0	0	53,786
Interest and Penalty	8,310	0	0	674	0	0	0	8,984
Payments in-Lieu-of Taxes - Other	53,607	0	0	791	0	0	0	54,398
<u>County Local Option Taxes</u>								
Local Option Sales Tax	220,848	0	0	0	0	0	0	220,848
Wheel Tax	0	0	0	59,485	0	0	0	59,485
Litigation Tax - General	6,505	0	0	0	0	0	0	6,505
Litigation Tax - Special Purpose	1,244	0	0	0	0	0	0	1,244
Business Tax	1,632	0	0	0	0	0	0	1,632
Mineral Severance Tax	10,404	0	0	0	0	0	0	10,404
<u>Statutory Local Taxes</u>								
Bank Excise Tax	4,505	0	0	0	0	0	0	4,505
Wholesale Beer Tax	299,898	0	0	0	0	0	0	299,898
Interstate Telecommunications Tax	326	0	0	0	0	0	0	326
<b>Total Local Taxes</b>	<b>\$ 1,538,543</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 136,664</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>1,675,207</b>
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	228	0	0	0	0	0	0	228
<u>Permits</u>								
Beer Permits	3,185	0	0	0	0	0	0	3,185
<b>Total Licenses and Permits</b>	<b>\$ 3,413</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>3,413</b>
<u>Fines, Forfeitures, and Penalties</u>								
<u>Circuit Court</u>								
Fines	5,867	0	0	0	0	0	0	5,867
Officers Costs	986	0	0	0	0	0	0	986
Drug Control Fines	0	5,802	0	0	0	0	0	5,802

(Continued)

Exhibit K-5

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	HUD Grant Projects			
							HUD Grant	Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Circuit Court (Cont.)</u>										
Drug Court Fees	\$ 313	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 313	
Jail Fees	620	0	0	0	0	0	0	0	620	
Data Entry Fee - Circuit Court	154	0	0	0	0	0	0	0	154	
<u>General Sessions Court</u>										
Fines	3,870	0	0	0	0	0	0	0	3,870	
Officers Costs	3,682	0	0	0	0	0	0	0	3,682	
Game and Fish Fines	330	0	0	0	0	0	0	0	330	
Drug Control Fines	2,085	7,215	0	0	0	0	0	0	9,300	
Drug Court Fees	745	0	0	0	0	0	0	0	745	
Jail Fees	1,520	0	0	0	0	0	0	0	1,520	
DUI Treatment Fines	570	0	0	0	0	0	0	0	570	
Data Entry Fee - General Sessions Court	485	0	0	0	0	0	0	0	485	
<u>Chancery Court</u>										
Officers Costs	414	0	0	0	0	0	0	0	414	
Data Entry Fee - Chancery Court	22	0	0	0	0	0	0	0	22	
<u>Other Fines, Forfeitures, and Penalties</u>										
Other Fines, Forfeitures, and Penalties	9,039	0	0	0	0	0	0	0	9,039	
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 30,702</b>	<b>\$ 13,017</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 43,719</b>	
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Patient Charges	\$ 479,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 479,090	
Other General Service Charges	4,112	0	0	0	0	0	0	0	4,112	
<u>Fees</u>										
Copy Fees	1,202	0	0	0	0	0	0	0	1,202	
Library Fees	3,576	0	0	0	0	0	0	0	3,576	
Vending Machine Collections	0	0	107	0	0	0	0	0	107	
Data Processing Fee - Register	2,466	0	0	0	0	0	0	0	2,466	
Probation Fees	27,747	0	0	0	0	0	0	0	27,747	
Data Processing Fee - Sheriff	349	0	0	0	0	0	0	0	349	

(Continued)

Exhibit K-5

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	Health Department	HUD Grant Projects	
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Sexual Offender Registration Fees - Sheriff	150 \$	0 \$	0 \$	0 \$	0 \$	0 \$	150
Total Charges for Current Services	518,692 \$	0 \$	107 \$	0 \$	0 \$	0 \$	518,799
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	10,601 \$	0 \$	0 \$	0 \$	1 \$	0 \$	10,602
Lease/Rentals	14,950	0	0	120,000	0	0	134,950
Miscellaneous Refunds	6,904	500	3,897	0	0	0	11,301
Nonrecurring Items							
Sale of Equipment	2,704	0	0	0	0	0	2,704
Sale of Property	12,000	0	588	0	0	0	12,588
<u>Other Local Revenues</u>							
Other Local Revenues	1,474	0	3,127	0	0	0	4,601
Total Other Local Revenues	48,633 \$	500 \$	7,612 \$	120,000 \$	1 \$	0 \$	176,746
<u>Fees Received from County Officials</u>							
<u>Fees in-Lieu-of Salary</u>							
County Clerk	67,497 \$	0 \$	0 \$	0 \$	0 \$	0 \$	67,497
Circuit Court Clerk	15,112	0	0	0	0	0	15,112
General Sessions Court Clerk	17,054	0	0	0	0	0	17,054
Clerk and Master	3,237	0	0	0	0	0	3,237
Register	29,749	0	0	0	0	0	29,749
Sheriff	5,552	0	0	0	0	0	5,552
Trustee	76,649	0	0	0	0	0	76,649
Total Fees Received from County Officials	214,850 \$	0 \$	0 \$	0 \$	0 \$	0 \$	214,850
<u>State of Tennessee</u>							
General Government Grants	9,000 \$	0 \$	0 \$	0 \$	0 \$	0 \$	9,000
Juvenile Services Program	7,949	0	0	0	0	0	7,949
Aging Programs							

(Continued)

Exhibit K-5

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	0 \$	0 \$	0 \$	Health Department Projects	HUD Grant Projects		
								0 \$	0 \$	
<u>State of Tennessee (Cont.)</u>										
<u>General Government Grants (Cont.)</u>										
On-Behalf Contributions for OPEB	\$ 1,097	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,097
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	5,400	0	0	0	0	0	0	0	0	5,400
Health and Welfare Grants	1,581	0	0	0	0	0	0	0	0	1,581
Other Health and Welfare Grants										
<u>Public Works Grants</u>										
Litter Program	23,986	0	0	0	0	0	0	0	0	23,986
<u>Other State Revenues</u>										
Flood Control	135,806	0	0	0	0	0	0	0	0	135,806
Income Tax	35,308	0	0	0	0	0	0	0	0	35,308
Beer Tax	18,724	0	0	0	0	0	0	0	0	18,724
Alcoholic Beverage Tax	12,985	0	0	0	0	0	0	0	0	12,985
State Revenue Sharing - T.V.A.	181,526	0	0	0	0	0	0	0	0	181,526
Contracted Prisoner Boarding	23,030	0	0	0	0	0	0	0	0	23,030
Gasoline and Motor Fuel Tax	0	0	1,193,950	0	0	0	0	0	0	1,193,950
Petroleum Special Tax	0	0	3,636	0	0	0	0	0	0	3,636
Registrar's Salary Supplement	19,259	0	0	0	0	0	0	0	0	19,259
Other State Grants	18,664	0	0	0	0	0	0	0	0	18,664
Other State Revenues	441	0	0	0	0	0	0	0	0	441
<b>Total State of Tennessee</b>	<b>\$ 494,756</b>	<b>\$ 0</b>	<b>\$ 1,197,586</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,692,342</b>
<u>Federal Government</u>										
<u>Federal Through State</u>										
Community Development	\$ 927,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 927,000
Disaster Relief	0	0	186,762	0	0	0	0	0	0	186,762
ARRA Grant # 1	21,640	0	0	0	0	0	0	0	0	21,640
Other Federal through State	98,824	0	88,724	0	0	0	0	238,907	0	426,455
<u>Direct Federal Revenue</u>										
Police Service (Lake Area)	14,880	0	0	0	0	0	0	0	0	14,880
Other Direct Federal Revenue	83,823	0	4,298	0	0	0	0	0	0	88,121
<b>Total Federal Government</b>	<b>\$ 1,146,167</b>	<b>\$ 0</b>	<b>\$ 279,784</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 238,907</b>	<b>\$ 0</b>	<b>\$ 1,664,858</b>

(Continued)

Exhibit K-5

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		
Other Governments and Citizens Groups									
Other Governments									
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	\$ 4,040,381	\$ 13,517	\$ 1,485,089	\$ 256,664	\$ 1	\$ 238,907	\$ 6,034,559		

Exhibit K-6

Pickett County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 531,693	\$ 0	\$ 0	\$ 531,693
Trustee's Collections - Prior Year	29,671	0	0	29,671
Circuit/Clerk & Master Collections - Prior Years	31,599	0	0	31,599
Interest and Penalty	5,278	0	0	5,278
Payments in-Lieu-of Taxes - Other	6,199	0	0	6,199
<u>County Local Option Taxes</u>				
Local Option Sales Tax	231,151	0	0	231,151
Local Amusement Tax	31	0	0	31
Business Tax	19,844	0	0	19,844
Other County Local Option Taxes	192,629	0	0	192,629
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	399	0	0	399
<b>Total Local Taxes</b>	<b>\$ 1,048,494</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,048,494</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 228	\$ 0	\$ 0	\$ 228
<b>Total Licenses and Permits</b>	<b>\$ 228</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 228</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 40,624	\$ 40,624
Lunch Payments - Adults	0	0	16,588	16,588
Income from Breakfast	0	0	25,906	25,906
A la carte Sales	0	0	42,752	42,752
TBI Criminal Background Fees	420	0	0	420
<b>Total Charges for Current Services</b>	<b>\$ 420</b>	<b>\$ 0</b>	<b>\$ 125,870</b>	<b>\$ 126,290</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 8,192	\$ 0	\$ 173	\$ 8,365
Miscellaneous Refunds	33,669	0	0	33,669
<b>Total Other Local Revenues</b>	<b>\$ 41,861</b>	<b>\$ 0</b>	<b>\$ 173</b>	<b>\$ 42,034</b>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 25,036	\$ 0	\$ 0	\$ 25,036
<u>State Education Funds</u>				
Basic Education Program	3,223,122	0	0	3,223,122
Basic Education Program - ARRA	386,359	0	0	386,359
Early Childhood Education	102,419	0	0	102,419
School Food Service	0	0	4,241	4,241
Driver Education	3,033	0	0	3,033
Other State Education Funds	1,015	0	0	1,015
Coordinated School Health - ARRA	90,000	0	0	90,000
Internet Connectivity - ARRA	2,050	0	0	2,050
Family Resource Centers - ARRA	33,300	0	0	33,300
Statewide Student Management System (SSMS) - ARRA	1,740	0	0	1,740

(Continued)

Exhibit K-6

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>State of Tennessee (Cont.)</u>				
<u>State Education Funds (Cont.)</u>				
Career Ladder Program	\$ 46,359	\$ 0	\$ 0	\$ 46,359
Career Ladder - Extended Contract - ARRA	26,080	0	0	26,080
<u>Other State Revenues</u>				
Safe Schools - ARRA	4,400	0	0	4,400
Other State Revenues	4,750	0	0	4,750
Total State of Tennessee	\$ 3,949,663	\$ 0	\$ 4,241	\$ 3,953,904
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 220,918	\$ 220,918
USDA - Commodities	0	0	18,957	18,957
Breakfast	0	0	88,389	88,389
USDA - Other	0	0	710	710
Vocational Education - Basic Grants to States	0	14,236	0	14,236
Title I Grants to Local Education Agencies	0	348,658	0	348,658
Special Education - Grants to States	0	152,427	0	152,427
Special Education Preschool Grants	0	7,997	0	7,997
Safe and Drug-free Schools - State Grants	0	44,418	0	44,418
Rural Education	0	15,107	0	15,107
Eisenhower Professional Development State Grants	0	52,748	0	52,748
Job Training Partnership Act	15,000	0	0	15,000
Race to the Top - ARRA	0	45,034	0	45,034
Other Federal through State	5,340	218,688	0	224,028
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	40,911	0	0	40,911
Total Federal Government	\$ 61,251	\$ 899,313	\$ 328,974	\$ 1,289,538
Total	\$ 5,101,917	\$ 899,313	\$ 459,258	\$ 6,460,488

Exhibit K-7

Pickett County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2011

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 25,625	
Audit Services	1,734	
Dues and Memberships	1,748	
Legal Notices, Recording, and Court Costs	891	
Total County Commission		\$ 29,998

Board of Equalization

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

Beer Board

Board and Committee Members Fees	\$ 3,420	
Legal Services	347	
Total Beer Board		3,767

County Mayor/Executive

County Official/Administrative Officer	\$ 60,350	
Accountants/Bookkeepers	27,645	
Secretary(ies)	15,382	
Communication	4,129	
Data Processing Services	10,051	
Dues and Memberships	800	
Postal Charges	496	
Printing, Stationery, and Forms	173	
Office Supplies	3,398	
Other Supplies and Materials	294	
Total County Mayor/Executive		122,718

County Attorney

Legal Services	\$ 1,200	
Total County Attorney		1,200

Election Commission

County Official/Administrative Officer	\$ 47,010	
Secretary(ies)	17,679	
Election Commission	6,675	
Election Workers	12,959	
Communication	1,640	
Data Processing Services	5,178	
Dues and Memberships	175	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$	1,293	
Postal Charges		600	
Printing, Stationery, and Forms		1,701	
Travel		2,053	
Office Supplies		378	
Total Election Commission			\$ 97,341

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Other Salaries and Wages		3,838	
Communication		1,060	
Dues and Memberships		351	
Maintenance Agreements		252	
Postal Charges		44	
Printing, Stationery, and Forms		104	
Other Contracted Services		3,611	
Duplicating Supplies		255	
Office Supplies		1,493	
Total Register of Deeds			63,259

Planning

Contracts with Government Agencies	\$	4,312	
Total Planning			4,312

County Buildings

Custodial Personnel	\$	36,956	
Communication		4,703	
Maintenance and Repair Services - Buildings		36,589	
Maintenance and Repair Services - Vehicles		762	
Custodial Supplies		8,262	
Electricity		53,544	
Gasoline		948	
Water and Sewer		7,775	
Other Supplies and Materials		1,000	
Total County Buildings			150,539

Other General Administration

On-Behalf Payments to OPEB	\$	1,097	
Total Other General Administration			1,097

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Communication		467	
Legal Notices, Recording, and Court Costs		40	
Postal Charges		200	
Travel		2,873	
Other Contracted Services		13,960	
Office Supplies		150	
Total Property Assessor's Office			\$ 69,941

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		8,402	
Communication		1,526	
Data Processing Services		5,393	
Dues and Memberships		271	
Legal Notices, Recording, and Court Costs		464	
Postal Charges		2,396	
Printing, Stationery, and Forms		230	
Other Contracted Services		3,579	
Office Supplies		719	
Refunds		3,994	
Total County Trustee's Office			79,225

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		20,834	
Communication		931	
Dues and Memberships		271	
Postal Charges		1,298	
Office Supplies		2,768	
Other Supplies and Materials		700	
Total County Clerk's Office			79,053

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251
Deputy(ies)		12,216
Jury and Witness Expense		4,510
Communication		3,630
Data Processing Services		7,202

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Dues and Memberships	\$	331	
Legal Notices, Recording, and Court Costs		306	
Postal Charges		440	
Remittance of Revenue Collected		1,117	
Office Supplies		3,587	
Other Supplies and Materials		512	
Total Circuit Court			\$ 86,102

General Sessions Judge

Judge(s)	\$	62,197	
Legal Services		5,100	
Total General Sessions Judge			67,297

Chancery Court

County Official/Administrative Officer	\$	52,251	
Communication		1,643	
Dues and Memberships		271	
Postal Charges		551	
Office Supplies		513	
Periodicals		35	
Total Chancery Court			55,264

Juvenile Court

Youth Service Officer(s)	\$	11,078	
Travel		250	
Office Supplies		78	
Total Juvenile Court			11,406

Judicial Commissioners

Other Per Diem and Fees	\$	6,000	
Office Supplies		50	
Office Equipment		75	
Total Judicial Commissioners			6,125

Probation Services

Probation Officer(s)	\$	23,516	
Other Salaries and Wages		13,625	
Other Supplies and Materials		843	
Total Probation Services			37,984

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Deputy(ies)		313,283	
Salary Supplements		5,400	
In-Service Training		2,682	
Dues and Memberships		1,000	
Maintenance and Repair Services - Equipment		396	
Maintenance and Repair Services - Vehicles		19,559	
Postal Charges		570	
Tow-in Services		150	
Gasoline		45,225	
Office Supplies		4,827	
Tires and Tubes		4,489	
Uniforms		4,867	
Motor Vehicles		<u>73,556</u>	
Total Sheriff's Department	\$		533,481

Drug Enforcement

Animal Food and Supplies	\$	<u>995</u>	
Total Drug Enforcement			995

Jail

Deputy(ies)	\$	107,282	
Dispatchers/Radio Operators		18,905	
Communication		8,487	
Contracts with Government Agencies		141,945	
Laundry Service		359	
Maintenance and Repair Services - Buildings		5,487	
Medical and Dental Services		44,534	
Custodial Supplies		1,267	
Food Supplies		<u>51,691</u>	
Total Jail			379,957

Fire Prevention and Control

Contributions	\$	50,000	
Other Supplies and Materials		<u>18,236</u>	
Total Fire Prevention and Control			68,236

Rescue Squad

Contributions	\$	<u>3,000</u>	
Total Rescue Squad			3,000

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Contributions	\$ 3,000	
Total Other Emergency Management		\$ 3,000

County Coroner/Medical Examiner

Medical and Dental Services	\$ 6,943	
Total County Coroner/Medical Examiner		6,943

Other Public Safety

Supervisor/Director	\$ 9,085	
Total Other Public Safety		9,085

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 9,439	
Communication	1,771	
Medical and Dental Services	86	
Custodial Supplies	277	
Electricity	7,075	
Office Supplies	275	
Water and Sewer	430	
Other Supplies and Materials	536	
Building Improvements	760	
Total Local Health Center		20,649

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 35,702
Medical Personnel	385,695
In-Service Training	4,624
Communication	5,233
Dues and Memberships	440
Licenses	1,500
Maintenance and Repair Services - Buildings	2,000
Maintenance and Repair Services - Equipment	1,382
Maintenance and Repair Services - Vehicles	11,907
Postal Charges	695
Tow-in Services	300
Other Contracted Services	2,715
Custodial Supplies	1,066
Drugs and Medical Supplies	14,315
Electricity	12,603

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Gasoline	\$ 19,533	
Office Supplies	2,369	
Tires and Tubes	2,000	
Uniforms	5,133	
Water and Sewer	1,148	
Refunds	2,104	
Data Processing Equipment	6,438	
Motor Vehicles	73,600	
Total Ambulance/Emergency Medical Services		\$ 592,502

Regional Mental Health Center

Contributions	\$ 2,842	
Total Regional Mental Health Center		2,842

Appropriation to State

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

Sanitation Management

Other Contracted Services	\$ 30,045	
Total Sanitation Management		30,045

Other Public Health and Welfare

Other Salaries and Wages	\$ 1,092	
Travel	406	
Total Other Public Health and Welfare		1,498

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$ 18,498	
Total Senior Citizens Assistance		18,498

Libraries

County Official/Administrative Officer	\$ 22,237	
Assistant(s)	19,135	
Communication	1,565	
Office Supplies	4,321	
Other Supplies and Materials	3,017	
Data Processing Equipment	560	
Office Equipment	2,000	
Total Libraries		52,835

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Supervisor/Director	\$	23,945	
Other Salaries and Wages		7,380	
Communication		491	
Postal Charges		44	
Travel		829	
Office Supplies		646	
Other Supplies and Materials		500	
Total Other Social, Cultural, and Recreational			\$ 33,835

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,538	
Contributions		3,800	
Other Contracted Services		18,880	
Other Supplies and Materials		2,982	
Total Agriculture Extension Service			27,200

Soil Conservation

Secretary(ies)	\$	16,438	
Other Salaries and Wages		25,480	
Communication		975	
Contributions		1,000	
Total Soil Conservation			43,893

Other Operations

Tourism

Contributions	\$	20,000	
Other Capital Outlay		117,910	
Total Tourism			137,910

Industrial Development

Contributions	\$	319	
Total Industrial Development			319

Other Economic and Community Development

Other Equipment	\$	1,051,020	
Total Other Economic and Community Development			1,051,020

Veterans' Services

Other Salaries and Wages	\$	16,291	
--------------------------	----	--------	--

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Communication	\$	583	
Office Supplies		1,050	
Total Veterans' Services			\$ 17,924

Other Charges

Travel	\$	3,761	
Building and Contents Insurance		13,981	
Liability Insurance		34,671	
Premiums on Corporate Surety Bonds		4,440	
Trustee's Commission		28,860	
Vehicle and Equipment Insurance		24,124	
Liability Claims		5,000	
Total Other Charges			114,837

Contributions to Other Agencies

Contributions	\$	9,127	
Total Contributions to Other Agencies			9,127

Employee Benefits

Social Security	\$	139,533	
State Retirement		100,006	
Unemployment Compensation		14,393	
Workers' Compensation Insurance		63,571	
Total Employee Benefits			317,503

ARRA Grant # 1

Other Salaries and Wages	\$	20,136	
Social Security		1,516	
State Retirement		1,156	
Unemployment Compensation		209	
Travel		677	
Total ARRA Grant # 1			23,694

Miscellaneous

Other Capital Outlay	\$	18,361	
Total Miscellaneous			18,361

Total General Fund			\$ 4,493,599
--------------------	--	--	--------------

(Continued)

Exhibit K-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	6,000	
Other Supplies and Materials		3,220	
Total Drug Enforcement			\$ 9,220

Total Drug Control Fund \$ 9,220

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,477	
Accountants/Bookkeepers		10,102	
Advertising		192	
Data Processing Services		4,770	
Dues and Memberships		1,867	
Maintenance and Repair Services - Office Equipment		128	
Postal Charges		252	
Printing, Stationery, and Forms		554	
Travel		1,800	
Drugs and Medical Supplies		440	
Office Supplies		1,746	
Other Charges		4,488	
Total Administration			\$ 83,816

Highway and Bridge Maintenance

Foremen	\$	42,449	
Laborers		502,848	
Asphalt		129,633	
Crushed Stone		114,951	
Pipe		12,857	
Road Signs		1,448	
Salt		14,029	
Other Charges		3,779	
Total Highway and Bridge Maintenance			821,994

Operation and Maintenance of Equipment

Mechanic(s)	\$	96,935	
Maintenance and Repair Services - Vehicles		20,466	
Diesel Fuel		61,940	
Equipment and Machinery Parts		55,687	
Gasoline		56,343	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Lubricants	\$	4,320	
Pipe		231	
Propane Gas		1,672	
Tires and Tubes		16,602	
Other Supplies and Materials		8,175	
Other Charges		10,890	
Total Operation and Maintenance of Equipment			\$ 333,261

Quarry Operations

Operating Lease Payments	\$	1,180	
Total Quarry Operations			1,180

Other Charges

Communication	\$	3,658	
Contributions		2,600	
Utilities		6,130	
Building and Contents Insurance		3,170	
Liability Insurance		11,014	
Premiums on Corporate Surety Bonds		203	
Trustee's Commission		11,358	
Vehicle and Equipment Insurance		18,620	
Total Other Charges			56,753

Employee Benefits

Social Security	\$	54,301	
State Retirement		37,928	
Unemployment Compensation		8,738	
Workers' Compensation Insurance		15,627	
Total Employee Benefits			116,594

Capital Outlay

Engineering Services	\$	12,000	
Highway Construction		5,809	
Highway Equipment		35	
Motor Vehicles		4,817	
Total Capital Outlay			22,661

Principal on Debt

Highways and Streets

Principal on Notes	\$	163,542	
Total Highways and Streets			163,542

(Continued)

Exhibit K-7

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

<u>Highway/Public Works Fund (Cont.)</u>			
<u>Interest on Debt</u>			
<u>Highways and Streets</u>			
Interest on Notes	\$ 36,674		
Total Highways and Streets		\$ 36,674	
Total Highway/Public Works Fund			\$ 1,636,475
<u>General Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>General Government</u>			
Principal on Bonds	\$ 62,068		
Principal on Notes	121,890		
Total General Government		\$ 183,958	
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Bonds	\$ 57,530		
Interest on Notes	7,656		
Total General Government		65,186	
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$ 1,549		
Total General Government		1,549	
Total General Debt Service Fund			250,693
<u>HUD Grant Projects Fund</u>			
<u>Other Operations</u>			
<u>Housing and Urban Development</u>			
Other Contracted Services	\$ 238,907		
Total Housing and Urban Development		\$ 238,907	
Total HUD Grant Projects Fund			238,907
Total Governmental Funds - Primary Government			\$ 6,628,894

Exhibit K-8

Pickett County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2011

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,508,837	
Career Ladder Program	28,000	
Career Ladder Extended Contracts	21,348	
Educational Assistants	2,100	
Other Salaries and Wages	667	
Certified Substitute Teachers	15,390	
Non-certified Substitute Teachers	31,915	
Social Security	89,081	
State Retirement	139,246	
Medical Insurance	118,470	
Employer Medicare	21,128	
Other Contracted Services	15,625	
Instructional Supplies and Materials	18,060	
Textbooks	18,259	
Regular Instruction Equipment	25,050	
Total Regular Instruction Program		\$ 2,053,176

Special Education Program

Teachers	\$ 216,260	
Career Ladder Program	4,000	
Homebound Teachers	216	
Social Security	11,748	
State Retirement	19,934	
Medical Insurance	23,539	
Employer Medicare	2,748	
Total Special Education Program		278,445

Vocational Education Program

Teachers	\$ 178,464	
Career Ladder Program	2,000	
Other Salaries and Wages	13,001	
Social Security	11,149	
State Retirement	17,509	
Medical Insurance	9,704	
Employer Medicare	2,607	
Other Charges	6,142	
Total Vocational Education Program		240,576

(Continued)

Exhibit K-8

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

Attendance

Supervisor/Director	\$	29,178	
Social Security		1,628	
State Retirement		2,641	
Employer Medicare		381	
Travel		1,089	
Total Attendance			\$ 34,917

Health Services

Medical Personnel	\$	21,032	
Other Salaries and Wages		63,958	
Social Security		4,837	
State Retirement		6,916	
Medical Insurance		5,350	
Employer Medicare		1,131	
Communication		470	
Postal Charges		537	
Travel		2,285	
Other Contracted Services		1,942	
Other Supplies and Materials		23,444	
Total Health Services			131,902

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		51,310	
Psychological Personnel		23,898	
Social Security		4,182	
State Retirement		6,897	
Medical Insurance		6,498	
Employer Medicare		978	
Evaluation and Testing		6,164	
Travel		37	
Total Other Student Support			100,964

Regular Instruction Program

Supervisor/Director	\$	60,394
Career Ladder Program		3,000
Librarians		82,610
Instructional Computer Personnel		29,178
Social Security		10,472

(Continued)

Exhibit K-8

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.)

Regular Instruction Program (Cont.)

State Retirement	\$	15,854	
Medical Insurance		7,121	
Employer Medicare		2,449	
Travel		1,211	
Total Regular Instruction Program			\$ 212,289

Special Education Program

Supervisor/Director	\$	21,596	
Social Security		1,108	
State Retirement		1,954	
Employer Medicare		259	
Travel		25	
Total Special Education Program			24,942

Other Programs

On-Behalf Payments to OPEB	\$	25,036	
Total Other Programs			25,036

Board of Education

Secretary to Board	\$	1,200	
Board and Committee Members Fees		6,000	
Social Security		446	
State Retirement		79	
Life Insurance		4,511	
Employer Medicare		104	
Audit Services		2,350	
Dues and Memberships		2,020	
Legal Services		116	
Travel		785	
Trustee's Commission		28,605	
Workers' Compensation Insurance		22,630	
In Service/Staff Development		479	
Criminal Investigation of Applicants - TBI		360	
Other Charges		4,271	
Total Board of Education			73,956

Director of Schools

County Official/Administrative Officer	\$	72,500	
Career Ladder Program		1,000	

(Continued)

Exhibit K-8

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.)

Director of Schools (Cont.)

Social Security	\$	4,071	
State Retirement		6,652	
Medical Insurance		6,369	
Employer Medicare		952	
Communication		3,338	
Dues and Memberships		763	
Travel		803	
Total Director of Schools			\$ 96,448

Office of the Principal

Principals	\$	107,576	
Career Ladder Program		2,000	
Secretary(ies)		44,765	
Social Security		8,333	
State Retirement		12,836	
Medical Insurance		17,939	
Employer Medicare		1,949	
Communication		438	
Total Office of the Principal			195,836

Fiscal Services

Accountants/Bookkeepers	\$	48,659	
Social Security		3,017	
State Retirement		3,192	
Medical Insurance		2,445	
Employer Medicare		706	
Office Supplies		50	
Total Fiscal Services			58,069

Operation of Plant

Custodial Personnel	\$	86,924	
Social Security		5,216	
State Retirement		5,235	
Employer Medicare		1,220	
Other Contracted Services		6,119	
Electricity		168,260	
Natural Gas		50,434	
Water and Sewer		18,524	
Other Supplies and Materials		35,108	

(Continued)

Exhibit K-8

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.)

Operation of Plant (Cont.)

Building and Contents Insurance	\$ 34,933	
Total Operation of Plant		\$ 411,973

Maintenance of Plant

Maintenance Personnel	\$ 39,614	
Social Security	2,454	
State Retirement	2,599	
Employer Medicare	574	
Maintenance and Repair Services - Buildings	10,070	
Maintenance and Repair Services - Equipment	28,060	
Other Supplies and Materials	5,296	
Maintenance Equipment	8,340	
Total Maintenance of Plant		97,007

Transportation

Mechanic(s)	\$ 39,705	
Bus Drivers	88,382	
Social Security	6,970	
State Retirement	8,248	
Medical Insurance	18,369	
Employer Medicare	1,631	
Communication	464	
Diesel Fuel	33,582	
Garage Supplies	1,919	
Gasoline	6,560	
Lubricants	1,214	
Tires and Tubes	3,808	
Vehicle Parts	31,687	
Other Charges	7,463	
Transportation Equipment	83,500	
Total Transportation		333,502

Central and Other

Data Processing Services	\$ 5,966	
Maintenance and Repair Services - Equipment	81	
Office Supplies	549	
Total Central and Other		6,596

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$ 29,215	
Clerical Personnel	4,845	
Social Security	2,015	
State Retirement	2,962	
Medical Insurance	2,113	
Employer Medicare	471	
Other Charges	8,410	
Total Community Services		\$ 50,031

Early Childhood Education

Supervisor/Director	\$ 18,000	
Teachers	46,150	
Educational Assistants	13,039	
Social Security	4,593	
State Retirement	6,654	
Medical Insurance	5,333	
Employer Medicare	1,074	
Instructional Supplies and Materials	7,575	
Total Early Childhood Education		102,418

Capital Outlay

Regular Capital Outlay

Engineering Services	\$ 215	
Other Supplies and Materials	198	
Total Regular Capital Outlay		413

Principal on Debt

Education

Principal on Bonds	\$ 220,000	
Total Education		220,000

Interest on Debt

Education

Interest on Bonds	\$ 141,685	
Total Education		141,685

Total General Purpose School Fund \$ 4,890,181

(Continued)

Exhibit K-8

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	358,897	
Social Security		22,216	
State Retirement		32,464	
Medical Insurance		22,667	
Employer Medicare		5,195	
Maintenance and Repair Services - Equipment		5,614	
Instructional Supplies and Materials		23,326	
Regular Instruction Equipment		39,521	
Total Regular Instruction Program			\$ 509,900

Special Education Program

Educational Assistants	\$	104,873	
Other Salaries and Wages		956	
Social Security		6,484	
State Retirement		6,810	
Medical Insurance		12,016	
Employer Medicare		1,517	
Maintenance and Repair Services - Equipment		174	
Other Contracted Services		5,167	
Instructional Supplies and Materials		13,052	
Special Education Equipment		5,219	
Total Special Education Program			156,268

Vocational Education Program

Instructional Supplies and Materials	\$	2,047	
Vocational Instruction Equipment		11,334	
Total Vocational Education Program			13,381

Support Services

Other Student Support

Travel	\$	712	
Other Charges		1,522	
Total Other Student Support			2,234

Regular Instruction Program

Supervisor/Director	\$	26,861	
Career Ladder Extended Contracts		28,425	
Clerical Personnel		5,962	
Other Salaries and Wages		33,335	

(Continued)

Exhibit K-8

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 (Cont.)

Regular Instruction Program (Cont.)

Non-certified Substitute Teachers	\$	1,555	
Social Security		5,961	
State Retirement		8,399	
Employer Medicare		1,394	
Travel		2,671	
Other Contracted Services		4,150	
Instructional Supplies and Materials		1,272	
Library Books/Media		15,000	
Other Supplies and Materials		702	
In Service/Staff Development		21,269	
Other Charges		25,663	
Other Equipment		20,343	
Total Regular Instruction Program			\$ 202,962

Special Education Program

Travel	\$	5,849	
In Service/Staff Development		418	
Total Special Education Program			6,267

Vocational Education Program

Travel	\$	143	
Total Vocational Education Program			143

Transportation

Bus Drivers	\$	3,803	
Social Security		244	
State Retirement		258	
Employer Medicare		57	
Total Transportation			4,362

Total School Federal Projects Fund \$ 895,517

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	123,392	
Social Security		7,604	
State Retirement		4,514	
Medical Insurance		198	

(Continued)

Exhibit K-8

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.)

Employer Medicare	\$	1,780	
Communication		965	
Maintenance and Repair Services - Equipment		12,301	
Travel		1,045	
Other Contracted Services		9,130	
Food Preparation Supplies		23,795	
Food Supplies		231,479	
Office Supplies		1,667	
USDA - Commodities		18,957	
Other Supplies and Materials		3,206	
Food Service Equipment		19,436	
Total Food Service			<u>\$ 459,469</u>

Total Central Cafeteria Fund \$ 459,469

Total Governmental Funds - Pickett County School Department \$ 6,245,167

Exhibit K-9

Pickett County, Tennessee  
Schedule of Detailed Revenues and Expenses  
Proprietary Fund  
For the Year Ended June 30, 2011

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Solid Waste Disposal Fund</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Tipping Fees	\$ 96,811
<u>Other Local Revenues</u>	
Sale of Recycled Materials	18,186
Total Operating Revenues	<u>\$ 114,997</u>
<u>Nonoperating Revenues</u>	
Local Taxes	\$ 227,776
Investment Income	3,494
Total Nonoperating Revenues	<u>\$ 231,270</u>
Total Revenues	<u>\$ 346,267</u>
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 31,604
Clerical Personnel	18,836
Part-time Personnel	12,897
Other Salaries and Wages	55,588
Social Security	9,108
State Retirement	6,964
Unemployment Compensation	977
Advertising	144
Communication	2,344
Contracts with Government Agencies	2,282
Contract with Private Agencies	4,163
Data Processing Services	3,867
Engineering Services	297
Evaluation and Testing	6,593
Licenses	9,555
Maintenance and Repair - Buildings	2,797
Maintenance and Repair - Equipment	23,893
Maintenance and Repair - Vehicles	2,900
Postal Charges	44
Travel	1,573
Other Contracted Services	2,452

(Continued)

Exhibit K-9

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

	Business-type Activities
	<u>Enterprise Fund</u>
	<u>Solid Waste Disposal Fund</u>
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance (Cont.)</u>	
Custodial Supplies	\$ 1,000
Electricity	9,845
Gasoline	11,122
Office Supplies	818
Tires and Tubes	4,000
Uniforms	1,838
Water and Sewer	975
Wire	5,701
Other Supplies and Materials	2,168
Trustee's Commission	4,269
Depreciation	42,746
Landfill Closure/Postclosure Care Costs	<u>52,928</u>
Total Operating Expenses	<u>\$ 336,288</u>
<u>Nonoperating Expenses</u>	
Interest on Bonds	<u>\$ 2,340</u>
Total Expenses	<u><u>\$ 338,628</u></u>

Exhibit K-10

Pickett County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2011

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 160,976
Total Cash Receipts	<u>\$ 160,976</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 159,366
Trustee's Commission	1,610
Total Cash Disbursements	<u>\$ 160,976</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2010	<u>0</u>
 Cash Balance, June 30, 2011	 <u><u>\$ 0</u></u>

---

---

## **SINGLE AUDIT SECTION**

---

---



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

January 5, 2012

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 units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2011, which collectively comprise Pickett County's basic financial statements and have issued our report thereon dated January 5, 2012. 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 was not designed to identify all deficiencies in

internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 11.01.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 11.06, 11.07(A,B), 11.12, 11.14, and 11.15.

#### 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 11.02, 11.03, 11.04, 11.05, 11.07(C), 11.08, 11.09, 11.10, 11.11, 11.13, and 11.16.

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

Pickett County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Pickett County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the county executive, road superintendent, director of schools, 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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



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  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

January 5, 2012

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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

#### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pickett County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 units, each major fund, and the aggregate remaining fund information of Pickett County as of and for the year ended June 30, 2011, and have issued our report thereon dated January 5, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Pickett County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Pickett County's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the county executive, road superintendent, director of schools, County Commission, Board of Education, others within the entity, 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke at the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

Pickett County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 63,800
Emergency Watershed Protection Program	10.923	N/A	4,298
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	18,957 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	88,389
National School Lunch Program	10.555	N/A	221,628 (3)
Total U.S. Department of Agriculture			<u>\$ 397,072</u>
U.S. Department of Housing and Urban Development:			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(4)	\$ 927,000
Home Investment Partnerships Program	14.239	HM-09-35	238,907
Total U.S. Department of Housing and Urban Development			<u>\$ 1,165,907</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	<u>\$ 43,846</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	11-07-137-007-09-82	\$ 15,000
WIA Dislocated Workers	17.260	(5)	51,420
Workforce Investment Act (WIA) National Emergency Grants	17.277	LW40P101DWNEG11	37,304
Total U.S. Department of Labor			<u>\$ 103,724</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-NHE-111(58)	\$ 79,905
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	(6)	3,370
Total U.S. Department of Transportation			<u>\$ 83,275</u>
Institute of Museum and Library Services:			
Passed through Tennessee Secretary of State:			
Grants to States	45.310	30504-00311-84	<u>\$ 4,000</u>
U.S. Department of Education:			
Direct Programs:			
Impact Aid	84.041	N/A	\$ 40,911
Passed-through State Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	N/A	215,421
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	133,058
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	98,761
Special Education - Grants to States, Recovery Act	84.391	N/A	57,650
Special Education - Preschool Grants	84.173	N/A	4,586
Special Education - Preschool Grants, Recovery Act	84.392	N/A	3,411
Career and Technical Education - Basic Grants to States	84.048	(2)	14,236
Twenty-first Century Community Learning Centers	84.287	192-10-1-026	44,417
Educational Technology Cluster:			
Education Technology State Grants	84.318	(2)	692
Education Technology State Grants, Recovery Act	84.386	N/A	20,000
Rural Education	84.358	(2)	15,107
Improving Teacher Quality State Grants	84.367	(2)	52,748
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	386,359
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	(7)	184,189
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	49,541
Education Jobs Fund	84.410	N/A	165,870
Total U.S. Department of Education			<u>\$ 1,486,957</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	Pass-through Entity Identifying Number	Expenditures
National Archives and Records Administration: Passed through Tennessee Secretary of State: National Historical Publications and Records Grants	89.003	(2)	\$ 2,190
U.S. Department of Health and Human Services: Passed-through Upper Cumberland Development District: Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 7,008
ARRA - Health Center Integrated Services Development Initiative	93.703	GG-11-31854-01	21,640
Passed-through State Department of Education: ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.714	(2)	5,340
Total U.S. Department of Health and Human Services			\$ 33,988
Executive Office of the President: Passed through Laurel County, Kentucky Fiscal Court: High Intensity Drug Trafficking Areas Program	95.001	(8)	\$ 9,721
U.S. Department of Homeland Security: Direct Program: Assistance to Firefighters Grant	97.044	N/A	\$ 11,090
Passed-through State Department of Military: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	186,762
Total U.S. Department of Homeland Security			\$ 197,852
Total Expenditures of Federal Awards			\$ 3,528,532
<u>State Grants</u>		Contract Number	
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 7,949
Juvenile Justice State Supplement Grant - State Children's Services Commission	N/A	(2)	9,000
Law Enforcement Training - State Department of Safety	N/A	(2)	5,400
Litter Program - State Department of Transportation	N/A	(2)	23,986
ConnecTenn Grant - State Department of Education	N/A	(2)	376
Drug Abuse Resistance Education Training Grant - State Department of Safety	N/A	(2)	4,750
Pilot and Voluntary State Funded Classrooms Grant - State Department of Education	N/A	MX11AAX	102,419
Rural Health Services - State Department of Health	N/A	GG-11-31854-00	1,581
Rural Library Computer Grant - Tennessee Secretary of State	N/A	30504-00111-72	11,294
Total State Grants			\$ 166,755

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 \$240,585.
- (4) GG-10-31353-00: \$297,000 for Fire Trucks; \$630,000 CDBG loan to local business (Wastewood Product Inc.).
- (5) LW40F101DWN10: \$26,293; LW40P09DWRSP10: \$25,127.
- (6) K8-10-100: \$1,959; K8-11-138: \$1,411.
- (7) Coordinated School Health: \$90,000; Internet Connectivity: \$2,050; Statewide Student Management System: \$1,740; Career Ladder - Extended Contract: \$26,080; Safe Schools: \$4,400; Family Resource Center: \$33,300; Health Department - Project Diabetes: \$26,619.
- (8) G10AP0001A: \$2,403; G11AP0001A: \$7,318.

Pickett County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2011

*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, 2010, which have not been corrected.

**OFFICE OF ROAD SUPERINTENDENT**

Finding Number	Page Number	Subject
10.01	132	The office did not maintain adequate controls over fuel
10.02(A,B,C)	132	The office had deficiencies in purchasing procedures

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

Finding Number	Page Number	Subject
10.04	134	Traffic school collections were not reported and paid to the county in compliance with state statutes
10.05	134	The office did not deposit funds within three days of collection
10.06	135	Bank statements for General Sessions Court were not accurately reconciled with the general ledger
10.07	135	Execution docket trial balances for General Sessions Court did not reconcile with the general ledger accounts

**PICKETT COUNTY**

Finding Number	Page Number	Subject
10.09	136	The general sessions judge ordered contributions to charitable or civic organizations contrary to the state attorney general's opinion

**OFFICES OF COUNTY EXECUTIVE, ROAD SUPERINTENDENT, TRUSTEE,  
COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK  
AND MASTER, REGISTER, AND SHERIFF**

Finding Number	Page Number	Subject
10.10	137	Duties were not segregated adequately

---

---

**PICKETT COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2011**

---

---

**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. One of these deficiencies was considered to be a material weakness.
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: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Community Development Block Grants/State's Program (CFDA Nos. 14.228); the Title I, Part A Cluster: Title I Grants to Local Education Agencies and Title I Grants to Local Education Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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. The county executive provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

### **OFFICES OF COUNTY EXECUTIVE AND ROAD SUPERINTENDENT**

**FINDING 11.01**      **THE GENERAL AND HIGHWAY/PUBLIC WORKS FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**  
(Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2011, certain general ledger account balances in the General and Highway/Public Works Funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Pickett County to have adequate internal controls over the maintenance of its accounting records. 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. 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.

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

The county executive and staff will review internal controls and the *Tennessee Code Annotated* to identify and correct weaknesses.

---

### **OFFICE OF COUNTY EXECUTIVE**

**FINDING 11.02**      **A CAPITAL OUTLAY NOTE WAS NOT ISSUED IN COMPLIANCE WITH STATE STATUTES**  
(Noncompliance Under *Government Auditing Standards*)

On December 30, 2010, county officials issued a \$72,220 capital outlay note to purchase two fire trucks without the approval of County Commission and the state Comptroller's Office

as required by Section 9-21-601, *Tennessee Code Annotated (TCA)*. Also, county officials did not file a Report on Debt Obligation with the state Comptroller's Office for the capital outlay note. Section 9-21-151, *TCA*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. These deficiencies were the result of a lack of management oversight. In June 2011, management presented this note to the County Commission and the state Comptroller's Office for retroactive approval and filed the Report on Debt Obligation.

#### RECOMMENDATION

Capital outlay notes should be issued in compliance with state statutes.

#### MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The county executive and staff will review internal controls and the *TCA* to identify and correct weaknesses.

---

#### FINDING 11.03      **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded total appropriations approved by the County Commission in the General and Drug Control funds by \$44,839 and \$2,220, respectively. Section 5-9-401, *Tennessee Code Annotated (TCA)*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." These deficiencies exist because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

#### RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

#### MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The county executive and staff will review internal controls and the *TCA* to identify and correct weaknesses.

---

**FINDING 11.04      THE AMBULANCE SERVICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**  
(Noncompliance Under *Government Auditing Standards*)

System backups were rotated off-site monthly instead of weekly as required by Section 10-7-121, *Tennessee Code Annotated*. This statute provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in March 2011.

**RECOMMENDATION**

Management should ensure backups are rotated off-site on a weekly basis.

---

**OFFICE OF ROAD SUPERINTENDENT**

**FINDING 11.05      EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in the Operation and Maintenance of Equipment major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$11,511. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

**RECOMMENDATION**

Expenditures should be held within appropriations approved by the County Commission.

---

**FINDING 11.06      THE HIGHWAY DEPARTMENT DID NOT MAINTAIN ADEQUATE CONTROLS OVER FUEL**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Highway 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. The failure to maintain adequate records of consumable assets weakens controls over these assets and increases the risk of inventory loss. This deficiency is the result of management’s failure to correct the finding noted in prior-year audit reports.

**RECOMMENDATION**

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

---

**FINDING 11.07      THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**  
(A. and B. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; C. – Noncompliance Under *Government Auditing Standards*)

Our examination of purchasing procedures revealed the following purchasing deficiencies. These deficiencies were the result of management’s failure to correct the deficiencies noted in the prior-year audit report.

- 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.
- 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. During the period examined, competitive bids were not solicited for purchases of crushed stone, hot-mix asphalt, and tires. Section 54-7-113, *Tennessee Code Annotated*, requires competitive bids to be solicited through public advertisement for purchases exceeding \$10,000. 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. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid. Also, competitive bids should be solicited for all purchases exceeding \$10,000.

---

## OFFICE OF DIRECTOR OF SCHOOLS

### FINDING 11.08      **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded total appropriations approved by the County Commission in the Central Cafeteria Fund by \$7,612. Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency exists because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures.

## RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

---

## OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

### FINDING 11.09      **TRAFFIC SCHOOL COLLECTIONS WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE** (Noncompliance Under *Government Auditing Standards*)

The general sessions court clerk did not report and pay traffic school tuition to the county as required by Section 5-8-105, *Tennessee Code Annotated (TCA)*. Instead, the clerk disbursed traffic school collections of \$14,825. 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 (\$1,625) was for community service programs. Section 5-9-401, *TCA*, requires all funds to be appropriated by the County Commission. On June 30, 2011, the office had traffic school collections of \$2,317 in the bank that had not been remitted to the county. This deficiency was the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All traffic school collections should be remitted to the county trustee monthly and deposited in the General Fund. All disbursements of traffic school collections should be made from the General Fund through the budgetary process. 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 11.10      **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under Government Auditing Standards)

The office did not deposit some collections of Circuit and General Sessions Courts to official bank accounts within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. Collections tested were deposited to the office checking accounts from four to 17 days after receipt. This deficiency was the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All collections should be deposited to the office bank accounts within three days of collection as required by state statute.

---

FINDING 11.11      **UNCLAIMED FUNDS WERE NOT REPORTED AND PAID TO THE STATE**  
(Noncompliance Under *Government Auditing Standards*)

The clerk did not report and pay to the state unclaimed funds (old outstanding checks) totaling \$4,026. At June 30, 2011, Circuit Court had 15 outstanding checks issued before July 1, 2010, totaling \$400, and General Sessions Court had 37 outstanding checks issued before July 1, 2010, totaling \$3,626. The Unclaimed Property Act, Section 66-29-101, et seq., *Tennessee Code Annotated*, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office. This deficiency in internal controls was the result of a lack of management oversight.

RECOMMENDATION

The clerk should report and pay to the state unclaimed funds held for more than one year as required by state statute.

---

**FINDING 11.12      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 \$1,457 at June 30, 2011. Auditors identified these variances, which dated from years ending June 30, 2007, through June 30, 2011, and presented adjustments to the clerk. This deficiency was the result of management’s failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

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

---

**FINDING 11.13      THE EXECUTION DOCKET TRIAL BALANCE FOR GENERAL SESSIONS COURT DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS**  
(Noncompliance Under *Government Auditing Standards*)

As of June 30, 2011, the clerk had prepared a trial balance of execution docket cause balances for General Sessions Court as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, the trial balance failed to reconcile with general ledger accounts by \$16,946. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-101, *TCA*. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer’s Office. This deficiency was the result of management’s failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

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

---

**OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND SHERIFF**

**FINDING 11.14**      **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, and Sheriff. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency in internal controls was the result of a lack of management oversight over risks related to safeguarding assets.

**RECOMMENDATION**

Officials should assign each employee their own cash drawer.

---

**OFFICES OF COUNTY EXECUTIVE, ROAD SUPERINTENDENT, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

**FINDING 11.15**      **DUTIES WERE NOT SEGREGATED ADEQUATELY**  
(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, 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 management decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

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

## MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

Duties will be segregated as much as possible with the number of employees we have in the County Executive's Office.

---

### PICKETT COUNTY

FINDING 11.16      **THE GENERAL SESSIONS JUDGE ORDERED CONTRIBUTIONS TO CHARITABLE OR CIVIC ORGANIZATIONS CONTRARY TO A 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 is the result of management's failure to correct the finding noted in the prior-year audit report.

### RECOMMENDATION

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

---

### BEST PRACTICES

The Division of County Audit strongly believes that the items noted below are best practices that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Pickett County.

ITEM 1.                      **PICKETT COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING**

Pickett County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. We recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

ITEM 2.

**PICKETT COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE**

Pickett County does not have an Audit Committee. An Audit Committee can assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks. County officials should establish an Audit Committee as a best practice.

**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, 2011**

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