
ANNUAL FINANCIAL REPORT PICKETT COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



**ANNUAL FINANCIAL REPORT
PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

PICKETT COUNTY, TENNESSEE

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Audit Highlights
Annual Financial Report
Pickett County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Pickett County as of and for the year ended June 30, 2013.

Results

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

Our audit resulted in 19 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 and Best Practice

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

OFFICE OF COUNTY EXECUTIVE

- ◆ The Solid Waste Disposal Fund had a deficit in unrestricted net position.
 - ◆ The office had deficiencies in budget operations.
 - ◆ Competitive bids were not solicited for equipment purchased for the landfill.
 - ◆ The county did not have written policies concerning the collection and write-off of customer accounts at the landfill.
 - ◆ Usernames and passwords were shared by employees of the Solid Waste Department.
-

OFFICE OF ROAD SUPERINTENDENT

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

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Appropriations exceeded estimated available funding in the Central Cafeteria Fund.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Traffic school collections were not reported and paid to the county in compliance with state statute.
 - ◆ 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.
 - ◆ The office had deficiencies in computer system backup procedures.
-

OFFICE OF CLERK AND MASTER

- ◆ Some collections were not deposited within three days.
-

OFFICE OF SHERIFF

- ◆ Deficiencies were noted in cash collection procedures.
 - ◆ The office did not file an annual financial report in accordance with state statute.
-

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.
-

BEST PRACTICE

Pickett County does not have a central system of accounting, budgeting, and purchasing. The Division of Local Government Audit strongly believes that a central system of accounting, budgeting, and purchasing 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.

INTRODUCTORY SECTION

Pickett County Officials

June 30, 2013

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
Darrell Garrett
Joe Harden
Eddie Holt
Colon Huddleston
Doug Manis
Terry Manis
Daniel Masiongale
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
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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 units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2013, 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 units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of June 30, 2013, 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.

Emphasis of Matter

As described in Note V.B., Pickett County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Pickett County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

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 67-69 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 February 7, 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 prominent vertical stroke at the beginning.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 7, 2014

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Pickett County, Tennessee
Statement of Net Position
June 30, 2013

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Pickett County School Department
<u>ASSETS</u>				
Cash	\$ 7,904	\$ 9,567	\$ 17,471	\$ 0
Equity in Pooled Cash and Investments	887,822	1,088,697	1,976,519	858,932
Accounts Receivable	387,974	13,436	401,410	0
Allowance for Uncollectibles	(36,645)	0	(36,645)	0
Due from Other Governments	381,915	0	381,915	208,845
Due from Component Unit	3,165,000	0	3,165,000	0
Prepaid Items	16,658	0	16,658	0
Property Taxes Receivable	1,491,424	212,993	1,704,417	667,441
Allowance for Uncollectible Property Taxes	(42,672)	(6,094)	(48,766)	(19,096)
Capital Assets:				
Assets Not Depreciated:				
Land	222,805	110,900	333,705	22,955
Assets Net of Accumulated Depreciation:				
Landfill Facilities and Development	0	174,476	174,476	0
Buildings and Improvements	2,544,377	97,565	2,641,942	4,393,629
Other Capital Assets	1,298,682	249,929	1,548,611	235,462
Infrastructure	10,022,659	0	10,022,659	0
Total Assets	\$ 20,347,903	\$ 1,951,469	\$ 22,299,372	\$ 6,368,168
<u>LIABILITIES</u>				
Accounts Payable	\$ 21,429	\$ 780	\$ 22,209	\$ 40,132
Accrued Interest Payable	29,051	0	29,051	0
Payroll Deductions Payable	8,099	582	8,681	0
Due to State of Tennessee	2,314	0	2,314	0
Due to Primary Government	0	0	0	3,165,000
Noncurrent Liabilities:				
Due Within One Year	760,272	13,235	773,507	3,206
Due in More Than One Year	4,761,402	1,418,850	6,180,252	282,721
Total Liabilities	\$ 5,582,567	\$ 1,433,447	\$ 7,016,014	\$ 3,491,059
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 1,393,408	\$ 0	\$ 1,393,408	\$ 623,577
Total Deferred Inflow of Resources	\$ 1,393,408	\$ 0	\$ 1,393,408	\$ 623,577
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 11,731,849	\$ 632,870	\$ 12,364,719	\$ 4,652,046
Restricted for:				
Drug Control	22,123	0	22,123	0
Highway/Public Works	307,376	0	307,376	0
General Debt Service	16,970	0	16,970	0
Capital Projects	6,370	0	6,370	0
School Federal Projects	0	0	0	3,500
Central Cafeteria	0	0	0	106,097
Other Purposes	35,466	0	35,466	6,258
Unrestricted	1,251,774	(114,848)	1,136,926	(2,514,369)
Total Net Position	\$ 13,371,928	\$ 518,022	\$ 13,889,950	\$ 2,253,532

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, 2013

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Operating Grants and Contributions		Capital Grants and Contributions	Primary Government Business-type Activities		Total	Pickett County School Department		
		Charges for Services	Grants and Contributions		Governmental Activities	Business-type Activities				
Primary Government:										
Governmental Activities:										
General Government	\$ 545,975	\$ 51,054	\$ 20,233	\$ 0	\$ (474,688)	\$ 0	\$ (474,688)	\$ 0		
Finance	264,170	155,454	0	0	(108,716)	0	(108,716)	0		
Administration of Justice	323,400	107,101	9,000	0	(207,299)	0	(207,299)	0		
Public Safety	1,051,429	71,620	66,991	0	(912,818)	0	(912,818)	0		
Public Health and Welfare	784,679	535,146	23,551	0	(225,982)	0	(225,982)	0		
Social, Cultural, and Recreational Services	136,363	4,379	15,177	0	(116,807)	0	(116,807)	0		
Agriculture and Natural Resources	76,418	0	19,810	0	(56,608)	0	(56,608)	0		
Other Operations	303,402	0	0	130,193	(173,209)	0	(173,209)	0		
Highways/Public Works	1,559,532	0	1,212,229	0	(347,303)	0	(347,303)	0		
Interest on Long-term Debt	243,137	0	0	0	(243,137)	0	(243,137)	0		
Other Debt Service	2,892	120,000	0	0	117,108	0	117,108	0		
Total Governmental Activities	\$ 5,291,397	\$ 1,044,754	\$ 1,366,991	\$ 130,193	\$ (2,749,459)	\$ 0	\$ (2,749,459)	\$ 0		
Business-type Activities:										
Landfill	\$ 395,177	\$ 89,840	\$ 0	\$ 0	\$ 0	\$ (305,337)	\$ (305,337)	\$ 0		
Total Business-type Activities	\$ 395,177	\$ 89,840	\$ 0	\$ 0	\$ 0	\$ (305,337)	\$ (305,337)	\$ 0		
Total Primary Government	\$ 5,686,574	\$ 1,134,594	\$ 1,366,991	\$ 130,193	\$ (2,749,459)	\$ (305,337)	\$ (3,054,796)	\$ 0		
Component Unit:										
School Department	\$ 6,441,060	\$ 137,108	\$ 932,772	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,371,180)		
Total Component Unit	\$ 6,441,060	\$ 137,108	\$ 932,772	\$ 0	\$ 0	\$ 0	\$ 0	\$ (5,371,180)		

(Continued)

Exhibit B

Pickett County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Pickett County School Department	
					Governmental Activities	Business-type Activities		
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 1,208,386	\$ 238,062	\$ 1,446,448	\$ 604,201
Property Taxes Levied for Debt Service					141,413	0	141,413	0
Local Option Sales Taxes					213,591	0	213,591	223,899
Wheel Tax					58,805	0	58,805	0
Wholesale Beer Tax					263,364	0	263,364	0
Other Local Taxes					39,844	0	39,844	24,375
Grants and Contributions Not Restricted to Specific Programs					563,898	7,449	571,347	4,416,346
Unrestricted Investment Income					6,265	1,754	8,019	6,428
Miscellaneous					213,070	989	214,059	16,442
Total General Revenues					\$ 2,708,636	\$ 248,254	\$ 2,956,890	\$ 5,291,691
Insurance Recovery					\$ 1,252	\$ 0	\$ 1,252	\$ 0
Change in Net Position Restatement - See Note I.D.9.					\$ (39,571)	\$ (57,083)	\$ (96,654)	\$ (79,489)
Net Position, July 1, 2012					0	0	0	(88,104)
Net Position, June 30, 2013					13,411,499	575,105	13,986,604	2,421,125
					\$ 13,371,928	\$ 518,022	\$ 13,889,950	\$ 2,253,532

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, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
ASSETS					
Cash	\$ 0	\$ 0	\$ 0	\$ 7,904	\$ 7,904
Equity in Pooled Cash and Investments	282,044	100,582	476,703	28,493	887,822
Accounts Receivable	387,138	800	0	36	387,974
Allowance for Uncollectibles	(36,645)	0	0	0	(36,645)
Due from Other Governments	172,741	209,174	0	0	381,915
Due from Other Funds	7,940	0	0	0	7,940
Property Taxes Receivable	1,335,119	0	156,305	0	1,491,424
Allowance for Uncollectible Property Taxes	(38,200)	0	(4,472)	0	(42,672)
Prepaid Items	0	5,158	11,500	0	16,658
Total Assets	\$ 2,110,137	\$ 315,714	\$ 640,036	\$ 36,433	\$ 3,102,320
LIABILITIES					
Accounts Payable	\$ 21,429	\$ 0	\$ 0	\$ 0	\$ 21,429
Payroll Deductions Payable	7,340	759	0	0	8,099
Due to Other Funds	0	0	0	7,940	7,940
Due to State of Tennessee	0	2,314	0	0	2,314
Total Liabilities	\$ 28,769	\$ 3,073	\$ 0	\$ 7,940	\$ 39,782
DEFERRED INFLOWS OF RESOURCES					
Deferred Current Property Taxes	\$ 1,247,375	\$ 0	\$ 146,033	\$ 0	\$ 1,393,408
Deferred Delinquent Property Taxes	46,729	0	5,470	0	52,199
Other Deferred/Unavailable Revenue	343,810	104,305	0	0	448,115
Total Deferred Inflows of Resources	\$ 1,637,914	\$ 104,305	\$ 151,503	\$ 0	\$ 1,893,722
FUND BALANCES					
Nonspendable:					
Prepaid Items	\$ 0	\$ 5,158	\$ 11,500	\$ 0	\$ 16,658
Restricted:					
Restricted for General Government	31,382	0	0	0	31,382
Restricted for Administration of Justice	2,445	0	0	0	2,445
Restricted for Public Safety	1,639	0	0	22,123	23,762
Restricted for Highways/Public Works	0	203,178	0	0	203,178
Restricted for Capital Outlay	0	0	0	6,370	6,370
Committed:					
Committed for Debt Service	0	0	477,033	0	477,033
Committed for Capital Projects	251,485	0	0	0	251,485
Unassigned	156,503	0	0	0	156,503
Total Fund Balances	\$ 443,454	\$ 208,336	\$ 488,533	\$ 28,493	\$ 1,168,816
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,110,137	\$ 315,714	\$ 640,036	\$ 36,433	\$ 3,102,320

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, 2013

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)		\$	1,168,816
(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		2,544,377	
Add: other capital assets net of accumulated depreciation		1,298,682	
Add: infrastructure net of accumulated depreciation		<u>10,022,659</u>	14,088,523
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(4,105,649)	
Add: bonds to be contributed by School Department to primary government		3,165,000	
Less: notes payable		(1,416,025)	
Less: accrued interest on bonds and notes		<u>(29,051)</u>	(2,385,725)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>500,314</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>13,371,928</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, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Revenues					
Local Taxes	\$ 1,780,849	\$ 0	\$ 201,265	\$ 0	\$ 1,982,114
Licenses and Permits	2,900	0	0	0	2,900
Fines, Forfeitures, and Penalties	30,228	0	0	12,102	42,330
Charges for Current Services	528,936	0	0	213	529,149
Other Local Revenues	30,060	205,233	120,000	2,175	357,468
Fees Received from County Officials	217,699	0	0	0	217,699
State of Tennessee	560,379	1,187,033	0	0	1,747,412
Federal Government	57,912	25,196	0	62,900	146,008
Other Governments and Citizens Groups	44,625	0	358,335	0	402,960
Total Revenues	\$ 3,253,588	\$ 1,417,462	\$ 679,600	\$ 77,390	\$ 5,428,040
Expenditures					
Current:					
General Government	\$ 469,200	\$ 0	\$ 0	\$ 0	\$ 469,200
Finance	226,674	0	0	213	226,887
Administration of Justice	275,606	0	0	0	275,606
Public Safety	836,467	0	0	14,210	850,677
Public Health and Welfare	618,521	0	0	915	619,436
Social, Cultural, and Recreational Services	112,073	0	0	0	112,073
Agriculture and Natural Resources	67,877	0	0	0	67,877
Other Operations	599,914	0	0	62,100	662,014
Highways	0	1,367,031	0	0	1,367,031
Debt Service:					
Principal on Debt	0	172,476	377,636	0	550,112
Interest on Debt	0	56,422	183,956	0	240,378
Other Debt Service	0	0	2,892	0	2,892
Capital Projects	50,000	0	0	0	50,000
Total Expenditures	\$ 3,256,332	\$ 1,595,929	\$ 564,484	\$ 77,438	\$ 5,494,183
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,744)	\$ (178,467)	\$ 115,116	\$ (48)	\$ (66,143)
Other Financing Sources (Uses)					
Insurance Recovery	\$ 1,252	\$ 0	\$ 0	\$ 0	\$ 1,252
Total Other Financing Sources (Uses)	\$ 1,252	\$ 0	\$ 0	\$ 0	\$ 1,252
Net Change in Fund Balances	\$ (1,492)	\$ (178,467)	\$ 115,116	\$ (48)	\$ (64,891)
Fund Balance, July 1, 2012	444,946	386,803	373,417	28,541	1,233,707
Fund Balance, June 30, 2013	\$ 443,454	\$ 208,336	\$ 488,533	\$ 28,493	\$ 1,168,816

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, 2013

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)		\$ (64,891)
(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	\$ 50,000	
Less: current-year depreciation expense	<u>(394,567)</u>	(344,567)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 500,314	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(447,780)</u>	52,534
(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 net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on notes	\$ 250,595	
Add: principal payments on bonds	299,518	
Less: bonds contributed by School Department to the primary government	<u>(230,000)</u>	320,113
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in accrued interest payable		<u>(2,760)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (39,571)</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,780,849	\$ 1,743,584	\$ 1,762,994	\$ 17,855
Licenses and Permits	2,900	3,750	3,750	(850)
Fines, Forfeitures, and Penalties	30,228	25,975	25,975	4,253
Charges for Current Services	528,936	505,900	505,900	23,036
Other Local Revenues	30,060	32,674	32,674	(2,614)
Fees Received from County Officials	217,699	210,700	210,700	6,999
State of Tennessee	560,379	524,400	524,400	35,979
Federal Government	57,912	68,000	68,000	(10,088)
Other Governments and Citizens Groups	44,625	44,625	44,625	0
Total Revenues	\$ 3,253,588	\$ 3,159,608	\$ 3,179,018	\$ 74,570
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 26,388	\$ 32,382	\$ 32,382	\$ 5,994
Board of Equalization	0	200	200	200
Beer Board	2,352	2,650	2,650	298
County Mayor/Executive	120,799	120,994	122,494	1,695
County Attorney	9,380	10,000	10,000	620
Election Commission	101,513	110,122	110,307	8,794
Register of Deeds	59,595	61,740	61,820	2,225
County Buildings	149,173	155,216	155,816	6,643
<u>Finance</u>				
Property Assessor's Office	61,614	62,789	62,864	1,250
County Trustee's Office	86,000	84,267	86,881	881
County Clerk's Office	79,060	78,725	79,088	28
<u>Administration of Justice</u>				
Circuit Court	89,396	83,546	89,422	26
General Sessions Judge	73,487	70,687	72,587	(900)
Chancery Court	57,612	57,776	58,006	394
Juvenile Court	11,113	11,433	11,433	320
Judicial Commissioners	6,006	6,106	6,106	100
Probation Services	37,992	37,993	37,993	1
<u>Public Safety</u>				
Sheriff's Department	433,360	476,918	458,631	25,271
Drug Enforcement	336	500	500	164
Jail	341,400	332,751	365,480	24,080
Fire Prevention and Control	40,000	40,000	40,000	0
Other Emergency Management	3,000	3,000	3,000	0
County Coroner/Medical Examiner	9,759	5,000	11,609	1,850
Other Public Safety	8,612	8,612	8,612	0
<u>Public Health and Welfare</u>				
Local Health Center	19,024	20,492	20,492	1,468
Ambulance/Emergency Medical Services	532,990	512,758	538,558	5,568
Regional Mental Health Center	2,274	2,274	2,274	0
Appropriation to State	7,582	7,582	7,582	0
Sanitation Management	37,767	39,200	39,200	1,433
Other Public Health and Welfare	18,884	30,575	30,575	11,691

(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	\$ 21,000	\$ 12,500	\$ 21,000	\$ 0
Libraries	55,744	49,683	55,765	21
Other Social, Cultural, and Recreational	35,329	34,969	35,503	174
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	23,316	29,190	29,300	5,984
Soil Conservation	44,561	43,600	43,800	(761)
<u>Other Operations</u>				
Tourism	20,000	20,000	20,000	0
Industrial Development	239	1,000	1,000	761
Other Economic and Community Development	67,293	5,000	5,000	(62,293)
Veterans' Services	17,788	17,556	17,831	43
Other Charges	121,570	118,021	128,917	7,347
Contributions to Other Agencies	3,350	2,850	3,850	500
Employee Benefits	361,817	338,071	348,047	(13,770)
Miscellaneous	7,857	15,000	15,500	7,643
<u>Capital Projects</u>				
Administration of Justice Projects	50,000	0	50,000	0
Total Expenditures	\$ 3,256,332	\$ 3,153,728	\$ 3,302,075	\$ 45,743
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,744)	\$ 5,880	\$ (123,057)	\$ 120,313
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,252	\$ 0	\$ 5,988	\$ (4,736)
Total Other Financing Sources	\$ 1,252	\$ 0	\$ 5,988	\$ (4,736)
Net Change in Fund Balance	\$ (1,492)	\$ 5,880	\$ (117,069)	\$ 115,577
Fund Balance, July 1, 2012	444,946	414,853	414,853	30,093
Fund Balance, June 30, 2013	\$ 443,454	\$ 420,733	\$ 297,784	\$ 145,670

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 205,233	\$ 0	\$ 205,000	\$ 233
State of Tennessee	1,187,033	1,203,696	1,203,696	(16,663)
Federal Government	25,196	0	20,000	5,196
Total Revenues	<u>\$ 1,417,462</u>	<u>\$ 1,203,696</u>	<u>\$ 1,428,696</u>	<u>\$ (11,234)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 93,694	\$ 84,513	\$ 96,163	\$ 2,469
Highway and Bridge Maintenance	756,662	617,825	894,825	138,163
Operation and Maintenance of Equipment	309,485	328,000	346,100	36,615
Quarry Operations	1,852	1,200	1,200	(652)
Other Charges	41,832	55,020	51,270	9,438
Employee Benefits	138,588	150,500	142,500	3,912
Capital Outlay	24,918	0	25,000	82
<u>Principal on Debt</u>				
General Government	0	225,184	0	0
Highways and Streets	172,476	0	172,436	(40)
<u>Interest on Debt</u>				
Highways and Streets	56,422	0	52,748	(3,674)
Total Expenditures	<u>\$ 1,595,929</u>	<u>\$ 1,462,242</u>	<u>\$ 1,782,242</u>	<u>\$ 186,313</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (178,467)</u>	<u>\$ (258,546)</u>	<u>\$ (353,546)</u>	<u>\$ 175,079</u>
Net Change in Fund Balance	\$ (178,467)	\$ (258,546)	\$ (353,546)	\$ 175,079
Fund Balance, July 1, 2012	386,803	264,013	264,013	122,790
Fund Balance, June 30, 2013	<u>\$ 208,336</u>	<u>\$ 5,467</u>	<u>\$ (89,533)</u>	<u>\$ 297,869</u>

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, 2013

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 9,567
Equity in Pooled Cash and Investments	1,088,697
Accounts Receivable	13,436
Property Taxes Receivable	212,993
Allowance for Uncollectible Property Taxes	(6,094)
Total Current Assets	<u>\$ 1,318,599</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 110,900
Assets Net of Accumulated Depreciation:	
Landfill Facilities and Development	174,476
Buildings and Improvements	97,565
Machinery and Equipment	249,929
Total Noncurrent Assets	<u>\$ 632,870</u>
Total Assets	<u>\$ 1,951,469</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 780
Payroll Deductions Payable	582
Total Current Liabilities	<u>\$ 1,362</u>
Noncurrent Liabilities:	
Due Within One Year	\$ 13,235
Due in More Than One Year	1,418,850
Total Noncurrent Liabilities	<u>\$ 1,432,085</u>
Total Liabilities	<u>\$ 1,433,447</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 632,870
Unrestricted	(114,848)
Total Net Position	<u>\$ 518,022</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 Fund
For the Year Ended June 30, 2013

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 89,840
Other Local Revenues	7,203
Total Operating Revenues	<u>\$ 97,043</u>
<u>Operating Expenses</u>	
Landfill Operation and Maintenance	\$ 360,056
Depreciation	35,121
Total Operating Expenses	<u>\$ 395,177</u>
Operating Income (Loss)	<u>\$ (298,134)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 238,062
Grants	246
Investment Income	1,754
Miscellaneous Refunds	989
Total Nonoperating Revenues (Expenses)	<u>\$ 241,051</u>
Change in Net Position	\$ (57,083)
Net Position, July 1, 2012	<u>575,105</u>
Net Position, June 30, 2013	<u><u>\$ 518,022</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, 2013

	Business-type Activities - Major Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 100,017
Payments to Suppliers	(102,766)
Payments to Employees	(144,318)
Other Payments	(25,552)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (172,619)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 234,247
Grants Received	1,235
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 235,482</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (22,000)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ (22,000)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 1,754
Net Cash Provided By (Used In) Investing Activities	<u>\$ 1,754</u>
Net Increase (Decrease) in Cash	\$ 42,617
Cash, July 1, 2012	<u>1,055,647</u>
Cash, June 30, 2013	<u>\$ 1,098,264</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (298,134)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided By (Used In) Operating Activities:	
Depreciation Expense	35,121
(Increase) Decrease in Accounts Receivable	2,974
Increase (Decrease) in Accounts Payable	531
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	<u>86,889</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (172,619)</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	\$ 9,567
Equity in Pooled Cash and Investments Per Net Position	<u>1,088,697</u>
Cash, June 30, 2013	<u>\$ 1,098,264</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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 97,313
Due from Other Governments	<u>31,505</u>
Total Assets	<u><u>\$ 128,818</u></u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 97,313
Due to Other Taxing Units	<u>31,505</u>
Total Liabilities	<u><u>\$ 128,818</u></u>

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

PICKETT COUNTY, TENNESSEE
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PICKETT COUNTY, TENNESSEE
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PICKETT COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 2013.

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 Inflows/Outflows 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 1.6 percent of total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as 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. However, the School Department's policy does permit 12-month support personnel to accumulate earned but unused vacation benefits not to exceed 40 days; however, any accumulated vacation leave has no guaranteed payment upon termination. All support personnel vacation pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

All professional personnel (teachers) of the School Department are allowed to accumulate unlimited sick leave days. The granting of sick leave has no guaranteed payment provision, and therefore, is not required to be accrued or recorded. Support personnel are compensated for any sick days not used each year.

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 invested in capital assets, net of related debt.

As of June 30, 2013, Pickett County had \$3,165,000 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.

9. Restatement

Net position of the governmental funds for the discretely presented School Department was restated \$88,104 from the prior year because of the implementation of GASB Statement No. 65, which requires debt issuance costs to be expensed. Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt

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

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

The Solid Waste Disposal Fund had a deficit of \$114,848 in unrestricted net position at June 30, 2013. This deficit resulted from the recognition of a liability of \$1,432,085 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in four of 44 major appropriation categories (the legal level of control) of the General Fund by amounts ranging from \$761 to 62,293, and in three of ten major appropriation categories of the Highway/Public Works Fund by amounts ranging from \$40 to \$3,674. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balances.

D. Appropriations Exceeded Estimated Available Funds

The budget and subsequent amendments approved by the County Commission for the Highway/Public Works, Drug Control, and Central Cafeteria funds resulted in appropriations exceeding estimated available funding by \$89,533, \$10,641, and \$2,746, respectively.

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, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Balance 6-30-13
Capital Assets Not Depreciated:			
Land	\$ 222,805	\$ 0	\$ 222,805
Total Capital Assets Not Depreciated	<u>\$ 222,805</u>	<u>\$ 0</u>	<u>\$ 222,805</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 4,269,511	\$ 50,000	\$ 4,319,511
Infrastructure	12,887,313	0	12,887,313
Other Capital Assets	2,955,888	0	2,955,888
Total Capital Assets Depreciated	<u>\$ 20,112,712</u>	<u>\$ 50,000</u>	<u>\$ 20,162,712</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 1,698,754	\$ 76,380	\$ 1,775,134
Infrastructure	2,744,652	120,002	2,864,654
Other Capital Assets	1,459,021	198,185	1,657,206
Total Accumulated Depreciation	<u>\$ 5,902,427</u>	<u>\$ 394,567</u>	<u>\$ 6,296,994</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,210,285</u>	<u>\$ (344,567)</u>	<u>\$ 13,865,718</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,433,090</u>	<u>\$ (344,567)</u>	<u>\$ 14,088,523</u>

There were no decreases in capital assets to report during the year ended June 30, 2013.

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

Governmental Activities:

General Government	\$	16,576
Public Safety		100,986
Public Health and Welfare		74,771
Social, Cultural, and Recreational Services		9,733
Highways/Public Works		<u>192,501</u>
Total Depreciation Expense - Governmental Activities	<u>\$</u>	<u>394,567</u>

Business-type Activities:

	Balance 7-1-12	Increases	Balance 6-30-13
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	762,544	22,000	784,544
Total Capital Assets Depreciated	<u>\$ 1,264,482</u>	<u>\$ 22,000</u>	<u>\$ 1,286,482</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 128,950	\$ 7,120	\$ 136,070
Landfill Facilities and Development	84,944	8,883	93,827
Machinery and Equipment	515,497	19,118	534,615
Total Accumulated Depreciation	<u>\$ 729,391</u>	<u>\$ 35,121</u>	<u>\$ 764,512</u>
Total Capital Assets Depreciated, Net	<u>\$ 535,091</u>	<u>\$ (13,121)</u>	<u>\$ 521,970</u>
Business-type Activities Capital Assets, Net	<u>\$ 645,991</u>	<u>\$ (13,121)</u>	<u>\$ 632,870</u>

There were no decreases in capital assets to report during the year ended June 30, 2013.

Depreciation expense of \$35,121 was recorded by the Solid Waste Disposal Fund.

Discretely Presented Pickett County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Balance 6-30-13
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	742,372	90,990	833,362
Total Capital Assets Depreciated	<u>\$ 7,851,034</u>	<u>\$ 90,990</u>	<u>\$ 7,942,024</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,537,448	\$ 177,585	\$ 2,715,033
Other Capital Assets	565,746	32,154	597,900
Total Accumulated Depreciation	<u>\$ 3,103,194</u>	<u>\$ 209,739</u>	<u>\$ 3,312,933</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,747,840</u>	<u>\$ (118,749)</u>	<u>\$ 4,629,091</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,770,795</u>	<u>\$ (118,749)</u>	<u>\$ 4,652,046</u>

There were no decreases in capital assets to report during the year ended June 30, 2013.

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

Governmental Activities:

Instruction	\$ 142,534
Support Services	41,007
Operation of Non-Instructional Services	<u>26,198</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 209,739</u></u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2013 was as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General	Nonmajor governmental	\$ 7,940

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

Due to/from Primary Government and Component Units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government: General Debt Service	Component Unit: School Department: General Purpose School	\$ 3,165,000

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 and Notes

Pickett County issues general obligation bonds 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. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds and capital outlay notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds and capital outlay notes were issued for original terms of up to 39 years for bonds and up to 12 years for notes. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in

long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund. Notes included in long-term debt as of June 30, 2013, will be retired from the General Debt Service and Highway/Public Works funds.

General obligation bonds and capital outlay notes outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	4.125 to 6 %	6-1-33	\$ 2,015,000	\$ 940,649
General Obligation Bonds - Refunding	3 to 4.2	6-1-24	4,100,000	3,165,000
Capital Outlay Notes	3.24 to 4.1	11-1-23	2,260,920	1,416,025

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2013, including interest payments, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 444,426	\$ 46,720	\$ 491,146
2015	135,155	34,387	169,542
2016	137,797	29,123	166,920
2017	143,215	23,661	166,876
2018	149,094	17,978	167,072
2019-2023	380,038	32,147	412,185
2024	26,300	231	26,531
Total	\$ 1,416,025	\$ 184,247	\$ 1,600,272

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 315,846	\$ 168,687	\$ 484,533
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
2019-2023	1,922,033	348,445	2,270,478
2024-2028	424,765	41,755	466,520
2029-2033	74,794	9,962	84,756
Total	<u>\$ 4,105,649</u>	<u>\$ 1,122,044</u>	<u>\$ 5,227,693</u>

There is \$488,533 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and notes totaled \$1,088, based on the 2010 federal census.

The School Department is currently servicing some of 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. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>Bonds</u>	
<u>Contributions from General Purpose School Fund</u>	
School Refunding Bond, Series 2009	\$ 3,165,000

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2012	\$ 1,010,167	\$ 1,666,620
Reclassification of School Debt	3,395,000	0
Reductions	<u>(299,518)</u>	<u>(250,595)</u>
Balance, June 30, 2013	<u>\$ 4,105,649</u>	<u>\$ 1,416,025</u>
Balance Due Within One Year	<u>\$ 315,846</u>	<u>\$ 444,426</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 5,521,674
Less: Balance Due Within One Year	<u>(760,272)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,761,402</u>

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, 2013, was as follows:

	<u>Postclosure Care Costs</u>
Balance, July 1, 2012	\$ 1,345,196
Additions	88,039
Reductions	<u>(1,150)</u>
Balance, June 30, 2013	<u>\$ 1,432,085</u>
Balance Due Within One Year	<u>\$ 13,235</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 1,432,085
Less: Balance Due Within One Year	<u>(13,235)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,418,850</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, 2013, was as follows:

Governmental Activities:

	Bonds	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 3,395,000	\$ 10,721	\$ 210,515
Additions	0	3,206	86,483
Deductions	0	(3,373)	(21,625)
Reclassification of School Debt	(3,395,000)	0	0
Balance, June 30, 2013	\$ 0	\$ 10,554	\$ 275,373
Balance Due Within One Year	\$ 0	\$ 3,206	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 285,927
Less: Balance Due Within One Year	<u>(3,206)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 282,721</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, 2013, were \$23,613 and \$7,832, 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, 2013, was as follows:

Fund	Balance 7-1-12	Issued	Paid	Balance 6-30-13
Primary Government:				
General	\$ 0	\$ 359,936	\$ (359,936)	\$ 0

V. OTHER INFORMATION

A. Risk Management

Primary Government

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

Pickett County does not provide health insurance for its employees.

Discretely Presented Pickett County School Department

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

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

B. Accounting Changes

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Events

On July 22, 2013, the county's Solid Waste Disposal Fund loaned \$475,000 in a tax anticipation note to the General Fund for temporary operating funds.

On December 18, 2013, Pickett County received public building authority loans totaling \$1,483,000 to refund existing debt and for the purchase of highway equipment.

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. Change in Administration

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

F. 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 \$1,432,085 reported as landfill closure and postclosure care liability at June 30, 2013, represents the cumulative amount reported to date based on the use of 30 percent of the estimated capacity of the Highway 325 landfill (\$1,260,124) and for the landfill closed in 1994 (\$171,961). The \$1,432,085 reported as closure and postclosure care liability at June 30, 2013, represents amounts based on what it would cost to perform all closure/postclosure care in 2013. The county will recognize the remaining estimated costs of closure and postclosure care of \$2,940,290 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.

G. 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, 2013. 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

H. Jointly Governed Organization

The Pickett County Emergency Communications District merged with the Overton County Emergency Communications District to form the Overton/Pickett County Emergency Communications District (OPCECD). The merger was adopted by both boards with an effective date of February 1, 2002. The board of the OPCECD includes 13 members; four are appointed by the Pickett County Commission, and the remaining nine are appointed by the Overton County Commission. Pickett County does not have any ongoing financial interest or responsibility for the entity. Complete financial statements for the Overton/Pickett Emergency Communications District can be obtained from its administrative office at 255 Industrial Drive, Livingston, TN 38570.

I. Retirement Commitments

1. Plan Description

Employees of Pickett County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service.

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

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

Funding Policy

Pickett County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 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 SETHEPP. 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.

J. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, the discretely presented Pickett County School Department contributed \$21,625 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 87,000
Interest on the NOPEBO	8,421
Adjustment to the ARC	<u>(8,938)</u>
Annual OPEB cost	\$ 86,483
Amount of contribution	<u>(21,625)</u>
Increase/decrease in NOPEBO	\$ 64,858
Net OPEB obligation, 7-1-12	<u>210,515</u>
 Net OPEB obligation, 6-30-13	 <u><u>\$ 275,373</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Education Group	\$ 65,250	37 %	\$ 146,273
6-30-12	"	85,640	25	210,515
6-30-13	"	86,483	25	275,373

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both 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.

K. Purchasing Laws

Office of County Executive

The County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, *Tennessee Code Annotated (TCA)*, provide for all purchases exceeding \$10,000 (excluding emergency purchases) to be made based on competitive bids solicited through newspaper advertisement.

Office of Road Superintendent

Purchasing procedures for the Road Department were governed by Chapter 104, Private Acts of 1957, and provisions of the Uniform Road Law, Section 54-7-113, *TCA*, which provide for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids.

Office of Director of Schools

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Pickett County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Pickett County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial 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

Exhibit F-2

Pickett County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Pickett County School Department
June 30, 2013

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

PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

**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.

Health Department Projects Fund – The Health Department Projects Fund is used to account for revenues received from the State of Tennessee to be used for Health Department projects. This fund was closed 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.

	Special Revenue Funds		Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constituti- onal Officers - Fees	Total	Industrial Park Projects	HUD Grant Projects	Total	
ASSETS							
Cash	\$ 0	\$ 7,904	\$ 7,904	\$ 0	\$ 0	\$ 0	\$ 7,904
Equity in Pooled Cash and Investments	22,123	0	22,123	5,570	800	6,370	28,493
Accounts Receivable	0	36	36	0	0	0	36
Total Assets	\$ 22,123	\$ 7,940	\$ 30,063	\$ 5,570	\$ 800	\$ 6,370	\$ 36,433
LIABILITIES							
Due to Other Funds	\$ 0	\$ 7,940	\$ 7,940	\$ 0	\$ 0	\$ 0	\$ 7,940
Total Liabilities	\$ 0	\$ 7,940	\$ 7,940	\$ 0	\$ 0	\$ 0	\$ 7,940
FUND BALANCES							
Restricted:							
Restricted for Public Safety	\$ 22,123	\$ 0	\$ 22,123	\$ 0	\$ 0	\$ 0	\$ 22,123
Restricted for Capital Outlay	0	0	0	5,570	800	6,370	6,370
Total Fund Balances	\$ 22,123	\$ 0	\$ 22,123	\$ 5,570	\$ 800	\$ 6,370	\$ 28,493
Total Liabilities and Fund Balances	\$ 22,123	\$ 7,940	\$ 30,063	\$ 5,570	\$ 800	\$ 6,370	\$ 36,433

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, 2013

	Special Revenue Funds			Capital Projects Funds				Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Industrial Park Projects	Health Department Projects	HUD Grant Projects	Total	
Revenues								
Fines, Forfeitures, and Penalties	\$ 12,102	\$ 0	\$ 12,102	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,102
Charges for Current Services	0	213	213	0	0	0	0	213
Other Local Revenues	2,174	0	2,174	0	1	0	1	2,175
Federal Government	0	0	0	0	0	62,900	62,900	62,900
Total Revenues	\$ 14,276	\$ 213	\$ 14,489	\$ 0	\$ 1	\$ 62,900	\$ 62,901	\$ 77,390
Expenditures								
Current:								
Finance	\$ 0	\$ 213	\$ 213	\$ 0	\$ 0	\$ 0	\$ 0	\$ 213
Public Safety	14,210	0	14,210	0	0	0	0	14,210
Public Health and Welfare	0	0	0	0	915	0	915	915
Other Operations	0	0	0	0	0	62,100	62,100	62,100
Total Expenditures	\$ 14,210	\$ 213	\$ 14,423	\$ 0	\$ 915	\$ 62,100	\$ 63,015	\$ 77,438
Excess (Deficiency) of Revenues Over Expenditures	\$ 66	\$ 0	\$ 66	\$ 0	\$ (914)	\$ 800	\$ (114)	\$ (48)
Net Change in Fund Balances Fund Balance, July 1, 2012	\$ 22,057	\$ 0	\$ 22,057	\$ 5,570	\$ 914	\$ 800	\$ 6,484	\$ 28,541
Fund Balance, June 30, 2013	\$ 22,123	\$ 0	\$ 22,123	\$ 5,570	\$ 0	\$ 800	\$ 6,370	\$ 28,493

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,102	\$ 3,941	\$ 3,941	\$ 8,161
Other Local Revenues	2,174	0	0	2,174
Total Revenues	<u>\$ 14,276</u>	<u>\$ 3,941</u>	<u>\$ 3,941</u>	<u>\$ 10,335</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 14,210	\$ 1,500	\$ 28,052	\$ 13,842
Total Expenditures	<u>\$ 14,210</u>	<u>\$ 1,500</u>	<u>\$ 28,052</u>	<u>\$ 13,842</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 66</u>	<u>\$ 2,441</u>	<u>\$ (24,111)</u>	<u>\$ 24,177</u>
Net Change in Fund Balance	\$ 66	\$ 2,441	\$ (24,111)	\$ 24,177
Fund Balance, July 1, 2012	22,057	13,470	13,470	8,587
Fund Balance, June 30, 2013	<u>\$ 22,123</u>	<u>\$ 15,911</u>	<u>\$ (10,641)</u>	<u>\$ 32,764</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 201,265	\$ 193,071	\$ 197,846	\$ 3,419
Other Local Revenues	120,000	120,000	120,000	0
Other Governments and Citizens Groups	358,335	0	358,335	0
Total Revenues	<u>\$ 679,600</u>	<u>\$ 313,071</u>	<u>\$ 676,181</u>	<u>\$ 3,419</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 147,636	\$ 146,634	\$ 147,692	\$ 56
Education	230,000	0	230,000	0
<u>Interest on Debt</u>				
General Government	55,621	54,496	55,621	0
Education	128,335	0	128,335	0
<u>Other Debt Service</u>				
General Government	2,892	2,000	5,717	2,825
Total Expenditures	<u>\$ 564,484</u>	<u>\$ 203,130</u>	<u>\$ 567,365</u>	<u>\$ 2,881</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 115,116</u>	<u>\$ 109,941</u>	<u>\$ 108,816</u>	<u>\$ 6,300</u>
Net Change in Fund Balance	\$ 115,116	\$ 109,941	\$ 108,816	\$ 6,300
Fund Balance, July 1, 2012	<u>373,417</u>	<u>367,417</u>	<u>367,417</u>	<u>6,000</u>
Fund Balance, June 30, 2013	<u>\$ 488,533</u>	<u>\$ 477,358</u>	<u>\$ 476,233</u>	<u>\$ 12,300</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, 2013

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 97,313	\$ 97,313
Due from Other Governments	31,505	0	31,505
Total Assets	<u>\$ 31,505</u>	<u>\$ 97,313</u>	<u>\$ 128,818</u>
<u>LIABILITIES</u>			
Due to Litigants, Heirs, and Others	\$ 0	\$ 97,313	\$ 97,313
Due to Other Taxing Units	31,505	0	31,505
Total Liabilities	<u>\$ 31,505</u>	<u>\$ 97,313</u>	<u>\$ 128,818</u>

Exhibit I-2

Pickett County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 159,131	\$ 159,131	\$ 0
Due from Other Governments	29,384	31,505	29,384	31,505
Total Assets	\$ 29,384	\$ 190,636	\$ 188,515	\$ 31,505
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 29,384	\$ 190,636	\$ 188,515	\$ 31,505
Total Liabilities	\$ 29,384	\$ 190,636	\$ 188,515	\$ 31,505
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 87,787	\$ 1,254,484	\$ 1,244,958	\$ 97,313
Accounts Receivable	961	0	961	0
Total Assets	\$ 88,748	\$ 1,254,484	\$ 1,245,919	\$ 97,313
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 88,748	\$ 1,254,484	\$ 1,245,919	\$ 97,313
Total Liabilities	\$ 88,748	\$ 1,254,484	\$ 1,245,919	\$ 97,313
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 87,787	\$ 1,254,484	\$ 1,244,958	\$ 97,313
Equity in Pooled Cash and Investments	0	159,131	159,131	0
Accounts Receivable	961	0	961	0
Due from Other Governments	29,384	31,505	29,384	31,505
Total Assets	\$ 118,132	\$ 1,445,120	\$ 1,434,434	\$ 128,818
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 88,748	\$ 1,254,484	\$ 1,245,919	\$ 97,313
Due to Other Taxing Units	29,384	190,636	188,515	31,505
Total Liabilities	\$ 118,132	\$ 1,445,120	\$ 1,434,434	\$ 128,818

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, 2013

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position Total Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 3,599,218	\$ 0	\$ 340,108	\$ (3,259,110)
Support Services	1,946,808	630	194,928	(1,751,250)
Operation of Non-Instructional Services	753,619	136,478	397,736	(219,405)
Interest on Long-term Debt	117,640	0	0	(117,640)
Other Debt Service	23,775	0	0	(23,775)
Total Governmental Activities	\$ 6,441,060	\$ 137,108	\$ 932,772	\$ (5,371,180)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 604,201
Local Option Sales Taxes				223,899
Other Local Taxes				24,375
Grants and Contributions Not Restricted to Specific Programs				4,416,346
Unrestricted Investment Income				6,428
Miscellaneous				16,442
Total General Revenues				\$ 5,291,691
Change in Net Position				\$ (79,489)
Restatement - See Note I.D.9.				(88,104)
Net Position, July 1, 2012				2,421,125
Net Position, June 30, 2013				<u>\$ 2,253,532</u>

Exhibit J-2

Pickett County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 752,111	\$ 106,821	\$ 858,932
Due from Other Governments	127,652	81,193	208,845
Property Taxes Receivable	667,441	0	667,441
Allowance for Uncollectible Property Taxes	(19,096)	0	(19,096)
Total Assets	<u>\$ 1,528,108</u>	<u>\$ 188,014</u>	<u>\$ 1,716,122</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 11,715	\$ 28,417	\$ 40,132
Total Liabilities	<u>\$ 11,715</u>	<u>\$ 28,417</u>	<u>\$ 40,132</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 623,577	\$ 0	\$ 623,577
Deferred Delinquent Property Taxes	23,361	0	23,361
Other Deferred/Unavailable Revenue	46,246	0	46,246
Total Deferred Inflows of Resources	<u>\$ 693,184</u>	<u>\$ 0</u>	<u>\$ 693,184</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 6,258	\$ 109,597	\$ 115,855
Committed:			
Committed for Education	268,919	0	268,919
Assigned:			
Assigned for Education	0	50,000	50,000
Unassigned	548,032	0	548,032
Total Fund Balances	<u>\$ 823,209</u>	<u>\$ 159,597</u>	<u>\$ 982,806</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,528,108</u>	<u>\$ 188,014</u>	<u>\$ 1,716,122</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, 2013

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)		\$	982,806
(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		4,393,629	
Add: other capital assets net of accumulated depreciation		<u>235,462</u>	4,652,046
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds to be contributed on primary government debt	\$	(3,165,000)	
Less: compensated absences payable		(10,554)	
Less: other postemployment benefits liability		<u>(275,373)</u>	(3,450,927)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>69,607</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>2,253,532</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, 2013

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General	Other	Total
	Purpose	Govern- mental	Governmental
	School	Funds	Funds
<u>Revenues</u>			
Local Taxes	\$ 1,049,466	\$ 0	\$ 1,049,466
Licenses and Permits	195	0	195
Charges for Current Services	630	136,478	137,108
Other Local Revenues	22,692	178	22,870
State of Tennessee	4,091,594	15,066	4,106,660
Federal Government	135,760	916,695	1,052,455
Total Revenues	<u>\$ 5,300,337</u>	<u>\$ 1,068,417</u>	<u>\$ 6,368,754</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,983,939	\$ 407,887	\$ 3,391,826
Support Services	1,868,073	128,885	1,996,958
Operation of Non-Instructional Services	153,418	574,003	727,421
Debt Service:			
Principal on Debt	230,000	0	230,000
Interest on Debt	128,335	0	128,335
Total Expenditures	<u>\$ 5,363,765</u>	<u>\$ 1,110,775</u>	<u>\$ 6,474,540</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (63,428)</u>	<u>\$ (42,358)</u>	<u>\$ (105,786)</u>
Net Change in Fund Balances	\$ (63,428)	\$ (42,358)	\$ (105,786)
Fund Balance, July 1, 2012	886,637	201,955	1,088,592
Fund Balance, June 30, 2013	<u>\$ 823,209</u>	<u>\$ 159,597</u>	<u>\$ 982,806</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, 2013

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)		\$ (105,786)
(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	\$ 90,990	
Less: current-year depreciation expense	<u>(209,739)</u>	(118,749)
(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, 2013	\$ 69,607	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(76,790)</u>	(7,183)
(3) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any affect on net position.		
Add: principal payments on bonds for primary government	\$ 230,000	
Add: change in premium on debt issuances for primary government	50,109	
Less: change in deferred amount on refunding debt for primary government	<u>(73,884)</u>	206,225
(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	\$ 10,695	
Change in compensated absences payable	167	
Change in other postemployment benefits liability	<u>(64,858)</u>	<u>(53,996)</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (79,489)</u>

Exhibit J-6

Pickett County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2013

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 36,791	\$ 70,030	\$ 106,821
Due from Other Governments	16,709	64,484	81,193
Total Assets	<u>\$ 53,500</u>	<u>\$ 134,514</u>	<u>\$ 188,014</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 28,417	\$ 28,417
Total Liabilities	<u>\$ 0</u>	<u>\$ 28,417</u>	<u>\$ 28,417</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 3,500	\$ 106,097	\$ 109,597
Assigned:			
Assigned for Education	50,000	0	50,000
Total Fund Balances	<u>\$ 53,500</u>	<u>\$ 106,097</u>	<u>\$ 159,597</u>
Total Liabilities and Fund Balances	<u>\$ 53,500</u>	<u>\$ 134,514</u>	<u>\$ 188,014</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, 2013

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 136,478	\$ 136,478
Other Local Revenues	0	178	178
State of Tennessee	10,000	5,066	15,066
Federal Government	524,025	392,670	916,695
Total Revenues	<u>\$ 534,025</u>	<u>\$ 534,392</u>	<u>\$ 1,068,417</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 407,887	\$ 0	\$ 407,887
Support Services	128,885	0	128,885
Operation of Non-Instructional Services	0	574,003	574,003
Total Expenditures	<u>\$ 536,772</u>	<u>\$ 574,003</u>	<u>\$ 1,110,775</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,747)</u>	<u>\$ (39,611)</u>	<u>\$ (42,358)</u>
Net Change in Fund Balances	\$ (2,747)	\$ (39,611)	\$ (42,358)
Fund Balance, July 1, 2012	<u>56,247</u>	<u>145,708</u>	<u>201,955</u>
Fund Balance, June 30, 2013	<u>\$ 53,500</u>	<u>\$ 106,097</u>	<u>\$ 159,597</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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,049,466	\$ 1,042,456	\$ 1,045,456	\$ 4,010
Licenses and Permits	195	200	200	(5)
Charges for Current Services	630	600	600	30
Other Local Revenues	22,692	37,500	37,500	(14,808)
State of Tennessee	4,091,594	4,062,721	4,098,466	(6,872)
Federal Government	135,760	51,000	51,000	84,760
Total Revenues	\$ 5,300,337	\$ 5,194,477	\$ 5,233,222	\$ 67,115
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,446,693	\$ 2,441,436	\$ 2,505,237	\$ 58,544
Special Education Program	279,764	284,900	284,900	5,136
Vocational Education Program	257,482	258,120	258,119	637
<u>Support Services</u>				
Attendance	36,607	38,795	38,795	2,188
Health Services	134,464	135,985	135,985	1,521
Other Student Support	103,158	108,320	108,320	5,162
Regular Instruction Program	222,295	224,990	224,990	2,695
Special Education Program	26,868	27,485	27,485	617
Other Programs	31,445	0	31,445	0
Board of Education	80,736	98,090	98,090	17,354
Director of Schools	101,511	103,810	103,810	2,299
Office of the Principal	209,917	212,055	212,056	2,139
Fiscal Services	64,274	65,075	65,075	801
Operation of Plant	425,580	465,340	465,340	39,760
Maintenance of Plant	74,147	107,745	107,745	33,598
Transportation	349,063	376,775	384,365	35,302
Central and Other	8,008	9,100	9,100	1,092
<u>Operation of Non-Instructional Services</u>				
Community Services	50,999	51,000	50,999	0
Early Childhood Education	102,419	102,419	102,419	0
<u>Principal on Debt</u>				
Education	230,000	230,000	230,000	0
<u>Interest on Debt</u>				
Education	128,335	128,335	128,335	0
Total Expenditures	\$ 5,363,765	\$ 5,469,775	\$ 5,572,610	\$ 208,845
Excess (Deficiency) of Revenues Over Expenditures	\$ (63,428)	\$ (275,298)	\$ (339,388)	\$ 275,960
Net Change in Fund Balance	\$ (63,428)	\$ (275,298)	\$ (339,388)	\$ 275,960
Fund Balance, July 1, 2012	886,637	504,395	504,395	382,242
Fund Balance, June 30, 2013	\$ 823,209	\$ 229,097	\$ 165,007	\$ 658,202

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 10,000	\$ 0	\$ 0	\$ 10,000
Federal Government	524,025	805,398	805,398	(281,373)
Total Revenues	\$ 534,025	\$ 805,398	\$ 805,398	\$ (271,373)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 248,421	\$ 271,155	\$ 271,155	\$ 22,734
Special Education Program	148,834	324,347	324,347	175,513
Vocational Education Program	10,632	9,882	10,632	0
<u>Support Services</u>				
Other Student Support	19,239	30,750	30,000	10,761
Regular Instruction Program	96,889	146,980	146,980	50,091
Special Education Program	8,221	17,471	17,471	9,250
Transportation	4,536	4,813	4,813	277
Total Expenditures	\$ 536,772	\$ 805,398	\$ 805,398	\$ 268,626
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,747)	\$ 0	\$ 0	\$ (2,747)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 33,341	\$ 669	\$ (669)
Transfers Out	0	(33,341)	(669)	669
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ (2,747)	\$ 0	\$ 0	\$ (2,747)
Fund Balance, July 1, 2012	56,247	0	0	56,247
Fund Balance, June 30, 2013	\$ 53,500	\$ 0	\$ 0	\$ 53,500

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 136,478	\$ 156,000	\$ 156,000	\$ (19,522)
Other Local Revenues	178	170	170	8
State of Tennessee	5,066	4,700	4,700	366
Federal Government	392,670	362,500	412,500	(19,830)
Total Revenues	<u>\$ 534,392</u>	<u>\$ 523,370</u>	<u>\$ 573,370</u>	<u>\$ (38,978)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 574,003	\$ 545,000	\$ 625,000	\$ 50,997
Total Expenditures	<u>\$ 574,003</u>	<u>\$ 545,000</u>	<u>\$ 625,000</u>	<u>\$ 50,997</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (39,611)</u>	<u>\$ (21,630)</u>	<u>\$ (51,630)</u>	<u>\$ 12,019</u>
Net Change in Fund Balance	\$ (39,611)	\$ (21,630)	\$ (51,630)	\$ 12,019
Fund Balance, July 1, 2012	<u>145,708</u>	<u>48,884</u>	<u>48,884</u>	<u>96,824</u>
Fund Balance, June 30, 2013	<u>\$ 106,097</u>	<u>\$ 27,254</u>	<u>\$ (2,746)</u>	<u>\$ 108,843</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Pickett County, Tennessee
 Schedule of Changes in Long-term Notes and Bonds
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE							
<u>Payable through General Debt Service Fund</u>							
Fire Trucks	\$ 72,220	3.5 %	6-20-11	6-20-14	\$ 48,099	\$ 23,636	\$ 24,463
Ambulances and Heart Monitors	73,700	3.5	6-20-11	6-20-14	49,997	24,547	25,450
Welcome Center	90,000	3.5	7-14-11	7-25-14	63,459	29,936	33,523
Total Payable through General Debt Service Fund					\$ 161,555	\$ 78,119	\$ 83,436
<u>Payable through Highway/Public Works Fund</u>							
Highway, Street, Road Improvements, and Refunding	1,000,000	4.1	4-20-07	6-10-19	\$ 641,925	\$ 80,876	\$ 561,049
Road Projects - Series 2010	425,000	3.24	7-16-10	7-1-13	285,940	50,000	235,940
Highway Equipment	600,000	3.49	10-14-11	11-1-23	577,200	41,600	535,600
Total Payable through Highway/Public Works Fund					\$ 1,505,065	\$ 172,476	\$ 1,332,589
Total Notes Payable					\$ 1,666,620	\$ 250,595	\$ 1,416,025
BONDS PAYABLE							
<u>Payable through General Debt Service Fund</u>							
Nursing Home	1,200,000	5	8-31-1982	1-1-21	\$ 505,000	\$ 45,000	\$ 460,000
Nursing Home Addition - FHA	425,000	6	5-18-1990	5-18-23	236,486	15,778	220,708
Public Library	390,000	4.125	11-1-06	6-1-33	268,681	8,740	259,941
Total Payable through General Debt Service Fund					\$ 1,010,167	\$ 69,518	\$ 940,649
<u>Contributed by School Department through General Purpose School Fund</u>							
School Refunding Bond, Series 2009	4,100,000	3 to 4.2	3-31-09	6-1-24	\$ 3,395,000	\$ 230,000	\$ 3,165,000
Total Contributed by School Department through General Purpose School Fund					\$ 3,395,000	\$ 230,000	\$ 3,165,000
Total Bonds Payable					\$ 4,405,167	\$ 299,518	\$ 4,105,649

Exhibit K-2

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

Year Ending June 30	Notes		Total
	Principal	Interest	
2014	\$ 444,426	\$ 46,720	\$ 491,146
2015	135,155	34,387	169,542
2016	137,797	29,123	166,920
2017	143,215	23,661	166,876
2018	149,094	17,978	167,072
2019	154,838	12,066	166,904
2020	53,400	7,928	61,328
2021	55,300	6,036	61,336
2022	57,200	4,073	61,273
2023	59,300	2,044	61,344
2024	26,300	231	26,531
Total	\$ 1,416,025	\$ 184,247	\$ 1,600,272

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 315,846	\$ 168,687	\$ 484,533
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	\$ 4,105,649	\$ 1,122,044	\$ 5,227,693

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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$ 61,491	\$ 25,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, TCA, and Chapter 104, Private Acts of 1957	58,563 (1)	100,000	"
Director of Schools	State Board of Education and Pickett County Board of Education	76,500 (2)	(3)	
Trustee	Section 8-24-102, TCA	53,239	300,400	RLI Insurance Company
Assessor of Property:				
Larry Anderson (7-1-12 through 8-31-12)	Section 8-24-102, TCA	8,874	10,000	"
Kim Logan (9-1-12 through 6-30-13)	Section 8-24-102, TCA	44,365	50,000	"
County Clerk	Section 8-24-102, TCA	53,239	25,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	53,239	25,000	"
Clerk and Master	Section 8-24-102, TCA	53,239	50,000	"
Register of Deeds	Section 8-24-102, TCA	53,239	25,000	"
Sheriff	Section 8-24-102, TCA	58,563 (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, 2013

	Special Revenue Funds				Debt Service Fund			Capital Projects Funds		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects			
Local Taxes										
County Property Taxes										
Current Property Tax	\$ 1,125,614	\$ 0	\$ 0	\$ 0	\$ 131,727	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,257,341
Trustee's Collections - Prior Year	54,376	0	0	0	6,363	0	0	0	0	60,739
Circuit/Clerk & Master Collections - Prior Years	26,737	0	0	0	3,129	0	0	0	0	29,866
Interest and Penalty	9,555	0	0	0	1,118	0	0	0	0	10,673
Payments in-Lieu-of Taxes - Other	44,727	0	0	0	123	0	0	0	0	44,850
County Local Option Taxes										
Local Option Sales Tax	215,585	0	0	0	0	0	0	0	0	215,585
Wheel Tax	0	0	0	0	58,805	0	0	0	0	58,805
Litigation Tax - General	7,716	0	0	0	0	0	0	0	0	7,716
Litigation Tax - Special Purpose	1,544	0	0	0	0	0	0	0	0	1,544
Business Tax	2,187	0	0	0	0	0	0	0	0	2,187
Mineral Severance Tax	28,033	0	0	0	0	0	0	0	0	28,033
Statutory Local Taxes										
Bank Excise Tax	1,047	0	0	0	0	0	0	0	0	1,047
Wholesale Beer Tax	263,364	0	0	0	0	0	0	0	0	263,364
Interstate Telecommunications Tax	364	0	0	0	0	0	0	0	0	364
Total Local Taxes	\$ 1,780,849	\$ 0	\$ 0	\$ 0	\$ 201,265	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,982,114
Licenses and Permits										
Licenses										
Marriage Licenses	233	0	0	0	0	0	0	0	0	233
Permits										
Beer Permits	2,667	0	0	0	0	0	0	0	0	2,667
Total Licenses and Permits	\$ 2,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,900
Fines, Forfeitures, and Penalties										
Circuit Court										
Fines	5,704	0	0	0	0	0	0	0	0	5,704
Officers Costs	794	0	0	0	0	0	0	0	0	794
Drug Control Fines	0	4,398	0	0	0	0	0	0	0	4,398
Drug Court Fees	352	0	0	0	0	0	0	0	0	352
Jail Fees	589	0	0	0	0	0	0	0	0	589
DUI Treatment Fines	190	0	0	0	0	0	0	0	0	190
Data Entry Fee - Circuit Court Criminal Court	177	0	0	0	0	0	0	0	0	177
DUI Treatment Fines	164	0	0	0	0	0	0	0	0	164

(Continued)

Exhibit K-4

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

	Special Revenue Funds			Debt Service Fund			Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>General Sessions Court</u>										
Fines	\$ 4,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,090	
Officers Costs	4,642	0	0	0	0	0	0	0	4,642	
Game and Fish Fines	63	0	0	0	0	0	0	0	63	
Drug Control Fines	6,259	7,704	0	0	0	0	0	0	13,963	
Drug Court Fees	1,500	0	0	0	0	0	0	0	1,500	
Jail Fees	2,159	0	0	0	0	0	0	0	2,159	
DUI Treatment Fines	2,235	0	0	0	0	0	0	0	2,235	
Data Entry Fee - General Sessions Court	878	0	0	0	0	0	0	0	878	
<u>Chancery Court</u>										
Officers Costs	388	0	0	0	0	0	0	0	388	
Data Entry Fee - Chancery Court	44	0	0	0	0	0	0	0	44	
Total Fines, Forfeitures, and Penalties	\$ 30,228	\$ 12,102	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 42,330	
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Patient Charges	\$ 476,867	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	476,867	
Other General Service Charges	4,634	0	0	0	0	0	0	0	4,634	
Fees										
Copy Fees	1,232	0	0	0	0	0	0	0	1,232	
Library Fees	4,379	0	0	0	0	0	0	0	4,379	
Telephone Commissions	7,219	0	0	0	0	0	0	0	7,219	
Constitutional Officers' Fees and Commissions	0	0	213	0	0	0	0	0	213	
Data Processing Fee - Register	2,494	0	0	0	0	0	0	0	2,494	
Probation Fees	31,514	0	0	0	0	0	0	0	31,514	
Data Processing Fee - Sheriff	297	0	0	0	0	0	0	0	297	
Sexual Offender Registration Fees - Sheriff	300	0	0	0	0	0	0	0	300	
Total Charges for Current Services	\$ 528,936	\$ 0	\$ 213	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 529,149	
<u>Other Local Revenues</u>										
<u>Recurring Items</u>										
Investment Income	\$ 6,264	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1	\$ 0	6,265	
Lease/Rentals	13,800	0	0	0	120,000	0	0	0	133,800	
Sale of Recycled Materials	685	1,674	0	0	0	0	0	0	2,359	
Miscellaneous Refunds	7,837	0	0	232	0	0	0	0	8,069	
<u>Nonrecurring Items</u>										
Damages Recovered from Individuals	0	0	0	205,001	0	0	0	0	205,001	
Contributions and Gifts	0	500	0	0	0	0	0	0	500	

(Continued)

Exhibit K-4

Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds			Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects		
<u>Other Local Revenues (Cont.)</u>									
Other Local Revenues	\$ 1,474	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,474	
Other Local Revenues	\$ 30,060	\$ 2,174	\$ 0	\$ 205,233	\$ 120,000	\$ 1	\$ 0	\$ 357,468	
Total Other Local Revenues									
<u>Fees Received from County Officials</u>									
<u>Fees in Lieu of Salary</u>									
County Clerk	\$ 66,537	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,537	
Circuit Court Clerk	11,790	0	0	0	0	0	0	11,790	
General Sessions Court Clerk	17,476	0	0	0	0	0	0	17,476	
Clerk and Master	3,991	0	0	0	0	0	0	3,991	
Register	30,861	0	0	0	0	0	0	30,861	
Sheriff	3,207	0	0	0	0	0	0	3,207	
Trustee	83,837	0	0	0	0	0	0	83,837	
Total Fees Received from County Officials	\$ 217,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 217,699	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000	
Aging Programs	7,535	0	0	0	0	0	0	7,535	
Public Safety Grants	4,200	0	0	0	0	0	0	4,200	
Law Enforcement Training Programs	23,551	0	0	0	0	0	0	23,551	
Health and Welfare Grants	45,131	0	0	0	0	0	0	45,131	
Public Works Grants	145,666	0	0	0	0	0	0	145,666	
Litter Program	16,437	0	0	0	0	0	0	16,437	
Flood Control	18,586	0	0	0	0	0	0	18,586	
Income Tax	13,889	0	0	0	0	0	0	13,889	
Beer Tax	189,928	0	0	0	0	0	0	189,928	
Alcoholic Beverage Tax	3,172	0	0	0	0	0	0	3,172	
State Revenue Sharing - T.V.A.	0	0	0	1,183,064	0	0	0	1,183,064	
Contracted Prisoner Boarding	0	0	0	3,969	0	0	0	3,969	
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	0	0	
Petroleum Special Tax	0	0	0	0	0	0	0	0	
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164	
Other State Grants	67,293	0	0	0	0	0	0	67,293	
Other State Revenues	827	0	0	0	0	0	0	827	
Total State of Tennessee	\$ 560,379	\$ 0	\$ 0	\$ 1,187,033	\$ 0	\$ 0	\$ 0	\$ 1,747,412	

(Continued)

Exhibit K-4

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

	Special Revenue Funds			Debt Service Fund		Capital Projects Funds			Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Health Department Projects	HUD Grant Projects		
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 0	\$ 0	0	25,196	0	0	0	25,196	
Other Federal through State	45,112	0	0	0	0	0	62,900	108,012	
Direct Federal Revenue									
Police Service (Lake Area)	12,800	0	0	0	0	0	0	12,800	
Total Federal Government	\$ 57,912	\$ 0	\$ 0	\$ 25,196	\$ 0	\$ 0	\$ 62,900	\$ 146,008	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	0	0	0	0	358,335	0	0	358,335	
Contracted Services	44,625	0	0	0	0	0	0	44,625	
Total Other Governments and Citizens Groups	\$ 44,625	\$ 0	\$ 0	\$ 0	\$ 358,335	\$ 0	\$ 0	\$ 402,960	
<u>Total</u>	\$ 3,253,588	\$ 14,276	\$ 213	\$ 1,417,462	\$ 679,600	\$ 1	\$ 62,900	\$ 5,428,040	

Pickett County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Pickett County School Department
 For the Year Ended June 30, 2013

	Special Revenue Funds			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 561,406	\$ 0	\$ 0	\$ 561,406
Trustee's Collections - Prior Year	28,596	0	0	28,596
Circuit/Clerk & Master Collections - Prior Years	13,368	0	0	13,368
Interest and Penalty	4,778	0	0	4,778
Payments in-Lieu-of Taxes - Other	525	0	0	525
<u>County Local Option Taxes</u>				
Local Option Sales Tax	227,135	0	0	227,135
Local Amusement Tax	62	0	0	62
Business Tax	23,900	0	0	23,900
Other County Local Option Taxes	189,283	0	0	189,283
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	413	0	0	413
Total Local Taxes	\$ 1,049,466	\$ 0	\$ 0	\$ 1,049,466
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 195	\$ 0	\$ 0	\$ 195
Total Licenses and Permits	\$ 195	\$ 0	\$ 0	\$ 195
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 39,116	\$ 39,116
Lunch Payments - Adults	0	0	15,710	15,710
Income from Breakfast	0	0	32,928	32,928
A la carte Sales	0	0	48,724	48,724
TBI Criminal Background Fees	630	0	0	630
Total Charges for Current Services	\$ 630	\$ 0	\$ 136,478	\$ 137,108
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 6,250	\$ 0	\$ 178	\$ 6,428
Miscellaneous Refunds	16,442	0	0	16,442
Total Other Local Revenues	\$ 22,692	\$ 0	\$ 178	\$ 22,870
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 31,445	\$ 0	\$ 0	\$ 31,445
<u>State Education Funds</u>				
Basic Education Program	3,770,350	0	0	3,770,350
Early Childhood Education	102,419	0	0	102,419
School Food Service	0	0	5,066	5,066
Driver Education	895	0	0	895
Other State Education Funds	129,161	0	0	129,161
Career Ladder Program	41,949	0	0	41,949
Career Ladder - Extended Contract	13,000	0	0	13,000
<u>Other State Revenues</u>				
Other State Grants	0	10,000	0	10,000
Other State Revenues	2,375	0	0	2,375
Total State of Tennessee	\$ 4,091,594	\$ 10,000	\$ 5,066	\$ 4,106,660
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 251,830	\$ 251,830
USDA - Commodities	0	0	26,285	26,285
Breakfast	0	0	112,997	112,997

(Continued)

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

	<u>Special Revenue Funds</u>			Total
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Federal Government (Cont.)</u>				
<u>Federal Through State (Cont.)</u>				
USDA - Other	\$ 0	\$ 0	\$ 1,558	\$ 1,558
Vocational Education - Basic Grants to States	0	12,132	0	12,132
Title I Grants to Local Education Agencies	0	197,369	0	197,369
Special Education - Grants to States	0	152,258	0	152,258
Special Education Preschool Grants	0	7,912	0	7,912
Safe and Drug-free Schools - State Grants	0	42,392	0	42,392
Rural Education	0	13,451	0	13,451
Eisenhower Professional Development State Grants	0	40,706	0	40,706
Job Training Partnership Act	11,000	0	0	11,000
Race-to-the-Top - ARRA	0	57,805	0	57,805
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	124,760	0	0	124,760
Total Federal Government	<u>\$ 135,760</u>	<u>\$ 524,025</u>	<u>\$ 392,670</u>	<u>\$ 1,052,455</u>
Total	<u>\$ 5,300,337</u>	<u>\$ 534,025</u>	<u>\$ 534,392</u>	<u>\$ 6,368,754</u>

Exhibit K-6

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	22,925	
Audit Services		1,523	
Dues and Memberships		1,748	
Legal Notices, Recording, and Court Costs		192	
Total County Commission			\$ 26,388

Beer Board

Board and Committee Members Fees	\$	2,160	
Legal Services		192	
Total Beer Board			2,352

County Mayor/Executive

County Official/Administrative Officer	\$	61,491	
Accountants/Bookkeepers		25,882	
Secretary(ies)		14,273	
Communication		3,702	
Data Processing Services		10,738	
Dues and Memberships		900	
Postal Charges		374	
Printing, Stationery, and Forms		50	
Office Supplies		3,389	
Total County Mayor/Executive			120,799

County Attorney

Legal Services	\$	9,380	
Total County Attorney			9,380

Election Commission

County Official/Administrative Officer	\$	47,915	
Secretary(ies)		16,027	
Election Commission		6,675	
Election Workers		12,971	
Communication		1,721	
Data Processing Services		7,231	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		1,323	
Postal Charges		1,156	
Printing, Stationery, and Forms		4,589	
Travel		1,159	
Office Supplies		571	
Total Election Commission			101,513

Register of Deeds

County Official/Administrative Officer	\$	53,239	
Communication		1,175	
Dues and Memberships		417	
Maintenance Agreements		252	
Postal Charges		54	
Other Contracted Services		2,870	
Office Supplies		1,588	
Total Register of Deeds			59,595

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	41,716	
Communication		5,284	
Maintenance and Repair Services - Buildings		31,352	
Maintenance and Repair Services - Vehicles		740	
Custodial Supplies		6,680	
Electricity		53,286	
Gasoline		648	
Water and Sewer		8,574	
Other Supplies and Materials		893	
Total County Buildings			\$ 149,173

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	53,239	
Communication		533	
Postal Charges		182	
Printing, Stationery, and Forms		40	
Travel		2,256	
Other Contracted Services		4,858	
Office Supplies		397	
Other Supplies and Materials		109	
Total Property Assessor's Office			61,614

County Trustee's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		8,502	
Communication		1,626	
Data Processing Services		8,676	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		204	
Postal Charges		1,837	
Printing, Stationery, and Forms		494	
Other Contracted Services		3,532	
Office Supplies		1,214	
Refunds		6,339	
Total County Trustee's Office			86,000

County Clerk's Office

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		20,847	
Communication		1,071	
Dues and Memberships		412	
Postal Charges		1,363	
Printing, Stationery, and Forms		332	
Office Supplies		1,500	
Other Supplies and Materials		296	
Total County Clerk's Office			79,060

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	53,239	
Deputy(ies)		13,362	
Jury and Witness Expense		4,010	
Communication		3,785	
Data Processing Services		7,952	
Dues and Memberships		497	
Legal Notices, Recording, and Court Costs		163	
Postal Charges		450	
Remittance of Revenue Collected		2,580	
Office Supplies		2,864	
Other Supplies and Materials		494	
Total Circuit Court			\$ 89,396

General Sessions Judge

Judge(s)	\$	64,187	
Legal Services		9,300	
Total General Sessions Judge			73,487

Chancery Court

County Official/Administrative Officer	\$	53,239	
Communication		1,729	
Dues and Memberships		337	
Postal Charges		701	
Office Supplies		1,032	
Periodicals		115	
Office Equipment		459	
Total Chancery Court			57,612

Juvenile Court

Youth Service Officer(s)	\$	11,085	
Office Supplies		28	
Total Juvenile Court			11,113

Judicial Commissioners

Other Per Diem and Fees	\$	6,006	
Total Judicial Commissioners			6,006

Probation Services

Probation Officer(s)	\$	23,608	
Other Salaries and Wages		13,634	
Other Supplies and Materials		750	
Total Probation Services			37,992

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	58,563	
Deputy(ies)		289,151	
Salary Supplements		4,200	
In-Service Training		6,441	
Dues and Memberships		1,000	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance and Repair Services - Equipment	\$	4,013	
Maintenance and Repair Services - Vehicles		14,469	
Postal Charges		567	
Towing Services		125	
Gasoline		39,085	
Office Supplies		6,847	
Tires and Tubes		5,787	
Uniforms		3,112	
Total Sheriff's Department			\$ 433,360

Drug Enforcement

Animal Food and Supplies	\$	336	
Total Drug Enforcement			336

Jail

Deputy(ies)	\$	138,955	
Communication		8,846	
Contracts with Government Agencies		97,360	
Laundry Service		270	
Maintenance and Repair Services - Buildings		5,887	
Medical and Dental Services		34,199	
Custodial Supplies		2,950	
Food Supplies		49,933	
Other Charges		3,000	
Total Jail			341,400

Fire Prevention and Control

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

Other Emergency Management

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

County Coroner/Medical Examiner

Medical and Dental Services	\$	9,759	
Total County Coroner/Medical Examiner			9,759

Other Public Safety

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

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	9,391	
Communication		1,640	
Dues and Memberships		200	
Medical and Dental Services		25	
Custodial Supplies		116	
Electricity		6,302	

(Continued)

Exhibit K-6

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

General Fund (Cont.)Public Health and Welfare (Cont.)Local Health Center (Cont.)

Water and Sewer	\$	517	
Other Supplies and Materials		361	
Building Improvements		472	
Total Local Health Center			\$ 19,024

Ambulance/Emergency Medical Services

Supervisor/Director	\$	35,714	
Medical Personnel		395,954	
In-Service Training		700	
Communication		5,997	
Dues and Memberships		460	
Licenses		1,250	
Maintenance and Repair Services - Buildings		1,885	
Maintenance and Repair Services - Equipment		1,327	
Maintenance and Repair Services - Vehicles		22,719	
Postal Charges		680	
Towing Services		100	
Other Contracted Services		2,400	
Custodial Supplies		819	
Drugs and Medical Supplies		13,435	
Electricity		11,057	
Gasoline		24,084	
Office Supplies		1,383	
Tires and Tubes		2,622	
Uniforms		3,895	
Water and Sewer		2,553	
Refunds		599	
Data Processing Equipment		3,357	
Total Ambulance/Emergency Medical Services			532,990

Regional Mental Health Center

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

Appropriation to State

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

Sanitation Management

Other Contracted Services	\$	37,767	
Total Sanitation Management			37,767

Other Public Health and Welfare

Other Salaries and Wages	\$	17,033	
Travel		1,851	
Total Other Public Health and Welfare			18,884

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

Contributions	\$	21,000	
Total Senior Citizens Assistance			21,000

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

County Official/Administrative Officer	\$	22,256	
Assistant(s)		19,157	
Communication		1,811	
Office Supplies		1,753	
Other Supplies and Materials		433	
Data Processing Equipment		2,949	
Office Equipment		7,385	
Total Libraries			\$ 55,744

Other Social, Cultural, and Recreational

Supervisor/Director	\$	24,918	
Other Salaries and Wages		7,489	
Communication		576	
Postal Charges		45	
Travel		1,909	
Office Supplies		181	
Other Supplies and Materials		211	
Total Other Social, Cultural, and Recreational			35,329

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	1,673	
Other Contracted Services		19,643	
Other Supplies and Materials		2,000	
Total Agriculture Extension Service			23,316

Soil Conservation

Secretary(ies)	\$	16,022	
Other Salaries and Wages		27,288	
Communication		1,103	
Office Supplies		148	
Total Soil Conservation			44,561

Other Operations

Tourism

Contributions	\$	20,000	
Total Tourism			20,000

Industrial Development

Contributions	\$	239	
Total Industrial Development			239

Other Economic and Community Development

Other Equipment	\$	67,293	
Total Other Economic and Community Development			67,293

Veterans' Services

Other Salaries and Wages	\$	16,255	
Communication		787	
Office Supplies		746	
Total Veterans' Services			17,788

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges

Travel	\$	1,410	
Building and Contents Insurance		15,000	
Liability Insurance		34,688	
Premiums on Corporate Surety Bonds		4,827	
Trustee's Commission		34,545	
Vehicle and Equipment Insurance		29,100	
Liability Claims		2,000	
Total Other Charges			\$ 121,570

Contributions to Other Agencies

Contributions	\$	3,350	
Total Contributions to Other Agencies			3,350

Employee Benefits

Social Security	\$	140,748	
State Retirement		129,135	
Unemployment Compensation		16,723	
Workers' Compensation Insurance		75,211	
Total Employee Benefits			361,817

Miscellaneous

Other Supplies and Materials	\$	330	
Other Capital Outlay		7,527	
Total Miscellaneous			7,857

Capital Projects

Administration of Justice Projects

Other Capital Outlay	\$	50,000	
Total Administration of Justice Projects			50,000

Total General Fund \$ 3,256,332

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	11,000	
Other Supplies and Materials		3,210	
Total Drug Enforcement			\$ 14,210

Total Drug Control Fund 14,210

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	213	
Total County Trustee's Office			\$ 213

Total Constitutional Officers - Fees Fund 213

(Continued)

Exhibit K-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	58,563	
Accountants/Bookkeepers		10,980	
Advertising		434	
Data Processing Services		5,327	
Dues and Memberships		2,117	
Legal Services		5,000	
Postal Charges		348	
Printing, Stationery, and Forms		457	
Travel		1,800	
Drugs and Medical Supplies		207	
Office Supplies		2,139	
Other Charges		6,322	
Total Administration			\$ 93,694

Highway and Bridge Maintenance

Foremen	\$	47,350	
Laborers		496,821	
Other Contracted Services		45,933	
Asphalt		56,753	
Crushed Stone		94,628	
Pipe		10,049	
Road Signs		1,265	
Other Charges		3,863	
Total Highway and Bridge Maintenance			756,662

Operation and Maintenance of Equipment

Mechanic(s)	\$	71,710	
Maintenance and Repair Services - Vehicles		21,510	
Diesel Fuel		92,884	
Equipment and Machinery Parts		23,201	
Gasoline		46,060	
Lubricants		1,847	
Pipe		6,957	
Propane Gas		703	
Tires and Tubes		18,261	
Other Supplies and Materials		12,482	
Other Charges		13,870	
Total Operation and Maintenance of Equipment			309,485

Quarry Operations

Laborers	\$	652	
Operating Lease Payments		1,200	
Total Quarry Operations			1,852

Other Charges

Communication	\$	5,499	
Utilities		4,996	
Premiums on Corporate Surety Bonds		203	
Trustee's Commission		11,865	
Vehicle and Equipment Insurance		19,269	
Total Other Charges			41,832

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	54,657	
State Retirement		41,727	
Unemployment Compensation		8,778	
Workers' Compensation Insurance		33,426	
Total Employee Benefits			\$ 138,588

Capital Outlay

Motor Vehicles	\$	24,918	
Total Capital Outlay			24,918

Principal on Debt

Highways and Streets

Principal on Notes	\$	172,476	
Total Highways and Streets			172,476

Interest on Debt

Highways and Streets

Interest on Notes	\$	56,422	
Total Highways and Streets			56,422

Total Highway/Public Works Fund \$ 1,595,929

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	69,518	
Principal on Notes		78,119	
Total General Government			\$ 147,637

Education

Principal on Bonds	\$	230,000	
Total Education			230,000

Interest on Debt

General Government

Interest on Bonds	\$	50,831	
Interest on Notes		4,789	
Total General Government			55,620

Education

Interest on Bonds	\$	128,335	
Total Education			128,335

Other Debt Service

General Government

Trustee's Commission	\$	2,892	
Total General Government			2,892

Total General Debt Service Fund 564,484

(Continued)

Exhibit K-6

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

<u>Health Department Projects Fund</u>			
<u>Public Health and Welfare</u>			
<u>Local Health Center</u>			
Refunds	\$	915	
Total Local Health Center			\$ 915
Total Health Department Projects Fund			\$ 915
<u>HUD Grant Projects Fund</u>			
<u>Other Operations</u>			
<u>Housing and Urban Development</u>			
Other Contracted Services	\$	62,100	
Total Housing and Urban Development			\$ 62,100
Total HUD Grant Projects Fund			62,100
Total Governmental Funds - Primary Government			\$ 5,494,183

Exhibit K-7

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	1,807,028	
Career Ladder Program		23,790	
Career Ladder Extended Contracts		13,115	
Other Salaries and Wages		4,497	
Certified Substitute Teachers		17,047	
Non-certified Substitute Teachers		21,687	
Social Security		103,254	
State Retirement		162,097	
Medical Insurance		152,295	
Employer Medicare		24,540	
Other Contracted Services		14,263	
Instructional Supplies and Materials		18,548	
Textbooks		39,269	
Regular Instruction Equipment		45,263	
Total Regular Instruction Program	\$		2,446,693

Special Education Program

Teachers	\$	217,574	
Career Ladder Program		4,000	
Homebound Teachers		3,228	
Certified Substitute Teachers		780	
Non-certified Substitute Teachers		935	
Social Security		12,463	
State Retirement		19,676	
Medical Insurance		18,148	
Employer Medicare		2,916	
Travel		44	
Total Special Education Program			279,764

Vocational Education Program

Teachers	\$	189,091	
Career Ladder Program		2,000	
Other Salaries and Wages		15,022	
Social Security		11,406	
State Retirement		17,946	
Medical Insurance		12,539	
Employer Medicare		2,668	
Other Charges		6,810	
Total Vocational Education Program			257,482

Support Services

Attendance

Supervisor/Director	\$	30,924	
Social Security		1,760	
State Retirement		2,746	
Employer Medicare		412	
Travel		765	
Total Attendance			36,607

(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.)

Health Services

Medical Personnel	\$	23,010	
Other Salaries and Wages		66,805	
Social Security		4,989	
State Retirement		7,248	
Medical Insurance		7,356	
Employer Medicare		1,167	
Communication		537	
Travel		1,833	
Other Contracted Services		1,925	
Other Supplies and Materials		19,594	
Total Health Services			\$ 134,464

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		54,135	
Psychological Personnel		24,888	
Social Security		4,593	
State Retirement		7,463	
Medical Insurance		7,227	
Employer Medicare		1,074	
Evaluation and Testing		2,778	
Total Other Student Support			103,158

Regular Instruction Program

Supervisor/Director	\$	62,848	
Career Ladder Program		3,000	
Librarians		88,015	
Instructional Computer Personnel		30,924	
Social Security		11,071	
State Retirement		16,409	
Medical Insurance		6,666	
Employer Medicare		2,589	
Travel		773	
Total Regular Instruction Program			222,295

Special Education Program

Supervisor/Director	\$	23,232	
Social Security		1,193	
State Retirement		1,997	
Employer Medicare		279	
Travel		167	
Total Special Education Program			26,868

Other Programs

On-Behalf Payments to OPEB	\$	31,445	
Total Other Programs			31,445

Board of Education

Secretary to Board	\$	1,200	
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(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Board and Committee Members Fees	\$	6,200	
Social Security		459	
State Retirement		92	
Life Insurance		4,149	
Unemployment Compensation		106	
Employer Medicare		107	
Audit Services		2,800	
Dues and Memberships		1,941	
Travel		1,292	
Trustee's Commission		28,815	
Workers' Compensation Insurance		27,386	
In Service/Staff Development		695	
Criminal Investigation of Applicants - TBI		630	
Other Charges		4,864	
Total Board of Education			\$ 80,736

Director of Schools

County Official/Administrative Officer	\$	75,500	
Career Ladder Program		1,000	
Social Security		4,211	
State Retirement		6,793	
Medical Insurance		6,424	
Employer Medicare		985	
Communication		4,861	
Dues and Memberships		763	
Travel		974	
Total Director of Schools			101,511

Office of the Principal

Principals	\$	113,703	
Career Ladder Program		2,000	
Secretary(ies)		48,751	
Social Security		8,838	
State Retirement		14,019	
Medical Insurance		19,691	
Employer Medicare		2,067	
Communication		516	
Travel		332	
Total Office of the Principal			209,917

Fiscal Services

Accountants/Bookkeepers	\$	54,750	
Social Security		3,395	
State Retirement		4,205	
Medical Insurance		1,130	
Employer Medicare		794	
Total Fiscal Services			64,274

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

Custodial Personnel	\$	89,631	
Social Security		5,532	
State Retirement		6,314	
Employer Medicare		1,294	
Other Contracted Services		8,321	
Electricity		167,937	
Natural Gas		48,529	
Water and Sewer		26,486	
Other Supplies and Materials		27,034	
Building and Contents Insurance		44,502	
Total Operation of Plant			\$ 425,580

Maintenance of Plant

Maintenance Personnel	\$	39,123	
Social Security		2,424	
State Retirement		3,005	
Employer Medicare		567	
Maintenance and Repair Services - Buildings		4,753	
Maintenance and Repair Services - Equipment		17,417	
Other Supplies and Materials		6,858	
Total Maintenance of Plant			74,147

Transportation

Mechanic(s)	\$	39,123	
Bus Drivers		92,855	
Social Security		7,693	
State Retirement		10,041	
Medical Insurance		9,010	
Employer Medicare		1,799	
Communication		524	
Diesel Fuel		46,343	
Garage Supplies		836	
Gasoline		8,406	
Lubricants		341	
Tires and Tubes		601	
Vehicle Parts		27,684	
Other Charges		11,217	
Maintenance Equipment		92,590	
Total Transportation			349,063

Central and Other

Data Processing Services	\$	8,008	
Total Central and Other			8,008

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	30,990	
Clerical Personnel		8,014	
Social Security		2,392	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

State Retirement	\$	3,367	
Medical Insurance		1,618	
Employer Medicare		559	
Other Charges		4,059	
Total Community Services			\$ 50,999

Early Childhood Education

Supervisor/Director	\$	18,000	
Teachers		48,910	
Educational Assistants		13,825	
Social Security		4,860	
State Retirement		7,061	
Medical Insurance		4,996	
Employer Medicare		1,137	
Instructional Supplies and Materials		3,630	
Total Early Childhood Education			102,419

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	230,000	
Total Education			230,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	128,335	
Total Education			128,335

Total General Purpose School Fund \$ 5,363,765

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	147,445	
Educational Assistants		11,350	
Social Security		9,144	
State Retirement		13,938	
Medical Insurance		12,856	
Employer Medicare		2,138	
Maintenance and Repair Services - Equipment		2,065	
Instructional Supplies and Materials		4,894	
Regular Instruction Equipment		44,591	
Total Regular Instruction Program			\$ 248,421

Special Education Program

Educational Assistants	\$	99,339
Other Salaries and Wages		971
Social Security		6,109
State Retirement		7,547
Medical Insurance		8,146

(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.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	1,429	
Other Contracted Services		2,925	
Instructional Supplies and Materials		13,026	
Special Education Equipment		9,342	
Total Special Education Program			\$ 148,834

Vocational Education Program

Instructional Supplies and Materials	\$	900	
Other Supplies and Materials		900	
Vocational Instruction Equipment		8,832	
Total Vocational Education Program			10,632

Support Services

Other Student Support

Evaluation and Testing	\$	297	
Travel		1,500	
Other Contracted Services		13,044	
In Service/Staff Development		3,027	
Other Charges		1,371	
Total Other Student Support			19,239

Regular Instruction Program

Supervisor/Director	\$	20,616	
Clerical Personnel		7,499	
Other Salaries and Wages		33,265	
Social Security		3,806	
State Retirement		5,345	
Employer Medicare		890	
Travel		3,141	
Other Contracted Services		12,490	
Other Supplies and Materials		972	
In Service/Staff Development		8,865	
Total Regular Instruction Program			96,889

Special Education Program

Travel	\$	4,613	
Other Contracted Services		3,608	
Total Special Education Program			8,221

Transportation

Bus Drivers	\$	3,933	
Social Security		244	
State Retirement		302	
Employer Medicare		57	
Total Transportation			4,536

Total School Federal Projects Fund \$ 536,772

(Continued)

Exhibit K-7

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

<u>Central Cafeteria Fund</u>		
<u>Operation of Non-Instructional Services</u>		
<u>Food Service</u>		
Cafeteria Personnel	\$	149,139
Social Security		9,187
State Retirement		6,641
Employer Medicare		2,149
Communication		1,041
Maintenance and Repair Services - Equipment		11,716
Travel		1,852
Other Contracted Services		11,190
Food Preparation Supplies		24,989
Food Supplies		284,006
Office Supplies		1,547
USDA - Commodities		26,285
Other Supplies and Materials		4,069
Food Service Equipment		40,192
Total Food Service		<u>574,003</u>
	\$	<u>574,003</u>
Total Central Cafeteria Fund		<u>\$ 574,003</u>
Total Governmental Funds - Pickett County School Department		<u><u>\$ 6,474,540</u></u>

Exhibit K-8

Pickett County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Revenues</u>	
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Tipping Fees	\$ 89,840
<u>Other Local Revenues</u>	
Sale of Recycled Materials	7,203
Total Operating Revenues	<u>\$ 97,043</u>
<u>Nonoperating Revenues</u>	
Local Taxes	\$ 238,062
Investment Income	1,754
Miscellaneous Refunds	989
Solid Waste Grants	246
Total Nonoperating Revenues	<u>\$ 241,051</u>
Total Revenues	<u>\$ 338,094</u>
<u>Expenses</u>	
<u>Operating Expenses</u>	
<u>Landfill Operation and Maintenance</u>	
Supervisor/Director	\$ 31,616
Clerical Personnel	18,843
Part-time Personnel	11,774
Other Salaries and Wages	61,633
Social Security	9,461
State Retirement	9,037
Unemployment Compensation	1,873
Communication	2,189
Contracts with Government Agencies	3,188
Contract with Private Agencies	3,946
Data Processing Services	4,222
Engineering Services	4,187
Evaluation and Testing	528
Licenses	9,075
Maintenance and Repair - Buildings	6,370
Maintenance and Repair - Equipment	33,506
Maintenance and Repair - Vehicles	2,032
Postal Charges	180
Travel	2,375
Other Contracted Services	373

(Continued)

Exhibit K-8

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

	Business-type Activities - Enterprise Fund
	<u>Solid Waste Disposal Fund</u>
<u>Expenses (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Landfill Operation and Maintenance (Cont.)</u>	
Crushed Stone	\$ 1,106
Custodial Supplies	356
Electricity	15,015
Gasoline	13,051
Office Supplies	906
Tires and Tubes	7,774
Uniforms	2,436
Water and Sewer	2,258
Wire	678
Other Supplies and Materials	7,486
Refunds	1,352
Trustee's Commission	4,341
Depreciation	35,121
Landfill Closure/Postclosure Care Costs	86,889
Total Operating Expenses	<u>\$ 395,177</u>
Total Expenses	<u>\$ 395,177</u>

Exhibit K-9

Pickett County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 159,131
Total Cash Receipts	<u>\$ 159,131</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 157,540
Trustee's Commission	1,591
Total Cash Disbursements	<u>\$ 159,131</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	 <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 units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements, and have issued our report thereon dated February 7, 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 first paragraph of this section 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. However, material weaknesses may exist that have not been identified. 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: 2013-001, 2013-004, 2013-005, 2013-007, 2013-008, 2013-009, 2013-018, and 2013-019.

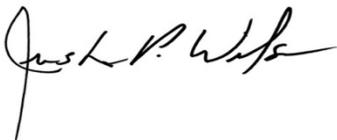
Compliance and Other Matters

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: 2013-002, 2013-003, 2013-006, 2013-010, 2013-011, 2013-012, 2013-013, 2013-014, 2013-015, 2013-016, and 2013-017.

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

February 7, 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, 2013. 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, 2013.

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

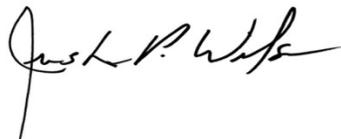
consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements. We issued our report thereon dated February 7, 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 7, 2014

JPW/kp

Pickett County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

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	\$ 90,461
National School Lunch Program	10.555	N/A	213,083 (3)
Passed-through State Department of Human Services:			
Child Nutrition Cluster:			
Summer Food Service for Children	10.559	N/A	62,841
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	26,285 (3)
Total U.S. Department of Agriculture			<u>\$ 392,670</u>
U.S. Department of Housing and Urban Development:			
Passed through Tennessee Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-09-35	<u>\$ 62,900</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of taxes	15.226	N/A	<u>\$ 43,678</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-12-GHS232	<u>\$ 2,934</u>
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 124,760
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	201,154
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	153,258
Special Education - Preschool Grants	84.173	N/A	8,332
Career and Technical Education - Basic Grants to States	84.048	(2)	12,132
Twenty-first Century Community Learning Centers	84.287	(2)	42,392
Rural Education	84.358	(2)	13,492
Improving Teacher Quality State Grants	84.367	(2)	40,706
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	55,305
Total U.S. Department of Education			<u>\$ 651,531</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>\$ 7,642</u>
Executive Office of the President:			
Passed-through Laurel County, Kentucky Fiscal Court:			
High Intensity Drug Trafficking Areas Program	95.001	(4)	<u>\$ 14,726</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 25,196
Total Expenditures of Federal Awards			\$ 1,212,277
<u>State Grants</u>		<u>Contract Number</u>	
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 7,535
ConnecTenn - State Department of Education	N/A	(2)	2,412
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Drivers Education - State Department of Education	N/A	(2)	895
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
FastTrack Industrial Development Board Grant - State Department of Economic and Community Development	N/A	(2)	67,293
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)	45,131
Project Diabetes Initiative Services - State Department of Health	N/A	GG-1333660	10,000
Rural Local Health Services - State Department of Health	N/A	(2)	25,551
Safe Schools Act - State Department of Education	N/A	(2)	4,300
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	246
Total State Grants			\$ 298,550

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 \$239,368.
- (4) G12AP0001A: \$9,339; G13AP0001A: \$5,387.

Pickett County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

Finding Number	Page Number	Subject
12.01	133	The Solid Waste Disposal Fund had a deficit in unrestricted net position
12.02	133	Expenditures exceeded appropriations

OFFICE OF ROAD SUPERINTENDENT

Finding Number	Page Number	Subject
12.03(A)	134	Appropriations exceeded estimated available funding in the Highway/Public Works Fund
12.04(A,B)	135	The office had deficiencies in purchasing procedures
12.05	135	The office did not maintain adequate controls over fuel

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
12.09	137	Traffic school collections were not reported and paid to the county in compliance with state statutes
12.10	138	The office did not deposit some funds within three days of collection
12.11	138	Unclaimed funds were not reported and paid to the state
12.12	138	The execution docket trial balances for General Sessions Court did not reconcile with general ledger accounts

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.13	139	The office did not prepare an annual financial report
12.14	139	The office did not deposit some funds within three days of collection

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.15	140	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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.16	140	Duties were not segregated adequately

PICKETT COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

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); Title I Grants to Local Education Agencies (CFDA No. 84.010); 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 2013-001

THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET POSITION

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

The Solid Waste Disposal Fund had a deficit of \$114,848 in unrestricted net position at June 30, 2013. This deficit resulted from the recognition of a liability of \$1,432,085 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements. This deficiency was the result of management's failure to correct the finding noted in the prior-year's audit report.

RECOMMENDATION

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

FINDING 2013-002

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations. These deficiencies can be attributed to management's failure to adequately monitor and review budget procedures and failure to correct finding part B., which was noted in the prior-year audit report.

- A. The budget and subsequent amendments approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funding by \$10,641. Sound budgetary principles dictate that appropriations be held within estimated available funding.
- B. Expenditures exceeded appropriations in the following major appropriation categories (the legal level of control) of the General Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
General Sessions Judge	\$ 900
Soil Conservation	761
Other Economic and Community Development	62,293
Employee Benefits	13,770

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.” Management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations. Expenditures should be held within appropriations approved by the County Commission.

FINDING 2013-003

**COMPETITIVE BIDS WERE NOT SOLICITED FOR
EQUIPMENT PURCHASED FOR THE LANDFILL**
(Noncompliance Under *Government Auditing Standards*)

Competitive bids were not solicited for the purchase of a track-loader for the county’s landfill costing \$22,000. Section 5-21-120, *Tennessee Code Annotated*, requires public advertisement and solicitation of competitive bids on purchases exceeding \$10,000. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

Purchases exceeding \$10,000 should be competitively bid as required by state statute.

FINDING 2013-004

THE COUNTY DID NOT HAVE WRITTEN 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. During our examination of this fund, we noted that the county did not have written policies concerning the collection and write-off of customer accounts. As a result, 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 \$7,229 and has not made a payment on this balance since 2007, and the other customer has a balance of \$569 and has not made a payment since 2010. Both of these customers are still allowed to dump trash at the landfill. Sound business practices dictate that written policies concerning customer accounts should be adopted. This deficiency is the result of the lack of management oversight. Without formal policies for the collection and write-off of customer accounts, employees have no guidance for consistent and uniform treatment of customers.

RECOMMENDATION

The county should develop written policies concerning the collection and write-off of customer accounts. Efforts should be made to collect delinquent accounts.

FINDING 2013-005

USERNAMES AND PASSWORDS WERE SHARED BY EMPLOYEES OF THE SOLID WASTE DEPARTMENT

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

Only one user has been assigned a username and password for accessing the Solid Waste Department's accounting software; however, this information was shared with other employees. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because of the shared username. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight. Each employee was subsequently assigned a unique username and password in February 2013.

RECOMMENDATION

Management should ensure that each employee logs into the accounting software using a unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should remain confidential and should not be shared by employees.

OFFICE OF ROAD SUPERINTENDENT

FINDING 2013-006

THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS

(Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations. These deficiencies can be attributed to management’s failure to adequately monitor and review budget procedures.

- A. The budget and subsequent amendments approved by the County Commission for the Highway/Public Works Fund resulted in appropriations exceeding estimated available funding by \$89,533. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency was the result of management’s failure to correct the finding noted in the prior-year audit report.
- B. Expenditures exceeded appropriations in the following major appropriation categories (the legal level of control) of the Highway/Public Works Fund:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
Quarry Operations	\$ 652
Principal on Debt - Highways and Streets	40
Interest on Debt - Highways and Streets	3,674

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations. Expenditures should be held within appropriations approved by the County Commission.

FINDING 2013-007

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

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

We examined 28 purchases to determine compliance with purchasing procedures. Our examination revealed the following purchasing deficiencies. These deficiencies were the result of management’s failure to correct findings noted in the prior-year audit report.

- A. In seven of the 28 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 six of the 28 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 2013-008

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

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

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 2013-009

APPROPRIATIONS EXCEEDED ESTIMATED AVAILABLE FUNDING IN THE CENTRAL CAFETERIA FUND

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

The budget and subsequent amendments approved by the County Commission for the Central Cafeteria Fund resulted in appropriations exceeding estimated available funding

by \$2,746. Sound budgetary principles dictate that appropriations be held within estimated available funding. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2013-010 **TRAFFIC SCHOOL COLLECTIONS WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under *Government Auditing Standards*)

The general sessions court clerk did not report and pay traffic school tuition to the county as required by Section 5-8-105, *Tennessee Code Annotated (TCA)*. Instead, the clerk disbursed traffic school collections of \$14,933. The majority of these disbursements (\$13,200) were to pay the Circuit and General Sessions Courts' bookkeeper for her duties at the traffic school. These payments were in addition to her regular salary as bookkeeper for the courts. The payments to the bookkeeper from the traffic school were reported to the Internal Revenue Service on a Form 1099. These payments from the traffic school that are separate from the bookkeeper's regular salary raise serious liability questions for the county, such as overtime pay, retirement contributions made by the county on behalf of the employee, and the fact that the county was reporting compensation to the federal government for the bookkeeper on both Form W-2 and Form 1099. The remainder of the disbursements (\$1,733) was for community service programs. Section 5-9-401, *TCA*, requires all funds to be appropriated by the County Commission. On June 30, 2013, the office had traffic school collections of \$1,951 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 2013-011

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 any of three deposits tested in Circuit Court and in six of seven deposits tested in General Sessions Court. Delays in depositing funds ranged from five to 18 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 2013-012

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 \$4,361. At June 30, 2013, Circuit Court had 24 outstanding checks issued before July 1, 2012, totaling \$696, and General Sessions Court had 39 outstanding checks issued before July 1, 2012, totaling \$3,665. 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 2013-013

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, 2013, 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 \$13,774. 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.

FINDING 2013-014

THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES

(Noncompliance Under *Government Auditing Standards*)

System backups were not stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Management began rotating backups off-site in February 2013.

RECOMMENDATION

Management should ensure backups are rotated to a secure and easily accessible off-site location on a weekly basis.

OFFICE OF CLERK AND MASTER

FINDING 2013-015

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 13 deposits to reconcile with receipts issued by the clerk. The clerk and master did not deposit receipts to the bank account

within three days of collection in four of the 13 deposits tested with delays in depositing funds ranging from seven to 12 days. This deficiency is the result of management's oversight. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 2013-016

DEFICIENCIES WERE NOTED IN CASH COLLECTION PROCEDURES

(Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in the office's cash collection procedures:

- A. Official prenumbered receipts were not issued for some collections.
 - 1. The office did not issue receipts between June 24, 2013, and November 25, 2013. Deposits totaling \$4,838 were made during this period. We noted that receipt numbers were recorded in the cash journal, which corresponded to these deposits for July and August 2013; however, no receipts were actually issued. From September through November 25, 2013, no receipts were issued and no receipt numbers were entered in the official cash journal.
 - 2. The office did not issue receipts to individuals at the time funds were collected for phone cards and accident reports. Funds from these collections were placed in envelopes and maintained in the bookkeeper's desk drawer. When the bookkeeper prepared a bank deposit, the funds from the envelopes were totaled, receipted on one receipt, and recorded in the cash journal.

Section 9-2-103, *Tennessee Code Annotated*, requires that prenumbered receipts should be issued for all collections. Management's failure to issue receipts that correspond to bank deposits weakens internal control over cash collections by eliminating the audit trail and makes it difficult to test the office's compliance with the state's three-day deposit law.

- B. The office did not deposit some collections to official bank accounts within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. We examined deposits for November 2012, and March 2013, and determined that funds were deposited as many as 34 days after collection.

A 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 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

Prenumbered receipts should be issued for all collections. All funds should be deposited within three days of collection as required by state statute.

FINDING 2013-017

THE OFFICE DID NOT FILE AN ANNUAL FINANCIAL REPORT IN ACCORDANCE WITH STATE STATUTE
(Noncompliance Under *Government Auditing Standards*)

The office did not prepare an annual financial report for the year ended June 30, 2013, until November 22, 2013, when auditors requested the report. This report was supplied to the auditors; however, it was not filed with the county executive and the county clerk as required by state statute. Section 5-8-505, *Tennessee Code Annotated*, states, "All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report" This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

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

FINDING 2013-018

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

Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, and Sheriff. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be

detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency in internal controls was the result of a lack of management oversight over risks related to safeguarding assets, and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

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

FINDING 2013-019

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.

BEST PRACTICE

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.

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

There were no findings and questioned costs for federal awards.

PICKETT COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013

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