

ANNUAL FINANCIAL REPORT
PICKETT COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
PICKETT COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2015**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT
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Director***

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

PICKETT COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Pickett County, Tennessee
For the Year Ended June 30, 2015

Scope

We have audited the basic financial statements of Pickett County as of and for the year ended June 30, 2015.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF COUNTY EXECUTIVE

- ◆ The Solid Waste Disposal Fund had a deficit in unrestricted net position.
-

OFFICE OF ROAD SUPERINTENDENT

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

OFFICE OF ASSESSOR OR PROPERTY

- ◆ The assessor did not maintain an adequate program of sales verifications.
-

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Collections were not deposited within three days.
 - ◆ Unclaimed funds were not reported and paid to the state.
 - ◆ Execution docket trial balances for Circuit and General Sessions Courts did not reconcile with general ledger accounts.
-

OFFICE OF SHERIFF

- ◆ Pickett County had inventory deficiencies and a questioned use of surplus federal property.
-

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

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

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

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Pickett County Officials

June 30, 2015

Officials

Richard Daniel, 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

Richard Daniel, Chairman
Mitchell Cross
Tim Ford
Carey Garner
Darrell Garrett
David Harer
Eddie Holt
Colon Huddleston
Larry Ledford
Carter Martin
Brad Richardson
Jim Richardson
Matthew Storie

Board of Education

John Reagan, Chairman
Dorman Beaty, Jr.
Jerry Mitchell
Jimmy Storie

Audit Committee

David Harer, Chairman
Tim Ford
Carter Martin
Brad Richardson
Matthew Storie

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Pickett County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

Emphasis of Matter

We draw attention to Note I.D.9 to the financial statements, which describes a restatement increasing the beginning Governmental Activities net position by \$228,535, increasing the Business-type Activities net position by \$19,045, and decreasing the discretely presented Pickett County School Department net position by \$912,948 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. We also draw attention to Note I.D.9 to the financial statements, which describes a restatement decreasing the beginning Business-type Activities net position by \$182,672 on the Government-wide Statement of Activities. This restatement was necessary to consistently report the deferred inflows of resources for current property taxes between the Governmental Activities and the Business-type Activities. Our opinion is not modified with respect to these matters.

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 schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plan on pages 84-90 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

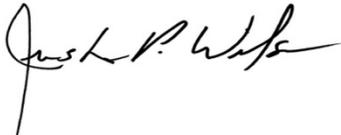
statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor 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 September 24, 2015, 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,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 24, 2015

JPW/kp

BASIC FINANCIAL STATEMENTS

Exhibit A

Pickett County, Tennessee
Statement of Net Position
June 30, 2015

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Pickett County School Department
<u>ASSETS</u>				
Cash	\$ 300	\$ 200	\$ 500	\$ 0
Equity in Pooled Cash and Investments	1,531,472	1,199,190	2,730,662	1,301,104
Accounts Receivable	385,384	25,188	410,572	0
Allowance for Uncollectibles	(42,355)	(9,173)	(51,528)	0
Due from Other Governments	332,707	0	332,707	224,843
Internal Balances	857	16,000	16,857	0
Due from Component Units	2,680,000	0	2,680,000	0
Property Taxes Receivable	1,652,357	198,283	1,850,640	621,287
Allowance for Uncollectible Property Taxes	(33,607)	(4,033)	(37,640)	(12,636)
Prepaid Items	9,000	0	9,000	0
Net Pension Asset - Agent Plan	663,538	55,295	718,833	375,947
Net Pension Asset - Cost-sharing Plan	0	0	0	13,045
Capital Assets:				
Assets Not Depreciated:				
Land	222,805	110,900	333,705	22,955
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,396,823	83,325	2,480,148	4,059,038
Machinery and Equipment	0	190,242	190,242	0
Other Capital Assets	1,912,718	0	1,912,718	261,875
Infrastructure	10,047,312	0	10,047,312	0
Landfill Facilities and Development	0	156,710	156,710	0
Total Assets	\$ 21,759,311	\$ 2,022,127	\$ 23,781,438	\$ 6,867,458
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 0	\$ 0	\$ 0	\$ 31,669
Pension Changes in Contributions after Measurement Date	23,182	1,179	24,361	285,488
Total Deferred Outflows of Resources	\$ 23,182	\$ 1,179	\$ 24,361	\$ 317,157
<u>LIABILITIES</u>				
Accounts Payable	\$ 245,699	\$ 0	\$ 245,699	\$ 32,714
Accrued Interest Payable	19,621	0	19,621	0
Payroll Deductions Payable	512	0	512	0
Internal Balances	16,000	857	16,857	0
Due to Primary Government	0	0	0	2,680,000
Noncurrent Liabilities:				
Due Within One Year	439,129	14,017	453,146	2,870
Due in More Than One Year	4,361,426	1,694,826	6,056,252	320,714
Total Liabilities	\$ 5,082,387	\$ 1,709,700	\$ 6,792,087	\$ 3,036,298
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 1,554,115	\$ 186,494	\$ 1,740,609	\$ 584,348
Pension Changes in Experience	77,890	6,491	84,381	44,131
Pension Changes in Investment Earnings	306,302	25,525	331,827	1,248,338
Pension Other Deferrals	0	0	0	997
Total Deferred Inflows of Resources	\$ 1,938,307	\$ 218,510	\$ 2,156,817	\$ 1,877,814

(Continued)

Exhibit A

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

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities	Total	Pickett County School Department
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 12,459,103	\$ 541,177	\$ 13,000,280	\$ 4,343,868
Restricted for:				
General Government	35,912	0	35,912	0
Finance	8,020	0	8,020	0
Administration of Justice	15,251	0	15,251	0
Public Safety	35,724	0	35,724	0
Highway/Public Works	406,558	0	406,558	0
Debt Service	9,000	0	9,000	0
Capital Projects	5,570	0	5,570	0
Education	0	0	0	172,322
Unrestricted	1,786,661	(446,081)	1,340,580	(2,245,687)
Total Net Position	<u>\$ 14,761,799</u>	<u>\$ 95,096</u>	<u>\$ 14,856,895</u>	<u>\$ 2,270,503</u>

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

Exhibit B

Pickett County, Tennessee
Statement of Activities
For the Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position										Pickett County School Department	
	Program Revenues					Component						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Governmental Activities	Primary Government Business-type Activities	Total				
Primary Government:												
Governmental Activities:												
General Government	\$ 695,530	\$ 181,471	\$ 15,164	\$ 0	\$ 0	\$ (498,895)	\$ 0	\$ (498,895)	\$ 0	\$ 0	\$ 0	\$ 0
Finance	280,353	204,159	0	0	0	(76,194)	0	(76,194)	0	(76,194)	0	0
Administration of Justice	334,038	100,751	4,500	0	0	(228,787)	0	(228,787)	0	(228,787)	0	0
Public Safety	1,170,202	90,573	70,526	567,638	0	(441,465)	0	(441,465)	0	(441,465)	0	0
Public Health and Welfare	820,737	466,836	10,209	0	0	(343,692)	0	(343,692)	0	(343,692)	0	0
Social, Cultural, and Recreational Services	145,893	2,355	14,600	0	0	(128,938)	0	(128,938)	0	(128,938)	0	0
Agriculture and Natural Resources	79,567	0	19,314	0	0	(60,253)	0	(60,253)	0	(60,253)	0	0
Highways/Public Works	1,018,997	374	1,213,679	0	0	195,056	0	195,056	0	195,056	0	0
Interest on Long-term Debt	208,206	0	0	0	0	(208,206)	0	(208,206)	0	(208,206)	0	0
Total Governmental Activities	\$ 4,753,522	\$ 1,046,519	\$ 1,347,992	\$ 567,638	\$ 0	\$ (1,791,373)	\$ 0	\$ (1,791,373)	\$ 0	\$ (1,791,373)	\$ 0	\$ 0
Business-type Activities:												
Landfill	\$ 451,527	\$ 87,865	\$ 1,722	\$ 0	\$ 0	\$ 0	\$ (361,940)	\$ (361,940)	\$ (361,940)	\$ 0	\$ 0	\$ 0
Total Business-type Activities	\$ 451,527	\$ 87,865	\$ 1,722	\$ 0	\$ 0	\$ 0	\$ (361,940)	\$ (361,940)	\$ (361,940)	\$ 0	\$ 0	\$ 0
Total Primary Government	\$ 5,205,049	\$ 1,134,384	\$ 1,349,714	\$ 567,638	\$ 0	\$ (1,791,373)	\$ (361,940)	\$ (2,153,313)	\$ 0	\$ (2,153,313)	\$ 0	\$ 0
Component Unit:												
School Department	\$ 5,912,649	\$ 107,636	\$ 934,801	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (4,870,212)	\$ (4,870,212)
Total Component Unit	\$ 5,912,649	\$ 107,636	\$ 934,801	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (4,870,212)	\$ (4,870,212)

(Continued)

Exhibit B

Pickett County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit
	Expenses	Program Revenues		Primary Government		Total	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 1,465,342	\$ 190,114	\$ 1,655,456	\$ 595,245
Property Taxes Levied for Debt Service				114,582	0	114,582	0
Local Option Sales Taxes				216,061	40,000	256,061	476,827
Wheel Tax				60,750	0	60,750	0
Wholesale Beer Tax				218,937	0	218,937	0
Other Local Taxes				24,580	0	24,580	23,978
Grants and Contributions Not Restricted to Specific Programs				677,006	0	677,006	4,524,938
Unrestricted Investment Income				3,137	2,413	5,550	6,326
Miscellaneous				85,380	18,075	103,455	22,810
Pension Income				50,811	4,234	55,045	40,143
Total General Revenues				\$ 2,916,586	\$ 254,836	\$ 3,171,422	\$ 5,690,267
Change in Net Position				\$ 1,125,213	\$ (107,104)	\$ 1,018,109	\$ 820,055
Net Position, July 1, 2014				13,408,051	365,827	13,773,878	2,363,396
Restatement - Pension Liability (see Note I.D.9)				228,535	19,045	247,580	(912,948)
Restatement - Property Taxes (see Note I.D.9)				0	(182,672)	(182,672)	0
Net Position, June 30, 2015				\$ 14,761,799	\$ 95,096	\$ 14,856,895	\$ 2,270,503

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, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 300	\$ 300	300
Equity in Pooled Cash and Investments	545,180	196,760	751,516	38,016	1,531,472	1,531,472
Accounts Receivable	385,106	170	0	108	385,384	385,384
Allowance for Uncollectibles	(42,355)	0	0	0	(42,355)	(42,355)
Due from Other Governments	124,097	208,610	0	0	332,707	332,707
Due from Other Funds	1,265	1,530	22,000	0	24,795	24,795
Property Taxes Receivable	1,633,930	0	18,427	0	1,652,357	1,652,357
Allowance for Uncollectible Property Taxes	(32,267)	0	(1,340)	0	(33,607)	(33,607)
Prepaid Items	0	0	9,000	0	9,000	9,000
Total Assets	\$ 2,614,956	\$ 407,070	\$ 799,603	\$ 38,424	\$ 3,860,053	3,860,053

LIABILITIES

Accounts Payable	\$ 245,699	\$ 0	\$ 0	\$ 0	\$ 245,699	245,699
Payroll Deductions Payable	0	512	0	0	512	512
Due to Other Funds	39,530	0	0	408	39,938	39,938
Total Liabilities	\$ 285,229	\$ 512	\$ 0	\$ 408	\$ 286,149	286,149
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 1,541,682	\$ 0	\$ 12,433	\$ 0	\$ 1,554,115	1,554,115
Deferred Delinquent Property Taxes	55,965	0	4,342	0	60,307	60,307
Other Deferred/Unavailable Revenue	331,099	104,305	0	0	435,404	435,404
Total Deferred Inflows of Resources	\$ 1,928,746	\$ 104,305	\$ 16,775	\$ 0	\$ 2,049,826	2,049,826

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
FUND BALANCES						
Nonspendable:						
Prepaid Items	\$ 0	\$ 0	\$ 9,000	\$ 0	\$ 0	\$ 9,000
Restricted:						
Restricted for General Government	35,912	0	0	0	0	35,912
Restricted for Finance	8,020	0	0	0	0	8,020
Restricted for Administration of Justice	15,251	0	0	0	0	15,251
Restricted for Public Safety	3,278	0	0	32,446	0	35,724
Restricted for Highways/Public Works	0	302,253	0	0	0	302,253
Restricted for Capital Outlay	0	0	0	5,570	0	5,570
Committed:						
Committed for Debt Service	0	0	773,828	0	0	773,828
Committed for Capital Projects	323,744	0	0	0	0	323,744
Unassigned	14,776	0	0	0	0	14,776
Total Fund Balances	\$ 400,981	\$ 302,253	\$ 782,828	\$ 38,016	\$ 0	\$ 1,524,078
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,614,956	\$ 407,070	\$ 799,603	\$ 38,424	\$ 0	\$ 3,860,053

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, 2015

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)		\$ 1,524,078
(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	2,396,823	
Add: other capital assets net of accumulated depreciation	1,912,718	
Add: infrastructure net of accumulated depreciation	<u>10,047,312</u>	14,579,658
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable	\$ (1,333,000)	
Less: bonds payable	(3,467,555)	
Add: debt to be contributed by the School Department	2,680,000	
Less: accrued interest on bonds, notes, and other loans	<u>(19,621)</u>	(2,140,176)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 23,182	
Less: deferred inflows of resources related to pensions	<u>(384,192)</u>	(361,010)
(4) Net pension assets are not current financial resources and are therefore not reported in the governmental funds.		663,538
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>495,711</u>
Net position of governmental activities (Exhibit A)		<u>\$ 14,761,799</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, 2015

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Revenues</u>						
Local Taxes	\$ 1,956,857	\$ 0	\$ 176,212	\$ 0	\$ 0	\$ 2,133,069
Licenses and Permits	2,399	0	0	0	0	2,399
Fines, Forfeitures, and Penalties	36,140	0	0	12,578	0	48,718
Charges for Current Services	563,295	0	0	137	0	563,432
Other Local Revenues	68,438	32,081	132,000	59,616	0	292,135
Fees Received from County Officials	263,138	0	0	0	0	263,138
State of Tennessee	647,506	1,217,826	0	0	0	1,865,332
Federal Government	74,986	0	0	0	0	74,986
Other Governments and Citizens Groups	44,625	0	359,235	0	0	403,860
Total Revenues	\$ 3,657,384	\$ 1,249,907	\$ 667,447	\$ 72,331	\$ 0	\$ 5,647,069
<u>Expenditures</u>						
<u>Current:</u>						
General Government	\$ 534,425	\$ 0	\$ 0	\$ 0	\$ 0	\$ 534,425
Finance	247,086	0	0	137	0	247,223
Administration of Justice	293,398	0	0	0	0	293,398
Public Safety	1,086,993	0	0	59,256	0	1,146,249
Public Health and Welfare	630,857	0	0	0	0	630,857
Social, Cultural, and Recreational Services	103,703	0	0	0	0	103,703
Agriculture and Natural Resources	72,212	0	0	0	0	72,212
Other Operations	483,591	0	0	0	0	483,591
Highways	0	1,091,541	0	0	0	1,091,541
Debt Service:						
Principal on Debt	0	101,100	324,766	0	0	425,866
Interest on Debt	0	52,612	157,709	0	0	210,321
Other Debt Service	0	0	3,923	0	0	3,923
Total Expenditures	\$ 3,452,265	\$ 1,245,253	\$ 486,398	\$ 59,393	\$ 0	\$ 5,243,309

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 205,119	\$ 4,654	\$ 181,049	\$ 12,938	\$ 403,760	\$ 403,760
Net Change in Fund Balances	\$ 205,119	\$ 4,654	\$ 181,049	\$ 12,938	\$ 403,760	\$ 403,760
Fund Balance, July 1, 2014	195,862	297,599	601,779	25,078	1,120,318	1,120,318
Fund Balance, June 30, 2015	\$ 400,981	\$ 302,253	\$ 782,828	\$ 38,016	\$ 1,524,078	\$ 1,524,078

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, 2015

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)	\$	403,760
(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	\$	490,661
Less: current-year depreciation expense		<u>(447,226)</u>
		43,435
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Add: assets donated and capitalized	\$	483,689
Less: book value of assets disposed		<u>(7,386)</u>
		476,303
(3) 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, 2015	\$	495,711
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(550,970)</u>
		(55,259)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on bonds	\$	322,248
Add: principal payments on notes		2,518
Add: principal payments on other loans		101,100
Less: contributions by the School Department for bonds		<u>(245,000)</u>
		180,866
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$	2,115
Change in net pension asset		435,003
Change in deferred outflows related to pensions		23,182
Change in deferred inflows related to pensions		<u>(384,192)</u>
		<u>76,108</u>
Change in net position of governmental activities (Exhibit B)	\$	<u>1,125,213</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,956,857	\$ 1,950,122	\$ 1,949,955	\$ 6,902
Licenses and Permits	2,399	2,501	2,501	(102)
Fines, Forfeitures, and Penalties	36,140	25,873	32,193	3,947
Charges for Current Services	563,295	447,558	450,387	112,908
Other Local Revenues	68,438	32,059	40,306	28,132
Fees Received from County Officials	263,138	200,553	200,553	62,585
State of Tennessee	647,506	605,926	611,326	36,180
Federal Government	74,986	45,922	66,422	8,564
Other Governments and Citizens Groups	44,625	44,625	44,625	0
Total Revenues	\$ 3,657,384	\$ 3,355,139	\$ 3,398,268	\$ 259,116
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 31,940	\$ 32,382	\$ 32,548	\$ 608
Board of Equalization	520	400	520	0
Beer Board	700	760	700	0
County Mayor/Executive	137,195	127,411	137,195	0
County Attorney	5,722	10,000	5,722	0
Election Commission	117,211	123,598	118,061	850
Register of Deeds	63,707	66,910	63,972	265
County Buildings	177,430	161,595	178,816	1,386
<u>Finance</u>				
Property Assessor's Office	67,765	68,093	66,736	(1,029)
County Trustee's Office	86,178	89,569	86,178	0
County Clerk's Office	93,143	91,462	93,144	1
<u>Administration of Justice</u>				
Circuit Court	95,537	96,172	95,549	12
General Sessions Judge	74,114	76,318	74,118	4
Chancery Court	62,295	63,743	62,295	0
Juvenile Court	11,547	11,577	11,547	0
Judicial Commissioners	6,084	6,184	6,084	0
Other Administration of Justice	5,585	0	5,585	0
Probation Services	38,236	38,659	38,709	473
<u>Public Safety</u>				
Sheriff's Department	709,206	500,647	721,168	11,962
Drug Enforcement	407	500	500	93
Jail	290,044	267,389	307,745	17,701
Fire Prevention and Control	64,333	40,000	60,500	(3,833)
Other Emergency Management	0	3,000	3,000	3,000
County Coroner/Medical Examiner	14,225	10,000	20,000	5,775
Other Public Safety	8,778	8,612	8,778	0
<u>Public Health and Welfare</u>				
Local Health Center	29,493	33,011	30,456	963
Ambulance/Emergency Medical Services	551,552	533,276	555,379	3,827
Regional Mental Health Center	2,274	2,274	2,274	0
Appropriation to State	7,582	7,582	7,582	0
Sanitation Management	30,914	33,700	33,700	2,786
Other Public Health and Welfare	9,042	11,200	11,200	2,158

(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	\$ 21,014	\$ 21,100	\$ 21,100	\$ 86
Libraries	48,325	48,437	49,649	1,324
Other Social, Cultural, and Recreational	34,364	34,382	35,161	797
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	28,674	25,346	25,720	(2,954)
Soil Conservation	43,538	44,471	44,694	1,156
<u>Other Operations</u>				
Tourism	20,050	20,000	20,050	0
Industrial Development	500	500	500	0
Other Economic and Community Development	5,000	5,000	5,000	0
Veterans' Services	17,944	17,930	18,148	204
Other Charges	156,188	143,619	154,871	(1,317)
Contributions to Other Agencies	5,312	6,850	6,100	788
Employee Benefits	273,430	240,098	274,552	1,122
Miscellaneous	5,167	4,700	5,980	813
Total Expenditures	\$ 3,452,265	\$ 3,128,457	\$ 3,501,286	\$ 49,021
Excess (Deficiency) of Revenues Over Expenditures				
	\$ 205,119	\$ 226,682	\$ (103,018)	\$ 308,137
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 0	\$ 220,130	\$ (220,130)
Transfers Out	0	(475,000)	0	0
Total Other Financing Sources	\$ 0	\$ (475,000)	\$ 220,130	\$ (220,130)
Net Change in Fund Balance				
	\$ 205,119	\$ (248,318)	\$ 117,112	\$ 88,007
Fund Balance, July 1, 2014	195,862	270,108	270,108	(74,246)
Fund Balance, June 30, 2015				
	\$ 400,981	\$ 21,790	\$ 387,220	\$ 13,761

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 32,081	\$ 1,000	\$ 1,000	\$ 31,081
State of Tennessee	1,217,826	1,193,969	1,193,969	23,857
Total Revenues	<u>\$ 1,249,907</u>	<u>\$ 1,194,969</u>	<u>\$ 1,194,969</u>	<u>\$ 54,938</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 100,006	\$ 98,534	\$ 100,609	\$ 603
Highway and Bridge Maintenance	605,454	577,392	608,692	3,238
Operation and Maintenance of Equipment	233,384	310,940	303,265	69,881
Quarry Operations	1,200	1,200	3,000	1,800
Other Charges	46,640	45,920	50,920	4,280
Employee Benefits	86,745	128,500	113,500	26,755
Capital Outlay	18,112	150,000	132,500	114,388
<u>Principal on Debt</u>				
General Government	0	153,712	0	0
Highways and Streets	101,100	0	101,100	0
<u>Interest on Debt</u>				
Highways and Streets	52,612	0	52,612	0
Total Expenditures	<u>\$ 1,245,253</u>	<u>\$ 1,466,198</u>	<u>\$ 1,466,198</u>	<u>\$ 220,945</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 4,654</u>	<u>\$ (271,229)</u>	<u>\$ (271,229)</u>	<u>\$ 275,883</u>
Net Change in Fund Balance	\$ 4,654	\$ (271,229)	\$ (271,229)	\$ 275,883
Fund Balance, July 1, 2014	297,599	314,884	314,884	(17,285)
Fund Balance, June 30, 2015	<u>\$ 302,253</u>	<u>\$ 43,655</u>	<u>\$ 43,655</u>	<u>\$ 258,598</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, 2015

	<u>Business-type Activities - Enterprise Fund Solid Waste Disposal Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 200
Equity in Pooled Cash and Investments	1,199,190
Accounts Receivable	25,188
Allowance for Uncollectibles	(9,173)
Due from Other Funds	16,000
Property Taxes Receivable	198,283
Allowance for Uncollectible Property Taxes	(4,033)
Net Pension Asset - Agent Plan	55,295
Total Current Assets	<u>\$ 1,480,950</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 110,900
Assets Net of Accumulated Depreciated:	
Landfill Facilities and Development	156,710
Buildings and Improvements	83,325
Machinery and Equipment	190,242
Total Noncurrent Assets	<u>\$ 541,177</u>
Total Assets	<u>\$ 2,022,127</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension Contributions After Measurement Date	<u>\$ 1,179</u>
Total Deferred Outflows of Resources	<u>\$ 1,179</u>

(Continued)

Exhibit D-1

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

	<u>Business-type Activities - Enterprise Fund Solid Waste Disposal Fund</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Due to Other Funds	\$ 857
Current Portion of Long-term Liabilities	14,017
Total Current Liabilities	<u>\$ 14,874</u>
Noncurrent Liabilities:	
Due in More Than One Year	\$ 1,694,826
Total Noncurrent Liabilities	<u>\$ 1,694,826</u>
Total Liabilities	<u>\$ 1,709,700</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred Current Property Taxes	\$ 186,494
Pension Changes in Experience	6,491
Pension Changes in Investment Earnings	25,525
Total Deferred Inflows of Resources	<u>\$ 218,510</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 541,177
Net Position - Unrestricted	<u>(446,081)</u>
Total Net Position	<u>\$ 95,096</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, 2015

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 81,808
Local Revenues	6,057
Total Operating Revenues	<u>\$ 87,865</u>
<u>Operating Expenses</u>	
Salaries and Benefits	\$ 120,580
Advertising	336
Communications	2,072
Contracts with Government Agencies	3,616
Contracts with Private Agencies	15,339
Data Processing Services	4,631
Engineering Services	10,482
Evaluation and Testing	15,840
Licenses	9,285
Maintenance and Repair Services - Buildings	826
Maintenance and Repair Services - Equipment	37,264
Maintenance and Repair Services - Vehicles	2,916
Postal Charges	99
Travel	400
Other Contracted Services	3,654
Crushed Stone	2,896
Custodial Supplies	384
Electricity	10,923
Gasoline	8,907
Office Supplies	929
Uniforms	3,516
Water and Sewer	545
Wire	2,475
Other Supplies and Materials	496
Trustee's Commission	4,808
Depreciation	36,955
Landfill Closure/Postclosure Care Costs	145,853
Total Operating Expenses	<u>\$ 446,027</u>
Operating Income (Loss)	<u>\$ (358,162)</u>

(Continued)

Exhibit D-2

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

	Business-type Activities - Enterprise Fund
	Solid Waste Disposal Fund
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 230,114
Grants	1,722
Investment Income	2,413
Pension Income	4,234
Miscellaneous Refunds	964
Gain on Disposal of Property	12,287
Sale of Equipment	4,824
Solid Waste Equipment	(5,500)
Total Nonoperating Revenues (Expenses)	<u>\$ 251,058</u>
Change in Net Position	\$ (107,104)
Net Position, July 1, 2014	365,827
Restatement - Pension Liability (see Note I.D.9)	19,045
Restatement - Property Taxes (see Note I.D.9)	<u>(182,672)</u>
Net Position, June 30, 2015	<u><u>\$ 95,096</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, 2015

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 87,154
Payments to Suppliers	(115,297)
Payments to Employees	(122,093)
Other Payments	(29,942)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (180,178)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 229,801
Grants Received	1,722
Miscellaneous Refunds	964
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 232,487</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ (5,500)
Proceeds from the Disposal of Capital Assets	18,711
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ 13,211</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 2,413
Net Cash Provided By (Used In) Investing Activities	<u>\$ 2,413</u>
Net Increase (Decrease) in Cash	\$ 67,933
Cash, July 1, 2014	<u>1,131,457</u>
Cash, June 30, 2015	<u><u>\$ 1,199,390</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (358,162)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
Provided By (Used In) Operating Activities:	
Depreciation Expense	36,955
Pension Contributions	(1,179)
(Increase) Decrease in Accounts Receivable	(711)
Increase (Decrease) in Accounts Payable	(2,934)
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	145,853
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (180,178)</u></u>

(Continued)

Exhibit D-3

Pickett County, Tennessee
Statement of Cash Flows
Proprietary Fund (Cont.)

	Business-type Activities - <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	\$ 1,199,390
Equity in Pooled Cash and Investments Per Net Position	<u>(1,199,190)</u>
Cash, June 30, 2015	<u><u>\$ 200</u></u>

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

Exhibit E

Pickett County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 148,451
Accounts Receivable	347
Due from Other Governments	<u>38,562</u>
Total Assets	<u>\$ 187,360</u>
<u>LIABILITIES</u>	
Due to Litigants, Heirs, and Others	\$ 148,798
Due to Other Taxing Units	<u>38,562</u>
Total Liabilities	<u>\$ 187,360</u>

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

PICKETT COUNTY, TENNESSEE
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PICKETT COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

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, 2015.

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 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.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Pickett County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

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

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and

contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund used to account for the operations of the landfill. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's enterprise fund are tipping fees.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

For purposes of the Statement of Cash Flows, cash includes cash on hand, demand deposits, and cash on deposit with the county trustee.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Pickett County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund and the School Department's General Purpose School Fund. Pickett County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including

collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance, property taxes, and solid waste receivables are shown with an allowance for uncollectibles. Ambulance and solid waste receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.07 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as a deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the

government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Primary Government

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental and business-type columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$25,000 for buildings and improvements, \$12,500 for land improvements, and \$10,000 for all remaining assets 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. Deferred outflows of resources represent 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 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 items are for pension changes in experience, as well as employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. 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 items are from the following sources: current and delinquent property taxes, pension changes in experience, changes in investment earnings, changes in proportionate share of contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. **Compensated Absences**

Primary Government

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

Discretely Presented Pickett County School Department

The general policy of the School Department does not allow for the accumulation of vacation days beyond year-end for professional personnel. The School Department's policy does permit 12-month support personnel to accumulate earned but unused vacation benefits not to exceed 40 days; however, any accumulated vacation leave has no guaranteed payment upon termination. All support personnel vacation pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

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

7. **Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

the actual debt proceeds received, are reported as debt service expenditures.

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

8. Net Position and Fund Balance

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2015, Pickett County had \$2,680,000 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.

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. Restatements

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement to Pickett County's and the Pickett County School Department's beginning net position has been recognized on the Statement of Activities totaling \$247,580 and (\$912,948); respectively.

Prior to July 1, 2014, current property taxes were not reported as deferred inflows of resources in the Solid Waste Disposal Fund; however, it was determined that the current portion of taxes receivable should be reported as a deferred inflow of resources on the Statement of Net Position. A restatement to beginning net position totaling (\$182,672) has been recognized for the current portion of property taxes receivable on the government-wide financial statements and the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Pickett County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Pickett County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Pickett County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

Discretely Presented Pickett County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Pickett County School Department

Exhibit J-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year-end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may

not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

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

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

B. Net Position Deficit

The Solid Waste Disposal Fund had a deficit of \$446,081 in unrestricted net position at June 30, 2015. This deficit resulted from the recognition of a liability of \$1,708,843 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 three major appropriation categories (the legal level of control) of the General Fund by amounts ranging from \$1,029 to \$3,833. Expenditures exceeded total appropriations in the General Debt Service Fund by \$1,025. Expenditures that exceed appropriations are a violation of state statutes. The expenditures in excess of appropriations were funded by greater than anticipated revenues.

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, 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, 2015.

B. Capital Assets

Capital assets activity for the year ended June 30, 2015, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 222,805	\$ 0	\$ 0	\$ 222,805
Total Capital Assets Not Depreciated	<u>\$ 222,805</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 222,805</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,319,511	\$ 0	\$ 0	\$ 4,319,511
Infrastructure	12,887,313	270,528	(5,351)	13,152,490
Other Capital Assets	3,324,146	703,822	(50,000)	3,977,968
Total Capital Assets Depreciated	<u>\$ 20,530,970</u>	<u>\$ 974,350</u>	<u>\$ (55,351)</u>	<u>\$ 21,449,969</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,851,471	\$ 71,217	\$ 0	\$ 1,922,688
Infrastructure	2,984,656	121,779	(1,257)	3,105,178
Other Capital Assets	1,857,728	254,230	(46,708)	2,065,250
Total Accumulated Depreciation	<u>\$ 6,693,855</u>	<u>\$ 447,226</u>	<u>\$ (47,965)</u>	<u>\$ 7,093,116</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,837,115</u>	<u>\$ 527,124</u>	<u>\$ (7,386)</u>	<u>\$ 14,356,853</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,059,920</u>	<u>\$ 527,124</u>	<u>\$ (7,386)</u>	<u>\$ 14,579,658</u>

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

Governmental Activities:

General Government	\$	11,022
Public Safety		131,573
Public Health and Welfare		97,390
Social, Cultural, and Recreational Services		9,733
Highways/Public Works		<u>197,508</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>447,226</u></u>

Primary Government

Business-type Activities:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 110,900	\$ 0	\$ 0	\$ 110,900
Total Capital Assets Not Depreciated	<u>\$ 110,900</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 110,900</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 233,635	\$ 0	\$ 0	\$ 233,635
Landfill Facilities and Development	268,303	0	0	268,303
Machinery and Equipment	<u>784,544</u>	<u>0</u>	<u>(109,123)</u>	<u>675,421</u>
Total Capital Assets Depreciated	<u>\$ 1,286,482</u>	<u>\$ 0</u>	<u>\$ (109,123)</u>	<u>\$ 1,177,359</u>

Primary Government (Cont.)

Business-type Activities (Cont.):

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 143,190	\$ 7,120	\$ 0	\$ 150,310
Landfill Facilities and Development	102,710	8,883	0	111,593
Machinery and Equipment	555,750	20,952	(91,523)	485,179
Total Accumulated Depreciation	\$ 801,650	\$ 36,955	\$ (91,523)	\$ 747,082
Total Capital Assets Depreciated, Net	\$ 484,832	\$ (36,955)	\$ (17,600)	\$ 430,277
Business-type Activities Capital Assets, Net	\$ 595,732	\$ (36,955)	\$ (17,600)	\$ 541,177

Depreciation expense of \$36,955 was recorded by the Solid Waste Disposal Fund.

Discretely Presented Pickett County School Department

Governmental Activities:

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Not Depreciated:			
Land	\$ 22,955	\$ 0	\$ 22,955
Total Capital Assets Not Depreciated	\$ 22,955	\$ 0	\$ 22,955

Governmental Activities (Cont.)

	Balance 7-1-14	Increases	Balance 6-30-15
Capital Assets Depreciated:			
Buildings and			
Improvements	\$ 7,108,662	\$ 0	\$ 7,108,662
Other Capital Assets	914,012	0	914,012
Total Capital Assets			
Depreciated	<u>\$ 8,022,674</u>	<u>\$ 0</u>	<u>\$ 8,022,674</u>
Less Accumulated			
Depreciation For:			
Buildings and			
Improvements	\$ 2,892,618	\$ 157,006	\$ 3,049,624
Other Capital Assets	623,974	28,163	652,137
Total Accumulated			
Depreciation	<u>\$ 3,516,592</u>	<u>\$ 185,169</u>	<u>\$ 3,701,761</u>
Total Capital Assets			
Depreciated, Net	<u>\$ 4,506,082</u>	<u>\$ (185,169)</u>	<u>\$ 4,320,913</u>
Governmental Activities			
Capital Assets, Net	<u>\$ 4,529,037</u>	<u>\$ (185,169)</u>	<u>\$ 4,343,868</u>

There were no decreases in capital assets to report during the year ended June 30, 2015.

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

Governmental Activities:

Instruction	\$ 142,534
Support Services	37,015
Operation of Non-instructional Services	<u>5,620</u>
Total Depreciation Expense -	
Governmental Activities	<u>\$ 185,169</u>

C. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2015, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 408
"	Solid Waste Disposal	857
Highway/Public Works	General	1,530
General Debt Service	"	22,000
Solid Waste Disposal	"	16,000

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

Due to/from Primary Government and Component Unit:

Receivable Fund	Payable Fund	Amount
	Component Unit:	
Primary Government	School Department	\$ 2,680,000

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

D. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 39 years for bonds and up to 12 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Bonds included in long-term debt as of June 30, 2015, will be retired from the General Debt

Service Fund. Other loans included in long-term debt as of June 30, 2015, will be retired from the Highway/Public Works Fund.

General obligation bonds and other loans outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bonds	4.125 to 6 %	6-1-33	\$ 2,015,000	\$ 787,555
General Obligation Bonds - Refunding	3 to 4.2	6-1-24	4,100,000	2,680,000
Other Loans	3.79	12-15-25	1,483,000	1,333,000

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

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2015, including interest payments, are presented in the following tables:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2016	\$ 105,400	\$ 48,702	\$ 154,102
2017	109,500	44,638	154,138
2018	113,500	40,417	153,917
2019	118,100	36,036	154,136
2020	122,600	31,484	154,084
2021-2025	687,600	82,774	770,374
2026	76,300	847	77,147
Total	\$ 1,333,000	\$ 284,898	\$ 1,617,898

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2021-2025	1,525,895	186,446	1,712,341
2026-2030	81,184	20,636	101,820
2031-2033	40,302	3,726	44,028
Total	<u>\$ 3,467,555</u>	<u>\$ 795,773</u>	<u>\$ 4,263,328</u>

There is \$773,828 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and other loans totaled \$946, based on the 2010 federal census.

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

Description of Indebtedness	Outstanding 6-30-15
<u>Bonds</u>	
<u>Contributions from General Purpose School Fund</u>	
School Refunding Bond, Series 2009	\$ 2,680,000

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2014	\$ 3,789,803	\$ 2,518	\$ 1,434,100
Reductions	(322,248)	(2,518)	(101,100)
Balance, June 30, 2015	<u>\$ 3,467,555</u>	<u>\$ 0</u>	<u>\$ 1,333,000</u>
Balance Due Within One Year	<u>\$ 333,729</u>	<u>\$ 0</u>	<u>\$ 105,400</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 4,800,555
Less: Balance Due Within One Year	<u>(439,129)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 4,361,426</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, 2015, was as follows:

	<u>Closure/ Postclosure Care Costs</u>
Balance, July 1, 2014	\$ 1,562,990
Additions	156,416
Reductions	<u>(10,563)</u>
Balance, June 30, 2015	<u>\$ 1,708,843</u>
Balance Due Within One Year	<u>\$ 14,017</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 1,708,843
Less: Balance Due Within One Year	<u>(14,017)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,694,826</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, 2015, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 6,355	\$ 293,546
Additions	2,878	41,303
Deductions	(1,257)	(19,241)
Balance, June 30, 2015	<u>\$ 7,976</u>	<u>\$ 315,608</u>
Balance Due Within One Year	<u>\$ 2,870</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 323,584
Less: Balance Due Within One Year	<u>(2,870)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 320,714</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, 2015, were \$23,020 and \$7,250, 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, 2015, was as follows:

	Balance 7-1-14	Issued	Paid	Balance 6-30-15
Tax Anticipation Notes	\$ 0	\$ 475,000	\$ (475,000)	\$ 0

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

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

Pickett County does not provide health insurance for its employees.

Discretely Presented Pickett County School Department

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

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

C. Subsequent Events

The County Commission approved selling the nursing home building on February 16, 2015. The county is still negotiating the terms of the sale, which is expected to close at or near November 2015.

On July 23, 2015, Pickett County issued \$204,200 in general obligation bonds to purchase patrol cars.

On August 4, 2015, the Highway Department entered into a lease-purchase agreement totaling \$143,340 for a loader.

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, 2014, Johnnie Neal left the Office of County Executive and was succeeded by Richard Daniel.

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 \$1,708,843 reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 35 percent of the estimated capacity of the Highway 325 landfill (\$1,544,117) and for the landfill closed in 1994 (\$164,726). The \$1,708,843 reported as closure and postclosure care liability at June 30, 2015, represents amounts based on what it would cost to perform all closure/postclosure care in 2015. The county will recognize the remaining estimated costs of closure and postclosure care of \$2,867,647 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, Clay, Cumberland, DeKalb, Overton, Pickett, Putnam, and White counties, 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, 2015. 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. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Pickett County and non-certified employees of the discretely presented Pickett County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 65.66 percent and the non-certified employees of the discretely presented School Department comprise 34.34 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by

statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	48
Inactive Employees Entitled to But Not Yet Receiving Benefits	128
Active Employees	99
 Total	 <u><u>275</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Pickett County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Pickett County were \$27,144 based on a rate of .99 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Pickett County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance

the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Pickett County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real

rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Pickett County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 6,691,093	\$ 6,850,531	\$ (159,438)
Changes for the year:			
Service Cost	\$ 215,048	\$ 0	\$ 215,048
Interest	508,300	0	508,300
Differences Between Expected and Actual Experience	(154,215)	0	(154,215)
Contributions-Employer	0	217,624	(217,624)
Contributions-Employees	0	141,683	(141,683)
Net Investment Income	0	1,149,167	(1,149,167)
Benefit Payments, Including Refunds of Employee Contributions	(257,637)	(257,637)	0
Administrative Expense	0	(3,999)	3,999
Other Changes	0	0	0
Net Changes	<u>\$ 311,496</u>	<u>\$ 1,246,838</u>	<u>\$ (935,342)</u>
Balance, June 30, 2014	<u>\$ 7,002,589</u>	<u>\$ 8,097,369</u>	<u>\$ (1,094,780)</u>

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	65.66%	\$ 4,597,900	\$ 5,316,733	\$ (718,833)
School Department	34.34%	<u>2,404,689</u>	<u>2,780,636</u>	<u>(375,947)</u>
Total		<u>\$ 7,002,589</u>	<u>\$ 8,097,369</u>	<u>\$ (1,094,780)</u>

Sensitivity of the Net Position Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Pickett County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

Pickett County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
----------------	------------------------	-------------------------------------	------------------------

Net Pension Liability \$ (147,467) \$ (1,094,780) \$ (1,883,428)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Income. For the year ended June 30, 2015, Pickett County recognized pension income of \$83,834.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, Pickett County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 0	\$ 128,512
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	505,372
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>27,144</u>	<u>N/A</u>
Total	<u>\$ 27,144</u>	<u>\$ 633,884</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 24,361	\$ 416,208
School Department	2,783	217,676
Total	<u>\$ 27,144</u>	<u>\$ 633,884</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (152,046)
2017	(152,046)
2018	(152,046)
2019	(152,046)
2020	(25,703)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Pickett County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Pickett County and non-certified employees of the discretely presented Pickett County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 65.66 percent and the non-certified employees of the discretely present School Department comprise 34.34 percent of the plan based on census data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Pickett County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability

controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level approved by the TCRS Board of Trustees is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$1,235, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities. Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

Pension Expense. Since the measurement date is June 30, 2014, the Pickett County School Department did not recognize any pension expense at June 30, 2015.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Pickett County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 1,235	N/A

The Pickett County School Department's employer contributions of \$1,235 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Pickett County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits are available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change

is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Pickett County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$281,470, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Assets. At June 30, 2015, the Pickett County School Department reported an asset of \$13,045 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Pickett County School Department's proportion of the net pension asset was based on the Pickett County School Department's employer contributions to the pension plan during the year ended June 30 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At June 30, 2014, measurement date, the Pickett County School Department's proportion was .080277 percent. The proportion measured as of June 30, 2013, was .080348 percent.

Pension Income. For the year ended June 30, 2015, the Pickett County School Department recognized a pension income of \$11,354.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2015, the Pickett County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 31,669	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	1,074,794
Changes in Proportion of Net Pension Liability (Asset)	0	997
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	281,470	N/A
Total	<u>\$ 313,139</u>	<u>\$ 1,075,791</u>

The Pickett County School Department's employer contributions of \$281,470 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (263,587)
2017	(263,587)
2018	(263,587)
2019	(263,587)
2020	5,112
Thereafter	5,112

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	%	Percentage Target Allocations	%
U.S. Equity	6.46	%	33	%
Developed Market				
International Equity	6.26		17	
Emerging Market				
International Equity	6.40		5	
Private Equity and				
Strategic Lending	4.61		8	
U.S. Fixed Income	0.98		29	
Real Estate	4.73		7	
Short-term Securities	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Position Liability (Asset) to Changes in the Discount Rate. The following presents Pickett County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Pickett County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
--	---------------------	-------------------------------	---------------------

Net Pension Liability \$ 2,200,124 \$ (13,045) \$ (1,845,308)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

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 Pickett County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state’s retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state’s website at <http://tn.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 \$19,241 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 41,000
Interest on the NOPEBO	11,742
Adjustment to the ARC	(11,439)
Annual OPEB cost	<hr/> \$ 41,303
Amount of contribution	(19,241)
Increase/decrease in NOPEBO	<hr/> \$ 22,062
Net OPEB obligation, 7-1-14	<hr/> 293,546
Net OPEB obligation, 6-30-15	<hr/> <hr/> \$ 315,608

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>		<hr/>		<hr/>
6-30-13	Local Education Group	\$ 86,483	25 %	\$ 275,373
6-30-14	"	40,284	55	293,546
6-30-15	"	41,303	47	315,608

Funded Status and Funding Progress

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

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

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

Actuarial Methods and Assumptions

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

In the July 1, 2013, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007.

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 Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>
Total Pension Liability (Asset)	
Service Cost	\$ 215,048
Interest	508,300
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(154,215)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(257,637)</u>
Net Change in Total Pension Liability (Asset)	\$ 311,496
Total Pension Liability (Asset), Beginning	<u>6,691,093</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 7,002,589</u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 217,624
Contributions - Employee	141,683
Net Investment Income	1,149,167
Benefit Payments, Including Refunds of Employee Contributions	(257,637)
Administrative Expense	<u>(3,999)</u>
Net Change in Plan Fiduciary Net Position	\$ 1,246,838
Plan Fiduciary Net Position, Beginning	<u>6,850,531</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 8,097,369</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (1,094,780)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	115.63%
Covered Employee Payroll	\$ 2,833,642
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	38.64%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit F-2

Pickett County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 217,624	\$ 27,144
Less Contributions in Relation to the Actuarially Determined Contribution	(217,624)	(27,144)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,833,642	\$ 2,739,677
Contributions as a Percentage of Covered Employee Payroll	7.68%	0.99%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and discretely presented non-certified employees of the School Department.

Exhibit F-3

Pickett County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Retirement Plan of TCRS
Discretely Presented Pickett County School Department
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 772
Less Contributions in Relation to the Actuarially Determined Contribution	(1,235)
Contribution Deficiency (Excess)	<u>\$ (463)</u>
Covered Employee Payroll	\$ 31,076
Contributions as a Percentage of Covered Employee Payroll	4%

Note: ten years of data will be presented when available.

Exhibit F-4

Pickett County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Pickett County School Department
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 279,797	\$ 281,470
Less Contributions in Relation to the Actuarially Determined Contribution	(279,797)	(281,470)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 3,150,885	\$ 3,089,960
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.11%

Note: ten years of data will be presented when available.

Exhibit F-5

Pickett County, Tennessee
Schedule of Proportionate Share of the Net Pension Asset
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Pickett County School Department
For the Fiscal Year Ended June 30 *

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.080277%
School Department's Proportionate Share of the Net Pension Asset	\$ 13,045
Covered Employee Payroll	\$ 3,150,885
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit F-6

Pickett County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Pickett County School Department
June 30, 2015

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group	7-1-10	\$ 0	\$ 720	\$ 720	0 %	\$ 2,143	34 %
"	7-1-11	0	891	891	0	2,181	41
"	7-1-13	0	445	445	0	2,349	19

PICKETT COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	1 Year
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**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 of deeds, and sheriff.

Capital Projects Fund

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.

Pickett County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2015

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	Industrial Park Projects		
<u>ASSETS</u>						
Cash	\$ 0	\$ 300	\$ 300	\$ 0	\$ 0	\$ 300
Equity in Pooled Cash and Investments	32,446	0	32,446	5,570		38,016
Accounts Receivable	0	108	108	0		108
Total Assets	\$ 32,446	\$ 408	\$ 32,854	\$ 5,570	\$	\$ 38,424
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 408	\$ 408	\$ 0	\$	\$ 408
Total Liabilities	\$ 0	\$ 408	\$ 408	\$ 0	\$	\$ 408
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Public Safety	\$ 32,446	\$ 0	\$ 32,446	\$ 0	\$	\$ 32,446
Restricted for Capital Outlay	0	0	0	5,570		5,570
Total Fund Balances	\$ 32,446	\$ 0	\$ 32,446	\$ 5,570	\$	\$ 38,016
Total Liabilities and Fund Balances	\$ 32,446	\$ 408	\$ 32,854	\$ 5,570	\$	\$ 38,424

Pickett County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	Industrial Park Projects	Total	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 12,578	\$ 0	\$ 12,578	\$ 0	\$ 12,578	
Charges for Current Services	0	137	137	0	137	
Other Local Revenues	59,616	0	59,616	0	59,616	
Total Revenues	\$ 72,194	\$ 137	\$ 72,331	\$ 0	\$ 72,331	
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 137	\$ 137	\$ 0	\$ 137	
Public Safety	59,256	0	59,256	0	59,256	
Total Expenditures	\$ 59,256	\$ 137	\$ 59,393	\$ 0	\$ 59,393	
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,938	\$ 0	\$ 12,938	\$ 0	\$ 12,938	
Net Change in Fund Balances Fund Balance, July 1, 2014	\$ 12,938	\$ 0	\$ 12,938	\$ 0	\$ 12,938	
	19,508	0	19,508	5,570	25,078	
Fund Balance, June 30, 2015	\$ 32,446	\$ 0	\$ 32,446	\$ 5,570	\$ 38,016	

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 12,578	\$ 11,500	\$ 64,000	\$ (51,422)
Other Local Revenues	59,616	8,000	8,000	51,616
Total Revenues	\$ 72,194	\$ 19,500	\$ 72,000	\$ 194
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 59,256	\$ 19,500	\$ 72,000	\$ 12,744
Total Expenditures	\$ 59,256	\$ 19,500	\$ 72,000	\$ 12,744
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,938	\$ 0	\$ 0	\$ 12,938
Net Change in Fund Balance	\$ 12,938	\$ 0	\$ 0	\$ 12,938
Fund Balance, July 1, 2014	19,508	19,325	19,325	183
Fund Balance, June 30, 2015	\$ 32,446	\$ 19,325	\$ 19,325	\$ 13,121

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 176,212	\$ 168,954	\$ 168,954	\$ 7,258
Other Local Revenues	132,000	120,000	120,000	12,000
Other Governments and Citizens Groups	359,235	0	359,235	0
Total Revenues	<u>\$ 667,447</u>	<u>\$ 288,954</u>	<u>\$ 648,189</u>	<u>\$ 19,258</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 79,766	\$ 79,881	\$ 79,797	\$ 31
Education	245,000	0	245,000	0
<u>Interest on Debt</u>				
General Government	43,474	42,107	43,441	(33)
Education	114,235	0	114,235	0
<u>Other Debt Service</u>				
General Government	3,923	2,900	2,900	(1,023)
Total Expenditures	<u>\$ 486,398</u>	<u>\$ 124,888</u>	<u>\$ 485,373</u>	<u>\$ (1,025)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 181,049</u>	<u>\$ 164,066</u>	<u>\$ 162,816</u>	<u>\$ 18,233</u>
Net Change in Fund Balance	\$ 181,049	\$ 164,066	\$ 162,816	\$ 18,233
Fund Balance, July 1, 2014	<u>601,779</u>	<u>588,223</u>	<u>588,223</u>	<u>13,556</u>
Fund Balance, June 30, 2015	<u>\$ 782,828</u>	<u>\$ 752,289</u>	<u>\$ 751,039</u>	<u>\$ 31,789</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 of deeds, 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, 2015

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 148,451	\$ 148,451
Accounts Receivable	0	347	347
Due from Other Governments	38,562	0	38,562
Total Assets	<u>\$ 38,562</u>	<u>\$ 148,798</u>	<u>\$ 187,360</u>
<u>LIABILITIES</u>			
Due to Litigants, Heirs, and Others	\$ 0	\$ 148,798	\$ 148,798
Due to Other Taxing Units	38,562	0	38,562
Total Liabilities	<u>\$ 38,562</u>	<u>\$ 148,798</u>	<u>\$ 187,360</u>

Exhibit I-2

Pickett County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 203,906	\$ 203,906	\$ 0
Due from Other Governments	32,970	38,562	32,970	38,562
Total Assets	\$ 32,970	\$ 242,468	\$ 236,876	\$ 38,562
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 32,970	\$ 242,468	\$ 236,876	\$ 38,562
Total Liabilities	\$ 32,970	\$ 242,468	\$ 236,876	\$ 38,562
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 83,721	\$ 3,013,456	\$ 2,948,726	\$ 148,451
Accounts Receivable	154	347	154	347
Total Assets	\$ 83,875	\$ 3,013,803	\$ 2,948,880	\$ 148,798
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 83,875	\$ 3,013,803	\$ 2,948,880	\$ 148,798
Total Liabilities	\$ 83,875	\$ 3,013,803	\$ 2,948,880	\$ 148,798
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 83,721	\$ 3,013,456	\$ 2,948,726	\$ 148,451
Equity in Pooled Cash and Investments	0	203,906	203,906	0
Accounts Receivable	154	347	154	347
Due from Other Governments	32,970	38,562	32,970	38,562
Total Assets	\$ 116,845	\$ 3,256,271	\$ 3,185,756	\$ 187,360
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 83,875	\$ 3,013,803	\$ 2,948,880	\$ 148,798
Due to Other Taxing Units	32,970	242,468	236,876	38,562
Total Liabilities	\$ 116,845	\$ 3,256,271	\$ 3,185,756	\$ 187,360

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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 3,160,593	\$ 0	\$ 318,925	0	\$ (2,841,668)
Support Services	1,953,976	0	237,333	0	(1,716,643)
Operation of Non-instructional Services	683,845	107,636	378,543	0	(197,666)
Interest on Long-term Debt	114,235	0	0	0	(114,235)
Total Governmental Activities	\$ 5,912,649	\$ 107,636	\$ 934,801	0	\$ (4,870,212)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 595,245
Local Option Sales Taxes					476,827
Other Local Taxes					23,978
Grants and Contributions Not Restricted to Specific Programs					4,524,938
Unrestricted Investment Income					6,326
Miscellaneous					22,810
Pension Income					40,143
Total General Revenues					\$ 5,690,267
Change in Net Position					\$ 820,055
Net Position, July 1, 2014					2,363,396
Restatement - Pension Liability (see Note I.D.9)					(912,948)
Net Position, June 30, 2015					\$ 2,270,503

Exhibit J-2

Pickett County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2015

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	<u>General Purpose School</u>	<u>Other Govern- mental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,109,058	\$ 192,046	\$ 1,301,104
Due from Other Governments	169,469	55,374	224,843
Property Taxes Receivable	621,287	0	621,287
Allowance for Uncollectible Property Taxes	(12,636)	0	(12,636)
Total Assets	<u>\$ 1,887,178</u>	<u>\$ 247,420</u>	<u>\$ 2,134,598</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,199	\$ 31,515	\$ 32,714
Total Liabilities	<u>\$ 1,199</u>	<u>\$ 31,515</u>	<u>\$ 32,714</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 584,348	\$ 0	\$ 584,348
Deferred Delinquent Property Taxes	22,676	0	22,676
Other Deferred/Unavailable Revenue	57,203	0	57,203
Total Deferred Inflows of Resources	<u>\$ 664,227</u>	<u>\$ 0</u>	<u>\$ 664,227</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 6,417	\$ 165,905	\$ 172,322
Committed:			
Committed for Education	248,177	0	248,177
Assigned:			
Assigned for Education	0	50,000	50,000
Unassigned	967,158	0	967,158
Total Fund Balances	<u>\$ 1,221,752</u>	<u>\$ 215,905</u>	<u>\$ 1,437,657</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,887,178</u>	<u>\$ 247,420</u>	<u>\$ 2,134,598</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, 2015

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)		\$	1,437,657
(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		4,059,038	
Add: other capital assets net of accumulated depreciation		<u>261,875</u>	4,343,868
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: contributions due to primary government for bonded debt	\$	(2,680,000)	
Less: compensated absences payable		(7,976)	
Less: other postemployment benefits liability		<u>(315,608)</u>	(3,003,584)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	317,157	
Less: deferred inflows of resources related to pensions		<u>(1,293,466)</u>	(976,309)
(4) Net pension assets are not current financial resources and are therefore not reported in the governmental funds.			
Add: net pension assets - agent plan	\$	375,947	
Add: net pension assets - cost-sharing plan		<u>13,045</u>	388,992
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>79,879</u>
Net position of governmental activities (Exhibit A)		\$	<u>2,270,503</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, 2015

	<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	\$ 1,084,802	\$ 0	\$ 1,084,802
Licenses and Permits	299	0	299
Charges for Current Services	0	107,636	107,636
Other Local Revenues	27,706	1,430	29,136
State of Tennessee	4,520,036	19,553	4,539,589
Federal Government	59,892	859,491	919,383
Total Revenues	<u>\$ 5,692,735</u>	<u>\$ 988,110</u>	<u>\$ 6,680,845</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,923,558	\$ 355,144	\$ 3,278,702
Support Services	1,850,427	67,696	1,918,123
Operation of Non-instructional Services	152,571	525,654	678,225
Debt Service:			
Principal on Debt	245,000	0	245,000
Interest on Debt	114,235	0	114,235
Total Expenditures	<u>\$ 5,285,791</u>	<u>\$ 948,494</u>	<u>\$ 6,234,285</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 406,944</u>	<u>\$ 39,616</u>	<u>\$ 446,560</u>
Net Change in Fund Balances	\$ 406,944	\$ 39,616	\$ 446,560
Fund Balance, July 1, 2014	814,808	176,289	991,097
Fund Balance, June 30, 2015	<u>\$ 1,221,752</u>	<u>\$ 215,905</u>	<u>\$ 1,437,657</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, 2015

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)		\$	446,560
(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:			
Less: current-year depreciation expense			(185,169)
(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, 2015	\$	79,879	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(68,163)</u>	11,716
(3) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds.			
Add: principal contributions on bonds to primary government			245,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in compensated absences payable	\$	(1,621)	
Change in other postemployment benefits liability		(22,062)	
Change in net pension asset - agent plan		246,464	
Change in net pension asset - cost-sharing plan		1,055,476	
Change in deferred outflows related to pensions		317,157	
Change in deferred inflows related to pensions		<u>(1,293,466)</u>	<u>301,948</u>
Change in net position of governmental activities (Exhibit B)		\$	<u>820,055</u>

Exhibit J-6

Pickett County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Pickett County School Department
June 30, 2015

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 48,598	\$ 143,448	\$ 192,046
Due from Other Governments	3,127	52,247	55,374
Total Assets	<u>\$ 51,725</u>	<u>\$ 195,695</u>	<u>\$ 247,420</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,725	\$ 29,790	\$ 31,515
Total Liabilities	<u>\$ 1,725</u>	<u>\$ 29,790</u>	<u>\$ 31,515</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 165,905	\$ 165,905
Assigned:			
Assigned for Education	50,000	0	50,000
Total Fund Balances	<u>\$ 50,000</u>	<u>\$ 165,905</u>	<u>\$ 215,905</u>
Total Liabilities and Fund Balances	<u>\$ 51,725</u>	<u>\$ 195,695</u>	<u>\$ 247,420</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, 2015

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 107,636	\$ 107,636
Other Local Revenues	0	1,430	1,430
State of Tennessee	15,000	4,553	19,553
Federal Government	485,501	373,990	859,491
Total Revenues	<u>\$ 500,501</u>	<u>\$ 487,609</u>	<u>\$ 988,110</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 355,144	\$ 0	\$ 355,144
Support Services	67,696	0	67,696
Operation of Non-instructional Services	77,661	447,993	525,654
Total Expenditures	<u>\$ 500,501</u>	<u>\$ 447,993</u>	<u>\$ 948,494</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 39,616</u>	<u>\$ 39,616</u>
Net Change in Fund Balances	\$ 0	\$ 39,616	\$ 39,616
Fund Balance, July 1, 2014	50,000	126,289	176,289
Fund Balance, June 30, 2015	<u>\$ 50,000</u>	<u>\$ 165,905</u>	<u>\$ 215,905</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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,084,802	\$ 1,067,862	\$ 1,072,862	\$ 11,940
Licenses and Permits	299	150	150	149
Other Local Revenues	27,706	40,000	40,000	(12,294)
State of Tennessee	4,520,036	4,485,740	4,525,010	(4,974)
Federal Government	59,892	61,000	66,100	(6,208)
Total Revenues	\$ 5,692,735	\$ 5,654,752	\$ 5,704,122	\$ (11,387)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,418,816	\$ 2,621,315	\$ 2,621,315	\$ 202,499
Special Education Program	273,309	291,150	291,150	17,841
Vocational Education Program	231,433	239,590	239,590	8,157
<u>Support Services</u>				
Attendance	36,947	39,390	39,390	2,443
Health Services	130,836	139,055	139,055	8,219
Other Student Support	111,211	117,005	117,005	5,794
Regular Instruction Program	212,500	218,015	218,015	5,515
Special Education Program	54,058	54,955	54,955	897
Other Programs	30,270	0	30,270	0
Board of Education	96,697	112,060	112,060	15,363
Director of Schools	103,982	106,425	106,425	2,443
Office of the Principal	209,186	214,675	214,675	5,489
Fiscal Services	65,629	69,545	69,545	3,916
Operation of Plant	436,585	472,270	472,270	35,685
Maintenance of Plant	122,687	105,730	130,830	8,143
Transportation	229,988	283,250	283,250	53,262
Central and Other	9,851	10,300	10,300	449
<u>Operation of Non-Instructional Services</u>				
Community Services	50,152	51,000	51,000	848
Early Childhood Education	102,419	102,419	102,419	0
<u>Principal on Debt</u>				
Education	245,000	245,000	245,000	0
<u>Interest on Debt</u>				
Education	114,235	114,235	114,235	0
Total Expenditures	\$ 5,285,791	\$ 5,607,384	\$ 5,662,754	\$ 376,963
Excess (Deficiency) of Revenues Over Expenditures	\$ 406,944	\$ 47,368	\$ 41,368	\$ 365,576
Net Change in Fund Balance	\$ 406,944	\$ 47,368	\$ 41,368	\$ 365,576
Fund Balance, July 1, 2014	814,808	172,034	172,034	642,774
Fund Balance, June 30, 2015	\$ 1,221,752	\$ 219,402	\$ 213,402	\$ 1,008,350

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 15,000	\$ 0	\$ 15,000	\$ 0
Federal Government	485,501	752,073	737,517	(252,016)
Total Revenues	<u>\$ 500,501</u>	<u>\$ 752,073</u>	<u>\$ 752,517</u>	<u>\$ (252,016)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 220,189	\$ 240,205	\$ 240,201	\$ 20,012
Special Education Program	125,473	295,305	295,753	170,280
Vocational Education Program	9,482	9,156	9,482	0
<u>Support Services</u>				
Other Student Support	9,586	15,779	16,013	6,427
Regular Instruction Program	46,372	54,508	54,508	8,136
Special Education Program	7,416	25,040	25,040	17,624
Vocational Education Program	0	560	0	0
Transportation	4,322	6,520	6,520	2,198
<u>Operation of Non-Instructional Services</u>				
Community Services	77,661	105,000	105,000	27,339
Total Expenditures	<u>\$ 500,501</u>	<u>\$ 752,073</u>	<u>\$ 752,517</u>	<u>\$ 252,016</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2014	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 0</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 107,636	\$ 132,000	\$ 132,000	\$ (24,364)
Other Local Revenues	1,430	150	150	1,280
State of Tennessee	4,553	4,135	4,135	418
Federal Government	373,990	382,000	382,000	(8,010)
Total Revenues	<u>\$ 487,609</u>	<u>\$ 518,285</u>	<u>\$ 518,285</u>	<u>\$ (30,676)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 447,993	\$ 570,600	\$ 570,600	\$ 122,607
Total Expenditures	<u>\$ 447,993</u>	<u>\$ 570,600</u>	<u>\$ 570,600</u>	<u>\$ 122,607</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 39,616</u>	<u>\$ (52,315)</u>	<u>\$ (52,315)</u>	<u>\$ 91,931</u>
Net Change in Fund Balance	\$ 39,616	\$ (52,315)	\$ (52,315)	\$ 91,931
Fund Balance, July 1, 2014	126,289	118,313	118,313	7,976
Fund Balance, June 30, 2015	<u>\$ 165,905</u>	<u>\$ 65,998</u>	<u>\$ 65,998</u>	<u>\$ 99,907</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Pickett County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Paid and/or	
					Outstanding 7-1-14	Matured During Period 6-30-15
NOTES PAYABLE						
Payable through General Debt Service Fund						
Welcome Center	\$ 90,000	3.5 %	7-14-11	7-25-14	\$ 2,518	\$ 0
Total Payable through General Debt Service Fund					\$ 2,518	\$ 0
Total Notes Payable					\$ 2,518	\$ 0
OTHER LOANS PAYABLE						
Public Building Authority Loan Agreement:						
Payable through Highway/Public Works Fund	(1) 1,483,000	3.79	12-18-13	12-15-25	\$ 1,434,100	\$ 1,333,000
Highway Refunding and Equipment						
Total Other Loans Payable					\$ 1,434,100	\$ 1,333,000
BONDS PAYABLE						
Payable through General Debt Service Fund						
Nursing Home	1,200,000	5	8-31-1982	1-1-21	\$ 410,000	\$ 360,000
Nursing Home Addition - FHA	425,000	6	5-18-1990	5-18-23	203,969	17,758
Public Library	390,000	4.125	11-1-06	6-1-33	250,834	9,490
Total Payable through General Debt Service Fund					\$ 864,803	\$ 77,248
Contributions Due by School Department from the General Purpose School Fund to the General Debt Service Fund						
School Refunding Bond, Series 2009	4,100,000	3 to 4.2	3-31-09	6-1-24	\$ 2,925,000	\$ 2,680,000
Total Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund					\$ 2,925,000	\$ 2,680,000
Total Bonds Payable					\$ 3,789,803	\$ 3,467,555

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

Exhibit K-2

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

Year Ending June 30	Other Loans		Total
	Principal	Interest	
2016	\$ 105,400	\$ 48,702	\$ 154,102
2017	109,500	44,638	154,138
2018	113,500	40,417	153,917
2019	118,100	36,036	154,136
2020	122,600	31,484	154,084
2021	127,100	26,762	153,862
2022	132,300	21,852	154,152
2023	137,400	16,750	154,150
2024	142,500	11,455	153,955
2025	148,300	5,955	154,255
2026	76,300	847	77,147
Total	\$ 1,333,000	\$ 284,898	\$ 1,617,898

Year Ending June 30	Bonds		Total
	Principal	Interest	
2016	\$ 333,729	\$ 145,029	\$ 478,758
2017	345,292	132,041	477,333
2018	366,942	118,541	485,483
2019	378,685	102,798	481,483
2020	395,526	86,556	482,082
2021	412,469	70,439	482,908
2022	359,522	51,811	411,333
2023	375,831	36,841	412,672
2024	363,748	21,316	385,064
2025	14,325	6,039	20,364
2026	14,928	5,436	20,364
2027	15,555	4,809	20,364
2028	16,209	4,155	20,364
2029	16,891	3,473	20,364
2030	17,601	2,763	20,364
2031	18,341	2,023	20,364
2032	19,112	1,252	20,364
2033	2,849	451	3,300
Total	\$ 3,467,555	\$ 795,773	\$ 4,263,328

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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Johnie Neal (7-1-14 through 8-31-14)	Section 8-24-102, TCA	\$ 12,900	\$ 25,000	RLI Insurance Company
Richard Daniel (9-1-14 through 6-30-15)	Section 8-24-102, TCA	54,486	100,000	"
Road Superintendent	Section 8-24-102, TCA, and Chapter 104, Private Acts of 1957	64,178 (1)	100,000	"
Director of Schools	State Board of Education and Pickett County Board of Education	77,635 (2)	(3)	
Trustee	Section 8-24-102, TCA	58,343	306,510	RLI Insurance Company
Assessor of Property	Section 8-24-102, TCA	58,343	50,000	"
County Clerk	Section 8-24-102, TCA	58,343	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	58,343	50,000	"
Clerk and Master	Section 8-24-102, TCA	58,343	50,000	"
Register of Deeds	Section 8-24-102, TCA	58,343	50,000	"
Sheriff	Section 8-24-102, TCA	64,178 (4)	100,000	"
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 annual travel payments of \$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, 2015

	Special Revenue Funds					Debt Service Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 1,375,853	\$ 0	\$ 0	\$ 0	\$ 106,330	\$ 1,482,183	
Trustee's Collections - Prior Year	52,706	0	0	0	6,261	58,967	
Circuit/Clerk and Master Collections - Prior Years	15,148	0	0	0	1,710	16,858	
Interest and Penalty	9,511	0	0	0	1,071	10,582	
Payments in-Lieu-of Taxes - Other	43,737	0	0	0	90	43,827	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	218,061	0	0	0	0	218,061	
Wheel Tax	0	0	0	0	60,750	60,750	
Litigation Tax - General	6,402	0	0	0	0	6,402	
Litigation Tax - Special Purpose	1,642	0	0	0	0	1,642	
Business Tax	1,924	0	0	0	0	1,924	
Mineral Severance Tax	12,512	0	0	0	0	12,512	
<u>Statutory Local Taxes</u>							
Wholesale Beer Tax	218,937	0	0	0	0	218,937	
Interstate Telecommunications Tax	424	0	0	0	0	424	
Total Local Taxes	\$ 1,956,857	\$ 0	\$ 0	\$ 0	\$ 176,212	\$ 2,133,069	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	299	0	0	0	0	299	
<u>Permits</u>							
Beer Permits	2,100	0	0	0	0	2,100	
Total Licenses and Permits	\$ 2,399	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,399	

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	6,819 \$	0 \$	0 \$	0 \$	0 \$	6,819	
Officers Costs	1,006	0	0	0	0	1,006	
Drug Control Fines	0	8,762	0	0	0	8,762	
Drug Court Fees	528	0	0	0	0	528	
Jail Fees	945	0	0	0	0	945	
Data Entry Fee - Circuit Court	210	0	0	0	0	210	
<u>Criminal Court</u>							
DUI Treatment Fines	238	0	0	0	0	238	
<u>General Sessions Court</u>							
Fines	2,984	0	0	0	0	2,984	
Officers Costs	3,449	0	0	0	0	3,449	
Game and Fish Fines	166	0	0	0	0	166	
Drug Control Fines	4,156	3,816	0	0	0	7,972	
Drug Court Fees	823	0	0	0	0	823	
Jail Fees	1,396	0	0	0	0	1,396	
DUI Treatment Fines	855	0	0	0	0	855	
Data Entry Fee - General Sessions Court	929	0	0	0	0	929	
<u>Chancery Court</u>							
Officers Costs	258	0	0	0	0	258	
Data Entry Fee - Chancery Court	36	0	0	0	0	36	
<u>Other Fines, Forfeitures, and Penalties</u>							
Other Fines, Forfeitures, and Penalties	11,342	0	0	0	0	11,342	
Total Fines, Forfeitures, and Penalties	\$ 36,140	\$ 12,578	\$ 0	\$ 0	\$ 0	48,718	

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Patient Charges	\$ 527,282	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 527,282
Fees							
Copy Fees	1,179	0	0	0	0	0	1,179
Library Fees	2,355	0	0	0	0	0	2,355
Greenbelt Late Application Fee	100	0	0	0	0	0	100
Telephone Commissions	4,191	0	0	0	0	0	4,191
Vending Machine Collections	1,980	0	0	0	0	0	1,980
Constitutional Officers' Fees and Commissions	0	0	137	0	0	0	137
Data Processing Fee - Register	2,310	0	0	0	0	0	2,310
Probation Fees	16,913	0	0	0	0	0	16,913
Data Processing Fee - Sheriff	235	0	0	0	0	0	235
Sexual Offender Registration Fee - Sheriff	450	0	0	0	0	0	450
Data Processing Fee - County Clerk	6,300	0	0	0	0	0	6,300
Total Charges for Current Services	\$ 563,295	\$ 0	\$ 137	\$ 0	\$ 0	\$ 0	\$ 563,432
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 3,137	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,137
Lease/Rentals	15,318	0	0	0	132,000	0	147,318
Sale of Recycled Materials	0	0	0	374	0	0	374
Miscellaneous Refunds	39,762	0	0	1,767	0	0	41,529
<u>Nonrecurring Items</u>							
Sale of Equipment	8,747	59,616	0	29,940	0	0	98,303
<u>Other Local Revenues</u>							
Other Local Revenues	1,474	0	0	0	0	0	1,474
Total Other Local Revenues	\$ 68,438	\$ 59,616	\$ 0	\$ 32,081	\$ 132,000	\$ 0	\$ 292,135

(Continued)

Exhibit K-4

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fees Received from County Officials</u>							
<u>Fees in-Lieu-of Salary</u>							
County Clerk	\$ 99,819	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	99,819
Circuit Court Clerk	10,217	0	0	0	0	0	10,217
General Sessions Court Clerk	21,736	0	0	0	0	0	21,736
Clerk and Master	3,167	0	0	0	0	0	3,167
Register	28,464	0	0	0	0	0	28,464
Sheriff	2,131	0	0	0	0	0	2,131
Trustee	97,604	0	0	0	0	0	97,604
Total Fees Received from County Officials	\$ 263,138	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	263,138
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 4,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	4,500
Aging Programs	6,342	0	0	0	0	0	6,342
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	5,400	0	0	0	0	0	5,400
Health and Welfare Grants							
Health Department Programs	7,739	0	0	0	0	0	7,739
Other Health and Welfare Grants	10,209	0	0	0	0	0	10,209
<u>Public Works Grants</u>							
Litter Program	32,950	0	0	0	0	0	32,950
<u>Other State Revenues</u>							
Flood Control	272,325	0	0	0	0	0	272,325
Income Tax	16,129	0	0	0	0	0	16,129
Beer Tax	18,055	0	0	0	0	0	18,055
Vehicle Certificate of Title Fees	1,919	0	0	0	0	0	1,919

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service Fund		Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues (Cont.)</u>							
Alcoholic Beverage Tax	\$ 15,193	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	15,193
State Revenue Sharing - T.V.A.	193,849	0	0	0	0	0	193,849
Contracted Prisoner Boarding	20,868	0	0	0	0	0	20,868
Gasoline and Motor Fuel Tax	0	0	0	1,214,166	0	0	1,214,166
Petroleum Special Tax	0	0	0	3,660	0	0	3,660
Registrar's Salary Supplement	15,164	0	0	0	0	0	15,164
Other State Grants	25,188	0	0	0	0	0	25,188
Other State Revenues	1,676	0	0	0	0	0	1,676
Total State of Tennessee	\$ 647,506	\$ 0	\$ 0	\$ 1,217,826	\$ 0	\$ 0	\$ 1,865,332
<u>Federal Government</u>							
<u>Federal Through State</u>							
Community Development	\$ 24,333	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	24,333
Other Federal through State	34,560	0	0	0	0	0	34,560
Direct Federal Revenue							
Police Service (Lake Area)	16,093	0	0	0	0	0	16,093
Total Federal Government	\$ 74,986	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,986
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 359,235	\$ 0	359,235
Contracted Services	44,625	0	0	0	0	0	44,625
Total Other Governments and Citizens Groups	\$ 44,625	\$ 0	\$ 0	\$ 0	\$ 359,235	\$ 0	\$ 403,860
Total	\$ 3,657,384	\$ 72,194	\$ 137	\$ 1,249,907	\$ 667,447	\$ 0	\$ 5,647,069

Exhibit K-5

Pickett County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2015

	<u>Special Revenue Funds</u>					Total
	General Purpose School	School Federal Projects	Central Cafeteria			
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 556,057	\$ 0	\$ 0	\$ 0	\$ 0	556,057
Trustee's Collections - Prior Year	26,353	0	0	0	0	26,353
Circuit/Clerk and Master Collections - Prior Years	7,422	0	0	0	0	7,422
Interest and Penalty	4,654	0	0	0	0	4,654
Payments in-Lieu-of Taxes - Other	468	0	0	0	0	468
<u>County Local Option Taxes</u>						
Local Option Sales Tax	254,356	0	0	0	0	254,356
Local Amusement Tax	155	0	0	0	0	155
Business Tax	23,337	0	0	0	0	23,337
Other County Local Option Taxes	211,514	0	0	0	0	211,514
<u>Statutory Local Taxes</u>						
Interstate Telecommunications Tax	486	0	0	0	0	486
Total Local Taxes	<u>\$ 1,084,802</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>1,084,802</u>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	299	0	0	0	0	299
Total Licenses and Permits	<u>\$ 299</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>299</u>
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	0	0	36,774	\$ 0	\$ 0	36,774
Lunch Payments - Adults	0	0	12,466	0	0	12,466
Income from Breakfast	0	0	36,706	0	0	36,706

(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>Charges for Current Services (Cont.)</u>						
<u>Education Charges (Cont.)</u>						
A la carte Sales	0 \$	0 \$	21,690 \$			21,690
Total Charges for Current Services	0 \$	0 \$	107,636 \$			107,636
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	6,096 \$	0 \$	230 \$			6,326
Miscellaneous Refunds	21,610	0	1,200			22,810
Total Other Local Revenues	27,706 \$	0 \$	1,430 \$			29,136
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	30,270 \$	0 \$	0 \$			30,270
<u>State Education Funds</u>						
Basic Education Program	4,153,000	0	0			4,153,000
Early Childhood Education	102,419	0	0			102,419
School Food Service	0	0	4,553			4,553
Energy Efficient School Initiative	1,000	0	0			1,000
Other State Education Funds	179,977	0	0			179,977
Career Ladder Program	38,350	0	0			38,350
Career Ladder - Extended Contract	10,270	0	0			10,270
<u>Other State Revenues</u>						
Other State Grants	0	15,000	0			15,000
Other State Revenues	4,750	0	0			4,750
Total State of Tennessee	4,520,036 \$	15,000 \$	4,553 \$			4,539,589

(Continued)

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

	Special Revenue Funds				Total
	General Purpose School	School Federal Projects	Central Cafeteria		
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 202,580	\$ 202,580	202,580
USDA - Commodities Breakfast	0	0	20,952	20,952	20,952
USDA - Other	0	0	55,018	55,018	55,018
Vocational Education - Basic Grants to States	0	11,560	95,440	95,440	95,440
Title I Grants to Local Education Agencies	0	189,590	0	189,590	189,590
Special Education - Grants to States	0	130,301	0	130,301	130,301
Special Education Preschool Grants	0	6,909	0	6,909	6,909
Safe and Drug-free Schools - State Grants	0	77,661	0	77,661	77,661
Rural Education	0	12,276	0	12,276	12,276
Eisenhower Professional Development State Grants	0	51,369	0	51,369	51,369
Job Training Partnership Act	11,000	0	0	11,000	11,000
Race to the Top - ARRA	0	5,835	0	5,835	5,835
<u>Direct Federal Revenue</u>					
Public Law 874 - Maintenance and Operation	48,892	0	0	48,892	48,892
<u>Total Federal Government</u>	<u>\$ 59,892</u>	<u>\$ 485,501</u>	<u>\$ 373,990</u>	<u>\$ 919,383</u>	
<u>Total</u>	<u>\$ 5,692,735</u>	<u>\$ 500,501</u>	<u>\$ 487,609</u>	<u>\$ 6,680,845</u>	

Exhibit K-6

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	28,825	
Audit Services		1,523	
Dues and Memberships		900	
Legal Notices, Recording, and Court Costs		692	
Total County Commission			\$ 31,940

Board of Equalization

Board and Committee Members Fees	\$	520	
Total Board of Equalization			520

Beer Board

Board and Committee Members Fees	\$	690	
Legal Services		10	
Total Beer Board			700

County Mayor/Executive

County Official/Administrative Officer	\$	67,386	
Accountants/Bookkeepers		29,132	
Secretary(ies)		16,379	
Communication		4,017	
Data Processing Services		12,775	
Dues and Memberships		2,560	
Postal Charges		1,144	
Printing, Stationery, and Forms		223	
Office Supplies		3,463	
Other Supplies and Materials		116	
Total County Mayor/Executive			137,195

County Attorney

Legal Services	\$	5,722	
Total County Attorney			5,722

Election Commission

County Official/Administrative Officer	\$	52,509	
Secretary(ies)		18,595	
Election Commission		5,525	
Election Workers		12,965	
Communication		1,779	
Data Processing Services		12,229	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		2,002	
Postal Charges		743	
Printing, Stationery, and Forms		9,889	
Travel		345	
Office Supplies		455	
Total Election Commission			117,211

(Continued)

Exhibit K-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	58,343	
Communication		1,144	
Dues and Memberships		417	
Postal Charges		59	
Other Contracted Services		2,294	
Office Supplies		1,450	
Total Register of Deeds			\$ 63,707

County Buildings

Custodial Personnel	\$	45,731	
Communication		9,234	
Maintenance and Repair Services - Buildings		41,204	
Maintenance and Repair Services - Vehicles		337	
Custodial Supplies		5,951	
Electricity		64,635	
Gasoline		510	
Water and Sewer		9,093	
Other Supplies and Materials		735	
Total County Buildings			177,430

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,343	
Communication		565	
Postal Charges		142	
Printing, Stationery, and Forms		80	
Travel		3,118	
Other Contracted Services		5,298	
Office Supplies		170	
Other Supplies and Materials		49	
Total Property Assessor's Office			67,765

County Trustee's Office

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		8,617	
Communication		1,691	
Data Processing Services		7,258	
Dues and Memberships		337	
Legal Notices, Recording, and Court Costs		239	
Postal Charges		2,469	
Printing, Stationery, and Forms		605	
Office Supplies		919	
Refunds		5,700	
Total County Trustee's Office			86,178

County Clerk's Office

County Official/Administrative Officer	\$	58,343	
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(Continued)

Exhibit K-6

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

General Fund (Cont.)Finance (Cont.)County Clerk's Office (Cont.)

Deputy(ies)	\$	21,143	
Communication		1,174	
Dues and Memberships		412	
Postal Charges		1,725	
Other Contracted Services		9,470	
Office Supplies		876	
Total County Clerk's Office			\$ 93,143

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		13,058	
Jury and Witness Expense		3,648	
Communication		3,974	
Data Processing Services		11,069	
Dues and Memberships		80	
Legal Notices, Recording, and Court Costs		96	
Postal Charges		615	
Office Supplies		2,914	
Other Supplies and Materials		1,740	
Total Circuit Court			95,537

General Sessions Judge

Judge(s)	\$	66,518	
Legal Services		7,596	
Total General Sessions Judge			74,114

Chancery Court

County Official/Administrative Officer	\$	58,343	
Communication		1,825	
Dues and Memberships		337	
Postal Charges		294	
Office Supplies		1,496	
Total Chancery Court			62,295

Juvenile Court

Youth Service Officer(s)	\$	11,227	
Travel		303	
Office Supplies		17	
Total Juvenile Court			11,547

Judicial Commissioners

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

Other Administration of Justice

Other Salaries and Wages	\$	5,585	
Total Other Administration of Justice			5,585

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probation Services

Probation Officer(s)	\$	23,920	
Other Salaries and Wages		13,868	
Gasoline		263	
Other Supplies and Materials		185	
Total Probation Services			\$ 38,236

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,178	
Deputy(ies)		331,549	
Salary Supplements		9,600	
In-service Training		1,701	
Dues and Memberships		1,400	
Maintenance and Repair Services - Equipment		2,730	
Maintenance and Repair Services - Vehicles		20,099	
Postal Charges		182	
Towing Services		2,035	
Gasoline		44,866	
Office Supplies		4,346	
Tires and Tubes		2,241	
Uniforms		2,549	
Liability Claims		1,600	
Motor Vehicles		220,130	
Total Sheriff's Department			709,206

Drug Enforcement

Animal Food and Supplies	\$	407	
Total Drug Enforcement			407

Jail

Deputy(ies)	\$	117,118	
Communication		12,674	
Contracts with Government Agencies		88,179	
Laundry Service		240	
Maintenance and Repair Services - Buildings		1,364	
Medical and Dental Services		28,519	
Custodial Supplies		2,868	
Food Supplies		38,736	
Other Charges		346	
Total Jail			290,044

Fire Prevention and Control

Contributions	\$	40,000	
Other Equipment		24,333	
Total Fire Prevention and Control			64,333

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Medical and Dental Services	\$ 14,225	
Total County Coroner/Medical Examiner		\$ 14,225

Other Public Safety

Supervisor/Director	\$ 8,778	
Total Other Public Safety		8,778

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$ 9,547	
Communication	1,733	
Dues and Memberships	200	
Other Contracted Services	8,728	
Custodial Supplies	179	
Electricity	6,668	
Water and Sewer	563	
Other Supplies and Materials	715	
Building Improvements	1,160	
Total Local Health Center		29,493

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 36,026	
Medical Personnel	417,981	
In-service Training	5,542	
Communication	6,459	
Dues and Memberships	500	
Licenses	1,980	
Maintenance and Repair Services - Buildings	1,725	
Maintenance and Repair Services - Equipment	1,441	
Maintenance and Repair Services - Vehicles	6,559	
Postal Charges	441	
Other Contracted Services	2,556	
Custodial Supplies	1,141	
Drugs and Medical Supplies	20,126	
Electricity	13,447	
Gasoline	22,254	
Office Supplies	2,266	
Tires and Tubes	874	
Uniforms	3,255	
Water and Sewer	1,335	
Data Processing Equipment	5,644	
Total Ambulance/Emergency Medical Services		551,552

Regional Mental Health Center

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

(Continued)

Exhibit K-6

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

<u>General Fund (Cont.)</u>		
<u>Public Health and Welfare (Cont.)</u>		
<u>Appropriation to State</u>		
Contributions	\$ 7,582	
Total Appropriation to State		\$ 7,582
<u>Sanitation Management</u>		
Other Contracted Services	\$ 30,914	
Total Sanitation Management		30,914
<u>Other Public Health and Welfare</u>		
Other Salaries and Wages	\$ 2,072	
Travel	648	
Other Contracted Services	6,322	
Total Other Public Health and Welfare		9,042
<u>Social, Cultural, and Recreational Services</u>		
<u>Senior Citizens Assistance</u>		
Contributions	\$ 9,681	
Transportation - Other than Students	11,333	
Total Senior Citizens Assistance		21,014
<u>Libraries</u>		
County Official/Administrative Officer	\$ 22,561	
Assistant(s)	19,469	
Communication	1,882	
Office Supplies	1,254	
Other Supplies and Materials	279	
Data Processing Equipment	2,880	
Total Libraries		48,325
<u>Other Social, Cultural, and Recreational</u>		
Supervisor/Director	\$ 25,073	
Other Salaries and Wages	7,540	
Communication	1,174	
Postal Charges	49	
Travel	60	
Office Supplies	416	
Other Supplies and Materials	52	
Total Other Social, Cultural, and Recreational		34,364
<u>Agriculture and Natural Resources</u>		
<u>Agricultural Extension Service</u>		
Communication	\$ 2,074	
Other Contracted Services	26,600	
Total Agricultural Extension Service		28,674
<u>Soil Conservation</u>		
Secretary(ies)	\$ 15,785	
Other Salaries and Wages	26,499	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation (Cont.)

Communication	\$	1,156	
Office Supplies		98	
Total Soil Conservation			\$ 43,538

Other Operations

Tourism

Contributions	\$	20,050	
Total Tourism			20,050

Industrial Development

Contributions	\$	500	
Total Industrial Development			500

Other Economic and Community Development

Consultants	\$	5,000	
Total Other Economic and Community Development			5,000

Veterans' Services

Other Salaries and Wages	\$	16,489	
Communication		908	
Office Supplies		547	
Total Veterans' Services			17,944

Other Charges

Travel	\$	2,272	
Penalties		2,135	
Building and Contents Insurance		22,426	
Liability Insurance		47,588	
Premiums on Corporate Surety Bonds		2,106	
Trustee's Commission		45,900	
Vehicle and Equipment Insurance		32,820	
Liability Claims		941	
Total Other Charges			156,188

Contributions to Other Agencies

Contributions	\$	5,312	
Total Contributions to Other Agencies			5,312

Employee Benefits

Social Security	\$	149,346	
Pensions		19,565	
Unemployment Compensation		18,270	
Workers' Compensation Insurance		85,543	
Other Charges		706	
Total Employee Benefits			273,430

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Supplies and Materials	\$ 346	
Other Capital Outlay	4,821	
Total Miscellaneous	<u>4,821</u>	\$ 5,167

Total General Fund \$ 3,452,265

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$ 59,256	
Total Drug Enforcement	<u>59,256</u>	\$ 59,256

Total Drug Control Fund 59,256

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 137	
Total County Trustee's Office	<u>137</u>	\$ 137

Total Constitutional Officers - Fees Fund 137

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 64,178	
Accountants/Bookkeepers	13,026	
Data Processing Services	6,273	
Dues and Memberships	2,064	
Legal Services	175	
Maintenance and Repair Services - Office Equipment	868	
Postal Charges	380	
Printing, Stationery, and Forms	850	
Travel	1,800	
Drugs and Medical Supplies	310	
Office Supplies	1,218	
Other Charges	8,064	
Office Equipment	800	
Total Administration	<u>100,006</u>	\$ 100,006

Highway and Bridge Maintenance

Foremen	\$ 28,012	
Laborers	408,517	
Rentals	17,000	
Other Contracted Services	4,239	
Asphalt	29,025	
Crushed Stone	104,643	

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Pipe	\$	4,870	
Road Signs		313	
Salt		6,374	
Other Charges		2,461	
Total Highway and Bridge Maintenance			\$ 605,454

Operation and Maintenance of Equipment

Mechanic(s)	\$	45,451	
Maintenance and Repair Services - Vehicles		14,584	
Diesel Fuel		73,996	
Equipment and Machinery Parts		20,258	
Gasoline		28,746	
Lubricants		5,272	
Pipe		5,752	
Propane Gas		1,320	
Tires and Tubes		17,979	
Other Supplies and Materials		6,965	
Other Charges		13,061	
Total Operation and Maintenance of Equipment			233,384

Quarry Operations

Operating Lease Payments	\$	1,200	
Total Quarry Operations			1,200

Other Charges

Communication	\$	4,164	
Utilities		6,981	
Trustee's Commission		11,248	
Vehicle and Equipment Insurance		24,247	
Total Other Charges			46,640

Employee Benefits

Social Security	\$	42,915	
Pensions		3,617	
Unemployment Compensation		8,510	
Workers' Compensation Insurance		31,703	
Total Employee Benefits			86,745

Capital Outlay

Engineering Services	\$	18,112	
Total Capital Outlay			18,112

Principal on Debt

Highways and Streets

Principal on Other Loans	\$	101,100	
Total Highways and Streets			101,100

(Continued)

Exhibit K-6

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

<u>Highway/Public Works Fund (Cont.)</u>		
<u>Interest on Debt</u>		
<u>Highways and Streets</u>		
Interest on Other Loans	\$ 52,612	
Total Highways and Streets		\$ 52,612
Total Highway/Public Works Fund		\$ 1,245,253
 <u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Bonds	\$ 77,248	
Principal on Notes	2,518	
Total General Government		\$ 79,766
 <u>Education</u>		
Principal on Bonds	\$ 245,000	
Total Education		245,000
 <u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Bonds	\$ 43,350	
Interest on Notes	124	
Total General Government		43,474
 <u>Education</u>		
Interest on Bonds	\$ 114,235	
Total Education		114,235
 <u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 3,923	
Total General Government		3,923
Total General Debt Service Fund		486,398
Total Governmental Funds - Primary Government		<u>\$ 5,243,309</u>

Exhibit K-7

Pickett County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Pickett County School Department
For the Year Ended June 30, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	1,824,553	
Career Ladder Program		20,500	
Career Ladder Extended Contracts		7,000	
Other Salaries and Wages		3,263	
Certified Substitute Teachers		20,000	
Non-certified Substitute Teachers		23,000	
Social Security		105,788	
Pensions		162,349	
Medical Insurance		114,819	
Employer Medicare		25,279	
Other Contracted Services		14,138	
Instructional Supplies and Materials		23,035	
Textbooks		47,345	
Regular Instruction Equipment		27,747	
Total Regular Instruction Program			\$ 2,418,816

Special Education Program

Teachers	\$	210,995	
Career Ladder Program		3,000	
Homebound Teachers		8,397	
Social Security		12,345	
Pensions		19,345	
Medical Insurance		16,340	
Employer Medicare		2,887	
Total Special Education Program			273,309

Vocational Education Program

Teachers	\$	174,942	
Career Ladder Program		2,000	
Other Salaries and Wages		11,003	
Social Security		10,978	
Pensions		16,990	
Medical Insurance		7,846	
Employer Medicare		2,567	
Other Charges		5,107	
Total Vocational Education Program			231,433

Support Services

Attendance

Supervisor/Director	\$	31,390	
Social Security		1,746	
Pensions		2,838	
Employer Medicare		408	
Travel		565	
Total Attendance			36,947

(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	\$	20,969	
Other Salaries and Wages		69,052	
Social Security		4,934	
Pensions		5,367	
Medical Insurance		8,140	
Employer Medicare		1,154	
Communication		531	
Postal Charges		287	
Travel		825	
Other Contracted Services		3,143	
Other Supplies and Materials		16,434	
Total Health Services			\$ 130,836

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		60,199	
Psychological Personnel		25,261	
Social Security		4,705	
Pensions		7,816	
Medical Insurance		7,808	
Employer Medicare		1,100	
Evaluation and Testing		3,308	
Travel		14	
Total Other Student Support			111,211

Regular Instruction Program

Supervisor/Director	\$	49,780	
Career Ladder Program		3,000	
Librarians		90,250	
Instructional Computer Personnel		31,390	
Social Security		10,368	
Pensions		15,768	
Medical Insurance		8,062	
Employer Medicare		2,425	
Travel		1,457	
Total Regular Instruction Program			212,500

Special Education Program

Supervisor/Director	\$	41,852	
Social Security		2,163	
Pensions		3,783	
Medical Insurance		5,694	
Employer Medicare		506	
Travel		60	
Total Special Education Program			54,058

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-behalf Payments to OPEB	\$ 30,270	
Total Other Programs		\$ 30,270

Board of Education

Secretary to Board	\$ 1,100	
Board and Committee Members Fees	6,000	
Social Security	436	
Pensions	7	
Life Insurance	4,175	
Unemployment Compensation	7,150	
Employer Medicare	102	
Audit Services	3,250	
Dues and Memberships	2,164	
Legal Services	2,980	
Travel	2,660	
Trustee's Commission	28,884	
Workers' Compensation Insurance	33,117	
In Service/Staff Development	733	
Other Charges	3,939	
Total Board of Education		96,697

Director of Schools

County Official/Administrative Officer	\$ 76,635	
Career Ladder Program	1,000	
Social Security	4,235	
Pensions	7,018	
Medical Insurance	7,592	
Employer Medicare	990	
Communication	4,249	
Dues and Memberships	1,175	
Travel	1,009	
Office Supplies	79	
Total Director of Schools		103,982

Office of the Principal

Principals	\$ 116,298	
Career Ladder Program	2,000	
Secretary(ies)	49,759	
Social Security	9,093	
Pensions	10,401	
Medical Insurance	18,319	
Employer Medicare	2,127	
Communication	582	
Travel	607	
Total Office of the Principal		209,186

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	56,726	
Social Security		3,297	
Pensions		346	
Medical Insurance		4,380	
Employer Medicare		771	
Office Supplies		109	
Total Fiscal Services			\$ 65,629

Operation of Plant

Custodial Personnel	\$	79,136	
Social Security		4,881	
Pensions		405	
Employer Medicare		1,141	
Other Contracted Services		8,369	
Electricity		168,843	
Natural Gas		70,253	
Water and Sewer		13,410	
Other Supplies and Materials		39,604	
Building and Contents Insurance		50,543	
Total Operation of Plant			436,585

Maintenance of Plant

Maintenance Personnel	\$	39,740	
Social Security		2,462	
Pensions		242	
Employer Medicare		576	
Maintenance and Repair Services - Buildings		14,758	
Maintenance and Repair Services - Equipment		57,194	
Other Supplies and Materials		7,715	
Total Maintenance of Plant			122,687

Transportation

Mechanic(s)	\$	39,773	
Bus Drivers		100,444	
Social Security		7,754	
Pensions		809	
Medical Insurance		17,148	
Employer Medicare		1,813	
Communication		547	
Diesel Fuel		29,564	
Garage Supplies		949	
Gasoline		5,340	
Lubricants		2,461	
Tires and Tubes		4,944	
Vehicle Parts		9,302	
Other Charges		9,140	
Total Transportation			229,988

(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.)

Central and Other

Data Processing Services	\$	9,051	
Maintenance and Repair Services - Equipment		40	
Data Processing Supplies		450	
Other Supplies and Materials		310	
Total Central and Other			\$ 9,851

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	31,450	
Clerical Personnel		6,894	
Social Security		2,173	
Pensions		2,880	
Medical Insurance		4,539	
Employer Medicare		508	
Other Charges		1,708	
Total Community Services			50,152

Early Childhood Education

Supervisor/Director	\$	14,000	
Teachers		50,522	
Educational Assistants		14,762	
Social Security		4,337	
Pensions		5,918	
Medical Insurance		7,418	
Employer Medicare		1,014	
Instructional Supplies and Materials		4,448	
Total Early Childhood Education			102,419

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$	245,000	
Total Education			245,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$	114,235	
Total Education			114,235

Total General Purpose School Fund \$ 5,285,791

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	162,360	
Educational Assistants		10,883	
Social Security		9,526	

(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.)

Regular Instruction Program (Cont.)

Pensions	\$	14,744	
Medical Insurance		15,512	
Employer Medicare		2,229	
Maintenance and Repair Services - Equipment		699	
Instructional Supplies and Materials		3,946	
Regular Instruction Equipment		290	
Total Regular Instruction Program			\$ 220,189

Special Education Program

Homebound Teachers	\$	105	
Educational Assistants		95,045	
Other Salaries and Wages		1,010	
Social Security		5,920	
Pensions		632	
Medical Insurance		4,012	
Employer Medicare		1,385	
Evaluation and Testing		1,883	
Maintenance and Repair Services - Equipment		928	
Instructional Supplies and Materials		11,215	
Special Education Equipment		3,338	
Total Special Education Program			125,473

Vocational Education Program

Other Supplies and Materials	\$	1,465	
Vocational Instruction Equipment		8,017	
Total Vocational Education Program			9,482

Support Services

Other Student Support

Travel	\$	2,078	
Other Contracted Services		7,025	
Other Charges		483	
Total Other Student Support			9,586

Regular Instruction Program

Supervisor/Director	\$	20,925	
Social Security		1,297	
Pensions		1,892	
Employer Medicare		303	
Other Supplies and Materials		2,500	
In Service/Staff Development		6,955	
Other Equipment		12,500	
Total Regular Instruction Program			46,372

Special Education Program

Travel	\$	1,262	
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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.)

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Other Contracted Services	\$	5,175	
Other Equipment		979	
Total Special Education Program			\$ 7,416

Transportation

Bus Drivers	\$	3,992	
Social Security		248	
Pensions		24	
Employer Medicare		58	
Total Transportation			4,322

Operation of Non-Instructional Services

Community Services

Supervisor/Director	\$	9,150	
Teachers		52,569	
Other Salaries and Wages		564	
Social Security		3,449	
Pensions		5,480	
Employer Medicare		807	
Travel		2,581	
Other Supplies and Materials		3,061	
Total Community Services			77,661

Total School Federal Projects Fund \$ 500,501

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Cafeteria Personnel	\$	142,622	
Social Security		8,755	
Pensions		434	
Employer Medicare		2,048	
Communication		1,391	
Maintenance and Repair Services - Equipment		8,205	
Travel		1,796	
Other Contracted Services		17,819	
Food Preparation Supplies		17,728	
Food Supplies		215,739	
Office Supplies		128	
USDA - Commodities		20,952	
Other Supplies and Materials		1,143	
Food Service Equipment		9,233	
Total Food Service			\$ 447,993

Total Central Cafeteria Fund 447,993

Total Governmental Funds - Pickett County School Department \$ 6,234,285

Exhibit K-8

Pickett County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 203,906
Total Cash Receipts	<u>\$ 203,906</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 201,867
Trustee's Commission	<u>2,039</u>
Total Cash Disbursements	<u>\$ 203,906</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2014	<u>0</u>
 Cash Balance, June 30, 2015	 <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
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**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, 2015, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements, and have issued our report thereon dated September 24, 2015.

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. 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: 2015-001, 2015-002(A,B,C), 2015-003, 2015-008(A), 2015-009, and 2015-010.

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: 2015-002(D), 2015-004, 2015-005, 2015-006, 2015-007, and 2015-008(B).

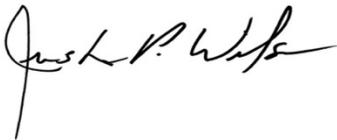
Pickett County's Responses to Findings

Pickett County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pickett County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

September 24, 2015

JPW/kp



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
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**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 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, 2015. 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, 2015.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-011. Our opinion on each major federal program is not modified with respect to this matter.

Pickett County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pickett County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified one deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-011, that we consider to be a significant deficiency.

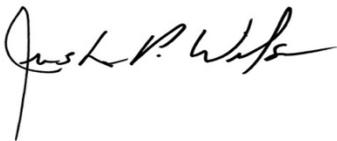
Pickett County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Pickett County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, 2015, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements. We issued our report thereon dated September 24, 2015, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

September 24, 2015

JPW/kp

Pickett County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2015

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	\$ 55,018
National School Lunch Program	10.555	N/A	202,580 (3)
Passed-through State Department of Human Services:			
Child Nutrition Cluster:			
Summer Food Service for Children	10.559	N/A	94,424
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	20,952 (3)
Total U.S. Department of Agriculture			<u>\$ 372,974</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.UNKNOWN	N/A	<u>\$ 529,340</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii	14.228	41112-45098	<u>\$ 24,333</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	<u>\$ 42,581</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	(4)	<u>\$ 6,988</u>
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 48,892
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	189,590
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	130,301
Special Education - Preschool Grants	84.173	N/A	6,909
Career and Technical Education - Basic Grants to States	84.048	(2)	11,560
Twenty-first Century Community Learning Centers	84.287	(2)	77,661
Rural Education	84.358	(2)	12,276
Improving Teacher Quality State Grants	84.367	(2)	51,369
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	5,835
Total U.S. Department of Education			<u>\$ 534,393</u>
U.S. Department of Health and Human Services:			
Passed-through Upper Cumberland Development District:			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	(2)	<u>\$ 8,258</u>
Executive Office of the President:			
Passed-through Laurel County, Kentucky Fiscal Court:			
High Intensity Drug Trafficking Areas Program	95.001	(5)	<u>\$ 25,188</u>
Total Expenditures of Federal Awards			<u>\$ 1,555,055</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Aging Program - Upper Cumberland Development District	N/A	(2)	\$ 6,342
ConnecTenn - State Department of Education	N/A	(2)	2,193
Coordinated School Health - State Department of Education	N/A	(2)	90,000
Drug Abuse Resistance Education Training Grant - State Department of Safety	N/A	(2)	4,750
Family Resource Center - State Department of Education	N/A	(2)	29,611
Energy Efficient School Initiative Grant - State EESI	N/A	(2)	1,000
Early Childhood Education - Pilot/State - State Department of Education	N/A	(2)	102,419
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	4,500
Law Enforcement Training - State Department of Safety	N/A	(2)	5,400
Litter Program - State Department of Transportation	N/A	(2)	32,950
Project Diabetes Initiative Services - State Department of Health	N/A	GG1438857	15,000
Rural Local Health Services - State Department of Health	N/A	(2)	10,209
Safe Schools Act - State Department of Education	N/A	(2)	4,880
Waste Tire Storage and Disposal - State Department of Environment and Conservation	N/A	(2)	<u>1,722</u>
Total State Grants			<u>\$ 310,976</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$223,532.
- (4) Z14GHS275A - \$5,003; Z15GHS277 - \$1,985.
- (5) G14AP0001A - \$15,028; G15AP0001A - \$10,160.

Pickett County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2015

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, 2014, which have not been corrected.

OFFICE OF COUNTY EXECUTIVE

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-001(B)	136	The Solid Waste Disposal Fund had a deficit in unrestricted net position

OFFICE OF ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-004	138	The office had deficiencies in purchasing procedures
2014-005	138	The Highway Department did not maintain adequate controls over fuel

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-010	141	Some collections were not deposited within three days
2014-011	141	Unclaimed funds were not reported and paid to the state
2014-012	142	The execution docket trial balance for General Sessions Court did not reconcile with general ledger accounts

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

Finding Number	Page Number	Subject
2014-013	142	Multiple employees operated from the same cash drawer

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

Finding Number	Page Number	Subject
2014-014	143	Duties were not segregated adequately

PICKETT COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2015

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 one significant deficiency in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Section 1033 Excess Property Program (CFDA No. 12.UNKNOWN); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Pickett County qualified as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination and the annual monitoring by the state Division of Property Assessments on assessors of property, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the assessor of property and sheriff are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF COUNTY EXECUTIVE

FINDING 2015-001

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 \$446,081 in unrestricted net position at June 30, 2015. This deficit resulted from the recognition of a liability of \$1,708,843 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure. Generally accepted accounting principles and state statutes require that such costs be reflected in the financial statements. This deficiency exists due to the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF ROAD SUPERINTENDENT

FINDING 2015-002

THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES

(A., B., and C. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; D. – Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 26 disbursements totaling \$22,643 from a population of 500 vendor checks totaling \$780,715. Our examination revealed the deficiencies noted below. These deficiencies are the result of a lack of management oversight, and parts A. and B. are a result of management's failure to correct the findings noted in the prior-year audit report.

- A. In six of the 26 purchases sampled, purchase orders either were not issued or were issued after purchases were made. Purchase orders are necessary to control who has purchasing authority for the county and to document

purchasing commitments. Issuing a 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 nine of the 26 purchases sampled, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process and increases the risks of paying for something that was never received.
- C. Invoices were not cancelled or marked paid in any of the 26 purchases sampled. This deficiency could result in the office paying invoices more than once.
- D. Competitive bids were not solicited for the purchase of crushed stone (\$104,643) in accordance with state statute. Section 54-7-113(c) *Tennessee Code Annotated*, provides for all purchases exceeding \$10,000 to be made after public advertisement and solicitation of competitive bids. The Highway Department solicited competitive bids through public advertisement for crushed stone and received bids from three vendors; however, none of the bids were formally accepted and awarded. During the year examined, crushed stone was purchased from each of the vendors who had submitted a bid. According to the road superintendent, the vendor used depended on who was closest to the work-site to save on transportation costs; however, there was no documentation on file to support this statement. The failure to properly solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before purchases are made. Also, the office should maintain documentation that goods have been received or services have been rendered before invoices are paid, and invoices should be cancelled when paid. Purchases exceeding \$10,000 should be competitively bid as required by state statute.

FINDING 2015-003

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

The Highway Department dispensed fuel from pumps that did not have meters to measure the amount of gallons pumped. Therefore, the department did not reconcile amounts used with amounts purchased and on hand. Generally accepted accounting principles require accountability of consumable assets. The failure to maintain adequate records of consumable assets weakens controls over these assets and increases the risk of inventory loss. This deficiency is the result of management's failure to correct the finding noted in prior-year audit reports.

RECOMMENDATION

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

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2015-004

THE ASSESSOR DID NOT MAINTAIN AN ADEQUATE PROGRAM OF SALES VERIFICATIONS

(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – ASSESSOR OF PROPERTY

I realize after this annual monitoring that my procedures for the sales verifications are not up to the standards. I have since started a new log for my sales verification forms to properly maintain these in the future. I have also requested the County Commission approve hiring a part-time assistant to allow me time to pick up new construction and perform necessary visual inspections.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2015-005

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 nine deposits to reconcile with receipts. The clerk did not deposit receipts to the bank account within three days of collection in any of the nine deposits tested. Delays in depositing funds ranged from five to 14 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 2015-006

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 \$4,755. At June 30, 2015, Circuit Court had 34 outstanding checks issued before July 1, 2014, totaling \$1,046, and General Sessions Court had 40 outstanding checks issued before July 1, 2014, totaling \$3,709. The Unclaimed Property Act, Section 66-29-101, et seq., *Tennessee Code Annotated*, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office. This deficiency in internal controls was the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 2015-007

EXECUTION DOCKET TRIAL BALANCES FOR CIRCUIT AND GENERAL SESSIONS COURTS DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS

(Noncompliance Under *Government Auditing Standards*)

As of June 30, 2015, the clerk had prepared trial balances of execution docket cause balances for Circuit and General Sessions Courts as required by Section 18-2-103, *Tennessee Code Annotated (TCA)*. However, the trial balances failed to reconcile with general ledger accounts by \$1,543 and \$13,780, respectively. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-101, *TCA*. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, *TCA*, further requires these funds to be reported and paid to the state Treasurer's Office. This deficiency was the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

OFFICE OF SHERIFF

FINDING 2015-008

PICKETT COUNTY HAD INVENTORY DEFICIENCIES AND A QUESTIONED USE OF SURPLUS FEDERAL PROPERTY

(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards* and *OMB Circular A-133*;
B. – Noncompliance Under *Government Auditing Standards* and *OMB Circular A-133*)

During the year, Pickett County received surplus property items through the State of Tennessee, Department of General Services under the federal Department of Defense Section 1033 Excess Property Program. The state and the Department of Defense established guidelines for participants that receive property through the program. These guidelines provide directives as to the use, accountability, reporting, and disposal of property received through this program. The county had the following deficiencies in complying with these guidelines:

- A. While the county did have an inventory list of property items that had been received through the program, we noted that this list did not include the location of the property. Program guidelines require the maintenance of an inventory of all property received, which should include information concerning the location of all property items. Without proper identification of items and control of inventory, there is no means to determine the status of program property.
- B. We performed a physical observation of program property and noted that some property was being used at the Highway Department, the landfill, and the School Department's bus garage. This property was being used for road maintenance and repairs, landfill operations, and maintenance of school vehicles and buses. Program guidelines state that property received is to be used only for law enforcement and counter-drug activities.

When Section 1033 Excess Property Program guidelines are not followed, the state could suspend or terminate Pickett County's participation in the program and initiate corrective action for failure to meet program guidelines. If the program is terminated, the county could be required to return or transfer any and all program assets received under the program.

RECOMMENDATION

Pickett County should maintain adequate inventory records of all program property. Management should ensure that program property is being used in accordance with program guidelines.

MANAGEMENT'S RESPONSE – SHERIFF

- A. The Sheriff's Office is in the process of updating our property list of all the items we have received through the Section 1033 Excess Property Program. The updated list will include the location of the property.
- B. The Sheriff's Office will meet with the county's road superintendent, county's landfill manager, and the county school bus garage manager to discuss and correct the use of surplus equipment to ensure that the property will only be used for law enforcement. The surplus items are being stored off-site due to the Sheriff's Office not owning any property and not having accurate storage space. We utilize the county Highway Department, county landfill, EMS building, volunteer fire department, city hall, and county school bus garage; however, we have access to all of the equipment in a moment's notice.

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

FINDING 2015-009

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

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

Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, and Sheriff. Good internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision by the officials resulting in a loss of control over assets. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

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

FINDING 2015-010

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.

MANAGEMENT'S RESPONSE – SHERIFF

There are only three individuals in this office who receive money, and they are available at any time.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Defense: Passed-through State Department of General Services: Section 1033 Excess Property Program	2015-011	12.UNKNOWN	Section 1033 Excess Property Program Guidelines and Circular A-133 Compliance Supplement, Part 3, Sections A., B., F., and N.	Internal Control and Noncompliance - See Finding 2015-008: Pickett County had Inventory Deficiencies and Questioned Use of Assets for Section 1033 Excess Property.	\$ 114,521

BEST PRACTICE

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

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

PICKETT COUNTY SHOULD ADOPT A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING

Pickett County does not have a central system of accounting, budgeting, and purchasing. Sound business practices dictate that establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes. The absence of a central system of accounting, budgeting, and purchasing has been a management decision by the County Commission resulting in decentralization and some duplication of effort. The Division of Local Government Audit strongly believes that the adoption of a central system of accounting, budgeting, and purchasing is a best practice that would significantly improve accountability and the quality of services provided to the citizens of Pickett County. Therefore, we recommend the adoption of the County Financial Management System of 1981 or a private act, which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

**PICKETT COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2015**

There were no audit findings relative to federal awards presented in the prior-year's Schedule of Findings and Questioned Costs. There was an audit finding relative to federal awards presented in the current-year's Schedule of Findings and Questioned Costs.

Sheriff – Corrective Action Plan for Current-Year's Finding

FINDING 2015-011

Contact person: Dana Dowdy

Corrective action planned: The Pickett County Sheriff's Office is in the process of updating our property list of all the items we have received through the Section 1033 Excess Federal Property Program. The updated list will include the location of the property.

The Pickett County Sheriff's Office will meet with the County's Road Supervisor, County's Landfill Manager, and the County School Bus Garage Manager to discuss and correct the use of surplus equipment to ensure that it will only be used for law enforcement purposes. The surplus items are being stored off-site because the Pickett County Sheriff's Office does not own any property nor does it have sufficient storage space. We utilize the County Highway Department, County Landfill, EMS Building, Volunteer Fire Department, City Hall, and County School Bus Garage so we have access to all the equipment in a moment's time.

Anticipated completion date: June 30, 2016