

**ANNUAL FINANCIAL REPORT**  
**PICKETT COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2016**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT  
PICKETT COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2016**

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

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

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

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

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# ***Summary of Audit Findings***

Annual Financial Report  
Pickett County, Tennessee  
For the Year Ended June 30, 2016

## ***Scope***

We have audited the basic financial statements of Pickett County as of and for the year ended June 30, 2016.

## ***Results***

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

Our audit resulted in 13 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 road superintendent directed county gravel and rock to be delivered to private property.
  - ◆ 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**

- ◆ A cash overdraft of \$568 existed in the Circuit Court at June 30, 2016.
  - ◆ Some 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.
  - ◆ The office had deficiencies in computer system backup procedures.
- 

## **OFFICES OF TRUSTEE AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

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

## **OFFICES OF ROAD SUPERINTENDENT, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND CLERK AND MASTER**

- ◆ The road superintendent, circuit and general sessions courts clerk, and clerk and master had not formally documented internal controls.
- 

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

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# Pickett County Officials

## June 30, 2016

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### **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, County Executive, Chairman  
Mitchell Cross  
Tim Ford  
Carey Garner  
Darrell Garrett  
David Harer  
Eddie Holt  
Colan 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

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## FINANCIAL SECTION

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF LOCAL GOVERNMENT AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pickett County, Tennessee, as of and for the year ended June 30, 2016, 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, 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, 2016, 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. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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 (asset) and related ratios, schedule of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plans, on pages 87-94 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.

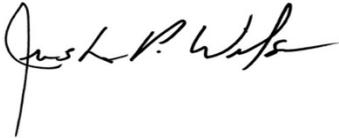
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Pickett County School Department (a discretely presented component unit), and miscellaneous 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, based on our audit and the procedures performed as described above, 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 October 20, 2016, on our consideration of Pickett County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pickett County's internal control over financial reporting and compliance.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

October 20, 2016

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Pickett County, Tennessee  
Statement of Net Position  
June 30, 2016

	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	2,282,770	988,109	3,270,879	1,682,697
Accounts Receivable	318,004	18,291	336,295	180
Allowance for Uncollectibles	(31,778)	(9,173)	(40,951)	0
Due from Other Governments	279,150	0	279,150	165,625
Due from Component Units	2,425,000	0	2,425,000	0
Property Taxes Receivable	1,851,449	10,063	1,861,512	624,936
Allowance for Uncollectible Property Taxes	(45,570)	(2,576)	(48,146)	(16,164)
Net Pension Asset - Agent Plan	618,605	32,558	651,163	74,367
Net Pension Asset - Cost-sharing Plan	0	0	0	601
Capital Assets:				
Assets Not Depreciated:				
Land	162,805	110,900	273,705	22,955
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	1,935,844	76,205	2,012,049	3,903,902
Machinery and Equipment	0	172,016	172,016	0
Other Capital Assets	1,585,774	0	1,585,774	334,682
Infrastructure	10,213,113	0	10,213,113	0
Landfill Facilities and Development	0	147,827	147,827	0
Total Assets	<u>\$ 21,595,466</u>	<u>\$ 1,544,420</u>	<u>\$ 23,139,886</u>	<u>\$ 6,793,781</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 0	\$ 0	\$ 0	\$ 27,122
Pension Other Deferrals	0	0	0	23,769
Pension Changes in Contributions after Measurement Date	12,580	538	13,118	296,180
Total Deferred Outflows of Resources	<u>\$ 12,580</u>	<u>\$ 538</u>	<u>\$ 13,118</u>	<u>\$ 347,071</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 9,989
Accrued Interest Payable	8,061	0	8,061	0
Payroll Deductions Payable	7,607	0	7,607	0
Due to Primary Government	0	0	0	2,425,000
Noncurrent Liabilities:				
Due Within One Year	393,390	14,234	407,624	2,958
Due in More Than One Year	3,382,642	1,701,450	5,084,092	385,660
Total Liabilities	<u>\$ 3,791,700</u>	<u>\$ 1,715,684</u>	<u>\$ 5,507,384</u>	<u>\$ 2,823,607</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 1,743,488	\$ 0	\$ 1,743,488	\$ 585,313
Pension Changes in Experience	108,497	5,711	114,208	539,259
Pension Changes in Investment Earnings	81,268	4,277	85,545	227,910
Pension Other Deferrals	0	0	0	831
Total Deferred Inflows of Resources	<u>\$ 1,933,253</u>	<u>\$ 9,988</u>	<u>\$ 1,943,241</u>	<u>\$ 1,353,313</u>

(Continued)

Exhibit A

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

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		Pickett County School Department
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 12,546,504	\$ 506,948	\$ 13,053,452	\$ 4,261,539
Restricted for:				
General Government	37,648	0	37,648	0
Finance	13,668	0	13,668	0
Administration of Justice	17,037	0	17,037	0
Public Safety	104,519	0	104,519	0
Highway/Public Works	457,042	0	457,042	0
Capital Projects	5,570	0	5,570	0
Education	0	0	0	192,645
Other Purposes	618,605	32,558	651,163	0
Unrestricted	2,082,500	(720,220)	1,362,280	(1,490,252)
Total Net Position	<u>\$ 15,883,093</u>	<u>\$ (180,714)</u>	<u>\$ 15,702,379</u>	<u>\$ 2,963,932</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, 2016

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenues			Primary Government			Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Unit
								Pickett County School Department
Primary Government:								
Governmental Activities:								
General Government	\$ 750,564	\$ 85,247	\$ 77,787	\$ 0	\$ (587,530)	\$ 0	\$ (587,530)	\$ 0
Finance	276,883	188,209	0	0	(88,674)	0	(88,674)	0
Administration of Justice	337,096	89,014	9,000	0	(239,082)	0	(239,082)	0
Public Safety	1,155,953	73,426	53,495	225,025	(804,007)	0	(804,007)	0
Public Health and Welfare	768,505	449,340	23,095	0	(296,070)	0	(296,070)	0
Social, Cultural, and Recreational Services	145,975	2,871	13,769	0	(129,335)	0	(129,335)	0
Agriculture and Natural Resources	75,385	0	10,028	0	(65,357)	0	(65,357)	0
Highways/Public Works	2,042,020	0	1,289,513	1,046,604	294,097	0	294,097	0
Interest on Long-term Debt	167,177	0	0	0	(167,177)	0	(167,177)	0
Total Governmental Activities	\$ 5,719,559	\$ 888,107	\$ 1,476,687	\$ 1,271,629	\$ (2,083,136)	\$ 0	\$ (2,083,136)	\$ 0
Business-type Activities:								
Landfill	\$ 578,561	\$ 105,474	\$ 5,684	\$ 0	\$ 0	\$ (467,403)	\$ (467,403)	\$ 0
Total Business-type Activities	\$ 578,561	\$ 105,474	\$ 5,684	\$ 0	\$ 0	\$ (467,403)	\$ (467,403)	\$ 0
Total Primary Government	\$ 6,298,120	\$ 993,581	\$ 1,482,371	\$ 1,271,629	\$ (2,083,136)	\$ (467,403)	\$ (2,550,539)	\$ 0
Component Unit:								
School Department	\$ 6,158,551	\$ 119,409	\$ 987,723	\$ 34,000	\$ 0	\$ 0	\$ 0	\$ (5,017,419)
Total Component Unit	\$ 6,158,551	\$ 119,409	\$ 987,723	\$ 34,000	\$ 0	\$ 0	\$ 0	\$ (5,017,419)

(Continued)

Exhibit B

Pickett County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Pickett County School Department
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 1,552,798	\$ 188,073	\$ 1,740,871	\$ 591,777
Property Taxes Levied for Debt Service					13,290	0	13,290	0
Local Option Sales Taxes					248,827	0	248,827	485,961
Litigation Taxes					10,096	0	10,096	0
Wheel Tax					55,270	0	55,270	0
Mixed Drink Tax					0	0	0	30,327
Wholesale Beer Tax					213,107	0	213,107	0
Other Local Taxes					8,240	0	8,240	551
Grants and Contributions Not Restricted to Specific Programs					391,883	0	391,883	4,575,942
Unrestricted Investment Income					7,812	2,517	10,329	8,089
Miscellaneous					118,383	1,003	119,386	18,201
<b>Total General Revenues</b>					<b>\$ 2,619,706</b>	<b>\$ 191,593</b>	<b>\$ 2,811,299</b>	<b>\$ 5,710,848</b>
Insurance Recovery					\$ 10,109	\$ 0	\$ 10,109	\$ 0
Special Item (see Note IV.B. )					574,615	0	574,615	0
Change in Net Position					\$ 1,121,294	\$ (275,810)	\$ 845,484	\$ 693,429
Net Position, July 1, 2015					14,761,799	95,096	14,856,895	2,270,503
Net Position, June 30, 2016					<b>\$ 15,883,093</b>	<b>\$ (180,714)</b>	<b>\$ 15,702,379</b>	<b>\$ 2,963,932</b>

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, 2016

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 300	\$ 300
Equity in Pooled Cash and Investments	1,849,754	232,050	94,740	106,226	2,282,770
Accounts Receivable	317,782	150	0	72	318,004
Allowance for Uncollectibles	(31,778)	0	0	0	(31,778)
Due from Other Governments	53,498	225,652	0	0	279,150
Due from Other Funds	372	0	0	0	372
Property Taxes Receivable	1,648,767	0	13,297	189,385	1,851,449
Allowance for Uncollectible Property Taxes	(42,644)	0	(344)	(2,582)	(45,570)
Total Assets	<u>\$ 3,795,751</u>	<u>\$ 457,852</u>	<u>\$ 107,693</u>	<u>\$ 293,401</u>	<u>\$ 4,654,697</u>
<u>LIABILITIES</u>					
Payroll Deductions Payable	\$ 6,797	\$ 810	\$ 0	\$ 0	\$ 7,607
Due to Other Funds	0	0	0	372	372
Total Liabilities	<u>\$ 6,797</u>	<u>\$ 810</u>	<u>\$ 0</u>	<u>\$ 372</u>	<u>\$ 7,979</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,544,231	\$ 0	\$ 12,454	\$ 186,803	\$ 1,743,488
Deferred Delinquent Property Taxes	57,017	0	460	0	57,477
Other Deferred/Unavailable Revenue	267,354	112,826	0	0	380,180
Total Deferred Inflows of Resources	<u>\$ 1,868,602</u>	<u>\$ 112,826</u>	<u>\$ 12,914</u>	<u>\$ 186,803</u>	<u>\$ 2,181,145</u>

(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 Govern- mental Funds	
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 37,648	\$ 0	\$ 0	\$ 0	\$ 37,648
Restricted for Finance	13,668	0	0	0	13,668
Restricted for Administration of Justice	17,037	0	0	0	17,037
Restricted for Public Safety	3,863	0	0	100,656	104,519
Restricted for Highways/Public Works	0	344,216	0	0	344,216
Restricted for Capital Outlay	0	0	0	5,570	5,570
Committed:					
Committed for Debt Service	0	0	94,779	0	94,779
Committed for Capital Projects	363,755	0	0	0	363,755
Unassigned	1,484,381	0	0	0	1,484,381
Total Fund Balances	<u>\$ 1,920,352</u>	<u>\$ 344,216</u>	<u>\$ 94,779</u>	<u>\$ 106,226</u>	<u>\$ 2,465,573</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,795,751</u>	<u>\$ 457,852</u>	<u>\$ 107,693</u>	<u>\$ 293,401</u>	<u>\$ 4,654,697</u>

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, 2016

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)		\$	2,465,573
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	162,805	
Add: buildings and improvements net of accumulated depreciation		1,935,844	
Add: other capital assets net of accumulated depreciation		1,585,774	
Add: infrastructure net of accumulated depreciation		<u>10,213,113</u>	13,897,536
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: other loan payable	\$	(1,227,600)	
Less: bond payable		(2,425,000)	
Less: capital lease payable		(123,432)	
Add: debt to be contributed by the School Department		2,425,000	
Less: accrued interest on bond		<u>(8,061)</u>	(1,359,093)
(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	\$	12,580	
Less: deferred inflows of resources related to pensions		<u>(189,765)</u>	(177,185)
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.			618,605
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>437,657</u>
Net position of governmental activities (Exhibit A)		\$	<u>15,883,093</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, 2016

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>Revenues</u>					
Local Taxes	\$ 2,084,187	\$ 0	\$ 72,452	\$ 0	\$ 2,156,639
Licenses and Permits	2,276	0	0	0	2,276
Fines, Forfeitures, and Penalties	39,645	0	0	6,212	45,857
Charges for Current Services	543,684	0	0	477	544,161
Other Local Revenues	62,903	1,006	44,313	770	108,992
Fees Received From County Officials	243,300	0	0	0	243,300
State of Tennessee	381,005	2,327,596	0	0	2,708,601
Federal Government	276,779	0	0	0	276,779
Other Governments and Citizens Groups	44,625	0	360,660	0	405,285
<b>Total Revenues</b>	<b>\$ 3,678,404</b>	<b>\$ 2,328,602</b>	<b>\$ 477,425</b>	<b>\$ 7,459</b>	<b>\$ 6,491,890</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 572,836	\$ 0	\$ 0	\$ 0	\$ 572,836
Finance	249,920	0	0	43	249,963
Administration of Justice	302,900	0	0	434	303,334
Public Safety	1,145,545	0	0	31,194	1,176,739
Public Health and Welfare	644,523	0	0	0	644,523
Social, Cultural, and Recreational Services	102,970	0	0	0	102,970
Agriculture and Natural Resources	69,275	0	0	0	69,275
Other Operations	546,481	0	0	0	546,481
Highways	0	2,264,253	0	0	2,264,253
Debt Service:					
Principal on Debt	0	125,308	1,042,555	204,200	1,372,063
Interest on Debt	0	50,527	121,513	6,697	178,737
Other Debt Service	0	0	1,406	0	1,406
<b>Total Expenditures</b>	<b>\$ 3,634,450</b>	<b>\$ 2,440,088</b>	<b>\$ 1,165,474</b>	<b>\$ 242,568</b>	<b>\$ 7,482,580</b>

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 43,954	\$ (111,486)	\$ (688,049)	\$ (235,109)	\$ (990,690)
<u>Other Financing Sources (Uses)</u>					
Bonds Issued	\$ 204,200	\$ 0	\$ 0	\$ 0	\$ 204,200
Capital Leases Issued	0	143,340	0	0	143,340
Proceeds from Sale of Capital Assets	1,271,217	0	0	303,319	1,574,536
Insurance Recovery	0	10,109	0	0	10,109
Total Other Financing Sources (Uses)	\$ 1,475,417	\$ 153,449	\$ 0	\$ 303,319	\$ 1,932,185
Net Change in Fund Balances	\$ 1,519,371	\$ 41,963	\$ (688,049)	\$ 68,210	\$ 941,495
Fund Balance, July 1, 2015	400,981	302,253	782,828	38,016	1,524,078
Fund Balance, June 30, 2016	\$ 1,920,352	\$ 344,216	\$ 94,779	\$ 106,226	\$ 2,465,573

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, 2016

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)		\$ 941,495
(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	\$ 689,043	
Less: current-year depreciation expense	<u>(448,537)</u>	240,506
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of assets disposed		(922,628)
(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, 2016	\$ 437,657	
Less: deferred delinquent property taxes and other deferred June 30, 2015	<u>(495,711)</u>	(58,054)
(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	\$ 1,246,755	
Add: principal payments on capital lease	19,908	
Add: principal payments on other loans	105,400	
Less: bond proceeds	(204,200)	
Less: capital lease proceeds	(143,340)	
Less: contributions by the School Department for bonds	<u>(255,000)</u>	769,523
(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	\$ 11,560	
Change in net pension asset	(44,933)	
Change in deferred outflows related to pensions	(10,602)	
Change in deferred inflows related to pensions	<u>194,427</u>	150,452
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,121,294</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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,084,187	\$ 2,023,980	\$ 2,023,980	\$ 60,207
Licenses and Permits	2,276	2,328	2,328	(52)
Fines, Forfeitures, and Penalties	39,645	53,546	53,546	(13,901)
Charges for Current Services	543,684	568,331	574,149	(30,465)
Other Local Revenues	62,903	554,586	564,565	(501,662)
Fees Received From County Officials	243,300	238,996	238,996	4,304
State of Tennessee	381,005	496,050	521,791	(140,786)
Federal Government	276,779	518,387	526,309	(249,530)
Other Governments and Citizens Groups	44,625	44,625	44,625	0
<b>Total Revenues</b>	<b>\$ 3,678,404</b>	<b>\$ 4,500,829</b>	<b>\$ 4,550,289</b>	<b>\$ (871,885)</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 30,477	\$ 32,548	\$ 32,548	\$ 2,071
Board of Equalization	120	200	200	80
Beer Board	360	700	700	340
County Mayor/Executive	142,094	144,792	151,360	9,266
County Attorney	10,000	10,000	10,000	0
Election Commission	102,761	107,520	107,521	4,760
Register of Deeds	63,615	66,925	66,925	3,310
County Buildings	223,409	361,815	361,815	138,406
<u>Finance</u>				
Property Assessor's Office	66,239	68,243	68,243	2,004
County Trustee's Office	91,620	98,089	98,089	6,469
County Clerk's Office	92,061	96,277	96,277	4,216
<u>Administration of Justice</u>				
Circuit Court	91,901	95,859	96,059	4,158
General Sessions Judge	76,744	78,563	78,563	1,819
Chancery Court	62,042	62,773	62,773	731
Juvenile Court	11,572	11,577	11,577	5
Judicial Commissioners	8,132	6,084	8,132	0
Other Administration of Justice	13,200	13,200	13,200	0
Probation Services	39,309	39,569	39,569	260
<u>Public Safety</u>				
Sheriff's Department	471,747	527,728	511,290	39,543
Drug Enforcement	306	500	500	194
Jail	367,050	339,089	368,029	979
Fire Prevention and Control	295,299	305,000	320,974	25,675
County Coroner/Medical Examiner	2,131	15,000	15,000	12,869
Other Public Safety	9,012	8,612	9,012	0
<u>Public Health and Welfare</u>				
Local Health Center	27,889	29,187	29,677	1,788
Ambulance/Emergency Medical Services	565,391	578,753	578,753	13,362
Regional Mental Health Center	2,274	2,274	2,274	0
Appropriation to State	7,092	7,582	7,092	0
Sanitation Management	33,525	33,700	33,700	175
Other Public Health and Welfare	8,352	11,200	11,200	2,848

(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	\$ 15,057	\$ 22,100	\$ 22,100	\$ 7,043
Libraries	51,773	50,411	52,729	956
Other Social, Cultural, and Recreational	36,140	37,663	40,163	4,023
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	22,261	28,740	28,964	6,703
Soil Conservation	47,014	50,561	50,561	3,547
<u>Other Operations</u>				
Tourism	23,050	23,000	23,050	0
Industrial Development	20	1,000	1,000	980
Other Economic and Community Development	14,402	6,000	15,422	1,020
Veterans' Services	20,687	18,924	20,774	87
Other Charges	151,735	158,340	156,792	5,057
Contributions to Other Agencies	5,000	8,000	8,000	3,000
Employee Benefits	326,470	350,331	350,331	23,861
Miscellaneous	5,117	11,450	11,450	6,333
Total Expenditures	<u>\$ 3,634,450</u>	<u>\$ 3,919,879</u>	<u>\$ 3,972,388</u>	<u>\$ 337,938</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 43,954	\$ 580,950	\$ 577,901	\$ (533,947)
<u>Other Financing Sources (Uses)</u>				
Bonds Issued	\$ 204,200	\$ 0	\$ 204,200	\$ 0
Notes Issued	0	204,200	0	0
Proceeds from Sale of Capital Assets	1,271,217	1,270,000	1,270,000	1,217
Transfers In	0	475,000	0	0
Transfers Out	0	(475,000)	0	0
Total Other Financing Sources	<u>\$ 1,475,417</u>	<u>\$ 1,474,200</u>	<u>\$ 1,474,200</u>	<u>\$ 1,217</u>
Net Change in Fund Balance	\$ 1,519,371	\$ 2,055,150	\$ 2,052,101	\$ (532,730)
Fund Balance, July 1, 2015	<u>400,981</u>	<u>528,956</u>	<u>528,956</u>	<u>(127,975)</u>
Fund Balance, June 30, 2016	<u>\$ 1,920,352</u>	<u>\$ 2,584,106</u>	<u>\$ 2,581,057</u>	<u>\$ (660,705)</u>

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 1,006	\$ 1,000	\$ 1,006	\$ 0
State of Tennessee	2,327,596	1,585,663	2,224,971	102,625
Federal Government	0	0	14,192	(14,192)
Total Revenues	<u>\$ 2,328,602</u>	<u>\$ 1,586,663</u>	<u>\$ 2,240,169</u>	<u>\$ 88,433</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 107,937	\$ 100,303	\$ 108,785	\$ 848
Highway and Bridge Maintenance	655,592	621,392	667,408	11,816
Operation and Maintenance of Equipment	217,700	301,940	288,910	71,210
Quarry Operations	1,200	1,200	1,200	0
Other Charges	43,558	50,420	51,045	7,487
Employee Benefits	86,141	97,000	102,000	15,859
Capital Outlay	1,152,125	438,500	1,182,037	29,912
<u>Principal on Debt</u>				
General Government	0	154,103	55	55
Highways and Streets	125,308	0	125,308	0
<u>Interest on Debt</u>				
Highways and Streets	50,527	0	50,573	46
Total Expenditures	<u>\$ 2,440,088</u>	<u>\$ 1,764,858</u>	<u>\$ 2,577,321</u>	<u>\$ 137,233</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (111,486)</u>	<u>\$ (178,195)</u>	<u>\$ (337,152)</u>	<u>\$ 225,666</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 143,340	\$ 0	\$ 143,340	\$ 0
Insurance Recovery	10,109	0	15,617	(5,508)
Total Other Financing Sources	<u>\$ 153,449</u>	<u>\$ 0</u>	<u>\$ 158,957</u>	<u>\$ (5,508)</u>
Net Change in Fund Balance	\$ 41,963	\$ (178,195)	\$ (178,195)	\$ 220,158
Fund Balance, July 1, 2015	<u>302,253</u>	<u>282,217</u>	<u>282,217</u>	<u>20,036</u>
Fund Balance, June 30, 2016	<u>\$ 344,216</u>	<u>\$ 104,022</u>	<u>\$ 104,022</u>	<u>\$ 240,194</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, 2016

	Business-type Activities - Major <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 200
Equity in Pooled Cash and Investments	988,109
Accounts Receivable	18,291
Allowance for Uncollectibles	(9,173)
Property Taxes Receivable	10,063
Allowance for Uncollectible Property Taxes	(2,576)
Net Pension Asset - Agent Plan	32,558
Total Current Assets	<u>\$ 1,037,472</u>
Noncurrent Assets:	
Capital Assets:	
Assets Not Depreciated:	
Land	\$ 110,900
Assets Net of Accumulated Depreciated:	
Landfill Facilities and Development	147,827
Buildings and Improvements	76,205
Machinery and Equipment	172,016
Total Noncurrent Assets	<u>\$ 506,948</u>
Total Assets	<u>\$ 1,544,420</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension Contributions After Measurement Date	<u>\$ 538</u>
Total Deferred Outflows of Resources	<u>\$ 538</u>

(Continued)

Exhibit D-1

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

	<u>Business-type Activities - Major Enterprise Fund Solid Waste Disposal Fund</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Current Portion of Long-term Liabilities	\$ 14,234
Total Current Liabilities	<u>\$ 14,234</u>
Noncurrent Liabilities:	
Due in More Than One Year	\$ 1,701,450
Total Noncurrent Liabilities	<u>\$ 1,701,450</u>
Total Liabilities	<u>\$ 1,715,684</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension Changes in Experience	\$ 5,711
Pension Changes in Investment Earnings	<u>4,277</u>
Total Deferred Inflows of Resources	<u>\$ 9,988</u>
<u>NET POSITION</u>	
Net Investment in Capital Assets	\$ 506,948
Restricted for Other Purposes	32,558
Net Position - Unrestricted	<u>(720,220)</u>
Total Net Position	<u>\$ (180,714)</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, 2016

	Business-type Activities - Major <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 99,176
Local Revenues	6,298
Total Operating Revenues	<u>\$ 105,474</u>
<u>Operating Expenses</u>	
Salaries and Benefits	\$ 127,374
Advertising	144
Communications	2,307
Contracts with Government Agencies	3,974
Contracts with Private Agencies	1,284
Data Processing Services	4,921
Dues and Memberships	100
Engineering Services	13,635
Evaluation and Testing	19,162
Licenses	10,636
Maintenance and Repair Services - Buildings	187,451
Maintenance and Repair Services - Equipment	23,309
Maintenance and Repair Services - Vehicles	2,848
Postal Charges	228
Travel	1,331
Other Contracted Services	67,376
Crushed Stone	4,157
Custodial Supplies	545
Electricity	7,650
Gasoline	4,711
Office Supplies	700
Uniforms	3,381
Water and Sewer	1,819
Wire	300
Other Supplies and Materials	20,370
Trustee's Commission	5,278
Depreciation	34,229
Landfill Closure/Postclosure Care Costs	6,841
Motor Vehicles	22,500
Total Operating Expenses	<u>\$ 578,561</u>
Operating Income (Loss)	<u>\$ (473,087)</u>

(Continued)

Exhibit D-2

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

	Business-type Activities - Major Enterprise Fund
	Solid Waste Disposal Fund
<u>Nonoperating Revenues (Expenses)</u>	
Local Taxes	\$ 188,073
Grants	5,684
Investment Income	2,517
Miscellaneous Refunds	1,003
Total Nonoperating Revenues (Expenses)	<u>\$ 197,277</u>
Change in Net Position	\$ (275,810)
Net Position, July 1, 2015	<u>95,096</u>
Net Position, June 30, 2016	<u><u>\$ (180,714)</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, 2016

	Business-type Activities - Major Enterprise Fund
	Solid Waste Disposal Fund
<u>Cash Flows from Operating Activities</u>	
Receipts from Customers and Users	\$ 112,371
Payments to Suppliers	(351,572)
Payments to Employees	(126,881)
Other Payments	(58,545)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (424,627)</u>
<u>Cash Flows from Noncapital Financing Activities</u>	
Local Taxes	\$ 188,342
Grants Received	5,684
Miscellaneous Refunds	1,003
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>\$ 195,029</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition of Capital Assets	\$ 0
Proceeds from the Disposal of Capital Assets	\$ 16,000
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>\$ 16,000</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned	\$ 2,517
Net Cash Provided By (Used In) Investing Activities	<u>\$ 2,517</u>
Net Increase (Decrease) in Cash	\$ (211,081)
Cash, July 1, 2015	<u>1,199,390</u>
Cash, June 30, 2016	<u>\$ 988,309</u>

(Continued)

Exhibit D-3

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

	Business-type Activities - Major <u>Enterprise Fund</u> Solid Waste Disposal <u>Fund</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (473,087)
Adjustments to Reconcile Operating Income (Loss) to Net Cash	
<u>Provided By (Used In) Operating Activities:</u>	
Depreciation Expense	34,229
Pension Contributions	1,350
(Increase) Decrease in Accounts Receivable	6,897
Increase (Decrease) in Accounts Payable	(857)
Increase (Decrease) in Landfill Closure/Postclosure Care Costs	6,841
	<hr/>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (424,627)</u>
<u>Reconciliation of Cash With the Statement of Net Position</u>	
Cash Per Net Position	\$ 988,309
Equity in Pooled Cash and Investments Per Net Position	<u>(988,109)</u>
Cash, June 30, 2016	<u>\$ 200</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, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 209,527
Accounts Receivable	780
Due from Other Governments	<u>49,414</u>
Total Assets	<u><u>\$ 259,721</u></u>
<u>LIABILITIES</u>	
Cash Overdraft	\$ 568
Due to Litigants, Heirs, and Others	209,739
Due to Other Taxing Units	<u>49,414</u>
Total Liabilities	<u><u>\$ 259,721</u></u>

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

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**PICKETT COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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

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**PICKETT COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2016**

**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, 2016.

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 1.36 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. 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

4. **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, changes in the proportionate share of contributions, and 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, pension changes in investment earnings, changes in the 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.

5. **Compensated Absences**

**Primary Government**

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

**Discretely Presented Pickett County School Department**

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

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

6. **Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net 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.

## **7. 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, 2016, Pickett County had \$2,425,000 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.

**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 \$720,200 in unrestricted net position and a deficit of \$180,714 in total net position at June 30, 2016. This deficit resulted from the recognition of a liability of \$1,715,684 in the financial statements for costs associated with closing the county's landfill and monitoring the landfill for 30 years after its closure.

C. **Cash Overdraft**

The Circuit Court had a cash overdraft of \$568 at June 30, 2016. The cash overdraft resulted from monthly bank charges from the current- and prior-year totaling \$780, which were listed on the bank reconciliation but were not posted to the general ledger. The cash overdraft was liquidated subsequent to June 30, 2016.

D. **The Road Superintendent Directed County Gravel and Rock to be Delivered to Private Property**

On March 1, 2016, our office issued a special report on the Pickett County Highway Department. This report disclosed that the Road Superintendent directed county gravel and rock to be delivered to private property. Based upon interviews with the official and other Highway Department employees, the estimated annual cost to the county for this practice was at least \$13,205. Details of this shortage are discussed in the Schedule of Findings and Questioned Costs section of this report and in a special report issued by the Comptroller's Office, which is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov).

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, 2016.

### **B. Capital Assets**

Capital assets activity for the year ended June 30, 2016, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	\$ 222,805	\$ 0	\$ (60,000)	\$ 162,805
Total Capital Assets Not Depreciated	<u>\$ 222,805</u>	<u>\$ 0</u>	<u>\$ (60,000)</u>	<u>\$ 162,805</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 4,319,511	\$ 229,178	\$ (1,625,000)	\$ 2,923,689
Infrastructure	13,152,490	288,525	0	13,441,015
Other Capital Assets	3,977,968	171,340	(454,815)	3,694,493
Total Capital Assets Depreciated	<u>\$ 21,449,969</u>	<u>\$ 689,043</u>	<u>\$ (2,079,815)</u>	<u>\$ 20,059,197</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,922,688	\$ 53,555	\$ (988,398)	\$ 987,845
Infrastructure	3,105,178	122,724	0	3,227,902
Other Capital Assets	2,065,250	272,258	(228,789)	2,108,719
Total Accumulated Depreciation	<u>\$ 7,093,116</u>	<u>\$ 448,537</u>	<u>\$ (1,217,187)</u>	<u>\$ 6,324,466</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,356,853</u>	<u>\$ 240,506</u>	<u>\$ (862,628)</u>	<u>\$ 13,734,731</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,579,658</u>	<u>\$ 240,506</u>	<u>\$ (922,628)</u>	<u>\$ 13,897,536</u>

On November 5, 2015, the county sold the nursing home building and land for \$1,271,217. The building had a carrying amount at the time of the sale of \$636,602 and the land had a carrying amount of \$60,000, resulting in a gain of \$574,615. This amount has been reflected separately as a special item on the Statement of Activities in this report.

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

**Governmental Activities:**

General Government	\$	10,058
Public Safety		139,383
Public Health and Welfare		77,372
Social, Cultural, and Recreational Services		9,733
Highways/Public Works		<u>211,991</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u>448,537</u>

**Primary Government**

## Business-type Activities:

	Balance 7-1-15	Increases	Balance 6-30-16
Capital Assets Not Depreciated:			
Land	\$ 110,900	\$ 0	\$ 110,900
Total Capital Assets Not Depreciated	<u>\$ 110,900</u>	<u>\$ 0</u>	<u>\$ 110,900</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 233,635	\$ 0	\$ 233,635
Landfill Facilities and Development	268,303	0	268,303
Machinery and Equipment	675,421	0	675,421
Total Capital Assets Depreciated	<u>\$ 1,177,359</u>	<u>\$ 0</u>	<u>\$ 1,177,359</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 150,310	\$ 7,120	\$ 157,430
Landfill Facilities and Development	111,593	8,883	120,476
Machinery and Equipment	485,179	18,226	503,405
Total Accumulated Depreciation	<u>\$ 747,082</u>	<u>\$ 34,229</u>	<u>\$ 781,311</u>
Total Capital Assets Depreciated, Net	<u>\$ 430,277</u>	<u>\$ (34,229)</u>	<u>\$ 396,048</u>
Business-type Activities Capital Assets, Net	<u>\$ 541,177</u>	<u>\$ (34,229)</u>	<u>\$ 506,948</u>

There were no decreases in capital assets to report during the year ended June 30, 2016.

Depreciation expense of \$34,229 was recorded by the Solid Waste Disposal Fund.

**Discretely Presented Pickett County School Department**

**Governmental Activities:**

	Balance 7-1-15	Increases	Decreased	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	\$ 22,955	\$ 0	\$ 0	\$ 22,955
Total Capital Assets Not Depreciated	<u>\$ 22,955</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 22,955</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,108,662	\$ 0	\$ 0	\$ 7,108,662
Other Capital Assets	914,012	123,040	(381,733)	655,319
Total Capital Assets Depreciated	<u>\$ 8,022,674</u>	<u>\$ 123,040</u>	<u>\$ (381,733)</u>	<u>\$ 7,763,981</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 3,049,624	\$ 155,136	\$ 0	\$ 3,204,760
Other Capital Assets	652,137	31,147	(362,647)	320,637
Total Accumulated Depreciation	<u>\$ 3,701,761</u>	<u>\$ 186,283</u>	<u>\$ (362,647)</u>	<u>\$ 3,525,397</u>
Total Capital Assets Depreciated, Net	<u>\$ 4,320,913</u>	<u>\$ (63,243)</u>	<u>\$ (19,086)</u>	<u>\$ 4,238,584</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,343,868</u>	<u>\$ (63,243)</u>	<u>\$ (19,086)</u>	<u>\$ 4,261,539</u>

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

**Governmental Activities:**

Instruction	\$	142,532
Support Services		39,999
Operation of Non-instructional Services		<u>3,752</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>186,283</u></u>

**C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2016, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 372

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

**Due to/from Primary Government and Component Unit:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	Component Unit:	
Primary Government	School Department	\$ 2,425,000

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. Capital Lease**

On August 4, 2015, Pickett County entered into a six-year lease-purchase agreement for a wheeled loader for the Highway Department. The terms of the agreement require total lease payments of \$143,340 plus interest of 2.89 percent. Title to the loader transfers to the Pickett County Highway Department at the end of the lease period. The Highway/Public Works Fund is making the lease payments.

The assets acquired through capital leases are as follows:

<u>Asset</u>	<u>Governmental Activities</u>
Other Capital Assets	\$ 143,340
Less: Accumulated Depreciation	<u>(13,538)</u>
Total Book Value	<u>\$ 129,802</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2017	\$ 26,134
2018	26,134
2019	26,134
2020	26,134
2021	26,134
2022	<u>4,355</u>
Total Minimum Lease Payments	\$ 135,025
Less: Amount Representing Interest	<u>(11,593)</u>
Present Value of Minimum Lease Payments	<u>\$ 123,432</u>

**E. Long-term Obligations**

**Primary Government**

**General Obligation Bonds 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.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. The general obligation bond and other loan outstanding were issued for original terms of 15 years and 12 years, respectively. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. The bond included in long-term debt as of June 30, 2016, will be retired from the General Debt Service Fund. The other loan included in long-term debt as of June 30, 2016, will be retired from the Highway/Public Works Fund.

The general obligation bond, other loan, and capital lease outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-16
General Obligation Bond -				
Refunding	3 to 4.2 %	6-1-24	\$ 4,100,000	\$ 2,425,000
Other Loan	3.79	12-15-25	1,483,000	1,227,600
Capital Lease	2.89	8-4-21	143,340	123,432

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 the general obligation bond and other loan outstanding as of June 30, 2016, including interest payments, are presented in the following tables:

Year Ending June 30	Other Loan		
	Principal	Interest	Total
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
2022-2026	636,800	56,859	693,659
Total	\$ 1,227,600	\$ 236,196	\$ 1,463,796

Year Ending June 30	Bond		
	Principal	Interest	Total
2017	\$ 260,000	\$ 96,735	\$ 356,735
2018	275,000	87,635	362,635
2019	285,000	76,635	361,635
2020	295,000	65,235	360,235
2021	305,000	53,435	358,435
2022-2024	1,005,000	84,370	1,089,370
Total	\$ 2,425,000	\$ 464,045	\$ 2,889,045

There is \$94,779 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds and other loans totaled \$744, 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.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-16</u>
<u>Bonds</u>	
<u>Contributions from General Purpose School Fund</u>	
School Refunding Bond, Series 2009	\$ 2,425,000

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

**Governmental Activities:**

	<u>Bonds</u>	<u>Other Loan</u>	<u>Capital Lease</u>
Balance, July 1, 2015	\$ 3,467,555	\$ 1,333,000	\$ 0
Additions	204,200	0	143,340
Reductions	(1,246,755)	(105,400)	(19,908)
Balance, June 30, 2016	<u>\$ 2,425,000</u>	<u>\$ 1,227,600</u>	<u>\$ 123,432</u>
Balance Due Within One Year	<u>\$ 260,000</u>	<u>\$ 109,500</u>	<u>\$ 23,890</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 3,776,032
Less: Balance Due Within One Year	<u>(393,390)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 3,382,642</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, 2016, was as follows:

	<u>Closure/ Postclosure Care Costs</u>
Balance, July 1, 2015	\$ 1,708,843
Additions	20,344
Reductions	<u>(13,503)</u>
Balance, June 30, 2016	<u>\$ 1,715,684</u>
Balance Due Within One Year	<u>\$ 14,234</u>
Analysis of Noncurrent Liabilities Presented on Exhibit A:	
Total Noncurrent Liabilities, June 30, 2016	\$ 1,715,684
Less: Balance Due Within One Year	<u>(14,234)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,701,450</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, 2016, was as follows:

#### **Governmental Activities:**

	Compensated Absences	Other Postemployment Benefits	Net Pension Liability - Cost-sharing Plan*
Balance, July 1, 2015	\$ 7,976	\$ 315,608	\$ (13,045)
Additions	2,958	51,953	1,144,127
Deductions	<u>(1,537)</u>	<u>(22,135)</u>	<u>(1,097,287)</u>
Balance, June 30, 2016	<u>\$ 9,397</u>	<u>\$ 345,426</u>	<u>\$ 33,795</u>
Balance Due Within One Year	<u>\$ 2,958</u>	<u>\$ 0</u>	<u>\$ 0</u>

\* At July 1, 2015, the cost-sharing plan had a net pension asset.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 388,618
Less: Balance Due Within One Year	<u>(2,958)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 385,660</u></u>

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

**F. 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, 2016, were \$15,294 and \$8,200, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**G. 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, 2016, was as follows:

	Balance 7-1-15	Issued	Paid	Balance 6-30-16
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 provides commercial 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. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; Statement GASB No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement GASB No. 79, *Certain External Investment Pools and Pool Participants* became effective for the year ended June 30, 2016.

GASB Statement No. 72, establishes general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to GASB Statements No. 67 and No. 68. The changes to GASB Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments, and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes standards.

**C. Subsequent Event**

On August 8, 2016, the county entered into a lease-purchase agreement totaling \$78,674 for ambulance service power cots.

**D. Contingent Liabilities**

The Pickett County School system is one of forty-five Tennessee school districts that are members of the Sweetwater Consortium. The consortium was formed in 2012 to negotiate costs with vendors for providing telephone and internet services to member schools, and awarded a contract to Education Networks of America (ENA). The federal government subsidizes the costs of these services through the Federal Communications Commission's (FCC) E-Rate Program. The E-Rate program is managed by Universal Services Administration Company (USAC). Another service provider filed a lawsuit in 2012 challenging the contract awarded by the consortium, which resulted in the withholding of E-Rate funding. The case has been heard by an appeals board and members are awaiting a ruling. If the ruling is favorable for the consortium, then E-Rate funding will be reimbursed by the federal government. If the ruling is unfavorable for the consortium, then a hearing before the FCC will be granted. Consortium members could be required to reimburse ENA for the costs of any services not reimbursed by the E-Rate program. The Pickett County School System's share of these costs is estimated at approximately \$72,179.

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

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

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

State and federal laws and regulations require Pickett County to place a final cover on the Highway 325 sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,715,684 reported as landfill closure and postclosure care liability at June 30, 2016, represents the cumulative amount reported to date based on the use of 35 percent of the estimated capacity of the Highway 325 landfill (\$1,562,647) and for the landfill closed in 1994 (\$153,037). The \$1,715,684 reported as closure and postclosure care liability at June 30, 2016, represents amounts based on what it would cost to perform all closure/postclosure care in 2016. The county stopped accepting solid waste at the Highway 325 landfill in October 2015. The remaining capacity of the landfill is not expected to be used. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Thirteenth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Thirteenth Judicial District, 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, 2016. Pickett County does not have an equity interest in the DTF. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**G. Jointly Governed Organization**

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

**H. Retirement Commitments**

**1. Tennessee Consolidated Retirement System (TCRS)**

**Primary Government**

**General Information About the Pension Plan**

*Plan Description.* Employees of Pickett County, 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 comprised 89.75 percent and the non-certified employees of the discretely presented School Department comprised 10.25 percent of the plan based on contribution 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](http://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 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.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2015, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	56
Inactive Employees Entitled to But Not Yet Receiving Benefits	130
Active Employees	96
Total	282

*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 their 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, the Actuarial Determined Contribution (ADC) for Pickett County was \$16,478 based on a rate of .61 percent of covered 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 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, 2015, 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, 2015, 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, 2015, 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, 2014	\$ 7,002,589	\$ 8,097,369	\$ (1,094,780)
Changes for the Year:			
Service Cost	\$ 259,681	\$ 0	\$ 259,681
Interest	533,635	0	533,635
Differences Between Expected and Actual Experience	(30,552)	0	(30,552)
Contributions-Employer	0	16,478	(16,478)
Contributions-Employees	0	135,068	(135,068)
Net Investment Income	0	247,115	(247,115)
Benefit Payments, Including Refunds of Employee Contributions	(294,283)	(294,283)	0
Administrative Expense	0	(5,147)	5,147
Other Changes	0	0	0
Net Changes	\$ 468,481	\$ 99,231	\$ 369,250
Balance, June 30, 2015	\$ 7,471,070	\$ 8,196,600	\$ (725,530)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	89.75%	\$ 6,705,285	\$ 7,356,449	\$ (651,163)
School Department	10.25%	765,785	840,152	(74,367)
Total		\$ 7,471,070	\$ 8,196,600	\$ (725,530)

*Sensitivity of the Net Pension 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 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:

Pickett County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 235,002	\$ 725,530	\$ 1,527,329

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

*Pension Expense.* For the year ended June 30, 2016, Pickett County recognized pension expense of \$25,590.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, Pickett County 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
Difference Between Expected and Actual Experience	\$ 0	\$ 127,251
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	283,714	379,029
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	16,686	N/A
Total	\$ 300,400	\$ 506,280

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2015,” 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	\$ 267,751	\$ 454,386
School Department	32,649	51,894
Total	<u>\$ 300,400</u>	<u>\$ 506,280</u>

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

Year Ending June 30	Amount
2017	\$ (87,228)
2018	(87,228)
2019	(87,228)
2020	39,115
2021	0
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 89.75 percent and the non-certified employees of the discretely presented School Department comprise 10.25 percent of the plan based on contribution 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](http://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 with an unreduced benefit 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. 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 60 or pursuant to the rule of 80. 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 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. Members who leave 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. 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, 2016, to the Teacher Retirement Plan were \$2,543, which is four percent of covered 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 (Assets).* At June 30, 2016, the Pickett County School Department reported an asset of \$602 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2015, 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 share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Pickett County School Department's proportion was .014957 percent.

*Pension Expense.* For the year ended June 30, 2016, the Pickett County School Department recognized pension expense of \$789.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, 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
Difference Between Expected and Actual Experience	\$ 0	\$ 196
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	49	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	2,543	N/A
Total	<u>\$ 2,592</u>	<u>\$ 196</u>

The Pickett County School Department's employer contributions of \$2,543, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension liability (asset) in the year ending June 30, 2017. 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
2017	\$ (4)
2018	(4)
2019	(4)
2020	(4)
2021	(16)
Thereafter	(114)

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

*Actuarial Assumptions.* The total pension liability in the June 30, 2015, 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, 2015, 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	
			100	%
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 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 Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the 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 the 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%
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Net Pension Liability      \$            107      \$            (602)      \$            (1,121)

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

**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](http://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 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 and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs 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 are required to contribute five percent of their salaries. 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, 2016, to the Teacher Legacy Pension Plan were \$290,069, which is 9.04 percent of covered 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 Liability (Assets).* At June 30, 2016, the Pickett County School Department reported a liability of \$33,795 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Pickett County School Department's proportion of the net pension liability (asset) was based on the Pickett County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Pickett County School Department's proportion was .082500 percent. The proportion measured at June 30, 2014, was .080277 percent.

*Negative Pension Expense.* For the year ended June 30, 2016, the Pickett County School Department recognized negative pension expense of \$23,944.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2016, 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
Difference Between Expected and Actual Experience	\$ 27,122	\$ 526,020
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	610,227	828,417
Changes in Proportion of Net Pension Liability (Asset)	23,769	831
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	290,069	N/A
Total	<u>\$ 951,187</u>	<u>\$ 1,355,268</u>

The Pickett County School Department's employer contributions of \$290,069 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, 2017. 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
2017	\$ (218,774)
2018	(218,774)
2019	(218,774)
2020	57,365
2021	(95,192)
Thereafter	0

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, 2015, 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 adjustments for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, 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 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 Real Estate	4.61	8
	0.98	29
	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 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 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 Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the 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 the 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%
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Net Pension Liability    \$ 2,304,012    \$ 33,795    \$ (1,845,677)

*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.

Teachers hired after July 1, 2014, by the discretely presented Pickett County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Pickett County School Department has assumed a portion of the costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Pickett County School Department contributed \$3,198 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

**I. Other Postemployment Benefits (OPEB)**

Plan Description

The Pickett County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for local education employees. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization 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/article/fa-accfin-cafr>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develops a contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, the discretely presented Pickett County School Department contributed \$22,135 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<u>Plan</u>
ARC	\$ 52,000
Interest on the NOPEBO	11,835
Adjustment to the ARC	(11,882)
Annual OPEB cost	\$ 51,953
Amount of contribution	<u>(22,135)</u>
Increase/decrease in NOPEBO	\$ 29,818
Net OPEB obligation, 7-1-15	<u>315,608</u>
Net OPEB obligation, 6-30-16	<u><u>\$ 345,426</u></u>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-14	Local Education Group	\$ 40,284	55 %	\$ 293,546
6-30-15	"	41,303	47	315,608
6-30-16	"	51,953	43	345,426

### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	7-1-15
Actuarial accrued liability (AAL)	\$ 569,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 569,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 2,051,367
UAAL as a % of covered payroll	28%

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, 2015, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in fiscal year 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. Both rates include a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

**J. Purchasing Laws**

Office of County Executive

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

Office of Road Superintendent

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

Office of Director of Schools

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

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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

	2014	2015
<b>Total Pension Liability (Asset)</b>		
Service Cost	\$ 215,048	\$ 259,681
Interest	508,300	533,635
Changes in Benefit Terms	0	0
Differences Between Actual and Expected Experience	(154,215)	(30,552)
Changes in Assumptions	0	0
Benefit Payments, Including Refunds of Employee Contributions	(257,637)	(294,283)
Net Change in Total Pension Liability (Asset)	\$ 311,496	\$ 468,481
Total Pension Liability (Asset), Beginning	6,691,093	7,002,589
Total Pension Liability, Ending (a)	\$ 7,002,589	\$ 7,471,070
<b>Plan Fiduciary Net Position</b>		
Contributions - Employer	\$ 217,624	\$ 16,478
Contributions - Employee	141,683	135,068
Net Investment Income	1,149,167	247,115
Benefit Payments, Including Refunds of Employee Contributions	(257,637)	(294,283)
Administrative Expense	(3,999)	(5,147)
Net Change in Plan Fiduciary Net Position	\$ 1,246,838	\$ 99,231
Plan Fiduciary Net Position, Beginning	6,850,531	8,097,369
Plan Fiduciary Net Position, Ending (b)	\$ 8,097,369	\$ 8,196,600
Net Pension Liability (Asset), Ending (a - b)	\$ (1,094,780)	\$ (725,530)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	115.63%	109.71%
Covered Employee Payroll	\$ 2,833,642	\$ 2,701,347
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	38.64%	26.86%

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>	<u>2016</u>
Actuarially Determined Contribution	\$ 217,624	\$ 16,478	\$ 16,686
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(217,624)</u>	<u>(16,478)</u>	<u>(16,686)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,833,642	\$ 2,701,347	\$ 2,800,901
Contributions as a Percentage of Covered Employee Payroll	7.68%	0.61%	0.61%

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

Note: data presented includes primary government and the 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>	<u>2016</u>
Contractually Required Contribution	\$ 777	\$ 1,589
Less Contributions in Relation to the Contractually Required Contribution	<u>(1,243)</u>	<u>(2,543)</u>
Contribution Deficiency (Excess)	<u>\$ (466)</u>	<u>\$ (954)</u>
Covered Employee Payroll	\$ 31,076	\$ 63,570
Contributions as a Percentage of Covered Employee Payroll	4.00%	4.00%

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

	2014	2015	2016
Contractually Required Contribution	\$ 279,797	\$ 279,190	\$ 290,069
Less Contributions in Relation to the Contractually Required Contribution	<u>(279,797)</u>	<u>(279,190)</u>	<u>(290,069)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 3,150,863	\$ 3,088,382	\$ 3,211,263
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.04%	9.04%

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 Pension Plan of TCRS  
Discretely Presented Pickett County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2016</u>
School Department's Proportion of the Net Pension Asset	0.014957%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (602)
Covered Employee Payroll	\$ 31,076
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%

\* 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 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>2015</u>	<u>2016</u>
School Department's Proportion of the Net Pension Asset	0.080277%	0.082500%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ 13,045	\$ (33,795)
Covered Employee Payroll	\$ 3,150,863	\$ 3,088,382
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(0.414002)%	1.094254%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%

\* 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-7

Pickett County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Pickett County School Department  
June 30, 2016

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of 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	7-1-11	\$ 0	\$ 891	\$ 891	0 %	\$ 2,181	41 %
"	7-1-13	0	445	445	0	2,349	19
"	7-1-15	0	569	569	0	2,051	28

**PICKETT COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2016**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for 2016 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
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 Adjustments	2.5%

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection. This fund was established during the current year to account for the 2016 property tax assessment. These transactions were previously reported in the Solid Waste Disposal Fund.

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.

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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.

Exhibit G-1

Pickett County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2016

	Special Revenue Funds				Capital	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Total	Industrial Park Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 300	\$ 300	\$ 0	\$ 300
Equity in Pooled Cash and Investments	0	100,656	0	100,656	5,570	106,226
Accounts Receivable	0	0	72	72	0	72
Property Taxes Receivable	189,385	0	0	189,385	0	189,385
Allowance for Uncollectible Property Taxes	(2,582)	0	0	(2,582)	0	(2,582)
<b>Total Assets</b>	<b>\$ 186,803</b>	<b>\$ 100,656</b>	<b>\$ 372</b>	<b>\$ 287,831</b>	<b>\$ 5,570</b>	<b>\$ 293,401</b>
<u>LIABILITIES</u>						
Due to Other Funds	\$ 0	\$ 0	\$ 372	\$ 372	\$ 0	\$ 372
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 372</b>	<b>\$ 372</b>	<b>\$ 0</b>	<b>\$ 372</b>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 186,803	\$ 0	\$ 0	\$ 186,803	\$ 0	\$ 186,803
<b>Total Deferred Inflows of Resources</b>	<b>\$ 186,803</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 186,803</b>	<b>\$ 0</b>	<b>\$ 186,803</b>
<u>FUND BALANCES</u>						
Restricted:						
Restricted for Public Safety	\$ 0	\$ 100,656	\$ 0	\$ 100,656	\$ 0	\$ 100,656
Restricted for Capital Outlay	0	0	0	0	5,570	5,570
<b>Total Fund Balances</b>	<b>\$ 0</b>	<b>\$ 100,656</b>	<b>\$ 0</b>	<b>\$ 100,656</b>	<b>\$ 5,570</b>	<b>\$ 106,226</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 186,803</b>	<b>\$ 100,656</b>	<b>\$ 372</b>	<b>\$ 287,831</b>	<b>\$ 5,570</b>	<b>\$ 293,401</b>

Exhibit G-2

Pickett County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2016

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Industrial Park Projects	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 6,212	\$ 0	\$ 6,212	\$ 0	\$ 6,212
Charges for Current Services	0	477	477	0	477
Other Local Revenues	770	0	770	0	770
Total Revenues	<u>\$ 6,982</u>	<u>\$ 477</u>	<u>\$ 7,459</u>	<u>\$ 0</u>	<u>\$ 7,459</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 43	\$ 43	\$ 0	\$ 43
Administration of Justice	0	434	434	0	434
Public Safety	31,194	0	31,194	0	31,194
Debt Service:					
Principal on Debt	204,200	0	204,200	0	204,200
Interest on Debt	6,697	0	6,697	0	6,697
Total Expenditures	<u>\$ 242,091</u>	<u>\$ 477</u>	<u>\$ 242,568</u>	<u>\$ 0</u>	<u>\$ 242,568</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (235,109)</u>	<u>\$ 0</u>	<u>\$ (235,109)</u>	<u>\$ 0</u>	<u>\$ (235,109)</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Capital Assets	\$ 303,319	\$ 0	\$ 303,319	\$ 0	\$ 303,319
Total Other Financing Sources (Uses)	<u>\$ 303,319</u>	<u>\$ 0</u>	<u>\$ 303,319</u>	<u>\$ 0</u>	<u>\$ 303,319</u>
Net Change in Fund Balances	\$ 68,210	\$ 0	\$ 68,210	\$ 0	\$ 68,210
Fund Balance, July 1, 2015	32,446	0	32,446	5,570	38,016
Fund Balance, June 30, 2016	<u>\$ 100,656</u>	<u>\$ 0</u>	<u>\$ 100,656</u>	<u>\$ 5,570</u>	<u>\$ 106,226</u>

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 6,212	\$ 14,783	\$ 14,783	\$ (8,571)
Other Local Revenues	770	513,916	13,916	(13,146)
Total Revenues	<u>\$ 6,982</u>	<u>\$ 528,699</u>	<u>\$ 28,699</u>	<u>\$ (21,717)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 31,194	\$ 100,000	\$ 100,000	\$ 68,806
<u>Principal on Debt</u>				
General Government	204,200	0	204,200	0
<u>Interest on Debt</u>				
General Government	6,697	0	6,697	0
Total Expenditures	<u>\$ 242,091</u>	<u>\$ 100,000</u>	<u>\$ 310,897</u>	<u>\$ 68,806</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (235,109)</u>	<u>\$ 428,699</u>	<u>\$ (282,198)</u>	<u>\$ 47,089</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 303,319	\$ 0	\$ 710,897	\$ (407,578)
Total Other Financing Sources	<u>\$ 303,319</u>	<u>\$ 0</u>	<u>\$ 710,897</u>	<u>\$ (407,578)</u>
Net Change in Fund Balance	\$ 68,210	\$ 428,699	\$ 428,699	\$ (360,489)
Fund Balance, July 1, 2015	<u>32,446</u>	<u>28,750</u>	<u>28,750</u>	<u>3,696</u>
Fund Balance, June 30, 2016	<u><u>\$ 100,656</u></u>	<u><u>\$ 457,449</u></u>	<u><u>\$ 457,449</u></u>	<u><u>\$ (356,793)</u></u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 72,452	\$ 77,134	\$ 77,134	\$ (4,682)
Other Local Revenues	44,313	55,000	55,000	(10,687)
Other Governments and Citizens Groups	360,660	0	360,660	0
Total Revenues	<u>\$ 477,425</u>	<u>\$ 132,134</u>	<u>\$ 492,794</u>	<u>\$ (15,369)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 787,555	\$ 568,066	\$ 805,674	\$ 18,119
Education	255,000	0	255,000	0
<u>Interest on Debt</u>				
General Government	15,853	27,699	15,853	0
Education	105,660	0	105,660	0
<u>Other Debt Service</u>				
General Government	1,406	2,900	4,348	2,942
Total Expenditures	<u>\$ 1,165,474</u>	<u>\$ 598,665</u>	<u>\$ 1,186,535</u>	<u>\$ 21,061</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (688,049)</u>	<u>\$ (466,531)</u>	<u>\$ (693,741)</u>	<u>\$ 5,692</u>
Net Change in Fund Balance	\$ (688,049)	\$ (466,531)	\$ (693,741)	\$ 5,692
Fund Balance, July 1, 2015	<u>782,828</u>	<u>751,121</u>	<u>751,121</u>	<u>31,707</u>
Fund Balance, June 30, 2016	<u>\$ 94,779</u>	<u>\$ 284,590</u>	<u>\$ 57,380</u>	<u>\$ 37,399</u>

# Fiduciary Funds

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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.

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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, 2016

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 209,527	\$ 209,527
Accounts Receivable	0	780	780
Due from Other Governments	49,414	0	49,414
Total Assets	<u>\$ 49,414</u>	<u>\$ 210,307</u>	<u>\$ 259,721</u>
<u>LIABILITIES</u>			
Cash Overdraft	\$ 0	\$ 568	\$ 568
Due to Other Taxing Units	49,414	0	49,414
Due to Litigants, Heirs, and Others	0	209,739	209,739
Total Liabilities	<u>\$ 49,414</u>	<u>\$ 210,307</u>	<u>\$ 259,721</u>

Exhibit I-2

Pickett County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 231,311	\$ 231,311	\$ 0
Due from Other Governments	38,562	49,414	38,562	49,414
Total Assets	\$ 38,562	\$ 280,725	\$ 269,873	\$ 49,414
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 38,562	\$ 280,725	\$ 269,873	\$ 49,414
Total Liabilities	\$ 38,562	\$ 280,725	\$ 269,873	\$ 49,414
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 148,451	\$ 2,148,415	\$ 2,087,339	\$ 209,527
Accounts Receivable	347	780	347	780
Total Assets	\$ 148,798	\$ 2,149,195	\$ 2,087,686	\$ 210,307
<u>Liabilities</u>				
Cash Overdraft	\$ 0	\$ 568	\$ 0	\$ 568
Due to Litigants, Heirs, and Others	148,798	2,149,195	2,087,686	210,307
Total Liabilities	\$ 148,798	\$ 2,149,195	\$ 2,087,686	\$ 210,307
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 148,451	\$ 2,148,415	\$ 2,087,339	\$ 209,527
Equity in Pooled Cash and Investments	0	231,311	231,311	0
Accounts Receivable	347	780	347	780
Due from Other Governments	38,562	49,414	38,562	49,414
Total Assets	\$ 187,360	\$ 2,429,920	\$ 2,357,559	\$ 259,721
<u>Liabilities</u>				
Cash Overdraft	\$ 0	\$ 568	\$ 0	\$ 568
Due to Litigants, Heirs, and Others	148,798	2,149,195	2,087,686	210,307
Due to Other Taxing Units	38,562	280,725	269,873	49,414
Total Liabilities	\$ 187,360	\$ 2,429,920	\$ 2,357,559	\$ 259,721

# Pickett County School Department

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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, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:					
Instruction	\$ 3,304,671	\$ 0	\$ 497,666	\$ 0	\$ (2,807,005)
Support Services	2,047,451	0	126,368	34,000	(1,887,083)
Operation of Non-instructional Services	700,769	119,409	363,689	0	(217,671)
Interest on Long-term Debt	105,660	0	0	0	(105,660)
<b>Total Governmental Activities</b>	<b>\$ 6,158,551</b>	<b>\$ 119,409</b>	<b>\$ 987,723</b>	<b>\$ 34,000</b>	<b>\$ (5,017,419)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 591,777
Local Option Sales Taxes					485,961
Mixed Drink Tax					30,327
Other Local Taxes					551
Grants and Contributions Not Restricted to Specific Programs					4,575,942
Unrestricted Investment Income					8,089
Miscellaneous					18,201
<b>Total General Revenues</b>					<b>\$ 5,710,848</b>
Change in Net Position					\$ 693,429
Net Position, July 1, 2015					2,270,503
Net Position, June 30, 2016					<b>\$ 2,963,932</b>

Exhibit J-2

Pickett County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Pickett County School Department  
June 30, 2016

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 1,495,518	\$ 187,179	\$ 1,682,697
Accounts Receivable	0	180	180
Due from Other Governments	111,979	53,646	165,625
Property Taxes Receivable	624,936	0	624,936
Allowance for Uncollectible Property Taxes	(16,164)	0	(16,164)
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 2,216,269	\$ 241,005	\$ 2,457,274
<u>LIABILITIES</u>			
Accounts Payable	\$ 5,795	\$ 4,194	\$ 9,989
Total Liabilities	<hr/>	<hr/>	<hr/>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 585,313	\$ 0	\$ 585,313
Deferred Delinquent Property Taxes	21,611	0	21,611
Other Deferred/Unavailable Revenue	60,213	0	60,213
Total Deferred Inflows of Resources	<hr/>	<hr/>	<hr/>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 5,834	\$ 186,811	\$ 192,645
Assigned:			
Assigned for Education	0	50,000	50,000
Unassigned	1,537,503	0	1,537,503
Total Fund Balances	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,216,269	\$ 241,005	\$ 2,457,274

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, 2016

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)		\$	1,780,148
(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		3,903,902	
Add: other capital assets net of accumulated depreciation		<u>334,682</u>	4,261,539
(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	\$	(2,425,000)	
Less: compensated absences payable		(9,397)	
Less: other postemployment benefits liability		<u>(345,426)</u>	(2,779,823)
(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	\$	347,071	
Less: deferred inflows of resources related to pensions		<u>(768,000)</u>	(420,929)
(4) Net pension assets and liabilities of the pension plans are not current financial resources or uses and therefore are not reported in the governmental funds.			
Add: net pension assets - agent plan	\$	74,367	
Add: net pension assets - teacher retirement plan		601	
Less: net pension liabilities - teacher legacy pension plan		<u>(33,795)</u>	41,173
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>81,824</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>2,963,932</u></u>

Exhibit J-4

Pickett County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Pickett County School Department  
For the Year Ended June 30, 2016

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 1,106,671	\$ 0	\$ 1,106,671
Licenses and Permits	200	0	200
Charges for Current Services	0	119,409	119,409
Other Local Revenues	26,013	277	26,290
State of Tennessee	4,623,835	4,145	4,627,980
Federal Government	59,684	886,801	946,485
Total Revenues	<u>\$ 5,816,403</u>	<u>\$ 1,010,632</u>	<u>\$ 6,827,035</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 3,063,555	\$ 382,259	\$ 3,445,814
Support Services	1,918,185	62,868	1,981,053
Operation of Non-instructional Services	152,418	544,599	697,017
Debt Service:			
Principal on Debt	255,000	0	255,000
Interest on Debt	105,660	0	105,660
Total Expenditures	<u>\$ 5,494,818</u>	<u>\$ 989,726</u>	<u>\$ 6,484,544</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 321,585</u>	<u>\$ 20,906</u>	<u>\$ 342,491</u>
Net Change in Fund Balances	\$ 321,585	\$ 20,906	\$ 342,491
Fund Balance, July 1, 2015	1,221,752	215,905	1,437,657
Fund Balance, June 30, 2016	<u>\$ 1,543,337</u>	<u>\$ 236,811</u>	<u>\$ 1,780,148</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, 2016

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)		\$ 342,491
(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	\$ 100,040	
Less: current-year depreciation expense	<u>(186,283)</u>	(86,243)
(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	\$ 23,000	
Less: book value of capital assets disposed	<u>(19,086)</u>	3,914
(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, 2016	\$ 81,824	
Less: deferred delinquent property taxes and other deferred June 30, 2015	<u>(79,879)</u>	1,945
(4) 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 the Primary Government		255,000
(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 compensated absences payable	\$ (1,421)	
Change in other postemployment benefits liability	(29,818)	
Change in net pension asset - agency plan	(301,580)	
Change in net pension asset - teacher retirement plan	601	
Change in net pension liability - teacher legacy retirement plan	(46,840)	
Change in deferred outflows related to pensions	29,914	
Change in deferred inflows related to pensions	<u>525,466</u>	<u>176,322</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 693,429</u>

Exhibit J-6

Pickett County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Pickett County School Department  
June 30, 2016

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 39,612	\$ 147,567	\$ 187,179
Accounts Receivable	180	0	180
Due from Other Governments	10,672	42,974	53,646
Total Assets	<u>\$ 50,464</u>	<u>\$ 190,541</u>	<u>\$ 241,005</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 464	\$ 3,730	\$ 4,194
Total Liabilities	<u>\$ 464</u>	<u>\$ 3,730</u>	<u>\$ 4,194</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 0	\$ 186,811	\$ 186,811
Assigned:			
Assigned for Education	50,000	0	50,000
Total Fund Balances	<u>\$ 50,000</u>	<u>\$ 186,811</u>	<u>\$ 236,811</u>
Total Liabilities and Fund Balances	<u>\$ 50,464</u>	<u>\$ 190,541</u>	<u>\$ 241,005</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, 2016

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 119,409	\$ 119,409
Other Local Revenues	0	277	277
State of Tennessee	0	4,145	4,145
Federal Government	527,257	359,544	886,801
Total Revenues	<u>\$ 527,257</u>	<u>\$ 483,375</u>	<u>\$ 1,010,632</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 382,259	\$ 0	\$ 382,259
Support Services	62,868	0	62,868
Operation of Non-instructional Services	82,130	462,469	544,599
Total Expenditures	<u>\$ 527,257</u>	<u>\$ 462,469</u>	<u>\$ 989,726</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 20,906</u>	<u>\$ 20,906</u>
Net Change in Fund Balances	\$ 0	\$ 20,906	\$ 20,906
Fund Balance, July 1, 2015	50,000	165,905	215,905
Fund Balance, June 30, 2016	<u>\$ 50,000</u>	<u>\$ 186,811</u>	<u>\$ 236,811</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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,106,671	\$ 1,094,536	\$ 1,094,536	\$ 12,135
Licenses and Permits	200	200	200	0
Other Local Revenues	26,013	40,000	40,000	(13,987)
State of Tennessee	4,623,835	4,592,320	4,618,814	5,021
Federal Government	59,684	71,000	71,000	(11,316)
Total Revenues	<u>\$ 5,816,403</u>	<u>\$ 5,798,056</u>	<u>\$ 5,824,550</u>	<u>\$ (8,147)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,559,700	\$ 2,631,019	\$ 2,631,019	\$ 71,319
Special Education Program	277,705	285,500	285,500	7,795
Vocational Education Program	226,150	231,440	231,440	5,290
<u>Support Services</u>				
Attendance	37,794	40,620	40,620	2,826
Health Services	132,685	136,430	136,430	3,745
Other Student Support	118,233	118,715	118,715	482
Regular Instruction Program	219,586	225,135	225,135	5,549
Special Education Program	55,021	55,935	55,935	914
Other Programs	23,494	0	23,494	0
Board of Education	94,965	112,155	112,155	17,190
Director of Schools	105,899	108,450	108,450	2,551
Office of the Principal	213,732	214,875	217,875	4,143
Fiscal Services	73,536	75,025	75,025	1,489
Operation of Plant	369,235	465,595	465,595	96,360
Maintenance of Plant	130,364	166,645	166,645	36,281
Transportation	333,305	363,830	363,830	30,525
Central and Other	10,336	10,950	10,950	614
<u>Operation of Non-instructional Services</u>				
Community Services	49,999	51,200	51,200	1,201
Early Childhood Education	102,419	102,419	102,419	0
<u>Principal on Debt</u>				
Education	255,000	255,000	255,000	0
<u>Interest on Debt</u>				
Education	105,660	105,660	105,660	0
Total Expenditures	<u>\$ 5,494,818</u>	<u>\$ 5,756,598</u>	<u>\$ 5,783,092</u>	<u>\$ 288,274</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 321,585</u>	<u>\$ 41,458</u>	<u>\$ 41,458</u>	<u>\$ 280,127</u>
Net Change in Fund Balance	\$ 321,585	\$ 41,458	\$ 41,458	\$ 280,127
Fund Balance, July 1, 2015	1,221,752	172,034	172,034	1,049,718
Fund Balance, June 30, 2016	<u>\$ 1,543,337</u>	<u>\$ 213,492</u>	<u>\$ 213,492</u>	<u>\$ 1,329,845</u>

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 527,257	\$ 779,547	\$ 781,707	\$ (254,450)
Total Revenues	\$ 527,257	\$ 779,547	\$ 781,707	\$ (254,450)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 200,761	\$ 229,074	\$ 232,161	\$ 31,400
Special Education Program	171,308	342,072	342,072	170,764
Vocational Education Program	10,190	9,563	10,190	0
<u>Support Services</u>				
Other Student Support	6,803	13,724	13,098	6,295
Regular Instruction Program	32,822	36,854	35,926	3,104
Special Education Program	18,835	43,559	43,559	24,724
Transportation	4,408	4,700	4,700	292
<u>Operation of Non-instructional Services</u>				
Community Services	82,130	100,001	100,001	17,871
Total Expenditures	\$ 527,257	\$ 779,547	\$ 781,707	\$ 254,450
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 25,405	\$ 25,405	\$ (25,405)
Transfers Out	0	(25,405)	(25,405)	25,405
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2015	50,000	50,000	50,000	0
Fund Balance, June 30, 2016	\$ 50,000	\$ 50,000	\$ 50,000	\$ 0

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, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 119,409	\$ 118,500	\$ 118,500	\$ 909
Other Local Revenues	277	220	220	57
State of Tennessee	4,145	4,500	4,500	(355)
Federal Government	359,544	343,000	343,000	16,544
Total Revenues	<u>\$ 483,375</u>	<u>\$ 466,220</u>	<u>\$ 466,220</u>	<u>\$ 17,155</u>
<u>Expenditures</u>				
<u>Operation of Non-instructional Services</u>				
Food Service	\$ 462,469	\$ 502,200	\$ 502,200	\$ 39,731
Total Expenditures	<u>\$ 462,469</u>	<u>\$ 502,200</u>	<u>\$ 502,200</u>	<u>\$ 39,731</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 20,906</u>	<u>\$ (35,980)</u>	<u>\$ (35,980)</u>	<u>\$ 56,886</u>
Net Change in Fund Balance	\$ 20,906	\$ (35,980)	\$ (35,980)	\$ 56,886
Fund Balance, July 1, 2015	<u>165,905</u>	<u>117,628</u>	<u>117,628</u>	<u>48,277</u>
Fund Balance, June 30, 2016	<u>\$ 186,811</u>	<u>\$ 81,648</u>	<u>\$ 81,648</u>	<u>\$ 105,163</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Pickett County, Tennessee  
Schedule of Changes in Long-term Other Loan, Bonds, and Capital Lease  
For the Year Ended June 30, 2016

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-15	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-16
<b><u>OTHER LOAN PAYABLE</u></b>								
<u>Public Building Authority Loan Agreement:</u>								
<u>Payable through Highway/Public Works Fund</u>								
Highway Refunding and Equipment	(1) \$ 1,483,000	3.75 %	12-18-13	12-15-25	\$ 1,333,000	\$ 0	\$ 105,400	\$ 1,227,600
Total Other Loan Payable					\$ 1,333,000	\$ 0	\$ 105,400	\$ 1,227,600
<b><u>BONDS PAYABLE</u></b>								
<u>Payable through General Debt Service Fund</u>								
Nursing Home	1,200,000	5	8-31-1982	11-6-15	\$ 360,000	\$ 0	\$ 360,000	\$ 0
Nursing Home Addition - FHA	425,000	6	5-18-1990	11-6-15	186,211	0	186,211	0
Public Library	390,000	4.125	11-1-06	6-10-16	241,344	0	241,344	0
Total Payable through General Debt Service Fund					\$ 787,555	\$ 0	\$ 787,555	\$ 0
<u>Payable through Drug Control Fund</u>								
Patrol Cars	204,200	3.5	7-23-15	6-24-16	\$ 0	\$ 204,200	\$ 204,200	\$ 0
Total Payable through Drug Control Fund					\$ 0	\$ 204,200	\$ 204,200	\$ 0
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
School Refunding Bond, Series 2009	4,100,000	3 to 4.2	3-31-09	6-1-24	\$ 2,680,000	\$ 0	\$ 255,000	\$ 2,425,000
Total Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund					\$ 2,680,000	\$ 0	\$ 255,000	\$ 2,425,000
Total Bonds Payable					\$ 3,467,555	\$ 204,200	\$ 1,246,755	\$ 2,425,000
<b><u>CAPITAL LEASE PAYABLE</u></b>								
<u>Payable through Highway/Public Works Fund</u>								
Wheel Loader	143,340	2.89	8-4-15	8-4-21	\$ 0	\$ 143,340	\$ 19,908	\$ 123,432
Total Payable through Highway/Public Works Fund					\$ 0	\$ 143,340	\$ 19,908	\$ 123,432
Total Capital Lease Payable					\$ 0	\$ 143,340	\$ 19,908	\$ 123,432

(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 Loan		
	Principal	Interest	Total
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	\$ 1,227,600	\$ 236,196	\$ 1,463,796

Year Ending June 30	Bond		
	Principal	Interest	Total
2017	\$ 260,000	\$ 96,735	\$ 356,735
2018	275,000	87,635	362,635
2019	285,000	76,635	361,635
2020	295,000	65,235	360,235
2021	305,000	53,435	358,435
2022	320,000	41,235	361,235
2023	335,000	28,435	363,435
2024	350,000	14,700	364,700
Total	\$ 2,425,000	\$ 464,045	\$ 2,889,045

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2017	\$ 23,890	\$ 2,244	\$ 26,134
2018	23,890	2,244	26,134
2019	23,890	2,244	26,134
2020	23,890	2,244	26,134
2021	23,890	2,244	26,134
2022	3,982	373	4,355
Total	\$ 123,432	\$ 11,593	\$ 135,025

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, 2016

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <i>TCA</i>	\$ 67,386	\$ 100,000	RLI Insurance Company
Road Superintendent	Section 8-24-102, <i>TCA</i> , 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	79,170 (2)	100,000	Western Surety Company
Trustee	Section 8-24-102, <i>TCA</i>	58,343	306,510	RLI Insurance Company
Assessor of Property	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i> , and General Sessions Judge	58,343 (3)	50,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	58,343	50,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	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) Does not include special commissioner fees of \$5,860.  
(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, 2016

	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	\$ 1,480,574	\$ 0	\$ 0	\$ 0	\$ 11,969	\$ 1,492,543
Trustee's Collections - Prior Year	54,366	0	0	0	3,999	58,365
Circuit Clerk/Clerk and Master Collections - Prior Years	6,797	0	0	0	527	7,324
Interest and Penalty	10,009	0	0	0	677	10,686
Payments in-Lieu-of Taxes - Other	51,924	0	0	0	10	51,934
<u>County Local Option Taxes</u>						
Local Option Sales Tax	248,827	0	0	0	0	248,827
Wheel Tax	0	0	0	0	55,270	55,270
Litigation Tax - General	5,821	0	0	0	0	5,821
Litigation Tax - Special Purpose	4,275	0	0	0	0	4,275
Business Tax	2,465	0	0	0	0	2,465
Mineral Severance Tax	4,717	0	0	0	0	4,717
<u>Statutory Local Taxes</u>						
Bank Excise Tax	980	0	0	0	0	980
Wholesale Beer Tax	213,107	0	0	0	0	213,107
Interstate Telecommunications Tax	325	0	0	0	0	325
Total Local Taxes	\$ 2,084,187	\$ 0	\$ 0	\$ 0	\$ 72,452	\$ 2,156,639
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 176	\$ 0	\$ 0	\$ 0	\$ 0	\$ 176
<u>Permits</u>						
Beer Permits	2,100	0	0	0	0	2,100
Total Licenses and Permits	\$ 2,276	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,276

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Fund General Debt Service	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 1,475	\$ 0	\$ 0	\$ 0	\$ 0	1,475
Officers Costs	988	0	0	0	0	988
Drug Control Fines	0	4,343	0	0	0	4,343
Drug Court Fees	403	0	0	0	0	403
Jail Fees	622	0	0	0	0	622
DUI Treatment Fines	95	0	0	0	0	95
Data Entry Fee - Circuit Court	238	0	0	0	0	238
<u>Criminal Court</u>						
DUI Treatment Fines	114	0	0	0	0	114
<u>General Sessions Court</u>						
Fines	2,441	0	0	0	0	2,441
Officers Costs	2,620	0	0	0	0	2,620
Game and Fish Fines	12	0	0	0	0	12
Drug Control Fines	692	1,869	0	0	0	2,561
Drug Court Fees	332	0	0	0	0	332
Jail Fees	1,064	0	0	0	0	1,064
DUI Treatment Fines	527	0	0	0	0	527
Data Entry Fee - General Sessions Court	804	0	0	0	0	804
<u>Chancery Court</u>						
Officers Costs	222	0	0	0	0	222
Data Entry Fee - Chancery Court	26	0	0	0	0	26
<u>Other Fines, Forfeitures, and Penalties</u>						
Other Fines, Forfeitures, and Penalties	26,970	0	0	0	0	26,970
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 39,645</b>	<b>\$ 6,212</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>45,857</b>

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Fund General Debt Service	
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Patient Charges	\$ 513,049	\$ 0	\$ 0	\$ 0	\$ 0	513,049
<u>Fees</u>						
Copy Fees	365	0	0	0	0	365
Library Fees	2,871	0	0	0	0	2,871
Greenbelt Late Application Fee	150	0	0	0	0	150
Telephone Commissions	2,946	0	0	0	0	2,946
Vending Machine Collections	3,847	0	0	0	0	3,847
Constitutional Officers' Fees and Commissions	0	0	477	0	0	477
Data Processing Fee - Register	1,754	0	0	0	0	1,754
Probation Fees	14,112	0	0	0	0	14,112
Data Processing Fee - Sheriff	290	0	0	0	0	290
Sexual Offender Registration Fee - Sheriff	300	0	0	0	0	300
Data Processing Fee - County Clerk	4,000	0	0	0	0	4,000
<b>Total Charges for Current Services</b>	<b>\$ 543,684</b>	<b>\$ 0</b>	<b>\$ 477</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>544,161</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 7,812	\$ 0	\$ 0	\$ 0	\$ 0	7,812
Lease/Rentals	14,320	0	0	0	44,000	58,320
Miscellaneous Refunds	24,283	0	0	1,006	313	25,602
<u>Nonrecurring Items</u>						
Sale of Equipment	15,488	0	0	0	0	15,488
Contributions and Gifts	1,000	770	0	0	0	1,770
<b>Total Other Local Revenues</b>	<b>\$ 62,903</b>	<b>\$ 770</b>	<b>\$ 0</b>	<b>\$ 1,006</b>	<b>\$ 44,313</b>	<b>108,992</b>

(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	\$ 87,657	\$ 0	\$ 0	\$ 0	\$ 0	\$ 87,657
Circuit Court Clerk	10,547	0	0	0	0	10,547
General Sessions Court Clerk	15,689	0	0	0	0	15,689
Clerk and Master	2,375	0	0	0	0	2,375
Register	22,558	0	0	0	0	22,558
Sheriff	8,141	0	0	0	0	8,141
Trustee	96,333	0	0	0	0	96,333
Total Fees Received From County Officials	\$ 243,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 243,300
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	6,287	0	0	0	0	6,287
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	4,800	0	0	0	0	4,800
<u>Health and Welfare Grants</u>						
Health Department Programs	7,739	0	0	0	0	7,739
Other Health and Welfare Grants	14,356	0	0	0	0	14,356
<u>Public Works Grants</u>						
Bridge Program	0	0	0	318,903	0	318,903
State Aid Program	0	0	0	727,701	0	727,701
Litter Program	33,191	0	0	0	0	33,191
<u>Other State Revenues</u>						
Beer Tax	18,488	0	0	0	0	18,488
Vehicle Certificate of Title Fees	1,705	0	0	0	0	1,705

(Continued)

Exhibit K-4

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

	Special Revenue Funds				Debt Service	Total
	General	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Fund General Debt Service	
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Alcoholic Beverage Tax	\$ 16,262	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,262
State Revenue Sharing - T.V.A.	196,854	0	0	0	0	196,854
Contracted Prisoner Boarding	1,147	0	0	0	0	1,147
Gasoline and Motor Fuel Tax	0	0	0	1,277,329	0	1,277,329
Petroleum Special Tax	0	0	0	3,663	0	3,663
Registrar's Salary Supplement	15,164	0	0	0	0	15,164
Other State Grants	31,439	0	0	0	0	31,439
Other State Revenues	24,573	0	0	0	0	24,573
Total State of Tennessee	<u>\$ 381,005</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,327,596</u>	<u>\$ 0</u>	<u>\$ 2,708,601</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 205,025	\$ 0	\$ 0	\$ 0	\$ 0	\$ 205,025
Disaster Relief	12,165	0	0	0	0	12,165
Other Federal through State	27,459	0	0	0	0	27,459
<u>Direct Federal Revenue</u>						
Police Service (Lake Area)	12,130	0	0	0	0	12,130
Other Direct Federal Revenue	20,000	0	0	0	0	20,000
Total Federal Government	<u>\$ 276,779</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 276,779</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 360,660	\$ 360,660
Contracted Services	44,625	0	0	0	0	44,625
Total Other Governments and Citizens Groups	<u>\$ 44,625</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 360,660</u>	<u>\$ 405,285</u>
Total	<u>\$ 3,678,404</u>	<u>\$ 6,982</u>	<u>\$ 477</u>	<u>\$ 2,328,602</u>	<u>\$ 477,425</u>	<u>\$ 6,491,890</u>

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, 2016

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 562,264	\$ 0	\$ 0	\$ 562,264
Trustee's Collections - Prior Year	20,883	0	0	20,883
Circuit Clerk/Clerk and Master Collections - Prior Years	5,209	0	0	5,209
Interest and Penalty	4,018	0	0	4,018
Payments in-Lieu-of Taxes - Other	468	0	0	468
<u>County Local Option Taxes</u>				
Local Option Sales Tax	263,426	0	0	263,426
Local Amusement Tax	124	0	0	124
Business Tax	30,327	0	0	30,327
Other County Local Option Taxes	219,525	0	0	219,525
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	427	0	0	427
Total Local Taxes	<u>\$ 1,106,671</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,106,671</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 200	\$ 0	\$ 0	\$ 200
Total Licenses and Permits	<u>\$ 200</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 200</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 47,008	\$ 47,008
Lunch Payments - Adults	0	0	15,122	15,122
Income from Breakfast	0	0	30,371	30,371

(Continued)

Exhibit K-5

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Charges for Current Services (Cont.)</u>				
<u>Education Charges (Cont.)</u>				
A la Carte Sales	\$ 0	\$ 0	\$ 26,908	\$ 26,908
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 119,409</u>	<u>\$ 119,409</u>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 7,812	\$ 0	\$ 277	\$ 8,089
Miscellaneous Refunds	18,201	0	0	18,201
Total Other Local Revenues	<u>\$ 26,013</u>	<u>\$ 0</u>	<u>\$ 277</u>	<u>\$ 26,290</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 23,494	\$ 0	\$ 0	\$ 23,494
<u>State Education Funds</u>				
Basic Education Program	4,237,000	0	0	4,237,000
Early Childhood Education	102,419	0	0	102,419
School Food Service	0	0	4,145	4,145
Other State Education Funds	215,722	0	0	215,722
Career Ladder Program	37,925	0	0	37,925
<u>Other State Revenues</u>				
Other State Grants	3,000	0	0	3,000
Other State Revenues	4,275	0	0	4,275
Total State of Tennessee	<u>\$ 4,623,835</u>	<u>\$ 0</u>	<u>\$ 4,145</u>	<u>\$ 4,627,980</u>

(Continued)

Exhibit K-5

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

	<u>Special Revenue Funds</u>			Total
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 196,506	\$ 196,506
USDA - Commodities	0	0	17,823	17,823
Breakfast	0	0	56,126	56,126
USDA - Other	0	0	89,089	89,089
Vocational Education - Basic Grants to States	0	11,363	0	11,363
Title I Grants to Local Education Agencies	0	184,639	0	184,639
Special Education - Grants to States	0	192,229	0	192,229
Special Education Preschool Grants	0	2,322	0	2,322
Safe and Drug-free Schools - State Grants	0	82,130	0	82,130
Rural Education	0	14,666	0	14,666
Eisenhower Professional Development State Grants	0	39,908	0	39,908
Job Training Partnership Act	11,000	0	0	11,000
<u>Direct Federal Revenue</u>				
Public Law 874 - Maintenance and Operation	48,684	0	0	48,684
Total Federal Government	<u>\$ 59,684</u>	<u>\$ 527,257</u>	<u>\$ 359,544</u>	<u>\$ 946,485</u>
Total	<u>\$ 5,816,403</u>	<u>\$ 527,257</u>	<u>\$ 483,375</u>	<u>\$ 6,827,035</u>

Exhibit K-6

Pickett County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2016

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	27,826	
Audit Services		1,523	
Dues and Memberships		900	
Legal Notices, Recording, and Court Costs		228	
Total County Commission			\$ 30,477

Board of Equalization

Board and Committee Members Fees	\$	120	
Total Board of Equalization			120

Beer Board

Board and Committee Members Fees	\$	360	
Total Beer Board			360

County Mayor/Executive

County Official/Administrative Officer	\$	67,386	
Accountants/Bookkeepers		29,598	
Secretary(ies)		19,989	
Communication		3,881	
Data Processing Services		12,925	
Dues and Memberships		1,351	
Postal Charges		1,207	
Printing, Stationery, and Forms		1,423	
Travel		513	
Other Contracted Services		444	
Office Supplies		3,052	
Other Supplies and Materials		325	
Total County Mayor/Executive			142,094

County Attorney

Legal Services	\$	10,000	
Total County Attorney			10,000

Election Commission

County Official/Administrative Officer	\$	52,509	
Secretary(ies)		18,977	
Election Commission		6,325	
Election Workers		6,466	
Communication		1,804	
Data Processing Services		11,439	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		1,342	
Postal Charges		296	
Printing, Stationery, and Forms		2,444	
Travel		458	
Office Supplies		526	
Total Election Commission			102,761

(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		1,177	
Dues and Memberships		483	
Maintenance Agreements		252	
Postal Charges		54	
Other Contracted Services		2,206	
Office Supplies		1,100	
Total Register of Deeds			\$ 63,615

County Buildings

Custodial Personnel	\$	45,098	
Communication		4,551	
Maintenance and Repair Services - Buildings		104,910	
Maintenance and Repair Services - Vehicles		697	
Custodial Supplies		6,766	
Electricity		51,415	
Gasoline		474	
Water and Sewer		9,429	
Other Supplies and Materials		69	
Total County Buildings			223,409

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	58,343	
Communication		556	
Postal Charges		98	
Travel		2,329	
Other Contracted Services		4,832	
Office Supplies		81	
Total Property Assessor's Office			66,239

County Trustee's Office

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		8,606	
Communication		1,643	
Data Processing Services		13,264	
Dues and Memberships		388	
Legal Notices, Recording, and Court Costs		300	
Postal Charges		2,674	
Printing, Stationery, and Forms		55	
Other Contracted Services		1,528	
Office Supplies		920	
Refunds		3,899	
Total County Trustee's Office			91,620

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)	\$	22,131	
Communication		1,163	
Dues and Memberships		463	
Postal Charges		1,245	
Other Contracted Services		8,052	
Office Supplies		574	
Other Supplies and Materials		90	
Total County Clerk's Office			\$ 92,061

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,343	
Deputy(ies)		12,518	
Jury and Witness Expense		3,970	
Communication		1,745	
Data Processing Services		10,100	
Dues and Memberships		388	
Legal Notices, Recording, and Court Costs		144	
Postal Charges		500	
Travel		115	
Office Supplies		4,034	
Other Supplies and Materials		44	
Total Circuit Court			91,901

General Sessions Judge

Judge(s)	\$	67,713	
Communication		2,605	
Dues and Memberships		150	
Legal Services		4,725	
Travel		1,551	
Total General Sessions Judge			76,744

Chancery Court

County Official/Administrative Officer	\$	58,343	
Communication		1,788	
Dues and Memberships		388	
Postal Charges		294	
Office Supplies		1,229	
Total Chancery Court			62,042

Juvenile Court

Youth Service Officer(s)	\$	11,227	
Travel		267	
Office Supplies		78	
Total Juvenile Court			11,572

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Judicial Commissioners

Other Per Diem and Fees	\$ 8,132	
Total Judicial Commissioners		\$ 8,132

Other Administration of Justice

Other Salaries and Wages	\$ 13,200	
Total Other Administration of Justice		13,200

Probation Services

Probation Officer(s)	\$ 24,231	
Other Salaries and Wages	14,102	
Gasoline	572	
Other Supplies and Materials	404	
Total Probation Services		39,309

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$ 64,178	
Deputy(ies)	316,243	
Salary Supplements	4,800	
In-service Training	6,812	
Data Processing Services	9,915	
Dues and Memberships	1,700	
Maintenance and Repair Services - Equipment	4,414	
Maintenance and Repair Services - Vehicles	15,370	
Postal Charges	292	
Towing Services	110	
Gasoline	32,291	
Office Supplies	2,571	
Tires and Tubes	1,984	
Uniforms	7,067	
Other Debt Issuance Charges	4,000	
Total Sheriff's Department		471,747

Drug Enforcement

Animal Food and Supplies	\$ 306	
Total Drug Enforcement		306

Jail

Deputy(ies)	\$ 169,708	
Communication	15,935	
Contracts with Government Agencies	118,200	
Laundry Service	302	
Maintenance and Repair Services - Buildings	6,907	
Medical and Dental Services	24,793	
Custodial Supplies	2,300	
Food Supplies	28,702	
Other Charges	203	
Total Jail		367,050

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contributions	\$	40,000	
Other Equipment		255,299	
Total Fire Prevention and Control			\$ 295,299

County Coroner/Medical Examiner

Medical and Dental Services	\$	2,131	
Total County Coroner/Medical Examiner			2,131

Other Public Safety

Supervisor/Director	\$	8,612	
Drugs and Medical Supplies		400	
Total Other Public Safety			9,012

Public Health and Welfare

Local Health Center

Other Salaries and Wages	\$	9,547	
Communication		1,653	
Dues and Memberships		200	
Medical and Dental Services		330	
Other Contracted Services		8,199	
Custodial Supplies		500	
Electricity		6,065	
Water and Sewer		491	
Other Supplies and Materials		169	
Building Improvements		735	
Total Local Health Center			27,889

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,415	
Medical Personnel		414,604	
In-service Training		810	
Communication		6,765	
Dues and Memberships		480	
Licenses		1,600	
Maintenance and Repair Services - Buildings		3,678	
Maintenance and Repair Services - Equipment		1,178	
Maintenance and Repair Services - Vehicles		10,777	
Postal Charges		930	
Towing Services		310	
Other Contracted Services		2,200	
Custodial Supplies		1,230	
Drugs and Medical Supplies		22,590	
Electricity		11,969	
Gasoline		17,080	
Office Supplies		2,414	
Tires and Tubes		2,361	
Uniforms		5,390	

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Water and Sewer	\$	878	
Refunds		148	
Data Processing Equipment		6,584	
Motor Vehicles		9,000	
Total Ambulance/Emergency Medical Services			\$ 565,391

Regional Mental Health Center

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

Appropriation to State

Contributions	\$	7,092	
Total Appropriation to State			7,092

Sanitation Management

Other Contracted Services	\$	33,525	
Total Sanitation Management			33,525

Other Public Health and Welfare

Other Salaries and Wages	\$	2,279	
Travel		267	
Other Contracted Services		5,806	
Total Other Public Health and Welfare			8,352

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Contributions	\$	9,681	
Transportation - Other than Students		5,376	
Total Senior Citizens Assistance			15,057

Libraries

County Official/Administrative Officer	\$	22,880	
Assistant(s)		19,781	
Communication		2,073	
Office Supplies		3,621	
Data Processing Equipment		3,418	
Total Libraries			51,773

Other Social, Cultural, and Recreational

Supervisor/Director	\$	24,615	
Other Salaries and Wages		9,620	
Communication		1,176	
Postal Charges		49	
Travel		128	
Office Supplies		231	
Other Supplies and Materials		321	
Total Other Social, Cultural, and Recreational			36,140

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Agriculture and Natural Resources

Agricultural Extension Service

Communication	\$ 2,083	
Other Contracted Services	20,178	
Total Agricultural Extension Service		\$ 22,261

Soil Conservation

Secretary(ies)	\$ 16,778	
Other Salaries and Wages	27,997	
Communication	1,170	
Contributions	1,000	
Office Supplies	69	
Total Soil Conservation		47,014

Other Operations

Tourism

Contributions	\$ 23,050	
Total Tourism		23,050

Industrial Development

Contributions	\$ 20	
Total Industrial Development		20

Other Economic and Community Development

Consultants	\$ 4,980	
Remittance of Revenue Collected	9,422	
Total Other Economic and Community Development		14,402

Veterans' Services

Other Salaries and Wages	\$ 16,723	
Communication	1,222	
Travel	255	
Office Supplies	2,487	
Total Veterans' Services		20,687

Other Charges

Travel	\$ 952	
Building and Contents Insurance	16,146	
Liability Insurance	43,466	
Premiums on Corporate Surety Bonds	1,951	
Trustee's Commission	45,562	
Vehicle and Equipment Insurance	42,233	
Liability Claims	1,425	
Total Other Charges		151,735

Contributions to Other Agencies

Contributions	\$ 5,000	
Total Contributions to Other Agencies		5,000

(Continued)

Exhibit K-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	152,321	
Pensions		9,319	
Medical Insurance		48,831	
Unemployment Compensation		19,742	
Workers' Compensation Insurance		96,257	
Total Employee Benefits			\$ 326,470

Miscellaneous

Advertising	\$	1,795	
Other Capital Outlay		3,322	
Total Miscellaneous			5,117

Total General Fund \$ 3,634,450

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Other Supplies and Materials		26,194	
Total Drug Enforcement			\$ 31,194

Principal on Debt

General Government

Principal on Bonds	\$	204,200	
Total General Government			204,200

Interest on Debt

General Government

Interest on Bonds	\$	6,697	
Total General Government			6,697

Total Drug Control Fund 242,091

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	43	
Total County Trustee's Office			\$ 43

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	434	
Total Circuit Court			434

Total Constitutional Officers - Fees Fund 477

(Continued)

Exhibit K-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,178	
Accountants/Bookkeepers		17,978	
Advertising		580	
Data Processing Services		6,538	
Dues and Memberships		2,064	
Legal Services		2,750	
Maintenance and Repair Services - Office Equipment		100	
Postal Charges		294	
Printing, Stationery, and Forms		597	
Travel		1,800	
Drugs and Medical Supplies		702	
Office Supplies		2,002	
Other Charges		8,354	
Total Administration			\$ 107,937

Highway and Bridge Maintenance

Foremen	\$	26,350	
Laborers		468,751	
Other Contracted Services		3,500	
Asphalt		64,565	
Crushed Stone		72,480	
Pipe		8,672	
Road Signs		540	
Salt		7,012	
Other Charges		3,722	
Total Highway and Bridge Maintenance			655,592

Operation and Maintenance of Equipment

Mechanic(s)	\$	44,178	
Maintenance and Repair Services - Vehicles		30,876	
Diesel Fuel		42,151	
Equipment and Machinery Parts		38,683	
Gasoline		13,694	
Lubricants		5,550	
Office Supplies		343	
Pipe		1,683	
Propane Gas		372	
Tires and Tubes		18,364	
Other Supplies and Materials		8,549	
Other Charges		13,257	
Total Operation and Maintenance of Equipment			217,700

Quarry Operations

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

(Continued)

Exhibit K-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges

Communication	\$	3,227	
Utilities		8,106	
Trustee's Commission		12,725	
Vehicle and Equipment Insurance		19,500	
Total Other Charges			\$ 43,558

Employee Benefits

Social Security	\$	47,676	
Pensions		2,484	
Unemployment Compensation		6,441	
Workers' Compensation Insurance		29,540	
Total Employee Benefits			86,141

Capital Outlay

Engineering Services	\$	15,237	
Bridge Construction		288,524	
Highway Equipment		143,340	
Motor Vehicles		4,035	
State Aid Projects		700,989	
Total Capital Outlay			1,152,125

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	19,908	
Principal on Other Loans		105,400	
Total Highways and Streets			125,308

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	1,870	
Interest on Other Loans		48,657	
Total Highways and Streets			50,527

Total Highway/Public Works Fund \$ 2,440,088

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	787,555	
Total General Government			\$ 787,555

Education

Principal on Bonds	\$	255,000	
Total Education			255,000

(Continued)

Exhibit K-6

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	<u>\$ 15,853</u>	
Total General Government		\$ 15,853

Education

Interest on Bonds	<u>\$ 105,660</u>	
Total Education		105,660

Other Debt Service

General Government

Trustee's Commission	<u>\$ 1,406</u>	
Total General Government		<u>1,406</u>

Total General Debt Service Fund		<u>\$ 1,165,474</u>
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Total Governmental Funds - Primary Government		<u><u>\$ 7,482,580</u></u>
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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, 2016

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,936,099	
Career Ladder Program	21,000	
Other Salaries and Wages	2,493	
Certified Substitute Teachers	12,490	
Non-certified Substitute Teachers	30,970	
Social Security	114,483	
Pensions	176,176	
Medical Insurance	113,186	
Employer Medicare	26,869	
Other Contracted Services	11,763	
Instructional Supplies and Materials	22,371	
Textbooks	8,967	
Regular Instruction Equipment	82,833	
Total Regular Instruction Program		\$ 2,559,700

Special Education Program

Teachers	\$ 218,166	
Career Ladder Program	3,000	
Homebound Teachers	1,436	
Social Security	12,509	
Pensions	20,243	
Medical Insurance	19,260	
Employer Medicare	2,925	
Instructional Supplies and Materials	166	
Total Special Education Program		277,705

Vocational Education Program

Teachers	\$ 164,645	
Career Ladder Program	2,000	
Other Salaries and Wages	11,000	
Social Security	9,870	
Pensions	15,686	
Medical Insurance	13,145	
Employer Medicare	2,307	
Instructional Supplies and Materials	166	
Other Charges	7,331	
Total Vocational Education Program		226,150

Support Services

Attendance

Supervisor/Director	\$ 32,016	
Social Security	1,843	
Pensions	2,894	
Employer Medicare	431	
Travel	610	
Total Attendance		37,794

(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	\$	21,461	
Other Salaries and Wages		70,769	
Social Security		5,076	
Pensions		5,476	
Medical Insurance		8,045	
Employer Medicare		1,187	
Communication		529	
Postal Charges		47	
Travel		931	
Other Contracted Services		2,757	
Other Supplies and Materials		16,407	
Total Health Services			\$ 132,685

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		61,627	
Psychological Personnel		25,768	
Social Security		5,485	
Pensions		7,991	
Medical Insurance		7,684	
Employer Medicare		1,131	
Evaluation and Testing		7,500	
Travel		47	
Total Other Student Support			118,233

Regular Instruction Program

Supervisor/Director	\$	54,998	
Career Ladder Program		3,000	
Librarians		92,055	
Instructional Computer Personnel		32,016	
Social Security		10,907	
Pensions		16,459	
Medical Insurance		6,413	
Employer Medicare		2,551	
Travel		1,187	
Total Regular Instruction Program			219,586

Special Education Program

Supervisor/Director	\$	42,688	
Social Security		2,215	
Pensions		3,859	
Medical Insurance		5,694	
Employer Medicare		518	
Travel		47	
Total Special Education Program			55,021

(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	\$ 23,494	
Total Other Programs		\$ 23,494

Board of Education

Secretary to Board	\$ 1,200	
Board and Committee Members Fees	6,000	
Social Security	441	
Pensions	7	
Life Insurance	3,974	
Unemployment Compensation	921	
Employer Medicare	103	
Audit Services	3,500	
Dues and Memberships	3,117	
Legal Services	4,573	
Travel	1,402	
Trustee's Commission	29,092	
Workers' Compensation Insurance	32,137	
In Service/Staff Development	2,813	
Other Charges	5,685	
Total Board of Education		94,965

Director of Schools

County Official/Administrative Officer	\$ 78,170	
Career Ladder Program	1,000	
Social Security	4,330	
Pensions	7,790	
Medical Insurance	6,959	
Employer Medicare	1,013	
Communication	4,030	
Dues and Memberships	1,495	
Postal Charges	47	
Travel	1,065	
Total Director of Schools		105,899

Office of the Principal

Principals	\$ 118,526	
Career Ladder Program	2,000	
Secretary(ies)	48,740	
Social Security	9,232	
Pensions	11,189	
Medical Insurance	18,157	
Employer Medicare	2,159	
Communication	606	
Postal Charges	63	
Travel	60	
Other Charges	3,000	
Total Office of the Principal		213,732

(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	\$	62,394	
Social Security		3,637	
Pensions		381	
Medical Insurance		5,840	
Employer Medicare		851	
Office Supplies		433	
Total Fiscal Services			\$ 73,536

Operation of Plant

Custodial Personnel	\$	74,572	
Social Security		4,611	
Pensions		412	
Medical Insurance		2,305	
Employer Medicare		1,078	
Other Contracted Services		8,278	
Electricity		157,687	
Natural Gas		28,576	
Water and Sewer		14,536	
Other Supplies and Materials		25,112	
Building and Contents Insurance		52,068	
Total Operation of Plant			369,235

Maintenance of Plant

Maintenance Personnel	\$	40,516	
Social Security		2,512	
Pensions		247	
Employer Medicare		587	
Maintenance and Repair Services - Buildings		26,826	
Maintenance and Repair Services - Equipment		47,482	
Other Supplies and Materials		12,194	
Total Maintenance of Plant			130,364

Transportation

Mechanic(s)	\$	42,081	
Bus Drivers		106,539	
Social Security		7,909	
Pensions		894	
Medical Insurance		19,739	
Employer Medicare		1,850	
Communication		551	
Diesel Fuel		22,720	
Garage Supplies		704	
Gasoline		4,364	
Lubricants		2,189	
Tires and Tubes		6,426	
Vehicle Parts		18,455	

(Continued)

Exhibit K-7

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Charges	\$ 10,394	
Maintenance Equipment	88,490	
Total Transportation		\$ 333,305

Central and Other

Data Processing Services	\$ 9,766	
Maintenance and Repair Services - Equipment	40	
Data Processing Supplies	86	
Other Supplies and Materials	444	
Total Central and Other		10,336

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$ 35,997	
Clerical Personnel	2,398	
Social Security	2,199	
Pensions	3,316	
Medical Insurance	3,060	
Employer Medicare	514	
Other Charges	2,515	
Total Community Services		49,999

Early Childhood Education

Supervisor/Director	\$ 10,034	
Teachers	51,535	
Educational Assistants	14,314	
Social Security	4,032	
Pensions	5,775	
Medical Insurance	8,510	
Employer Medicare	943	
Instructional Supplies and Materials	7,276	
Total Early Childhood Education		102,419

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$ 255,000	
Total Education		255,000

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$ 105,660	
Total Education		105,660

Total General Purpose School Fund \$ 5,494,818

(Continued)

Exhibit K-7

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	145,350	
Educational Assistants		6,426	
Social Security		8,242	
Pensions		13,166	
Medical Insurance		15,523	
Employer Medicare		1,928	
Maintenance and Repair Services - Equipment		140	
Instructional Supplies and Materials		7,447	
Regular Instruction Equipment		2,539	
Total Regular Instruction Program			\$ 200,761

Special Education Program

Educational Assistants	\$	104,659	
Other Salaries and Wages		1,010	
Social Security		6,433	
Pensions		673	
Medical Insurance		6,276	
Employer Medicare		1,504	
Evaluation and Testing		3,618	
Maintenance and Repair Services - Equipment		872	
Instructional Supplies and Materials		16,050	
Other Charges		575	
Special Education Equipment		29,638	
Total Special Education Program			171,308

Vocational Education Program

Instructional Supplies and Materials	\$	95	
Other Supplies and Materials		2,197	
Vocational Instruction Equipment		7,898	
Total Vocational Education Program			10,190

Support Services

Other Student Support

Travel	\$	522	
Other Contracted Services		4,888	
In Service/Staff Development		652	
Other Charges		741	
Total Other Student Support			6,803

Regular Instruction Program

Supervisor/Director	\$	21,344	
Social Security		1,323	
Pensions		1,930	
Employer Medicare		309	
In Service/Staff Development		7,916	
Total Regular Instruction Program			32,822

(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

Other Contracted Services	\$	4,750	
Other Supplies and Materials		551	
In Service/Staff Development		4,772	
Other Equipment		8,762	
Total Special Education Program			\$ 18,835

Transportation

Bus Drivers	\$	4,072	
Social Security		252	
Pensions		25	
Employer Medicare		59	
Total Transportation			4,408

Operation of Non-instructional Services

Community Services

Supervisor/Director	\$	11,406	
Teachers		55,688	
Other Salaries and Wages		395	
Social Security		3,794	
Pensions		5,578	
Employer Medicare		887	
Travel		3,643	
Food Supplies		437	
Other Supplies and Materials		302	
Total Community Services			82,130

Total School Federal Projects Fund \$ 527,257

Central Cafeteria Fund

Operation of Non-instructional Services

Food Service

Cafeteria Personnel	\$	143,719	
Social Security		8,809	
Pensions		439	
Employer Medicare		2,060	
Communication		1,390	
Maintenance and Repair Services - Equipment		4,834	
Travel		1,653	
Other Contracted Services		12,604	
Food Preparation Supplies		22,669	
Food Supplies		224,777	
Office Supplies		1,144	
USDA - Commodities		17,823	
Other Supplies and Materials		2,959	
Food Service Equipment		17,589	
Total Food Service			\$ 462,469

Total Central Cafeteria Fund 462,469

Total Governmental Funds - Pickett County School Department \$ 6,484,544

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, 2016

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 231,311
Total Cash Receipts	<u>\$ 231,311</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 228,998
Trustee's Commission	2,313
Total Cash Disbursements	<u>\$ 231,311</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2015	<u>0</u>
 Cash Balance, June 30, 2016	 <u><u>\$ 0</u></u>

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## SINGLE AUDIT SECTION

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

**Independent Auditor's Report 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***

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, 2016, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements, and have issued our report thereon dated October 20, 2016.

**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: 2016-001, 2016-003, 2016-004, 2016-006, 2016-011, and 2016-013.

### **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: 2016-002, 2016-005, 2016-007, 2016-008, 2016-009, 2016-010, and 2016-012.

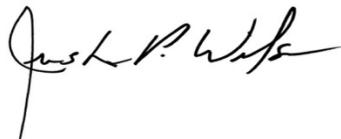
### **Pickett County's Responses to Findings**

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

October 20, 2016

JPW/sb



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

**Independent Auditor's Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and Report on the Schedule of  
Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2016. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### **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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Pickett County's internal control over compliance.

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

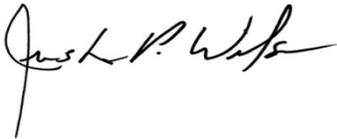
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

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, 2016, and the related notes to the financial statements, which collectively comprise Pickett County's basic financial statements. We issued our report thereon dated October 20, 2016, 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 the Uniform Guidance 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

October 20, 2016

JPW/sb

Pickett County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2016

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 20,000
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	56,126
National School Lunch Program	10.555	N/A	230,443 (4)
Passed-through State Department of Human Services:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	53,909
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	19,066 (4)
Total U.S. Department of Agriculture			\$ 379,544
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	(3)	\$ 205,025
U.S. Department of the Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 47,059
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(3)	\$ 11,000
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(5)	\$ 4,537
U.S. Department of Education:			
Direct Program:			
Impact Aid	84.041	N/A	\$ 48,684
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	184,639
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	192,229
Special Education - Preschool Grants	84.173	N/A	2,322
Career and Technical Education - Basic Grants to States	84.048	(3)	11,363
Twenty-first Century Community Learning Centers	84.287	(3)	82,130
Rural Education	84.358	(3)	14,665
Improving Teacher Quality State Grants	84.367	(3)	39,908
Total U.S. Department of Education			\$ 575,940
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	(3)	\$ 7,482
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4211-DR-TN	\$ 12,165
Executive Office of the President:			
Passed-through Laurel County, Kentucky Fiscal Court:			
High Intensity Drug Trafficking Areas Program	95.001	(3)	\$ 5,412
Total Expenditures of Federal Awards			\$ 1,248,164

(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	(3)	\$ 6,287
Local Health Services Grant - State Department of Health	N/A	GG-16-456677-00	14,356
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(3)	102,419
ConnecTenn - State Department of Education	N/A	(3)	1,997
Coordinated School Health - State Department of Education	N/A	(3)	90,000
Drug Abuse Resistance Education Training Grant - State Department of Safety	N/A	(3)	4,275
Family Resource Center - State Department of Education	N/A	(3)	29,611
Arts Program Categorical Grants - State Department of Education	N/A	(3)	3,000
State Supplement Juvenile Court Improvement Funds - State Department of Children Services	N/A	(3)	9,000
ThreeStar Grant Program - State Department of Economic and Community Development	N/A	(3)	9,422
Community Development Block Grant - State Department of Economic and Community Development	N/A	(3)	19,990
Litter Program - State Department of Transportation	N/A	(3)	33,191
Disaster Assistance - State Department of Military	N/A	(3)	2,027
Safe Schools Act - State Department of Education	N/A	(3)	4,760
Used Oil Grant - Tennessee Department of Environment and Conservation	N/A	(3)	<u>5,684</u>
 Total State Grants			 <u>\$ 336,019</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) Pickett County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Total for CFDA No. 10.555 is \$249,509.
- (5) Z15GHS277 - \$2,988; Z16GHS275 - \$1,549.

Pickett County, Tennessee  
Summary Schedule of Prior-year Findings  
For the Year Ended June 30, 2016

*Government Auditing Standards* require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or uncorrected. Presented below are financial statement findings along with their current status from the Annual Financial Report for Pickett County, Tennessee, for the year ended June 30, 2016.

***Prior-year Financial Statement Findings***

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
2015	153	2015-001	The Solid Waste Disposal Fund Had a Deficit in Unrestricted Net Position	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	153	2015-002	The Highway Department Had Deficiencies in Purchasing Procedures - A., B., and C.	N/A	Not Corrected - See Explanation on Corrective Action Plan
			The Highway Department Had Deficiencies in Purchasing Procedures - D.	N/A	Corrected
2015	154	2015-003	The Highway Department Did Not Maintain Adequate Controls Over Fuel	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	155	2015-004	The Assessor Did Not Maintain an Adequate Program of Sales Verifications	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	155	2015-005	Collections were Not Deposited Within Three Days - Circuit and General Sessions Courts Clerk	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	156	2015-006	Unclaimed Funds Were Not Reported and Paid to the State - Circuit and General Sessions Courts Clerk	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	156	2015-007	Execution Docket Trial Balances for Circuit and General Sessions Courts Did Not Reconcile With General Ledger Accounts	N/A	Not Corrected - See Explanation on Corrective Action Plan

Pickett County, Tennessee  
Summary Schedule of Prior-year Findings (Cont.)

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
2015	157	2015-008	Pickett County Had Inventory Deficiencies and a Questioned Use of Surplus Federal Property - Sheriff	12.UNKNOWN	Corrected
2015	158	2015-009	Multiple Employees Operated from the Same Cash Drawer - Trustee and Circuit and General Sessions Courts Clerk	N/A	Not Corrected - See Explanation on Corrective Action Plan
			Multiple Employees Operated from the Same Cash Drawer - County Clerk and Sheriff	N/A	Corrected
2015	159	2015-010	Duties Were Note Segregated Adequately - Road Superintendent, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register of Deeds	N/A	Not Corrected - See Explanation on Corrective Action Plan
			Duties Were Note Segregated Adequately - County Executive, County Clerk, and Sheriff	N/A	Corrected

***Prior-year Federal Award Findings***

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
2015	160	2015-011	Pickett County Had Inventory Deficiencies and a Questioned Use of Surplus Federal Property	12.UNKNOWN	Corrected

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**PICKETT COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2016**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements:**

1. Our report on the financial statements of Pickett County is unmodified.
2. Internal Control Over Financial Reporting:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

**Federal Awards:**

4. Internal Control Over Major Federal Programs:
  - \* Material weakness identified? **NO**
  - \* Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs: **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
  - \* CFDA Numbers: 10.553, 10.555, and 10.559      Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children
  - \* CFDA Numbers: 84.027 and 84.173              Special Education Cluster: Special Education - Grants to States and Special Education - Preschool Grants
8. Dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**
9. Auditee qualified as low-risk auditee? **NO**

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our audit and the annual monitoring report performed by the state Division of Property Assessments for assessors of property, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. The county executive, road superintendent, trustee, register of deeds, and clerk and master provided corrective action plans, which are paraphrased in the Management's Corrective Action Plan section of this report. The assessor of property and the circuit and general sessions courts clerk did not provide responses and/or corrective action plans for inclusion in this report.

Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

### **OFFICE OF COUNTY EXECUTIVE**

#### **FINDING 2016-001**

#### **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 \$180,714 in unrestricted net position at June 30, 2016. This deficit resulted from the recognition of a liability of \$1,715,684 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 also resulted from management's failure 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.

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

The Pickett County audit finding concerning the deficit in the Solid Waste Disposal Fund is and has been a reoccurring finding in the annual financial audit for several years. Basically, Pickett County government has failed to fund the closure fund to the level that would cover the cost of closing the landfill at the end of its useful life.

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## OFFICE OF ROAD SUPERINTENDENT

FINDING 2016-002

### **THE ROAD SUPERINTENDENT DIRECTED COUNTY GRAVEL AND ROCK TO BE DELIVERED TO PRIVATE PROPERTY**

(Noncompliance Under *Government Auditing Standards*)

On March 1, 2016, our office issued a special report on the Pickett County Highway Department. This report disclosed that the road superintendent directed county gravel and rock to be delivered to private property. Based upon interviews with the official and other Highway Department employees, the estimated annual cost to the county for this practice was at least \$13,205. This report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov).

## MANAGEMENT'S RESPONSE – ROAD SUPERINTENDENT

Once I was made aware of this by the Comptroller's Office, no rock has been delivered to private property. Any further investigation and/or discussion will be handled by the attorney.

---

FINDING 2016-003

### **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

(Internal Control – Significant Deficiency 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 27 disbursements totaling \$745,651 from a population of 535 vendor checks totaling \$1,804,729. Our examination revealed the following deficiencies, which are the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

- A. In four of the 27 purchases sampled, purchase orders were not issued. Purchase orders are necessary to control who has purchasing authority for the department and to document purchasing commitments.
- B. In six of the 27 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 three of the 27 purchases sampled. This deficiency could result in the office paying invoices more than once.

## RECOMMENDATION

To strengthen internal controls over purchasing procedures and to document purchasing commitments, the office should issue purchase orders for all applicable purchases. 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.

MANAGEMENT'S RESPONSE – ROAD SUPERINTENDENT

The secretary will issue purchase orders on all purchases. We will do our best effort to have all documentation and signatures that goods have been received and services have been rendered. Purchase orders and invoices will be marked paid once a check has been issued.

---

FINDING 2016-004

**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 resulted from 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.

MANAGEMENT'S RESPONSE – ROAD SUPERINTENDENT

The current pumps we have now do not have gauges and with the financial restraints of the county, we cannot purchase new pumps at this time. However, in our best efforts, we will have a log sheet for employees to sign and date when fuel has been received. I will supervise the log sheet.

---

OFFICE OF ASSESSOR OF PROPERTY

FINDING 2016-005

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

---

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 2016-006

**A CASH OVERDRAFT OF \$568 EXISTED IN CIRCUIT COURT AT JUNE 30, 2016**

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

Circuit Court had a cash overdraft of \$568 at June 30, 2016. Sound business practices dictate that disbursements be held within available funds. The cash overdraft resulted from monthly bank charges from the current- and prior-year totaling \$780, which were listed on the bank reconciliation but were not posted to the general ledger. This deficiency is the result of a lack of management oversight. The cash overdraft was liquidated subsequent to June 30, 2016.

RECOMMENDATION

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

---

FINDING 2016-007

**SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS**

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected nine deposits to reconcile with receipts. The clerk did not deposit receipts to the bank account within three days of collection in five of the nine deposits tested. Delays in depositing funds ranged from five to ten days after collection. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation. This deficiency resulted from a lack of management oversight and 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 2016-008

**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 \$4,783. At June 30, 2016, Circuit Court had 35 outstanding checks issued before July 1, 2015, totaling \$1,074, and General Sessions Court had 40 outstanding checks issued before July 1, 2015, 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 resulted from 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 2016-009

**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, 2016, 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 \$17,775, 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 resulted from management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

---

FINDING 2016-010

**THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

(Noncompliance Under *Government Auditing Standards*)

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

RECOMMENDATION

System backups should be rotated to a secure off-site location on a weekly basis. Some possibilities for an off-site storage location would be another county office building with a fireproof vault or a safe-deposit box at a local bank.

---

**OFFICES OF TRUSTEE AND CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

FINDING 2016-011

**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 and Circuit and General Sessions Courts Clerk. 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 resulted from management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

MANAGEMENT'S RESPONSE – TRUSTEE

I concur with this finding.

**OFFICES OF ROAD SUPERINTENDENT, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND CLERK AND MASTER**

**FINDING 2016-012**

**THE ROAD SUPERINTENDENT, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND CLERK AND MASTER HAD NOT FORMALLY DOCUMENTED INTERNAL CONTROLS**

(Noncompliance Under *Government Auditing Standards*)

Section 9-18-102(a), *Tennessee Code Annotated (TCA)*, requires each county government to establish and maintain internal controls to provide reasonable assurance for compliance with applicable laws, the safeguarding of assets, and proper accountability for the preparation of accurate and reliable financial records and reports. These provisions became effective for the fiscal year ended June 30, 2016. The road superintendent, circuit and general sessions courts clerk, and clerk and master had not formally documented internal controls for office operations to document compliance with the above-noted statute. Failure to implement and maintain internal controls could put public assets at risk of loss, misuse, or abuse.

**RECOMMENDATION**

Officials should formally document and maintain internal controls for office operations as required by Section 9-18-102(a), *TCA*.

**MANAGEMENT'S RESPONSE – ROAD SUPERINTENDENT**

A written internal controls policy will be provided and followed to the best of our available resources.

**MANAGEMENT'S RESPONSE – CLERK AND MASTER**

I agree with this finding. I went on line to CTAS.EDU and answered the questions in order to correct this.

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

**FINDING 2016-013**

**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 Road Superintendent, Trustee, Circuit and General Sessions Courts Clerk, Clerk and Master, and Register of Deeds. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability in 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. This deficiency also resulted from 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 – ROAD SUPERINTENDENT

With the implementation of the internal control policy, duties within the office staff will include: Mylinda Reagan will issue purchase orders and verify time sheets, Donna Cope will issue vendor and payroll checks, Emily King will balance the month end with Jennifer Anderson and prepare budgets, and Jimmy Cope will supervise and approve all purchases, time sheets, and budget requests.

#### MANAGEMENT'S RESPONSE – TRUSTEE

I concur with this finding.

#### MANAGEMENT'S RESPONSE – CLERK AND MASTER

I agree with this finding, but cannot do anything about it as I am the only person in the office.

#### MANAGEMENT'S RESPONSE – REGISTER OF DEEDS

I concur with this finding. There is only one person employed in this office so we did not have the resources to correct this finding. A plan that would correct this was suggested that would meet the approval of the auditors. I have been implementing this plan as of July 1, 2016.

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

There were no findings and questioned costs related to federal awards for the year ended June 30, 2016.

**Pickett County, Tennessee  
Management's Corrective Action Plan  
For the Year Ended June 30, 2016**

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented below:

**Corrective Action - Financial Statement Findings**

**OFFICE OF COUNTY EXECUTIVE**

**FINDING 2016-001                      **THE SOLID WASTE DISPOSAL FUND HAD A DEFICIT IN UNRESTRICTED NET POSITION****

Response and Corrective Action Plan Prepared by:	Richard Daniel, County Executive, Pickett County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	September 2017
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	After assuming the Office of Pickett County Executive on September 1, 2014, I began the process to close the present landfill based on the simple fact that Pickett County could not afford to operate a landfill. This process involved creation of a transfer station and shipping the county's solid waste to another permitted landfill site.

**Planned Corrective Action:**

Pickett County terminated the landfill operation November 17, 2015. Since that time, closure plans have been developed and submitted to Tennessee Department of Environment and Conservation for approval. Once the closure plans are approved, the final closure process for the landfill will begin. The expected date to begin the closure process will be March 2017 with completion by September 2017.

**OFFICE OF ROAD SUPERINTENDENT**

**FINDING 2016-002                    THE ROAD SUPERINTENDENT DIRECTED COUNTY GRAVEL AND ROCK TO BE DELIVERED TO PRIVATE PROPERTY**

Response and Corrective Action Plan Prepared by:                    Jimmy Cope, Road Superintendent, Pickett County, Tennessee  
Person Responsible for Implementing the Corrective Action:        Same  
Anticipated Completion Date of Corrective Action:                N/A  
Repeat Finding:    No  
Reason Why Corrective Action was Not Taken – PY                    N/A

**Planned Corrective Action:**

Once Mr. Cope was made aware of this by the Comptroller’s Office, no rock has been delivered to private property. Any further investigation and/or discussion will be handled by the attorney.

---

**FINDING 2016-003                    THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**

Response and Corrective Action Plan Prepared by:                    Jimmy Cope, Road Superintendent, Pickett County, Tennessee  
Person Responsible for Implementing the Corrective Action:        Same  
Anticipated Completion Date of Corrective Action:                June 30, 2017  
Repeat Finding:    Yes  
Reason Why Corrective Action was Not Taken – PY                    Management did not provide a reason why action was not taken to correct this deficiency.

**Planned Corrective Action:**

The secretary will issue purchase orders on all purchases. We will do our best effort to have all documentation and signatures that goods have been received and services have been rendered. Purchase orders and invoices will be marked paid once a check has been issued.

---

**FINDING 2016-004                    THE HIGHWAY DEPARTMENT DID NOT MAINTAIN ADEQUATE CONTROLS OVER FUEL**

Response and Corrective Action Plan Prepared by:                    Jimmy Cope, Road Superintendent, Pickett County, Tennessee

Person Responsible for Implementing the Corrective Action: Same  
Anticipated Completion Date of Corrective Action: N/A  
Repeat Finding: Yes  
Reason Why Corrective Action was Not Taken – PY Official does not believe he has the resources to correct this finding.

Planned Corrective Action:

The current pumps we have now do not have gauges and with the financial restraints of the county, we cannot purchase new pumps at this time. However, in our best efforts, we will have a log sheet for employees to sign and date when fuel has been received. Mr. Cope will supervise the log sheet.

---

**OFFICE OF ASSESSOR OF PROPERTY**

**FINDING 2016-005                      THE ASSESSOR DID NOT MAINTAIN AN ADEQUATE PROGRAM OF SALES VERIFICATIONS**

Response and Corrective Action Plan Prepared by: N/A  
Person Responsible for Implementing the Corrective Action: N/A  
Anticipated Completion Date of Corrective Action: N/A  
Repeat Finding: Yes  
Reason Why Corrective Action was Not Taken – PY Management did not submit a corrective action plan.

Planned Corrective Action:

Management did not submit a corrective action plan.

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

**FINDING 2016-006                      A CASH OVERDRAFT OF \$568 EXISTED IN CIRCUIT COURT AT JUNE 30, 2016**

Response and Corrective Action Plan Prepared by: N/A  
Person Responsible for Implementing the Corrective Action: N/A  
Anticipated Completion Date of Corrective Action: N/A  
Repeat Finding: No  
Reason Why Corrective Action was Not Taken – PY Management did not submit a corrective action plan.

Planned Corrective Action:

Management did not submit a corrective action plan.

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FINDING 2016-007

**SOME COLLECTIONS WERE NOT DEPOSITED WITHIN  
THREE DAYS**

Response and Corrective Action Plan Prepared by:	N/A
Person Responsible for Implementing the Corrective Action:	N/A
Anticipated Completion Date of Corrective Action:	N/A
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	Management did not submit a corrective action plan.

Planned Corrective Action:

Management did not submit a corrective action plan.

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FINDING 2016-008

**UNCLAIMED FUNDS WERE NOT REPORTED AND PAID  
TO THE STATE**

Response and Corrective Action Plan Prepared by:	N/A
Person Responsible for Implementing the Corrective Action:	N/A
Anticipated Completion Date of Corrective Action:	N/A
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	Management did not submit a corrective action plan.

Planned Corrective Action:

Management did not submit a corrective action plan.

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FINDING 2016-009

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

Response and Corrective Action Plan Prepared by:	N/A
Person Responsible for Implementing the Corrective Action:	N/A
Anticipated Completion Date of Corrective Action:	N/A
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	Management did not submit a corrective action plan.

Planned Corrective Action:

Management did not submit a corrective action plan.

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FINDING 2016-010

**THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES**

Response and Corrective Action Plan Prepared by: N/A  
Person Responsible for Implementing the Corrective Action: N/A  
Anticipated Completion Date of Corrective Action: N/A  
Repeat Finding: No  
Reason Why Corrective Action was Not Taken – PY Management did not submit a corrective action plan.

Planned Corrective Action:

Management did not submit a corrective action plan.

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**OFFICES OF TRUSTEE AND CIRCUIT AND GENERAL SESSIONS COURT CLERK**

FINDING 2016-011

**MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**

Response and Corrective Action Plan Prepared by: Jennifer Anderson, Trustee of Pickett County, Tennessee  
Person Responsible for Implementing the Corrective Action: Same  
Anticipated Completion Date of Corrective Action: Trustee - July 1, 2016; Circuit and General Sessions Courts Clerk - N/A  
Repeat Finding: Yes  
Reason Why Corrective Action was Not Taken – PY The trustee did not provide a reason why this deficiency wasn't corrected. Circuit and General Sessions Courts Clerk - Management did not submit a corrective action plan.

Planned Corrective Action:

Trustee:  
I will implement internal controls to segregate duties to the extent possible using available resources. I will utilize the segregation of duties checklist on the Division of Local Government Audit's website as a guide for how to adequately segregate duties in small offices.

Circuit and General Sessions Courts Clerk:  
Management did not submit a corrective action plan.

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**OFFICES OF ROAD SUPERINTENDENT, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, AND CLERK AND MASTER**

**FINDING 2016-012                      **WRITTEN INTERNAL CONTROLS WERE NOT ESTABLISHED****

Response and Corrective Action Plan Prepared by:	Jimmy Cope, Road Superintendent; Sue Whited, Clerk and Master of Pickett County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	Road Superintendent - June 30, 2017; Circuit and General Sessions Courts Clerk – N/A; and Clerk and Master – September 30, 2016
Repeat Finding:	No
Reason Why Corrective Action was Not Taken – PY	N/A

**Planned Corrective Action:**

Road Superintendent:  
A written internal controls policy will be provided and followed to the best of our available resources.

Circuit and General Sessions Courts Clerk:  
Management did not submit a corrective action plan.

Clerk and Master:  
I got online at CTAS.EDU and answered the questions, which I believe will correct this finding.

---

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

**FINDING 2016-013                      **DUTIES WERE NOT SEGREGATED ADEQUATELY****

Response and Corrective Action Plan Prepared by:	Jimmy Cope, Road Superintendent; Jennifer Anderson, Trustee; Sue Whited, Clerk and Master; and Letha McCurdy, Register of Deeds of Pickett County, Tennessee
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Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	Trustee - June 30, 2017; Clerk and Master – does not plan to correct; Register of Deeds – July 1, 2016
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	Road Superintendent, and Trustee - Officials did not provide a reason why correction action was not taken in the prior year. Circuit and General Sessions Courts Clerk - Management did not submit a corrective action plan. Clerk and Master – This is a repeat finding from prior years, and I could not correct it. Register of Deeds – There is only one person employed in this office so we did not have the resources to correct this finding.

Planned Corrective Action:

Road Superintendent:

With the implementation of the internal control policy, duties within the office staff will include: Mylinda Reagan will issue purchase orders and verify time sheets, Donna Cope will issue vendor and payroll checks, Emily King will balance the month end with Jennifer Anderson and prepare budgets, and Jimmy Cope will supervise and approve all purchases, time sheets, and budget requests.

Trustee:

I will implement internal controls to segregate duties to the extent possible using available resources. I will utilize the segregation of duties checklists on the Division of Local Government Audit’s website as a guide for how to adequately segregate duties in small offices.

Circuit and General Sessions Courts Clerk:

Management did not submit a corrective action plan.

Clerk and Master:

I cannot correct the segregation of duties as I am the only person in this office.

Register of Deeds:

The Trustee, the Property Assessor, County Clerk, or Deputy County Clerk will check my deposit with my computer deposit sheet to make sure my deposits match my money taken in. The Trustee, the Property Assessor, County Clerk, or Deputy County Clerk will look over my bank statement and compare it against my deposit slips and checks written.

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## **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.