

**ANNUAL FINANCIAL REPORT  
OF  
FENTRESS COUNTY, TENNESSEE  
AND  
FENTRESS COUNTY SCHOOL DEPARTMENT**

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2005**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**FENTRESS COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

***DEPARTMENT OF AUDIT***  
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***Comptroller of the Treasury***

***DIVISION OF COUNTY AUDIT***  
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***State Auditors***

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

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# ***Audit Highlights***

Annual Financial Report  
Fentress County, Tennessee  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Fentress County as of and for the year ended June 30, 2005.

## ***Results***

Our report on Fentress County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in 12 findings and recommendations, which we have reviewed with Fentress 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:

### **FENTRESS COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

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### **OFFICE OF COUNTY MAYOR**

- ◆ Community Development Block Grant funds were requested and disbursed in violation of the grant application agreement.
  - ◆ General Fund liabilities of \$228,923 were not determined and posted to the accounting records at June 30, 2005.
  - ◆ The office did not solicit competitive bids for respirator masks (\$13,625) as required by state statute.
  - ◆ The estimated fund balance of the General Fund exceeded the actual fund balance at July 1, 2004, by a material amount (\$709,996).
  - ◆ The office did not maintain adequate inventory records and controls over assets.
-

## **OFFICE OF HIGHWAY SUPERINTENDENT**

- ◆ The office did not solicit competitive bids to lease highway equipment. Also, the lease contract was not approved by the County Commission.
- 

## **OFFICE OF GENERAL SESSIONS COURT CLERK**

- ◆ Bank statements were not reconciled with the general ledger.
  - ◆ Unclaimed funds (old outstanding checks, \$6,926) that were over one year old were not reported and paid to the state as required by state statute.
  - ◆ The clerk did not prepare an execution docket trial balance for the General Sessions Court at June 30, 2005.
  - ◆ The clerk did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded FDIC coverage.
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## **OTHER FINDING**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Mayor, Highway Superintendent, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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# INTRODUCTORY SECTION

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Fentress County Officials  
June 30, 2005

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Officials:

John B. Mullinix, County Mayor  
Fred R. Blevins, Highway Superintendent  
G. Jerry Roysden, Trustee  
Roger Compton, Assessor of Property  
Marilyn Stephens, County Clerk  
Frank Smith, Circuit and General Sessions Courts Clerk  
Kathryn Robbins, Clerk and Master  
Faye Stephens, Register  
Noel Ray Atkinson, Sheriff

Board of County Commissioners:

Bob Pile, Chairman  
Leonard Bilbrey  
Larry D. Cooper  
J. Michael Cross  
Joey Davidson  
Candy Norman  
Porter Ray Penticuff  
Hollis R. Poore  
Gene Allen Roysden  
Donal E. Williams

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**FINANCIAL SECTION**

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

November 29, 2005

Fentress County Mayor and  
Board of County Commissioners  
Fentress County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Fentress County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 32, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Fentress County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Fentress County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Fentress County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Fentress County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005, on our consideration of Fentress County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Fentress County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 35 through 41 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fentress 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, miscellaneous schedules, and statistical tables 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, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Fentress County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2005

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>ASSETS</b>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,123	\$ 11,123
Equity in Pooled Cash and Investments	2,018,433	766,032	268,956	2,283,860	74,120	5,411,401
Accounts Receivable	57,169	15,194	2,849	3,350	165	78,727
Due from Other Governments	68,308	93,329	401,498	53,013	0	616,148
Due from Other Funds	11,288	0	6,887	0	1,438	19,613
Property Taxes Receivable	2,446,403	352,448	0	228,054	0	3,026,905
Allowance for Uncollectible Property Taxes	(114,811)	(16,541)	0	(10,703)	0	(142,055)
Total Assets	\$ 4,486,790	\$ 1,210,462	\$ 680,190	\$ 2,557,574	\$ 86,846	\$ 9,021,862
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 228,923	\$ 0	\$ 356,949	\$ 0	\$ 0	\$ 585,872
Accrued Payroll	6,224	0	0	0	0	6,224
Payroll Deductions Payable	2,018	0	0	0	0	2,018
Due to Other Funds	1,438	0	0	0	11,288	12,726
Deferred Revenue - Current Property Taxes	2,213,910	318,953	0	206,381	0	2,739,244
Deferred Revenue - Delinquent Property Taxes	117,682	16,954	0	10,970	0	145,606
Other Deferred Revenues	19,090	46,000	146,114	27,314	0	238,518
Total Liabilities	\$ 2,589,285	\$ 381,907	\$ 503,063	\$ 244,665	\$ 11,288	\$ 3,730,208
<b>Fund Balances</b>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 153,447	\$ 0	\$ 0	\$ 153,447
Reserved for Alcohol and Drug Treatment	4,924	0	0	0	0	4,924
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	29,039	0	0	0	0	29,039
Reserved for Computer System - Register	278	0	0	0	0	278
Unreserved, Reported In:						
General Fund	1,863,264	0	0	0	0	1,863,264
Special Revenue Funds	0	828,555	23,680	0	64,633	916,868
Debt Service Funds	0	0	0	2,312,909	0	2,312,909
Capital Projects Funds	0	0	0	0	10,925	10,925
Total Fund Balances	\$ 1,897,505	\$ 828,555	\$ 177,127	\$ 2,312,909	\$ 75,558	\$ 5,291,654
Total Liabilities and Fund Balances	\$ 4,486,790	\$ 1,210,462	\$ 680,190	\$ 2,557,574	\$ 86,846	\$ 9,021,862

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

Exhibit B

Fentress County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<b>Revenues</b>						
Local Taxes	\$ 2,455,609	\$ 822,620	\$ 50,817	\$ 491,116	\$ 0	\$ 3,820,162
Licenses and Permits	33,342	0	0	0	0	33,342
Fines, Forfeitures and Penalties	56,205	0	0	0	73,985	130,190
Charges for Current Services	1,102,018	146,501	0	0	0	1,248,519
Other Local Revenues	193,786	128,193	135,434	70,364	0	527,777
Fees Received from County Officials	522,394	0	0	0	0	522,394
State of Tennessee	681,788	51,828	2,075,424	0	0	2,809,040
Federal Government	46,057	0	142,593	0	0	188,650
Other Governments and Citizens Groups	22,800	0	0	350,000	0	372,800
<b>Total Revenues</b>	<b>\$ 5,113,999</b>	<b>\$ 1,149,142</b>	<b>\$ 2,404,268</b>	<b>\$ 911,480</b>	<b>\$ 73,985</b>	<b>\$ 9,652,874</b>
<b>Expenditures</b>						
Current:						
General Government	\$ 639,669	\$ 0	\$ 0	\$ 0	\$ 0	\$ 639,669
Finance	568,523	0	0	0	0	568,523
Administration of Justice	403,313	0	0	0	0	403,313
Public Safety	1,756,273	0	0	0	68,234	1,824,507
Public Health and Welfare	1,139,912	1,166,739	0	0	0	2,306,651
Social, Cultural, and Recreational Services	141,933	0	0	0	0	141,933
Agricultural and Natural Resources	69,690	0	0	0	0	69,690
Other Operations	393,985	41,210	0	0	0	435,195
Highways	0	0	3,186,878	0	0	3,186,878
Debt Service:						
Principal	0	0	6,635	1,296,538	0	1,303,173
Interest	0	0	1,204	235,805	0	237,009
Other Debt Service	0	0	0	60,924	0	60,924
<b>Total Expenditures</b>	<b>\$ 5,113,298</b>	<b>\$ 1,207,949</b>	<b>\$ 3,194,717</b>	<b>\$ 1,593,267</b>	<b>\$ 68,234</b>	<b>\$ 11,177,465</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 701	\$ (58,807)	\$ (790,449)	\$ (681,787)	\$ 5,751	\$ (1,524,591)
<b>Other Financing Sources (Uses)</b>						
Notes Issued	\$ 0	\$ 0	\$ 357,322	\$ 378,000	\$ 0	\$ 735,322
Other Loans Issued	55,250	0	0	0	0	55,250
Transfers In	3,000	0	0	55,250	0	58,250

(Continued)

Exhibit B

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ (55,250)	\$ (3,000)	\$ 0	\$ 0	\$ 0	\$ (58,250)
Total Other Financing Sources (Uses)	\$ 3,000	\$ (3,000)	\$ 357,322	\$ 433,250	\$ 0	\$ 790,572
Net Change in Fund Balances	\$ 3,701	\$ (61,807)	\$ (433,127)	\$ (248,537)	\$ 5,751	\$ (734,019)
Fund Balance, July 1, 2004	1,893,804	890,362	610,254	2,561,446	69,807	6,025,673
Fund Balance, June 30, 2005	\$ 1,897,505	\$ 828,555	\$ 177,127	\$ 2,312,909	\$ 75,558	\$ 5,291,654

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

Exhibit C

Fentress County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 679,432
Due from Other Governments	<u>89,981</u>
Total Assets	<u>\$ 769,413</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 89,981
Due to Litigants, Heirs, and Others	<u>679,432</u>
Total Liabilities	<u>\$ 769,413</u>

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

**FENTRESS COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fentress County's financial statements are not 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.

Fentress County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Fentress County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Fentress County's auditor to issue an adverse opinion on the county's financial statements.

Although Fentress County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

**A. Reporting Entity**

Fentress County is a public municipal corporation governed by an elected ten-member board. As required by GAAP, these financial statements present Fentress County (the primary government).

**Blended Component Units** – There are no legally separate component units of Fentress County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since Fentress County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

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

The Fentress County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Fentress County, and the Fentress County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Fentress County Industrial Development Board provides assistance in industrial recruitment in Fentress County. The seven-member board is appointed by the County Commission. Fentress County substantially funds the Industrial Development Board through annual appropriations. During the year ended June 30, 2005, the county appropriated an operating subsidy of \$33,000 to the board.

The Fentress County School Department, the Fentress County Emergency Communications District, and the Fentress County Industrial Development Board issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. The financial statements of the Fentress County Emergency Communications District and the Fentress County Industrial Development Board are published as a separate report. Complete financial statements of the Fentress County Emergency Communications District and the Fentress County Industrial Development Board can be obtained from their administrative offices at the following addresses:

Fentress County Emergency Communications District  
310 South Main  
Jamestown, TN 38556

Fentress County Industrial Development Board  
114 Central Avenue West  
Jamestown, TN 38556

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of Fentress County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Fentress County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds 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 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. Fentress County considers grant 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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.

Fiduciary fund financial statements are reported using the economic resources 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.

Fentress 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.

**Solid Waste/Sanitation Fund** – This fund is used to account for transactions relating to the disposal of Fentress County’s solid waste.

**Highway/Public Works Fund** – This fund accounts for transactions of the county’s Highway Department.

**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.

Additionally, Fentress County reports the following fund types:

**Capital Projects Fund** – The Community Development/Industrial Park Fund is used to account for financial resources to be used for maintaining and improving industrial park buildings.

**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 Fentress 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.

**C. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Fentress County and Fentress County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash

and Investments. Most income from these pooled investments is assigned to the county's General Fund and the School Department's General Purpose School Fund. Fentress County and the Fentress County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.67 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 deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the

balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are not material for financial reporting purposes and are thus not 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.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Fentress County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Fentress County does not present government-wide statements.

**4. Compensated Absences**

The general policy of Fentress County does not allow for the accumulation of vacation and sick days beyond year-end.

**5. Long-term Obligations**

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 and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

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.

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Expenditures Exceeded Appropriations**

General Fund expenditures exceeded appropriations in the Jail major appropriation category (the legal level of control) by \$8,263. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

**B. The Estimated Beginning Fund Balance Exceeded The Actual Fund Balance by a Material Amount**

The General Fund's estimated fund balance reflected in the county's budget at July 1, 2004, was \$2,603,800; however, the actual fund balance was \$1,893,804. Therefore, the estimated fund balance presented to the County Commission exceeded the actual fund balance by \$709,996.

**C. The County Had Deposits That Were Exposed to Custodial Credit Risk**

The general sessions court clerk did not require one depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$90,620. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Fentress County and the Fentress County School Department participate in an internal cash and investment pool through the Office of Trustee. The Fentress County School Department meets the criteria for a discretely presented component unit of Fentress County. Since Fentress County is presenting fund financial statements only, the financial information for the Fentress County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing

most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

### **Deposits**

**Legal Provisions.** All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

**Custodial Credit Risk.** Custodial credit risk is the risk that in the event of a bank failure, Fentress County's deposits may not be returned to it. Fentress County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Fentress County and the discretely presented Fentress County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2005, bank balances of \$90,620 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 90,620</u>
Total	<u><u>\$ 90,620</u></u>

This amount was in a nonpooled bank account reported in the fiduciary funds.

Uninsured and uncollateralized deposits are a violation of state statutes.

**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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2005.

**B. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 11,288
Highway/Public Works	General	4,002
Highway/Public Works	Solid Waste/Sanitation	2,885
Nonmajor governmental	General	1,438

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

Receivables in the Highway/Public Works Fund were in transit from the General Fund (\$4,002) and the Solid Waste/Sanitation Fund (\$2,885) at June 30, 2005.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Transfers Out	Transfers In	
	General Fund	General Debt Service Fund
General Fund	\$ 0	\$ 55,250
Solid Waste/Sanitation Fund	3,000	0
Total	<u>\$ 3,000</u>	<u>\$ 55,250</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**C. Capital Leases**

On April 29, 2003, Fentress County entered into a five-year lease-purchase agreement for a tractor and cutter. The terms of the agreement require total lease payments of \$34,822 plus interest of 5.1 percent. Title to the equipment transfers to Fentress County at the end of the lease period. The lease payments are made by the Highway/Public Works Fund.

On April 22, 2004, Fentress County entered into a two-year lease-purchase agreement for five patrol cars. The terms of the agreement require total lease payments of \$84,000 plus interest of 3.14 percent. Title to the patrol cars transfers to Fentress County at the end of the lease period. The General Fund (\$33,600) and the Drug Control Fund (\$50,400) are making the lease payments.

Since Fentress County is presenting fund financial statements only, the present value of minimum lease payments under lease agreements has not been reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in the government-wide financial statements, but Fentress County is

not presenting government-wide financial statements. Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 36,713
2007	7,843
2008	<u>5,855</u>
Total Minimum Lease Payments Amounts Representing Interest	<u>\$ 50,411</u> <u>(2,356)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 48,055</u>

**D. Long-term Debt**

Since Fentress County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Fentress County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to ten years for notes and up to 25 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. Capital outlay notes included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund and the Highway Public Works Fund. Other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Capital Outlay Notes	2.7 %	\$ 735,322	\$ 735,322
Other Loans	Variable	12,300,000	9,645,000
Capital Leases	3.14 to 5.1	118,822	48,055

During the year, Fentress County entered into an agreement with Union Bank. Under this agreement, Union Bank would make \$1,250,000 in capital outlay notes available to the county on an as-needed basis to fund various highway improvement projects. These notes are repayable at an interest rate of 2.7 percent. Fentress County had borrowed \$357,322 in capital outlay notes under this agreement as of June 30, 2005.

In prior years, Fentress County entered into two loan agreements with the Montgomery County Public Building Authority. Under these agreements, the authority loaned funds to Fentress County for the construction of an elementary school (\$6,000,000) and for various public works projects (\$1,000,000). The loans are repayable at tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans. At June 30, 2005, the variable interest rate for each loan was 2.3 percent, and other fees amounted to approximately .25 percent (letter of credit fee), .08 percent (remarketing fee) of the outstanding loan principal, and the trustee fee was charged at \$100 per month.

Also, in prior years, Fentress County entered into a loan agreement with the Sevier County Public Building Authority. Under this loan agreement, the authority loaned Fentress County \$5,300,000 for construction and renovation at an elementary school. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (liquidity, rating agency, administrative, trustee, and debt remarketing) in connection with this loan. At June 30, 2005, the variable interest rate was 2.3 percent, and other fees were approximately .55 percent of the outstanding loan principal.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2005, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2006	\$ 308,290	\$ 40,167
2007	316,718	31,739
2008	110,314	23,140
Total	\$ 735,322	\$ 95,046

Year Ending June 30	Other Loan (\$5,300,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 195,000	\$ 72,795	\$ 17,408	\$ 285,203
2007	205,000	68,310	16,335	289,645
2008	215,000	63,595	15,208	293,803
2009	225,000	58,650	14,025	297,675
2010	240,000	53,475	12,788	306,263
2011-2015	1,400,000	178,825	42,763	1,621,588
2016-2018	685,000	24,380	5,830	715,210
Total	\$ 3,165,000	\$ 520,030	\$ 124,355	\$ 3,809,385

Year Ending June 30	Other Loan (\$6,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 156,000	\$ 128,225	\$ 19,598	\$ 303,823
2007	164,000	124,637	19,083	307,720
2008	172,000	120,865	18,542	311,407
2009	181,000	116,909	17,974	315,883
2010	190,000	112,746	17,377	320,123
2011-2015	1,101,000	493,718	76,838	1,671,556
2016-2020	1,404,000	353,832	56,767	1,814,599
2021-2025	1,793,000	175,352	31,159	1,999,511
2026	414,000	9,522	2,566	426,088
Total	\$ 5,575,000	\$ 1,635,806	\$ 259,903	\$ 7,470,709

Year Ending June 30	Other Loan (\$1,000,000)			
	Principal	Interest	Other Fees	Total
2006	\$ 35,000	\$ 20,815	\$ 4,187	\$ 60,002
2007	37,000	20,010	4,071	61,081
2008	39,000	19,159	3,949	62,108
2009	40,000	18,262	3,820	62,082
2010	43,000	17,342	3,688	64,030
2011-2015	247,000	70,932	16,177	334,109
2016-2020	315,000	39,560	11,676	366,236
2021-2022	149,000	5,175	3,143	157,318
Total	\$ 905,000	\$ 211,255	\$ 50,711	\$ 1,166,966

There is \$2,312,909 available in the General Debt Service Fund to service long-term debt. Total debt per capita, including notes, capital leases, other loans, and landfill postclosure care costs, amounted to \$639, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2004	\$ 441,658	\$ 137,880	\$ 81,829
Additions	0	735,322	0
Deductions	(441,658)	(137,880)	(33,774)
Balance, June 30, 2005	\$ 0	\$ 735,322	\$ 48,055
Balance Due Within One Year	\$ 0	\$ 308,290	\$ 34,973

	Other Loans	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 10,306,750	\$ 196,650
Additions	55,250	0
Deductions	(717,000)	(8,550)
Balance, June 30, 2005	\$ 9,645,000	\$ 188,100
Balance Due Within One Year	\$ 386,000	\$ 8,550

Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

**IV. OTHER INFORMATION**

**A. Risk Management**

Fentress County general government's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by participation in the Local Government Property and Casualty Fund (LGPCF) and the Local Government Workers' Compensation Fund, which are public entity risk pools established by the Tennessee County Services Association. The county pays annual premiums to the pools for the risk coverage noted above. The creation of these pools provides for them to be self-sustaining

through member premiums. The LGPCF reinsures through commercial insurance companies for claims exceeding \$100,000 for each insured event.

The county provides employee health coverage through commercial insurance.

**B. Accounting Change**

During the year, Fentress County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Events**

During the period July 1, 2005, through November 29, 2005, Fentress County received note proceeds of \$645,021 under a previously approved \$1,250,000 highway improvement capital outlay note with a local bank.

On July 1, 2005, the county began operating under the provisions of the County Financial Management System of 1981.

**D. Contingent Liabilities**

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**E. Landfill Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Fentress County closed its landfill on July 27, 1994, and has contracted with Scott County for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports postclosure care costs as expenditures in each period in which they are incurred. The \$188,100 reported as landfill postclosure care liability at June 30, 2005, represents estimated postclosure care costs for the landfill based on the use of 100 percent of the landfill's capacity. Actual costs may vary from estimates due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

The Eighth Judicial District Drug Task (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighth Judicial District and the municipalities within in the district. The district is composed of Fentress, Campbell, Claiborne, Scott, and Union Counties. 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. Fentress County made no contributions to the DTF for the year ended June 30, 2005, and does not have an equity interest in this joint venture. Complete financial statements for the Eighth Judicial District Task Force can be obtained from its administrative office at the following address:

Eighth Judicial District Drug Task Force  
P.O. Box 10  
Huntsville, TN 37756

**G. Retirement Commitments**

**Plan Description**

Employees of Fentress County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Fentress County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### Funding Policy

Fentress County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 4.93 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Fentress County is established and may be amended by the TCRS Board of Trustees.

### Annual Pension Cost

For the year ended June 30, 2005, Fentress County's annual pension cost of \$148,267 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Fentress County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 14 years.

Trend Information			
Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$148,267	100%	\$0
6-30-04	136,234	100	0
6-30-03	125,894	100	0

**Required Supplementary Information**  
 Schedule of Funding Progress for Fentress County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$1,757	\$1,797	\$40	97.77%	\$2,510	1.59%
6-30-01	1,259	1,303	44	96.62	2,128	2.07
6-30-99	773	773	0	100	2,029	0

**H. Office of Central Accounting and Budgeting**

On April 19, 2004, the County Commission adopted the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director. The County Commission resolution adopting this act requires full implementation by July 1, 2005.

**I. Purchasing Laws**

During the year, the county operated under the following purchasing laws. The County Commission adopted the County Financial Management System of 1981 on April 14, 2004. The County Commission resolution provides for these purchasing procedures to be implemented July 1, 2005.

Office of County Mayor

During the year, purchasing procedures for the County Mayor's Office were governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated (TCA), which provides for all purchases of \$5,000 or more to be made after public advertisement and solicitation of competitive bids.

Office of Highway Superintendent

During the year, purchasing procedures for the Highway Department were governed by the Uniform Road Law, Section 54-7-113, TCA, which provides for purchases of \$10,000 or more to be made after public advertisement and solicitation of competitive bids.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,455,609	\$ 2,443,270	\$ 2,443,270	\$ 12,339
Licenses and Permits	33,342	28,500	28,500	4,842
Fines, Forfeitures, and Penalties	56,205	60,900	60,900	(4,695)
Charges for Current Services	1,102,018	1,010,500	1,010,500	91,518
Other Local Revenues	193,786	197,000	207,184	(13,398)
Fees Received from County Officials	522,394	500,000	500,000	22,394
State of Tennessee	681,788	736,167	743,997	(62,209)
Federal Government	46,057	39,000	39,584	6,473
Other Governments and Citizens Groups	22,800	11,226	11,226	11,574
Total Revenues	\$ 5,113,999	\$ 5,026,563	\$ 5,045,161	\$ 68,838
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 78,806	\$ 93,058	\$ 93,058	\$ 14,252
Board of Equalization	167	1,500	1,500	1,333
Beer Board	1,500	1,600	1,600	100
County Mayor	158,509	207,871	165,238	6,729
Election Commission	106,432	118,716	118,716	12,284
Register of Deeds	131,793	145,201	145,201	13,408
Planning	9,500	11,300	11,300	1,800
County Buildings	152,962	155,632	155,632	2,670
<u>Finance</u>				
Accounting and Budgeting	94,593	55,000	97,633	3,040
Property Assessor's Office	123,025	134,960	134,960	11,935
Reappraisal Program	23,261	23,427	23,427	166
County Trustee's Office	150,384	158,909	158,909	8,525
County Clerk's Office	177,260	187,698	187,698	10,438
<u>Administration of Justice</u>				
Circuit Court	188,970	203,605	203,605	14,635
General Sessions Court	99,805	109,699	109,699	9,894
Chancery Court	95,735	105,659	105,659	9,924
Juvenile Court	18,803	18,760	18,806	3
<u>Public Safety</u>				
Sheriff's Department	719,767	740,081	743,114	23,347
Jail	356,938	329,675	348,675	(8,263)
Fire Prevention and Control	96,773	92,500	128,017	31,244
Civil Defense	84,448	15,468	88,686	4,238
Rescue Squad	16,706	18,500	18,500	1,794
Other Emergency Management	141,261	129,400	145,322	4,061
County Coroner/Medical Examiner	14,300	5,350	15,750	1,450
Public Safety Grant Programs	326,080	326,087	326,087	7
<u>Public Health and Welfare</u>				
Local Health Center	38,583	41,470	41,470	2,887

(Continued)

Exhibit D-1

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund (Cont.)

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Ambulance/Emergency Medical Services	\$ 983,090	\$ 1,074,382	\$ 1,074,382	\$ 91,292
Crippled Children Services	1,213	1,213	1,213	0
Other Local Health Services	75,526	80,703	80,703	5,177
Appropriation to State	34,000	34,000	34,000	0
General Welfare Assistance	0	1,500	1,500	1,500
Other Local Welfare Services	7,500	4,000	7,500	0
<u>Social, Cultural and Recreational Services</u>				
Adult Activities	53,621	55,163	55,163	1,542
Libraries	84,845	87,921	87,921	3,076
Parks and Fair Boards	3,467	7,000	7,000	3,533
<u>Agriculture &amp; Natural Resources</u>				
Agriculture Extension Service	44,450	49,392	49,392	4,942
Soil Conservation	25,240	25,240	25,240	0
<u>Other Operations</u>				
Tourism	50,330	42,500	50,330	0
Industrial Development	33,000	33,000	33,000	0
Other Economic and Community Development	0	3,000	3,000	3,000
Veterans' Services	28,130	32,322	32,322	4,192
Contributions to Other Agencies	21,950	27,086	27,086	5,136
Employee Benefits	8,938	0	10,138	1,200
Miscellaneous	251,637	303,373	308,773	57,136
Total Expenditures	\$ 5,113,298	\$ 5,292,921	\$ 5,476,925	\$ 363,627
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 701	\$ (266,358)	\$ (431,764)	\$ 432,465
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 55,250	\$ 52,000	\$ 52,000	\$ 3,250
Transfers In	3,000	3,000	3,000	0
Transfers Out	(55,250)	(55,250)	(55,250)	0
Total Other Financing Sources (Uses)	\$ 3,000	\$ (250)	\$ (250)	\$ 3,250
Net Change in Fund Balance				
Fund Balance, July 1, 2004	\$ 1,893,804	\$ 2,603,800	\$ 2,603,800	\$ (709,996)
Fund Balance, June 30, 2005				
	\$ 1,897,505	\$ 2,337,192	\$ 2,171,786	\$ (274,281)

Exhibit D-2

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 822,620	\$ 748,620	\$ 748,620	\$ 74,000
Charges for Current Services	146,501	135,300	135,300	11,201
Other Local Revenues	128,193	60,000	60,000	68,193
State of Tennessee	51,828	252,000	252,000	(200,172)
Total Revenues	<u>\$ 1,149,142</u>	<u>\$ 1,195,920</u>	<u>\$ 1,195,920</u>	<u>\$ (46,778)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 102,641	\$ 98,645	\$ 106,290	\$ 3,649
Sanitation Education/Information	8,795	10,000	10,000	1,205
Waste Pickup	184,987	180,504	187,804	2,817
Convenience Centers	341,028	327,577	358,329	17,301
Problem Waste Centers	5,026	5,500	5,500	474
Recycling Center	183,832	752,571	726,374	542,542
Landfill Operation and Maintenance	333,224	358,000	340,000	6,776
Postclosure Care Costs	7,206	12,000	10,500	3,294
<u>Other Operations</u>				
Other Charges	40,916	42,000	42,000	1,084
Employee Benefits	294	600	600	306
Total Expenditures	<u>\$ 1,207,949</u>	<u>\$ 1,787,397</u>	<u>\$ 1,787,397</u>	<u>\$ 579,448</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (58,807)</u>	<u>\$ (591,477)</u>	<u>\$ (591,477)</u>	<u>\$ 532,670</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ 0</u>
Total Other Financing Sources (Uses)	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	<u>\$ (61,807)</u>	<u>\$ (594,477)</u>	<u>\$ (594,477)</u>	<u>\$ 532,670</u>
Fund Balance, July 1, 2004	<u>890,362</u>	<u>824,375</u>	<u>824,375</u>	<u>65,987</u>
Fund Balance, June 30, 2005	<u>\$ 828,555</u>	<u>\$ 229,898</u>	<u>\$ 229,898</u>	<u>\$ 598,657</u>

Exhibit D-3

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 50,817	\$ 0	\$ 50,817	\$ 62,000	\$ 66,000	\$ (15,183)
Other Local Revenues	135,434	0	135,434	105,000	110,573	24,861
State of Tennessee	2,075,424	0	2,075,424	1,938,522	2,253,755	(178,331)
Federal Government	142,593	0	142,593	214,174	214,174	(71,581)
Total Revenues	<u>\$ 2,404,268</u>	<u>\$ 0</u>	<u>\$ 2,404,268</u>	<u>\$ 2,319,696</u>	<u>\$ 2,644,502</u>	<u>\$ (240,234)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 158,090	\$ 0	\$ 158,090	\$ 143,103	\$ 159,367	\$ 1,277
Highway and Bridge Maintenance	1,871,394	0	1,871,394	1,386,802	2,203,713	332,319
Operation and Maintenance of Equipment	435,705	0	435,705	431,103	476,228	40,523
Quarry Operations	47,816	0	47,816	46,100	53,600	5,784
Other Charges	97,022	0	97,022	99,100	99,144	2,122
Employee Benefits	60,000	0	60,000	43,100	60,000	0
Capital Outlay	516,851	153,447	670,298	392,096	720,121	49,823
<u>Principal</u>						
Highways and Streets	6,635	0	6,635	6,965	6,635	0
<u>Interest</u>						
Highways and Streets	1,204	0	1,204	874	1,204	0
Total Expenditures	<u>\$ 3,194,717</u>	<u>\$ 153,447</u>	<u>\$ 3,348,164</u>	<u>\$ 2,549,243</u>	<u>\$ 3,780,012</u>	<u>\$ 431,848</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (790,449)</u>	<u>\$ (153,447)</u>	<u>\$ (943,896)</u>	<u>\$ (229,547)</u>	<u>\$ (1,135,510)</u>	<u>\$ 191,614</u>
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 357,322	\$ 0	\$ 357,322	\$ 0	\$ 600,000	\$ (242,678)
Transfers In	0	0	0	115,000	0	0
Total Other Financing Sources (Uses)	<u>\$ 357,322</u>	<u>\$ 0</u>	<u>\$ 357,322</u>	<u>\$ 115,000</u>	<u>\$ 600,000</u>	<u>\$ (242,678)</u>

(Continued)

Exhibit D-3

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (433,127)	\$ (153,447)	\$ (586,574)	\$ (114,547)	\$ (535,510)	\$ (51,064)
Fund Balance, July 1, 2004	610,254	0	610,254	593,227	593,227	17,027
Fund Balance, June 30, 2005	\$ 177,127	\$ (153,447)	\$ 23,680	\$ 478,680	\$ 57,717	\$ (34,037)

**FENTRESS COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

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

The budgetary level of control is at the major category level established by the State 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 Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

General Fund expenditures exceeded appropriations approved by the County Commission in the Jail major appropriation category (the legal level of control) by \$8,263. Such overexpenditures are a violation of state statutes. This overexpenditure was funded by available fund balance.

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

The General Fund's estimated fund balance reflected in the county's budget at July 1, 2004, was \$2,603,800; however, the actual fund balance at July 1, 2004, was \$1,893,804. Therefore, the estimated fund balance presented to the County Commission exceeded the actual fund balance by \$709,996.

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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 the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

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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 transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenues from fees and commissions earned by these officials are transferred to the county's General Fund.

## Capital Projects Fund

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Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for funds held for maintaining and improving industrial park buildings.

Exhibit E-1

Fentress County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Drug</u>	<u>Constitu -</u>	<u>Total</u>	<u>Projects</u>	
	<u>Control</u>	<u>Officers -</u>		<u>Development/</u>	<u>Nonmajor</u>
<u>ASSETS</u>		<u>Fees</u>		<u>Industrial</u>	<u>Governmental</u>
				<u>Park</u>	<u>Funds</u>
Cash	\$ 0	\$ 11,123	\$ 11,123	\$ 0	\$ 11,123
Equity in Pooled Cash and Investments	63,195	0	63,195	10,925	74,120
Accounts Receivable	0	165	165	0	165
Due from Other Funds	1,438	0	1,438	0	1,438
<b>Total Assets</b>	<b>\$ 64,633</b>	<b>\$ 11,288</b>	<b>\$ 75,921</b>	<b>\$ 10,925</b>	<b>\$ 86,846</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 11,288	\$ 11,288	\$ 0	\$ 11,288
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 11,288</b>	<b>\$ 11,288</b>	<b>\$ 0</b>	<b>\$ 11,288</b>
<u>Fund Balances</u>					
Unreserved	\$ 64,633	\$ 0	\$ 64,633	\$ 10,925	\$ 75,558
<b>Total Fund Balances</b>	<b>\$ 64,633</b>	<b>\$ 0</b>	<b>\$ 64,633</b>	<b>\$ 10,925</b>	<b>\$ 75,558</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 64,633</b>	<b>\$ 11,288</b>	<b>\$ 75,921</b>	<b>\$ 10,925</b>	<b>\$ 86,846</b>

Exhibit E-2

Fentress County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Community Development/ Industrial Park	
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 73,985	\$ 0	\$ 73,985
Total Revenues	<u>\$ 73,985</u>	<u>\$ 0</u>	<u>\$ 73,985</u>
<u>Expenditures</u>			
Current:			
Public Safety	\$ 68,234	\$ 0	\$ 68,234
Total Expenditures	<u>\$ 68,234</u>	<u>\$ 0</u>	<u>\$ 68,234</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,751</u>	<u>\$ 0</u>	<u>\$ 5,751</u>
Net Change in Fund Balances	\$ 5,751	\$ 0	\$ 5,751
Fund Balance, July 1, 2004	58,882	10,925	69,807
Fund Balance, June 30, 2005	<u>\$ 64,633</u>	<u>\$ 10,925</u>	<u>\$ 75,558</u>

Exhibit E-3

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 73,985	\$ 61,000	\$ 61,000	\$ 12,985
Total Revenues	\$ 73,985	\$ 61,000	\$ 61,000	\$ 12,985
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 68,234	\$ 71,050	\$ 91,050	\$ 22,816
Total Expenditures	\$ 68,234	\$ 71,050	\$ 91,050	\$ 22,816
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,751	\$ (10,050)	\$ (30,050)	\$ 35,801
Net Change in Fund Balance	\$ 5,751	\$ (10,050)	\$ (30,050)	\$ 35,801
Fund Balance, July 1, 2004	58,882	70,518	70,518	(11,636)
Fund Balance, June 30, 2005	\$ 64,633	\$ 60,468	\$ 40,468	\$ 24,165

# **Major Governmental Fund**

## **General Debt Service Fund**

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The General Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

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Exhibit F

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 491,116	\$ 469,651	\$ 469,651	\$ 21,465
Other Local Revenues	70,364	9,000	9,000	61,364
Other Governments and Citizens Groups	350,000	50,000	350,000	0
Total Revenues	<u>\$ 911,480</u>	<u>\$ 528,651</u>	<u>\$ 828,651</u>	<u>\$ 82,829</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 612,538	\$ 196,848	\$ 630,098	\$ 17,560
Education	684,000	234,000	684,000	0
<u>Interest</u>				
General Government	61,584	70,063	65,832	4,248
Education	174,221	471,200	409,337	235,116
<u>Other Debt Service</u>				
General Government	11,832	11,000	15,231	3,399
Education	49,092	2,500	49,092	0
Total Expenditures	<u>\$ 1,593,267</u>	<u>\$ 985,611</u>	<u>\$ 1,853,590</u>	<u>\$ 260,323</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (681,787)</u>	<u>\$ (456,960)</u>	<u>\$ (1,024,939)</u>	<u>\$ 343,152</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 378,000	0	\$ 378,000	0
Transfers In	55,250	300,000	55,250	0
Total Other Financing Sources (Uses)	<u>\$ 433,250</u>	<u>\$ 300,000</u>	<u>\$ 433,250</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (248,537)	\$ (156,960)	\$ (591,689)	\$ 343,152
Fund Balance, July 1, 2004	2,561,446	2,598,452	2,598,452	(37,006)
Fund Balance, June 30, 2005	<u>\$ 2,312,909</u>	<u>\$ 2,441,492</u>	<u>\$ 2,006,763</u>	<u>\$ 306,146</u>

# Fiduciary Funds

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Agency Funds are used to account for assets held by the county 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, general sessions and juvenile courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit G-1

Fentress County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 679,432	\$ 679,432
Due from Other Governments	89,981	0	89,981
Total Assets	<u>\$ 89,981</u>	<u>\$ 679,432</u>	<u>\$ 769,413</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 89,981	\$ 0	\$ 89,981
Due to Litigants, Heirs, and Others	0	679,432	679,432
Total Liabilities	<u>\$ 89,981</u>	<u>\$ 679,432</u>	<u>\$ 769,413</u>

Exhibit G-2

Fentress County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 502,055	\$ 502,055	\$ 0
Due From Other Governments	83,619	89,981	83,619	89,981
Total Assets	\$ 83,619	\$ 592,036	\$ 585,674	\$ 89,981
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 83,619	\$ 592,036	\$ 585,674	\$ 89,981
Total Liabilities	\$ 83,619	\$ 592,036	\$ 585,674	\$ 89,981
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 599,415	\$ 7,437,618	\$ 7,357,601	\$ 679,432
Total Assets	\$ 599,415	\$ 7,437,618	\$ 7,357,601	\$ 679,432
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 599,415	\$ 7,437,618	\$ 7,357,601	\$ 679,432
Total Liabilities	\$ 599,415	\$ 7,437,618	\$ 7,357,601	\$ 679,432
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 599,415	\$ 7,437,618	\$ 7,357,601	\$ 679,432
Equity in Pooled Cash and Investments	0	502,055	502,055	0
Due From Other Governments	83,619	89,981	83,619	89,981
Total Assets	\$ 683,034	\$ 8,029,654	\$ 7,943,275	\$ 769,413
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 83,619	\$ 592,036	\$ 585,674	\$ 89,981
Due to Litigants, Heirs, and Others	599,415	7,437,618	7,357,601	679,432
Total Liabilities	\$ 683,034	\$ 8,029,654	\$ 7,943,275	\$ 769,413

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Fentress County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
 For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Senior Citizens Building	\$ 378,000	2.7 %	6-2-05	6-2-10	\$ 0	\$ 378,000	\$ 0	\$ 378,000
Capital Outlay Note - Library	500,000	5.8	8-28-1997	11-18-04	137,880	0	137,880	0
Total Payable through General Debt Service Fund					<u>\$ 137,880</u>	<u>\$ 378,000</u>	<u>\$ 137,880</u>	<u>\$ 378,000</u>
<u>Payable through Highway/Public Works Fund</u>								
County Highway Improvements	(1)	2.7	6-2-05	6-2-10	\$ 0	\$ 357,322	\$ 0	\$ 357,322
Total Notes Payable					<u>\$ 137,880</u>	<u>\$ 735,322</u>	<u>\$ 137,880</u>	<u>\$ 735,322</u>
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Construction - Allardt	5,300,000	Variable	6-1-1998	6-1-18	\$ 3,700,000	\$ 0	\$ 535,000	\$ 3,165,000
School Construction - Southern System Facility	6,000,000	Variable	10-25-01	5-25-26	5,724,000	0	149,000	5,575,000
Public Works Project	1,000,000	Variable	5-21-02	5-25-22	882,750	55,250	33,000	905,000
Total Other Loans Payable					<u>\$ 10,306,750</u>	<u>\$ 55,250</u>	<u>\$ 717,000</u>	<u>\$ 9,645,000</u>
<b>CAPITAL LEASES PAYABLE</b>								
<u>Payable through Highway/Public Works Fund</u>								
Tractor and Cutter	34,822	5.1	4-29-03	2-28-08	\$ 26,699	\$ 0	\$ 6,635	\$ 20,064
<u>Payable through Drug Control Fund and General Fund</u>								
Patrol Cars	84,000	3.14	4-22-04	4-22-06	\$ 55,130	\$ 0	\$ 27,139 (2)	\$ 27,991
Total Capital Leases Payable					<u>\$ 81,829</u>	<u>\$ 0</u>	<u>\$ 33,774</u>	<u>\$ 48,055</u>
<b>BONDS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Senior Center - USDA Rural Development	500,000	4.25	3-18-1998	6-3-05	\$ 441,658	\$ 0	\$ 441,658	\$ 0

(1) The county has drawn \$357,322 of an authorized \$1,250,000 in capital outlay notes from a local bank.  
 There is an additional \$892,678 available to be drawn as of June 30, 2005.

(2) Payments on this lease were made from the General Fund (\$16,283) and the Drug Control Fund (\$10,856).

Exhibit H-2

Fentress County, Tennessee  
Schedule of Transfers - All Funds  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt retirement	\$ 55,250
Solid Waste/Sanitation	General	Administrative charge	<u>3,000</u>
Total Transfers			<u>\$ 58,250</u>

Exhibit H-3

Fentress County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 55,403	\$ 25,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u> , and County Commission	53,780 (1)	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	47,969	502,400	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	47,969	15,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	47,969	25,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	47,969	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	47,969	50,000	Ohio Farmers Insurance Company
Register	Section 8-24-102, <u>TCA</u>	47,969	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	53,284 (2)	25,000	"
Employee Dishonesty Bond Coverage:				
General County and Highway Department Employees				150,000 Local Government Property and Casualty Fund

(1) Includes local supplement of \$1,015.

(2) Includes law enforcement training supplement of \$519.

Exhibit H-4

Fentress County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

	Special Revenue Funds				Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,851,041	\$ 266,677	\$ 0	\$ 0	\$ 172,555	\$ 2,290,273
Trustee's Collections - Prior Year	118,794	18,874	0	0	23,316	160,984
Circuit/Clerk & Master Collections - Prior Years	24,354	4,816	0	0	3,226	32,396
Interest and Penalty	18,733	2,944	0	0	3,448	25,125
Payments in Lieu of Taxes - Other	40,423	0	0	0	0	40,423
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	521,124	0	0	278,460	799,584
Hotel/Motel Tax	41,160	0	0	0	0	41,160
Litigation Tax - General	39,821	0	0	0	0	39,821
Litigation Tax - Jail, Workhouse, or Courthouse	14,544	0	0	0	0	14,544
Business Tax	50,431	8,185	0	0	10,111	68,727
Mineral Severance Tax	0	0	0	42,274	0	42,274
<u>Statutory Local Taxes</u>						
Bank Excise Tax	65,007	0	0	0	0	65,007
Wholesale Beer Tax	188,940	0	0	0	0	188,940
Coal Severance Tax	0	0	0	8,543	0	8,543
Interstate Telecommunications Tax	2,361	0	0	0	0	2,361
Total Local Taxes	\$ 2,455,609	\$ 822,620	\$ 0	\$ 50,817	\$ 491,116	\$ 3,820,162
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 30,912	\$ 0	\$ 0	\$ 0	\$ 0	\$ 30,912
<u>Permits</u>						
Beer Permits	2,430	0	0	0	0	2,430
Total Licenses and Permits	\$ 33,342	\$ 0	\$ 0	\$ 0	\$ 0	\$ 33,342
<u>Fines, Forfeitures and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 4,414	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,414
Officers Costs	9,381	0	0	0	0	9,381
Drug Control Fines	0	0	53,101	0	0	53,101
Drug Court Fees	0	0	1,088	0	0	1,088

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures and Penalties (Cont.)</u>						
<u>General Sessions Court</u>						
Fines	\$ 24,023	\$ 0	\$ 0	\$ 0	\$ 0	24,023
Officers Costs	15,229	0	0	0	0	15,229
Drug Control Fines	0	0	14,246	0	0	14,246
Jail Fees	2,404	0	0	0	0	2,404
<u>Other Courts - In-county</u>						
Fines	204	0	0	0	0	204
DUI Treatment Fines	550	0	0	0	0	550
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	403	0	0	403
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	5,147	0	0	5,147
Total Fines, Forfeitures and Penalties	\$ 56,205	\$ 0	\$ 73,985	\$ 0	\$ 0	130,190
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 145,586	\$ 0	\$ 0	\$ 0	145,586
Solid Waste Disposal Fee	0	813	0	0	0	813
Patient Charges	1,092,732	0	0	0	0	1,092,732
<u>Fees</u>						
Copy Fees	30	0	0	0	0	30
Vending Machine Collections	714	102	0	0	0	816
Data Processing Fee - Register	8,542	0	0	0	0	8,542
Total Charges for Current Services	\$ 1,102,018	\$ 146,501	\$ 0	\$ 0	\$ 0	1,248,519
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 82,366	\$ 0	\$ 0	\$ 0	\$ 0	82,366
Lease/Rentals	79,750	0	0	0	70,364	150,114
Sale of Gasoline	0	0	0	97,679	0	97,679
Sale of Recycled Materials	0	102,098	0	574	0	102,672
Miscellaneous Refunds	29,272	1,327	0	12,181	0	42,780

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Insurance Recovery	\$ 2,398	\$ 0	\$ 0	\$ 0	\$ 0	2,398
Sale of Equipment	0	24,768	0	0	0	24,768
Contributions & Gifts	0	0	0	25,000	0	25,000
<b>Total Other Local Revenues</b>	<b>\$ 193,786</b>	<b>\$ 128,193</b>	<b>\$ 0</b>	<b>\$ 135,434</b>	<b>\$ 70,364</b>	<b>\$ 527,777</b>
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 157,236	\$ 0	\$ 0	\$ 0	\$ 0	157,236
Circuit Court Clerk	52,033	0	0	0	0	52,033
General Sessions Court Clerk	42,063	0	0	0	0	42,063
Clerk and Master	20,815	0	0	0	0	20,815
Register	92,035	0	0	0	0	92,035
Sheriff	8,814	0	0	0	0	8,814
Trustee	149,398	0	0	0	0	149,398
<b>Total Fees Received from County Officials</b>	<b>\$ 522,394</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 522,394</b>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,450	\$ 0	\$ 0	\$ 0	\$ 0	9,450
Aging Programs	6,972	0	0	0	0	6,972
State Reappraisal Grant	8,410	0	0	0	0	8,410
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	6,224	0	0	0	0	6,224
<u>Health and Welfare Grants</u>						
Health Department Programs	66,146	0	0	0	0	66,146
<u>Public Works Grants</u>						
Bridge Program	0	0	0	312,515	0	312,515
State Aid Program	0	0	0	85,086	0	85,086
Litter Program	0	13,969	0	0	0	13,969
<u>Other State Revenues</u>						
Income Tax	5,488	0	0	0	0	5,488
Beer Tax	16,778	0	0	0	0	16,778

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Alcoholic Beverage Tax	\$ 28,757	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,757
Contracted Prisoner Boarding	209,360	0	0	0	0	209,360
Gasoline and Motor Fuel Tax	0	0	0	1,665,564	0	1,665,564
Petroleum Special Tax	0	0	0	12,259	0	12,259
Registrar's Salary Supplement	16,380	0	0	0	0	16,380
Other State Grants	307,823	34,405	0	0	0	342,228
Other State Revenues	0	3,454	0	0	0	3,454
Total State of Tennessee	\$ 681,788	\$ 51,828	\$ 0	\$ 2,075,424	\$ 0	\$ 2,809,040
<u>Federal Government</u>						
<u>Federal Through State</u>						
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 83,884	\$ 0	\$ 83,884
Homeland Security Grants	37,394	0	0	0	0	37,394
Other Federal through State	7,716	0	0	58,709	0	66,425
<u>Direct Federal Revenue</u>						
Public Safety Partnership and Community Policing - COPS	947	0	0	0	0	947
Total Federal Government	\$ 46,057	\$ 0	\$ 0	\$ 142,593	\$ 0	\$ 188,650
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 350,000
Contracted Services	22,800	0	0	0	0	22,800
Total Other Governments and Citizens Groups	\$ 22,800	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 372,800
Total	\$ 5,113,999	\$ 1,149,142	\$ 73,985	\$ 2,404,268	\$ 911,480	\$ 9,652,874

Exhibit H-5

Fentress County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	55,403	
Social Security		3,435	
Employer Medicare		803	
Audit Services		3,821	
Contracts with Government Agencies		1,250	
Legal Services		12,816	
Other Charges		<u>1,278</u>	
Total County Commission	\$		78,806

Board of Equalization

Board and Committee Members Fees	\$	<u>167</u>	
Total Board of Equalization			167

Beer Board

Board and Committee Members Fees	\$	<u>1,500</u>	
Total Beer Board			1,500

County Mayor

County Official/Administrative Officer	\$	55,403	
Accountants/Bookkeepers		44,864	
Clerical Personnel		19,750	
Social Security		8,629	
State Retirement		2,200	
Medical Insurance		7,000	
Unemployment Compensation		1,102	
Employer Medicare		1,682	
Communication		5,149	
Data Processing Services		6,662	
Postal Charges		683	
Printing, Stationery and Forms		210	
Office Supplies		2,000	
Premiums on Corporate Surety Bonds		175	
Other Equipment		<u>3,000</u>	
Total County Mayor			158,509

Election Commission

County Official/Administrative Officer	\$	38,375	
Deputy(ies)		23,450	
Clerical Personnel		2,130	
Election Commission		3,083	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Election Workers	\$	10,185	
Social Security		4,228	
State Retirement		2,980	
Medical Insurance		4,800	
Unemployment Compensation		280	
Employer Medicare		991	
Communication		1,056	
Data Processing Services		1,380	
Maintenance & Repair Services- Equipment		3,594	
Postal Charges		1,293	
Printing, Stationery and Forms		4,823	
Office Supplies		1,784	
Office Equipment		1,000	
Voting Machines		1,000	
Total Election Commission			\$ 106,432

Register of Deeds

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		22,501	
Clerical Personnel		20,225	
Other Salaries & Wages		549	
Social Security		5,114	
State Retirement		4,398	
Medical Insurance		7,200	
Unemployment Compensation		500	
Employer Medicare		1,196	
Communication		1,871	
Data Processing Services		8,264	
Maintenance & Repair Services- Equipment		185	
Postal Charges		592	
Printing, Stationery and Forms		2,806	
Duplicating Supplies		5,371	
Office Supplies		3,000	
Premiums on Corporate Surety Bonds		52	
Total Register of Deeds			131,793

Planning

Board and Committee Members Fees	\$	1,000	
Dues and Memberships		8,500	
Total Planning			9,500

(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	14,394	
Social Security		1,002	
State Retirement		588	
Unemployment Compensation		42	
Employer Medicare		209	
Communication		485	
Maintenance & Repair Services- Buildings		52,776	
Custodial Supplies		3,841	
Utilities		79,325	
Other Supplies and Materials		300	
Total County Buildings			\$ 152,962

Finance

Accounting and Budgeting

Supervisor/Director	\$	29,046	
Accountants/Bookkeepers		13,935	
Social Security		2,495	
State Retirement		2,500	
Medical Insurance		5,000	
Unemployment Compensation		700	
Employer Medicare		584	
Communication		2,764	
Postal Charges		888	
Printing, Stationery and Forms		122	
Other Contracted Services		5,319	
Office Supplies		2,802	
Office Equipment		28,438	
Total Accounting and Budgeting			94,593

Property Assessor's Office

County Official/Administrative Officer	\$	47,969	
Clerical Personnel		24,912	
Part-time Personnel		15,151	
Social Security		5,620	
State Retirement		5,178	
Medical Insurance		2,400	
Unemployment Compensation		500	
Employer Medicare		1,084	
Audit Services		7,935	
Communication		1,216	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Contracts with Government Agencies	\$	5,025	
Printing, Stationery and Forms		500	
Travel		2,568	
Office Supplies		1,300	
Premiums on Corporate Surety Bonds		200	
Office Equipment		1,467	
Total Property Assessor's Office			\$ 123,025

Reappraisal Program

Clerical Personnel	\$	20,226	
Data Processing Services		2,335	
Postal Charges		600	
Office Supplies		100	
Total Reappraisal Program			23,261

County Trustee's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		45,200	
Clerical Personnel		19,348	
Social Security		6,767	
State Retirement		4,491	
Medical Insurance		2,400	
Unemployment Compensation		333	
Employer Medicare		1,554	
Communication		1,709	
Contracts with Government Agencies		3,614	
Postal Charges		3,949	
Printing, Stationery and Forms		2,355	
Office Supplies		2,133	
Premiums on Corporate Surety Bonds		2,762	
Data Processing Equipment		5,800	
Total County Trustee's Office			150,384

County Clerk's Office

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		82,476	
Clerical Personnel		10,221	
Social Security		8,741	
State Retirement		6,228	
Medical Insurance		4,800	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Unemployment Compensation	\$	416	
Employer Medicare		1,980	
Communication		2,089	
Data Processing Services		1,829	
Postal Charges		3,120	
Printing, Stationery and Forms		2,961	
Office Supplies		1,467	
Premiums on Corporate Surety Bonds		280	
Office Equipment		<u>2,683</u>	
Total County Clerk's Office			\$ 177,260

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		77,881	
Clerical Personnel		18,586	
Jury and Witness Fees		6,887	
Social Security		8,840	
State Retirement		6,768	
Medical Insurance		4,800	
Unemployment Compensation		395	
Employer Medicare		2,024	
Communication		1,670	
Postal Charges		1,026	
Printing, Stationery and Forms		6,000	
Office Supplies		1,300	
Premiums on Corporate Surety Bonds		125	
Office Equipment		<u>4,699</u>	
Total Circuit Court			188,970

General Sessions Court

Judge(s)	\$	60,981	
Probation Officer(s)		21,850	
Social Security		4,897	
State Retirement		3,993	
Medical Insurance		4,800	
Unemployment Compensation		140	
Employer Medicare		1,145	
Communication		1,015	
Travel		349	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Gasoline	\$	350	
Office Supplies		74	
Other Charges		211	
Total General Sessions Court			\$ 99,805

Chancery Court

County Official/Administrative Officer	\$	47,969	
Deputy(ies)		22,250	
Clerical Personnel		2,804	
Social Security		5,377	
State Retirement		3,386	
Medical Insurance		4,800	
Unemployment Compensation		177	
Employer Medicare		1,228	
Communication		442	
Postal Charges		850	
Office Supplies		6,002	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			95,735

Juvenile Court

Social Workers	\$	14,660	
Social Security		909	
State Retirement		708	
Unemployment Compensation		154	
Employer Medicare		213	
Communication		180	
Contracts with Other Public Agencies		1,350	
Office Supplies		29	
Office Equipment		600	
Total Juvenile Court			18,803

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	53,284	
Deputy(ies)		378,089	
Salary Supplements		5,460	
Clerical Personnel		67,291	
In-Service Training		6,331	
Social Security		38,723	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

State Retirement	\$	15,530	
Medical Insurance		26,610	
Unemployment Compensation		2,601	
Employer Medicare		6,792	
Communication		9,545	
Data Processing Services		175	
Legal Notices, Recording and Court Costs		562	
Maintenance & Repair Services- Equipment		386	
Maintenance & Repair Services- Office Equipment		772	
Maintenance & Repair Services- Vehicles		16,796	
Postal Charges		1,170	
Rentals		8,590	
Gasoline		42,641	
Office Supplies		3,500	
Tires and Tubes		4,247	
Uniforms		3,207	
Premiums on Corporate Surety Bonds		4,238	
Other Charges		1,031	
Principal on Capitalized Leases		16,283	
Interest on Capitalized Leases		1,087	
Law Enforcement Equipment		2,940	
Office Equipment		1,886	
Total Sheriff's Department			\$ 719,767

Jail

Guards	\$	154,412
Cafeteria Personnel		14,766
In-Service Training		257
Social Security		11,324
State Retirement		5,702
Medical Insurance		2,400
Unemployment Compensation		462
Employer Medicare		2,407
Contracts with Government Agencies		31,321
Maintenance & Repair Services- Buildings		10,404
Medical and Dental Services		51,804
Custodial Supplies		2,226
Food Supplies		31,698
Uniforms		683
Utilities		12,000

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Other Supplies and Materials	\$	3,210	
Other Charges		357	
Building Improvements		19,113	
Furniture and Fixtures		2,090	
Office Equipment		302	
Total Jail			\$ 356,938

Fire Prevention and Control

In-Service Training	\$	1,610	
Other Per Diem & Fees		26,146	
Contracts with Government Agencies		2,000	
Maintenance & Repair Services- Buildings		13,067	
Maintenance & Repair Services- Vehicles		11,193	
Gasoline		4,983	
Utilities		14,656	
Other Equipment		23,118	
Total Fire Prevention and Control			96,773

Civil Defense

Supervisor/Director	\$	3,000	
Social Security		211	
Unemployment Compensation		10	
Employer Medicare		44	
Communication		3,128	
Maintenance & Repair Services- Vehicles		2,648	
Gasoline		2,279	
Other Supplies and Materials		1,500	
Communication Equipment		23,238	
Other Equipment		2,500	
Other Capital Outlay		45,890	
Total Civil Defense			84,448

Rescue Squad

Communication	\$	900	
Contributions		4,000	
Maintenance & Repair Services- Vehicles		906	
Medical and Dental Services		1,331	
Gasoline		1,041	
Other Supplies and Materials		7,778	
Other Equipment		750	
Total Rescue Squad			16,706

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Contributions	\$ 141,261	
Total Other Emergency Management		\$ 141,261

County Coroner/Medical Examiner

Other Contracted Services	\$ 14,300	
Total County Coroner/Medical Examiner		14,300

Public Safety Grant Programs

Communication Equipment	\$ 326,080	
Total Public Safety Grant Programs		326,080

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 7,110	
Social Security	539	
Unemployment Compensation	4	
Employer Medicare	103	
Communication	3,897	
Maintenance & Repair Services- Buildings	8,093	
Postal Charges	1,611	
Drugs and Medical Supplies	1,477	
Office Supplies	4,232	
Utilities	11,517	
Total Local Health Center		38,583

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 38,085	
Medical Personnel	641,695	
In-Service Training	6,695	
Social Security	40,445	
State Retirement	30,893	
Medical Insurance	31,200	
Unemployment Compensation	2,188	
Employer Medicare	9,173	
Communication	8,553	
Data Processing Services	853	
Maintenance & Repair Services- Vehicles	21,825	
Postal Charges	1,582	
Travel	1,500	
Other Contracted Services	2,384	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Custodial Supplies	\$	2,134	
Drugs and Medical Supplies		38,119	
Gasoline		28,882	
Office Supplies		4,355	
Uniforms		2,811	
Utilities		10,932	
Refunds		12,169	
Motor Vehicles		<u>46,617</u>	
Total Ambulance/Emergency Medical Services	\$		983,090

Crippled Children Services

Contracts with Government Agencies	\$	<u>1,213</u>	
Total Crippled Children Services			1,213

Other Local Health Services

Medical Personnel	\$	50,428	
Social Security		3,042	
State Retirement		1,825	
Medical Insurance		1,754	
Unemployment Compensation		298	
Employer Medicare		711	
Travel		8,230	
Instructional Supplies and Materials		<u>9,238</u>	
Total Other Local Health Services			75,526

Appropriation to State

Other Contracted Services	\$	<u>34,000</u>	
Total Appropriation to State			34,000

Other Local Welfare Services

Contributions	\$	<u>7,500</u>	
Total Other Local Welfare Services			7,500

Social, Cultural and Recreational Services

Adult Activities

Other Salaries & Wages	\$	29,159	
Social Security		1,925	
State Retirement		1,053	
Medical Insurance		2,400	
Unemployment Compensation		256	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Adult Activities (Cont.)

Employer Medicare	\$	450	
Communication		966	
Postal Charges		148	
Travel		1,166	
Office Supplies		300	
Utilities		15,493	
Other Supplies and Materials		100	
Premiums on Corporate Surety Bonds		100	
Office Equipment		105	
Total Adult Activities			\$ 53,621

Libraries

Librarians	\$	57,797	
Social Security		7,512	
State Retirement		1,795	
Unemployment Compensation		140	
Employer Medicare		897	
Contributions		16,704	
Total Libraries			84,845

Parks and Fair Boards

Contributions	\$	2,000	
Maintenance & Repair Services- Equipment		1,467	
Total Parks and Fair Boards			3,467

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$	2,875	
Contributions		35,975	
Custodial Supplies		300	
Office Supplies		300	
Office Equipment		5,000	
Total Agriculture Extension Service			44,450

Soil Conservation

Contributions	\$	25,240	
Total Soil Conservation			25,240

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$ 50,330	
Total Tourism	<u>50,330</u>	\$ 50,330

Industrial Development

Contributions	\$ 33,000	
Total Industrial Development	<u>33,000</u>	33,000

Veterans' Services

Supervisor/Director	\$ 24,250	
Social Security	1,583	
State Retirement	1,169	
Unemployment Compensation	73	
Employer Medicare	352	
Communication	539	
Postal Charges	129	
Office Supplies	35	
Total Veterans' Services	<u>28,130</u>	28,130

Contributions to Other Agencies

Contributions	\$ 12,472	
Dues and Memberships	9,478	
Total Contributions to Other Agencies	<u>21,950</u>	21,950

Employee Benefits

Social Security	\$ 8,938	
Total Employee Benefits	<u>8,938</u>	8,938

Miscellaneous

Travel	\$ 4,109	
Liability Insurance	35,597	
Trustee's Commission	46,737	
Vehicle and Equipment Insurance	74,834	
Workers' Compensation Insurance	49,475	
Other Charges	17,437	
Building Construction	12,900	
Right-of-Way	3,500	
Other Capital Outlay	7,048	
Total Miscellaneous	<u>251,637</u>	251,637

Total General Fund		\$ 5,113,298
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(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund  
Public Health and Welfare  
Sanitation Management

Assistant(s)	\$	47,734	
Supervisor/Director		30,214	
Social Security		4,285	
State Retirement		1,432	
Medical Insurance		3,508	
Unemployment Compensation		2,500	
Employer Medicare		824	
Communication		3,474	
Maintenance & Repair Services- Office Equipment		117	
Postal Charges		601	
Printing, Stationery and Forms		165	
Travel		1,758	
Office Supplies		935	
Other Supplies and Materials		4,144	
Premiums on Corporate Surety Bonds		100	
Office Equipment		850	
Total Sanitation Management			\$ 102,641

Sanitation Education/Information

Advertising	\$	1,945	
Instructional Supplies and Materials		4,998	
Other Supplies and Materials		1,852	
Total Sanitation Education/Information			8,795

Waste Pickup

Truck Drivers	\$	75,112	
Laborers		24,563	
Social Security		6,019	
State Retirement		979	
Medical Insurance		1,754	
Unemployment Compensation		2,970	
Employer Medicare		1,167	
Communication		410	
Maintenance & Repair Services- Vehicles		23,617	
Gasoline		21,453	
Tires and Tubes		2,987	
Uniforms		1,510	
Other Supplies and Materials		3,196	
Solid Waste Equipment		19,250	
Total Waste Pickup			184,987

(Continued)

Exhibit H-5

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers

Attendants	\$	199,558	
Social Security		11,718	
State Retirement		2,748	
Medical Insurance		369	
Unemployment Compensation		2,338	
Employer Medicare		2,158	
Communication		3,486	
Maintenance & Repair Services- Equipment		6,029	
Permits		1,150	
Uniforms		3,356	
Utilities		7,444	
Other Supplies and Materials		7,206	
Site Development		2,388	
Other Equipment		91,080	
Total Convenience Centers			\$ 341,028

Problem Waste Centers

Advertising	\$	1,587	
Other Supplies and Materials		3,439	
Total Problem Waste Centers			5,026

Recycling Center

Foremen	\$	24,208	
Truck Drivers		37,448	
Laborers		48,655	
Social Security		4,895	
State Retirement		3,223	
Unemployment Compensation		716	
Employer Medicare		1,104	
Communication		1,293	
Contracts with Private Agencies		19,942	
Maintenance & Repair Services- Buildings		6,650	
Maintenance & Repair Services- Equipment		214	
Maintenance & Repair Services- Vehicles		2,015	
Travel		912	
Gasoline		7,191	
Tires and Tubes		1,283	
Uniforms		1,905	
Utilities		3,000	
Other Supplies and Materials		4,564	

(Continued)

Exhibit H-5

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

<u>Solid Waste/Sanitation Fund (Cont.)</u>		
<u>Public Health and Welfare (Cont.)</u>		
<u>Recycling Center (Cont.)</u>		
Solid Waste Equipment	\$ 3,732	
Other Equipment	10,882	
Total Recycling Center		\$ 183,832
<u>Landfill Operation and Maintenance</u>		
Contracts with Private Agencies	\$ 333,224	
Total Landfill Operation and Maintenance		333,224
<u>Postclosure Care Costs</u>		
Communication	\$ 655	
Engineering Services	5,329	
Maintenance & Repair Services- Equipment	16	
Utilities	1,012	
Other Supplies and Materials	194	
Total Postclosure Care Costs		7,206
<u>Other Operations</u>		
<u>Other Charges</u>		
Liability Insurance	\$ 2,773	
Trustee's Commission	11,145	
Vehicle and Equipment Insurance	7,519	
Workers' Compensation Insurance	19,479	
Total Other Charges		40,916
<u>Employee Benefits</u>		
Medical and Dental Services	\$ 294	
Total Employee Benefits		294
Total Solid Waste/Sanitation Fund		\$ 1,207,949
<u>Drug Control Fund</u>		
<u>Public Safety</u>		
<u>Drug Enforcement</u>		
Confidential Drug Enforcement Payments	\$ 5,000	
Maintenance & Repair Services- Equipment	289	
Maintenance & Repair Services- Office Equipment	197	
Maintenance & Repair Services- Vehicles	562	
Veterinary Services	2,969	
Animal Food and Supplies	145	
Law Enforcement Supplies	2,397	

(Continued)

Exhibit H-5

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Principal on Capitalized Leases	\$	10,856	
Interest on Capitalized Leases		644	
Law Enforcement Equipment		5,000	
Motor Vehicles		40,175	
Total Drug Enforcement			\$ 68,234

Total Drug Control Fund \$ 68,234

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	53,780	
Clerical Personnel		70,079	
Social Security		8,966	
State Retirement		5,787	
Advertising		228	
Communication		6,161	
Dues and Memberships		2,647	
Legal Services		114	
Licenses		68	
Postal Charges		333	
Printing, Stationery and Forms		369	
Travel		113	
Other Contracted Services		5,630	
Custodial Supplies		1,047	
Office Supplies		1,269	
Other Charges		1,499	
Total Administration			\$ 158,090

Highway and Bridge Maintenance

Foremen	\$	76,050
Equipment Operators		132,989
Truck Drivers		109,112
Laborers		162,600
Social Security		34,949
State Retirement		18,848
Rentals		12,000
Other Contracted Services		51,627
Asphalt - Cold Mix		1,685
Asphalt - Hot Mix		878,500

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Asphalt - Liquid	\$	214,613	
Concrete		18	
Crushed Stone		137,881	
Other Road Supplies		7,586	
Pipe - Metal		14,500	
Road Signs		13,439	
Salt		4,000	
Other Charges		997	
Total Highway and Bridge Maintenance			\$ 1,871,394

Operation and Maintenance of Equipment

Foremen	\$	30,361	
Mechanic(s)		35,952	
Nightwatchmen		42,975	
Social Security		7,900	
State Retirement		4,339	
Freight Expenses		194	
Maintenance & Repair Services- Vehicles		11,992	
Diesel Fuel		104,769	
Electricity		3,700	
Equipment and Machinery Parts		71,798	
Garage Supplies		8,199	
Gasoline		85,144	
Lubricants		9,030	
Natural Gas		850	
Tires and Tubes		16,356	
Other Supplies and Materials		485	
Other Charges		1,661	
Total Operation and Maintenance of Equipment			435,705

Quarry Operations

Operating Lease Payments	\$	6,000	
Explosives and Drilling Supplies		37,376	
Other Charges		4,440	
Total Quarry Operations			47,816

Other Charges

Water and Sewer	\$	308	
Liability Insurance		31,045	
Premiums on Corporate Surety Bonds		582	

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	17,205	
Workers' Compensation Insurance		47,882	
Total Other Charges			\$ 97,022

Employee Benefits

Medical Insurance	\$	51,000	
Unemployment Compensation		9,000	
Total Employee Benefits			60,000

Capital Outlay

Engineering Services	\$	1,625	
Bridge Construction		339,156	
Building Improvements		3,358	
Communication Equipment		1,757	
Highway Construction		102,053	
Highway Equipment		64,282	
Surplus Equipment		4,620	
Total Capital Outlay			516,851

Principal

Highways and Streets

Principal on Capitalized Leases	\$	6,635	
Total Highways and Streets			6,635

Interest

Highways and Streets

Interest on Capitalized Leases	\$	1,204	
Total Highways and Streets			1,204

Total Highway/Public Works Fund \$ 3,194,717

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$	441,658	
Principal on Notes		137,880	
Principal on Other Loans Payable		33,000	
Total General Government			\$ 612,538

(Continued)

Exhibit H-5

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

General Debt Service Fund (Cont.)

Principal (Cont.)

Education

Principal on Other Loans Payable	\$ 684,000	
Total Education		\$ 684,000

Interest

General Government

Interest on Bonds	\$ 27,364	
Interest on Notes	15,496	
Interest on Other Loans Payable	<u>18,724</u>	
Total General Government		61,584

Education

Interest on Other Loans Payable	\$ 174,221	
Total Education		174,221

Other Debt Service

General Government

Trustee's Commission	\$ 7,601	
Other Debt Service	<u>4,231</u>	
Total General Government		11,832

Education

Other Debt Service	\$ 49,092	
Total Education		<u>49,092</u>

Total General Debt Service Fund		<u>\$ 1,593,267</u>
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Total Governmental Funds - Primary Government		<u>\$ 11,177,465</u>
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Exhibit H-6

Fentress County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 502,055
Total Cash Receipts	<u>\$ 502,055</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 497,034
Trustee's Commission	5,021
Total Cash Disbursements	<u>\$ 502,055</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u>\$ 0</u>

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## STATISTICAL SECTION

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Table 1

Fentress County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

Year	Amount
1994	\$ 3,180
1995	48
1996	3,703
1997	6,150
1998	8,196
1999	53,745
2000	62,899
2001	40,089
2002	35,603
2003	40,650
Total	\$ 254,263

Table 2

Fentress County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 1.19	\$ 1.22	\$ 1.22	\$ 1.20	\$ 1.20	\$ 1.23	\$ 1.07	\$ 1.07	\$ 1.07	\$ 1.18
Solid Waste/Sanitation	0.36	0.36	0.36	0.31	0.31	0.31	0.22	0.22	0.17	0.17
Other Special Revenue	0.00	0.00	0.03	0.03	0.03	0.10	0.00	0.00	0.00	0.00
General Purpose School	0.73	0.70	0.67	0.58	0.58	0.54	0.43	0.43	0.43	0.42
General Debt Service	0.29	0.29	0.29	0.12	0.12	0.06	0.16	0.16	0.21	0.11
<b>Total Tax Rate</b>	<b>\$ 2.57</b>	<b>\$ 2.57</b>	<b>\$ 2.57</b>	<b>\$ 2.24</b>	<b>\$ 2.24</b>	<b>\$ 2.24</b>	<b>\$ 1.88</b>	<b>\$ 1.88</b>	<b>\$ 1.88</b>	<b>\$ 1.88</b>
<u>Assessed Valuation</u>										
Real and Personal	\$ 88,267,987	\$ 91,216,785	\$ 93,347,576	\$ 110,065,882	\$ 114,284,554	\$ 118,026,521	\$ 140,272,247	\$ 145,639,009	\$ 152,400,770	\$ 159,712,037
Public Utilities	11,842,466	11,769,828	9,583,559	11,964,051	12,967,147	10,313,520	12,525,874	13,492,982	12,083,292	12,641,785
<b>Total Assessed Valuation</b>	<b>\$ 100,110,453</b>	<b>\$ 102,986,613</b>	<b>\$ 102,931,135</b>	<b>\$ 122,029,933</b>	<b>\$ 127,251,701</b>	<b>\$ 128,340,041</b>	<b>\$ 152,798,121</b>	<b>\$ 159,131,991</b>	<b>\$ 164,484,062</b>	<b>\$ 172,353,822</b>

**ANNUAL FINANCIAL REPORT**  
**FENTRESS COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF FENTRESS COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

*RODNEY MALIN*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

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

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**FENTRESS COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF FENTRESS COUNTY, TENNESSEE  
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***Audit Highlights***  
Annual Financial Report  
Fentress County School Department  
For the Year Ended June 30, 2005

***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Fentress County School Department as of and for the year ended June 30, 2005.

***Results***

Our report on the Fentress County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in five findings and recommendations, which we have reviewed with Fentress County School Department's management. Detailed findings and recommendations are included in the Single Audit Report.

***Findings***

The following are summaries of the audit findings:

**FENTRESS COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ Budget appropriations for the General Purpose School and Central Cafeteria Funds were not properly posted to the accounting records. Also, expenditures and encumbrances exceeded appropriations in several major appropriations categories (the legal level of control) of the General Purpose School and the School Federal Projects Funds.
- ◆ The office did not solicit competitive bids for the installation of doors at a county high school and a bus camera system.
- ◆ Inventory records of the School Department's assets had not been updated or verified in four years.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

*State of Tennessee*  
*Comptroller of the Treasury*  
*Department of Audit*  
*Division of County Audit*

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## INTRODUCTORY SECTION

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Fentress County School Officials  
June 30, 2005

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Official:

Homer Lee Linder, Jr., Director of Schools

Board of Education:

Veronica McDonald, Chairman

JoElla Allred

Byron Asberry

Boyd Brown

Eddie Cook

Kent Norris

Chris Owens

H. Russell Stephens

Gary Tinch

Mark Tipton

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**FINANCIAL SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

November 29, 2005

Fentress County Director of Schools and  
Board of Education  
Fentress County, Tennessee

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Fentress County School Department, a component unit of Fentress County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 24, which collectively comprise a portion of the Fentress County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Fentress County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the

presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Fentress County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fentress County School Department as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Fentress County School Department as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2005, on our consideration of the Fentress County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Fentress County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 27 through 31 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fentress County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Fentress County, Tennessee  
Balance Sheet - Governmental Funds  
Fentress County School Department  
June 30, 2005

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,160,582	\$ 217,092	\$ 133,975	\$ 2,511,649
Accounts Receivable	83,183	185	0	83,368
Due from Other Governments	271,092	0	170,406	441,498
Due from Other Funds	14,707	0	919	15,626
Property Taxes Receivable	870,754	0	0	870,754
Allowance for Uncollectible Property Taxes	(40,865)	0	0	(40,865)
Total Assets	<u>\$ 3,359,453</u>	<u>\$ 217,277</u>	<u>\$ 305,300</u>	<u>\$ 3,882,030</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 31,312	\$ 5,691	\$ 0	\$ 37,003
Payroll Deductions Payable	9,388	28,343	531	38,262
Deferred Revenue - Current Property Taxes	788,002	0	0	788,002
Deferred Revenue - Delinquent Property Taxes	41,887	0	0	41,887
Other Deferred Revenues	123,081	0	0	123,081
Total Liabilities	<u>\$ 993,670</u>	<u>\$ 34,034</u>	<u>\$ 531</u>	<u>\$ 1,028,235</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 4,907	\$ 23,406	\$ 0	\$ 28,313
Reserved for Career Ladder - Extended Contract	107,762	0	0	107,762
Reserved for Career Ladder Program	10,158	0	0	10,158
Reserved for Basic Education Program	779,300	0	0	779,300
Reserved for Title I Grants to Local Education Agencies	0	25,586	0	25,586
Reserved for Innovative Education Program Strategies	0	19,447	0	19,447
Reserved for Special Education - Grants to States	0	96,969	0	96,969
Other Federal Reserves	0	17,835	0	17,835
Unreserved, Reported In:				
General Fund	1,463,656	0	0	1,463,656
Special Revenue Funds	0	0	304,769	304,769
Total Fund Balances	<u>\$ 2,365,783</u>	<u>\$ 183,243</u>	<u>\$ 304,769</u>	<u>\$ 2,853,795</u>
Total Liabilities and Fund Balances	<u>\$ 3,359,453</u>	<u>\$ 217,277</u>	<u>\$ 305,300</u>	<u>\$ 3,882,030</u>

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

Exhibit B

Fentress County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Fentress County School Department  
For the Year Ended June 30, 2005

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,447,099	\$ 0	\$ 0	\$ 2,447,099
Licenses and Permits	1,500	0	0	1,500
Charges for Current Services	0	0	198,952	198,952
Other Local Revenues	276,037	0	17,517	293,554
State of Tennessee	10,236,535	0	14,938	10,251,473
Federal Government	215,894	1,676,524	736,885	2,629,303
Total Revenues	\$ 13,177,065	\$ 1,676,524	\$ 968,292	\$ 15,821,881
<u>Expenditures</u>				
Current:				
Instruction	\$ 8,447,029	\$ 1,159,125	\$ 0	\$ 9,606,154
Support Services	4,187,014	451,089	0	4,638,103
Operation of Non-Instructional Services	0	0	987,442	987,442
Capital Outlay	194,490	0	0	194,490
Debt Service:				
Principal	220,000	0	0	220,000
Interest	153,118	0	0	153,118
Total Expenditures	\$ 13,201,651	\$ 1,610,214	\$ 987,442	\$ 15,799,307
Excess (Deficiency) of Revenues Over Expenditures	\$ (24,586)	\$ 66,310	\$ (19,150)	\$ 22,574
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 50,409	\$ 0	\$ 0	\$ 50,409
Transfers Out	0	(14,707)	(35,702)	(50,409)
Total Other Financing Sources (Uses)	\$ 50,409	\$ (14,707)	\$ (35,702)	\$ 0
Net Change in Fund Balances	\$ 25,823	\$ 51,603	\$ (54,852)	\$ 22,574
Fund Balance, July 1, 2004	2,339,960	131,640	359,621	2,831,221
Fund Balance, June 30, 2005	\$ 2,365,783	\$ 183,243	\$ 304,769	\$ 2,853,795

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

**FENTRESS COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF FENTRESS COUNTY, TENNESSEE  
NOTES TO THE FINANCIAL STATEMENTS  
For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Fentress County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the Fentress County School Department:

**A. Reporting Entity**

The Fentress County School Department operates the public school system in the county, and the voters of Fentress County elect its board. The School Department is a component unit of Fentress County, the primary government. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the Fentress 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.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds. Major individual governmental funds 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.

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 School Department 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. The School Department considers grant 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.

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. Property taxes collected within 30 days after year-end are considered to be immaterial for reporting purposes. 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 School Department receives cash.

The School Department reports the following major governmental funds:

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

**School Federal Projects Fund** – This fund is used to account for restricted federal revenues which must be expended on specific education programs.

Additionally, the School Department reports the following fund type:

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for expenditures related to the construction of a school building in Fentress County.

**C. Assets, Liabilities, and Equity**

**1. Deposits and Investments**

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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Fentress County and Fentress County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's General Fund and the School Department's General Purpose School Fund. Fentress County and the Fentress County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions,

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

## **2. Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.67 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 deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are not material for financial reporting purposes and are thus not 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.

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, the School Department does not present government-wide statements.

**4. Compensated Absences**

The School Department's policy does not permit employees to accumulate earned but unused vacation leave benefits. The School Department's sick leave policy permits the unlimited accumulation of unused sick leave days for all full-time and classified personnel. Accumulated sick days are paid to the employee upon leaving employment. A liability for sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**5. Long-term Obligations**

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.

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Expenditures and Encumbrances Exceeded Appropriations**

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

Fund/Major Category	Amount
General Purpose School Fund:	
Operation of Plant	\$ 5,660
School Federal Projects Fund:	
Instruction - Regular Instruction	47,710
Instruction - Vocational Education	19,096
Support Services - Health Services	3,005
Support Services - Special Education	2,547
Other Uses - Transfers Out	8,556

Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

### III. DETAILED NOTES ON ALL FUNDS

#### A. Deposits and Investments

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

#### 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The School Department had no pooled and nonpooled investments as of June 30, 2005.

**B. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General Purpose School	School Federal Projects	\$ 14,707
Nonmajor governmental	General Purpose School	919

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

At June 30, 2005, the receivables noted in the above table were in transit from the payable fund.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
Nonmajor governmental funds	\$ 35,702
School Federal Projects Fund	<u>14,707</u>
Total	<u>\$ 50,409</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**C. Long-term Debt**

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

General Obligation Bonds

Fentress County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds outstanding were issued for original terms of up to 20 years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund.

General obligation bonds outstanding as of June 30, 2005, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-05</u>
General Obligation Bonds	4.5 to 5.7 %	\$ 4,500,000	\$ 690,000
General Obligation Bonds - Refunding	4.4 to 4.8	2,355,000	2,260,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 230,000	\$ 141,798
2007	245,000	129,850
2008	260,000	116,770
2009	270,000	102,635
2010	285,000	90,620
2011-2015	1,660,000	243,260
Total	<u>\$ 2,950,000</u>	<u>\$ 824,933</u>

General bonded debt per capita amounted to \$177, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds
Balance, July 1, 2004	\$ 3,170,000
Deductions	<u>(220,000)</u>
Balance, June 30, 2005	<u>\$ 2,950,000</u>
Balance Due Within One Year	<u>\$ 230,000</u>

## **IV. OTHER INFORMATION**

### **A. Risk Management**

The School Department's risks of loss relating to general liability, property, casualty, and workers' compensation are covered by their participation in the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee Schools Boards Association, an association of member school districts. Annual premiums are paid to the pool for the risk coverage noted above. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

The School Department provides health insurance coverage to its employees through the Local Government Group Insurance Fund (LGGIF), a public

entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by the fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

**B. Accounting Change**

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Contingent Liabilities**

The School Department is involved in several pending lawsuits. The School Department's attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

**D. Subsequent Event**

On July 1, 2005, the county, including the School Department, began operating under the provisions of the County Financial Management System of 1981.

**E. Retirement Commitments**

**Plan Description**

Employees of Fentress County, including the School Department, are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled

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

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

Since the Fentress County School Department participates in Fentress County's plan, retirement information for the Fentress County School Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV.G. of the Annual Financial Report of Fentress County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

The Fentress County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employers defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters

34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Fentress County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Fentress County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$424,262, \$243,466, and \$225,614, respectively, equal to the required contributions for each year.

### **F. Office of Central Accounting and Budgeting**

On April 19, 2004, the County Commission adopted the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. This act also provides for the creation of a Finance Department operating under the direction of the finance director. The County Commission resolution adopting this act requires full implementation by July 1, 2005.

### **G. Purchasing Law**

During the year, purchasing procedures for the Fentress County School Department were governed by purchasing laws applicable to the schools, as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and the chairman of the Board of Education), to make all purchases. This statute also requires that competitive bids be solicited through newspaper advertisement on all purchases exceeding \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit C-1

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Fentress County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,447,099	\$ 0	\$ 0	\$ 2,447,099	\$ 2,403,100	\$ 2,403,100	\$ 43,999
Licenses and Permits	1,500	0	0	1,500	2,000	2,000	(500)
Other Local Revenues	276,037	0	0	276,037	200,000	200,000	76,037
State of Tennessee	10,236,535	0	0	10,236,535	10,006,640	10,006,640	229,895
Federal Government	215,894	0	0	215,894	257,500	257,500	(41,606)
<b>Total Revenues</b>	<b>\$ 13,177,065</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 13,177,065</b>	<b>\$ 12,869,240</b>	<b>\$ 12,869,240</b>	<b>\$ 307,825</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,419,303	\$ (671)	\$ 0	\$ 7,418,632	\$ 7,546,700	\$ 7,568,700	\$ 150,068
Alternative Instruction Program	49,418	0	0	49,418	87,920	87,920	38,502
Special Education Program	778,690	0	0	778,690	824,970	824,970	46,280
Vocational Education Program	127,002	0	0	127,002	128,010	128,431	1,429
Adult Education Program	72,616	0	0	72,616	79,230	79,230	6,614
<u>Support Services</u>							
Attendance	103,043	0	0	103,043	102,470	109,056	6,013
Health Services	54,332	0	0	54,332	54,200	55,829	1,497
Other Student Support	175,309	0	0	175,309	126,450	175,808	499
Regular Instruction Program	450,831	0	0	450,831	491,200	491,250	40,419
Special Education Program	121,772	0	0	121,772	110,450	123,344	1,572
Vocational Education Program	68,487	0	0	68,487	67,000	69,497	1,010
Adult Programs	58,530	0	0	58,530	59,500	59,500	970
Board of Education	682,729	0	0	682,729	488,570	688,570	5,841
Director of Schools	117,676	0	0	117,676	128,250	125,750	8,074
Office of the Principal	533,927	0	0	533,927	553,500	560,513	26,586
Fiscal Services	124,463	(5,300)	0	119,163	122,420	120,161	998

(Continued)

Exhibit C-1

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Fentress County School Department  
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 872,180	\$ 0	\$ 0	\$ 872,180	\$ 866,520	\$ 866,520	\$ (5,660)
Maintenance of Plant	138,613	0	0	138,613	120,900	154,210	15,597
Transportation	685,122	0	0	685,122	681,850	720,919	35,797
<u>Capital Outlay</u>							
Regular Capital Outlay	194,490	(102,628)	4,907	96,769	180,000	180,000	83,231
<u>Principal</u>							
Education	220,000	0	0	220,000	220,000	220,000	0
<u>Interest</u>							
Education	153,118	0	0	153,118	153,120	153,120	2
Total Expenditures	\$ 13,201,651	\$ (108,599)	\$ 4,907	\$ 13,097,959	\$ 13,193,230	\$ 13,563,298	\$ 465,339
Excess (Deficiency) of Revenues Over Expenditures							
	\$ (24,586)	\$ 108,599	\$ (4,907)	\$ 79,106	\$ (323,990)	\$ (694,058)	\$ 773,164
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 50,409	\$ 0	\$ 0	\$ 50,409	\$ 15,000	\$ 15,000	\$ 35,409
Transfers Out	0	0	0	0	(300,000)	0	0
Total Other Financing Sources (Uses)	\$ 50,409	\$ 0	\$ 0	\$ 50,409	\$ (285,000)	\$ 15,000	\$ 35,409
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ 2,339,960	(108,599)	0	2,231,361	2,356,824	2,356,824	(125,463)
Fund Balance, June 30, 2005	\$ 2,365,783	\$ 0	\$ (4,907)	\$ 2,360,876	\$ 1,747,834	\$ 1,677,766	\$ 683,110

Exhibit C-2

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Fentress County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,676,524	\$ 0	\$ 1,676,524	\$ 1,634,734	\$ 1,672,037	\$ 4,487
Total Revenues	\$ 1,676,524	\$ 0	\$ 1,676,524	\$ 1,634,734	\$ 1,672,037	\$ 4,487
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 870,818	\$ 1,293	\$ 872,111	\$ 825,082	\$ 824,401	\$ (47,710)
Special Education Program	220,885	0	220,885	288,733	288,733	67,848
Vocational Education Program	67,422	22,113	89,535	70,439	70,439	(19,096)
<u>Support Services</u>						
Health Services	57,915	0	57,915	54,910	54,910	(3,005)
Other Student Support	62,671	0	62,671	83,355	83,355	20,684
Regular Instruction Program	179,098	0	179,098	149,592	187,576	8,478
Special Education Program	116,571	0	116,571	114,024	114,024	(2,547)
Vocational Education Program	649	0	649	3,348	3,348	2,699
Transportation	34,185	0	34,185	39,100	39,100	4,915
Total Expenditures	\$ 1,610,214	\$ 23,406	\$ 1,633,620	\$ 1,628,583	\$ 1,665,886	\$ 32,266
Excess (Deficiency) of Revenues Over Expenditures	\$ 66,310	\$ (23,406)	\$ 42,904	\$ 6,151	\$ 6,151	\$ 36,753
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (14,707)	\$ 0	\$ (14,707)	\$ (6,151)	\$ (6,151)	\$ (8,556)
Total Other Financing Sources (Uses)	\$ (14,707)	\$ 0	\$ (14,707)	\$ (6,151)	\$ (6,151)	\$ (8,556)

(Continued)

Exhibit C-2

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Fentress County School Department  
School Federal Projects Fund (Cont.)

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 51,603	\$ (23,406)	\$ 28,197	\$ 0	\$ 0	\$ 28,197
Fund Balance, July 1, 2004	131,640	0	131,640	131,640	131,640	0
Fund Balance, June 30, 2005	\$ 183,243	\$ (23,406)	\$ 159,837	\$ 131,640	\$ 131,640	\$ 28,197

**FENTRESS COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF FENTRESS COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

The School Department 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 Fentress 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 State 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 Purpose School Fund major categories: Regular Instruction, Special Education Program, Vocational Education Program, Adult Education Program, etc.). Management may make revisions within major categories, but only the Fentress County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

**B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**

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

<u>Fund/Major Category</u>	<u>Amount</u>
General Purpose School Fund:	
Operation of Plant	\$ 5,660
School Federal Projects Fund:	
Instruction - Regular Instruction	47,710
Instruction - Vocational Education	19,096
Support Services - Health Services	3,005
Support Services - Special Education	2,547
Other Uses - Transfers Out	8,556

Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balances.

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

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# Nonmajor Governmental Funds

## Special Revenue Fund

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Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

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Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

## Capital Projects Fund

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Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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Education Capital Projects Fund – The Education Capital Projects Fund is used to account for expenditures related to the construction of an elementary school. This fund was closed during the year.

Exhibit D-1

Fentress County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Nonmajor Governmental Funds  
Fentress County School Department  
For the Year Ended June 30, 2005

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 198,952	\$ 0	\$ 198,952
Other Local Revenues	17,476	41	17,517
State of Tennessee	14,938	0	14,938
Federal Government	736,885	0	736,885
Total Revenues	<u>\$ 968,251</u>	<u>\$ 41</u>	<u>\$ 968,292</u>
<u>Expenditures</u>			
Current:			
Operation of Non-Instructional Services	\$ 987,442	\$ 0	\$ 987,442
Total Expenditures	<u>\$ 987,442</u>	<u>\$ 0</u>	<u>\$ 987,442</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (19,191)</u>	<u>\$ 41</u>	<u>\$ (19,150)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ 0	\$ (35,702)	\$ (35,702)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ (35,702)</u>	<u>\$ (35,702)</u>
Net Change in Fund Balances	\$ (19,191)	\$ (35,661)	\$ (54,852)
Fund Balance, July 1, 2004	<u>323,960</u>	<u>35,661</u>	<u>359,621</u>
Fund Balance, June 30, 2005	<u>\$ 304,769</u>	<u>\$ 0</u>	<u>\$ 304,769</u>

Exhibit D-2

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Fentress County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 198,952	\$ 250,000	\$ 250,000	\$ (51,048)
Other Local Revenues	17,476	10,000	10,000	7,476
State of Tennessee	14,938	20,000	20,000	(5,062)
Federal Government	736,885	800,000	800,000	(63,115)
Total Revenues	<u>\$ 968,251</u>	<u>\$ 1,080,000</u>	<u>\$ 1,080,000</u>	<u>\$ (111,749)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 987,442	\$ 1,080,000	\$ 1,080,000	\$ 92,558
Total Expenditures	<u>\$ 987,442</u>	<u>\$ 1,080,000</u>	<u>\$ 1,080,000</u>	<u>\$ 92,558</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (19,191)	\$ 0	\$ 0	\$ (19,191)
Net Change in Fund Balance	\$ (19,191)	\$ 0	\$ 0	\$ (19,191)
Fund Balance, July 1, 2004	323,960	346,175	346,175	(22,215)
Fund Balance, June 30, 2005	<u>\$ 304,769</u>	<u>\$ 346,175</u>	<u>\$ 346,175</u>	<u>\$ (41,406)</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Fentress County, Tennessee  
Schedule of Changes in Long-term Bonds  
Fentress County School Department  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
<u>BONDS PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
School	\$ 4,500,000	4.5 to 5.7 %	4-5-1995	5-1-15	\$ 895,000	\$ 205,000	\$ 690,000
School Refunding Series 1998	2,355,000	4.4 to 4.8	7-15-1998	5-1-15	2,275,000	15,000	2,260,000
Total Bonds Payable					<u>\$ 3,170,000</u>	<u>\$ 220,000</u>	<u>\$ 2,950,000</u>

Exhibit E-2

Fentress County, Tennessee  
Schedule of Bond and Interest Requirements by Year  
Fentress County School Department

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 230,000	\$ 141,798	\$ 371,798
2007	245,000	129,850	374,850
2008	260,000	116,770	376,770
2009	270,000	102,635	372,635
2010	285,000	90,620	375,620
2011	300,000	77,795	377,795
2012	315,000	64,145	379,145
2013	330,000	49,655	379,655
2014	350,000	34,145	384,145
2015	365,000	17,520	382,520
	<u>\$ 2,950,000</u>	<u>\$ 824,933</u>	<u>\$ 3,774,933</u>

Exhibit E-3

Fentress County, Tennessee  
Schedule of Transfers - All Funds  
Fentress County School Department  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Education Capital Projects	General Purpose School	To close fund	\$ 35,702
School Federal Projects	General Purpose School	Indirect costs	<u>14,707</u>
Total Transfers			<u>\$ 50,409</u>

Exhibit E-4

Fentress County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Fentress County School Department  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Fentress County Board of Education	\$ 75,147	\$ 150,000	Western Surety Company
Employee Dishonesty Bond Coverage: School Department Employees			150,000	Tennessee School Boards Risk Management Trust

Exhibit E-5

Fentress County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Fentress County School Department  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 658,843	\$ 0	\$ 0	\$ 0	\$ 658,843
Trustee's Collections - Prior Year	47,740	0	0	0	47,740
Circuit/Clerk & Master Collections - Prior Years	11,190	0	0	0	11,190
Interest and Penalty	7,427	0	0	0	7,427
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,302,810	0	0	0	1,302,810
Wheel Tax	375,228	0	0	0	375,228
Business Tax	20,268	0	0	0	20,268
Mineral Severance Tax	12,275	0	0	0	12,275
<u>Statutory Local Taxes</u>					
Coal Severance Tax	8,542	0	0	0	8,542
Interstate Telecommunications Tax	2,776	0	0	0	2,776
Total Local Taxes	\$ 2,447,099	\$ 0	\$ 0	\$ 0	\$ 2,447,099
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 1,500
Total Licenses and Permits	\$ 1,500	\$ 0	\$ 0	\$ 0	\$ 1,500
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 86,863	\$ 0	\$ 86,863
Lunch Payments - Adults	0	0	36,605	0	36,605
Income from Breakfast	0	0	46,433	0	46,433
A la carte Sales	0	0	29,051	0	29,051
Total Charges for Current Services	\$ 0	\$ 0	\$ 198,952	\$ 0	\$ 198,952
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 82,365	\$ 0	\$ 3,978	\$ 41	\$ 86,384
Miscellaneous Refunds	99,804	0	13,498	0	113,302
<u>Nonrecurring Items</u>					
Sale of Equipment	5,721	0	0	0	5,721
Sale of Property	87,500	0	0	0	87,500
<u>Other Local Revenues</u>					
Other Local Revenues	647	0	0	0	647
Total Other Local Revenues	\$ 276,037	\$ 0	\$ 17,476	\$ 41	\$ 293,554
<u>State of Tennessee</u>					
<u>State Education Funds</u>					
Basic Education Program	\$ 9,510,679	\$ 0	\$ 0	\$ 0	\$ 9,510,679
School Food Service	0	0	14,938	0	14,938
Driver Education	2,580	0	0	0	2,580
Other State Education Funds	100,201	0	0	0	100,201
Career Ladder Program	182,133	0	0	0	182,133
Career Ladder - Extended Contract	68,817	0	0	0	68,817
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	345,892	0	0	0	345,892

(Continued)

Exhibit E-5

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

	General Purpose School	School Federal Projects	Central Cafeteria	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Grants	\$ 26,233	\$ 0	\$ 0	\$ 0	\$ 26,233
Total State of Tennessee	\$ 10,236,535	\$ 0	\$ 14,938	\$ 0	\$ 10,251,473
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 544,406	\$ 0	\$ 544,406
Breakfast	0	0	192,479	0	192,479
Adult Education State Grant Program	70,514	0	0	0	70,514
Vocational Education - Basic Grants to States	0	68,787	0	0	68,787
Title I Grants to Local Education Agencies	0	770,232	0	0	770,232
Innovative Education Program Strategies	0	93,709	0	0	93,709
Special Education - Grants to States	18,763	512,390	0	0	531,153
Eisenhower Professional Development State Grants	0	199,045	0	0	199,045
Job Training Partnership Act	0	17,000	0	0	17,000
Other Federal through State	84,862	15,361	0	0	100,223
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	41,755	0	0	0	41,755
Total Federal Government	\$ 215,894	\$ 1,676,524	\$ 736,885	\$ 0	\$ 2,629,303
Total	\$ 13,177,065	\$ 1,676,524	\$ 968,251	\$ 41	\$ 15,821,881

Exhibit E-6

Fentress County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Fentress County School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 4,923,939	
Career Ladder Program	120,000	
Career Ladder Extended Contracts	44,500	
Educational Assistants	175,844	
Other Salaries & Wages	86,924	
Certified Substitute Teachers	86,182	
Social Security	321,658	
State Retirement	285,304	
Medical Insurance	756,904	
Unemployment Compensation	5,311	
Employer Medicare	75,226	
Maintenance & Repair Services- Equipment	76,548	
Instructional Supplies and Materials	213,516	
Textbooks	176,170	
Other Supplies and Materials	25,092	
Other Charges	2,944	
Regular Instruction Equipment	43,241	
Total Regular Instruction Program		\$ 7,419,303

Alternative Instruction Program

Teachers	\$ 39,972	
Social Security	2,472	
State Retirement	2,062	
Medical Insurance	4,292	
Unemployment Compensation	42	
Employer Medicare	578	
Total Alternative Instruction Program		49,418

Special Education Program

Teachers	\$ 402,581
Career Ladder Program	4,000
Educational Assistants	72,862
Certified Substitute Teachers	4,275
Social Security	28,662
State Retirement	22,559
Medical Insurance	76,581
Unemployment Compensation	683
Employer Medicare	6,703
Contracts with Other Public Agencies	38,484

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Contracted Services	\$	101,520	
Instructional Supplies and Materials		12,660	
Other Supplies and Materials		810	
Other Charges		3,134	
Special Education Equipment		3,176	
Total Special Education Program			\$ 778,690

Vocational Education Program

Teachers	\$	97,054	
Career Ladder Program		1,000	
Social Security		6,010	
State Retirement		5,393	
Medical Insurance		14,080	
Unemployment Compensation		62	
Employer Medicare		1,405	
Travel		323	
Instructional Supplies and Materials		1,675	
Total Vocational Education Program			127,002

Adult Education Program

Teachers	\$	29,262	
Career Ladder Program		1,000	
Other Salaries & Wages		12,693	
Social Security		2,659	
State Retirement		165	
Medical Insurance		125	
Unemployment Compensation		90	
Employer Medicare		622	
Instructional Supplies and Materials		20,416	
Other Equipment		5,584	
Total Adult Education Program			72,616

Support Services

Attendance

Supervisor/Director	\$	58,094	
Career Ladder Program		3,600	
Other Salaries & Wages		25,064	
Social Security		5,362	
State Retirement		3,562	

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Medical Insurance	\$	4,338	
Unemployment Compensation		58	
Employer Medicare		1,254	
Travel		1,711	
Total Attendance			\$ 103,043

Health Services

Medical Personnel	\$	39,781	
Social Security		2,466	
State Retirement		346	
Unemployment Compensation		62	
Employer Medicare		577	
Travel		1,071	
Drugs and Medical Supplies		4,973	
Other Supplies and Materials		1,722	
Other Charges		518	
Health Equipment		2,816	
Total Health Services			54,332

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		122,613	
Career Ladder Extended Contracts		2,000	
Social Security		7,397	
State Retirement		6,964	
Medical Insurance		23,001	
Unemployment Compensation		92	
Employer Medicare		1,730	
Evaluation and Testing		9,512	
Total Other Student Support			175,309

Regular Instruction Program

Supervisor/Director	\$	59,294
Career Ladder Program		8,800
Career Ladder Extended Contracts		1,000
Librarians		177,369
Materials Supervisor		56,192
Instructional Computer Personnel		46,650
Social Security		21,086

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	18,963	
Medical Insurance		34,388	
Unemployment Compensation		266	
Employer Medicare		4,931	
Consultants		1,400	
Travel		13,067	
Other Contracted Services		289	
Other Supplies and Materials		432	
In Service/Staff Development		6,014	
Other Charges		690	
Total Regular Instruction Program			\$ 450,831

Special Education Program

Supervisor/Director	\$	62,672	
Career Ladder Program		3,000	
Psychological Personnel		5,206	
Career Ladder Extended Contracts		2,000	
Secretary(s)		23,459	
Social Security		5,973	
State Retirement		4,212	
Medical Insurance		6,246	
Unemployment Compensation		60	
Employer Medicare		1,397	
Travel		7,052	
In Service/Staff Development		495	
Total Special Education Program			121,772

Vocational Education Program

Supervisor/Director	\$	47,756	
Career Ladder Program		3,600	
Social Security		3,184	
State Retirement		2,825	
Medical Insurance		4,713	
Unemployment Compensation		31	
Employer Medicare		745	
Travel		5,633	
Total Vocational Education Program			68,487

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	42,618	
Social Security		2,409	
State Retirement		2,344	
Medical Insurance		6,726	
Unemployment Compensation		31	
Employer Medicare		563	
Travel		3,839	
Total Adult Programs			\$ 58,530

Board of Education

Board and Committee Members Fees	\$	1,056	
Social Security		70	
Medical Insurance		59,257	
Employer Medicare		16	
Audit Services		4,000	
Consultants		232	
Dues and Memberships		7,560	
Legal Services		11,746	
Liability Insurance		142,383	
Premiums on Corporate Surety Bonds		963	
Trustee's Commission		59,512	
Workers' Compensation Insurance		87,612	
Other Charges		8,322	
Debt Service Contribution to Primary Government		300,000	
Total Board of Education			682,729

Director of Schools

County Official/Administrative Officer	\$	75,147	
Secretary(s)		640	
Social Security		4,632	
State Retirement		4,133	
Medical Insurance		9,755	
Unemployment Compensation		3	
Employer Medicare		1,083	
Communication		22,283	
Total Director of Schools			117,676

Office of the Principal

Principals	\$	284,595	
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(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Program	\$	9,000	
Career Ladder Extended Contracts		8,000	
Secretary(s)		126,287	
Social Security		27,386	
State Retirement		19,393	
Medical Insurance		41,066	
Unemployment Compensation		471	
Employer Medicare		6,405	
Communication		11,324	
Total Office of the Principal			\$ 533,927

Fiscal Services

Accountants/Bookkeepers	\$	79,419	
Social Security		4,904	
State Retirement		534	
Medical Insurance		1,621	
Unemployment Compensation		92	
Employer Medicare		1,147	
Data Processing Services		324	
Data Processing Supplies		9,239	
Office Supplies		9,952	
Other Supplies and Materials		300	
Other Charges		9,571	
Administration Equipment		7,360	
Total Fiscal Services			124,463

Operation of Plant

Custodial Personnel	\$	221,585	
Social Security		13,545	
State Retirement		1,607	
Unemployment Compensation		652	
Employer Medicare		3,168	
Disposal Fees		17,020	
Electricity		383,810	
Natural Gas		152,082	
Water and Sewer		26,839	
Other Supplies and Materials		51,872	
Total Operation of Plant			872,180

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	24,830	
Other Salaries & Wages		32,873	
Social Security		2,841	
State Retirement		321	
Unemployment Compensation		90	
Employer Medicare		664	
Other Contracted Services		15,027	
Equipment and Machinery Parts		60,442	
Other Charges		1,525	
Total Maintenance of Plant			\$ 138,613

Transportation

Supervisor/Director	\$	19,360	
Mechanic(s)		25,494	
Bus Drivers		262,022	
Social Security		19,024	
State Retirement		2,561	
Medical Insurance		73	
Unemployment Compensation		931	
Employer Medicare		4,449	
Contracts with Parents		14,000	
Rentals		2,794	
Other Contracted Services		164	
Equipment and Machinery Parts		407	
Gasoline		87,678	
Lubricants		966	
Tires and Tubes		14,062	
Vehicle Parts		46,762	
Other Supplies and Materials		174	
Other Charges		4,542	
Transportation Equipment		179,659	
Total Transportation			685,122

Capital Outlay

Regular Capital Outlay

Architects	\$	5,331	
Other Contracted Services		9,750	
Building Construction		56,176	
Building Improvements		123,233	
Total Regular Capital Outlay			194,490

(Continued)

Exhibit E-6

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

General Purpose School Fund (Cont.)

Principal

Education

Principal on Bonds	\$ 220,000	
Total Education	<u>220,000</u>	\$ 220,000

Interest

Education

Interest on Bonds	\$ 153,118	
Total Education	<u>153,118</u>	<u>153,118</u>

Total General Purpose School Fund		\$ 13,201,651
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 652,958	
Certified Substitute Teachers	7,026	
Social Security	39,244	
State Retirement	35,534	
Medical Insurance	99,161	
Unemployment Compensation	509	
Employer Medicare	9,178	
Maintenance & Repair Services- Equipment	22,768	
Instructional Supplies and Materials	3,810	
In Service/Staff Development	<u>630</u>	
Total Regular Instruction Program		\$ 870,818

Special Education Program

Teachers	\$ 76,344	
Secretary(s)	17,200	
Educational Assistants	41,317	
Certified Substitute Teachers	1,268	
Social Security	8,339	
State Retirement	5,448	
Medical Insurance	15,759	
Unemployment Compensation	54	
Employer Medicare	1,966	
Other Contracted Services	51,284	
Instructional Supplies and Materials	<u>1,906</u>	
Total Special Education Program		220,885

(Continued)

Exhibit E-6

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	15,766	
Educational Assistants		7,636	
Social Security		1,432	
State Retirement		41	
Unemployment Compensation		63	
Employer Medicare		335	
Instructional Supplies and Materials		35,487	
Vocational Instruction Equipment		6,662	
Total Vocational Education Program			\$ 67,422

Support Services

Health Services

Medical Personnel	\$	53,312	
Social Security		3,305	
State Retirement		400	
Unemployment Compensation		41	
Employer Medicare		857	
Total Health Services			57,915

Other Student Support

Guidance Personnel	\$	45,571	
Social Security		2,661	
State Retirement		2,507	
Medical Insurance		6,675	
Unemployment Compensation		20	
Employer Medicare		622	
Other Charges		4,615	
Total Other Student Support			62,671

Regular Instruction Program

Supervisor/Director	\$	58,430	
Secretary(s)		9,800	
Social Security		4,218	
State Retirement		3,299	
Medical Insurance		8,054	
Unemployment Compensation		72	
Employer Medicare		986	
Maintenance & Repair Services- Equipment		569	
Travel		25,263	

(Continued)

Exhibit E-6

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Instructional Supplies and Materials	\$	955	
Library Books/Media		11,101	
In Service/Staff Development		47,057	
Other Charges		9,294	
Total Regular Instruction Program			\$ 179,098

Special Education Program

Psychological Personnel	\$	43,841	
Secretary(s)		1,500	
Other Salaries & Wages		50,934	
Social Security		5,856	
State Retirement		4,700	
Medical Insurance		5,583	
Unemployment Compensation		37	
Employer Medicare		1,370	
Travel		2,750	
Total Special Education Program			116,571

Vocational Education Program

Travel	\$	649	
Total Vocational Education Program			649

Transportation

Bus Drivers	\$	8,376	
Other Salaries & Wages		10,723	
Social Security		1,115	
State Retirement		73	
Unemployment Compensation		51	
Employer Medicare		266	
Contracts with Private Agencies		7,430	
Contracts with Parents		6,151	
Total Transportation			34,185

Total School Federal Projects Fund \$ 1,610,214

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Clerical Personnel	\$	31,972	
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(Continued)

Exhibit E-6

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Cafeteria Personnel	\$	302,571	
Social Security		19,717	
State Retirement		2,601	
Medical Insurance		841	
Unemployment Compensation		942	
Employer Medicare		4,611	
Communication		2,062	
Maintenance & Repair Services- Equipment		23,818	
Travel		3,162	
Other Contracted Services		9,800	
Food Supplies		511,960	
Uniforms		2,629	
Other Supplies and Materials		49,850	
Other Charges		395	
Food Service Equipment		20,511	
Total Food Service			\$ <u>987,442</u>

Total Central Cafeteria Fund \$ 987,442

Total Governmental Funds - Fentress County School Department \$ 15,799,307

**SINGLE AUDIT REPORT**  
**FENTRESS COUNTY, TENNESSEE**  
**AND**  
**FENTRESS COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

*RODNEY MALIN*  
*KELLEY J. McNEAL, CPA, CGFM*  
*State Auditors*

This report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

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

November 29, 2005

Fentress County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Fentress County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Fentress County, Tennessee, and the Fentress County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Fentress County's and the Fentress County School Department's basic financial statements and have issued our reports thereon dated November 29, 2005. Our reports on the financial statements of Fentress County, Tennessee, and the Fentress County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Fentress County's and the Fentress County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our

attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Fentress County's and the Fentress County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03, 05.05, 05.06, 05.08(A,B), 05.10, 05.11, and 05.15.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.03 and 05.05 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fentress County's and the Fentress County School Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02, 05.04, 05.07, 05.08(C), 05.09, 05.12, 05.13, and 05.14.

We also noted certain matters that we reported to the management of Fentress County and the Fentress County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

November 29, 2005

Fentress County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Fentress County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education:

Compliance

We have audited the compliance of Fentress County and the Fentress County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Fentress County's and the Fentress County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Fentress County's and the Fentress County School Department's management. Our responsibility is to express an opinion on Fentress County's and the Fentress County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis,

evidence about Fentress County's and the Fentress County School Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Fentress County's and the Fentress County School Department's compliance with those requirements.

As described in items 05.02 and 05.16 in the accompanying Schedule of Findings and Questioned Costs, Fentress County did not comply with requirements of the grant application agreement when requesting and disbursing Community Development Block Grant funds. Compliance with the grant application agreement is necessary, in our opinion, for Fentress County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Fentress County and the Fentress County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of Fentress County and the Fentress County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Fentress County's and the Fentress County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

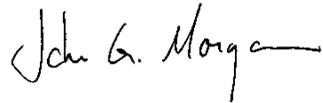
#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Fentress County, Tennessee, and the Fentress County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated November 29, 2005. Our reports on the financial statements of Fentress County and the Fentress County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of

additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal stroke at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

Fentress County, Tennessee, and the Fentress County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 66,043
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	192,479
National School Lunch Program	10.555	N/A	544,406
Passed through State Department of Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Z-05-020568-02	6,484
Total U.S. Department of Agriculture			<u>\$ 809,412</u>
U.S. Department of Housing and Urban Development:			
Passed through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-05-11525-00	<u>\$ 299,993</u>
U.S. Department of Interior:			
Direct Program:			
Payments in Lieu of Taxes	15.226	N/A	<u>\$ 38,691</u>
U.S. Department of Justice:			
Passed through Hamilton County Sheriff's Department:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	2000-DD-VX-0025	<u>\$ 947</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	05-07-049-003-09-82	<u>\$ 17,003</u>
U.S. Federal Highway Administration:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	STP-H-2500 (21)	\$ 48,709
State and Community Highway Safety	20.600	Z-05-024224-00	10,000
Total U.S. Federal Highway Administration			<u>\$ 58,709</u>
Appalachian Regional Commission:			
Passed through Upper Cumberland Development District:			
Appalachian Regional Development	23.001	GG-05-11739-00	<u>\$ 7,830</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-04-016664-00	\$ 519 (3)
Adult Education - State Grant Program	84.002	Z-04-025620-01	7,010 (3)
Adult Education - State Grant Program	84.002	Z-05-022217-00	62,985 (3)
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	839,837
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	423,186
Special Education - Preschool Grants	84.173	N/A	30,152
Vocational Education - Basic Grants to States	84.048	N/A	51,067
Safe and Drug Free Schools and Communities - State Grant	84.186	(2)	18,766
State Grants for Innovative Programs	84.298	N/A	64,100
Education Technology State Grants	84.318	(2)	28,030
School Renovation Grants	84.352	Z-04-011019-00	69,240
Improving Teacher Quality State Grants	84.367	N/A	160,440
Total U.S. Department of Education			<u>\$ 1,755,332</u>

(Continued)

Fentress County, Tennessee, and the Fentress County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Expenditures
U.S. Department of Health and Human Services:			
Passed-through Upper Cumberland Development District:			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 7,716
Passed through State Department of Health:			
Family Planning Services	93.217	Z-05-020568-02	792
Community Health Centers	93.224	Z-05-020568-02	1,519
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	Z-05-020568-02	16,211
HIV Prevention Activities - Health Department Based	93.940	Z-05-020568-02	294
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	Z-05-020568-02	27
Maternal and Child Health Services Block Grant to the States	93.994	Z-05-020568-02	9,809
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-05-022310-00	15,622
Total U.S. Department of Health and Human Services			\$ 51,990
U.S. Department of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017746-00	\$ 28,216
Public Assistance Grants	97.036	Z-03-015797-00	83,884
State and Local All Hazards Emergency Operations Planning	97.051	Z-03-015159-01	9,178
Total U.S. Department of Homeland Security			\$ 121,278
Total Expenditures of Federal Awards			\$ 3,161,185
<u>State Grants</u>			
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	\$ 16,881
Aging Program - Upper Cumberland Development District	N/A	(2)	6,972
Families First - State Department of Labor and Workforce Development	N/A	(2)	7,352
Health Access Community Initiative Project - State Department of Health	N/A	(2)	31,010
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,450
Law Enforcement Training - State Department of Safety	N/A	(2)	6,224
Litter Program - State Department of Transportation	N/A	(2)	13,969
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	20,693
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	8,410
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(2)	2,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	13,712
Total State Grants			\$ 136,673

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

(1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) - Information not available.

(3) - Total Adult Education - State Grant Program (CFDA No. 84.002) from the U.S. Dept. of Education \$70,514.

Fentress County, Tennessee, and the Fentress County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Fentress County, Tennessee, and the Fentress County School Department for the year ended June 30, 2004, which have not been corrected.

**FENTRESS COUNTY AND FENTRESS COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	13	Payables were not determined and posted to the accounting records
04.03(B)	13	Competitive bids were not solicited for certain purchases
04.04	14	The office did not properly maintain inventory records and controls over assets

**OFFICE OF HIGHWAY SUPERINTENDENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06(B)	15	Competitive bids were not solicited for certain purchases

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.09	17	Inventory records of School Department assets were not updated or verified
04.10(C)	17	Competitive bids were not solicited for certain purchases

## OTHER FINDING AND RECOMMENDATION

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.12	19	Duties were not segregated adequately in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**FENTRESS COUNTY, TENNESSEE, AND THE  
FENTRESS COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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

1. Adverse opinions were issued on the financial statements of Fentress County and the Fentress County School Department.
2. The audit of the financial statements of Fentress County and the Fentress County School Department disclosed reportable conditions in internal control. Two of these conditions were also considered to be material weaknesses in the financial statements of Fentress County.
3. The audit disclosed three instances of noncompliance that were material to the financial statements of Fentress County. The audit disclosed one instance of noncompliance that was material to the financial statements of the Fentress County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. The audit disclosed a qualified opinion on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Community Development Block Grant – State's Program (CFDA No. 14.228), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Fentress County and the Fentress County School Department did not qualify as low-risk auditees.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **FENTRESS COUNTY AND FENTRESS COUNTY SCHOOL DEPARTMENT**

**FINDING 05.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES****  
(Material Noncompliance Under Government Auditing Standards)

Fentress County and the Fentress County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Fentress County and the Fentress County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Fentress County’s and the Fentress County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Fentress County’s and the Fentress County School Department’s financial statements are presented in compliance with these requirements.

### **RECOMMENDATION**

Fentress County and the Fentress County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of the government’s capital assets, and the related depreciation amounts of these assets. This information is necessary to present the government’s financial statements in accordance with generally accepted accounting principles.

## MANAGEMENT RESPONSE – COUNTY MAYOR

We concur. During the 2004-05 year we began the process of implementing the provisions of GASB Statement No. 34. The County Commission has adopted a capitalization policy for various classes of capital assets and infrastructure, and as of June 30, 2005, we have identified and valued approximately 75 percent of our capital assets. We are still in the process of establishing useful lives, salvage values, and depreciation schedules for our infrastructure. Finally, we have responded to the comptroller's survey for our implementation work plan to comply with GASB Statement 34. We intend to be in compliance by June 30, 2006.

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## OFFICE OF COUNTY MAYOR

FINDING 05.02      **THE OFFICE REQUESTED AND DISBURSED COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS IN VIOLATION OF THE GRANT APPLICATION AGREEMENT**  
(Material Noncompliance Under OMB Circular A-133)

Fentress County was awarded a Community Development Block Grant (CDBG) from the state Department of Economic and Community Development (ECD) for upgrading the county's emergency communications infrastructure. Bids were awarded for the purchase and installation of communications equipment for this project on February 15, 2005. The county received an invoice from the vendor dated March 7, 2005, for equipment and installation in an amount equal to the awarded bid price of \$228,923. Administrators hired by the county to oversee the grant prepared a request for payment of grant funds dated March 14, 2005. The request was signed by authorized employees of the County Mayor's Office and submitted to ECD. This request was marked "final" and was accompanied by the March 7, 2005, invoice as documentation that funds were necessary to meet current disbursement needs; however, the county had not received all of the equipment, and installation had not yet begun as of the date of the request. The CDBG project application states that requests for funds should be made only in amounts necessary to meet current disbursement needs, and they define current needs as those for which funds will be expended within three days of receipt.

On April 22, 2005, Fentress County received \$299,993 in CDBG funds as reimbursement for payments previously made by the county on the project and to pay the above-noted March invoice. However, on the date the county received the funds, some of the equipment still had not been properly installed and the system was not fully functional. As installation progressed and the project was completed, the county disbursed the grant funds in June, July, and September 2005. Therefore, the county violated the guidelines specified in the project application by not disbursing these grant funds within three working days from the day the funds were deposited to the county.

RECOMMENDATION

Community Development Block Grant funds should be requested and disbursed in compliance with the grant agreement.

MANAGEMENT RESPONSE – COUNTY MAYOR

All of our transactions were made in good faith, and the contractor understood from the day the bids were awarded that the project had to be completed in 45 days. Closure forms were completed when contractual agreements were agreed upon. Presumption invoices were received and pay requests were submitted to ECD and approved. Grant funds were received on April 22, 2005. The county and the grant administrators saw no reason that the contract would not be completed on time, and the equipment was properly installed before May. However, local users of the equipment did not understand the process, and the contractor still remains in Fentress County tweaking the system to try and satisfy all concerned. This tweaking resulted from our staff's lack of knowledge of the system as opposed to an incomplete project. We were in error by holding the money; however, this was not done for monetary gain. The actual facts of this whole situation are: (1) it was simply a misunderstanding in procedures, (2) the county received less than \$10 interest on the monies that were not paid in a timely manner, and (3) unexpected interruptions occurred with the contractor, and we simply overlooked our responsibility. In the future, Fentress County will follow strict guidelines to ensure that any grant dollars received will be paid in the required manner.

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FINDING 05.03      **THE OFFICE DID NOT DETERMINE AND RECORD LIABILITIES AT YEAR-END IN THE GENERAL FUND**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Liabilities were not properly determined and recorded on the accounting records of the General Fund at June 30, 2005, as required by generally accepted accounting principles. We performed additional audit procedures to determine proper amounts of liabilities. Audit adjustments (\$228,923) were presented to management for approval and posting to the financial records. As a result of these adjustments, liabilities of the General Fund are properly reflected in the financial statements of this report.

RECOMMENDATION

Officials should properly determine and record liabilities on the accounting records at year-end.

**FINDING 05.04      THE OFFICE DID NOT SOLICIT COMPETITIVE BIDS FOR RESPIRATOR MASKS**  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of full face respirator masks (\$13,625) used by the county's Emergency Management Agency. Section 5-14-201 et seq., Tennessee Code Annotated, requires competitive bids to be solicited through public advertisement for purchases exceeding \$5,000.

**RECOMMENDATION**

Competitive bids should be solicited for purchases exceeding \$5,000 as required by state statute.

**MANAGEMENT RESPONSE – COUNTY MAYOR**

We concur. There was miscommunication between the purchasing agent, the Emergency Management Agency, and the vendor concerning the equipment being purchased. Our purchasing agent will strive to ensure that all purchases exceeding \$5,000 are competitively bid.

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**FINDING 05.05      THE ESTIMATED FUND BALANCE OF THE GENERAL FUND EXCEEDED THE ACTUAL FUND BALANCE AT JULY 1, 2004, BY A MATERIAL AMOUNT**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The General Fund's estimated fund balance reflected in the county's budget at July 1, 2004, was \$2,603,800; however, the actual fund balance was \$1,893,804. Therefore, the estimated fund balance presented to the County Commission exceeded the actual fund balance by \$709,996.

**RECOMMENDATION**

The estimated beginning fund balance should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

**MANAGEMENT RESPONSE – COUNTY MAYOR**

We concur. Budget estimates will be made on a more realistic basis.

**FINDING 05.06      THE OFFICE DID NOT PROPERLY MAINTAIN INVENTORY RECORDS AND CONTROL OVER ASSETS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of inventory records and controls revealed the following deficiencies:

- A.     Some assets were not tagged or otherwise clearly marked as county property.
- B.     The inventory records did not include the serial numbers for some equipment.
- C.     The office did not have procedures to ensure that persons independent of inventory recordkeeping verified the inventory.

Generally accepted accounting principles require accountability for all county-owned assets.

**RECOMMENDATION**

County officials should improve controls over assets by establishing policies and procedures to ensure tagging or labeling of all assets as county property, recording of serial numbers for all equipment, and verifying of inventory by personnel independent of recordkeeping.

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**OFFICE OF HIGHWAY SUPERINTENDENT**

**FINDING 05.07      COMPETITIVE BIDS WERE NOT SOLICITED FOR THE LEASE OF HIGHWAY EQUIPMENT, AND THE LEASE WAS NOT APPROVED BY THE COUNTY COMMISSION**  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the lease of a tractor with an attached boom mower. The Highway Department entered into an open-ended lease with a local business to lease a tractor with an attached boom mower for \$1,000 per month. The length of the lease was not specified, and there were no provisions in the lease for the eventual purchase of the equipment. However, the highway superintendent stated that he had a verbal agreement with the business owner for an option to purchase the equipment. The Highway Department has used this equipment since April 2004, and as of the date of this report has paid a total of \$20,000 in rent. The Tennessee County Uniform Highway Law, Section 54-7-113(c)(2), Tennessee Code Annotated (TCA), requires that competitive bids be solicited through public advertisement for leases which extend beyond 90 days or require total payments exceeding \$10,000. Section 7-51-904, TCA, requires leases for tangible personal property be approved by the County Commission.

## RECOMMENDATION

The Highway Department should solicit competitive bids for leases which extend beyond 90 days or require payments exceeding \$10,000 as required by state statute. Furthermore, leases for tangible personal property should be approved by the County Commission.

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## OFFICE OF DIRECTOR OF SCHOOLS

### FINDING 05.08      **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS** (A., B. Internal Control – Reportable Conditions Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)

Our examination of budget operations revealed the following deficiencies:

- A.     The Central Cafeteria Fund’s original budget approved by the County Commission was not posted to the accounting records of the fund; however, approved budget amendments were posted to the records during the year. The absence of the original budget did not allow management to properly monitor budgetary activity. We presented audit adjustments to management for their approval and posting to properly reflect the Central Cafeteria Fund’s budget in the financial statements of this report.
  
- B.     The General Purpose School Fund’s original budget approved by the County Commission was posted incorrectly to the accounting records. We presented audit adjustments (\$99,500) to management for their approval and posting to properly reflect the General Purpose School Fund’s budget in the financial statements of this report.
  
- C.     Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds’ major appropriation categories (the legal level of control):

<u>Major Category</u>	<u>Expenditures Over Appropriations</u>
General Purpose School Fund:	
Operation of Plant	\$ 5,660
School Federal Projects Fund:	
Instruction - Regular Instruction	47,710
Instruction - Vocational Education	19,096
Support Services - Health Services	3,005
Support Services - Special Education	2,547
Other Uses - Transfers Out	8,556

Section 5-9-401, Tennessee Code Annotated, states that “All funds ... including but not limited to ... taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

**RECOMMENDATION**

The original budget and approved amendments should be posted accurately and promptly to the accounting records. Expenditures and encumbrances should be held within appropriations approved the County Commission.

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**FINDING 05.09**      **THE OFFICE DID NOT SOLICIT COMPETITIVE BIDS FOR SOME APPLICABLE PURCHASES**  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase and installation of doors at a county high school (\$7,354) and a bus camera system (\$13,200). Section 49-2-203, Tennessee Code Annotated, requires purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

**RECOMMENDATION**

The School Department should solicit competitive bids for purchases exceeding \$5,000 as required by state statute.

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**FINDING 05.10      INVENTORY RECORDS WERE NOT UPDATED OR VERIFIED  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

School officials maintained inventory records of department assets; however, these records had not been updated or verified in four years. As a result, the inventory did not accurately reflect the department's assets. Generally accepted accounting principles require accountability for all department-owned assets, such as equipment, furniture, and vehicles.

**RECOMMENDATION**

The School Department should maintain inventory records of all assets on a current basis as required by generally accepted accounting principles. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

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**OFFICE OF GENERAL SESSIONS COURT CLERK**

**FINDING 05.11      BANK STATEMENTS WERE NOT RECONCILED WITH THE GENERAL LEDGER  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Bank statements were not reconciled with the general ledger during the year. At June 30, 2005, the general ledger's cash account exceeded the bank balance by \$5,165. Subsequent to June 30, 2005, the bookkeeper reconciled the bank statements with the general ledger within an immaterial amount.

**RECOMMENDATION**

Bank statements should be reconciled with the general ledger monthly, and any errors noted should be corrected promptly.

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**FINDING 05.12      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 \$6,926. 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. These statutes further provide for the funds to be reported and paid to the state Treasurer's Office.

RECOMMENDATION

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

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FINDING 05.13      **THE OFFICE DID NOT PREPARE AN EXECUTION DOCKET TRIAL BALANCE**  
(Material Noncompliance Under Government Auditing Standards)

The office did not prepare a trial balance of execution docket cause balances at June 30, 2005, as required by Section 18-2-103, Tennessee Code Annotated (TCA). Consequently, we were unable to reconcile general ledger cash accounts with cause balances. Furthermore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, 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.

RECOMMENDATION

The general sessions court clerk should prepare and reconcile a trial balance of execution docket cause balances with general ledger cash accounts as required by state statutes. To further 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.

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FINDING 05.14      **THE CLERK DID NOT REQUIRE A DEPOSITORY TO ADEQUATELY COLLATERALIZE FUNDS**  
(Noncompliance Under Government Auditing Standards)

The clerk did not require a depository holding county funds to pledge adequate securities to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at this depository exceeded FDIC coverage and collateral securities pledged by \$90,260. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

RECOMMENDATION

The clerk should require all depositories to pledge adequate securities to protect county funds exceeding FDIC coverage as required by state statute.

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OTHER FINDING

FINDING 05.15      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY MAYOR, HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Mayor, Highway Superintendent, Director of Schools, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Housing and Urban Development	05.16	14.228	OMB <u>Circular A-133</u> Section 300(c)	Material Noncompliance under <u>Circular A-133</u> . Federal funds were requested and disbursed in violation of the grant application agreement, see Finding 05.02.	\$ 0

**FENTRESS COUNTY, TENNESSEE, AND THE  
FENTRESS COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2005**

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

**Office of County Mayor – Corrective Action Plan for Current Year Findings**

**FINDINGS 05.02 and 05.16**

In the future, Fentress County will follow strict guidelines to assure that any grant dollars received will be paid out in the required manner.