
ANNUAL FINANCIAL REPORT PICKETT COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2014



**ANNUAL FINANCIAL REPORT
PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2014**

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

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

***STEVE REEDER, CPA, CGFM, CFE
Audit Manager***

***ANITA SCARLETT, CPA
Auditor 4***

***RODNEY MALIN, CGFM
EMILY COPE
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)
Summary of Audit Findings		6-7
<u>INTRODUCTORY SECTION</u>		8
Pickett County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Position	A	16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22-23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	24
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	25-26
Highway/Public Works Fund	C-6	27
Proprietary Fund:		
Statement of Net Position	D-1	28-29
Statement of Revenues, Expenses, and Changes in Net Position	D-2	30-31
Statement of Cash Flows	D-3	32
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	33
Index and Notes to the Financial Statements		34-68
REQUIRED SUPPLEMENTARY INFORMATION:		69
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Pickett County School Department	F-1	70
Schedule of Funding Progress – Other Postemployment Benefits Plan – Discretely Presented Pickett County School Department	F-2	71
Notes to the Required Supplementary Information		72

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		73
Nonmajor Governmental Funds:		74
Combining Balance Sheet	G-1	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	76-77
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	G-3	78
Major Governmental Fund:		79
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	H	80
Fiduciary Funds:		81
Combining Statement of Fiduciary Assets and Liabilities	I-1	82
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	83
Component Unit:		
Discretely Presented Pickett County School Department:		84
Statement of Activities	J-1	85
Balance Sheet – Governmental Funds	J-2	86
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	J-3	87
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	88
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	89
Combining Balance Sheet – Nonmajor Governmental Funds	J-6	90
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	J-7	91
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	J-8	92
School Federal Projects Fund	J-9	93
Central Cafeteria Fund	J-10	94

	Exhibit	Page(s)
Miscellaneous Schedules:		95
Schedule of Changes in Long-term Notes, Other Loans, and Bonds	K-1	96
Schedule of Long-term Debt Requirements by Year	K-2	97
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Pickett County School Department	K-3	98
Schedule of Detailed Revenues – All Governmental Fund Types	K-4	99-103
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-5	104-106
Schedule of Detailed Expenditures – All Governmental Fund Types	K-6	107-116
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Pickett County School Department	K-7	117-123
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	K-8	124
 <u>SINGLE AUDIT SECTION</u>		 125
 Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>		 126-127
Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		 128-130
Schedule of Expenditures of Federal Awards and State Grants		131-132
Schedule of Audit Findings Not Corrected		133-134
Schedule of Findings and Questioned Costs		135-144
Best Practice		145
Auditee Reporting Responsibilities		146

Summary of Audit Findings

Annual Financial Report
Pickett County, Tennessee
For the Year Ended June 30, 2014

Scope

We have audited the basic financial statements of Pickett County as of and for the year ended June 30, 2014.

Results

Our report on Pickett County's financial statements is unmodified.

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE

- ◆ Deficits were noted in funds administered by the office.
- ◆ Expenditures exceeded appropriations.
- ◆ The county did not follow established policies concerning the collection and write-off of customer accounts at the landfill.

OFFICE OF ROAD SUPERINTENDENT

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Bank statements were not reconciled with the general ledgers and lists of outstanding checks were not prepared.
 - ◆ A cash overdraft existed in the Circuit Court bank account at June 30, 2014.
 - ◆ Traffic school collections were not reported and paid to the county in compliance with state statutes.
 - ◆ Some collections were not deposited within three days.
 - ◆ 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.
-

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 OF DEEDS, AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Pickett County Officials

June 30, 2014

Officials

Johnie Neal, County Executive
Jimmy Cope, Road Superintendent
Diane Elder, Director of Schools
Jennifer Anderson, Trustee
Kim Logan, Assessor of Property
Robert Lee, County Clerk
Larry Brown, Circuit and General Sessions Courts Clerk
Sue Whited, Clerk and Master
Letha McCurdy, Register of Deeds
Dana Dowdy, Sheriff

Board of County Commissioners

Lana Rossi, Chairperson
Tony Beaty
Doris Estes
Darrell Garrett
Joe Harden
Eddie Holt
Colon Huddleston
Doug Manis
Terry Manis
Rebecca Matheny
Kenny Tompkins
Lowell Winningham

Board of Education

John Reagan, Chairman
Terrell Garner
Jerry Mitchell
Jimmy Storie

Audit Committee

Kathy Mitchell, Chairperson
Lois Pierce
Hazel Rauch
Lana Rossi
Teddy Russell

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

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

To the County Executive and Board of County Commissioners

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V. B., Pickett County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and GASB Statement No. 70, *Accounting and Reporting for Nonexchange Financial Guarantees* which have an effective date of June 30, 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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 schedules of funding progress – pension plan and other postemployment benefit plan on pages 70-72 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.

Supplementary and Other Information

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.

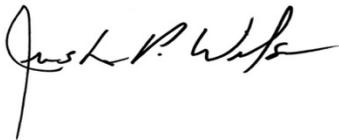
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Pickett County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, on our consideration of Pickett County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pickett County's internal control over financial reporting and compliance.

Very truly yours,

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

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

August 27, 2014

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Pickett County, Tennessee
Statement of Net Position
June 30, 2014

	Primary Government			Component Unit
	Governmental	Business-type	Total	Pickett
	Activities	Activities		School
			Total	Department
<u>ASSETS</u>				
Cash	\$ 825	\$ 11,816	\$ 12,641	\$ 0
Equity in Pooled Cash and Investments	949,406	1,119,641	2,069,047	885,260
Accounts Receivable	448,551	15,304	463,855	0
Allowance for Uncollectibles	(68,300)	0	(68,300)	0
Due from Other Governments	299,910	0	299,910	179,620
Internal Balances	857	(857)	0	0
Due from Component Units	2,925,000	0	2,925,000	0
Property Taxes Receivable	1,371,403	195,853	1,567,256	613,729
Allowance for Uncollectible Property Taxes	(40,176)	(5,738)	(45,914)	(17,979)
Prepaid Items	22,979	0	22,979	0
Capital Assets:				
Assets Not Depreciated:				
Land	222,805	110,900	333,705	22,955
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,468,040	90,445	2,558,485	4,216,044
Other Capital Assets	1,466,418	228,794	1,695,212	290,038
Infrastructure	9,902,657	0	9,902,657	0
Landfill Facilities and Development	0	165,593	165,593	0
Total Assets	\$ 19,970,375	\$ 1,931,751	\$ 21,902,126	\$ 6,189,667
<u>LIABILITIES</u>				
Accounts Payable	\$ 27,431	\$ 2,600	\$ 30,031	\$ 28,944
Accrued Interest Payable	21,736	0	21,736	0
Payroll Deductions Payable	6,560	334	6,894	0
Cash Overdraft	1,067	0	1,067	0
Due to Primary Government	0	0	0	2,925,000
Noncurrent Liabilities:				
Due Within One Year	425,866	13,810	439,676	3,206
Due in More Than One Year	4,800,555	1,549,180	6,349,735	296,695
Total Liabilities	\$ 5,283,215	\$ 1,565,924	\$ 6,849,139	\$ 3,253,845
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 1,279,109	\$ 0	\$ 1,279,109	\$ 572,426
Total Deferred Inflow of Resources	\$ 1,279,109	\$ 0	\$ 1,279,109	\$ 572,426
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 11,758,499	\$ 595,732	\$ 12,354,231	\$ 4,529,037
Restricted for:				
General Government	33,625	0	33,625	0
Administration of Justice	3,325	0	3,325	0
Public Safety	22,108	0	22,108	0
Highway/Public Works	401,904	0	401,904	0
Debt Service	10,250	0	10,250	0
Capital Projects	5,570	0	5,570	0
Education	0	0	0	130,178
Unrestricted	1,172,770	(229,905)	942,865	(2,295,819)
Total Net Position	\$ 13,408,051	\$ 365,827	\$ 13,773,878	\$ 2,363,396

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, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Component Unit				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	Total	Pickett County School Department	
Primary Government:										
Governmental Activities:										
General Government	\$ 681,914	\$ 173,993	\$ 16,627	\$ 77	\$ (491,217)	\$ 0	\$ (491,217)	\$ 0	\$ 0	\$ 0
Finance	272,002	172,220	0	0	(99,782)	0	(99,782)	0	0	0
Administration of Justice	332,021	115,457	9,000	0	(207,564)	0	(207,564)	0	0	0
Public Safety	1,064,075	73,789	55,265	0	(935,021)	0	(935,021)	0	0	0
Public Health and Welfare	813,093	465,694	3,701	299,617	(44,081)	0	(44,081)	0	0	0
Social, Cultural, and Recreational Services	151,934	3,145	15,376	0	(133,413)	0	(133,413)	0	0	0
Agriculture and Natural Resources	92,796	0	16,516	0	(76,280)	0	(76,280)	0	0	0
Highways/Public Works	1,343,830	0	1,196,024	0	(147,806)	0	(147,806)	0	0	0
Interest on Long-term Debt	215,291	0	0	0	(215,291)	0	(215,291)	0	0	0
Total Governmental Activities	\$ 4,966,956	\$ 1,004,298	\$ 1,312,509	\$ 299,694	\$ (2,350,455)	\$ 0	\$ (2,350,455)	\$ 0	\$ (2,350,455)	\$ 0
Business-type Activities:										
Landfill	\$ 464,324	\$ 91,590	\$ 1,006	\$ 0	\$ 0	\$ (371,728)	\$ (371,728)	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 464,324	\$ 91,590	\$ 1,006	\$ 0	\$ 0	\$ (371,728)	\$ (371,728)	\$ 0	\$ (371,728)	\$ 0
Total Primary Government	\$ 5,431,280	\$ 1,095,888	\$ 1,313,515	\$ 299,694	\$ (2,350,455)	\$ (371,728)	\$ (2,722,183)	\$ 0	\$ (2,722,183)	\$ 0
Component Unit:										
School Department	\$ 6,533,703	\$ 134,302	\$ 935,437	\$ 63,132	\$ 0	\$ 0	\$ 0	\$ (5,400,832)	\$ (5,400,832)	\$ 0
Total Component Unit	\$ 6,533,703	\$ 134,302	\$ 935,437	\$ 63,132	\$ 0	\$ 0	\$ 0	\$ (5,400,832)	\$ (5,400,832)	\$ 0

(Continued)

Exhibit B

Pickett County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Component Unit				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Expenses		Governmental Activities	Primary Government Business-type Activities	Total	Pickett County School Department	
General Revenues:										
Taxes:										
Property Taxes Levied for General Purposes					\$ 1,172,587	\$ 170,947	\$ 1,343,534	\$	586,283	
Property Taxes Levied for Debt Service					137,221	0	137,221		0	
Local Option Sales Taxes					212,665	40,000	252,665		224,890	
Wheel Tax					59,377	0	59,377		0	
Wholesale Beer Tax					234,698	0	234,698		0	
Other Local Taxes					26,947	0	26,947		23,473	
Grants and Contributions Not Restricted to Specific Programs					509,824	0	509,824		4,642,301	
Unrestricted Investment Income					5,734	2,314	8,048		5,926	
Miscellaneous					26,924	6,272	33,196		25,056	
Sale of Equipment					601	0	601		1,660	
Total General Revenues					\$ 2,386,578	\$ 219,533	\$ 2,606,111	\$	5,509,589	
Insurance Recovery					0	0	0	\$	1,107	
Change in Net Position					\$ 36,123	\$ (152,195)	\$ (116,072)	\$	109,864	
Net Position, July 1, 2013					13,371,928	518,022	13,889,950		2,253,532	
Net Position, June 30, 2014					\$ 13,408,051	\$ 365,827	\$ 13,773,878	\$	2,363,396	

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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0 \$	0 \$	0 \$	0 \$	825 \$	825
Equity in Pooled Cash and Investments	152,273	180,856	591,199	25,078	949,406	949,406
Accounts Receivable	447,424	0	0	1,127	448,551	448,551
Allowance for Uncollectibles	(68,300)	0	0	0	(68,300)	(68,300)
Due from Other Governments	91,300	208,610	0	0	299,910	299,910
Due from Other Funds	1,742	0	0	0	1,742	1,742
Property Taxes Receivable	1,227,676	0	143,727	0	1,371,403	1,371,403
Allowance for Uncollectible Property Taxes	(35,966)	0	(4,210)	0	(40,176)	(40,176)
Prepaid Items	0	12,729	10,250	0	22,979	22,979
Total Assets	\$ 1,816,149 \$	402,195 \$	740,966 \$	27,030 \$	2,986,340	2,986,340
<u>LIABILITIES</u>						
Accounts Payable	\$ 27,431 \$	0 \$	0 \$	0 \$	27,431	27,431
Payroll Deductions Payable	6,269	291	0	0	6,560	6,560
Cash Overdraft	0	0	0	1,067	1,067	1,067
Due to Other Funds	0	0	0	885	885	885
Total Liabilities	\$ 33,700 \$	291 \$	0 \$	1,952 \$	35,943	35,943
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 1,145,054 \$	0 \$	134,055 \$	0 \$	1,279,109	1,279,109
Deferred Delinquent Property Taxes	43,841	0	5,132	0	48,973	48,973
Other Deferred/Unavailable Revenue	397,692	104,305	0	0	501,997	501,997
Total Deferred Inflows of Resources	\$ 1,586,587 \$	104,305 \$	139,187 \$	0 \$	1,830,079	1,830,079

(Continued)

Exhibit C-1

Pickett County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0 \$	12,729 \$	10,250 \$	0 \$	0 \$	22,979
	33,625	0	0	0	0	33,625
	3,325	0	0	0	0	3,325
	2,600	0	0	19,508	0	22,108
	0	284,870	0	0	0	284,870
	0	0	0	5,570	0	5,570
	0	0	591,529	0	0	591,529
	286,480	0	0	0	0	286,480
	(130,168)	0	0	0	0	(130,168)
\$	195,862 \$	297,599 \$	601,779 \$	25,078 \$	0	1,120,318
\$	1,816,149 \$	402,195 \$	740,966 \$	27,030 \$	0	2,986,340

FUND BALANCES

Nonspendable:

Prepaid Items

Restricted:

Restricted for General Government

Restricted for Administration of Justice

Restricted for Public Safety

Restricted for Highways/Public Works

Restricted for Capital Outlay

Committed:

Committed for Debt Service

Committed for Capital Projects

Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

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 Position
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	1,120,318
(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		2,468,040	
Add: other capital assets net of accumulated depreciation		1,466,418	
Add: infrastructure net of accumulated depreciation		<u>9,902,657</u>	14,059,920
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(2,518)	
Less: other loans payable		(1,434,100)	
Less: bonds payable		(3,789,803)	
Add: debt to be contributed by School Department		2,925,000	
Less: accrued interest on bonds, notes, and other loans		<u>(21,736)</u>	(2,323,157)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>550,970</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>13,408,051</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, 2014

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>						
Local Taxes	\$ 1,690,476	\$ 0	\$ 197,059	\$ 0	\$ 0	\$ 1,887,535
Licenses and Permits	2,135	0	0	0	0	2,135
Fines, Forfeitures, and Penalties	27,724	0	0	14,641	0	42,365
Charges for Current Services	465,171	0	0	135	0	465,306
Other Local Revenues	30,727	9,856	125,000	7,651	0	173,234
Fees Received from County Officials	240,941	0	0	0	0	240,941
State of Tennessee	422,859	1,196,538	0	0	0	1,619,397
Federal Government	355,450	0	0	0	0	355,450
Other Governments and Citizens Groups	44,625	0	361,435	0	0	406,060
Total Revenues	\$ 3,280,108	\$ 1,206,394	\$ 683,494	\$ 22,427	\$ 0	\$ 5,192,423
<u>Expenditures</u>						
Current:						
General Government	\$ 474,136	\$ 0	\$ 0	\$ 0	\$ 0	\$ 474,136
Finance	229,947	0	0	135	0	230,082
Administration of Justice	279,730	0	0	0	0	279,730
Public Safety	822,295	0	0	24,907	0	847,202
Public Health and Welfare	953,050	0	0	0	0	953,050
Social, Cultural, and Recreational Services	105,952	0	0	0	0	105,952
Agriculture and Natural Resources	82,978	0	0	0	0	82,978
Other Operations	579,612	0	0	800	0	580,412
Highways	0	1,157,843	0	0	0	1,157,843
Debt Service:						
Principal on Debt	0	1,381,489	396,764	0	0	1,778,253
Interest on Debt	0	51,929	170,677	0	0	222,606
Other Debt Service	0	8,870	2,807	0	0	11,677
Total Expenditures	\$ 3,527,700	\$ 2,600,131	\$ 570,248	\$ 25,842	\$ 0	\$ 6,723,921

(Continued)

Exhibit C-3

Pickett County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ (247,592) \$	(1,393,737) \$	113,246 \$	(3,415) \$		(1,531,498)
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 0 \$	1,483,000 \$	0 \$	0 \$		1,483,000
Total Other Financing Sources (Uses)	\$ 0 \$	1,483,000 \$	0 \$	0 \$		1,483,000
Net Change in Fund Balances	\$ (247,592) \$	89,263 \$	113,246 \$	(3,415) \$		(48,498)
Fund Balance, July 1, 2013	443,454	208,336	488,533	28,493		1,168,816
Fund Balance, June 30, 2014	\$ 195,862 \$	297,599 \$	601,779 \$	25,078 \$		1,120,318

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, 2014

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)		\$	(48,498)
(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	\$	368,258	
Less: current-year depreciation expense		<u>(396,861)</u>	(28,603)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$	550,970	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(500,314)</u>	50,656
(3) 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 position. Also, governmental funds report the effect of 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 effect of these differences in the treatment of long-term debt and related items:			
Add: principal payments on bonds	\$	315,846	
Add: principal payments on notes		1,413,507	
Add: principal payments on other loans		48,900	
Less: other loan proceeds		<u>(1,483,000)</u>	
Less: contributions by School Department for bonds		<u>(240,000)</u>	55,253
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable			<u>7,315</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>36,123</u></u>

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

Exhibit C-5

Pickett County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,690,476	\$ 1,760,574	\$ 1,760,574	\$ (70,098)
Licenses and Permits	2,135	3,750	3,750	(1,615)
Fines, Forfeitures, and Penalties	27,724	25,975	25,975	1,749
Charges for Current Services	465,171	505,900	514,604	(49,433)
Other Local Revenues	30,727	32,674	32,974	(2,247)
Fees Received from County Officials	240,941	210,700	210,700	30,241
State of Tennessee	422,859	495,730	511,576	(88,717)
Federal Government	355,450	331,000	331,000	24,450
Other Governments and Citizens Groups	44,625	44,625	44,625	0
Total Revenues	\$ 3,280,108	\$ 3,410,928	\$ 3,435,778	\$ (155,670)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 33,149	\$ 32,382	\$ 34,657	\$ 1,508
Board of Equalization	0	200	200	200
Beer Board	2,148	2,650	2,650	502
County Mayor/Executive	124,560	125,797	125,797	1,237
County Attorney	9,960	10,000	10,000	40
Election Commission	97,940	103,675	105,215	7,275
Register of Deeds	60,911	64,699	64,699	3,788
County Buildings	145,468	163,980	163,980	18,512
<u>Finance</u>				
Property Assessor's Office	61,289	65,882	65,882	4,593
County Trustee's Office	83,403	87,534	87,534	4,131
County Clerk's Office	85,255	83,019	86,219	964
<u>Administration of Justice</u>				
Circuit Court	89,383	92,201	92,201	2,818
General Sessions Judge	74,835	74,335	75,285	450
Chancery Court	59,588	61,532	61,532	1,944
Juvenile Court	11,555	11,577	11,577	22
Judicial Commissioners	6,084	6,184	6,184	100
Probation Services	38,285	39,289	39,289	1,004
<u>Public Safety</u>				
Sheriff's Department	506,326	509,014	518,514	12,188
Drug Enforcement	461	500	500	39
Jail	255,332	340,389	342,889	87,557
Fire Prevention and Control	40,000	40,000	40,000	0
Other Emergency Management	0	3,000	3,000	3,000
County Coroner/Medical Examiner	11,564	9,000	9,000	(2,564)
Other Public Safety	8,612	8,612	8,612	0
<u>Public Health and Welfare</u>				
Local Health Center	33,841	31,313	45,398	11,557
Ambulance/Emergency Medical Services	876,716	870,759	883,259	6,543
Regional Mental Health Center	2,274	2,274	2,274	0
Appropriation to State	3,791	7,582	7,582	3,791
Sanitation Management	32,902	33,700	33,700	798
Other Public Health and Welfare	3,526	10,900	11,122	7,596

(Continued)

Exhibit C-5

Pickett County, Tennessee
Statement 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>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	\$ 18,842	\$ 21,100	\$ 21,100	\$ 2,258
Libraries	52,365	48,337	53,841	1,476
Other Social, Cultural, and Recreational	34,745	35,281	35,281	536
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	38,594	29,190	35,738	(2,856)
Soil Conservation	44,384	45,135	45,285	901
<u>Other Operations</u>				
Tourism	20,000	20,000	20,000	0
Industrial Development	1,000	1,000	1,000	0
Other Economic and Community Development	40,130	17,630	25,130	(15,000)
Veterans' Services	18,204	17,790	18,230	26
Other Charges	128,209	130,495	131,747	3,538
Contributions to Other Agencies	6,000	6,850	6,850	850
Employee Benefits	353,844	370,571	370,571	16,727
Miscellaneous	12,225	15,000	15,000	2,775
Total Expenditures	\$ 3,527,700	\$ 3,650,358	\$ 3,718,524	\$ 190,824
Excess (Deficiency) of Revenues Over Expenditures	\$ (247,592)	\$ (239,430)	\$ (282,746)	\$ 35,154
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 0	\$ 0	\$ 1,252	\$ (1,252)
Transfers In	0	475,000	0	0
Transfers Out	0	(475,000)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 1,252	\$ (1,252)
Net Change in Fund Balance	\$ (247,592)	\$ (239,430)	\$ (281,494)	\$ 33,902
Fund Balance, July 1, 2013	443,454	449,075	449,075	(5,621)
Fund Balance, June 30, 2014	\$ 195,862	\$ 209,645	\$ 167,581	\$ 28,281

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

Exhibit C-6

Pickett County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 9,856	\$ 5,000	\$ 10,825	\$ (969)
State of Tennessee	1,196,538	1,193,980	1,193,980	2,558
Total Revenues	\$ 1,206,394	\$ 1,198,980	\$ 1,204,805	\$ 1,589
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 93,120	\$ 94,563	\$ 94,663	\$ 1,543
Highway and Bridge Maintenance	588,019	645,325	637,995	49,976
Operation and Maintenance of Equipment	277,419	308,300	296,300	18,881
Quarry Operations	1,200	1,200	1,200	0
Other Charges	47,116	52,020	51,850	4,734
Employee Benefits	133,969	142,500	152,500	18,531
Capital Outlay	17,000	0	191,697	174,697
<u>Principal on Debt</u>				
General Government	0	96,434	0	0
Highways and Streets	1,381,489	0	1,380,092	(1,397)
<u>Interest on Debt</u>				
Highways and Streets	51,929	34,689	48,689	(3,240)
<u>Other Debt Service</u>				
Highways and Streets	8,870	0	8,870	0
Total Expenditures	\$ 2,600,131	\$ 1,375,031	\$ 2,863,856	\$ 263,725
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,393,737)	\$ (176,051)	\$ (1,659,051)	\$ 265,314
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 1,483,000	\$ 0	\$ 1,483,000	\$ 0
Total Other Financing Sources	\$ 1,483,000	\$ 0	\$ 1,483,000	\$ 0
Net Change in Fund Balance	\$ 89,263	\$ (176,051)	\$ (176,051)	\$ 265,314
Fund Balance, July 1, 2013	208,336	177,704	177,704	30,632
Fund Balance, June 30, 2014	\$ 297,599	\$ 1,653	\$ 1,653	\$ 295,946

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

Exhibit D-1

Pickett County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2014

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 11,816
Equity in Pooled Cash and Investments	1,119,641
Accounts Receivable	15,304
Property Taxes Receivable	195,853
Allowance for Uncollectible Property Taxes	(5,738)
Total Current Assets	<u>\$ 1,336,876</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 110,900
Assets Net of Accumulated Depreciated:	
Landfill Facilities and Development	165,593
Buildings and Improvements	90,445
Machinery and Equipment	228,794
Total Noncurrent Assets	<u>\$ 595,732</u>
Total Assets	<u>\$ 1,932,608</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 2,600
Payroll Deductions Payable	334
Due to Other Funds	857
Current Portion of Long-term Liabilities	13,810
Total Current Liabilities	<u>\$ 17,601</u>
Noncurrent Liabilities:	
Due in More Than One Year	<u>\$ 1,549,180</u>
Total Noncurrent Liabilities	<u>\$ 1,549,180</u>
Total Liabilities	<u>\$ 1,566,781</u>

(Continued)

Exhibit D-1

Pickett County, Tennessee
Statement of Net Position
Proprietary Fund (Cont.)

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 595,732
Net Position - Unrestricted	<u>(229,905)</u>
Total Net Position	<u><u>\$ 365,827</u></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 Position
Proprietary Funds
For the Year Ended June 30, 2014

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 91,590
Local Revenues	6,272
Total Operating Revenues	<u>\$ 97,862</u>
<u>Operating Expenses</u>	
Salaries and Benefits	\$ 137,014
Advertising	96
Communications	2,030
Contracts with Government Agencies	3,652
Contracts with Private Agencies	3,605
Data Processing Services	4,252
Engineering Services	5,000
Evaluation and Testing	5,020
Licenses	9,235
Maintenance and Repair Services - Buildings	3,948
Maintenance and Repair Services - Equipment	69,293
Maintenance and Repair Services - Vehicles	630
Postal Charges	95
Travel	313
Other Contracted Services	1,398
Crushed Stone	1,522
Custodial Supplies	385
Electricity	13,266
Gasoline	12,471
Office Supplies	799
Sand	6,519
Tires and Tubes	2,731
Uniforms	2,315
Water and Sewer	602
Wire	3,864
Supplies and Materials	2,001
Trustee's Commission	4,225
Depreciation	37,138
Landfill Closure/Postclosure Care Costs	130,905
Total Operating Expenses	<u>\$ 464,324</u>
Operating Income (Loss)	<u>\$ (366,462)</u>

(Continued)

Exhibit D-2

Pickett County, Tennessee
Statement of Revenues, Expenses, and Changes
in Net Position
Proprietary Funds (Cont.)

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 210,947
Grants	1,006
Investment Income	<u>2,314</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 214,267</u>
Change in Net Position	\$ (152,195)
Net Position, July 1, 2013	<u>518,022</u>
Net Position, June 30, 2014	<u><u>\$ 365,827</u></u>

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

Exhibit D-3

Pickett County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2014

	<u>Business-type Activities - Enterprise Fund Solid Waste Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 95,994
Payments to Suppliers	(132,325)
Payments to Employees	(136,405)
Other Payments	(25,122)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (197,858)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 227,731
Grants Received	1,006
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 228,737</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 2,314
Net Cash Provided By (Used In) Investing Activities	<u>\$ 2,314</u>
Net Increase (Decrease) in Cash	\$ 33,193
Cash, July 1, 2013	<u>1,098,264</u>
Cash, June 30, 2014	<u><u>\$ 1,131,457</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (366,462)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided By (Used In) Operating Activities:	
Depreciation Expense	37,138
(Increase) Decrease in Accounts Receivable	(1,867)
Increase (Decrease) in Accounts Payable	2,428
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	130,905
Net Cash Provided By (Used In) Operating Activities	<u>\$ (197,858)</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	\$ 11,816
Equity in Pooled Cash and Investments Per Net Position	<u>1,119,641</u>
Cash, June 30, 2014	<u><u>\$ 1,131,457</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 83,721
Accounts Receivable	154
Due from Other Governments	<u>32,970</u>
Total Assets	<u>\$ 116,845</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 83,875
Due to Other Taxing Units	<u>32,970</u>
Total Liabilities	<u>\$ 116,845</u>

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

PICKETT COUNTY, TENNESSEE
Index of Notes to the Financial Statements

Note	Page(s)
I. Summary of Significant Accounting Policies	
A. Reporting Entity	36
B. Government-wide and Fund Financial Statements	36
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	37
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	40
1. Deposits and Investments	40
2. Receivables and Payables	41
3. Prepaid Items	42
4. Capital Assets	42
5. Deferred Outflows/Inflows of Resources	43
6. Compensated Absences	44
7. Long-term Obligations	44
8. Net Position and Fund Balance	45
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 Position	47
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	47
III. Stewardship, Compliance, and Accountability	
A. Budgetary Information	47
B. Net Position Deficit/Fund Deficit	48
C. Cash Overdraft	48
D. Expenditures Exceeded Appropriations	48
IV. Detailed Notes on All Funds	
A. Deposits and Investments	49
B. Capital Assets	50
C. Interfund Receivables and Payables	54
D. Long-term Obligations	54
E. On-Behalf Payments	59
F. Short-term Debt	59
V. Other Information	
A. Risk Management	59
B. Accounting Changes	60
C. Subsequent Events	60
D. Contingent Liabilities	61
E. Landfill Closure/Postclosure Care Costs	61
F. Joint Venture	61

PICKETT COUNTY, TENNESSEE
Index of Notes to the Financial Statements (Cont.)

Note	Page(s)
V. Other Information (Cont.)	
G. Jointly Governed Organization	62
H. Retirement Commitments	62
I. Other Postemployment Benefits (OPEB)	65
J. Purchasing Laws	68

PICKETT COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Pickett County is a public municipal corporation governed by an elected 12-member board. As required by GAAP, these financial statements present Pickett County (the primary government) and its component unit. The component unit discussed below is included in the county's reporting entity because of the significance of its operational or financial relationship with the county.

Discretely Presented Component Unit – The following entity meets the criteria for a discretely presented component unit of the county. It is reported in a separate column on the government-wide financial statements to emphasize that it is 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 and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Pickett County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents.

Related Organization – 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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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, 2014.

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, deferred outflow of resources, liabilities, deferred inflow of resources, 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.

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, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even

though it is calculated using the amortized cost method. 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 1.5 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources 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 as a deferred inflow of resources 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. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. 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 and a useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenues, which do not meet the availability criteria in governmental

funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. 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. 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.

7. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

8. Net Position and Fund Balance

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2014, Pickett County had \$2,925,000 in outstanding debt for capital purposes for the discretely presented Pickett County School Department. This debt is a liability of Pickett County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Pickett County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

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 by resolution 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 Position

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 Position.

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 Position.

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 position 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 position 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 Position Deficit/Fund Deficit

The Solid Waste Disposal Fund had a deficit of \$229,905 in unrestricted net position at June 30, 2014. This deficit resulted from the recognition of a liability of \$1,562,990 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure.

The General Fund had a deficit of \$130,168 in unassigned fund balance at June 30, 2014. This fund deficit resulted from expenditures exceeding available funds. No action had been taken by the government to liquidate this fund deficit as of the date of this report.

C. Cash Overdraft

The Constitutional Officers – Fees Fund had a cash overdraft of \$1,067 at June 30, 2014. This cash overdraft resulted from the issuance of checks exceeding cash on deposit in the bank account maintained for Circuit Court. The cash overdraft was liquidated subsequent to June 30, 2014.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) of the following funds:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
County Coroner/Medical Examiner	\$ 2,564
Agricultural Extension Service	2,856
Other Economic and Community Development	15,000
Highway/Public Works:	
Principal on Debt	1,397
Interest on Debt	3,240
General Debt Service:	
Interest on Debt - General Government	2,171

Expenditures that exceed appropriations are a violation of state statutes. The expenditures in excess of appropriations were funded by available fund balances.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Pickett County and the Pickett County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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.

The county had no pooled or nonpooled investments at June 30, 2014.

B. Capital Assets

Capital assets activity for the year ended June 30, 2014, was as follows:

Primary Government

Governmental Activities:

	Balance		Balance
	7-1-13	Increases	6-30-14
Capital Assets Not Depreciated:			
Land	\$ 222,805	\$ 0	\$ 222,805
Total Capital Assets			
Not Depreciated	\$ 222,805	\$ 0	\$ 222,805

Governmental Activities (Cont.):

	Balance 7-1-13	Increases	Balance 6-30-14
Capital Assets Depreciated:			
Buildings and Improvements	\$ 4,319,511	\$ 0	\$ 4,319,511
Infrastructure	12,887,313	0	12,887,313
Other Capital Assets	2,955,888	368,258	3,324,146
Total Capital Assets Depreciated	<u>\$ 20,162,712</u>	<u>\$ 368,258</u>	<u>\$ 20,530,970</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,775,134	\$ 76,337	\$ 1,851,471
Infrastructure	2,864,654	120,002	2,984,656
Other Capital Assets	1,657,206	200,522	1,857,728
Total Accumulated Depreciation	<u>\$ 6,296,994</u>	<u>\$ 396,861</u>	<u>\$ 6,693,855</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,865,718</u>	<u>\$ (28,603)</u>	<u>\$ 13,837,115</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,088,523</u>	<u>\$ (28,603)</u>	<u>\$ 14,059,920</u>

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

Governmental Activities:

General Government	\$ 16,141
Public Safety	85,321
Public Health and Welfare	91,549
Social, Cultural, and Recreational Services	9,733
Highways/Public Works	<u>194,117</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 396,861</u>

Primary Government

Business-type Activities:

	Balance 7-1-13	Increases	Balance 6-30-14
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	268,303	0	268,303
Machinery and Equipment	784,544	0	784,544
Total Capital Assets Depreciated	<u>\$ 1,286,482</u>	<u>\$ 0</u>	<u>\$ 1,286,482</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 136,070	\$ 7,120	\$ 143,190
Landfill Facilities and Development	93,827	8,883	102,710
Machinery and Equipment	534,615	21,135	555,750
Total Accumulated Depreciation	<u>\$ 764,512</u>	<u>\$ 37,138</u>	<u>\$ 801,650</u>
Total Capital Assets Depreciated, Net	<u>\$ 521,970</u>	<u>\$ (37,138)</u>	<u>\$ 484,832</u>
Business-type Activities Capital Assets, Net	<u>\$ 632,870</u>	<u>\$ (37,138)</u>	<u>\$ 595,732</u>

There were no decreases in capital assets to report during the year ended June 30, 2014.

Depreciation expense of \$37,138 was recorded by the Solid Waste Disposal Fund.

Discretely Presented Pickett County School Department

Governmental Activities:

	Balance 7-1-13	Increases	Balance 6-30-14
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	\$ 7,108,662	\$ 0	\$ 7,108,662
Other Capital Assets	833,362	80,650	914,012
Total Capital Assets Depreciated	<u>\$ 7,942,024</u>	<u>\$ 80,650</u>	<u>\$ 8,022,674</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,715,033	\$ 177,585	\$ 2,892,618
Other Capital Assets	597,900	26,074	623,974
Total Accumulated Depreciation	<u>\$ 3,312,933</u>	<u>\$ 203,659</u>	<u>\$ 3,516,592</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,629,091</u>	<u>\$ (123,009)</u>	<u>\$ 4,506,082</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,652,046</u>	<u>\$ (123,009)</u>	<u>\$ 4,529,037</u>

There were no decreases in capital assets to report during the year ended June 30, 2014.

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

Governmental Activities:

Instruction	\$ 142,534
Support Services	34,927
Operation of Non-instructional Services	<u>26,198</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 203,659</u></u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 885
"	Solid Waste Disposal	857

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

Due to/from Primary Government and Component Unit:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Component Unit:		
Primary Government	School Department	\$ 2,925,000

The Due to Primary Government is the balance of bonds issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire these bonds. These long-term obligations are reflected in the governmental activities on the Statement of Net Position.

D. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Pickett County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds and other loans have been used to refund capital outlay notes. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 39 years for bonds, up to three years for notes, and up to 12 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest

requirements decrease over the term of the debt. All bonds and capital outlay notes included in long-term debt as of June 30, 2014, will be retired from the General Debt Service Fund. Other loans included in long-term debt as of June 30, 2014, will be retired from the Highway/Public Works Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2014, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-14
General Obligation Bonds	4.125 to 6 %	6-1-33	\$ 2,015,000	\$ 864,803
General Obligation Bonds - Refunding	3 to 4.2	6-1-24	4,100,000	2,925,000
Capital Outlay Notes	3.5	7-25-14	90,000	2,518
Other Loans	3.79	12-15-25	1,483,000	1,434,100

On December 2013, Pickett County entered into a loan agreement with the Public Building Authority of the City of Clarksville, Tennessee. Under this agreement, the authority loaned \$1,483,000 to Pickett County at an interest rate of 3.79 percent. The proceeds of this loan were used to refund previously issued capital outlay notes being repaid by the Highway Department and to purchase highway equipment.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2014, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 2,518	\$ 7	\$ 2,525
Total	\$ 2,518	\$ 7	\$ 2,525

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2015	\$ 101,100	\$ 52,612	\$ 153,712
2016	105,400	48,702	154,102
2017	109,500	44,638	154,138
2018	113,500	40,418	153,918
2019	118,100	36,036	154,136
2020-2024	661,900	108,302	770,202
2025-2026	224,600	6,802	231,402
Total	\$ 1,434,100	\$ 337,510	\$ 1,771,610

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 322,248	\$ 157,584	\$ 479,832
2016	333,729	145,029	478,758
2017	345,292	132,041	477,333
2018	366,942	118,541	485,483
2019	378,685	102,798	481,483
2020-2024	1,907,096	266,963	2,174,059
2025-2029	77,908	23,912	101,820
2030-2033	57,903	6,489	64,392
Total	\$ 3,789,803	\$ 953,357	\$ 4,743,160

There is \$591,529 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$1,029, based on the 2010 federal census.

The School Department is currently contributing funds to service the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-14
<u>Bonds</u>	
<u>Contributions from General Purpose School Fund</u>	
School Refunding Bond, Series 2009	\$ 2,925,000

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2014, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2013	\$ 4,105,649	\$ 1,416,025	\$ 0
Additions	0	0	1,483,000
Reductions	(315,846)	(1,413,507)	(48,900)
Balance, June 30, 2014	<u>\$ 3,789,803</u>	<u>\$ 2,518</u>	<u>\$ 1,434,100</u>
Balance Due Within One Year	<u>\$ 322,248</u>	<u>\$ 2,518</u>	<u>\$ 101,100</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 5,226,421
Less: Balance Due Within One Year	<u>(425,866)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,800,555</u>

Advance Refunding

On December 18, 2013, Pickett County advance refunded three capital outlay notes with the proceeds from a loan issued by the Public Building Authority of the City of Clarksville, Tennessee. The county used a portion of the proceeds of this loan to pay the outstanding balances of these capital outlay notes as of the date of loan issuance. As a result, these notes are considered to be retired and have been removed from the county's long-term debt. As a result of the advance refunding, total debt service payments over the next 12 years will increase by \$414,459 (difference between the present value of the debt service payments of the refunded notes and the refunding portion of the loan issued), and an economic loss of \$262,084 was incurred.

Pickett County Solid Waste Disposal Fund (Enterprise Fund)

Changes in Long-term Obligations

Long-term obligations activity for the Solid Waste Disposal Fund (Enterprise Fund) for the year ended June 30, 2014, was as follows:

	<u>Closure/ Postclosure Care Costs</u>
Balance, July 1, 2013	\$ 1,432,085
Additions	132,645
Reductions	<u>(1,740)</u>
Balance, June 30, 2014	<u>\$ 1,562,990</u>
Balance Due Within One Year	<u>\$ 13,810</u>
Analysis of Noncurrent Liabilities Presented on Exhibit A:	
Total Noncurrent Liabilities, June 30, 2014	\$ 1,562,990
Less: Balance Due Within One Year	<u>(13,810)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,549,180</u>

Discretely Presented Pickett County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Pickett County School Department for the year ended June 30, 2014, was as follows:

Governmental Activities:

	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2013	\$ 10,554	\$ 275,373
Additions	3,206	40,283
Deductions	<u>(7,405)</u>	<u>(22,110)</u>
Balance, June 30, 2014	<u>\$ 6,355</u>	<u>\$ 293,546</u>
Balance Due Within One Year	<u>\$ 3,206</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2014	\$ 299,901
Less: Balance Due Within One Year	<u>(3,206)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 296,695</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, 2014, were \$23,020 and \$7,206, 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, 2014, was as follows:

	Balance			Balance
	7-1-13	Issued	Paid	6-30-14
Tax Anticipation Notes	\$ 0	\$ 475,000	\$ (475,000)	\$ 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 LGWCF reinsure through commercial insurance companies for claims exceeding \$100,000 for each insured event.

Pickett County does not provide health insurance for its employees.

Discretely Presented Pickett County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* became effective for the year ended June 30, 2014.

GASB Statement No. 67, replaces the requirements of Statements No. 25 and No. 50 related to pension plans that are administered through trusts or equivalent arrangements. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts or equivalent arrangements.

GASB Statement No. 70, relates to accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees.

C. Subsequent Events

On July 1, 2014, the county's Solid Waste Disposal Fund issued a \$475,000 tax anticipation note to the General Fund for temporary operating funds.

On August 31, 2014, Johnie Neal will leave the Office of County Executive and will be succeeded by Richard Daniel.

D. Contingent Liabilities

The county is involved in several pending lawsuits. Attorneys for the county and the discretely presented School Department estimate that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Landfill Closure/Postclosure Care Costs

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 \$1,562,990 reported as landfill closure and postclosure care liability at June 30, 2014, represents the cumulative amount reported to date based on the use of 32 percent of the estimated capacity of the Highway 325 landfill (\$1,390,216) and for the landfill closed in 1994 (\$172,774). The \$1,562,990 reported as closure and postclosure care liability at June 30, 2014, represents amounts based on what it would cost to perform all closure/postclosure care in 2014. The county will recognize the remaining estimated costs of closure and postclosure care of \$2,954,209 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.

F. Joint Venture

The Thirteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Thirteenth Judicial District and participating municipalities within the district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Pickett County did not make any appropriations to the DTF for the year ended June 30, 2014. Pickett County does not have an equity interest in the DTF. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Thirteenth Judicial District Drug Task Force
1519A East Spring Street
Cookeville, TN 38506

G. 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.

H. Retirement Commitments

1. Plan Description

Information for this footnote for the year ended June 30, 2014, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented below is for the fiscal year ended June 30, 2013.

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, 2013, was 7.68 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, 2013, Pickett County's annual pension cost of \$216,212 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$216,212	100%	\$0
6-30-12	186,514	100	0
6-30-11	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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$276,825, \$271,180, and \$274,367, 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.

I. Other Postemployment Benefits (OPEB)

Plan Description

The 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*,

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 \$22,110 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<u> </u>
ARC	\$ 40,000
Interest on the NOPEBO	11,014
Adjustment to the ARC	(10,731)
Annual OPEB cost	<u>\$ 40,283</u>
Amount of contribution	<u>(22,110)</u>
Increase/decrease in NOPEBO	\$ 18,173
Net OPEB obligation, 7-1-13	<u>275,373</u>
 Net OPEB obligation, 6-30-14	 <u><u>\$ 293,546</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-12	Local Education Group	\$ 85,640	25 %	\$ 210,515
6-30-13	"	86,483	25	275,373
6-30-14	"	40,284	55	293,546

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 445,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 445,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,349,001
UAAL as a % of covered payroll	19%

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, 2013, 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 was 7.5 percent for fiscal year 2014. The trend rate will decrease to seven percent in fiscal year 2015 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Rates include 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 July 1, 2007.

J. 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 Funding Progress – Pension Plan
Primary Government and Discretely Presented Pickett County School Department
June 30, 2014

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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

Information for this exhibit for the year ended June 30, 2014, was not available from the state Treasurer's Office in time for inclusion in this report; therefore, the information presented above is for the fiscal year ended June 30, 2013.

Exhibit F-2

Pickett County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Pickett County School Department
June 30, 2014

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (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	7-1-10	\$ 0	\$ 720	\$ 720	0 %	\$ 2,143	34 %
"	7-1-11	0	891	891	0	2,181	41
"	7-1-13	0	445	445	0	2,349	19

PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2014

NONE

**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. This fund had no transactions during the year examined.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for projects funded by HOME Investment Partnership Grant funds. This fund was closed during the year examined.

Exhibit G-1

Pickett County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	Industrial Park Projects		
\$	0 \$	825 \$	825 \$	0 \$		825
	19,508	0	19,508	5,570		25,078
	0	1,127	1,127	0		1,127
\$	19,508 \$	1,952 \$	21,460 \$	5,570 \$		27,030

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable
 Total Assets

LIABILITIES

Cash Overdraft
 Due to Other Funds
 Total Liabilities

\$	0 \$	1,067 \$	1,067 \$	0 \$		1,067
	0	885	885	0		885
\$	0 \$	1,952 \$	1,952 \$	0 \$		1,952

FUND BALANCES

Restricted:
 Restricted for Public Safety
 Restricted for Capital Outlay
 Total Fund Balances
 Total Liabilities and Fund Balances

\$	19,508 \$	0 \$	19,508 \$	0 \$		19,508
	0	0	0	5,570		5,570
\$	19,508 \$	0 \$	19,508 \$	5,570 \$		25,078
\$	19,508 \$	1,952 \$	21,460 \$	5,570 \$		27,030

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, 2014

	Special Revenue Funds			Capital
	Drug Control	Constitutional Officers - Fees	Total	Projects Funds
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 14,641 \$	0 \$	14,641 \$	0
Charges for Current Services	0	135	135	0
Other Local Revenues	7,651	0	7,651	0
Total Revenues	\$ 22,292 \$	135 \$	22,427 \$	0
<u>Expenditures</u>				
Current:				
Finance	0 \$	135 \$	135 \$	0
Public Safety	24,907	0	24,907	0
Other Operations	0	0	0	0
Total Expenditures	\$ 24,907 \$	135 \$	25,042 \$	0
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,615) \$	0 \$	(2,615) \$	0
Net Change in Fund Balances	\$ (2,615) \$	0 \$	(2,615) \$	0
Fund Balance, July 1, 2013	22,123	0	22,123	5,570
Fund Balance, June 30, 2014	\$ 19,508 \$	0 \$	19,508 \$	5,570

(Continued)

Exhibit G-2

Pickett County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds (Cont.)

	<u>Capital Projects Funds (Cont.)</u>		<u>Total</u>
	<u>HUD</u>	<u>Grant</u>	<u>Nonmajor</u>
	<u>Projects</u>	<u>Projects</u>	<u>Governmental</u>
	<u>Total</u>	<u>Total</u>	<u>Funds</u>
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	0 \$	0 \$	14,641
Charges for Current Services	0	0	135
Other Local Revenues	0	0	7,651
Total Revenues	0 \$	0 \$	22,427
<u>Expenditures</u>			
Current:			
Finance	0 \$	0 \$	135
Public Safety	0	0	24,907
Other Operations	800	800	800
Total Expenditures	800 \$	800 \$	25,842
Excess (Deficiency) of Revenues	(800) \$	(800) \$	(3,415)
Over Expenditures			
Net Change in Fund Balances	(800) \$	(800) \$	(3,415)
Fund Balance, July 1, 2013	800	6,370	28,493
Fund Balance, June 30, 2014	0 \$	5,570 \$	25,078

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 14,641	\$ 11,500	\$ 11,500	\$ 3,141
Other Local Revenues	7,651	0	7,652	(1)
Total Revenues	<u>\$ 22,292</u>	<u>\$ 11,500</u>	<u>\$ 19,152</u>	<u>\$ 3,140</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 24,907	\$ 30,000	\$ 37,652	\$ 12,745
Total Expenditures	<u>\$ 24,907</u>	<u>\$ 30,000</u>	<u>\$ 37,652</u>	<u>\$ 12,745</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,615)	\$ (18,500)	\$ (18,500)	\$ 15,885
Net Change in Fund Balance	\$ (2,615)	\$ (18,500)	\$ (18,500)	\$ 15,885
Fund Balance, July 1, 2013	22,123	19,009	19,009	3,114
Fund Balance, June 30, 2014	<u>\$ 19,508</u>	<u>\$ 509</u>	<u>\$ 509</u>	<u>\$ 18,999</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 197,059	\$ 195,802	\$ 195,802	\$ 1,257
Other Local Revenues	125,000	120,000	120,000	5,000
Other Governments and Citizens Groups	361,435	0	361,435	0
Total Revenues	<u>\$ 683,494</u>	<u>\$ 315,802</u>	<u>\$ 677,237</u>	<u>\$ 6,257</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 156,764	\$ 158,879	\$ 158,936	\$ 2,172
Education	240,000	0	240,000	0
<u>Interest on Debt</u>				
General Government	49,242	45,878	47,071	(2,171)
Education	121,435	0	121,435	0
<u>Other Debt Service</u>				
General Government	2,807	2,950	2,950	143
Total Expenditures	<u>\$ 570,248</u>	<u>\$ 207,707</u>	<u>\$ 570,392</u>	<u>\$ 144</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 113,246</u>	<u>\$ 108,095</u>	<u>\$ 106,845</u>	<u>\$ 6,401</u>
Net Change in Fund Balance	\$ 113,246	\$ 108,095	\$ 106,845	\$ 6,401
Fund Balance, July 1, 2013	<u>488,533</u>	<u>489,113</u>	<u>489,113</u>	<u>(580)</u>
Fund Balance, June 30, 2014	<u>\$ 601,779</u>	<u>\$ 597,208</u>	<u>\$ 595,958</u>	<u>\$ 5,821</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, 2014

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 83,721	\$ 83,721
Accounts Receivable	0	154	154
Due from Other Governments	32,970	0	32,970
Total Assets	<u>\$ 32,970</u>	<u>\$ 83,875</u>	<u>\$ 116,845</u>
<u>LIABILITIES</u>			
Due to Litigants, Heirs, and Others	\$ 0	\$ 83,875	\$ 83,875
Due to Other Taxing Units	32,970	0	32,970
Total Liabilities	<u>\$ 32,970</u>	<u>\$ 83,875</u>	<u>\$ 116,845</u>

Exhibit I-2

Pickett County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2014

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 166,007	\$ 166,007	\$ 0
Due from Other Governments	31,505	32,970	31,505	32,970
Total Assets	\$ 31,505	\$ 198,977	\$ 197,512	\$ 32,970
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 31,505	\$ 198,977	\$ 197,512	\$ 32,970
Total Liabilities	\$ 31,505	\$ 198,977	\$ 197,512	\$ 32,970
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 97,313	\$ 2,723,573	\$ 2,737,165	\$ 83,721
Accounts Receivable	0	154	0	154
Total Assets	\$ 97,313	\$ 2,723,727	\$ 2,737,165	\$ 83,875
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 97,313	\$ 2,723,727	\$ 2,737,165	\$ 83,875
Total Liabilities	\$ 97,313	\$ 2,723,727	\$ 2,737,165	\$ 83,875
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 97,313	\$ 2,723,573	\$ 2,737,165	\$ 83,721
Equity in Pooled Cash and Investments	0	166,007	166,007	0
Accounts Receivable	0	154	0	154
Due from Other Governments	31,505	32,970	31,505	32,970
Total Assets	\$ 128,818	\$ 2,922,704	\$ 2,934,677	\$ 116,845
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 97,313	\$ 2,723,727	\$ 2,737,165	\$ 83,875
Due to Other Taxing Units	31,505	198,977	197,512	32,970
Total Liabilities	\$ 128,818	\$ 2,922,704	\$ 2,934,677	\$ 116,845

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, 2014

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 3,600,957	\$ 0	\$ 342,102	\$ (3,258,855)
Support Services	2,137,299	0	213,134	(1,861,033)
Operation of Non-instructional Services	674,012	134,302	380,201	(159,509)
Interest on Long-term Debt	121,435	0	0	(121,435)
Total Governmental Activities	\$ 6,533,703	\$ 134,302	\$ 935,437	\$ (5,400,832)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 586,283
Local Option Sales Taxes				224,890
Other Local Taxes				23,473
Grants and Contributions Not Restricted to Specific Programs				4,642,301
Unrestricted Investment Income				5,926
Miscellaneous				25,056
Sale of Equipment				1,660
Total General Revenues				\$ 5,509,589
Insurance Recovery				\$ 1,107
Change in Net Position				\$ 109,864
Net Position, July 1, 2013				2,253,532
Net Position, June 30, 2014				\$ 2,363,396

Exhibit J-2

Pickett County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2014

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 743,005	\$ 142,255	\$ 885,260
Due from Other Governments	121,334	58,286	179,620
Property Taxes Receivable	613,729	0	613,729
Allowance for Uncollectible Property Taxes	(17,979)	0	(17,979)
Total Assets	<u>\$ 1,460,089</u>	<u>\$ 200,541</u>	<u>\$ 1,660,630</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 4,692	\$ 24,252	\$ 28,944
Total Liabilities	<u>\$ 4,692</u>	<u>\$ 24,252</u>	<u>\$ 28,944</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 572,426	\$ 0	\$ 572,426
Deferred Delinquent Property Taxes	21,917	0	21,917
Other Deferred/Unavailable Revenue	46,246	0	46,246
Total Deferred Inflows of Resources	<u>\$ 640,589</u>	<u>\$ 0</u>	<u>\$ 640,589</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 3,889	\$ 126,289	\$ 130,178
Committed:			
Committed for Education	248,178	0	248,178
Assigned:			
Assigned for Education	0	50,000	50,000
Unassigned	562,741	0	562,741
Total Fund Balances	<u>\$ 814,808</u>	<u>\$ 176,289</u>	<u>\$ 991,097</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,460,089</u>	<u>\$ 200,541</u>	<u>\$ 1,660,630</u>

Exhibit J-3

Pickett County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Pickett County School Department
June 30, 2014

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	991,097
(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		4,216,044	
Add: other capital assets net of accumulated depreciation		<u>290,038</u>	4,529,037
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due on primary government bonds	\$	(2,925,000)	
Less: compensated absences payable		(6,355)	
Less: other postemployment benefits liability		<u>(293,546)</u>	(3,224,901)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>68,163</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>2,363,396</u></u>

Exhibit J-4

Pickett County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2014

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,024,477	\$ 0	\$ 1,024,477
Licenses and Permits	218	0	218
Charges for Current Services	0	134,302	134,302
Other Local Revenues	32,480	162	32,642
State of Tennessee	4,463,292	19,134	4,482,426
Federal Government	58,644	911,195	969,839
Total Revenues	<u>\$ 5,579,111</u>	<u>\$ 1,064,793</u>	<u>\$ 6,643,904</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,039,519	\$ 400,731	\$ 3,440,250
Support Services	2,034,324	152,897	2,187,221
Operation of Non-instructional Services	153,341	494,473	647,814
Debt Service:			
Principal on Debt	240,000	0	240,000
Interest on Debt	121,435	0	121,435
Total Expenditures	<u>\$ 5,588,619</u>	<u>\$ 1,048,101</u>	<u>\$ 6,636,720</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (9,508)</u>	<u>\$ 16,692</u>	<u>\$ 7,184</u>
<u>Other Financing Sources (Uses)</u>			
Insurance Recovery	\$ 1,107	\$ 0	\$ 1,107
Total Other Financing Sources (Uses)	<u>\$ 1,107</u>	<u>\$ 0</u>	<u>\$ 1,107</u>
Net Change in Fund Balances	\$ (8,401)	\$ 16,692	\$ 8,291
Fund Balance, July 1, 2013	823,209	159,597	982,806
Fund Balance, June 30, 2014	<u>\$ 814,808</u>	<u>\$ 176,289</u>	<u>\$ 991,097</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, 2014

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)		\$	8,291
(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	\$	80,650	
Less: current-year depreciation expense		<u>(203,659)</u>	(123,009)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2014	\$	68,163	
Less: deferred delinquent property taxes and other deferred June 30, 2013		<u>(69,607)</u>	(1,444)
(3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal contributions on bonds to primary government			240,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences payable	\$	4,199	
Change in other postemployment benefits liability		<u>(18,173)</u>	<u>(13,974)</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 109,864</u>

Pickett County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2014

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 32,361	\$ 109,894	\$ 142,255
Due from Other Governments	20,025	38,261	58,286
Total Assets	<u>\$ 52,386</u>	<u>\$ 148,155</u>	<u>\$ 200,541</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 2,386	\$ 21,866	\$ 24,252
Total Liabilities	<u>\$ 2,386</u>	<u>\$ 21,866</u>	<u>\$ 24,252</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 126,289	\$ 126,289
Assigned:			
Assigned for Education	50,000	0	50,000
Total Fund Balances	<u>\$ 50,000</u>	<u>\$ 126,289</u>	<u>\$ 176,289</u>
Total Liabilities and Fund Balances	<u>\$ 52,386</u>	<u>\$ 148,155</u>	<u>\$ 200,541</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, 2014

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 134,302	\$ 134,302
Other Local Revenues	0	162	162
State of Tennessee	14,999	4,135	19,134
Federal Government	535,129	376,066	911,195
Total Revenues	<u>\$ 550,128</u>	<u>\$ 514,665</u>	<u>\$ 1,064,793</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 400,731	\$ 0	\$ 400,731
Support Services	152,897	0	152,897
Operation of Non-instructional Services	0	494,473	494,473
Total Expenditures	<u>\$ 553,628</u>	<u>\$ 494,473</u>	<u>\$ 1,048,101</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,500)</u>	<u>\$ 20,192</u>	<u>\$ 16,692</u>
Net Change in Fund Balances	\$ (3,500)	\$ 20,192	\$ 16,692
Fund Balance, July 1, 2013	<u>53,500</u>	<u>106,097</u>	<u>159,597</u>
Fund Balance, June 30, 2014	<u>\$ 50,000</u>	<u>\$ 126,289</u>	<u>\$ 176,289</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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,024,477	\$ 1,067,862	\$ 1,067,862	\$ (43,385)
Licenses and Permits	218	150	150	68
Charges for Current Services	0	500	500	(500)
Other Local Revenues	32,480	40,000	40,000	(7,520)
State of Tennessee	4,463,292	4,088,331	4,286,994	176,298
Federal Government	58,644	71,000	71,000	(12,356)
Total Revenues	\$ 5,579,111	\$ 5,267,843	\$ 5,466,506	\$ 112,605
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,522,241	\$ 2,564,120	\$ 2,632,752	\$ 110,511
Special Education Program	285,079	289,790	289,790	4,711
Vocational Education Program	232,199	241,530	241,530	9,331
<u>Support Services</u>				
Attendance	37,594	39,340	39,340	1,746
Health Services	131,646	142,295	142,295	10,649
Other Student Support	109,678	115,185	115,185	5,507
Regular Instruction Program	227,487	230,640	230,640	3,153
Special Education Program	27,494	28,205	28,205	711
Other Programs	30,226	0	30,226	0
Board of Education	86,476	103,860	103,860	17,384
Director of Schools	102,712	106,105	106,105	3,393
Office of the Principal	213,895	216,920	216,920	3,025
Fiscal Services	70,514	68,635	73,440	2,926
Operation of Plant	456,048	468,380	506,379	50,331
Maintenance of Plant	179,556	123,960	180,960	1,404
Transportation	351,951	378,385	378,385	26,434
Central and Other	9,047	9,450	9,450	403
<u>Operation of Non-instructional Services</u>				
Community Services	50,923	51,000	51,000	77
Early Childhood Education	102,418	102,419	102,418	0
<u>Principal on Debt</u>				
Education	240,000	240,000	240,000	0
<u>Interest on Debt</u>				
Education	121,435	121,435	121,435	0
Total Expenditures	\$ 5,588,619	\$ 5,641,654	\$ 5,840,315	\$ 251,696
Excess (Deficiency) of Revenues Over Expenditures	\$ (9,508)	\$ (373,811)	\$ (373,809)	\$ 364,301
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,107	\$ 0	\$ 0	\$ 1,107
Total Other Financing Sources	\$ 1,107	\$ 0	\$ 0	\$ 1,107
Net Change in Fund Balance	\$ (8,401)	\$ (373,811)	\$ (373,809)	\$ 365,408
Fund Balance, July 1, 2013	823,209	545,845	545,845	277,364
Fund Balance, June 30, 2014	\$ 814,808	\$ 172,034	\$ 172,036	\$ 642,772

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 14,999	\$ 0	\$ 0	\$ 14,999
Federal Government	535,129	592,222	750,993	(215,864)
Total Revenues	\$ 550,128	\$ 592,222	\$ 750,993	\$ (200,865)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 250,681	\$ 243,772	\$ 279,720	\$ 29,039
Special Education Program	140,199	162,008	266,239	126,040
Vocational Education Program	9,851	9,202	10,244	393
<u>Support Services</u>				
Other Student Support	8,192	14,500	14,458	6,266
Regular Instruction Program	132,073	142,784	155,376	23,303
Special Education Program	8,027	16,000	21,000	12,973
Transportation	4,605	4,956	4,956	351
Total Expenditures	\$ 553,628	\$ 593,222	\$ 751,993	\$ 198,365
Excess (Deficiency) of Revenues Over Expenditures	\$ (3,500)	\$ (1,000)	\$ (1,000)	\$ (2,500)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 32,577	\$ 0	\$ 0
Transfers Out	0	(32,577)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (3,500)	\$ (1,000)	\$ (1,000)	\$ (2,500)
Fund Balance, July 1, 2013	53,500	1,000	1,000	52,500
Fund Balance, June 30, 2014	\$ 50,000	\$ 0	\$ 0	\$ 50,000

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, 2014

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 134,302	\$ 151,500	\$ 151,500	\$ (17,198)
Other Local Revenues	162	180	180	(18)
State of Tennessee	4,135	5,200	5,200	(1,065)
Federal Government	376,066	409,000	409,000	(32,934)
Total Revenues	<u>\$ 514,665</u>	<u>\$ 565,880</u>	<u>\$ 565,880</u>	<u>\$ (51,215)</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 494,473	\$ 587,275	\$ 587,275	\$ 92,802
Total Expenditures	<u>\$ 494,473</u>	<u>\$ 587,275</u>	<u>\$ 587,275</u>	<u>\$ 92,802</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,192</u>	<u>\$ (21,395)</u>	<u>\$ (21,395)</u>	<u>\$ 41,587</u>
Net Change in Fund Balance	\$ 20,192	\$ (21,395)	\$ (21,395)	41,587
Fund Balance, July 1, 2013	106,097	106,098	106,098	(1)
Fund Balance, June 30, 2014	<u>\$ 126,289</u>	<u>\$ 84,703</u>	<u>\$ 84,703</u>	<u>\$ 41,586</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Pickett County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, and Bonds
 For the Year Ended June 30, 2014

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-13	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-14
NOTES PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Fire Trucks	\$ 72,220	3.5 %	6-20-11	6-20-14	\$ 24,463	0 \$	24,463 \$	0 \$	0
Ambulances and Heart Monitors	73,700	3.5	6-20-11	6-20-14	25,450	0	25,450	0	0
Welcome Center	90,000	3.5	7-14-11	7-25-14	33,523	0	31,005	0	2,518
Total Payable through General Debt Service Fund					\$ 83,436	0 \$	80,918 \$	0 \$	2,518
<u>Payable through Highway/Public Works Fund</u>									
Highway, Street, Road Improvements, and Refunding Road Projects - Series 2010	1,000,000	4.1	4-20-07	12-18-13	561,049	0 \$	34,682 \$	526,367 \$	0
Highway Equipment	425,000	3.24	7-16-10	12-18-13	235,940	0	0	235,940	0
Total Payable through Highway/Public Works Fund	600,000	3.49	10-14-11	12-18-13	535,600	0	21,600	514,000	0
					\$ 1,332,589	0 \$	56,282 \$	1,276,307 \$	0
Total Notes Payable	\$ 1,416,025				0 \$	137,200 \$	1,276,307 \$		2,518
OTHER LOANS PAYABLE									
<u>Public Building Authority Loan Agreement:</u>									
Payable through Highway/Public Works Fund					0 \$	1,483,000 \$	48,900 \$	0 \$	1,434,100
Highway Refunding and Equipment	(1) 1,483,000	3.79	12-18-13	12-15-25					
Total Other Loans Payable					0 \$	1,483,000 \$	48,900 \$	0 \$	1,434,100
BONDS PAYABLE									
<u>Payable through General Debt Service Fund</u>									
Nursing Home	1,200,000	5	8-31-1982	1-1-21	460,000	0 \$	50,000 \$	0 \$	410,000
Nursing Home Addition - FHA	425,000	6	5-18-1990	5-18-23	220,708	0	16,739	0	203,969
Public Library	390,000	4.125	11-1-06	6-1-33	259,941	0	9,107	0	250,834
Total Payable through General Debt Service Fund					\$ 940,649	0 \$	75,846 \$	0 \$	864,803
<u>Contributions Due by School Department from the General Purpose School Fund to the General Debt Service Fund</u>									
School Refunding Bond, Series 2009	4,100,000	3 to 4.2	3-31-09	6-1-24	3,165,000	0 \$	240,000 \$	0 \$	2,925,000
Total Contributions Due by School Department from the General Purpose School Fund to the General Debt Service Fund					\$ 3,165,000	0 \$	240,000 \$	0 \$	2,925,000
Total Bonds Payable					\$ 4,105,649	0 \$	315,846 \$	0 \$	3,789,803

(1) A portion of this loan (\$1,276,307) was used to refund the outstanding principal balances of capital outlay notes being retired by the Highway/Public Works Fund.

Exhibit K-2

Pickett County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2015	\$ 2,518	\$ 7	\$ 2,525
Total	\$ 2,518	\$ 7	\$ 2,525

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2015	\$ 101,100	\$ 52,612	\$ 153,712
2016	105,400	48,702	154,102
2017	109,500	44,638	154,138
2018	113,500	40,417	153,917
2019	118,100	36,036	154,136
2020	122,600	31,484	154,084
2021	127,100	26,762	153,862
2022	132,300	21,852	154,152
2023	137,400	16,750	154,150
2024	142,500	11,455	153,955
2025	148,300	5,955	154,255
2026	76,300	847	77,147
Total	\$ 1,434,100	\$ 337,510	\$ 1,771,610

Year Ending June 30	Bonds		
	Principal	Interest	Total
2015	\$ 322,248	\$ 157,584	\$ 479,832
2016	333,729	145,029	478,758
2017	345,292	132,041	477,333
2018	366,942	118,541	485,483
2019	378,685	102,798	481,483
2020	395,526	86,556	482,082
2021	412,469	70,439	482,908
2022	359,522	51,811	411,333
2023	375,831	36,841	412,672
2024	363,748	21,316	385,064
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	\$ 3,789,803	\$ 953,357	\$ 4,743,160

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, 2014

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 64,832	\$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA, and Chapter 104, Private Acts of 1957	61,745 (1)	100,000	"
Director of Schools	State Board of Education and Pickett County Board of Education	77,632 (2)	(3)	"
Trustee	Section 8-24-102, TCA	56,132	300,400	RLI Insurance Company
Assessor of Property	Section 8-24-102, TCA	56,132	50,000	"
County Clerk	Section 8-24-102, TCA	56,132	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	56,132	25,000	"
Clerk and Master	Section 8-24-102, TCA	56,132	50,000	"
Register of Deeds	Section 8-24-102, TCA	56,132	25,000	"
Sheriff	Section 8-24-102, TCA	61,745 (4)	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 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, 2014

	Special Revenue Funds					Debt Service	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>							
County Property Taxes							
Current Property Tax	\$ 1,093,581	\$ 0	\$ 0	\$ 0	\$ 127,975	\$ 1,221,556	
Trustee's Collections - Prior Year	47,675	0	0	0	5,579	53,254	
Circuit/Clerk & Master Collections - Prior Years	24,557	0	0	0	2,874	27,431	
Interest and Penalty	9,662	0	0	0	1,131	10,793	
Payments in-Lieu-of Taxes - Other	47,800	0	0	0	123	47,923	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	206,360	0	0	0	0	206,360	
Wheel Tax	0	0	0	0	59,377	59,377	
Litigation Tax - General	7,912	0	0	0	0	7,912	
Litigation Tax - Special Purpose	1,460	0	0	0	0	1,460	
Business Tax	1,877	0	0	0	0	1,877	
Mineral Severance Tax	14,458	0	0	0	0	14,458	
<u>Statutory Local Taxes</u>							
Wholesale Beer Tax	234,698	0	0	0	0	234,698	
Interstate Telecommunications Tax	436	0	0	0	0	436	
Total Local Taxes	\$ 1,690,476	\$ 0	\$ 0	\$ 0	\$ 197,059	\$ 1,887,535	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	185	0	0	0	0	185	
<u>Permits</u>							
Beer Permits	1,950	0	0	0	0	1,950	
Total Licenses and Permits	\$ 2,135	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,135	

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	2,404 \$	0 \$	0 \$	0 \$	0 \$	0 \$	2,404
Officers Costs	1,598	0	0	0	0	0	1,598
Drug Control Fines	0	7,780	0	0	0	0	7,780
Drug Court Fees	465	0	0	0	0	0	465
Jail Fees	1,157	0	0	0	0	0	1,157
DUI Treatment Fines	95	0	0	0	0	0	95
Data Entry Fee - Circuit Court	240	0	0	0	0	0	240
<u>Criminal Court</u>							
DUI Treatment Fines	190	0	0	0	0	0	190
<u>General Sessions Court</u>							
Fines	2,588	0	0	0	0	0	2,588
Officers Costs	5,283	0	0	0	0	0	5,283
Game and Fish Fines	400	0	0	0	0	0	400
Drug Control Fines	7,014	6,861	0	0	0	0	13,875
Drug Court Fees	1,862	0	0	0	0	0	1,862
Jail Fees	2,332	0	0	0	0	0	2,332
DUI Treatment Fines	570	0	0	0	0	0	570
Data Entry Fee - General Sessions Court	1,086	0	0	0	0	0	1,086
<u>Chancery Court</u>							
Officers Costs	406	0	0	0	0	0	406
Data Entry Fee - Chancery Court	34	0	0	0	0	0	34
Total Fines, Forfeitures, and Penalties	27,724 \$	14,641 \$	0 \$	0 \$	0 \$	0 \$	42,365

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
<u>Patent Charges</u>	\$ 417,603	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	417,603
<u>Fees</u>							
Copy Fees	713	0	0	0	0	0	713
Library Fees	3,145	0	0	0	0	0	3,145
Telephone Commissions	4,432	0	0	0	0	0	4,432
Constitutional Officers' Fees and Commissions	0	0	135	0	0	0	135
Data Processing Fee - Register	2,266	0	0	0	0	0	2,266
Probation Fees	32,441	0	0	0	0	0	32,441
Data Processing Fee - Sheriff	371	0	0	0	0	0	371
Sexual Offender Registration Fees - Sheriff	600	0	0	0	0	0	600
Data Processing Fee - County Clerk	3,600	0	0	0	0	0	3,600
Total Charges for Current Services	\$ 465,171	\$ 0	\$ 135	\$ 0	\$ 0	\$ 0	\$ 465,306
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	5,734	0	0	0	0	0	5,734
Lease/Rentals	14,150	0	0	0	125,000	0	139,150
Miscellaneous Refunds	8,468	0	0	9,856	0	0	18,324
<u>Nonrecurring Items</u>							
Sale of Equipment	601	0	0	0	0	0	601
Contributions and Gifts	300	7,651	0	0	0	0	7,951
<u>Other Local Revenues</u>							
Other Local Revenues	1,474	0	0	0	0	0	1,474
Total Other Local Revenues	\$ 30,727	\$ 7,651	\$ 0	\$ 9,856	\$ 125,000	\$ 0	\$ 173,234

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service Fund		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fees Received from County Officials</u>							
<u>Fees in-Lieu-of Salary</u>							
County Clerk	\$ 86,350	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	86,350
Circuit Court Clerk	13,367	0	0	0	0	0	13,367
General Sessions Court Clerk	23,078	0	0	0	0	0	23,078
Clerk and Master	4,206	0	0	0	0	0	4,206
Register	29,914	0	0	0	0	0	29,914
Sheriff	2,340	0	0	0	0	0	2,340
Trustee	81,686	0	0	0	0	0	81,686
Total Fees Received from County Officials	\$ 240,941	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	240,941
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,000
Aging Programs	6,772	0	0	0	0	0	6,772
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	4,200	0	0	0	0	0	4,200
Health and Welfare Grants							
Health Department Programs	8,600	0	0	0	0	0	8,600
Other Health and Welfare Grants	3,701	0	0	0	0	0	3,701
<u>Public Works Grants</u>							
Litter Program	34,615	0	0	0	0	0	34,615
<u>Other State Revenues</u>							
Flood Control	81,325	0	0	0	0	0	81,325
Income Tax	16,275	0	0	0	0	0	16,275
Beer Tax	17,806	0	0	0	0	0	17,806
Alcoholic Beverage Tax	14,482	0	0	0	0	0	14,482

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service Fund		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
State Revenue Sharing - T.V.A.	\$ 184,459	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	184,459
Contracted Prisoner Boarding	8,621	0	0	0	0	0	8,621
Gasoline and Motor Fuel Tax	0	0	0	1,192,875	0	0	1,192,875
Petroleum Special Tax	0	0	0	3,663	0	0	3,663
Registrar's Salary Supplement	15,164	0	0	0	0	0	15,164
Other State Grants	15,077	0	0	0	0	0	15,077
Other State Revenues	2,762	0	0	0	0	0	2,762
Total State of Tennessee	\$ 422,859	\$ 0	\$ 0	\$ 1,196,538	\$ 0	\$ 0	\$ 1,619,397
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 299,617	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	299,617
Other Federal through State	15,067	0	0	0	0	0	15,067
<u>Direct Federal Revenue</u>							
Police Service (Lake Area)	12,800	0	0	0	0	0	12,800
Other Direct Federal Revenue	27,966	0	0	0	0	0	27,966
Total Federal Government	\$ 355,450	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 355,450
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 361,435	361,435
Contracted Services	44,625	0	0	0	0	0	44,625
Total Other Governments and Citizens Groups	\$ 44,625	\$ 0	\$ 0	\$ 0	\$ 0	\$ 361,435	\$ 406,060
Total	\$ 3,280,108	\$ 22,292	\$ 135	\$ 1,206,394	\$ 683,494	\$ 5,192,423	

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, 2014

	<u>Special Revenue Funds</u>				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	545,313 \$	0 \$	0 \$	0 \$	545,313
Trustee's Collections - Prior Year	25,305	0	0	0	25,305
Circuit/Clerk & Master Collections - Prior Years	12,278	0	0	0	12,278
Interest and Penalty	4,831	0	0	0	4,831
Payments in-Lieu-of Taxes - Other	525	0	0	0	525
<u>County Local Option Taxes</u>					
Local Option Sales Tax	224,890	0	0	0	224,890
Local Amusement Tax	93	0	0	0	93
Business Tax	22,867	0	0	0	22,867
Other County Local Option Taxes	187,862	0	0	0	187,862
<u>Statutory Local Taxes</u>					
Interstate Telecommunications Tax	513	0	0	0	513
Total Local Taxes	<u>1,024,477 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>1,024,477</u>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	218 \$	0 \$	0 \$	0 \$	218
Total Licenses and Permits	<u>218 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>218</u>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	0 \$	0 \$	46,468 \$	46,468 \$	46,468
Lunch Payments - Adults	0	0	13,676	13,676	13,676
Income from Breakfast	0	0	38,109	38,109	38,109

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Charges for Current Services (Cont.)</u>					
<u>Education Charges (Cont.)</u>					
A la carte Sales	0 \$	0 \$	36,049 \$		36,049
Total Charges for Current Services	0 \$	0 \$	134,302 \$		134,302
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	5,764 \$	0 \$	162 \$		5,926
Miscellaneous Refunds	25,056	0	0		25,056
<u>Nonrecurring Items</u>					
Sale of Equipment	1,660	0	0		1,660
Total Other Local Revenues	32,480 \$	0 \$	162 \$		32,642
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-behalf Contributions for OPEB	30,226 \$	0 \$	0 \$		30,226
<u>State Education Funds</u>					
Basic Education Program	4,074,000	0	0		4,074,000
Early Childhood Education	102,419	0	0		102,419
School Food Service	0	0	4,135		4,135
Energy Efficient School Initiative	9,000	0	0		9,000
Driver Education	715	0	0		715
Other State Education Funds	192,581	0	0		192,581
Career Ladder Program	41,706	0	0		41,706
Career Ladder - Extended Contract	10,270	0	0		10,270

(Continued)

Exhibit K-5

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

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
Other State Grants	0 \$	14,999 \$	0 \$	0 \$	14,999
Other State Revenues	2,375	0	0	0	2,375
Total State of Tennessee	\$ 4,463,292 \$	14,999 \$	4,135 \$		4,482,426
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	0 \$	0 \$	205,554 \$		205,554
USDA - Commodities	0	0	27,777		27,777
Breakfast	0	0	65,940		65,940
USDA - Other	0	0	76,795		76,795
Vocational Education - Basic Grants to States	0	10,309	0		10,309
Title I Grants to Local Education Agencies	0	199,407	0		199,407
Special Education - Grants to States	0	149,801	0		149,801
Special Education Preschool Grants	0	3,029	0		3,029
Safe and Drug-free Schools - State Grants	0	46,311	0		46,311
Rural Education	0	13,522	0		13,522
Eisenhower Professional Development State Grants	0	38,467	0		38,467
Job Training Partnership Act	11,000	0	0		11,000
Race-to-the-Top - ARRA	0	74,283	0		74,283
<u>Direct Federal Revenue</u>					
Public Law 874 - Maintenance and Operation	47,644	0	0		47,644
Total Federal Government	\$ 58,644 \$	535,129 \$	376,066 \$		969,839
Total	\$ 5,579,111 \$	550,128 \$	514,665 \$		6,643,904

Exhibit K-6

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2014

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	28,325	
Audit Services		1,523	
Dues and Memberships		1,748	
Legal Notices, Recording, and Court Costs		1,553	
Total County Commission			\$ 33,149

Beer Board

Board and Committee Members Fees	\$	2,100	
Legal Services		48	
Total Beer Board			2,148

County Mayor/Executive

County Official/Administrative Officer	\$	64,832	
Accountants/Bookkeepers		26,154	
Secretary(ies)		14,503	
Communication		3,807	
Data Processing Services		8,888	
Dues and Memberships		900	
Postal Charges		151	
Printing, Stationery, and Forms		420	
Office Supplies		3,105	
Other Supplies and Materials		1,800	
Total County Mayor/Executive			124,560

County Attorney

Legal Services	\$	9,960	
Total County Attorney			9,960

Election Commission

County Official/Administrative Officer	\$	50,518	
Secretary(ies)		17,893	
Election Commission		5,888	
Election Workers		6,453	
Communication		1,745	
Data Processing Services		8,787	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		2,173	
Postal Charges		287	
Printing, Stationery, and Forms		2,998	
Travel		606	
Office Supplies		417	
Total Election Commission			97,940

Register of Deeds

County Official/Administrative Officer	\$	56,132	
Communication		1,128	
Dues and Memberships		417	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Postal Charges	\$	10	
Other Contracted Services		2,461	
Office Supplies		763	
Total Register of Deeds			\$ 60,911

County Buildings

Custodial Personnel	\$	44,239	
Communication		5,416	
Maintenance and Repair Services - Buildings		17,655	
Maintenance and Repair Services - Vehicles		567	
Custodial Supplies		6,381	
Electricity		61,295	
Gasoline		520	
Water and Sewer		8,286	
Other Supplies and Materials		1,109	
Total County Buildings			145,468

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	56,132	
Communication		561	
Postal Charges		278	
Travel		3,105	
Other Contracted Services		1,117	
Office Supplies		96	
Total Property Assessor's Office			61,289

County Trustee's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		7,787	
Communication		1,661	
Data Processing Services		6,344	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		416	
Postal Charges		2,056	
Printing, Stationery, and Forms		213	
Other Contracted Services		3,227	
Office Supplies		1,085	
Refunds		4,145	
Total County Trustee's Office			83,403

County Clerk's Office

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		21,133	
Communication		1,131	
Dues and Memberships		412	
Postal Charges		1,500	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Printing, Stationery, and Forms	\$	267	
Other Contracted Services		3,600	
Office Supplies		828	
Other Supplies and Materials		252	
Total County Clerk's Office			\$ 85,255

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,132	
Deputy(ies)		12,695	
Jury and Witness Expense		3,190	
Communication		3,894	
Data Processing Services		8,282	
Dues and Memberships		417	
Legal Notices, Recording, and Court Costs		144	
Postal Charges		460	
Office Supplies		3,647	
Other Supplies and Materials		522	
Total Circuit Court			89,383

General Sessions Judge

Judge(s)	\$	65,535	
Legal Services		9,300	
Total General Sessions Judge			74,835

Chancery Court

County Official/Administrative Officer	\$	56,132	
Communication		1,774	
Dues and Memberships		337	
Postal Charges		630	
Office Supplies		674	
Periodicals		16	
Office Equipment		25	
Total Chancery Court			59,588

Juvenile Court

Youth Service Officer(s)	\$	11,224	
Travel		312	
Office Supplies		19	
Total Juvenile Court			11,555

Judicial Commissioners

Other Per Diem and Fees	\$	6,084	
Total Judicial Commissioners			6,084

Probation Services

Probation Officer(s)	\$	23,914	
----------------------	----	--------	--

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probation Services (Cont.)

Other Salaries and Wages	\$ 13,864	
Other Supplies and Materials	507	
Total Probation Services	<u> </u>	\$ 38,285

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 61,745	
Deputy(ies)	330,037	
In-Service Training	6,256	
Dues and Memberships	1,000	
Maintenance and Repair Services - Equipment	3,858	
Maintenance and Repair Services - Vehicles	21,802	
Postal Charges	471	
Towing Services	265	
Gasoline	52,110	
Office Supplies	8,539	
Tires and Tubes	6,090	
Uniforms	14,153	
Total Sheriff's Department	<u> </u>	506,326

Drug Enforcement

Animal Food and Supplies	\$ 461	
Total Drug Enforcement	<u> </u>	461

Jail

Deputy(ies)	\$ 119,427	
Communication	9,486	
Contracts with Government Agencies	56,980	
Laundry Service	474	
Maintenance and Repair Services - Buildings	633	
Medical and Dental Services	30,389	
Custodial Supplies	2,659	
Food Supplies	32,884	
Other Charges	2,400	
Total Jail	<u> </u>	255,332

Fire Prevention and Control

Contributions	\$ 40,000	
Total Fire Prevention and Control	<u> </u>	40,000

County Coroner/Medical Examiner

Medical and Dental Services	\$ 11,564	
Total County Coroner/Medical Examiner	<u> </u>	11,564

Other Public Safety

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

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	9,544	
Communication		1,771	
Dues and Memberships		200	
Medical and Dental Services		30	
Other Contracted Services		1,287	
Custodial Supplies		412	
Electricity		6,528	
Water and Sewer		436	
Other Supplies and Materials		1,000	
Building Improvements		12,633	
Total Local Health Center			\$ 33,841

Ambulance/Emergency Medical Services

Supervisor/Director	\$	36,026	
Medical Personnel		409,809	
In-Service Training		570	
Communication		5,524	
Dues and Memberships		200	
Licenses		2,325	
Maintenance and Repair Services - Buildings		443	
Maintenance and Repair Services - Equipment		1,867	
Maintenance and Repair Services - Vehicles		5,849	
Postal Charges		475	
Other Contracted Services		2,400	
Custodial Supplies		970	
Drugs and Medical Supplies		16,297	
Electricity		13,183	
Gasoline		27,838	
Office Supplies		2,027	
Tires and Tubes		1,300	
Uniforms		4,154	
Water and Sewer		1,395	
Refunds		148	
Data Processing Equipment		7,962	
Other Equipment		335,954	
Total Ambulance/Emergency Medical Services			876,716

Regional Mental Health Center

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

Appropriation to State

Contributions	\$	3,791	
Total Appropriation to State			3,791

Sanitation Management

Other Contracted Services	\$	32,902	
Total Sanitation Management			32,902

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Public Health and Welfare

Other Salaries and Wages	\$	2,236	
Travel		1,290	
Total Other Public Health and Welfare			\$ 3,526

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	10,481	
Transportation - Other than Students		8,361	
Total Senior Citizens Assistance			18,842

Libraries

County Official/Administrative Officer Assistant(s)	\$	22,557	
Communication		1,856	
Office Supplies		2,013	
Other Supplies and Materials		730	
Data Processing Equipment		5,496	
Office Equipment		400	
Total Libraries			52,365

Other Social, Cultural, and Recreational

Supervisor/Director	\$	25,224	
Other Salaries and Wages		7,682	
Communication		920	
Postal Charges		49	
Travel		195	
Office Supplies		303	
Other Supplies and Materials		372	
Total Other Social, Cultural, and Recreational			34,745

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,996	
Other Contracted Services		35,138	
Other Supplies and Materials		1,460	
Total Agriculture Extension Service			38,594

Soil Conservation

Secretary(ies)	\$	16,671	
Other Salaries and Wages		26,499	
Communication		1,127	
Office Supplies		87	
Total Soil Conservation			44,384

Other Operations

Tourism

Contributions	\$	20,000	
Total Tourism			20,000

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Contributions	\$ 1,000	
Total Industrial Development		\$ 1,000

Other Economic and Community Development

Consultants	\$ 12,500	
Other Equipment	12,630	
Other Capital Outlay	15,000	
Total Other Economic and Community Development		40,130

Veterans' Services

Other Salaries and Wages	\$ 16,485	
Communication	671	
Office Supplies	1,048	
Total Veterans' Services		18,204

Other Charges

Travel	\$ 1,484	
Building and Contents Insurance	17,177	
Liability Insurance	37,537	
Premiums on Corporate Surety Bonds	4,428	
Trustee's Commission	32,835	
Vehicle and Equipment Insurance	32,496	
Liability Claims	2,252	
Total Other Charges		128,209

Contributions to Other Agencies

Contributions	\$ 6,000	
Total Contributions to Other Agencies		6,000

Employee Benefits

Social Security	\$ 164,109	
State Retirement	96,658	
Unemployment Compensation	15,669	
Workers' Compensation Insurance	77,408	
Total Employee Benefits		353,844

Miscellaneous

Other Capital Outlay	\$ 12,225	
Total Miscellaneous		12,225

Total General Fund \$ 3,527,700

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 5,000	
Other Supplies and Materials	19,907	
Total Drug Enforcement		\$ 24,907

Total Drug Control Fund 24,907

(Continued)

Exhibit K-6

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

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses

\$ 135

Total County Trustee's Office

\$ 135

Total Constitutional Officers - Fees Fund

\$ 135

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer

\$ 61,745

Accountants/Bookkeepers

12,754

Advertising

96

Data Processing Services

5,833

Dues and Memberships

2,120

Maintenance and Repair Services - Office Equipment

174

Postal Charges

362

Printing, Stationery, and Forms

466

Travel

1,800

Drugs and Medical Supplies

145

Office Supplies

1,189

Other Charges

6,436

Total Administration

\$ 93,120

Highway and Bridge Maintenance

Foremen

\$ 47,304

Laborers

395,514

Other Contracted Services

4,700

Asphalt

20,431

Crushed Stone

101,056

Pipe

8,228

Road Signs

769

Salt

7,552

Other Charges

2,465

Total Highway and Bridge Maintenance

588,019

Operation and Maintenance of Equipment

Mechanic(s)

\$ 65,548

Maintenance and Repair Services - Vehicles

10,592

Diesel Fuel

84,076

Equipment and Machinery Parts

26,173

Gasoline

40,150

Lubricants

5,094

Pipe

1,270

Propane Gas

1,505

Tires and Tubes

16,495

Other Supplies and Materials

13,806

Other Charges

12,710

Total Operation and Maintenance of Equipment

277,419

(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	\$ 1,200	
Total Quarry Operations		\$ 1,200

Other Charges

Communication	\$ 3,046	
Utilities	7,560	
Trustee's Commission	11,971	
Vehicle and Equipment Insurance	24,539	
Total Other Charges		47,116

Employee Benefits

Social Security	\$ 44,717	
State Retirement	37,146	
Unemployment Compensation	12,115	
Workers' Compensation Insurance	39,991	
Total Employee Benefits		133,969

Capital Outlay

Highway Equipment	\$ 17,000	
Total Capital Outlay		17,000

Principal on Debt

Highways and Streets

Principal on Notes	\$ 1,332,589	
Principal on Other Loans	48,900	
Total Highways and Streets		1,381,489

Interest on Debt

Highways and Streets

Interest on Notes	\$ 24,679	
Interest on Other Loans	27,250	
Total Highways and Streets		51,929

Other Debt Service

Highways and Streets

Other Debt Issuance Charges	\$ 8,870	
Total Highways and Streets		8,870

Total Highway/Public Works Fund \$ 2,600,131

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 75,846	
Principal on Notes	80,918	
Total General Government		\$ 156,764

(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.)

Education

Principal on Bonds	\$ 240,000	
Total Education		\$ 240,000

Interest on Debt

General Government

Interest on Bonds	\$ 47,252	
Interest on Notes	1,990	
Total General Government		49,242

Education

Interest on Bonds	\$ 121,435	
Total Education		121,435

Other Debt Service

General Government

Trustee's Commission	\$ 2,807	
Total General Government		2,807

Total General Debt Service Fund		\$ 570,248
---------------------------------	--	------------

HUD Grant Projects Fund

Other Operations

Housing and Urban Development

Other Contracted Services	\$ 800	
Total Housing and Urban Development		\$ 800

Total HUD Grant Projects Fund		800
-------------------------------	--	-----

Total Governmental Funds - Primary Government		<u>\$ 6,723,921</u>
---	--	---------------------

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2014

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	1,820,709	
Career Ladder Program		23,000	
Career Ladder Extended Contracts		10,771	
Other Salaries and Wages		5,422	
Certified Substitute Teachers		13,332	
Non-certified Substitute Teachers		23,780	
Social Security		104,502	
State Retirement		162,924	
Medical Insurance		136,780	
Employer Medicare		24,848	
Maintenance and Repair Services - Equipment		593	
Other Contracted Services		13,093	
Instructional Supplies and Materials		18,699	
Textbooks		88,774	
Regular Instruction Equipment		75,014	
Total Regular Instruction Program			\$ 2,522,241

Special Education Program

Teachers	\$	220,835	
Career Ladder Program		4,000	
Homebound Teachers		2,426	
Certified Substitute Teachers		1,000	
Non-certified Substitute Teachers		1,000	
Social Security		12,473	
State Retirement		19,965	
Medical Insurance		19,168	
Employer Medicare		2,917	
Instructional Supplies and Materials		1,295	
Total Special Education Program			285,079

Vocational Education Program

Teachers	\$	170,249	
Career Ladder Program		2,000	
Other Salaries and Wages		11,000	
Social Security		10,692	
State Retirement		16,272	
Medical Insurance		9,666	
Employer Medicare		2,501	
Instructional Supplies and Materials		2,000	
Other Charges		7,819	
Total Vocational Education Program			232,199

Support Services

Attendance

Supervisor/Director	\$	31,390	
Social Security		1,749	

(Continued)

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.)

Attendance (Cont.)

State Retirement	\$	2,787	
Employer Medicare		409	
Travel		1,036	
Other Supplies and Materials		223	
Total Attendance			\$ 37,594

Health Services

Medical Personnel	\$	18,952	
Other Salaries and Wages		67,973	
Social Security		4,742	
State Retirement		7,361	
Medical Insurance		7,837	
Employer Medicare		1,109	
Communication		549	
Travel		673	
Other Contracted Services		3,126	
Other Supplies and Materials		19,324	
Total Health Services			131,646

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		59,195	
Psychological Personnel		25,260	
Social Security		4,644	
State Retirement		7,588	
Medical Insurance		7,707	
Employer Medicare		1,086	
Evaluation and Testing		3,135	
Travel		63	
Total Other Student Support			109,678

Regular Instruction Program

Supervisor/Director	\$	63,780	
Career Ladder Program		3,000	
Librarians		89,335	
Instructional Computer Personnel		31,390	
Social Security		11,185	
State Retirement		16,650	
Medical Insurance		7,917	
Employer Medicare		2,616	
Travel		1,614	
Total Regular Instruction Program			227,487

Special Education Program

Supervisor/Director	\$	23,851	
Social Security		1,236	

(Continued)

Exhibit K-7

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Special Education Program (Cont.)</u>		
State Retirement	\$ 2,118	
Employer Medicare	289	
Total Special Education Program		\$ 27,494
<u>Other Programs</u>		
On-behalf Payments to OPEB	\$ 30,226	
Total Other Programs		30,226
<u>Board of Education</u>		
Secretary to Board	\$ 1,200	
Board and Committee Members Fees	6,000	
Social Security	446	
State Retirement	92	
Life Insurance	3,857	
Unemployment Compensation	177	
Employer Medicare	104	
Audit Services	3,000	
Dues and Memberships	2,027	
Legal Services	2,130	
Travel	803	
Trustee's Commission	28,324	
Workers' Compensation Insurance	31,126	
In Service/Staff Development	721	
Other Charges	6,469	
Total Board of Education		86,476
<u>Director of Schools</u>		
County Official/Administrative Officer	\$ 76,632	
Career Ladder Program	1,000	
Social Security	4,248	
State Retirement	6,894	
Medical Insurance	6,226	
Employer Medicare	993	
Communication	4,235	
Dues and Memberships	1,145	
Travel	1,200	
Office Supplies	139	
Total Director of Schools		102,712
<u>Office of the Principal</u>		
Principals	\$ 115,331	
Career Ladder Program	2,000	
Secretary(ies)	49,912	
Social Security	8,908	
State Retirement	15,855	
Medical Insurance	19,283	

(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.)

Office of the Principal (Cont.)

Employer Medicare	\$	2,083	
Communication		523	
Total Office of the Principal			\$ 213,895

Fiscal Services

Accountants/Bookkeepers	\$	60,023	
Social Security		3,721	
State Retirement		4,268	
Medical Insurance		1,536	
Employer Medicare		870	
Office Supplies		96	
Total Fiscal Services			70,514

Operation of Plant

Custodial Personnel	\$	72,179	
Social Security		4,458	
State Retirement		5,267	
Employer Medicare		1,042	
Other Contracted Services		21,856	
Electricity		167,413	
Natural Gas		64,202	
Water and Sewer		17,166	
Other Supplies and Materials		47,134	
Building and Contents Insurance		48,815	
Plant Operation Equipment		6,516	
Total Operation of Plant			456,048

Maintenance of Plant

Maintenance Personnel	\$	41,829	
Social Security		2,592	
State Retirement		3,170	
Employer Medicare		606	
Maintenance and Repair Services - Buildings		21,773	
Maintenance and Repair Services - Equipment		61,484	
Other Contracted Services		8,830	
Other Supplies and Materials		2,419	
Building Improvements		36,853	
Total Maintenance of Plant			179,556

Transportation

Mechanic(s)	\$	41,248	
Bus Drivers		103,355	
Social Security		8,496	
State Retirement		10,880	
Medical Insurance		10,894	
Employer Medicare		1,987	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	534	
Diesel Fuel		45,417	
Garage Supplies		1,397	
Gasoline		8,764	
Lubricants		1,762	
Tires and Tubes		5,933	
Vehicle Parts		21,893	
Other Charges		8,741	
Maintenance Equipment		80,650	
Total Transportation			\$ 351,951

Central and Other

Data Processing Services	\$	8,350	
Data Processing Supplies		200	
Other Supplies and Materials		497	
Total Central and Other			9,047

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	31,455	
Clerical Personnel		8,150	
Social Security		2,297	
State Retirement		3,362	
Medical Insurance		3,514	
Employer Medicare		537	
Other Charges		1,608	
Total Community Services			50,923

Early Childhood Education

Supervisor/Director	\$	18,000	
Teachers		49,645	
Educational Assistants		13,982	
Social Security		4,782	
State Retirement		7,076	
Medical Insurance		5,748	
Employer Medicare		1,119	
Instructional Supplies and Materials		2,066	
Total Early Childhood Education			102,418

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	240,000	
Total Education			240,000

(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.)

Interest on Debt

Education

Debt Service Contribution to Primary Government

\$ 121,435

Total Education

\$ 121,435

Total General Purpose School Fund

\$ 5,588,619

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers

\$ 173,378

Educational Assistants

10,897

Non-certified Substitute Teachers

1,690

Social Security

10,922

State Retirement

16,233

Medical Insurance

10,866

Employer Medicare

2,554

Maintenance and Repair Services - Equipment

363

Other Contracted Services

13,364

Instructional Supplies and Materials

10,254

Regular Instruction Equipment

160

Total Regular Instruction Program

\$ 250,681

Special Education Program

Educational Assistants

\$ 99,924

Other Salaries and Wages

996

Social Security

6,208

State Retirement

7,652

Medical Insurance

5,837

Employer Medicare

1,452

Evaluation and Testing

786

Maintenance and Repair Services - Equipment

1,035

Instructional Supplies and Materials

8,623

Special Education Equipment

7,686

Total Special Education Program

140,199

Vocational Education Program

Instructional Supplies and Materials

\$ 1,842

Other Supplies and Materials

400

Vocational Instruction Equipment

7,609

Total Vocational Education Program

9,851

Support Services

Other Student Support

Evaluation and Testing

\$ 494

Travel

458

Other Contracted Services

6,390

Other Charges

850

Total Other Student Support

8,192

(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	\$	20,925	
Clerical Personnel		8,501	
Other Salaries and Wages		35,986	
Social Security		4,056	
State Retirement		5,699	
Employer Medicare		948	
Travel		3,799	
Other Supplies and Materials		21,140	
In Service/Staff Development		7,169	
Other Equipment		23,850	
Total Regular Instruction Program			\$ 132,073

Special Education Program

Travel	\$	3,707	
Other Contracted Services		3,021	
In Service/Staff Development		300	
Other Equipment		999	
Total Special Education Program			8,027

Transportation

Bus Drivers	\$	3,992	
Social Security		248	
State Retirement		307	
Employer Medicare		58	
Total Transportation			4,605

Total School Federal Projects Fund \$ 553,628

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$	147,139	
Social Security		9,055	
State Retirement		5,685	
Employer Medicare		2,118	
Communication		1,493	
Maintenance and Repair Services - Equipment		16,468	
Travel		1,938	
Other Contracted Services		11,908	
Food Preparation Supplies		22,439	
Food Supplies		238,483	
Office Supplies		4,186	
USDA - Commodities		27,777	
Other Supplies and Materials		2,805	
Food Service Equipment		2,979	
Total Food Service			\$ 494,473

Total Central Cafeteria Fund 494,473

Total Governmental Funds - Pickett County School Department \$ 6,636,720

Exhibit K-8

Pickett County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2014

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 166,007
Total Cash Receipts	<u>\$ 166,007</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 164,347
Trustee's Commission	1,660
Total Cash Disbursements	<u>\$ 166,007</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2013	<u>0</u>
 Cash Balance, June 30, 2014	 <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***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements, and have issued our report thereon dated August 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pickett County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Pickett County's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2014-001, 2014-003, 2014-004, 2014-005, 2014-007, 2014-008, 2014-013, and 2014-014.

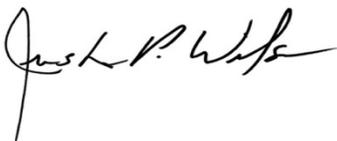
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pickett County's financial statements are free from 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: 2014-002, 2014-006, 2014-009, 2014-010, 2014-011, and 2014-012.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pickett County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

August 27, 2014

JPW/kp



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 For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Pickett County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Pickett County's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pickett County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Pickett County's compliance.

Opinion on Each Major Federal Program

In our opinion, Pickett County complied, in all material respects, with the types of compliance 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, 2014.

Report on Internal Control Over Compliance

Management of Pickett County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Pickett County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we

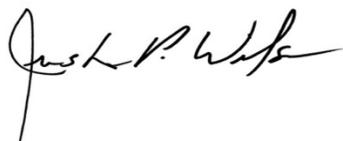
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements. We issued our report thereon dated August 27, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

August 27, 2014

JPW/kp

Pickett County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2014

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 65,940
National School Lunch Program	10.555	N/A	205,554 (3)
Passed-through State Department of Human Services:			
Child Nutrition Cluster:			
Summer Food Service for Children	10.559	N/A	76,795
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	<u>27,777 (3)</u>
Total U.S. Department of Agriculture			<u>\$ 376,066</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	35531	<u>\$ 299,617</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	<u>\$ 46,751</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	<u>\$ 11,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	Z-13-GHS249	<u>\$ 5,000</u>
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 47,644
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	199,407
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	149,801
Special Education - Preschool Grants	84.173	N/A	3,029
Career and Technical Education - Basic Grants to States	84.048	(2)	10,309
Twenty-first Century Community Learning Centers	84.287	(2)	46,311
Rural Education	84.358	(2)	13,522
Improving Teacher Quality State Grants	84.367	(2)	38,467
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	<u>76,783</u>
Total U.S. Department of Education			<u>\$ 585,273</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	<u>\$ 1,463</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>\$ 8,604</u>
Executive Office of the President:			
Passed-through Laurel County, Kentucky Fiscal Court:			
High Intensity Drug Trafficking Areas Program	95.001	G-13-AP0001A	<u>\$ 11,450</u>
Total Expenditures of Federal Awards			<u>\$ 1,345,224</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 6,772
Election Office Equipment Grant - Tennessee Secretary of State	N/A	(2)	77
ConnecTenn - State Department of Education	N/A	(2)	2,144
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Drivers Education - State Department of Education	N/A	(2)	715
Drug Abuse Resistance Education Training Grant - State Department of Safety	N/A	(2)	2,375
Family Resource Center - State Department of Education	N/A	(2)	29,612
Energy Efficient School Initiative Grant - State EESI	N/A	(2)	9,000
Early Childhood Education - Pilot/State - State Department of Education	N/A	(2)	102,419
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Law Enforcement Training - State Department of Safety	N/A	(2)	4,200
Litter Program - State Department of Transportation	N/A	(2)	34,615
Project Diabetes Initiative Services - State Department of Health	N/A	GG-1333660	15,999
Rural Local Health Services - State Department of Health	N/A	(2)	3,701
Economic Development ThreeStar Grant Program - State Department of Economic and Community Development	N/A	(2)	15,000
Safe Schools Act - State Department of Education	N/A	(2)	4,600
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	<u>1,006</u>
Total State Grants			<u>\$ 331,235</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 \$233,331.
- (4) During the year ended June 30, 2014, Pickett County received surplus equipment from the U.S. Department of Military valued at \$524,069.

Pickett County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2014

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, 2013, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

Finding Number	Page Number	Subject
2013-001	132	The Solid Waste Disposal Fund had a deficit in unrestricted net position
2013-002(B)	132	Expenditures exceeded appropriations

OFFICE OF ROAD SUPERINTENDENT

Finding Number	Page Number	Subject
2013-006(B)	135	Expenditures exceeded appropriations
2013-007	135	The office had deficiencies in purchasing procedures
2013-008	136	The Highway Department did not maintain adequate controls over fuel

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
2013-010	137	Traffic school collections were not reported and paid to the county in compliance with state statute
2013-011	138	Some collections were not deposited within three days
2013-012	138	Unclaimed funds were not reported and paid to the state
2013-013	138	The execution docket trial balances for General Sessions Court did not reconcile with general ledger accounts

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

Finding Number	Page Number	Subject
2013-018	141	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 OF DEEDS, AND SHERIFF

Finding Number	Page Number	Subject
2013-019	142	Duties were not segregated adequately

PICKETT COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Pickett County is unmodified.
2. The audit of the financial statements of Pickett County disclosed significant deficiencies in internal control. None 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 unmodified 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, National School Lunch Program, and Summer Food Service for Children (CFDA Nos. 10.553, 10.555, and 10.559); Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CFDA No. 14.228); and Impact Aid (CFDA No. 84.041) 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; however, management did not provide responses for inclusion in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 2014-001

DEFICITS WERE NOTED IN FUNDS ADMINISTERED BY THE OFFICE

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

We noted the following deficits at June 30, 2014:

- A. The General Fund had a deficit of \$130,168 in unassigned fund balance at June 30, 2014. This fund deficit resulted from expenditures exceeding available funds. Generally accepted accounting principles dictate that expenditures should be held within available funding. This deficiency is the result of a lack of management oversight.
- B. The Solid Waste Disposal Fund had a deficit of \$229,905 in unrestricted net position at June 30, 2014. This deficit resulted from the recognition of a liability of \$1,562,990 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. This deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should liquidate the deficits in unassigned fund balance and unrestricted net position. Steps should be taken to ensure that expenditures are held within available funding, and officials should implement a plan that would fund the deficit in unrestricted net position.

FINDING 2014-002

EXPENDITURES EXCEEDED APPROPRIATIONS

(Noncompliance Under *Government Auditing Standards*)

Expenditures exceeded appropriations approved by the County Commission in three of 43 major appropriation categories (the legal level of control) of the General Fund and in one of three major appropriation categories of the General Debt Service Fund. These amounts are reflected in the following table:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
County Coroner/Medical Examiner	\$ 2,564
Agricultural Extension Service	2,856
Other Economic and Community Development	15,000
General Debt Service:	
Interest on Debt - General Government	2,171

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.” This deficiency existed because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 2014-003

THE COUNTY DID NOT FOLLOW ESTABLISHED POLICIES CONCERNING THE COLLECTION AND WRITE-OFF OF CUSTOMER ACCOUNTS AT THE LANDFILL

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The county maintains the transactions of its landfill in the Solid Waste Disposal Fund and has established a written policy concerning the collection and write-off of customer accounts. This policy states that the landfill will “make every effort” to collect all accounts and prohibits customers from using the landfill if they have accounts over 90 days past due. The landfill has two current customers that have old outstanding balances that the county has not taken steps to collect. One customer has a balance of \$8,643 and has not made a payment on this balance since 2007, and the other customer has a balance of \$833 and has not made a payment since 2010. Both of these customers continue to dump trash at the landfill. Sound business practices provide for management oversight of the collection and write-off process. This deficiency is a result of management’s failure to adhere to its established policy and a lack of oversight. By failing to adhere to its policy, the county is not applying consistent treatment to all customers.

RECOMMENDATION

The county should comply with its written policy regarding the collection and write-off of customer accounts and should make every effort to collect delinquent accounts.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2014-004

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

We examined 25 purchases to determine compliance with purchasing procedures. Our examination revealed the following purchasing deficiencies, which were the result of management's failure to correct findings noted in the prior-year audit report.

- A. In seven of the 25 purchases tested, purchase orders were not issued or 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. Issuing the purchase order after the purchase is made defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.
- B. In five of the 25 purchases tested, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.

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

FINDING 2014-005

THE HIGHWAY DEPARTMENT DID NOT MAINTAIN ADEQUATE CONTROLS OVER FUEL

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The department dispensed fuel from pumps that did not have meters to measure the amounts dispensed. Therefore, the department did not reconcile amounts used with amounts purchased and on hand. Generally accepted accounting principles require accountability of consumable assets. 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

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

FINDING 2014-006

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

Expenditures exceeded appropriations approved by the County Commission in two of 11 major appropriation categories (the legal level of control) of the Highway/Public Works Fund. These amounts are reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Principal on Debt - Highways and Streets	\$ 1,397
Interest on Debt - Highways and Streets	3,240

Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." This deficiency existed because management failed to hold spending to the limits authorized by the County Commission, which resulted in unauthorized expenditures, and management failed to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2014-007

**BANK STATEMENTS WERE NOT RECONCILED WITH
THE GENERAL LEDGERS AND LISTS OF
OUTSTANDING CHECKS WERE NOT PREPARED**
(Internal Control – Significant Deficiency Under *Government
Auditing Standards*)

Bank statements for Circuit and General Sessions Courts had not been reconciled with the general ledgers and lists of outstanding checks were not prepared during the period examined. The reconciliation of bank statements and the monthly preparation of accurate

lists of outstanding checks are necessary procedures to ensure that all cash collections and disbursements are recorded accurately in the accounting records. As a result of not reconciling the bank statements, monthly bank charges were not recognized and posted to the general ledgers, which resulted in a misstatement of the cash balance in the general ledger of each court. Cash balances at June 30, 2014, were determined by substantive testing and alternative audit procedures and are properly presented in the financial statements of this report. This deficiency exists because management failed to ensure that accounting records were properly maintained and reconciled.

RECOMMENDATION

Bank statements should be reconciled with the general ledgers monthly, and any errors discovered should be corrected promptly. Accurate lists of outstanding checks should be prepared monthly.

FINDING 2014-008

A CASH OVERDRAFT EXISTED IN THE CIRCUIT COURT BANK ACCOUNT AT JUNE 30, 2014

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The bank account maintained for Circuit Court had a cash overdraft of \$1,067 at June 30, 2014. Sound business practices dictate that expenditures be held within available funds. The cash overdraft resulted from the issuance of checks exceeding cash on deposit and monthly bank charges, which were not recognized and posted to the general ledger as noted in the previous finding. The cash overdraft was liquidated subsequent to June 30, 2014.

RECOMMENDATION

The office should not issue checks in excess of cash on deposit.

FINDING 2014-009

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

(Noncompliance Under *Government Auditing Standards*)

The general sessions court clerk did not report and pay traffic school tuition to the county as required by Section 5-8-105, *Tennessee Code Annotated (TCA)*. Instead, the clerk disbursed traffic school collections of \$14,901. 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 are separate from the bookkeeper's regular salary and 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 (\$1,701) was for community service programs. Section 5-9-401, *TCA*, requires all funds to be appropriated by the County Commission. On June 30, 2014, the office had traffic school collections of \$2,835 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 prior-year audit reports.

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 2014-010

SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS

(Noncompliance Under Government Auditing Standards)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected ten deposits to reconcile with receipts issued by the clerk. The clerk did not deposit receipts to the bank account within three days of collection in four of five deposits tested in Circuit Court and in four of five deposits tested in General Sessions Court. Delays in depositing funds ranged from seven to 26 days after collection. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation. This deficiency was a result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All funds should be deposited within three days of collection as required by state statute.

FINDING 2014-011

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 \$4,573. At June 30, 2014, Circuit Court had 30 outstanding checks issued before July 1, 2013, totaling \$864, and General Sessions Court had 40 outstanding checks issued before July 1, 2013, totaling \$3,709. 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 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 2014-012

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, 2014, 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 \$13,780. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-101, *TCA*. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency was the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

FINDING 2014-013

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 has been a management decision by the officials resulting in a loss of control over assets. Also, this deficiency is the result of 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 OF DEEDS, AND SHERIFF

FINDING 2014-014

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 of Deeds, 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's 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.

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

There were no findings and questioned costs for federal awards.

BEST PRACTICE

Accounting literature describes a best practice as a recommended policy, procedure, or technique that aids management in improving financial performance. Historically, a best practice has consistently shown superior results over conventional methods.

The Division of Local Government Audit strongly believes that the item noted below is a best practice 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.

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. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Pickett County. Therefore, 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.

PICKETT COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2014

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