
ANNUAL FINANCIAL REPORT PICKETT COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2012



**ANNUAL FINANCIAL REPORT
PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2012**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
JAMES R. ARNETTE
Director***

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

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

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

This financial report is available at www.comptroller.tn.gov

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		26-56
REQUIRED SUPPLEMENTARY INFORMATION:		57
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	F-1	58-59
Highway/Public Works Fund	F-2	60
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Pickett County School Department	F-3	61
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Pickett County School Department	F-4	62
Notes to the Required Supplementary Information		63

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		64
Nonmajor Governmental Funds:		65
Combining Balance Sheet	G-1	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	67
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	G-3	68
Major Governmental Fund:		69
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	70
Fiduciary Funds:		71
Combining Statement of Fiduciary Assets and Liabilities	I-1	72
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	73
Component Unit:		
Discretely Presented Pickett County School Department:		74
Statement of Activities	J-1	75
Balance Sheet – Governmental Funds	J-2	76
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	77
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	78
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	79
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	80
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	81
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	J-8	82-83
School Federal Projects Fund	J-9	84
Central Cafeteria Fund	J-10	85

	Exhibit	Page(s)
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
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Pickett County School Department	K-3	90
Schedule of Detailed Revenues – All Governmental Fund Types	K-4	91-95
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-5	96-97
Schedule of Detailed Expenditures – All Governmental Fund Types	K-6	98-109
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-7	110-118
Schedule of Detailed Revenues and Expenses – Proprietary Fund	K-8	119-120
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-9	121
 <u>SINGLE AUDIT SECTION</u>		 122
Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>		123-124
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		125-127
Schedule of Expenditures of Federal Awards and State Grants		128-129
Schedule of Audit Findings Not Corrected		130-131
Schedule of Findings and Questioned Costs		132-143
Auditee Reporting Responsibilities		144

Audit Highlights
Annual Financial Report
Pickett County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Pickett County as of and for the year ended June 30, 2012.

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:

OFFICE OF COUNTY EXECUTIVE

- ◆ The Solid Waste Disposal Fund had a deficit in unrestricted assets.
 - ◆ Expenditures exceeded appropriations.
-

OFFICE OF ROAD SUPERINTENDENT

- ◆ The office had deficiencies in budget operations.
 - ◆ The office had deficiencies in purchasing procedures.
 - ◆ The Highway Department did not maintain adequate controls over fuel.
-

OFFICE OF ASSESSOR OF PROPERTY

- ◆ New owners of greenbelt properties were not required to file a new application for agricultural property.
 - ◆ The assessor did not maintain an adequate program of sales verification.
 - ◆ The assessor did not prorate new construction.
-

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.
 - ◆ The execution docket trial balance for General Sessions Court did not reconcile with general ledger accounts.
-

OFFICE OF SHERIFF

- ◆ The office did not prepare an annual financial report.
 - ◆ The office did not deposit some funds within three days of collection.
-

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.
-

BEST PRACTICES

The Division of Local Government 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, 2012

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

Doug Manis, Chairman
Tony Beaty
Darrell Garrett
Joe Harden
Eddie Holt
Colan Huddleston
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 LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

December 19, 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, 2012, 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, 2012,

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 December 19, 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.

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 58 through 63 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 written in a cursive style with a prominent vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Pickett County, Tennessee
Statement of Net Assets
June 30, 2012

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Pickett County School Department
<u>ASSETS</u>				
Cash	\$ 6,224	\$ 8,243	\$ 14,467	\$ 0
Equity in Pooled Cash and Investments	939,263	1,047,404	1,986,667	913,381
Accounts Receivable	395,063	16,410	411,473	9,683
Allowance for Uncollectibles	(64,236)	0	(64,236)	0
Due from Other Governments	353,357	0	353,357	252,877
Prepaid Items	17,704	0	17,704	0
Property Taxes Receivable	1,465,548	209,298	1,674,846	655,861
Allowance for Uncollectible Property Taxes	(43,515)	(6,214)	(49,729)	(19,474)
Deferred Charges - Debt Issuance Costs	0	0	0	88,104
Capital Assets:				
Assets Not Depreciated:				
Land	222,805	110,900	333,705	22,955
Assets Net of Accumulated Depreciation:				
Landfill Facilities and Development	0	183,359	183,359	0
Buildings and Improvements	2,570,757	104,685	2,675,442	4,571,214
Other Capital Assets	1,496,867	247,047	1,743,914	176,626
Infrastructure	10,142,661	0	10,142,661	0
Total Assets	\$ 17,502,498	\$ 1,921,132	\$ 19,423,630	\$ 6,671,227
<u>LIABILITIES</u>				
Accounts Payable	\$ 18,257	\$ 168	\$ 18,425	\$ 39,274
Payroll Deductions Payable	9,805	663	10,468	0
Due to State of Tennessee	1,990	0	1,990	0
Accrued Interest Payable	26,291	0	26,291	10,695
Deferred Revenue - Current Property Taxes	1,357,869	0	1,357,869	607,672
Noncurrent Liabilities:				
Due Within One Year	320,077	12,141	332,218	233,158
Due in More Than One Year (net of deferred amount on refunding and unamortized debt premium)	2,356,710	1,333,055	3,689,765	3,359,303
Total Liabilities	\$ 4,090,999	\$ 1,346,027	\$ 5,437,026	\$ 4,250,102
<u>NET ASSETS</u>				
Invested in Capital Assets, Net of Related Debt	\$ 11,756,303	\$ 645,991	\$ 12,402,294	\$ 1,399,570
Restricted for:				
Drug Control	22,057	0	22,057	0
Highway/Public Works	479,768	0	479,768	0
General Debt Service	4,068	0	4,068	0
Capital Projects	6,484	0	6,484	0
School Federal Projects	0	0	0	6,247
Central Cafeteria	0	0	0	145,708
Other Purposes	29,961	0	29,961	9,463
Unrestricted	1,112,858	(70,886)	1,041,972	860,137
Total Net Assets	\$ 13,411,499	\$ 575,105	\$ 13,986,604	\$ 2,421,125

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, 2012

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets										Component Unit Pickett County School Department	
	Program Revenues			Program Expenses			Governmental Activities			Primary Government Business-type Activities		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Expenses	Services	Contributions	Governmental Activities	Primary Government Business-type Activities	Total		
Primary Government:												
Governmental Activities:												
General Government	\$ 85,060	\$ 45,121	\$ 11,830	\$ 0	\$ 0	\$ 0	\$ (28,109)	\$ 0	\$ 0	\$ (28,109)	\$ 0	
Finance	216,761	153,008	0	0	0	0	(63,753)	0	0	(63,753)	0	
Administration of Justice	270,360	123,251	9,000	0	0	0	(138,109)	0	0	(138,109)	0	
Public Safety	996,206	112,957	63,263	0	0	0	(819,986)	0	0	(819,986)	0	
Public Health and Welfare	690,325	441,042	26,290	0	0	0	(222,993)	0	0	(222,993)	0	
Social, Cultural, and Recreational Services	137,321	4,751	22,850	0	0	0	(109,720)	0	0	(109,720)	0	
Agriculture and Natural Resources	75,759	0	29,130	0	0	0	(46,629)	0	0	(46,629)	0	
Other Operations	943,491	0	0	360,328	0	0	(583,163)	0	0	(583,163)	0	
Highways/Public Works	1,404,890	477	1,285,609	0	0	0	(118,804)	0	0	(118,804)	0	
Interest on Long-term Debt	117,232	0	0	0	0	0	(117,232)	0	0	(117,232)	0	
Other Debt Service	2,732	120,000	0	0	0	0	117,268	0	0	117,268	0	
Total Governmental Activities	\$ 4,940,137	\$ 1,000,607	\$ 1,447,972	\$ 360,328	\$ (2,131,230)	\$ 0	\$ (2,131,230)	\$ 0	\$ 0	\$ (2,131,230)	\$ 0	
Business-type Activities:												
Landfill	\$ 412,535	\$ 93,657	\$ 1,742	\$ 0	\$ 0	\$ 0	(317,136)	\$ (317,136)	\$ 0	(317,136)	\$ 0	
Total Business-type Activities	\$ 412,535	\$ 93,657	\$ 1,742	\$ 0	\$ 0	\$ 0	\$ (317,136)	\$ (317,136)	\$ 0	\$ (317,136)	\$ 0	
Total Primary Government	\$ 5,352,672	\$ 1,094,264	\$ 1,449,714	\$ 360,328	\$ (2,131,230)	\$ (317,136)	\$ (2,448,366)	\$ (317,136)	\$ 0	\$ (2,448,366)	\$ 0	
Component Unit:												
School Department	\$ 6,276,687	\$ 150,975	\$ 939,044	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,036,668)	\$ (5,036,668)	
Total Component Unit	\$ 6,276,687	\$ 150,975	\$ 939,044	\$ 150,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,036,668)	\$ (5,036,668)	

(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	Governmental Activities	Primary Government Business-type Activities		
						Total		
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 1,172,099	\$ 195,905	\$ 1,368,004	\$ 586,500
Property Taxes Levied for Debt Service					137,047	0	137,047	0
Local Option Sales Taxes					232,593	0	232,593	240,470
Wheel Tax					58,431	0	58,431	0
Wholesale Beer Tax					306,082	0	306,082	0
Other Local Taxes					20,166	40,665	60,831	22,918
Grants and Contributions Not Restricted to Specific Programs					434,707	0	434,707	4,311,004
Unrestricted Investment Income					8,604	2,287	10,891	8,754
Miscellaneous					28,147	8,101	36,248	47,398
Sale of Equipment					10,141	0	10,141	0
Amortization of Debt Premium					0	0	0	5,474
Total General Revenues					\$ 2,408,017	\$ 246,958	\$ 2,654,975	\$ 5,222,518
Change in Net Assets					\$ 276,787	\$ (70,178)	\$ 206,609	\$ 185,850
Net Assets, July 1, 2011					13,134,712	645,283	13,779,995	2,235,275
Net Assets, June 30, 2012					\$ 13,411,499	\$ 575,105	\$ 13,986,604	\$ 2,421,125

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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 6,224	\$ 6,224
Equity in Pooled Cash and Investments	307,893	242,367	360,462	28,541	939,263
Accounts Receivable	357,699	37,259	0	105	395,063
Allowance for Uncollectibles	(64,236)	0	0	0	(64,236)
Due from Other Governments	144,747	208,610	0	0	353,357
Due from Other Funds	6,329	0	0	0	6,329
Property Taxes Receivable	1,311,955	0	153,593	0	1,465,548
Allowance for Uncollectible Property Taxes	(38,954)	0	(4,561)	0	(43,515)
Prepaid Items	0	5,079	12,625	0	17,704
Total Assets	\$ 2,025,433	\$ 493,315	\$ 522,119	\$ 34,870	\$ 3,075,737
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 18,257	\$ 0	\$ 0	\$ 0	\$ 18,257
Payroll Deductions Payable	9,588	217	0	0	9,805
Due to Other Funds	0	0	0	6,329	6,329
Due to State of Tennessee	0	1,990	0	0	1,990
Deferred Revenue - Current Property Taxes	1,215,561	0	142,308	0	1,357,869
Deferred Revenue - Delinquent Property Taxes	54,625	0	6,394	0	61,019
Other Deferred Revenues	282,456	104,305	0	0	386,761
Total Liabilities	\$ 1,580,487	\$ 106,512	\$ 148,702	\$ 6,329	\$ 1,842,030
<u>Fund Balances</u>					
Nonspendable:					
Prepaid Items	\$ 0	\$ 5,079	\$ 12,625	\$ 0	\$ 17,704
Restricted:					
Restricted for General Government	28,913	0	0	0	28,913
Restricted for Public Safety	1,048	0	0	22,057	23,105
Restricted for Highways/Public Works	0	381,724	0	0	381,724
Restricted for Capital Outlay	0	0	0	6,484	6,484
Committed:					
Committed for Debt Service	0	0	360,792	0	360,792
Committed for Capital Projects	265,465	0	0	0	265,465
Unassigned	149,520	0	0	0	149,520
Total Fund Balances	\$ 444,946	\$ 386,803	\$ 373,417	\$ 28,541	\$ 1,233,707
Total Liabilities and Fund Balances	\$ 2,025,433	\$ 493,315	\$ 522,119	\$ 34,870	\$ 3,075,737

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

Exhibit C-2

Pickett County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2012

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)		\$	1,233,707
(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		2,570,757	
Add: other capital assets net of accumulated depreciation		1,496,867	
Add: infrastructure net of accumulated depreciation		<u>10,142,661</u>	14,433,090
(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	\$	(1,010,167)	
Less: notes payable		(1,666,620)	
Less: accrued interest on bonds and notes		<u>(26,291)</u>	(2,703,078)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>447,780</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>13,411,499</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, 2012

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 1,783,242	\$ 0	\$ 193,459	\$ 0	\$ 1,976,701
Licenses and Permits	3,400	0	0	0	3,400
Fines, Forfeitures, and Penalties	25,335	0	0	20,529	45,864
Charges for Current Services	452,171	0	0	184	452,355
Other Local Revenues	47,743	39,884	120,000	1,672	209,299
Fees Received from County Officials	218,610	0	0	0	218,610
State of Tennessee	543,497	1,200,829	0	0	1,744,326
Federal Government	268,779	80,805	0	153,193	502,777
Other Governments and Citizens Groups	44,625	0	0	0	44,625
Total Revenues	\$ 3,387,402	\$ 1,321,518	\$ 313,459	\$ 175,578	\$ 5,197,957
<u>Expenditures</u>					
Current:					
General Government	\$ 448,846	\$ 0	\$ 0	\$ 0	\$ 448,846
Finance	216,577	0	0	184	216,761
Administration of Justice	270,360	0	0	0	270,360
Public Safety	882,970	0	0	11,171	894,141
Public Health and Welfare	615,553	0	0	0	615,553
Social, Cultural, and Recreational Services	127,588	0	0	0	127,588
Agriculture and Natural Resources	75,759	0	0	0	75,759
Other Operations	790,298	0	0	153,193	943,491
Highways	0	1,704,458	0	0	1,704,458
Debt Service:					
Principal on Debt	0	150,394	239,373	0	389,767
Interest on Debt	3,686	51,278	65,164	0	120,128
Other Debt Service	0	0	2,732	0	2,732
Total Expenditures	\$ 3,431,637	\$ 1,906,130	\$ 307,269	\$ 164,548	\$ 5,809,584
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (44,235)	\$ (584,612)	\$ 6,190	\$ 11,030	\$ (611,627)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 90,000	\$ 600,000	\$ 0	\$ 0	\$ 690,000
Total Other Financing Sources (Uses)	\$ 90,000	\$ 600,000	\$ 0	\$ 0	\$ 690,000
Net Change in Fund Balances					
Fund Balance, July 1, 2011	\$ 399,181	\$ 371,415	\$ 367,227	\$ 17,511	\$ 1,155,334
Fund Balance, June 30, 2012	\$ 444,946	\$ 386,803	\$ 373,417	\$ 28,541	\$ 1,233,707

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, 2012

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)		\$ 78,373
(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	\$ 823,678	
Less: current-year depreciation expense	<u>(361,854)</u>	461,824
(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		(12,100)
(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, 2012	\$ 447,780	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(401,753)</u>	46,027
(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	\$ (690,000)	
Add: principal payments on notes	321,508	
Add: principal payments on bonds	<u>68,259</u>	(300,233)
(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>2,896</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 276,787</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, 2012

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 8,243
Equity in Pooled Cash and Investments	1,047,404
Accounts Receivable	16,410
Property Taxes Receivable	209,298
Allowance for Uncollectible Property Taxes	(6,214)
Total Current Assets	<u>\$ 1,275,141</u>
Noncurrent Assets:	
Capital Assets (Net of Accumulated Depreciation):	
Land	\$ 110,900
Landfill Facilities and Development	183,359
Buildings and Improvements	104,685
Machinery and Equipment	247,047
Total Noncurrent Assets	<u>\$ 645,991</u>
Total Assets	<u>\$ 1,921,132</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 168
Payroll Deductions Payable	663
Total Current Liabilities	<u>\$ 831</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 12,141
Due in More Than One Year	1,333,055
Total Noncurrent Liabilities	<u>\$ 1,345,196</u>
Total Liabilities	<u>\$ 1,346,027</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 645,991
Unrestricted	<u>(70,886)</u>
Total Net Assets	<u>\$ 575,105</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, 2012

	Business-type Activities
	<u>Major Fund</u>
	<u>Solid Waste Disposal Fund</u>
<hr/>	
<u>Operating Revenues</u>	
Charges for Current Services	\$ 93,657
Other Local Revenues	8,101
Total Operating Revenues	<u>\$ 101,758</u>
<u>Operating Expenses</u>	
Landfill Operation and Maintenance	\$ 377,054
Depreciation	35,423
Total Operating Expenses	<u>\$ 412,477</u>
Operating Income (Loss)	<u>\$ (310,719)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 236,570
Grants	1,742
Investment Income	2,287
Interest on Bonds	(58)
Total Nonoperating Revenues (Expenses)	<u>\$ 240,541</u>
Net Income	\$ (70,178)
Net Assets, July 1, 2011	<u>645,283</u>
Net Assets, June 30, 2012	<u>\$ 575,105</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, 2012

	Business-type Activities
	Major Fund
	Solid Waste Disposal Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 101,776
Payments to Suppliers	(91,190)
Payments to Employees	(149,666)
Other Payments	(34,000)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (173,080)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 229,295
Grants Received	1,742
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 231,037</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (64,349)
Principal Paid on Debt	(2,085)
Interest Paid on Debt	(58)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (66,492)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 2,287
Net Cash Provided By (Used In) Investing Activities	<u>\$ 2,287</u>
Net Increase (Decrease) in Cash	\$ (6,248)
Cash, July 1, 2011	<u>1,061,895</u>
Cash, June 30, 2012	<u><u>\$ 1,055,647</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (310,719)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Depreciation	35,423
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	18
Increase (Decrease) in Accounts Payable	772
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	<u>101,426</u>
Net Cash Provided By Operating Activities	<u><u>\$ (173,080)</u></u>
<u>Reconciliation of Cash with the Statement of Net Assets</u>	
Cash Per Net Assets	\$ 8,243
Equity in Pooled Cash and Investments Per Net Assets	<u>1,047,404</u>
Cash, June 30, 2012	<u><u>\$ 1,055,647</u></u>

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

Exhibit E

Pickett County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 87,787
Accounts Receivable	961
Due from Other Governments	<u>29,384</u>
Total Assets	<u>\$ 118,132</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 88,748
Due to Other Taxing Units	<u>29,384</u>
Total Liabilities	<u>\$ 118,132</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, 2012

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 legally separate from the county.

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

The 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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

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 fund:

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

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

Special Revenue Funds – These funds 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.

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.

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 1.6 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.

3. Prepaid Items

Certain payments to vendors reflect costs 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.

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.

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, and shall remain binding unless removed in the same manner.

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 Commission has authorized the Budget/Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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 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. Net Assets Deficit

The Solid Waste Disposal Fund had a deficit of \$70,886 in unrestricted net assets at June 30, 2012. This deficit resulted from the recognition of a liability of \$1,345,196 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the Drug Control Fund by \$8,171. Also, expenditures exceeded appropriations approved by the County Commission in seven of 46 major appropriation categories (the legal level of control) of the General Fund and in the Other Debt Service – General Government major appropriation category of the General Debt Service Fund. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

D. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$2,442.

E. The Actual Fund Balance Exceeded the Estimated Beginning Fund Balance by a Material Amount

The Highway/Public Works Fund's actual fund balance at July 1, 2011, was \$371,415; however, the estimated fund balance reflected in the county's budget was \$114,072. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$257,343.

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, 2012.

B. Capital Assets

Capital assets activity for the year ended June 30, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	\$ 222,805	\$ 0	\$ 0	\$ 222,805
Total Capital Assets Not Depreciated	<u>\$ 222,805</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 222,805</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,892,682	\$ 376,829	\$ 0	\$ 4,269,511
Roads and Bridges	12,887,313	0	0	12,887,313
Other Capital Assets	2,705,086	446,849	(196,047)	2,955,888
Total Capital Assets Depreciated	<u>\$ 19,485,081</u>	<u>\$ 823,678</u>	<u>\$ (196,047)</u>	<u>\$ 20,112,712</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,626,453	\$ 72,301	\$ 0	\$ 1,698,754
Roads and Bridges	2,624,656	119,996	0	2,744,652
Other Capital Assets	1,473,411	169,557	(183,947)	1,459,021
Total Accumulated Depreciation	<u>\$ 5,724,520</u>	<u>\$ 361,854</u>	<u>\$ (183,947)</u>	<u>\$ 5,902,427</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,760,561</u>	<u>\$ 461,824</u>	<u>\$ (12,100)</u>	<u>\$ 14,210,285</u>
Governmental Activities Capital Assets, Net	<u>\$ 13,983,366</u>	<u>\$ 461,824</u>	<u>\$ (12,100)</u>	<u>\$ 14,433,090</u>

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

Governmental Activities:

General Government	\$	13,043
Public Safety		102,065
Public Health and Welfare		74,772
Social, Cultural, and Recreational Services		9,733
Highways/Public Works		<u>162,241</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>361,854</u>

Business-type Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	\$ 110,900	\$ 0	\$ 110,900
Total Capital Assets Not Depreciated	<u>\$ 110,900</u>	<u>\$ 0</u>	<u>\$ 110,900</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 233,635	\$ 0	\$ 233,635
Landfill Facilities and Development	203,954	64,349	268,303
Machinery and Equipment	762,544	0	762,544
Total Capital Assets Depreciated	<u>\$ 1,200,133</u>	<u>\$ 64,349</u>	<u>\$ 1,264,482</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 121,830	\$ 7,120	\$ 128,950
Landfill Facilities and Development	76,776	8,168	84,944
Machinery and Equipment	495,362	20,135	515,497
Total Accumulated Depreciation	<u>\$ 693,968</u>	<u>\$ 35,423</u>	<u>\$ 729,391</u>
Total Capital Assets Depreciated, Net	<u>\$ 506,165</u>	<u>\$ 28,926</u>	<u>\$ 535,091</u>
Business-type Activities Capital Assets, Net	<u>\$ 617,065</u>	<u>\$ 28,926</u>	<u>\$ 645,991</u>

Depreciation expense of \$35,423 was recorded by the Solid Waste Disposal Fund. The business-type activities had no decreases in its capital assets during the year.

Discretely Presented Pickett County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	\$ 22,955	\$ 0	\$ 22,955
Total Capital Assets Not Depreciated	<u>\$ 22,955</u>	<u>\$ 0</u>	<u>\$ 22,955</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 6,958,662	\$ 150,000	\$ 7,108,662
Other Capital Assets	742,372	0	742,372
Total Capital Assets Depreciated	<u>\$ 7,701,034</u>	<u>\$ 150,000</u>	<u>\$ 7,851,034</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,362,363	\$ 175,085	\$ 2,537,448
Other Capital Assets	533,001	32,745	565,746
Total Accumulated Depreciation	<u>\$ 2,895,364</u>	<u>\$ 207,830</u>	<u>\$ 3,103,194</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,805,670</u>	<u>\$ (57,830)</u>	<u>\$ 4,747,840</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,828,625</u>	<u>\$ (57,830)</u>	<u>\$ 4,770,795</u>

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

Governmental Activities:

Instruction	\$ 142,533
Support Services	41,599
Operation of Non-Instructional Services	<u>23,698</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 207,830</u></u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 6,329

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

D. Long-term Debt

Primary Government

General Obligation Bonds and Notes

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

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 39 years for bonds and up to 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, 2012, will be retired from the General Debt Service Fund. Notes included in long-term debt as of June 30, 2012, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2012, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-12</u>
General Obligation Bonds	4.125 to 6 %	6-1-33	\$ 2,015,000	\$ 1,010,167
Capital Outlay Notes	3.24 to 4.1	11-1-23	2,652,745	1,666,620

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		Total
	Principal	Interest	
2013	\$ 250,559	\$ 60,419	\$ 310,978
2014	444,471	46,720	491,191
2015	135,146	34,387	169,533
2016	137,797	29,123	166,920
2017	143,215	23,661	166,876
2018-2022	469,832	48,081	517,913
2023-2024	85,600	2,275	87,875
Total	\$ 1,666,620	\$ 244,666	\$ 1,911,286

Year Ending June 30	Bonds		Total
	Principal	Interest	
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
2018-2022	433,144	105,970	539,114
2023-2027	99,387	31,306	130,693
2028-2032	88,154	13,666	101,820
2033	2,849	451	3,300
Total	\$ 1,010,167	\$ 367,499	\$ 1,377,666

There is \$360,792 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$231, based on the 2010 federal census. Debt per capita, including bonds and notes totaled \$527, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Bonds	Notes
Balance, July 1, 2011	\$ 1,078,426	\$ 1,298,128
Additions	0	690,000
Reductions	(68,259)	(321,508)
Balance, June 30, 2012	<u>\$ 1,010,167</u>	<u>\$ 1,666,620</u>
Balance Due Within One Year	<u>\$ 69,518</u>	<u>\$ 250,559</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 2,676,787
Less: Balance Due Within One Year	<u>(320,077)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,356,710</u>

Pickett County Solid Waste Disposal Fund (enterprise fund)Changes in Long-term Liabilities

Long-term liability activity for the Solid Waste Disposal Fund (enterprise fund) for the year ended June 30, 2012, was as follows:

	Bonds	Postclosure Care Costs
Balance, July 1, 2011	\$ 2,085	\$ 1,243,770
Additions	0	113,567
Reductions	(2,085)	(12,141)
Balance, June 30, 2012	<u>\$ 0</u>	<u>\$ 1,345,196</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 12,141</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 1,345,196
Less: Balance Due Within One Year	<u>(12,141)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,333,055</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, 2012, will be retired from the General Purpose School Fund.

The general obligation bonds outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
------	---------------	----------------	--------------------------	-----------------

General Obligation Bonds - Refunding	3 to 4.2 %	6-1-24	\$ 4,100,000	\$ 3,395,000
--------------------------------------	------------	--------	--------------	--------------

The annual requirements to amortize the general obligation bonds outstanding as of June 30, 2012, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2018-2022	1,480,000	324,175	1,804,175
2023-2024	685,000	43,135	728,135
Total	\$ 3,395,000	\$ 933,710	\$ 4,328,710

Debt per capita from bonds, totaled \$669, 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, 2012, was as follows:

Governmental Activities:

	Bonds	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2011	\$ 3,620,000	\$ 10,468	\$ 146,273
Additions	0	3,158	85,640
Deductions	(225,000)	(2,905)	(21,398)
Balance, June 30, 2012	<u>\$ 3,395,000</u>	<u>\$ 10,721</u>	<u>\$ 210,515</u>
Balance Due Within One Year	<u>\$ 230,000</u>	<u>\$ 3,158</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	\$ 3,616,236
Less: Balance Due Within One Year	(233,158)
Add: Unamortized Premium on Debt	50,109
Less: Deferred Amount on Refunding	<u>(73,884)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 3,359,303</u>

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

E. On-Behalf Payments

Discretely Presented Pickett County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Pickett County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were \$23,743 and \$7,429, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

F. Short-term Debt

Pickett County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet current obligations of the government prior to collections of property taxes. Short-term debt activity for the year ended June 30, 2012, was as follows:

Fund	Balance 7-1-11	Issued	Paid	Balance 6-30-12
Primary Government:				
General	\$ 0	\$ 651,112	\$ (651,112)	0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

Pickett County does not provide health insurance for its employees.

Discretely Presented Pickett County School Department

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

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

B. Subsequent Events

On August 6, 2012, the county's Solid Waste Disposal Fund issued a \$359,936 tax anticipation note to the General Fund for temporary operating funds.

On August 31, 2012, Larry Anderson left the Office of Assessor of Property and was succeeded by Kim Logan.

C. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements. Management of the discretely presented Pickett County School Department advised us that there are no pending or threatened claims against the School Department.

D. 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 \$1,345,196 reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 28 percent of the estimated capacity of the Highway 325 landfill (\$1,176,116) and for the landfill closed in 1994 (\$169,080). The \$1,345,196 reported as closure and postclosure care liability at June 30, 2012, represents amounts based on what it would cost to perform all closure/postclosure care in 2012. The county will recognize the remaining estimated costs of closure and postclosure care of \$3,024,298 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.

E. 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.

F. Retirement Commitments

1. Tennessee Consolidated Retirement System

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, 2012, 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, 2012, Pickett County’s annual pension cost of \$186,514 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	\$186,514	100%	\$0
6-30-11	182,981	100	0
6-30-10	184,352	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 98.16 percent funded. The actuarial accrued liability for benefits was \$6.6 million, and the actuarial value of assets was \$6.48 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.12 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.48 million, and the ratio of the UAAL to the covered payroll was 4.9 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.

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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, 2012, 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, 2012, 2011, and 2010, were \$271,180, \$274,367, and \$196,656, respectively, equal to the required contributions for each year.

2. Deferred Compensation

The Pickett County School Department offers its employees a deferred compensation plan established pursuant to IRC Section 403(b). All costs of administering and funding the program are the responsibility of the plan participants. The Section 403(b) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 403(b) establishes participation, contribution, and withdrawal provisions for the plans.

G. 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 (TCA)*, for local education employees. Prior to reaching the age of 65, all members 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 \$21,398 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 86,000
Interest on the NPO	5,851
Adjustment to the ARC	<u>(6,211)</u>
Annual OPEB cost	\$ 85,640
Amount of contribution	<u>(21,398)</u>
Increase/decrease in NPO	\$ 64,242
Net OPEB obligation, 7-1-11	<u>146,273</u>
 Net OPEB obligation, 6-30-12	 <u>\$ 210,515</u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Education Group	\$ 62,159	38 %	\$ 105,236
6-30-11	"	65,250	37	146,273
6-30-12	"	85,640	25	210,515

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-11
Actuarial accrued liability (AAL)	\$ 891,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 891,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,180,912
UAAL as a % of covered payroll	41%

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, 2011, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. This rate includes a 2.5 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.

H. 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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,783,242	\$ 1,697,962	\$ 1,697,962	\$ 85,280
Licenses and Permits	3,400	2,750	2,750	650
Fines, Forfeitures, and Penalties	25,335	25,878	25,878	(543)
Charges for Current Services	452,171	516,050	519,743	(67,572)
Other Local Revenues	47,743	29,300	29,800	17,943
Fees Received from County Officials	218,610	204,500	204,500	14,110
State of Tennessee	543,497	1,136,751	980,779	(437,282)
Federal Government	268,779	70,600	256,938	11,841
Other Governments and Citizens Groups	44,625	44,625	44,625	0
Total Revenues	<u>\$ 3,387,402</u>	<u>\$ 3,728,416</u>	<u>\$ 3,762,975</u>	<u>\$ (375,573)</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 39,025	\$ 30,882	\$ 40,782	\$ 1,757
Board of Equalization	200	200	200	0
Beer Board	2,202	0	3,216	1,014
County Mayor/Executive	119,501	122,559	122,559	3,058
County Attorney	472	1,200	1,200	728
Election Commission	93,885	103,153	103,153	9,268
Register of Deeds	57,479	60,801	60,801	3,322
County Buildings	136,082	155,716	155,716	19,634
<u>Finance</u>				
Property Assessor's Office	58,125	72,701	72,701	14,576
County Trustee's Office	79,806	80,013	80,013	207
County Clerk's Office	78,646	79,087	79,087	441
<u>Administration of Justice</u>				
Circuit Court	84,493	86,919	86,919	2,426
General Sessions Judge	72,022	70,197	70,197	(1,825)
Chancery Court	56,265	56,851	56,851	586
Juvenile Court	11,762	11,683	11,763	1
Judicial Commissioners	6,237	6,181	6,237	0
Probation Services	39,581	38,343	39,582	1
<u>Public Safety</u>				
Sheriff's Department	465,331	464,932	479,932	14,601
Drug Enforcement	239	500	500	261
Jail	352,425	381,451	368,201	15,776
Fire Prevention and Control	40,000	40,000	40,000	0
Other Emergency Management	3,000	3,000	3,000	0
County Coroner/Medical Examiner	13,032	5,000	12,800	(232)
Other Public Safety	8,943	8,612	8,612	(331)
<u>Public Health and Welfare</u>				
Local Health Center	44,701	21,227	48,127	3,426
Ambulance/Emergency Medical Services	520,596	851,225	864,053	343,457

(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 (Cont.)</u>				
Regional Mental Health Center	\$ 2,274	\$ 2,274	\$ 2,274	\$ 0
Appropriation to State	7,582	7,582	7,582	0
Sanitation Management	37,665	39,237	39,237	1,572
Other Public Health and Welfare	2,735	2,684	2,814	79
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	19,468	19,000	19,468	0
Libraries	71,897	49,683	73,867	1,970
Other Social, Cultural, and Recreational	36,223	34,969	36,000	(223)
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	30,841	30,948	30,948	107
Soil Conservation	44,918	43,823	44,745	(173)
<u>Other Operations</u>				
Tourism	278,919	430,000	430,000	151,081
Industrial Development	181	1,000	1,000	819
Other Economic and Community Development	0	5,000	5,000	5,000
Veterans' Services	19,073	17,856	19,013	(60)
Other Charges	119,845	115,126	121,435	1,590
Contributions to Other Agencies	2,850	2,850	2,850	0
Employee Benefits	326,107	321,451	332,999	6,892
ARRA Grant # 1	0	33,100	6,200	6,200
Miscellaneous	43,323	15,000	40,500	(2,823)
<u>Principal on Debt</u>				
General Government	0	200,000	200,000	200,000
<u>Interest on Debt</u>				
General Government	3,686	0	3,686	0
Total Expenditures	\$ 3,431,637	\$ 4,124,016	\$ 4,235,820	\$ 804,183
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (44,235)	\$ (395,600)	\$ (472,845)	\$ 428,610
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 90,000	\$ 290,000	\$ 290,000	\$ (200,000)
Total Other Financing Sources (Uses)	\$ 90,000	\$ 290,000	\$ 290,000	\$ (200,000)
Net Change in Fund Balance				
Fund Balance, July 1, 2011	\$ 399,181	\$ 571,186	\$ 571,186	\$ (172,005)
Fund Balance, June 30, 2012	\$ 444,946	\$ 465,586	\$ 388,341	\$ 56,605

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 39,884	\$ 10,500	\$ 35,500	\$ 4,384
State of Tennessee	1,200,829	1,178,980	1,208,410	(7,581)
Federal Government	80,805	150,000	190,000	(109,195)
Total Revenues	<u>\$ 1,321,518</u>	<u>\$ 1,339,480</u>	<u>\$ 1,433,910</u>	<u>\$ (112,392)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 90,346	\$ 83,133	\$ 91,723	\$ 1,377
Highway and Bridge Maintenance	668,771	622,825	692,660	23,889
Operation and Maintenance of Equipment	312,094	308,500	326,650	14,556
Quarry Operations	1,100	1,200	1,200	100
Other Charges	26,762	50,229	27,459	697
Employee Benefits	150,324	122,835	155,085	4,761
Capital Outlay	455,061	0	600,000	144,939
<u>Principal on Debt</u>				
General Government	0	77,594	0	0
Highways and Streets	150,394	150,000	150,394	0
<u>Interest on Debt</u>				
Highways and Streets	51,278	28,053	105,253	53,975
Total Expenditures	<u>\$ 1,906,130</u>	<u>\$ 1,444,369</u>	<u>\$ 2,150,424</u>	<u>\$ 244,294</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (584,612)</u>	<u>\$ (104,889)</u>	<u>\$ (716,514)</u>	<u>\$ 131,902</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 600,000	\$ 0	\$ 600,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 600,000</u>	<u>\$ 0</u>	<u>\$ 600,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 15,388	\$ (104,889)	\$ (116,514)	\$ 131,902
Fund Balance, July 1, 2011	<u>371,415</u>	<u>114,072</u>	<u>114,072</u>	<u>257,343</u>
Fund Balance, June 30, 2012	<u>\$ 386,803</u>	<u>\$ 9,183</u>	<u>\$ (2,442)</u>	<u>\$ 389,245</u>

Exhibit F-3

Pickett County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Pickett County School Department
June 30, 2012

(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)
6-30-11	\$ 6,478	\$ 6,600	\$ 122	98.16 %	\$ 2,484	4.90 %
6-30-09	5,127	5,274	147	97.22	2,423	6.05
6-30-07	4,703	4,871	168	96.55	2,361	7.12

Exhibit F-4

Pickett County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Pickett County School Department
June 30, 2012

(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	7-1-09	\$ 0	\$ 696	\$ 696	0 %	\$ 2,143	32 %
"	7-1-10	0	720	720	0	2,143	34
"	7-1-11	0	891	891	0	2,181	41

PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

A. BUDGETARY INFORMATION

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

The budgetary level of control is at the major category level established by the 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 appropriations approved by the County Commission in seven of 46 major appropriation categories (the legal level of control) of the General Fund. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

C. APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDS

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$2,442.

D. THE ACTUAL FUND BALANCE EXCEEDED THE ESTIMATED BEGINNING FUND BALANCE BY A MATERIAL AMOUNT

The Highway/Public Works Fund's actual fund balance at July 1, 2011, was \$371,415; however, the estimated fund balance reflected in the county's budget was \$114,072. Therefore, the actual fund balance exceeded the estimated fund balance presented to the County Commission during the budget approval process by \$257,343.

**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.

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Industrial Park Projects	Health Department Projects	Total	
\$	0	6,224	\$ 6,224	0	0	0	\$ 6,224
	22,057	0	22,057	5,570	914	6,484	28,541
	0	105	105	0	0	0	105
\$	22,057	6,329	\$ 28,386	5,570	914	6,484	\$ 34,870

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Total Assets

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>							
Due to Other Funds	\$	0	\$ 6,329	\$ 6,329	\$ 0	\$ 0	\$ 6,329
Total Liabilities	\$	0	\$ 6,329	\$ 6,329	\$ 0	\$ 0	\$ 6,329
<u>Fund Balances</u>							
Restricted:							
Restricted for Public Safety	\$	22,057	\$ 0	\$ 22,057	\$ 0	\$ 0	\$ 22,057
Restricted for Capital Outlay		0	0	5,570	914	6,484	6,484
Total Fund Balances	\$	22,057	\$ 0	\$ 22,057	\$ 914	\$ 6,484	\$ 28,541
Total Liabilities and Fund Balances	\$	22,057	\$ 6,329	\$ 28,386	\$ 914	\$ 6,484	\$ 34,870

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, 2012

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Industrial Park Projects	Health Department Projects	HUD Grant Projects	Total	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 20,529	\$ 0	\$ 20,529	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,529
Charges for Current Services	0	184	184	0	0	0	0	184
Other Local Revenues	1,670	0	1,670	0	2	0	2	1,672
Federal Government	0	0	0	0	0	153,193	153,193	153,193
<u>Total Revenues</u>	<u>\$ 22,199</u>	<u>\$ 184</u>	<u>\$ 22,383</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 153,193</u>	<u>\$ 153,195</u>	<u>\$ 175,578</u>
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 184	\$ 184	\$ 0	\$ 0	\$ 0	\$ 0	\$ 184
Public Safety	11,171	0	11,171	0	0	0	0	11,171
Other Operations	0	0	0	0	0	153,193	153,193	153,193
<u>Total Expenditures</u>	<u>\$ 11,171</u>	<u>\$ 184</u>	<u>\$ 11,355</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 153,193</u>	<u>\$ 153,193</u>	<u>\$ 164,548</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 11,028	\$ 0	\$ 11,028	\$ 0	\$ 2	\$ 0	\$ 2	\$ 11,030
Net Change in Fund Balances Fund Balance, July 1, 2011	\$ 11,028	\$ 0	\$ 11,028	\$ 0	\$ 2	\$ 0	\$ 2	\$ 11,030
	11,029	0	11,029	5,570	912	0	6,482	17,511
Fund Balance, June 30, 2012	\$ 22,057	\$ 0	\$ 22,057	\$ 5,570	\$ 914	\$ 0	\$ 6,484	\$ 28,541

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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 20,529	\$ 6,200	\$ 6,200	\$ 14,329
Other Local Revenues	1,670	500	500	1,170
Total Revenues	<u>\$ 22,199</u>	<u>\$ 6,700</u>	<u>\$ 6,700</u>	<u>\$ 15,499</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 11,171	\$ 3,000	\$ 3,000	\$ (8,171)
Total Expenditures	<u>\$ 11,171</u>	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ (8,171)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11,028</u>	<u>\$ 3,700</u>	<u>\$ 3,700</u>	<u>\$ 7,328</u>
Net Change in Fund Balance	\$ 11,028	\$ 3,700	\$ 3,700	\$ 7,328
Fund Balance, July 1, 2011	<u>11,029</u>	<u>10,820</u>	<u>10,820</u>	<u>209</u>
Fund Balance, June 30, 2012	<u><u>\$ 22,057</u></u>	<u><u>\$ 14,520</u></u>	<u><u>\$ 14,520</u></u>	<u><u>\$ 7,537</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, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 193,459	\$ 194,803	\$ 194,803	\$ (1,344)
Other Local Revenues	120,000	120,000	120,000	0
Total Revenues	<u>\$ 313,459</u>	<u>\$ 314,803</u>	<u>\$ 314,803</u>	<u>\$ (1,344)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 239,373	\$ 217,294	\$ 243,211	\$ 3,838
<u>Interest on Debt</u>				
General Government	65,164	63,267	70,728	5,564
<u>Other Debt Service</u>				
General Government	2,732	0	0	(2,732)
Total Expenditures	<u>\$ 307,269</u>	<u>\$ 280,561</u>	<u>\$ 313,939</u>	<u>\$ 6,670</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,190</u>	<u>\$ 34,242</u>	<u>\$ 864</u>	<u>\$ 5,326</u>
Net Change in Fund Balance	\$ 6,190	\$ 34,242	\$ 864	\$ 5,326
Fund Balance, July 1, 2011	<u>367,227</u>	<u>376,594</u>	<u>376,594</u>	<u>(9,367)</u>
Fund Balance, June 30, 2012	<u>\$ 373,417</u>	<u>\$ 410,836</u>	<u>\$ 377,458</u>	<u>\$ (4,041)</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, 2012

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 87,787	\$ 87,787
Accounts Receivable	0	961	961
Due from Other Governments	29,384	0	29,384
Total Assets	<u>\$ 29,384</u>	<u>\$ 88,748</u>	<u>\$ 118,132</u>
<u>LIABILITIES</u>			
Due to Litigants, Heirs, and Others	\$ 0	\$ 88,748	\$ 88,748
Due to Other Taxing Units	29,384	0	29,384
Total Liabilities	<u>\$ 29,384</u>	<u>\$ 88,748</u>	<u>\$ 118,132</u>

Exhibit I-2

Pickett County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 158,817	\$ 158,817	\$ 0
Due from Other Governments	27,852	29,384	27,852	29,384
Total Assets	\$ 27,852	\$ 188,201	\$ 186,669	\$ 29,384
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 27,852	\$ 188,201	\$ 186,669	\$ 29,384
Total Liabilities	\$ 27,852	\$ 188,201	\$ 186,669	\$ 29,384
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 104,813	\$ 1,497,736	\$ 1,514,762	\$ 87,787
Accounts Receivable	2,219	961	2,219	961
Total Assets	\$ 107,032	\$ 1,498,697	\$ 1,516,981	\$ 88,748
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 107,032	\$ 1,498,697	\$ 1,516,981	\$ 88,748
Total Liabilities	\$ 107,032	\$ 1,498,697	\$ 1,516,981	\$ 88,748
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 104,813	\$ 1,497,736	\$ 1,514,762	\$ 87,787
Equity in Pooled Cash and Investments	0	158,817	158,817	0
Accounts Receivable	2,219	961	2,219	961
Due from Other Governments	27,852	29,384	27,852	29,384
Total Assets	\$ 134,884	\$ 1,686,898	\$ 1,703,650	\$ 118,132
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 107,032	\$ 1,498,697	\$ 1,516,981	\$ 88,748
Due to Other Taxing Units	27,852	188,201	186,669	29,384
Total Liabilities	\$ 134,884	\$ 1,686,898	\$ 1,703,650	\$ 118,132

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, 2012

Functions/Programs	Program Revenues			Charges for Services	Expenses	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Operating Grants and Contributions						
Governmental Activities:							
Instruction		0	\$ 376,234	\$ 0	\$ 0		\$ (3,036,965)
Support Services	2,040,031	360	183,735		150,000		(1,705,936)
Operation of Non-Instructional Services	673,636	150,615	379,075		0		(143,946)
Interest on Long-term Debt	134,523	0	0		0		(134,523)
Other Debt Service	15,298	0	0		0		(15,298)
Total Governmental Activities	\$ 6,276,687	\$ 150,975	\$ 939,044	\$ 150,000	\$ 150,000	\$ (5,036,668)	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes							\$ 586,500
Local Option Sales Taxes							240,470
Other Local Taxes							22,918
Grants and Contributions Not Restricted to Specific Programs							4,311,004
Unrestricted Investment Income							8,754
Miscellaneous							47,398
Amortization of Debt Premium							5,474
Total General Revenues							\$ 5,222,518
Change in Net Assets							\$ 185,850
Net Assets, July 1, 2011							<u>2,235,275</u>
Net Assets, June 30, 2012							<u>\$ 2,421,125</u>

Exhibit J-2

Pickett County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2012

	<u>Major Fund</u>	Nonmajor <u>Funds</u>	Total
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 785,059	\$ 128,322	\$ 913,381
Accounts Receivable	9,683	0	9,683
Due from Other Governments	142,108	110,769	252,877
Property Taxes Receivable	655,861	0	655,861
Allowance for Uncollectible Property Taxes	(19,474)	0	(19,474)
Total Assets	<u>\$ 1,573,237</u>	<u>\$ 239,091</u>	<u>\$ 1,812,328</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 2,138	\$ 37,136	\$ 39,274
Deferred Revenue - Current Property Taxes	607,672	0	607,672
Deferred Revenue - Delinquent Property Taxes	27,308	0	27,308
Other Deferred Revenues	49,482	0	49,482
Total Liabilities	<u>\$ 686,600</u>	<u>\$ 37,136</u>	<u>\$ 723,736</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 9,463	\$ 151,955	\$ 161,418
Committed:			
Committed for Education	418,919	0	418,919
Assigned:			
Assigned for Education	0	50,000	50,000
Unassigned	458,255	0	458,255
Total Fund Balances	<u>\$ 886,637</u>	<u>\$ 201,955</u>	<u>\$ 1,088,592</u>
Total Liabilities and Fund Balances	<u>\$ 1,573,237</u>	<u>\$ 239,091</u>	<u>\$ 1,812,328</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, 2012

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)		\$ 1,088,592
(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	4,571,214	
Add: other capital assets net of accumulated depreciation	<u>176,626</u>	4,770,795
(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	\$ (3,395,000)	
Less: accrued interest on bonds	(10,695)	
Less: compensated absences payable	(10,721)	
Less: other postemployment benefits liability	(210,515)	
Less: other deferred revenue - premium on debt	(50,109)	
Add: deferred amount on refunding	73,884	
Add: deferred charges - debt issuance costs	<u>88,104</u>	(3,515,052)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>76,790</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 2,421,125</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, 2012

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,051,074	\$ 0	\$ 1,051,074
Licenses and Permits	218	0	218
Charges for Current Services	360	150,615	150,975
Other Local Revenues	55,982	170	56,152
State of Tennessee	4,155,166	4,648	4,159,814
Federal Government	64,886	975,258	1,040,144
Total Revenues	<u>\$ 5,327,686</u>	<u>\$ 1,130,691</u>	<u>\$ 6,458,377</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,784,250	\$ 403,393	\$ 3,187,643
Support Services	1,805,028	193,151	1,998,179
Operation of Non-Instructional Services	152,420	501,518	653,938
Capital Outlay	164,781	0	164,781
Debt Service:			
Principal on Debt	225,000	0	225,000
Interest on Debt	135,085	0	135,085
Total Expenditures	<u>\$ 5,266,564</u>	<u>\$ 1,098,062</u>	<u>\$ 6,364,626</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 61,122</u>	<u>\$ 32,629</u>	<u>\$ 93,751</u>
Net Change in Fund Balances	\$ 61,122	\$ 32,629	\$ 93,751
Fund Balance, July 1, 2011	<u>825,515</u>	<u>169,326</u>	<u>994,841</u>
Fund Balance, June 30, 2012	<u>\$ 886,637</u>	<u>\$ 201,955</u>	<u>\$ 1,088,592</u>

Exhibit J-5

Pickett County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2012

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)		\$ 93,751
<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	\$ 150,000	
Less: current-year depreciation expense	<u>(207,830)</u>	(57,830)
<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, 2012	\$ 76,790	
Less: deferred delinquent property taxes and other deferred June 30, 2011	<u>(78,104)</u>	(1,314)
<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	\$ 225,000	
Less: change in deferred debt issuance costs	(9,625)	
Add: change in premium on debt issuances	5,474	
Less: change in deferred amount on refunding debt	<u>(5,673)</u>	215,176
<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	\$ 562	
Change in compensated absences payable	(253)	
Change in other postemployment benefits liability	<u>(64,242)</u>	<u>(63,933)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 185,850</u>

Exhibit J-6

Pickett County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2012

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 24,066	\$ 104,256	\$ 128,322
Due from Other Governments	39,935	70,834	110,769
Total Assets	<u>\$ 64,001</u>	<u>\$ 175,090</u>	<u>\$ 239,091</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 7,754	\$ 29,382	\$ 37,136
Total Liabilities	<u>\$ 7,754</u>	<u>\$ 29,382</u>	<u>\$ 37,136</u>
<u>Fund Balances</u>			
Restricted:			
Restricted for Education	\$ 6,247	\$ 145,708	\$ 151,955
Assigned:			
Assigned for Education	50,000	0	50,000
Total Fund Balances	<u>\$ 56,247</u>	<u>\$ 145,708</u>	<u>\$ 201,955</u>
Total Liabilities and Fund Balances	<u>\$ 64,001</u>	<u>\$ 175,090</u>	<u>\$ 239,091</u>

Exhibit J-7

Pickett County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2012

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 150,615	\$ 150,615
Other Local Revenues	0	170	170
State of Tennessee	0	4,648	4,648
Federal Government	600,831	374,427	975,258
Total Revenues	<u>\$ 600,831</u>	<u>\$ 529,860</u>	<u>\$ 1,130,691</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 403,393	\$ 0	\$ 403,393
Support Services	193,151	0	193,151
Operation of Non-Instructional Services	0	501,518	501,518
Total Expenditures	<u>\$ 596,544</u>	<u>\$ 501,518</u>	<u>\$ 1,098,062</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,287</u>	<u>\$ 28,342</u>	<u>\$ 32,629</u>
Net Change in Fund Balances	\$ 4,287	\$ 28,342	\$ 32,629
Fund Balance, July 1, 2011	51,960	117,366	169,326
Fund Balance, June 30, 2012	<u>\$ 56,247</u>	<u>\$ 145,708</u>	<u>\$ 201,955</u>

Exhibit J-8

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Pickett County School Department
General Purpose School Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,051,074	\$ 1,042,456	\$ 1,042,456	\$ 8,618
Licenses and Permits	218	250	250	(32)
Charges for Current Services	360	720	720	(360)
Other Local Revenues	55,982	42,688	46,088	9,894
State of Tennessee	4,155,166	3,842,345	4,023,517	131,649
Federal Government	64,886	205,000	69,500	(4,614)
Total Revenues	<u>\$ 5,327,686</u>	<u>\$ 5,133,459</u>	<u>\$ 5,182,531</u>	<u>\$ 145,155</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,271,192	\$ 2,392,545	\$ 2,402,532	\$ 131,340
Special Education Program	268,833	295,060	295,060	26,227
Vocational Education Program	244,225	252,111	252,111	7,886
<u>Support Services</u>				
Attendance	35,318	37,351	37,351	2,033
Health Services	129,992	135,795	135,795	5,803
Other Student Support	102,633	104,969	104,969	2,336
Regular Instruction Program	214,897	217,132	217,132	2,235
Special Education Program	25,369	26,350	26,350	981
Other Programs	31,172	0	31,172	0
Board of Education	81,403	92,265	92,265	10,862
Director of Schools	100,225	100,690	100,691	466
Office of the Principal	202,366	206,087	206,087	3,721
Fiscal Services	57,148	62,495	62,495	5,347
Operation of Plant	450,302	448,210	456,154	5,852
Maintenance of Plant	95,276	105,900	105,900	10,624
Transportation	270,450	284,650	284,648	14,198
Central and Other	8,477	9,200	9,200	723
<u>Operation of Non-Instructional Services</u>				
Community Services	50,000	51,000	51,000	1,000
Early Childhood Education	102,420	102,419	102,420	0
<u>Capital Outlay</u>				
Regular Capital Outlay	164,781	151,505	166,005	1,224
<u>Principal on Debt</u>				
Education	225,000	225,000	225,000	0
<u>Interest on Debt</u>				
Education	135,085	135,085	135,085	0
Total Expenditures	<u>\$ 5,266,564</u>	<u>\$ 5,435,819</u>	<u>\$ 5,499,422</u>	<u>\$ 232,858</u>

(Continued)

Exhibit J-8

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ 61,122	\$ (302,360)	\$ (316,891)	\$ 378,013
Net Change in Fund Balance	\$ 61,122	\$ (302,360)	\$ (316,891)	\$ 378,013
Fund Balance, July 1, 2011	825,515	821,286	821,286	4,229
Fund Balance, June 30, 2012	\$ 886,637	\$ 518,926	\$ 504,395	\$ 382,242

Exhibit J-9

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Pickett County School Department
School Federal Projects Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 600,831	\$ 807,036	\$ 806,336	\$ (205,505)
Total Revenues	\$ 600,831	\$ 807,036	\$ 806,336	\$ (205,505)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 248,684	\$ 270,102	\$ 271,416	\$ 22,732
Special Education Program	144,152	302,593	302,363	158,211
Vocational Education Program	10,557	8,203	10,557	0
<u>Support Services</u>				
Other Student Support	12,862	18,000	16,222	3,360
Regular Instruction Program	169,620	192,405	190,707	21,087
Special Education Program	6,043	7,514	7,514	1,471
Vocational Education Program	0	576	0	0
Transportation	4,626	4,627	4,627	1
Total Expenditures	\$ 596,544	\$ 804,020	\$ 803,406	\$ 206,862
Excess (Deficiency) of Revenues Over Expenditures	\$ 4,287	\$ 3,016	\$ 2,930	\$ 1,357
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 30,909	\$ 30,909	\$ (30,909)
Transfers Out	0	(33,925)	(33,839)	33,839
Total Other Financing Sources (Uses)	\$ 0	\$ (3,016)	\$ (2,930)	\$ 2,930
Net Change in Fund Balance	\$ 4,287	\$ 0	\$ 0	\$ 4,287
Fund Balance, July 1, 2011	51,960	0	0	51,960
Fund Balance, June 30, 2012	\$ 56,247	\$ 0	\$ 0	\$ 56,247

Exhibit J-10

Pickett County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Pickett County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 150,615	\$ 127,000	\$ 142,000	\$ 8,615
Other Local Revenues	170	170	170	0
State of Tennessee	4,648	4,000	4,000	648
Federal Government	374,427	274,000	351,000	23,427
Total Revenues	<u>\$ 529,860</u>	<u>\$ 405,170</u>	<u>\$ 497,170</u>	<u>\$ 32,690</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 501,518	\$ 435,300	\$ 557,300	\$ 55,782
Total Expenditures	<u>\$ 501,518</u>	<u>\$ 435,300</u>	<u>\$ 557,300</u>	<u>\$ 55,782</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 28,342</u>	<u>\$ (30,130)</u>	<u>\$ (60,130)</u>	<u>\$ 88,472</u>
Net Change in Fund Balance	\$ 28,342	\$ (30,130)	\$ (60,130)	\$ 88,472
Fund Balance, July 1, 2011	<u>117,366</u>	<u>93,997</u>	<u>93,997</u>	<u>23,369</u>
Fund Balance, June 30, 2012	<u>\$ 145,708</u>	<u>\$ 63,867</u>	<u>\$ 33,867</u>	<u>\$ 111,841</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, 2012

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
PRIMARY GOVERNMENT								
GOVERNMENTAL ACTIVITIES								
NOTES PAYABLE								
Payable through General Debt Service Fund								
Highway Equipment	\$ 300,000	4.1 %	6-8-07	6-15-12	\$ 64,828	0	\$ 64,828	0
Ambulance	91,825	4	5-12-09	6-5-12	31,921	0	31,921	0
Fire Trucks	72,220	3.5	6-20-11	6-20-14	72,220	0	24,121	48,099
Ambulances and Heart Monitors	73,700	3.5	6-20-11	6-20-14	73,700	0	23,703	49,997
Welcome Center	90,000	3.5	7-14-11	7-25-14	0	90,000	26,541	63,459
Total Payable through General Debt Service Fund					\$ 242,669	\$ 90,000	\$ 171,114	\$ 161,555
Payable through Highway/Public Works Fund								
Highway, Street, Road Improvements, and Refunding	1,000,000	4.1	4-20-07	6-10-19	\$ 719,519	0	\$ 77,594	\$ 641,925
Road Projects - Series 2010	425,000	3.24	7-16-10	7-1-13	335,940	0	50,000	285,940
Highway Equipment	600,000	3.49	10-14-11	11-1-23	0	600,000	22,800	577,200
Total Payable through Highway/Public Works Fund					\$ 1,055,459	\$ 600,000	\$ 150,394	\$ 1,505,065
Total Notes Payable					\$ 1,298,128	\$ 690,000	\$ 321,508	\$ 1,666,620
BONDS PAYABLE								
Payable through General Debt Service Fund								
Nursing Home	1,200,000	5	8-31-1982	1-1-21	\$ 550,000	0	\$ 45,000	\$ 505,000
Nursing Home Addition - FHA	425,000	6	5-18-1990	5-18-23	251,358	0	14,872	236,486
Public Library	390,000	4.125	11-1-06	6-1-33	277,068	0	8,387	268,681
Total Bonds Payable					\$ 1,078,426	0	\$ 68,259	\$ 1,010,167
BUSINESS-TYPE ACTIVITIES								
BONDS PAYABLE								
Payable through Solid Waste Disposal Fund								
Solid Waste Expansion	110,000	5.25	6-2-1995	12-19-11	\$ 2,085	0	\$ 2,085	0
DISCRETELY PRESENTED PICKETT COUNTY SCHOOL DEPARTMENT								
BONDS PAYABLE								
Payable through General Purpose School Fund								
School Refunding Bond, Series 2009	4,100,000	3 to 4.2	3-31-09	6-1-24	\$ 3,620,000	0	\$ 225,000	\$ 3,395,000

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

Year Ending June 30	Notes		Total
	Principal	Interest	
2013	\$ 250,559	\$ 60,419	\$ 310,978
2014	444,471	46,720	491,191
2015	135,146	34,387	169,533
2016	137,797	29,123	166,920
2017	143,215	23,661	166,876
2018	149,094	17,978	167,072
2019	154,838	12,066	166,904
2020	53,400	7,928	61,328
2021	55,300	6,036	61,336
2022	57,200	4,073	61,273
2023	59,300	2,044	61,344
2024	26,300	231	26,531
Total	\$ 1,666,620	\$ 244,666	\$ 1,911,286

Year Ending June 30	Bonds		Total
	Principal	Interest	
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	\$ 1,010,167	\$ 367,499	\$ 1,377,666

(Continued)

Exhibit K-2

Pickett County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Pickett County School Department (Cont.)

DISCRETELY PRESENTED PICKETT
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	\$ 3,395,000	\$ 933,710	\$ 4,328,710

Exhibit K-3

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, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 60,350	\$ 25,000	RLI Insurance Company
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	74,660 (2)	(3)	
Trustee	Section 8-24-102, TCA	52,251	300,400	"
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 (4)	25,000	"
Clerk and Master	Section 8-24-102, TCA	52,251 (5)	50,000	"
Register	Section 8-24-102, TCA	52,251	25,000	"
Sheriff	Section 8-24-102, TCA	57,477 (6)	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) The director of schools is covered by the \$150,000 employee blanket bond.
- (4) Does not include special commissioner fees of \$1,298.
- (5) Does not include special commissioner fees of \$884.
- (6) Does not include a law enforcement training supplement of \$600.

Exhibit K-4

Pickett County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2012

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects				
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 1,104,641	\$ 0	\$ 0	\$ 0	\$ 129,272	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,233,913	
Trustee's Collections - Prior Year	41,873	0	0	0	3,395	0	0	0	0	45,268	
Trustee's Collections - Bankruptcy	93	0	0	0	8	0	0	0	0	101	
Circuit/Clerk & Master Collections - Prior Years	12,820	0	0	0	1,333	0	0	0	0	14,153	
Interest and Penalty	8,040	0	0	0	698	0	0	0	0	8,738	
Payments in-Lieu-of Taxes - Other	48,259	0	0	0	322	0	0	0	0	48,581	
<u>County Local Option Taxes</u>											
Local Option Sales Tax	235,904	0	0	0	0	0	0	0	0	235,904	
Wheel Tax	0	0	0	0	58,431	0	0	0	0	58,431	
Litigation Tax - General	8,204	0	0	0	0	0	0	0	0	8,204	
Litigation Tax - Special Purpose	1,667	0	0	0	0	0	0	0	0	1,667	
Business Tax	1,635	0	0	0	0	0	0	0	0	1,635	
Mineral Severance Tax	8,406	0	0	0	0	0	0	0	0	8,406	
<u>Statutory Local Taxes</u>											
Bank Excise Tax	5,364	0	0	0	0	0	0	0	0	5,364	
Wholesale Beer Tax	306,082	0	0	0	0	0	0	0	0	306,082	
Interstate Telecommunications Tax	254	0	0	0	0	0	0	0	0	254	
Total Local Taxes	\$ 1,783,242	\$ 0	\$ 0	\$ 0	\$ 193,459	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,976,701	
<u>Licenses and Permits</u>											
<u>Licenses</u>											
Marriage Licenses	166	0	0	0	0	0	0	0	0	166	
<u>Permits</u>											
Beer Permits	3,184	0	0	0	0	0	0	0	0	3,184	
Other Permits	50	0	0	0	0	0	0	0	0	50	
Total Licenses and Permits	\$ 3,400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,400	
<u>Fines, Forfeitures, and Penalties</u>											
Circuit Court	1,024	0	0	0	0	0	0	0	0	1,024	
Fines											

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects				
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>Circuit Court (Cont.)</u>											
Officers Costs	\$ 784	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	784	
Drug Control Fines	0	3,420	0	0	0	0	0	0	0	3,420	
Drug Court Fees	247	0	0	0	0	0	0	0	0	247	
Jail Fees	400	0	0	0	0	0	0	0	0	400	
Data Entry Fee - Circuit Court	114	0	0	0	0	0	0	0	0	114	
<u>General Sessions Court</u>											
Fines	3,607	0	0	0	0	0	0	0	0	3,607	
Officers Costs	5,663	0	0	0	0	0	0	0	0	5,663	
Game and Fish Fines	400	0	0	0	0	0	0	0	0	400	
Drug Control Fines	5,846	17,109	0	0	0	0	0	0	0	22,955	
Drug Court Fees	2,334	0	0	0	0	0	0	0	0	2,334	
Jail Fees	2,960	0	0	0	0	0	0	0	0	2,960	
DUI Treatment Fines	665	0	0	0	0	0	0	0	0	665	
Data Entry Fee - General Sessions Court	761	0	0	0	0	0	0	0	0	761	
<u>Chancery Court</u>											
Officers Costs	488	0	0	0	0	0	0	0	0	488	
Data Entry Fee - Chancery Court	42	0	0	0	0	0	0	0	0	42	
Total Fines, Forfeitures, and Penalties	\$ 25,335	\$ 20,529	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 45,864	
<u>Charges for Current Services</u>											
<u>General Service Charges</u>											
Patient Charges	\$ 399,025	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	399,025	
Other General Service Charges	4,026	0	0	0	0	0	0	0	0	4,026	
<u>Fees</u>											
Copy Fees	1,251	0	0	0	0	0	0	0	0	1,251	
Library Fees	4,751	0	0	0	0	0	0	0	0	4,751	
Telephone Commissions	4,106	0	0	0	0	0	0	0	0	4,106	
Constitutional Officers' Fees and Commissions	0	0	184	0	0	0	0	0	0	184	
Data Processing Fee - Register	2,168	0	0	0	0	0	0	0	0	2,168	
Probation Fees	36,270	0	0	0	0	0	0	0	0	36,270	

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects				
<u>Charges for Current Services (Cont.)</u>											
<u>Fees (Cont.)</u>											
Data Processing Fee - Sheriff	\$ 424	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	424
Sexual Offender Registration Fees - Sheriff	150	0	0	0	0	0	0	0	0	0	150
Total Charges for Current Services	\$ 452,171	\$ 0	\$ 184	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	452,355
<u>Other Local Revenues</u>											
<u>Recurring Items</u>											
Investment Income	\$ 8,602	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2	\$ 0	\$ 0	\$ 0	8,604
Lease/Rentals	12,650	0	0	0	120,000	0	0	0	0	0	132,650
Sale of Recycled Materials	0	0	0	477	0	0	0	0	0	0	477
Miscellaneous Refunds	25,924	0	0	0	0	0	0	0	0	0	25,924
<u>Nonrecurring Items</u>											
Sale of Equipment	0	0	0	37,201	0	0	0	0	0	0	37,201
Contributions and Gifts	550	1,670	0	0	0	0	0	0	0	0	2,220
<u>Other Local Revenues</u>											
Other Local Revenues	17	0	0	2,206	0	0	0	0	0	0	2,223
Total Other Local Revenues	\$ 47,743	\$ 1,670	\$ 0	\$ 39,884	\$ 120,000	\$ 2	\$ 0	\$ 0	\$ 0	\$ 0	209,299
<u>Fees Received from County Officials</u>											
<u>Fees in-Lieu-of Salary</u>											
County Clerk	\$ 69,096	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	69,096
Circuit Court Clerk	11,688	0	0	0	0	0	0	0	0	0	11,688
General Sessions Court Clerk	25,014	0	0	0	0	0	0	0	0	0	25,014
Clerk and Master	4,415	0	0	0	0	0	0	0	0	0	4,415
Register	25,818	0	0	0	0	0	0	0	0	0	25,818
Sheriff	3,043	0	0	0	0	0	0	0	0	0	3,043
Trustee	79,536	0	0	0	0	0	0	0	0	0	79,536
Total Fees Received from County Officials	\$ 218,610	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	218,610

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects				
<u>State of Tennessee</u>											
<u>General Government Grants</u>											
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	6,126	0	0	0	0	0	0	0	0	0	6,126
<u>Public Safety Grants</u>											
Law Enforcement Training Programs	6,000	0	0	0	0	0	0	0	0	0	6,000
<u>Health and Welfare Grants</u>											
Health Department Programs	26,290	0	0	0	0	0	0	0	0	0	26,290
<u>Public Works Grants</u>											
Litter Program	37,665	0	0	0	0	0	0	0	0	0	37,665
<u>Other State Revenues</u>											
Flood Control	138,747	0	0	0	0	0	0	0	0	0	138,747
Income Tax	15,858	0	0	0	0	0	0	0	0	0	15,858
Beer Tax	18,421	0	0	0	0	0	0	0	0	0	18,421
Alcoholic Beverage Tax	13,433	0	0	0	0	0	0	0	0	0	13,433
State Revenue Sharing - T.V.A.	192,083	0	0	0	0	0	0	0	0	0	192,083
Contracted Prisoner Boarding	51,835	0	0	0	0	0	0	0	0	0	51,835
Gasoline and Motor Fuel Tax	0	0	0	1,197,164	0	0	0	0	0	0	1,197,164
Petroleum Special Tax	0	0	0	3,665	0	0	0	0	0	0	3,665
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	0	15,164
Other State Revenues	12,875	0	0	0	0	0	0	0	0	0	12,875
Total State of Tennessee	\$ 543,497	\$ 0	\$ 0	\$ 1,200,829	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,744,326
<u>Federal Government</u>											
<u>Federal Through State</u>											
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 40,517	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,517
Other Federal through State	232,385	0	0	40,288	0	0	153,193	0	0	0	425,866
<u>Direct Federal Revenue</u>											
Police Service (Lake Area)	8,774	0	0	0	0	0	0	0	0	0	8,774
Other Direct Federal Revenue	27,620	0	0	0	0	0	0	0	0	0	27,620
Total Federal Government	\$ 268,779	\$ 0	\$ 0	\$ 80,805	\$ 0	\$ 0	\$ 153,193	\$ 0	\$ 0	\$ 0	\$ 502,777

(Continued)

Exhibit K-4

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

	Special Revenue Funds			Debt Service Fund			Capital Projects Funds		
	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects	Total		
Other Governments and Citizens Groups									
<u>Other Governments</u>									
Contracted Services	\$ 44,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,625		
Total Other Governments and Citizens Groups	\$ 44,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 44,625		
Total	\$ 3,387,402	\$ 22,199	\$ 184	\$ 1,321,518	\$ 313,459	\$ 2	\$ 5,197,957		

Exhibit K-5

Pickett County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 552,319	\$ 0	\$ 0	\$ 552,319
Trustee's Collections - Prior Year	26,595	0	0	26,595
Trustee's Collections - Bankruptcy	59	0	0	59
Circuit/Clerk & Master Collections - Prior Years	7,040	0	0	7,040
Interest and Penalty	4,931	0	0	4,931
Payments in-Lieu-of Taxes - Other	2,085	0	0	2,085
<u>County Local Option Taxes</u>				
Local Option Sales Tax	237,340	0	0	237,340
Local Amusement Tax	62	0	0	62
Business Tax	22,574	0	0	22,574
Other County Local Option Taxes	197,787	0	0	197,787
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	282	0	0	282
Total Local Taxes	\$ 1,051,074	\$ 0	\$ 0	\$ 1,051,074
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 218	\$ 0	\$ 0	\$ 218
Total Licenses and Permits	\$ 218	\$ 0	\$ 0	\$ 218
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 44,123	\$ 44,123
Lunch Payments - Adults	0	0	15,305	15,305
Income from Breakfast	0	0	34,703	34,703
A la carte Sales	0	0	56,484	56,484
TBI Criminal Background Fees	360	0	0	360
Total Charges for Current Services	\$ 360	\$ 0	\$ 150,615	\$ 150,975
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 8,584	\$ 0	\$ 170	\$ 8,754
Miscellaneous Refunds	47,398	0	0	47,398
Total Other Local Revenues	\$ 55,982	\$ 0	\$ 170	\$ 56,152
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 31,172	\$ 0	\$ 0	\$ 31,172
<u>State Education Funds</u>				
Basic Education Program	3,680,000	0	0	3,680,000
Early Childhood Education	102,419	0	0	102,419
School Food Service	0	0	4,648	4,648
Driver Education	3,608	0	0	3,608
Other State Education Funds	124,814	0	0	124,814
Career Ladder Program	38,278	0	0	38,278
Career Ladder - Extended Contract	20,600	0	0	20,600
<u>Other State Revenues</u>				
Other State Grants	150,000	0	0	150,000

(Continued)

Exhibit K-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues (Cont.)</u>				
Other State Revenues	\$ 4,275	\$ 0	\$ 0	\$ 4,275
Total State of Tennessee	\$ 4,155,166	\$ 0	\$ 4,648	\$ 4,159,814
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 244,115	\$ 244,115
USDA - Commodities	0	0	17,792	17,792
Breakfast	0	0	110,948	110,948
USDA - Other	0	0	1,572	1,572
Vocational Education - Basic Grants to States	0	11,529	0	11,529
Title I Grants to Local Education Agencies	0	243,437	0	243,437
Special Education - Grants to States	0	153,446	0	153,446
Special Education Preschool Grants	0	2,795	0	2,795
Safe and Drug-Free Schools - State Grants	0	43,646	0	43,646
Rural Education	0	9,356	0	9,356
Eisenhower Professional Development State Grants	0	43,403	0	43,403
Job Training Partnership Act	11,000	0	0	11,000
Race-to-the-Top - ARRA	0	70,246	0	70,246
Other Federal through State	0	22,973	0	22,973
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	39,386	0	0	39,386
Other Direct Federal Revenue	14,500	0	0	14,500
Total Federal Government	\$ 64,886	\$ 600,831	\$ 374,427	\$ 1,040,144
Total	\$ 5,327,686	\$ 600,831	\$ 529,860	\$ 6,458,377

Exhibit K-6

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	34,900	
Audit Services		1,523	
Dues and Memberships		1,748	
Legal Notices, Recording, and Court Costs		854	
Total County Commission			\$ 39,025

Board of Equalization

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

Beer Board

Board and Committee Members Fees	\$	1,860	
Legal Services		342	
Total Beer Board			2,202

County Mayor/Executive

County Official/Administrative Officer	\$	60,350	
Accountants/Bookkeepers		27,177	
Secretary(ies)		14,864	
Communication		3,820	
Data Processing Services		8,339	
Dues and Memberships		800	
Postal Charges		396	
Printing, Stationery, and Forms		205	
Office Supplies		3,328	
Other Supplies and Materials		222	
Total County Mayor/Executive			119,501

County Attorney

Legal Services	\$	472	
Total County Attorney			472

Election Commission

County Official/Administrative Officer	\$	47,010	
Secretary(ies)		13,982	
Election Commission		5,325	
Election Workers		6,286	
Communication		1,605	
Data Processing Services		12,713	
Dues and Memberships		175	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Legal Notices, Recording, and Court Costs	\$	1,500	
Postal Charges		764	
Printing, Stationery, and Forms		1,629	
Travel		1,915	
Office Supplies		981	
Total Election Commission			\$ 93,885

Register of Deeds

County Official/Administrative Officer	\$	52,251	
Communication		1,062	
Dues and Memberships		351	
Maintenance Agreements		252	
Postal Charges		53	
Other Contracted Services		2,529	
Duplicating Supplies		262	
Office Supplies		719	
Total Register of Deeds			57,479

County Buildings

Custodial Personnel	\$	38,774	
Communication		4,873	
Maintenance and Repair Services - Buildings		21,918	
Custodial Supplies		7,519	
Electricity		51,644	
Gasoline		308	
Water and Sewer		10,048	
Other Supplies and Materials		998	
Total County Buildings			136,082

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	52,251	
Communication		462	
Postal Charges		185	
Printing, Stationery, and Forms		80	
Travel		2,916	
Other Contracted Services		1,677	
Office Supplies		362	
Other Supplies and Materials		192	
Total Property Assessor's Office			58,125

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		8,550	
Communication		1,537	
Data Processing Services		5,493	
Dues and Memberships		271	
Legal Notices, Recording, and Court Costs		204	
Postal Charges		2,466	
Printing, Stationery, and Forms		498	
Other Contracted Services		3,219	
Office Supplies		1,080	
Refunds		4,237	
Total County Trustee's Office			\$ 79,806

County Clerk's Office

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		21,651	
Communication		957	
Dues and Memberships		346	
Postal Charges		1,314	
Office Supplies		1,140	
Other Supplies and Materials		987	
Total County Clerk's Office			78,646

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,251	
Deputy(ies)		13,239	
Jury and Witness Expense		3,575	
Communication		3,211	
Data Processing Services		7,502	
Dues and Memberships		271	
Legal Notices, Recording, and Court Costs		144	
Postal Charges		440	
Office Supplies		3,177	
Other Supplies and Materials		683	
Total Circuit Court			84,493

General Sessions Judge

Judge(s)	\$	62,197	
Legal Services		9,825	
Total General Sessions Judge			72,022

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	52,251	
Communication		1,623	
Dues and Memberships		271	
Maintenance and Repair Services - Office Equipment		145	
Postal Charges		631	
Office Supplies		964	
Periodicals		244	
Office Equipment		136	
Total Chancery Court			\$ 56,265

Juvenile Court

Youth Service Officer(s)	\$	11,508	
Travel		237	
Office Supplies		17	
Total Juvenile Court			11,762

Judicial Commissioners

Other Per Diem and Fees	\$	6,237	
Total Judicial Commissioners			6,237

Probation Services

Probation Officer(s)	\$	24,516	
Other Salaries and Wages		14,159	
Other Supplies and Materials		906	
Total Probation Services			39,581

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,477	
Deputy(ies)		316,200	
Salary Supplements		6,000	
In-Service Training		1,014	
Dues and Memberships		1,000	
Maintenance and Repair Services - Equipment		2,806	
Maintenance and Repair Services - Vehicles		13,954	
Postal Charges		613	
Tow-in Services		415	
Gasoline		51,492	
Office Supplies		4,969	
Tires and Tubes		5,361	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Uniforms	\$ 4,030	
Total Sheriff's Department		\$ 465,331

Drug Enforcement

Animal Food and Supplies	\$ 239	
Total Drug Enforcement		239

Jail

Deputy(ies)	\$ 130,751	
Dispatchers/Radio Operators	162	
Communication	9,331	
Contracts with Government Agencies	114,170	
Laundry Service	120	
Maintenance and Repair Services - Buildings	6,131	
Medical and Dental Services	33,487	
Custodial Supplies	2,200	
Food Supplies	53,823	
Other Charges	2,250	
Total Jail		352,425

Fire Prevention and Control

Contributions	\$ 40,000	
Total Fire Prevention and Control		40,000

Other Emergency Management

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

County Coroner/Medical Examiner

Medical and Dental Services	\$ 13,032	
Total County Coroner/Medical Examiner		13,032

Other Public Safety

Supervisor/Director	\$ 8,943	
Total Other Public Safety		8,943

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 30,901	
Social Security	1,089	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

State Retirement	\$	1,229	
Unemployment Compensation		456	
Communication		1,627	
Dues and Memberships		400	
Medical and Dental Services		32	
Travel		417	
Electricity		7,122	
Water and Sewer		685	
Other Supplies and Materials		349	
Building Improvements		394	
Total Local Health Center			\$ 44,701

Ambulance/Emergency Medical Services

Supervisor/Director	\$	37,087	
Medical Personnel		400,435	
In-Service Training		964	
Communication		5,490	
Dues and Memberships		400	
Licenses		1,523	
Maintenance and Repair Services - Buildings		2,062	
Maintenance and Repair Services - Equipment		1,841	
Maintenance and Repair Services - Vehicles		4,773	
Postal Charges		581	
Tow-in Services		150	
Other Contracted Services		4,000	
Custodial Supplies		1,049	
Drugs and Medical Supplies		10,207	
Electricity		11,286	
Gasoline		24,059	
Office Supplies		1,841	
Tires and Tubes		2,346	
Uniforms		3,766	
Water and Sewer		1,745	
Refunds		1,210	
Data Processing Equipment		3,781	
Total Ambulance/Emergency Medical Services			520,596

Regional Mental Health Center

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

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Appropriation to State

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

Sanitation Management

Other Contracted Services	\$	37,665	
Total Sanitation Management			37,665

Other Public Health and Welfare

Other Salaries and Wages	\$	1,942	
Travel		793	
Total Other Public Health and Welfare			2,735

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	19,468	
Total Senior Citizens Assistance			19,468

Libraries

County Official/Administrative Officer	\$	23,112	
Assistant(s)		19,894	
Communication		1,617	
Office Supplies		3,960	
Other Supplies and Materials		405	
Data Processing Equipment		425	
Office Equipment		22,484	
Total Libraries			71,897

Other Social, Cultural, and Recreational

Supervisor/Director	\$	25,877	
Other Salaries and Wages		7,794	
Communication		512	
Postal Charges		44	
Travel		1,510	
Office Supplies		69	
Other Supplies and Materials		417	
Total Other Social, Cultural, and Recreational			36,223

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,597	
---------------	----	-------	--

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Contributions	\$	2,500	
Other Contracted Services		24,748	
Other Supplies and Materials		1,996	
Total Agriculture Extension Service			\$ 30,841

Soil Conservation

Secretary(ies)	\$	17,309	
Other Salaries and Wages		26,460	
Communication		1,050	
Office Supplies		99	
Total Soil Conservation			44,918

Other Operations

Tourism

Contributions	\$	20,000	
Other Capital Outlay		258,919	
Total Tourism			278,919

Industrial Development

Contributions	\$	181	
Total Industrial Development			181

Veterans' Services

Other Salaries and Wages	\$	16,880	
Communication		680	
Office Supplies		1,513	
Total Veterans' Services			19,073

Other Charges

Travel	\$	1,532	
Building and Contents Insurance		15,227	
Liability Insurance		35,112	
Premiums on Corporate Surety Bonds		4,890	
Trustee's Commission		33,792	
Vehicle and Equipment Insurance		29,019	
Liability Claims		273	
Total Other Charges			119,845

Contributions to Other Agencies

Contributions	\$	2,850	
Total Contributions to Other Agencies			2,850

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	142,649	
State Retirement		96,216	
Unemployment Compensation		23,177	
Workers' Compensation Insurance		64,065	
Total Employee Benefits			\$ 326,107

Miscellaneous

Other Capital Outlay	\$	43,323	
Total Miscellaneous			43,323

Interest on Debt

General Government

Interest on Notes	\$	3,686	
Total General Government			3,686

Total General Fund \$ 3,431,637

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	9,000	
Other Supplies and Materials		2,171	
Total Drug Enforcement			\$ 11,171

Total Drug Control Fund 11,171

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	146	
Total County Trustee's Office			\$ 146

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	38	
Total County Clerk's Office			38

Total Constitutional Officers - Fees Fund 184

(Continued)

Exhibit K-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,477	
Accountants/Bookkeepers		9,904	
Advertising		303	
Data Processing Services		5,450	
Dues and Memberships		1,946	
Maintenance and Repair Services - Office Equipment		1,713	
Postal Charges		164	
Printing, Stationery, and Forms		607	
Travel		2,655	
Drugs and Medical Supplies		1,093	
Office Supplies		1,794	
Other Charges		4,965	
Data Processing Equipment		2,275	
Total Administration			\$ 90,346

Highway and Bridge Maintenance

Foremen	\$	30,404	
Laborers		491,119	
Asphalt		30,678	
Crushed Stone		89,488	
Pipe		12,240	
Road Signs		542	
Salt		12,120	
Other Charges		2,180	
Total Highway and Bridge Maintenance			668,771

Operation and Maintenance of Equipment

Mechanic(s)	\$	94,792	
Maintenance and Repair Services - Vehicles		7,948	
Diesel Fuel		77,517	
Equipment and Machinery Parts		23,976	
Gasoline		45,825	
Lubricants		7,541	
Pipe		523	
Propane Gas		3,124	
Tires and Tubes		20,840	
Other Supplies and Materials		13,974	
Other Charges		16,034	
Total Operation and Maintenance of Equipment			312,094

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations

Operating Lease Payments	\$ 1,100	
Total Quarry Operations		\$ 1,100

Other Charges

Communication	\$ 4,524	
Contributions	2,600	
Utilities	5,629	
Liability Insurance	1,000	
Trustee's Commission	11,969	
Vehicle and Equipment Insurance	650	
Other Charges	390	
Total Other Charges		26,762

Employee Benefits

Social Security	\$ 52,289	
State Retirement	37,393	
Unemployment Compensation	9,787	
Workers' Compensation Insurance	50,855	
Total Employee Benefits		150,324

Capital Outlay

Motor Vehicles	\$ 455,061	
Total Capital Outlay		455,061

Principal on Debt

Highways and Streets

Principal on Notes	\$ 150,394	
Total Highways and Streets		150,394

Interest on Debt

Highways and Streets

Interest on Notes	\$ 51,278	
Total Highways and Streets		51,278

Total Highway/Public Works Fund \$ 1,906,130

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 68,259	
--------------------	-----------	--

(Continued)

Exhibit K-6

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

General Government (Cont.)

Principal on Notes	\$ 171,114	
Total General Government		\$ 239,373

Interest on Debt

General Government

Interest on Bonds	\$ 54,339	
Interest on Notes	10,825	
Total General Government		65,164

Other Debt Service

General Government

Trustee's Commission	\$ 2,732	
Total General Government		2,732

Total General Debt Service Fund		\$ 307,269
---------------------------------	--	------------

HUD Grant Projects Fund

Other Operations

Housing and Urban Development

Other Contracted Services	\$ 153,193	
Total Housing and Urban Development		\$ 153,193

Total HUD Grant Projects Fund		153,193
-------------------------------	--	---------

Total Governmental Funds - Primary Government		<u>\$ 5,809,584</u>
---	--	---------------------

Exhibit K-7

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2012

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,642,719	
Career Ladder Program	23,000	
Career Ladder Extended Contracts	11,328	
Other Salaries and Wages	2,714	
Certified Substitute Teachers	30,204	
Non-certified Substitute Teachers	22,718	
Social Security	95,443	
State Retirement	149,999	
Medical Insurance	140,057	
Employer Medicare	22,642	
Other Contracted Services	13,013	
Instructional Supplies and Materials	16,144	
Textbooks	51,643	
Regular Instruction Equipment	49,568	
Total Regular Instruction Program		\$ 2,271,192

Special Education Program

Teachers	\$ 211,540	
Career Ladder Program	4,000	
Certified Substitute Teachers	360	
Non-certified Substitute Teachers	1,705	
Social Security	11,830	
State Retirement	19,506	
Medical Insurance	17,125	
Employer Medicare	2,767	
Total Special Education Program		268,833

Vocational Education Program

Teachers	\$ 182,381	
Career Ladder Program	2,000	
Other Salaries and Wages	13,603	
Social Security	11,447	
State Retirement	17,917	
Medical Insurance	9,351	
Employer Medicare	2,677	
Other Charges	4,849	
Total Vocational Education Program		244,225

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	29,646	
Social Security		1,730	
State Retirement		2,683	
Employer Medicare		405	
Travel		854	
Total Attendance			\$ 35,318

Health Services

Medical Personnel	\$	19,237	
Other Salaries and Wages		65,125	
Social Security		4,759	
State Retirement		6,897	
Medical Insurance		6,492	
Employer Medicare		1,113	
Communication		504	
Postal Charges		390	
Travel		2,487	
Other Contracted Services		1,783	
Other Supplies and Materials		21,205	
Total Health Services			129,992

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		52,961	
Psychological Personnel		24,280	
Social Security		4,277	
State Retirement		7,081	
Medical Insurance		6,691	
Employer Medicare		1,000	
Evaluation and Testing		5,343	
Total Other Student Support			102,633

Regular Instruction Program

Supervisor/Director	\$	61,341
Career Ladder Program		3,000
Librarians		85,045
Instructional Computer Personnel		29,646
Social Security		10,776
State Retirement		16,202

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Medical Insurance	\$	5,172	
Employer Medicare		2,520	
Travel		1,195	
Total Regular Instruction Program			\$ 214,897

Special Education Program

Supervisor/Director	\$	21,940	
Social Security		1,105	
State Retirement		1,986	
Employer Medicare		258	
Travel		80	
Total Special Education Program			25,369

Other Programs

On-Behalf Payments to OPEB	\$	31,172	
Total Other Programs			31,172

Board of Education

Secretary to Board	\$	1,200	
Board and Committee Members Fees		6,000	
Social Security		446	
State Retirement		79	
Life Insurance		4,506	
Unemployment Compensation		2,835	
Employer Medicare		104	
Audit Services		2,500	
Dues and Memberships		2,573	
Legal Services		2,936	
Travel		1,507	
Trustee's Commission		28,587	
Workers' Compensation Insurance		23,057	
Criminal Investigation of Applicants - TBI		360	
Other Charges		4,713	
Total Board of Education			81,403

Director of Schools

County Official/Administrative Officer	\$	73,660	
Career Ladder Program		1,000	
Social Security		4,119	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

State Retirement	\$	6,757	
Medical Insurance		6,691	
Employer Medicare		963	
Communication		4,244	
Dues and Memberships		1,503	
Travel		1,288	
Total Director of Schools			\$ 100,225

Office of the Principal

Principals	\$	111,052	
Career Ladder Program		2,000	
Secretary(ies)		46,193	
Social Security		8,572	
State Retirement		13,258	
Medical Insurance		18,393	
Employer Medicare		2,005	
Communication		452	
Postal Charges		196	
Travel		245	
Total Office of the Principal			202,366

Fiscal Services

Accountants/Bookkeepers	\$	50,228	
Social Security		3,114	
State Retirement		3,295	
Employer Medicare		511	
Total Fiscal Services			57,148

Operation of Plant

Custodial Personnel	\$	90,189	
Social Security		5,463	
State Retirement		5,217	
Employer Medicare		1,252	
Other Contracted Services		5,460	
Electricity		178,183	
Natural Gas		57,252	
Water and Sewer		20,521	
Other Supplies and Materials		42,313	
Building and Contents Insurance		36,507	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Plant Operation Equipment	\$ 7,945	
Total Operation of Plant		\$ 450,302

Maintenance of Plant

Maintenance Personnel	\$ 40,180	
Social Security	2,488	
State Retirement	2,636	
Employer Medicare	582	
Maintenance and Repair Services - Buildings	18,167	
Maintenance and Repair Services - Equipment	30,773	
Other Supplies and Materials	450	
Total Maintenance of Plant		95,276

Transportation

Mechanic(s)	\$ 40,180	
Bus Drivers	92,000	
Social Security	7,078	
State Retirement	8,661	
Medical Insurance	19,261	
Employer Medicare	1,656	
Communication	466	
Diesel Fuel	39,400	
Garage Supplies	7,485	
Gasoline	8,597	
Lubricants	1,766	
Tires and Tubes	18,921	
Vehicle Parts	15,865	
Other Supplies and Materials	245	
Other Charges	8,869	
Total Transportation		270,450

Central and Other

Data Processing Services	\$ 7,476	
Data Processing Supplies	500	
Other Supplies and Materials	501	
Total Central and Other		8,477

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	30,235	
Clerical Personnel		8,197	
Social Security		2,310	
State Retirement		3,274	
Medical Insurance		3,429	
Employer Medicare		540	
Other Charges		<u>2,015</u>	
Total Community Services	\$		50,000

Early Childhood Education

Supervisor/Director	\$	18,288	
Teachers		47,715	
Educational Assistants		13,620	
Social Security		4,702	
State Retirement		6,847	
Medical Insurance		6,302	
Employer Medicare		1,100	
Instructional Supplies and Materials		<u>3,846</u>	
Total Early Childhood Education			102,420

Capital Outlay

Regular Capital Outlay

Other Contracted Services	\$	68,694	
Other Supplies and Materials		18,781	
Building Construction		<u>77,306</u>	
Total Regular Capital Outlay			164,781

Principal on Debt

Education

Principal on Bonds	\$	<u>225,000</u>	
Total Education			225,000

Interest on Debt

Education

Interest on Bonds	\$	<u>135,085</u>	
Total Education			<u>135,085</u>

Total General Purpose School Fund \$ 5,266,564

(Continued)

Exhibit K-7

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	177,586	
Educational Assistants		10,113	
Other Salaries and Wages		4,199	
Social Security		11,582	
State Retirement		17,011	
Medical Insurance		14,226	
Employer Medicare		2,709	
Maintenance and Repair Services - Equipment		330	
Instructional Supplies and Materials		9,426	
Other Charges		439	
Regular Instruction Equipment		1,063	
Total Regular Instruction Program			\$ 248,684

Special Education Program

Educational Assistants	\$	96,951	
Other Salaries and Wages		956	
Social Security		5,985	
State Retirement		7,291	
Medical Insurance		10,906	
Employer Medicare		1,400	
Maintenance and Repair Services - Equipment		176	
Other Contracted Services		8,332	
Instructional Supplies and Materials		11,014	
Special Education Equipment		1,141	
Total Special Education Program			144,152

Vocational Education Program

Instructional Supplies and Materials	\$	526	
Vocational Instruction Equipment		10,031	
Total Vocational Education Program			10,557

Support Services

Other Student Support

Evaluation and Testing	\$	290	
Travel		972	
Other Contracted Services		10,031	
In Service/Staff Development		831	
Other Charges		738	
Total Other Student Support			12,862

(Continued)

Exhibit K-7

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	20,114	
Career Ladder Extended Contracts		15,200	
Clerical Personnel		6,510	
Educational Assistants		11,988	
Other Salaries and Wages		32,010	
In-Service Training		33,000	
Social Security		7,367	
State Retirement		9,493	
Employer Medicare		1,723	
Consultants		9,594	
Travel		2,876	
Instructional Supplies and Materials		434	
In Service/Staff Development		11,905	
Other Equipment		7,406	
Total Regular Instruction Program			\$ 169,620

Special Education Program

Travel	\$	5,504	
In Service/Staff Development		539	
Total Special Education Program			6,043

Transportation

Bus Drivers	\$	4,050	
Social Security		251	
State Retirement		266	
Employer Medicare		59	
Total Transportation			4,626

Total School Federal Projects Fund \$ 596,544

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	139,118
Social Security		8,582
State Retirement		5,123
Medical Insurance		75
Employer Medicare		2,007
Communication		852

(Continued)

Exhibit K-7

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Maintenance and Repair Services - Equipment	\$	10,225	
Travel		1,098	
Other Contracted Services		11,143	
Food Preparation Supplies		22,828	
Food Supplies		267,232	
Office Supplies		3,609	
USDA - Commodities		17,792	
Other Supplies and Materials		2,862	
Food Service Equipment		8,972	
Total Food Service			\$ 501,518

Total Central Cafeteria Fund \$ 501,518

Total Governmental Funds - Pickett County School Department \$ 6,364,626

Exhibit K-8

Pickett County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2012

	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	\$ 93,657
<u>Other Local Revenues</u>	
Sale of Recycled Materials	8,101
Total Operating Revenues	<u>\$ 101,758</u>
<u>Nonoperating Revenues</u>	
Local Taxes	\$ 236,570
Investment Income	2,287
Solid Waste Grants	1,742
Total Nonoperating Revenues	<u>\$ 240,599</u>
Total Revenues	<u>\$ 342,357</u>
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 32,832
Clerical Personnel	19,588
Part-time Personnel	8,810
Other Salaries and Wages	70,075
Social Security	10,038
State Retirement	6,426
Unemployment Compensation	2,501
Communication	2,035
Contracts with Government Agencies	3,334
Contract with Private Agencies	7,728
Data Processing Services	4,007
Engineering Services	1,845
Evaluation and Testing	4,947
Licenses	9,555
Maintenance and Repair - Buildings	1,879
Maintenance and Repair - Equipment	24,158
Maintenance and Repair - Vehicles	2,771
Postal Charges	133
Travel	2,067
Other Contracted Services	2,000

(Continued)

Exhibit K-8

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	\$ 600
Electricity	11,293
Gasoline	13,597
Office Supplies	1,005
Tires and Tubes	2,903
Uniforms	2,880
Water and Sewer	720
Wire	6,448
Other Supplies and Materials	2,927
Refunds	141
Trustee's Commission	4,244
Depreciation	35,423
Landfill Closure/Postclosure Care Costs	113,567
Total Operating Expenses	<u>\$ 412,477</u>
<u>Nonoperating Expenses</u>	
Interest on Bonds	<u>\$ 58</u>
Total Expenses	<u><u>\$ 412,535</u></u>

Exhibit K-9

Pickett County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2012

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 158,817
Total Cash Receipts	<u>\$ 158,817</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 157,229
Trustee's Commission	1,588
Total Cash Disbursements	<u>\$ 158,817</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2011	<u>0</u>
 Cash Balance, June 30, 2012	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



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

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

December 19, 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, 2012, which collectively comprise Pickett County's basic financial statements and have issued our report thereon dated December 19, 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

The management of Pickett County is responsible for establishing and maintaining effective 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness 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: 12.03(B).

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: 12.01, 12.03(A), 12.04, 12.05, 12.15, and 12.16.

Compliance and Other Matters

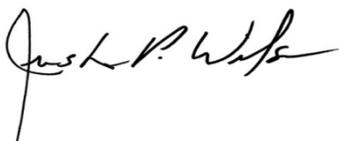
As part of obtaining reasonable assurance about whether Pickett County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 12.02, 12.06, 12.07, 12.08, 12.09, 12.10, 12.11, 12.12, 12.13, and 12.14.

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,



Justin P. Wilson
Comptroller of the Treasury

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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

INDEPENDENT AUDITOR'S REPORT

December 19, 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 Pickett County's compliance 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, 2012. 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, 2012.

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 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

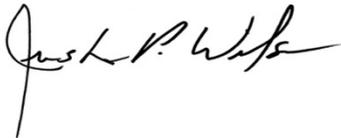
We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickett County as of and for the year ended June 30, 2012, and have issued our report thereon dated December 19, 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 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.

Yours very truly,

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

Justin P. Wilson
Comptroller of the Treasury

JPW/sb

Pickett County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2012

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Community Facilities Loans and Grants	10.766	N/A	\$ 25,072
Rural Business Enterprise Grants	10.769	N/A	8,500
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	110,948
National School Lunch Program	10.555	N/A	245,687 (3)
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	17,792 (3)
Total U.S. Department of Agriculture			<u>\$ 407,999</u>
U.S. Department of Housing and Urban Development:			
Passed through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	HM-09-35	<u>\$ 153,193</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	\$ 11,000
Passed-through State Department of Labor and Workforce Development:			
Workforce Investment Act (WIA) National Emergency Grants	17.277	(2)	40,288
Total U.S. Department of Labor			<u>\$ 51,288</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-EN-NHE-111(58)	\$ 207,135
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	Z11GHS197	3,377
Alcohol Open Container Requirements	20.607	Z12GHS232	741
Total U.S. Department of Transportation			<u>\$ 211,253</u>
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 39,386
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	240,610
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	152,446
Special Education - Preschool Grants	84.173	N/A	2,375
Career and Technical Education - Basic Grants to States	84.048	(2)	11,529
Twenty-first Century Community Learning Centers	84.287	(2)	43,646
Educational Technology Cluster:			
Education Technology State Grants	84.318	(2)	182
Education Technology State Grants, Recovery Act	84.386	N/A	257
Rural Education	84.358	(2)	9,315
Improving Teacher Quality State Grants	84.367	(2)	43,403
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	70,247
Education Jobs Fund	84.410	N/A	22,534
Total U.S. Department of Education			<u>\$ 635,930</u>
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)	<u>\$ 5,652</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
Executive Office of the President:			
Passed-through Laurel County, Kentucky Fiscal Court: High Intensity Drug Trafficking Areas Program	95.001	(2)	\$ <u>15,480</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ <u>40,517</u>
Total Expenditures of Federal Awards			\$ <u><u>1,521,312</u></u>
		<u>Contract Number</u>	
<u>State Grants</u>			
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 6,126
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)	6,000
Litter Program - State Department of Transportation	N/A	(2)	37,665
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	1,742
Rural Local Health Services - State Department of Health	N/A	(2)	26,290
Drivers Education - State Department of Education	N/A	(2)	3,608
Drug Abuse Resistance Education Training Grant - State Department of Safety	N/A	(2)	4,275
Agriculture Livestock Pavilion - State Department of Agriculture	N/A	DG-08-22849-00	150,000
Pilot and Voluntary State Funded Classrooms Grant - State Department of Education	N/A	(2)	102,419
Family Resource - State Department of Education	N/A	(2)	29,613
ConnecTenn - State Department of Education	N/A	(2)	2,506
Coordinated School Health - State Department of Education	N/A	(2)	<u>90,000</u>
Total State Grants			\$ <u><u>469,244</u></u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Total for CFDA No. 10.555 is \$263,479.

Pickett County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.03	136	Expenditures exceeded appropriations

OFFICE OF ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.01	135	The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation
11.06	138	The office did not maintain adequate controls over fuel
11.07(A,B)	138	The office had deficiencies in purchasing procedures

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
11.09	139	Traffic school collections were not reported and paid to the county in compliance with state statutes
11.10	140	The office did not deposit some funds within three days of collection
11.11	140	Unclaimed funds were not reported and paid to the state
11.13	141	Execution docket trial balances for General Sessions Court did not reconcile with the general ledger account

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

Finding Number	Page Number	Subject
11.14	142	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

Finding Number	Page Number	Subject
11.15	142	Duties were not segregated adequately

PICKETT COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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), Title I Grants to Local Education Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Pickett County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The county executive provided written responses on certain findings, which are included in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 12.01 **THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET ASSETS**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Solid Waste Disposal Fund had a deficit of \$70,886 in unrestricted net assets at June 30, 2012. This deficit resulted from the recognition of a liability of \$1,345,196 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements.

RECOMMENDATION

County officials should develop and implement a plan that would fund the deficit in unrestricted net assets.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

The problem is being further researched and will be resolved in the near future. Once resolved, documentation will be provided.

FINDING 12.02 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded total appropriations approved by the County Commission in the Drug Control Fund by \$8,171. Also, expenditures exceeded appropriations in seven of 46 major appropriation categories (the legal level of control) in the General Fund and in the Other Debt Service – General Government major appropriation category of the General Debt Service Fund. 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. Also, this deficiency was the result of management's failure to correct the finding noted in the prior-year audit report.

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 the problems. In the future, all budget amendments will go before the County Commission before any money is spent.

OFFICE OF ROAD SUPERINTENDENT

FINDING 12.03 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. – Internal Control – Material Weakness Under *Government Auditing Standards*)

The following deficiencies were noted in budget operations and resulted from a lack of management oversight:

- A. The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$2,442. Sound budgetary principles dictate that appropriations be held within estimated available funding.
- B. The actual beginning fund balance in the Highway/Public Works Fund at July 1, 2011, exceeded the estimated beginning fund balance by \$257,343. Sound business practices dictate that realistic estimates of beginning fund balances should be presented to the County Commission during the budget process. This deficiency resulted in a materially inaccurate estimate of the beginning fund balance.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations. Also, estimates of the beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. The estimated beginning fund balance should be amended during the year when it becomes apparent that the original estimate varies from the actual by a material amount.

FINDING 12.04 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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

- A. On several occasions, purchase orders were issued after the purchases were made. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. 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 goods and/or services that were not received.
- C. In some instances, the office paid invoices without canceling or marking them as paid. This deficiency could result in the office paying invoices more than once.

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, all invoices should be canceled when paid.

FINDING 12.05 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.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 12.06 **NEW OWNERS OF GREENBELT PROPERTIES WERE NOT REQUIRED TO FILE A NEW APPLICATION FOR AGRICULTURAL PROPERTY**

(Noncompliance Under *Government Auditing Standards*)

New owners who purchased property that previously qualified as agricultural the year before were not required to file a new application for the greenbelt classification. Section 67-5-1005(a)(1), *Tennessee Code Annotated*, requires all new owners of property that qualified as agricultural the year before to reapply by March 1 in the year of transferring ownership. This deficiency can be attributed to a lack of management oversight. Pickett County could be deprived of tax revenues from property that did not qualify to receive a greenbelt exemption.

RECOMMENDATION

New owners of properties that qualified as agricultural should be required to file new greenbelt applications as required by state statute.

FINDING 12.07 **THE ASSESSOR DID NOT MAINTAIN AN ADEQUATE PROGRAM OF SALES VERIFICATION**

(Noncompliance Under *Government Auditing Standards*)

The assessor did not maintain an adequate program of sales verification. Section 67-5-1601, *Tennessee Code Annotated*, requires the assessor to maintain an adequate program of real property sales verifications in accordance with procedures and rules established by the state Board of Equalization. This deficiency can be attributed to the failure of management to maintain adequate records of sales and rejections in analyzing reappraisals, sales ratio studies, current value update programs, and other reporting services. This resulted in a lack of sufficient documentation to verify sales during reappraisals, sales ratio studies, and current value update programs.

RECOMMENDATION

The assessor should maintain an adequate program of sales verifications as required by state statute.

**FINDING 12.08 THE ASSESSOR DID NOT PRORATE NEW CONSTRUCTION
(Noncompliance Under *Government Auditing Standards*)**

The assessor did not pick up and prorate new construction or improvements. Section 67-5-603, *Tennessee Code Annotated*, provides that for the year in which an improvement or building is completed, the assessment, or increase in assessment, shall be prorated for the portion of the year following the date of its completion. This deficiency can be attributed to a lack of management oversight resulting in new construction not being properly assessed and a loss of county tax revenue.

RECOMMENDATION

The assessor should pick up and prorate new construction and improvements as required by statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

**FINDING 12.09 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 \$16,011. The majority of these disbursements (\$13,200) were to pay the Circuit and General Sessions Courts' bookkeeper for her duties at the traffic school. These payments were in addition to her regular salary as bookkeeper for the courts. The payments to the bookkeeper from the traffic school were reported to the Internal Revenue Service on a Form 1099. These payments from the traffic school that are separate from the bookkeeper's regular salary raise serious liability questions for the county, such as overtime pay, retirement contributions made by the county on behalf of the employee, and the fact that the county was reporting compensation to the federal government for the bookkeeper on both Form W-2 and Form 1099. The remainder of the disbursements (\$2,811) was for community service programs. Section 5-9-401, *TCA*, requires all funds to be appropriated by the County Commission. On June 30, 2012, the office had traffic school collections of \$2,128 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 12.10 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*. Some collections were deposited to the office checking accounts from six to 32 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 12.11 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 \$4,367. At June 30, 2012, Circuit Court had 19 outstanding checks issued before July 1, 2011, totaling \$502, and General Sessions Court had 40 outstanding checks issued before July 1, 2011, totaling \$3,865. 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 and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

**FINDING 12.12 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, 2012, 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 \$15,957. 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.

OFFICE OF SHERIFF

FINDING 12.13 **THE OFFICE DID NOT PREPARE AN ANNUAL FINANCIAL REPORT**
(Noncompliance Under *Government Auditing Standards*)

The office did not prepare an annual financial report. Section 5-8-505, *Tennessee Code Annotated*, states, "All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ..." This deficiency is the result of management's oversight.

RECOMMENDATION

The office should prepare an annual financial report as required by state statute.

FINDING 12.14 **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**
(Noncompliance Under *Government Auditing Standards*)

The office did not deposit some funds to official bank accounts within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. Our examination noted that no deposits were made during the months of October and December 2011 although funds were collected during those months. We performed substantive audit procedures to determine that all funds collected during the year examined were eventually deposited. This deficiency was the result of a lack of management oversight. The delay in depositing funds increases the risks of fraud and misappropriation.

RECOMMENDATION

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

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

FINDING 12.15 **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, and management's failure to correct the finding noted in the prior-year audit report.

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 12.16 **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 due to the number of employees in the County Executive's Office, which is a total of three employees.

BEST PRACTICES

The Division of Local Government 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.

MANAGEMENT'S RESPONSE – COUNTY EXECUTIVE

At the January 21, 2013, County Commission meeting, the commissioners will be asked to approve an Audit Committee consisting of the county executive, school director, road superintendent, and the full county legislative body.

AUDITOR'S REBUTTAL

Section 9-3-405, *Tennessee Code Annotated*, sets out the guidelines for the creation of an Audit Committee. This statute states that members “shall be external to management and may be members of the governing body, citizens from within the boundaries of the local government, or a combination of both.” Since Pickett County’s management includes the county executive, director of schools, and road superintendent, these officials are prohibited from serving on the Audit Committee. Any Audit Committee established by Pickett County should be established in accordance with state statutes.

**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, 2012**

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