



**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, 2007**



**ANNUAL FINANCIAL REPORT**  
**FENTRESS COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*Assistant to the Comptroller*

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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, 2007

## ***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, 2007.

## ***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 (GASB) Statement No. 34.

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

## ***Findings***

The following are summaries of the audit findings:

### **FENTRESS COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.
- ◆ The county failed to perform steps set forth in the timeline included in their GASB 34 implementation plan filed with the Comptroller's Office.

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### **FINANCE DEPARTMENT**

- ◆ Inventory records were not maintained for assets owned by the county and the School Department.
  - ◆ Expenditures exceeded appropriations in the Miscellaneous (\$193,911) major appropriation category (the legal level of control) in the General Fund and the Operation of Plant (\$24,985) major appropriation category in the General Purpose School Fund.
  - ◆ The Ambulance Service did not always follow the County Commission's approved write-off policy for uncollectible accounts. Also, the Ambulance Service did not deposit funds within three days of collection as required by state statute.
-

## **OFFICE OF COUNTY CLERK**

- ◆ The clerk did not report and pay state and county revenues to the appropriate agency in a timely manner as required by state statute.
- 

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

- ◆ Accounting records were not maintained in accordance with generally accepted accounting principles. Bank statements were not reconciled properly with the general ledger, and transactions were not posted to the general ledger in a timely manner. Also, the clerk did not report and pay state and county revenues to the appropriate agency in a timely manner as required by state statute. Furthermore, the execution docket trial balance prepared by the clerk did not reconcile with the general ledger by a substantial amount.
  - ◆ Unclaimed funds (old outstanding checks) were not reported and paid to the state as required by state statute.
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## **OTHER FINDING**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of County Executive, Finance Department, Road Supervisor, 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, 2007

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### **Officials**

John Mullinix, County Executive  
Fred Blevins, Road Supervisor  
Jerry Roysden, Trustee  
Roger Compton, Assessor of Property  
Marilyn Stephens, County Clerk  
Tammy Smith, Circuit and General Sessions Courts Clerk  
Kathryn Taylor, Clerk and Master  
Faye Stephens, Register  
Charles Cravens, Sheriff  
Marilyn Joyce Crabtree, Finance Director

### **Board of County Commissioners**

John Mullinix, Chairman  
Leonard Bilbrey  
William Campau  
John Clark  
Larry Cooper  
Michael Cross  
Frank Mullinix  
Bob Pile  
Gene Allen Roysden  
Floyd Stephens  
Joe Stewart

### **Finance Committee**

Larry Cooper, Chairman  
John Mullinix  
Fred Blevins  
Homer Lee Linder, Jr.  
Michael Cross  
Frank Mullinix  
Bob Pile

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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**

September 21, 2007

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

To the County Executive 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, 2007, as shown on pages 15 through 37, 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, 2007, 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, 2007, 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 September 21, 2007, 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 to 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.

The budgetary comparison and pension information on pages 41 through 49 are not required parts of the basic financial statements but they do provide 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, and miscellaneous schedules are presented for purposes of additional analysis and are not a

required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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/rc

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Fentress County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2007

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,725	\$ 21,725
Equity in Pooled Cash and Investments	2,148,032	568,188	120,505	2,191,647	100,115	5,128,487
Accounts Receivable	578,133	10,978	12,706	0	309	602,126
Allowance for Uncollectibles	(181,371)	0	0	0	0	(181,371)
Due from Other Governments	25,175	110,853	447,732	55,921	0	639,681
Due from Other Funds	36,228	164	0	0	0	36,392
Property Taxes Receivable	2,270,300	317,101	0	159,166	0	2,746,567
Allowance for Uncollectible Property Taxes	(87,449)	(12,298)	0	(6,337)	0	(106,084)
<b>Total Assets</b>	<b>\$ 4,789,048</b>	<b>\$ 994,986</b>	<b>\$ 580,943</b>	<b>\$ 2,400,397</b>	<b>\$ 122,149</b>	<b>\$ 8,887,523</b>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Payroll Deductions Payable	\$ 0	\$ 0	\$ 1,176	\$ 0	\$ 0	\$ 1,176
Contracts Payable	173,800	0	161,871	0	0	335,671
Due to Other Funds	164	0	0	0	22,034	22,198
Other Current Liabilities	0	0	13	0	0	13
Deferred Revenue - Current Property Taxes	2,080,115	290,249	0	145,124	0	2,515,488
Deferred Revenue - Delinquent Property Taxes	80,608	10,954	0	4,790	0	96,352
Other Deferred Revenues	368,238	55,973	158,226	29,672	0	612,109
<b>Total Liabilities</b>	<b>\$ 2,702,925</b>	<b>\$ 357,176</b>	<b>\$ 321,286</b>	<b>\$ 179,586</b>	<b>\$ 22,034</b>	<b>\$ 3,583,007</b>
<u>Fund Balances</u>						
Reserved for Alcohol and Drug Treatment	\$ 6,011	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,011
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	6,438	0	0	0	0	6,438
Reserved for Sexual Offender Registration	1,200	0	0	0	0	1,200
Reserved for Computer System - Register	8,895	0	0	0	0	8,895
Unreserved, Reported In:						
General Fund	2,063,579	0	0	0	0	2,063,579
Special Revenue Funds	0	637,810	259,657	0	89,190	986,657
Debt Service Funds	0	0	0	2,220,811	0	2,220,811

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Unreserved, Reported In (Cont.):

Capital Projects Funds

Total Fund Balances

Total Liabilities and Fund Balances

Major Funds				Nonmajor	Total
General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
				10,925	10,925
\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,115	\$ 5,304,516
\$ 2,086,123	\$ 637,810	\$ 259,657	\$ 2,220,811	\$ 122,149	\$ 8,887,523
\$ 4,789,048	\$ 994,986	\$ 580,943	\$ 2,400,397		

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, 2007

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<b>Revenues</b>						
Local Taxes	\$ 2,769,047	\$ 942,375	\$ 54,604	\$ 485,549	\$ 0	\$ 4,251,575
Licenses and Permits	29,770	0	0	0	0	29,770
Fines, Forfeitures, and Penalties	76,730	0	0	0	58,544	135,274
Charges for Current Services	1,147,952	149,575	0	0	0	1,297,527
Other Local Revenues	357,743	131,084	310,574	59,080	5,023	863,504
Fees Received from County Officials	630,036	0	0	0	0	630,036
State of Tennessee	360,850	50,149	2,052,090	0	13,743	2,476,832
Federal Government	124,183	0	49,793	0	224,571	398,547
Other Governments and Citizens Groups	22,800	0	0	350,000	0	372,800
<b>Total Revenues</b>	<b>\$ 5,519,111</b>	<b>\$ 1,273,183</b>	<b>\$ 2,467,061</b>	<b>\$ 894,629</b>	<b>\$ 301,881</b>	<b>\$ 10,455,865</b>
<b>Expenditures</b>						
<b>Current:</b>						
General Government	\$ 809,797	\$ 0	\$ 0	\$ 0	\$ 0	\$ 809,797
Finance	789,882	0	0	0	0	789,882
Administration of Justice	424,829	0	0	0	0	424,829
Public Safety	1,482,738	0	0	0	254,398	1,737,136
Public Health and Welfare	1,203,285	1,248,485	0	0	21,200	2,472,970
Social, Cultural, and Recreational Services	161,205	0	0	0	0	161,205
Agricultural and Natural Resources	81,317	0	0	0	0	81,317
Other Operations	812,694	50,884	0	0	0	863,578
Highways	0	0	2,416,592	0	0	2,416,592
<b>Debt Service:</b>						
Principal on Debt	0	0	250,526	712,419	0	962,945
Interest on Debt	0	0	45,483	361,641	0	407,124
Other Debt Service	0	0	0	43,791	0	43,791
Capital Projects	0	0	0	0	224,571	224,571
<b>Total Expenditures</b>	<b>\$ 5,765,747</b>	<b>\$ 1,299,369</b>	<b>\$ 2,712,601</b>	<b>\$ 1,117,851</b>	<b>\$ 500,169</b>	<b>\$ 11,395,737</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (246,636)	\$ (26,186)	\$ (245,540)	\$ (223,222)	\$ (198,288)	\$ (939,872)
<b>Other Financing Sources (Uses)</b>						
Capital Leases Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 123,950	\$ 123,950
Insurance Recovery	49	1,607	26,654	0	9,796	38,106

(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 In	\$ 3,000	\$ 0	\$ 165,000	\$ 0	\$ 0	\$ 168,000
Transfers Out	(165,000)	(3,000)	0	0	0	(168,000)
Total Other Financing Sources (Uses)	\$ (161,951)	\$ (1,393)	\$ 191,654	\$ 0	\$ 133,746	\$ 162,056
Net Change in Fund Balances	\$ (408,587)	\$ (27,579)	\$ (53,886)	\$ (223,222)	\$ (64,542)	\$ (777,816)
Fund Balance, July 1, 2006	2,494,710	665,389	313,543	2,444,033	164,657	6,082,332
Fund Balance, June 30, 2007	\$ 2,086,123	\$ 637,810	\$ 259,657	\$ 2,220,811	\$ 100,115	\$ 5,304,516

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 544,715
Due from Other Governments	<u>108,660</u>
Total Assets	<u>\$ 653,375</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 108,660
Due to Litigants, Heirs, and Others	<u>544,715</u>
Total Liabilities	<u>\$ 653,375</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, 2007**

**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, and the County Commission appoints its seven-member board. Fentress County substantially funds the Industrial Development Board through annual appropriations. During the year ended June 30, 2007, the county appropriated an operating subsidy of \$37,490 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 separate reports. 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:

Administrative Offices:

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, the 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 in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Fentress County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. 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**

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

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

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as 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 considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

**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 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. Budgetary Information**

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

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

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

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

**B. Expenditures Exceeded Appropriations**

General Fund expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) by \$193,911. 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 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.

### **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, 2007.

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental	\$ 22,034
General	Nonmajor governmental	14,194
Solid Waste/Sanitation	General	164

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.

The receivable in the General Fund (\$14,194) was in transit from the nonmajor Drug Control Fund at June 30, 2007.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

Transfers Out	Transfers In	
	General Fund	Highway/ Public Works Fund
General Fund	\$ 0	\$ 165,000
Solid Waste/Sanitation Fund	3,000	0
<b>Total</b>	<b>\$ 3,000</b>	<b>\$ 165,000</b>

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 December 13, 2005, Fentress County entered into a two-year lease-purchase agreement for two patrol cars. The terms of the agreement require total lease payments of \$43,150 plus interest of 5.2 percent. Title to the patrol cars transfers to Fentress County at the end of the lease period. The lease payments are made by the Drug Control Fund.

On February 21, 2007, Fentress County entered into a two-year lease-purchase agreement for six patrol cars. The terms of the agreement require total lease payments of \$123,950 plus interest of 5.6 percent. Title to the patrol cars transfers to Fentress County at the end of the lease period. The first lease payment was made in the current period from the Drug Control Fund. Subsequent lease payments will be made by the General Fund (60%) and the Drug Control Fund (40%).

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, 2007, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2008	\$ 64,562
2009	43,587
Total Minimum Lease Payments	<u>\$ 108,149</u>
Amount Representing Interest	<u>(7,679)</u>
Present Value of Minimum Lease Payments	<u>\$ 100,470</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.

Notes and Other Loans

The county issues 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.

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 five 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, 2007, 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, 2007, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Notes	2.7 %	\$ 1,628,000	\$ 770,111
Other Loans	Variable	12,300,000	8,853,000
Capital Leases	5.1 to 5.6	201,922	100,470

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, 2007, the variable interest rate for each loan was 3.73 percent, and other fees amounted to approximately .25 percent (letter of credit), .08 percent (remarketing) of the outstanding loan principal, and the trustee fee was \$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, 2007, the variable interest rate was 3.76 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, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Notes	
	Principal	Interest
2008	\$ 249,783	\$ 17,767
2009	256,656	10,894
2010	263,672	3,878
Total	\$ 770,111	\$ 32,539

Year Ending June 30	Other Loan (\$5,300,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 215,000	\$ 103,964	\$ 15,208	\$ 334,172
2009	225,000	95,880	14,025	334,905
2010	240,000	87,420	12,787	340,207
2011	250,000	78,396	11,468	339,864
2012	265,000	68,996	10,092	344,088
2013-2017	1,555,000	184,240	26,950	1,766,190
2018	15,000	564	82	15,646
Total	\$ 2,765,000	\$ 619,460	\$ 90,612	\$ 3,475,072

Year Ending June 30	Other Loan (\$6,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 172,000	\$ 196,011	\$ 18,541	\$ 386,552
2009	181,000	189,596	17,974	388,570
2010	190,000	182,845	17,377	390,222
2011	199,000	175,757	16,750	391,507
2012	209,000	168,335	16,093	393,428
2013-2017	1,214,000	716,496	69,390	1,999,886
2018-2022	1,548,000	466,474	47,270	2,061,744
2023-2026	1,542,000	147,260	17,828	1,707,088
Total	\$ 5,255,000	\$ 2,242,774	\$ 221,223	\$ 7,718,997

Year Ending June 30	Other Loan (\$1,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 39,000	\$ 31,071	\$ 3,949	\$ 74,020
2009	40,000	29,616	3,820	73,436
2010	43,000	28,124	3,688	74,812
2011	45,000	26,520	3,547	75,067
2012	47,000	24,842	3,398	75,240
2013-2017	272,000	96,160	14,507	382,667
2018-2022	347,000	40,060	9,544	396,604
Total	\$ 833,000	\$ 276,393	\$ 42,453	\$ 1,151,846

There is \$2,220,811 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes, capital leases, and other loans, totaled \$585, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

##### Governmental Activities:

	Notes	Capital Leases
Balance, July 1, 2006	\$ 1,319,710	\$ 41,114
Additions	0	123,950
Deductions	(549,599)	(64,594)
Balance, June 30, 2007	\$ 770,111	\$ 100,470
Balance Due Within One Year	\$ 249,783	\$ 59,194

  

	Other Loans	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 9,259,000	\$ 179,550
Deductions	(406,000)	(36,238)
Balance, June 30, 2007	\$ 8,853,000	\$ 143,312
Balance Due Within One Year	\$ 426,000	\$ 7,323

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. Subsequent Event

On August 31, 2007, Fentress County issued capital outlay notes totaling \$160,000 for the purchase of fire trucks.

##### C. 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.

##### D. Changes in Administration

On August 31, 2006, Frank Smith left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Tammy Smith, and Noel Ray Atkinson left the Office of Sheriff and was succeeded by Charles Cravens.

##### 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 \$143,312 reported as landfill postclosure care liability at June 30, 2007, represents estimated postclosure care costs 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 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, 2007, 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:

Administrative Office:

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

**G. Retirement Commitments**

**Employees**

**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, Tennessee 37243-0230 or 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, 2007, was 6.02 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, 2007, Fentress County's annual pension cost of \$210,660 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 three 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, 2005, was 12 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### **Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$210,660	100%	\$0
6-30-06	157,685	100	0
6-30-05	148,267	100	0

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

Fentress County operates under provisions of the County Financial Management System of 1981 which provides for a central system of accounting, budgeting, and purchasing for all funds of the county. This act provides for the creation of a Finance Department operated under the direction of the finance director.

**I. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by her to serve as the county purchasing agent. The finance director serves as the purchasing agent for Fentress County. All purchase orders are issued by the Finance Department. Purchases exceeding \$5,000 for the Office of County Executive and \$10,000 for the Office of Road Supervisor are required to be competitively bid.

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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 (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,769,047	\$ 0	\$ 2,769,047	\$ 2,747,232	\$ 2,767,232	\$ 1,815
Licenses and Permits	29,770	0	29,770	27,490	27,490	2,280
Fines, Forfeitures, and Penalties	76,730	0	76,730	63,598	76,637	93
Charges for Current Services	1,147,952	0	1,147,952	1,191,240	1,191,240	(43,288)
Other Local Revenues	357,743	0	357,743	326,500	328,175	29,568
Fees Received from County Officials	630,036	0	630,036	549,500	549,500	80,536
State of Tennessee	360,850	0	360,850	497,630	505,282	(144,432)
Federal Government	124,183	0	124,183	95,450	100,450	23,733
Other Governments and Citizens Groups	22,800	0	22,800	22,800	22,800	0
<b>Total Revenues</b>	<b>\$ 5,519,111</b>	<b>\$ 0</b>	<b>\$ 5,519,111</b>	<b>\$ 5,521,440</b>	<b>\$ 5,568,806</b>	<b>\$ (49,695)</b>
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 85,313	\$ 0	\$ 85,313	\$ 87,918	\$ 87,918	\$ 2,605
Board of Equalization	1,130	0	1,130	1,500	1,500	370
Beer Board	1,500	0	1,500	1,500	1,500	0
County Mayor/Executive	143,765	0	143,765	144,037	144,037	272
Election Commission	216,970	0	216,970	234,061	224,561	7,591
Register of Deeds	159,001	0	159,001	167,308	162,418	3,417
Planning	10,300	0	10,300	11,300	11,300	1,000
County Buildings	191,818	0	191,818	202,964	200,454	8,636
<u>Finance</u>						
Accounting and Budgeting	267,478	0	267,478	267,493	267,493	15
Property Assessor's Office	134,053	0	134,053	134,806	134,806	753
Reappraisal Program	27,439	0	27,439	24,519	27,534	95
County Trustee's Office	160,349	0	160,349	162,510	160,708	359
County Clerk's Office	200,563	0	200,563	206,350	205,350	4,787

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Administration of Justice</u>						
Circuit Court	\$ 186,626	\$ 0	\$ 186,626	\$ 201,574	\$ 198,563	\$ 11,937
General Sessions Court	94,002	0	94,002	116,606	99,080	5,078
Chancery Court	99,485	0	99,485	108,256	105,179	5,694
Juvenile Court	19,223	0	19,223	20,905	20,905	1,682
Probation Services	25,493	0	25,493	0	29,805	4,312
<u>Public Safety</u>						
Sheriff's Department	752,482	0	752,482	787,465	808,065	55,583
Administration of the Sexual Offender Registry	0	0	0	1,040	1,040	1,040
Jail	419,460	0	419,460	361,945	461,945	42,485
Fire Prevention and Control	103,398	(425)	102,973	105,229	109,350	6,377
Rural Fire Protection	2,115	0	2,115	10,000	8,390	6,275
Civil Defense	16,682	0	16,682	17,300	17,300	618
Rescue Squad	19,849	0	19,849	20,000	20,000	151
Other Emergency Management	150,100	0	150,100	150,100	150,100	0
County Coroner/Medical Examiner	13,000	0	13,000	21,670	20,670	7,670
Public Safety Grant Programs	4,892	0	4,892	0	5,000	108
Other Public Safety	760	0	760	0	760	0
<u>Public Health and Welfare</u>						
Local Health Center	41,498	0	41,498	41,763	41,763	265
Ambulance/Emergency Medical Services	1,031,433	0	1,031,433	987,480	1,049,728	18,295
Crippled Children Services	1,213	0	1,213	1,213	1,213	0
Other Local Health Services	87,141	0	87,141	175,208	175,208	88,067
Appropriation to State	34,000	0	34,000	34,000	34,000	0
General Welfare Assistance	0	0	0	1,500	1,500	1,500
Other Local Welfare Services	8,000	0	8,000	17,500	17,500	9,500

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services</u>						
Adult Activities	\$ 59,975	\$ 0	\$ 59,975	\$ 57,341	\$ 61,216	\$ 1,241
Libraries	97,678	0	97,678	98,160	98,160	482
Parks and Fair Boards	3,552	0	3,552	8,800	4,800	1,248
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	55,500	0	55,500	58,362	58,362	2,862
Soil Conservation	25,817	0	25,817	25,817	25,817	0
<u>Other Operations</u>						
Tourism	53,311	0	53,311	49,159	53,311	0
Industrial Development	37,490	0	37,490	33,990	37,490	0
Veterans' Services	38,398	0	38,398	39,479	38,979	581
Contributions to Other Agencies	20,639	0	20,639	10,755	30,755	10,116
Miscellaneous	662,856	0	662,856	468,945	468,945	(193,911)
<u>Highways</u>						
Highway and Bridge Maintenance	0	0	0	165,000	0	0
Total Expenditures	\$ 5,765,747	\$ (425)	\$ 5,765,322	\$ 5,842,828	\$ 5,884,478	\$ 119,156
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (246,636)	\$ 425	\$ (246,211)	\$ (321,388)	\$ (315,672)	\$ 69,461
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 49	\$ 0	\$ 49	\$ 0	\$ 0	\$ 49
Transfers In	3,000	0	3,000	0	0	3,000
Transfers Out	(165,000)	0	(165,000)	0	(165,000)	0
Total Other Financing Sources (Uses)	\$ (161,951)	\$ 0	\$ (161,951)	\$ 0	\$ (165,000)	\$ 3,049

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (408,587)	\$ 425	\$ (408,162)	\$ (321,388)	\$ (480,672)	\$ 72,510
Fund Balance, July 1, 2006	2,494,710	(425)	2,494,285	2,467,177	2,467,177	27,108
Fund Balance, June 30, 2007	\$ 2,086,123	\$ 0	\$ 2,086,123	\$ 2,145,789	\$ 1,986,505	\$ 99,618

## 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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 942,375	\$ 882,645	\$ 882,645	\$ 59,730
Charges for Current Services	149,575	146,150	146,150	3,425
Other Local Revenues	131,084	117,010	117,010	14,074
State of Tennessee	50,149	69,300	69,300	(19,151)
Total Revenues	\$ 1,273,183	\$ 1,215,105	\$ 1,215,105	\$ 58,078
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 109,679	\$ 114,801	\$ 114,801	\$ 5,122
Sanitation Education/Information	9,840	11,000	11,000	1,160
Waste Pickup	205,117	199,265	209,265	4,148
Convenience Centers	324,355	379,520	369,520	45,165
Problem Waste Centers	5,068	5,500	5,500	432
Recycling Center	247,932	290,117	285,428	37,496
Landfill Operation and Maintenance	340,000	340,000	340,000	0
Postclosure Care Costs	6,494	12,500	12,500	6,006
<u>Other Operations</u>				
Other Charges	50,706	49,709	54,398	3,692
Employee Benefits	178	450	450	272
Total Expenditures	\$ 1,299,369	\$ 1,402,862	\$ 1,402,862	\$ 103,493
Excess (Deficiency) of Revenues Over Expenditures	\$ (26,186)	\$ (187,757)	\$ (187,757)	\$ 161,571
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,607	\$ 0	\$ 0	\$ 1,607
Transfers Out	(3,000)	(3,000)	(3,000)	0
Total Other Financing Sources (Uses)	\$ (1,393)	\$ (3,000)	\$ (3,000)	\$ 1,607
Net Change in Fund Balance	\$ (27,579)	\$ (190,757)	\$ (190,757)	\$ 163,178
Fund Balance, July 1, 2006	665,389	661,092	661,092	4,297
Fund Balance, June 30, 2007	\$ 637,810	\$ 470,335	\$ 470,335	\$ 167,475

## Exhibit D-3

Fentress County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Highway/Public Works Fund  
 For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 54,604	\$ 55,000	\$ 55,000	\$ (396)
Other Local Revenues	310,574	340,200	334,521	(23,947)
State of Tennessee	2,052,090	1,992,634	1,992,634	59,456
Federal Government	49,793	0	49,792	1
Total Revenues	\$ 2,467,061	\$ 2,387,834	\$ 2,431,947	\$ 35,114
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 141,662	\$ 143,968	\$ 143,968	\$ 2,306
Highway and Bridge Maintenance	885,162	757,086	919,040	33,878
Operation and Maintenance of Equipment	494,151	559,880	544,680	50,529
Quarry Operations	230,578	239,386	239,386	8,808
Other Charges	97,256	96,784	97,594	338
Employee Benefits	54,365	64,706	57,206	2,841
Capital Outlay	513,418	418,500	516,035	2,617
<u>Principal on Debt</u>				
Highways and Streets	250,526	256,965	250,526	0
<u>Interest on Debt</u>				
Highways and Streets	45,483	43,375	49,814	4,331
Total Expenditures	\$ 2,712,601	\$ 2,580,650	\$ 2,818,249	\$ 105,648
Excess (Deficiency) of Revenues Over Expenditures				
	\$ (245,540)	\$ (192,816)	\$ (386,302)	\$ 140,762
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 26,654	\$ 0	\$ 28,486	\$ (1,832)
Transfers In	165,000	0	165,000	0
Total Other Financing Sources (Uses)	\$ 191,654	\$ 0	\$ 193,486	\$ (1,832)
Net Change in Fund Balance				
	\$ (53,886)	\$ (192,816)	\$ (192,816)	\$ 138,930
Fund Balance, July 1, 2006	313,543	310,663	310,663	2,880
Fund Balance, June 30, 2007				
	\$ 259,657	\$ 117,847	\$ 117,847	\$ 141,810

Exhibit D-4

Fentress County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

**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	UAAL as a Percentage of Covered Payroll  ((b-a)/c)
6-30-05	\$ 2,410	\$ 2,446	\$ 36	98.55 %	\$ 3,030	1.17 %
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

**FENTRESS COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**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 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 Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, 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 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 schedule.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

General Fund expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) by \$193,911. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

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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 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 to maintain and improve industrial park buildings.

Exhibit E-1

Fentress County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	<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>Industrial/</u>	<u>Nonmajor</u>
		<u>Fees</u>		<u>Park</u>	<u>Governmental</u>
					<u>Funds</u>
<u>ASSETS</u>					
Cash	\$ 0	\$ 21,725	\$ 21,725	\$ 0	\$ 21,725
Equity in Pooled Cash and Investments	89,190	0	89,190	10,925	100,115
Accounts Receivable	0	309	309	0	309
<b>Total Assets</b>	<b>\$ 89,190</b>	<b>\$ 22,034</b>	<b>\$ 111,224</b>	<b>\$ 10,925</b>	<b>\$ 122,149</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Due to Other Funds	\$ 0	\$ 22,034	\$ 22,034	\$ 0	\$ 22,034
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 22,034</b>	<b>\$ 22,034</b>	<b>\$ 0</b>	<b>\$ 22,034</b>
<u>Fund Balances</u>					
Unreserved	\$ 89,190	\$ 0	\$ 89,190	\$ 10,925	\$ 100,115
<b>Total Fund Balances</b>	<b>\$ 89,190</b>	<b>\$ 0</b>	<b>\$ 89,190</b>	<b>\$ 10,925</b>	<b>\$ 100,115</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 89,190</b>	<b>\$ 22,034</b>	<b>\$ 111,224</b>	<b>\$ 10,925</b>	<b>\$ 122,149</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, 2007

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Community Development/ Industrial Park	
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 58,544	\$ 0	\$ 58,544
Other Local Revenues	5,023	0	5,023
State of Tennessee	13,743	0	13,743
Federal Government	0	224,571	224,571
Total Revenues	<u>\$ 77,310</u>	<u>\$ 224,571</u>	<u>\$ 301,881</u>
<u>Expenditures</u>			
Current:			
Public Safety	\$ 254,398	\$ 0	\$ 254,398
Public Health and Welfare	21,200	0	21,200
Capital Projects	0	224,571	224,571
Total Expenditures	<u>\$ 275,598</u>	<u>\$ 224,571</u>	<u>\$ 500,169</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (198,288)</u>	<u>\$ 0</u>	<u>\$ (198,288)</u>
<u>Other Financing Sources (Uses)</u>			
Capital Leases Issued	\$ 123,950	\$ 0	\$ 123,950
Insurance Recovery	9,796	0	9,796
Total Other Financing Sources (Uses)	<u>\$ 133,746</u>	<u>\$ 0</u>	<u>\$ 133,746</u>
Net Change in Fund Balances	\$ (64,542)	\$ 0	\$ (64,542)
Fund Balance, July 1, 2006	<u>153,732</u>	<u>10,925</u>	<u>164,657</u>
Fund Balance, June 30, 2007	<u><u>\$ 89,190</u></u>	<u><u>\$ 10,925</u></u>	<u><u>\$ 100,115</u></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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 58,544	\$ 67,500	\$ 68,700	\$ (10,156)
Other Local Revenues	5,023	0	0	5,023
State of Tennessee	13,743	0	0	13,743
Total Revenues	<u>\$ 77,310</u>	<u>\$ 67,500</u>	<u>\$ 68,700</u>	<u>\$ 8,610</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 254,398	\$ 78,539	\$ 269,029	\$ 14,631
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	21,200	0	21,200	0
Total Expenditures	<u>\$ 275,598</u>	<u>\$ 78,539</u>	<u>\$ 290,229</u>	<u>\$ 14,631</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (198,288)</u>	<u>\$ (11,039)</u>	<u>\$ (221,529)</u>	<u>\$ 23,241</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 123,950	0	\$ 123,950	0
Insurance Recovery	9,796	0	0	9,796
Total Other Financing Sources (Uses)	<u>\$ 133,746</u>	<u>\$ 0</u>	<u>\$ 123,950</u>	<u>\$ 9,796</u>
Net Change in Fund Balance	\$ (64,542)	\$ (11,039)	\$ (97,579)	\$ 33,037
Fund Balance, July 1, 2006	153,732	154,997	154,997	(1,265)
Fund Balance, June 30, 2007	<u>\$ 89,190</u>	<u>\$ 143,958</u>	<u>\$ 57,418</u>	<u>\$ 31,772</u>

# **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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 485,549	\$ 486,565	\$ 486,565	\$ (1,016)
Other Local Revenues	59,080	79,500	79,500	(20,420)
Other Governments and Citizens Groups	350,000	350,000	350,000	0
Total Revenues	<u>\$ 894,629</u>	<u>\$ 916,065</u>	<u>\$ 916,065</u>	<u>\$ (21,436)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 343,419	\$ 112,945	\$ 358,070	\$ 14,651
Education	369,000	369,000	369,000	0
<u>Interest on Debt</u>				
General Government	39,372	57,660	57,860	18,488
Education	322,269	436,950	436,950	114,681
<u>Other Debt Service</u>				
General Government	11,587	12,500	12,500	913
Education	32,204	38,500	38,500	6,296
Total Expenditures	<u>\$ 1,117,851</u>	<u>\$ 1,027,555</u>	<u>\$ 1,272,880</u>	<u>\$ 155,029</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (223,222)</u>	<u>\$ (111,490)</u>	<u>\$ (356,815)</u>	<u>\$ 133,593</u>
Net Change in Fund Balance	\$ (223,222)	\$ (111,490)	\$ (356,815)	\$ 133,593
Fund Balance, July 1, 2006	2,444,033	2,442,230	2,442,230	1,803
Fund Balance, June 30, 2007	<u>\$ 2,220,811</u>	<u>\$ 2,330,740</u>	<u>\$ 2,085,415</u>	<u>\$ 135,396</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 and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit G-1

Fentress County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2007

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 544,715	\$ 544,715
Due from Other Governments	108,660	0	108,660
Total Assets	<u>\$ 108,660</u>	<u>\$ 544,715</u>	<u>\$ 653,375</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 108,660	\$ 0	\$ 108,660
Due to Litigants, Heirs, and Others	0	544,715	544,715
Total Liabilities	<u>\$ 108,660</u>	<u>\$ 544,715</u>	<u>\$ 653,375</u>

Exhibit G-2

Fentress County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 610,309	\$ 610,309	\$ 0
Due from Other Governments	110,567	108,660	110,567	108,660
Total Assets	\$ 110,567	\$ 718,969	\$ 720,876	\$ 108,660
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 110,567	\$ 718,969	\$ 720,876	\$ 108,660
Total Liabilities	\$ 110,567	\$ 718,969	\$ 720,876	\$ 108,660
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 425,161	\$ 9,076,955	\$ 8,957,401	\$ 544,715
Total Assets	\$ 425,161	\$ 9,076,955	\$ 8,957,401	\$ 544,715
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 425,161	\$ 9,076,955	\$ 8,957,401	\$ 544,715
Total Liabilities	\$ 425,161	\$ 9,076,955	\$ 8,957,401	\$ 544,715
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 425,161	\$ 9,076,955	\$ 8,957,401	\$ 544,715
Equity in Pooled Cash and Investments	0	610,309	610,309	0
Due from Other Governments	110,567	108,660	110,567	108,660
Total Assets	\$ 535,728	\$ 9,795,924	\$ 9,678,277	\$ 653,375
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 110,567	\$ 718,969	\$ 720,876	\$ 108,660
Due to Litigants, Heirs, and Others	425,161	9,076,955	8,957,401	544,715
Total Liabilities	\$ 535,728	\$ 9,795,924	\$ 9,678,277	\$ 653,375

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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, and Capital Leases  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Senior Citizens Building	\$ 378,000	2.7 %	6-2-05	6-2-07	\$ 306,419	\$ 0	\$ 306,419	\$ 0
<u>Payable through Highway/Public Works Fund</u>								
County Highway Improvements	1,250,000	2.7	6-2-05	6-2-10	\$ 1,013,291	\$ 0	\$ 243,180	\$ 770,111
Total Notes Payable					\$ 1,319,710	\$ 0	\$ 549,599	\$ 770,111
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction - Allardt	5,300,000	Variable	6-1-1998	6-1-18	\$ 2,970,000	\$ 0	\$ 205,000	\$ 2,765,000
School Construction - Southern System Facility	6,000,000	Variable	10-25-01	5-25-26	5,419,000	0	164,000	5,255,000
Public Works Project	1,000,000	Variable	5-21-02	5-25-22	870,000	0	37,000	833,000
Total Other Loans Payable					\$ 9,259,000	\$ 0	\$ 406,000	\$ 8,853,000
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Tractor and Cutter	34,822	5.1	4-29-03	2-28-08	\$ 13,082	\$ 0	\$ 7,346	\$ 5,736
<u>Payable through Drug Control Fund and General Fund</u>								
Patrol Cars	123,950	5.6	2-21-07	2-21-09	\$ 0	\$ 123,950	\$ 43,587 (1)	\$ 80,363
<u>Payable through Drug Control Fund</u>								
Patrol Cars	43,150	5.2	12-13-05	12-13-07	\$ 28,032	\$ 0	\$ 13,661	\$ 14,371
Total Capital Leases Payable					\$ 41,114	\$ 123,950	\$ 64,594	\$ 100,470

(1) This payment was made from the Drug Control Fund. All future payments will be made from the General Fund (60%) and Drug Control Fund (40%).

Exhibit H-2

Fentress County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Highway/Public Works	Reimbursement - waste water project	\$ 165,000
Solid Waste/Sanitation	General	Administrative charge	<u>3,000</u>
Total Transfers			<u><u>\$ 168,000</u></u>

Exhibit H-3

Fentress County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 60,139	\$ 100,000	Western Surety Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	57,276	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	52,069	595,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	52,069	15,000	"
Finance Director	County Commission	41,656	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	52,069	50,000	"
Circuit Court Clerk:				
Frank Smith (7-1-06 to 8-31-06)	Section 8-24-102, <u>TCA</u>	9,813	25,000	"
Tammy Smith (9-1-06 to 6-30-07)	Section 8-24-102, <u>TCA</u>	42,256	25,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	65,989 (1)	50,000	Ohio Farmers Insurance Company
Register	Section 8-24-102, <u>TCA</u>	52,069	15,000	Western Surety Company
Sheriff:				
Noel Ray Atkinson (7-1-06 to 8-31-06)	Section 8-24-102, <u>TCA</u>	11,313	25,000	"
Charles Cravens (9-1-06 to 6-30-07)	Section 8-24-102, <u>TCA</u>	46,482 (2)	25,000	"
Employee Dishonesty Bond Coverage:				
General County and Highway Department Employees			500,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$13,920.

(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, 2007

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,123,374	\$ 301,277	\$ 0	\$ 0	\$ 160,496	\$ 0	\$ 2,585,147
Trustee's Collections - Prior Year	108,377	15,613	0	0	10,075	0	134,065
Circuit/Clerk & Master Collections - Prior Years	35,035	5,047	0	0	3,266	0	43,348
Interest and Penalty	21,010	3,020	0	0	1,931	0	25,961
Payments in-Lieu-of Taxes - Other	38,371	0	0	0	0	0	38,371
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	608,494	0	0	303,324	0	911,818
Hotel/Motel Tax	52,680	0	0	0	0	0	52,680
Litigation Tax - General	35,443	0	0	0	0	0	35,443
Litigation Tax - Jail, Workhouse, or Courthouse	11,342	0	0	0	0	0	11,342
Litigation Tax - Victim/Offender Mediation Center	1,951	0	0	0	0	0	1,951
Business Tax	61,195	8,924	0	0	6,457	0	76,576
Mineral Severance Tax	0	0	0	53,455	0	0	53,455
<u>Statutory Local Taxes</u>							
Bank Excise Tax	79,572	0	0	0	0	0	79,572
Wholesale Beer Tax	197,025	0	0	0	0	0	197,025
Beer Privilege Tax	1,330	0	0	0	0	0	1,330
Coal Severance Tax	0	0	0	1,149	0	0	1,149
Interstate Telecommunications Tax	2,342	0	0	0	0	0	2,342
<b>Total Local Taxes</b>	<b>\$ 2,769,047</b>	<b>\$ 942,375</b>	<b>\$ 0</b>	<b>\$ 54,604</b>	<b>\$ 485,549</b>	<b>\$ 0</b>	<b>\$ 4,251,575</b>
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 28,670	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,670
<u>Permits</u>							
Beer Permits	1,100	0	0	0	0	0	1,100
<b>Total Licenses and Permits</b>	<b>\$ 29,770</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 29,770</b>
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 3,852	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,852
Officers Costs	9,107	0	0	0	0	0	9,107

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Drug Control Fines	\$ 0	\$ 0	\$ 45,842	\$ 0	\$ 0	\$ 0	\$ 45,842
Jail Fees	300	0	0	0	0	0	300
<u>General Sessions Court</u>							
Fines	29,287	0	0	0	0	0	29,287
Officers Costs	17,179	0	0	0	0	0	17,179
Drug Control Fines	0	0	10,052	0	0	0	10,052
Drug Court Fees	320	0	0	0	0	0	320
Jail Fees	3,988	0	0	0	0	0	3,988
Data Entry Fee - General Sessions Court	1,773	0	0	0	0	0	1,773
Courtroom Security Fee	154	0	0	0	0	0	154
<u>Chancery Court</u>							
Courtroom Security Fee	38	0	0	0	0	0	38
<u>Other Courts - In-county</u>							
Fines	5,532	0	0	0	0	0	5,532
Officers Costs	760	0	0	0	0	0	760
DUI Treatment Fines	400	0	0	0	0	0	400
<u>Judicial District Drug Program</u>							
Data Entry Fee - Other Courts	290	0	0	0	0	0	290
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	3,750	0	2,650	0	0	0	6,400
Total Fines, Forfeitures, and Penalties	\$ 76,730	\$ 0	\$ 58,544	\$ 0	\$ 0	\$ 0	\$ 135,274
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	\$ 0	\$ 149,411	\$ 0	\$ 0	\$ 0	\$ 0	\$ 149,411
Patient Charges	1,134,661	0	0	0	0	0	1,134,661
<u>Fees</u>							
Vending Machine Collections	707	164	0	0	0	0	871
Data Processing Fee - Register	11,384	0	0	0	0	0	11,384
Sexual Offender Registration Fees - Sheriff	1,200	0	0	0	0	0	1,200
Total Charges for Current Services	\$ 1,147,952	\$ 149,575	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,297,527

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 155,872	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 155,872
Lease/Rentals	87,000	5,500	0	0	59,080	0	151,580
Sale of Gasoline	0	0	0	146,599	0	0	146,599
Sale of Recycled Materials	0	113,290	0	0	0	0	113,290
Miscellaneous Refunds	26,696	958	4,523	4,654	0	0	36,831
<u>Nonrecurring Items</u>							
Sale of Equipment	0	11,336	0	0	0	0	11,336
Contributions & Gifts	88,175	0	500	159,321	0	0	247,996
Total Other Local Revenues	\$ 357,743	\$ 131,084	\$ 5,023	\$ 310,574	\$ 59,080	\$ 0	\$ 863,504
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 162,794	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 162,794
Circuit Court Clerk	58,115	0	0	0	0	0	58,115
General Sessions Court Clerk	87,007	0	0	0	0	0	87,007
Clerk and Master	31,479	0	0	0	0	0	31,479
Register	126,280	0	0	0	0	0	126,280
Sheriff	5,282	0	0	0	0	0	5,282
Trustee	159,079	0	0	0	0	0	159,079
Total Fees Received from County Officials	\$ 630,036	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 630,036
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	14,312	0	0	0	0	0	14,312
State Reappraisal Grant	10,803	0	0	0	0	0	10,803
<u>Health and Welfare Grants</u>							
Health Department Programs	87,617	0	0	0	0	0	87,617
<u>Public Works Grants</u>							
State Aid Program	0	0	0	350,448	0	0	350,448
Litter Program	0	33,649	0	0	0	0	33,649

(Continued)

Exhibit H-4

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

	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>State of Tennessee (Cont.)</u>							
<u>Other State Revenues</u>							
Flood Control	\$ 225	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 225
Beer Tax	18,753	0	0	0	0	0	18,753
Alcoholic Beverage Tax	34,970	0	0	0	0	0	34,970
Contracted Prisoner Boarding	159,750	0	0	0	0	0	159,750
Gasoline and Motor Fuel Tax	0	0	0	1,688,268	0	0	1,688,268
Petroleum Special Tax	0	0	0	13,374	0	0	13,374
Registrar's Salary Supplement	16,380	0	0	0	0	0	16,380
Other State Grants	0	12,500	0	0	0	0	12,500
Other State Revenues	9,040	4,000	13,743	0	0	0	26,783
Total State of Tennessee	\$ 360,850	\$ 50,149	\$ 13,743	\$ 2,052,090	\$ 0	\$ 0	\$ 2,476,832
<u>Federal Government</u>							
<u>Federal Through State</u>							
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 49,793	\$ 0	\$ 0	\$ 49,793
Homeland Security Grants	23,238	0	0	0	0	0	23,238
Law Enforcement Grants	5,000	0	0	0	0	0	5,000
Other Federal through State	95,945	0	0	0	0	205,571	301,516
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	0	0	0	0	0	19,000	19,000
Total Federal Government	\$ 124,183	\$ 0	\$ 0	\$ 49,793	\$ 0	\$ 224,571	\$ 398,547
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 0	\$ 350,000
Contracted Services	22,800	0	0	0	0	0	22,800
Total Other Governments and Citizens Groups	\$ 22,800	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 0	\$ 372,800
Total	\$ 5,519,111	\$ 1,273,183	\$ 77,310	\$ 2,467,061	\$ 894,629	\$ 224,571	\$ 10,455,865

Exhibit H-5

Fentress County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	60,138	
Social Security		3,729	
Employer Medicare		872	
Audit Services		3,861	
Legal Services		14,616	
Other Charges		2,097	
Total County Commission			\$ 85,313

Board of Equalization

Board and Committee Members Fees	\$	1,130	
Total Board of Equalization			1,130

Beer Board

Board and Committee Members Fees	\$	1,500	
Total Beer Board			1,500

County Mayor/Executive

County Official/Administrative Officer	\$	60,139	
Assistant(s)		28,496	
Clerical Personnel		21,214	
Social Security		6,473	
State Retirement		4,897	
Medical Insurance		6,400	
Unemployment Compensation		238	
Employer Medicare		1,514	
Communication		5,327	
Postal Charges		525	
Printing, Stationery, and Forms		1,909	
Office Supplies		3,618	
Premiums on Corporate Surety Bonds		350	
Other Charges		37	
Other Equipment		2,628	
Total County Mayor/Executive			143,765

Election Commission

County Official/Administrative Officer	\$	46,862	
Deputy(ies)		25,220	
Clerical Personnel		2,807	
Election Commission		4,500	
Election Workers		15,604	

(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.)

Social Security	\$	5,039	
State Retirement		4,339	
Medical Insurance		2,300	
Unemployment Compensation		349	
Employer Medicare		1,179	
Communication		1,024	
Data Processing Services		1,700	
Maintenance & Repair Services - Equipment		4,910	
Postal Charges		418	
Printing, Stationery, and Forms		3,642	
Office Supplies		1,132	
Voting Machines		95,945	
Total Election Commission			\$ 216,970

Register of Deeds

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		24,804	
Clerical Personnel		36,154	
Social Security		6,604	
State Retirement		5,311	
Medical Insurance		7,200	
Unemployment Compensation		461	
Employer Medicare		1,545	
Communication		1,755	
Data Processing Services		11,747	
Maintenance & Repair Services - Equipment		57	
Postal Charges		682	
Printing, Stationery, and Forms		3,314	
Duplicating Supplies		3,667	
Office Supplies		3,531	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			159,001

Planning

Board and Committee Members Fees	\$	1,800	
Dues and Memberships		8,500	
Total Planning			10,300

County Buildings

Custodial Personnel	\$	14,706	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Social Security	\$	510	
State Retirement		885	
Medical Insurance		1,600	
Unemployment Compensation		212	
Employer Medicare		119	
Communication		396	
Maintenance & Repair Services - Buildings		77,967	
Custodial Supplies		4,000	
Utilities		91,423	
Total County Buildings			\$ 191,818

Finance

Accounting and Budgeting

Supervisor/Director	\$	41,656	
Accountants/Bookkeepers		158,337	
In-Service Training		1,210	
Social Security		11,998	
State Retirement		12,040	
Medical Insurance		14,400	
Unemployment Compensation		714	
Employer Medicare		2,806	
Communication		3,664	
Postal Charges		1,250	
Printing, Stationery, and Forms		873	
Other Contracted Services		7,476	
Office Supplies		3,942	
Other Supplies and Materials		1,000	
Premiums on Corporate Surety Bonds		50	
Office Equipment		6,062	
Total Accounting and Budgeting			267,478

Property Assessor's Office

County Official/Administrative Officer	\$	52,069
Clerical Personnel		23,140
Part-time Personnel		19,312
Social Security		5,412
State Retirement		5,690
Medical Insurance		3,400
Unemployment Compensation		395
Employer Medicare		1,266

(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.)

Audit Services	\$	10,830	
Communication		1,317	
Contracts with Government Agencies		5,298	
Printing, Stationery, and Forms		594	
Travel		2,236	
Office Supplies		1,649	
Premiums on Corporate Surety Bonds		150	
Office Equipment		1,295	
Total Property Assessor's Office	\$		134,053

Reappraisal Program

Clerical Personnel	\$	21,372	
Social Security		1,325	
State Retirement		1,286	
Unemployment Compensation		119	
Employer Medicare		310	
Data Processing Services		2,509	
Postal Charges		436	
Office Supplies		82	
Total Reappraisal Program			27,439

County Trustee's Office

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		48,672	
Clerical Personnel		20,948	
Social Security		7,140	
State Retirement		5,914	
Medical Insurance		2,400	
Unemployment Compensation		357	
Employer Medicare		1,670	
Communication		1,884	
Contracts with Government Agencies		3,850	
Postal Charges		4,492	
Printing, Stationery, and Forms		1,880	
Office Supplies		1,452	
Premiums on Corporate Surety Bonds		3,032	
Data Processing Equipment		4,589	
Total County Trustee's Office			160,349

(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

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		85,801	
Clerical Personnel		18,313	
Social Security		9,367	
State Retirement		9,218	
Medical Insurance		5,000	
Unemployment Compensation		627	
Employer Medicare		2,191	
Communication		1,807	
Data Processing Services		2,008	
Postal Charges		4,828	
Printing, Stationery, and Forms		3,834	
Office Supplies		2,448	
Premiums on Corporate Surety Bonds		210	
Office Equipment		2,842	
Total County Clerk's Office			\$ 200,563

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		78,535	
Clerical Personnel		18,957	
Jury and Witness Fees		4,015	
Social Security		9,015	
State Retirement		5,756	
Medical Insurance		3,200	
Unemployment Compensation		576	
Employer Medicare		2,108	
Communication		1,709	
Postal Charges		1,256	
Printing, Stationery, and Forms		4,598	
Office Supplies		1,223	
Premiums on Corporate Surety Bonds		242	
Office Equipment		3,367	
Total Circuit Court			186,626

General Sessions Court

Judge(s)	\$	72,873
Probation Officer(s)		7,480
Social Security		4,964

(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.)

State Retirement	\$	4,837	
Medical Insurance		400	
Unemployment Compensation		69	
Employer Medicare		1,161	
Communication		1,114	
Drug Treatment		845	
Gasoline		31	
Office Supplies		201	
Other Charges		27	
Total General Sessions Court			\$ 94,002

Chancery Court

County Official/Administrative Officer	\$	52,069	
Deputy(ies)		23,972	
Clerical Personnel		3,923	
Social Security		4,661	
State Retirement		4,578	
Medical Insurance		4,800	
Unemployment Compensation		186	
Employer Medicare		1,090	
Communication		881	
Postal Charges		327	
Office Supplies		2,548	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			99,485

Juvenile Court

Social Workers	\$	15,246	
Social Security		945	
State Retirement		918	
Unemployment Compensation		119	
Employer Medicare		221	
Communication		84	
Contracts with Other Public Agencies		450	
Office Supplies		640	
Office Equipment		600	
Total Juvenile Court			19,223

Probation Services

Probation Officer(s)	\$	20,077	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probation Services (Cont.)

Social Security	\$	1,245	
State Retirement		1,209	
Unemployment Compensation		174	
Employer Medicare		291	
Communication		1,866	
Gasoline		105	
Office Supplies		526	
Total Probation Services			\$ 25,493

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,276	
Deputy(ies)		407,575	
Clerical Personnel		55,577	
In-Service Training		10,723	
Social Security		31,738	
State Retirement		29,562	
Medical Insurance		11,600	
Unemployment Compensation		3,566	
Employer Medicare		7,423	
Communication		10,367	
Legal Notices, Recording, and Court Costs		490	
Maintenance & Repair Services - Equipment		332	
Maintenance & Repair Services - Office Equipment		865	
Maintenance & Repair Services - Vehicles		27,819	
Postal Charges		1,544	
Rentals		1,775	
Gasoline		68,976	
Office Supplies		2,714	
Tires and Tubes		5,280	
Uniforms		8,450	
Other Supplies and Materials		117	
Premiums on Corporate Surety Bonds		5,200	
Other Charges		1,177	
Law Enforcement Equipment		673	
Office Equipment		1,663	
Total Sheriff's Department			752,482

Jail

Guards	\$	184,102	
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(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Clerical Personnel	\$	5,359	
Cafeteria Personnel		4,962	
In-Service Training		2,304	
Social Security		11,863	
State Retirement		10,562	
Medical Insurance		2,900	
Unemployment Compensation		2,224	
Employer Medicare		2,774	
Contracts with Government Agencies		14,770	
Maintenance & Repair Services - Buildings		10,445	
Medical and Dental Services		109,249	
Custodial Supplies		2,496	
Food Supplies		30,345	
Office Supplies		50	
Uniforms		1,122	
Utilities		12,744	
Other Supplies and Materials		3,304	
Other Charges		743	
Building Improvements		1,916	
Furniture and Fixtures		3,648	
Office Equipment		1,578	
Total Jail			\$ 419,460

Fire Prevention and Control

Other Per Diem & Fees	\$	25,904	
Contracts with Government Agencies		2,000	
Maintenance & Repair Services - Buildings		4,959	
Maintenance & Repair Services - Vehicles		11,214	
Gasoline		6,550	
Utilities		21,716	
Other Equipment		31,055	
Total Fire Prevention and Control			103,398

Rural Fire Protection

In-Service Training	\$	2,115	
Total Rural Fire Protection			2,115

Civil Defense

Supervisor/Director	\$	3,120	
Social Security		193	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

State Retirement	\$	188	
Unemployment Compensation		23	
Employer Medicare		45	
Communication		2,708	
Maintenance & Repair Services - Vehicles		2,638	
Gasoline		3,163	
Other Supplies and Materials		2,104	
Other Equipment		2,500	
Total Civil Defense			\$ 16,682

Rescue Squad

Communication	\$	1,093	
Contributions		4,000	
Maintenance & Repair Services - Vehicles		793	
Gasoline		3,052	
Other Supplies and Materials		4,605	
Other Equipment		6,306	
Total Rescue Squad			19,849

Other Emergency Management

Contributions	\$	150,100	
Total Other Emergency Management			150,100

County Coroner/Medical Examiner

Other Contracted Services	\$	13,000	
Total County Coroner/Medical Examiner			13,000

Public Safety Grant Programs

Law Enforcement Equipment	\$	4,892	
Total Public Safety Grant Programs			4,892

Other Public Safety

Remittance of Revenue Collected	\$	760	
Total Other Public Safety			760

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	7,957	
Social Security		493	
Unemployment Compensation		75	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Employer Medicare	\$	115	
Communication		3,949	
Maintenance & Repair Services - Buildings		6,392	
Postal Charges		48	
Drugs and Medical Supplies		1,958	
Office Supplies		6,743	
Utilities		13,768	
Total Local Health Center			\$ 41,498

Ambulance/Emergency Medical Services

Supervisor/Director	\$	39,068	
Medical Personnel		705,820	
In-Service Training		2,218	
Social Security		43,196	
State Retirement		42,701	
Medical Insurance		27,400	
Unemployment Compensation		2,958	
Employer Medicare		10,102	
Communication		8,850	
Data Processing Services		542	
Maintenance & Repair Services - Vehicles		25,997	
Postal Charges		2,153	
Travel		742	
Other Contracted Services		2,382	
Custodial Supplies		4,232	
Drugs and Medical Supplies		36,537	
Gasoline		40,776	
Office Supplies		4,477	
Uniforms		3,941	
Utilities		9,513	
Refunds		17,091	
Other Equipment		737	
Total Ambulance/Emergency Medical Services			1,031,433

Crippled Children Services

Contracts with Government Agencies	\$	1,213	
Total Crippled Children Services			1,213

Other Local Health Services

Medical Personnel	\$	58,348	
-------------------	----	--------	--

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Social Security	\$	3,503	
State Retirement		3,238	
Medical Insurance		2,400	
Unemployment Compensation		282	
Employer Medicare		819	
Travel		9,727	
Instructional Supplies and Materials		8,824	
Total Other Local Health Services			\$ 87,141

Appropriation to State

Other Contracted Services	\$	34,000	
Total Appropriation to State			34,000

Other Local Welfare Services

Contributions	\$	8,000	
Total Other Local Welfare Services			8,000

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$	24,544	
Other Salaries & Wages		7,696	
Social Security		1,892	
State Retirement		1,478	
Medical Insurance		2,400	
Unemployment Compensation		242	
Employer Medicare		443	
Communication		913	
Postal Charges		158	
Travel		1,323	
Office Supplies		296	
Utilities		18,126	
Other Supplies and Materials		114	
Office Equipment		350	
Total Adult Activities			59,975

Libraries

Supervisor/Director	\$	25,792	
Librarians		40,229	
Social Security		4,071	
State Retirement		3,731	

(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.)

Libraries (Cont.)

Medical Insurance	\$	2,400	
Unemployment Compensation		449	
Employer Medicare		952	
Contributions		20,054	
Total Libraries			\$ 97,678

Parks and Fair Boards

Contributions	\$	2,000	
Maintenance & Repair Services - Equipment		1,522	
Gasoline		30	
Total Parks and Fair Boards			3,552

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$	2,695	
Contributions		48,305	
Custodial Supplies		111	
Office Supplies		806	
Office Equipment		3,583	
Total Agriculture Extension Service			55,500

Soil Conservation

Contributions	\$	25,817	
Total Soil Conservation			25,817

Other Operations

Tourism

Contributions	\$	45,659	
Other Contracted Services		7,652	
Total Tourism			53,311

Industrial Development

Contributions	\$	37,490	
Total Industrial Development			37,490

Veterans' Services

Supervisor/Director	\$	21,060	
Social Security		1,306	
State Retirement		1,268	
Unemployment Compensation		206	

(Continued)

Exhibit H-5

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Employer Medicare	\$	305	
Communication		673	
Contracts with Government Agencies		10,252	
Data Processing Services		1,450	
Postal Charges		142	
Office Supplies		486	
Office Equipment		1,250	
Total Veterans' Services			\$ 38,398

Contributions to Other Agencies

Contributions	\$	7,494	
Dues and Memberships		11,269	
Remittance of Revenue Collected		1,876	
Total Contributions to Other Agencies			20,639

Miscellaneous

Data Processing Services	\$	11,545	
Travel		9,296	
Liability Insurance		61,272	
Trustee's Commission		53,192	
Vehicle and Equipment Insurance		38,000	
Workers' Compensation Insurance		65,000	
Other Charges		21,259	
Other Capital Outlay		403,292	
Total Miscellaneous			662,856

Total General Fund \$ 5,765,747

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Assistant(s)	\$	52,418
Supervisor/Director		32,136
Social Security		5,045
State Retirement		1,935
Medical Insurance		2,900
Unemployment Compensation		352
Employer Medicare		1,180
Communication		4,234
Maintenance & Repair Services - Office Equipment		339

(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.)

Sanitation Management (Cont.)

Postal Charges	\$	792	
Travel		1,780	
Office Supplies		586	
Other Supplies and Materials		5,652	
Office Equipment		330	
Total Sanitation Management			\$ 109,679

Sanitation Education/Information

Advertising	\$	2,318	
Instructional Supplies and Materials		4,473	
Other Supplies and Materials		3,049	
Total Sanitation Education/Information			9,840

Waste Pickup

Truck Drivers	\$	89,798	
Laborers		24,652	
Social Security		6,936	
State Retirement		1,819	
Medical Insurance		2,400	
Unemployment Compensation		693	
Employer Medicare		1,622	
Communication		957	
Maintenance & Repair Services - Vehicles		33,110	
Permits		75	
Gasoline		32,501	
Tires and Tubes		892	
Uniforms		902	
Other Supplies and Materials		2,060	
Solid Waste Equipment		6,700	
Total Waste Pickup			205,117

Convenience Centers

Paraprofessionals	\$	23,247	
Equipment Operators - Heavy		19,430	
Attendants		207,151	
Social Security		15,362	
State Retirement		5,475	
Medical Insurance		2,400	
Unemployment Compensation		2,288	
Employer Medicare		3,593	

(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 (Cont.)

Communication	\$	3,621	
Maintenance & Repair Services - Equipment		1,112	
Permits		1,000	
Uniforms		3,601	
Utilities		8,914	
Other Supplies and Materials		7,540	
Site Development		4,621	
Other Equipment		15,000	
Total Convenience Centers			\$ 324,355

Problem Waste Centers

Advertising	\$	1,961	
Other Supplies and Materials		3,107	
Total Problem Waste Centers			5,068

Recycling Center

Foremen	\$	25,362	
Truck Drivers		20,472	
Laborers		79,457	
Social Security		7,768	
State Retirement		6,146	
Unemployment Compensation		816	
Employer Medicare		1,817	
Communication		449	
Contracts with Private Agencies		28,536	
Maintenance & Repair Services - Equipment		76	
Maintenance & Repair Services - Vehicles		1,104	
Travel		550	
Gasoline		6,649	
Tires and Tubes		1,239	
Uniforms		2,131	
Utilities		6,989	
Other Supplies and Materials		2,886	
Solid Waste Equipment		2,000	
Other Equipment		53,485	
Total Recycling Center			247,932

Landfill Operation and Maintenance

Contracts with Private Agencies	\$	340,000	
Total Landfill Operation and Maintenance			340,000

(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.)

Postclosure Care Costs

Communication	\$	484	
Engineering Services		3,525	
Gasoline		936	
Utilities		1,410	
Other Supplies and Materials		139	
Total Postclosure Care Costs			\$ 6,494

Other Operations

Other Charges

Liability Insurance	\$	7,176	
Trustee's Commission		12,682	
Vehicle and Equipment Insurance		5,583	
Workers' Compensation Insurance		25,265	
Total Other Charges			50,706

Employee Benefits

Medical and Dental Services	\$	178	
Total Employee Benefits			178

Total Solid Waste/Sanitation Fund \$ 1,299,369

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries & Wages	\$	13,293	
Social Security		778	
State Retirement		660	
Unemployment Compensation		28	
Employer Medicare		181	
Confidential Drug Enforcement Payments		8,500	
Maintenance & Repair Services - Equipment		1,242	
Maintenance & Repair Services - Office Equipment		7,980	
Maintenance & Repair Services - Vehicles		14,460	
Veterinary Services		1,533	
Animal Food and Supplies		595	
Law Enforcement Supplies		17,822	
Other Supplies and Materials		818	
Principal on Capital Leases		57,248	
Interest on Capital Leases		1,458	
Law Enforcement Equipment		3,750	

(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.)

Motor Vehicles	\$ 124,052	
Total Drug Enforcement		\$ 254,398

Public Health and Welfare

Alcohol and Drug Programs

Contributions	\$ 21,200	
Total Alcohol and Drug Programs		<u>21,200</u>

Total Drug Control Fund		\$ 275,598
-------------------------	--	------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,276	
Clerical Personnel	54,357	
Social Security	6,332	
State Retirement	6,720	
Employer Medicare	1,481	
Communication	6,119	
Dues and Memberships	3,226	
Licenses	85	
Postal Charges	165	
Travel	295	
Custodial Supplies	1,072	
Office Supplies	1,024	
Other Charges	3,091	
Office Equipment	419	
Total Administration		\$ 141,662

Highway and Bridge Maintenance

Foremen	\$ 90,331
Equipment Operators	68,623
Truck Drivers	42,401
Laborers	157,525
Social Security	21,432
State Retirement	16,429
Employer Medicare	5,012
Rentals	90
Other Contracted Services	17,334
Asphalt - Cold Mix	3,737

(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 - Hot Mix	\$	315,595	
Asphalt - Liquid		72,846	
Crushed Stone		38,902	
Other Road Supplies		3,469	
Pipe - Metal		11,561	
Road Signs		9,524	
Salt		9,021	
Other Charges		1,330	
Total Highway and Bridge Maintenance			\$ 885,162

Operation and Maintenance of Equipment

Foremen	\$	31,397	
Mechanic(s)		28,376	
Nightwatchmen		46,922	
Social Security		5,988	
State Retirement		6,219	
Employer Medicare		1,400	
Freight Expenses		1,236	
Maintenance & Repair Services - Vehicles		15,021	
Diesel Fuel		145,718	
Electricity		5,324	
Equipment and Machinery Parts		64,058	
Garage Supplies		6,733	
Gasoline		109,931	
Lubricants		10,959	
Natural Gas		1,136	
Tires and Tubes		8,775	
Other Supplies and Materials		2,642	
Other Charges		2,316	
Total Operation and Maintenance of Equipment			494,151

Quarry Operations

Foremen	\$	27,898
Equipment Operators		25,926
Truck Drivers		27,968
Laborers		52,323
Social Security		7,588
State Retirement		6,313
Employer Medicare		1,775
Operating Lease Payments		7,315

(Continued)

Exhibit H-5

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations (Cont.)

Licenses	\$	2,000	
Electricity		821	
Equipment and Machinery Parts		21,873	
Explosives and Drilling Supplies		24,170	
Lubricants		4,613	
Other Charges		19,995	
Total Quarry Operations			\$ 230,578

Other Charges

Water and Sewer	\$	194	
Liability Insurance		27,688	
Premiums on Corporate Surety Bonds		682	
Trustee's Commission		17,486	
Workers' Compensation Insurance		51,206	
Total Other Charges			97,256

Employee Benefits

Medical Insurance	\$	47,119	
Unemployment Compensation		7,246	
Total Employee Benefits			54,365

Capital Outlay

Bridge Construction	\$	16,335	
Building Improvements		1,442	
Communication Equipment		942	
Highway Construction		431,976	
Highway Equipment		57,723	
Surplus Equipment		5,000	
Total Capital Outlay			513,418

Principal on Debt

Highways and Streets

Principal on Notes	\$	243,180	
Principal on Capital Leases		7,346	
Total Highways and Streets			250,526

Interest on Debt

Highways and Streets

Interest on Notes	\$	44,990	
Interest on Capital Leases		493	
Total Highways and Streets			45,483

Total Highway/Public Works Fund \$ 2,712,601

(Continued)

Exhibit H-5

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

<u>General Debt Service Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 306,419	
Principal on Other Loans	37,000	
Total General Government	<u>                    </u>	\$ 343,419
<u>Education</u>		
Principal on Other Loans	\$ 369,000	
Total Education	<u>                    </u>	369,000
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 6,328	
Interest on Other Loans	33,044	
Total General Government	<u>                    </u>	39,372
<u>Education</u>		
Interest on Other Loans	\$ 322,269	
Total Education	<u>                    </u>	322,269
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 7,190	
Other Debt Service	4,397	
Total General Government	<u>                    </u>	11,587
<u>Education</u>		
Other Debt Service	\$ 32,204	
Total Education	<u>                    </u>	<u>32,204</u>
Total General Debt Service Fund		\$ 1,117,851
<u>Community Development/Industrial Park Fund</u>		
<u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Engineering Services	\$ 19,000	
Other Contracted Services	19,945	
Other Capital Outlay	185,626	
Total Other General Government Projects	<u>                    </u>	\$ 224,571
Total Community Development/Industrial Park Fund		<u>224,571</u>
Total Governmental Funds - Primary Government		<u>\$ 11,395,737</u>

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, 2007

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 610,309
Total Cash Receipts	<u>\$ 610,309</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 604,206
Trustee's Commission	6,103
Total Cash Disbursements	<u>\$ 610,309</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2006	<u>0</u>
 Cash Balance, June 30, 2007	 <u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**FENTRESS COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF FENTRESS COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

*GARY D. RAMSEY, CPA*  
*STEPHEN ALRED*  
*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, 2007

## ***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, 2007.

## ***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 (GASB) Statement No. 34.

Our audit resulted in three findings and recommendations, which we have reviewed with Fentress County School Department 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.
- ◆ The School Department failed to perform steps set forth in the timeline included in their GASB 34 implementation plan filed with the Comptroller's Office.
- ◆ Duties were not segregated adequately among the official and employees at the School Department.

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## INTRODUCTORY SECTION

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Fentress County School Officials  
June 30, 2007

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**Official**

Homer Lee Linder, Jr., Director of Schools

**Board of Education**

Derwin Wright, Chairman

JoElla Allred

Karen Cooper

Trent Hall

Mark Howard

Barbara Pile

H. Russell Stephens

Leon Stepp

Mike Stowers

Gary Tinch

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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**

September 21, 2007

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 the 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, 2007, as shown on pages 15 through 29, 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, 2007, 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 the major fund and the aggregate remaining fund information of the Fentress County School Department as of June 30, 2007, 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 September 21, 2007, 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 to 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.

The budgetary comparison and pension information on pages 33 through 37 are not required parts of the basic financial statements but they do provide 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, individual nonmajor fund financial statements, the budgetary comparison schedules of the 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 individual nonmajor fund financial statements, the budgetary comparison schedules of the 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 cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the printed name.

John G. Morgan  
Comptroller of the Treasury

JGM/rc

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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, 2007

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 2,365,254	\$ 469,560	\$ 2,834,814
Accounts Receivable	5,516	13,205	18,721
Due from Other Governments	418,465	98,512	516,977
Due from Other Funds	0	6,280	6,280
Property Taxes Receivable	792,137	0	792,137
Allowance for Uncollectible Property Taxes	(30,558)	0	(30,558)
Prepaid Items	6,176	0	6,176
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 3,556,990	\$ 587,557	\$ 4,144,547
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 35,470	\$ 0	\$ 35,470
Due to Other Funds	6,280	0	6,280
Deferred Revenue - Current Property Taxes	725,621	0	725,621
Deferred Revenue - Delinquent Property Taxes	27,589	0	27,589
Other Deferred Revenues	139,932	0	139,932
Total Liabilities	<hr/>	<hr/>	<hr/>
	\$ 934,892	\$ 0	\$ 934,892
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 210,480	\$ 0	\$ 210,480
Reserved for Career Ladder - Extended Contract	71,025	0	71,025
Reserved for Career Ladder Program	5,195	0	5,195
Reserved for Basic Education Program	629,523	0	629,523
Reserved for Title I Grants to Local Education Agencies	0	146,034	146,034
Reserved for Innovative Education Program Strategies	0	44,471	44,471
Reserved for Special Education - Grants to States	0	114,720	114,720
Other Federal Reserves	0	2,504	2,504
Unreserved, Reported In:			
General Fund	1,705,875	0	1,705,875
Special Revenue Funds	0	279,828	279,828
Total Fund Balances	<hr/>	<hr/>	<hr/>
	\$ 2,622,098	\$ 587,557	\$ 3,209,655
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 3,556,990	\$ 587,557	\$ 4,144,547

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, 2007

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,764,940	\$ 0	\$ 2,764,940
Licenses and Permits	1,472	0	1,472
Charges for Current Services	0	229,054	229,054
Other Local Revenues	496,621	42,923	539,544
State of Tennessee	11,664,421	14,987	11,679,408
Federal Government	166,888	2,420,626	2,587,514
Total Revenues	<u>\$ 15,094,342</u>	<u>\$ 2,707,590</u>	<u>\$ 17,801,932</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 8,932,525	\$ 1,042,349	\$ 9,974,874
Support Services	4,668,117	465,996	5,134,113
Operation of Non-Instructional Services	456,808	1,133,398	1,590,206
Capital Outlay	311,949	0	311,949
Debt Service:			
Principal on Debt	314,000	0	314,000
Interest on Debt	129,850	0	129,850
Other Debt Service	785	0	785
Total Expenditures	<u>\$ 14,814,034</u>	<u>\$ 2,641,743</u>	<u>\$ 17,455,777</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 280,308</u>	<u>\$ 65,847</u>	<u>\$ 346,155</u>
Net Change in Fund Balances	\$ 280,308	\$ 65,847	\$ 346,155
Fund Balance, July 1, 2006	<u>2,341,790</u>	<u>521,710</u>	<u>2,863,500</u>
Fund Balance, June 30, 2007	<u>\$ 2,622,098</u>	<u>\$ 587,557</u>	<u>\$ 3,209,655</u>

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, 2007**

**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 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The School Department reports the following major governmental fund:

**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.

Additionally, the School Department reports the following fund type:

**Special Revenue Funds** – These 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.

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

1. **Deposits and Investments**

State statutes authorize Fentress County, the School Department's primary 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**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to two percent of total taxes levied.

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as 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 considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

**3. Prepaid Items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

**4. 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.

**5. Compensated Absences**

The School Department's vacation 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.

**6. 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.

**7. 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. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

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: Instruction-Regular Instruction Program, Support Services-Attendance, Support Services-Vocational 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 GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

**B. Expenditures Exceeded Appropriations**

General Purpose School Fund expenditures exceeded appropriations approved by the Fentress County Commission in the Support Services-Operation of Plant major appropriation category (the legal level of control) by \$24,985. 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.** Fentress County, the School Department's primary government, is 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. Fentress County had no pooled and nonpooled investments as of June 30, 2007.

### **B. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2007, is as follows:

#### **Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor governmental	General Purpose School	\$ 6,280

This balance 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.

### **C. Capital Lease**

On February 15, 2006, the School Department entered into a four-year lease-purchase agreement for a building to house the central office. The terms of the agreement require total lease payments of \$345,000 at zero percent interest. Title to the building transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Since the School Department is presenting fund financial statements only, the present value of minimum lease payments under the lease agreement 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

the School Department 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, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 69,000
2009	69,000
2010	69,000
Total Minimum Lease Payments	<u>\$ 207,000</u>
Amount Representing Interest	<u>0</u>
 Present Value of Minimum Lease Payments	 <u><u>\$ 207,000</u></u>

**D. 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

The county issues general obligation bonds on behalf of the School Department 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, 2007, will be retired from the General Purpose School Fund.

General obligation bonds and the capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	4.5 to 5.7 %	\$ 4,500,000	\$ 245,000
General Obligation Bonds - Refunding	4.4 to 4.8	2,355,000	2,230,000
Capital Lease	0	345,000	207,000

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2008	\$ 260,000	\$ 116,770
2009	270,000	102,635
2010	285,000	90,620
2011	300,000	77,795
2012	315,000	64,145
2013-2015	1,045,000	101,320
Total	<u>\$ 2,475,000</u>	<u>\$ 553,285</u>

Bonded debt per capita totaled \$149, based on the 2000 federal census. Total debt per capital, including bonds and the capital lease totaled \$161, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:	Bonds		Capital Lease	
Balance, July 1, 2006	\$ 2,720,000	\$	276,000	
Deductions	(245,000)		(69,000)	
Balance, June 30, 2007	<u>\$ 2,475,000</u>	<u>\$</u>	<u>207,000</u>	
Balance Due Within One Year	<u>\$ 260,000</u>	<u>\$</u>	<u>69,000</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. Subsequent Event**

Director of Schools Homer Lee Linder, retired effective June 30, 2007, and was succeeded by Michael Jones.

**C. Contingent Liabilities**

The management of the School Department and their attorney are not aware of any pending or threatened lawsuits.

**D. Retirement Commitments**

**School Department Employees**

**Plan Description**

Employees of the Fentress County 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 the Fentress County School Department participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

The Fentress County School Department 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, 2007, was 4.15 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the Fentress County School Department is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2007, the Fentress County School Department's annual pension cost of \$62,348 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 three 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. The Fentress County School Department's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### **Trend Information**

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6-30-07	\$62,348	100%	\$0
6-30-06	12,372	100	0
6-30-05	12,200	100	0

## **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 employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

### **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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$493,907, \$440,863, and \$424,262, respectively, equal to the required contributions for each year.

**E. Other Post-employment Benefits**

In addition to the retirement commitments described above, the School Department provides post-retirement health care benefits for teachers retiring after July 1, 1997, with 30 years of active teaching with at least ten of those years teaching in Fentress County. This benefit is in force until the participant is eligible for Medicare benefits. Currently, 27 school retirees meet the eligibility requirements. The School Department pays 100 percent of medical premiums for the retirees. During the year, expenditures totaling \$70,302 were recognized for post-employment health care.

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

Fentress County and the School Department operate under provisions of the County Financial Management System of 1981 which provides for a central system of accounting, budgeting, and purchasing for all funds of the county. This act provides for the creation of a Finance Department operated under the direction of the finance director.

**G. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws of the County Financial Management System of 1981, which provides for the finance director or a deputy appointed by her to serve as the purchasing agent. The finance director serves as the purchasing agent for Fentress County and the School Department. All purchase orders are issued by the Finance Department. Purchases exceeding \$5,000 for the School Department are required to be competitively bid.

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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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,764,940	\$ 0	\$ 2,764,940	\$ 2,670,920	\$ 2,676,800	\$ 88,140
Licenses and Permits	1,472	0	1,472	1,500	1,500	(28)
Other Local Revenues	496,621	0	496,621	203,400	475,077	21,544
State of Tennessee	11,664,421	0	11,664,421	11,275,540	11,583,506	80,915
Federal Government	166,888	0	166,888	150,000	175,388	(8,500)
<b>Total Revenues</b>	<b>\$ 15,094,342</b>	<b>\$ 0</b>	<b>\$ 15,094,342</b>	<b>\$ 14,301,360</b>	<b>\$ 14,912,271</b>	<b>\$ 182,071</b>
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 7,640,328	\$ 0	\$ 7,640,328	\$ 7,675,963	\$ 7,665,999	\$ 25,671
Alternative Instruction Program	105,520	0	105,520	106,580	106,580	1,060
Special Education Program	967,978	0	967,978	799,150	995,788	27,810
Vocational Education Program	138,595	0	138,595	143,730	141,730	3,135
Adult Education Program	80,104	0	80,104	78,300	81,707	1,603
<u>Support Services</u>						
Attendance	91,216	0	91,216	105,660	96,760	5,544
Health Services	63,069	0	63,069	73,700	64,499	1,430
Other Student Support	236,291	0	236,291	185,420	238,476	2,185
Regular Instruction Program	498,744	0	498,744	510,750	498,750	6
Special Education Program	110,230	0	110,230	110,750	110,750	520
Vocational Education Program	71,162	0	71,162	71,220	71,220	58
Adult Programs	62,922	0	62,922	63,980	63,980	1,058
Board of Education	813,512	0	813,512	451,100	829,600	16,088
Director of Schools	141,241	0	141,241	138,110	143,350	2,109
Office of the Principal	565,735	0	565,735	545,270	576,597	10,862
Fiscal Services	74,397	0	74,397	81,720	79,720	5,323

(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)	Add: Encumbrances 6/30/2007	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	\$ 987,435	\$ 0	\$ 987,435	\$ 966,150	\$ 962,450	\$ (24,985)
Maintenance of Plant	176,290	0	176,290	174,060	186,962	10,672
Transportation	775,873	0	775,873	701,169	988,807	212,934
<u>Operation of Non-Instructional Services</u>						
Early Childhood Education	456,808	0	456,808	350,340	456,871	63
<u>Capital Outlay</u>						
Regular Capital Outlay	311,949	210,480	522,429	125,000	528,172	5,743
<u>Principal on Debt</u>						
Education	314,000	0	314,000	614,000	314,000	0
<u>Interest on Debt</u>						
Education	129,850	0	129,850	129,850	129,850	0
<u>Other Debt Service</u>						
Education	785	0	785	0	785	0
Total Expenditures	\$ 14,814,034	\$ 210,480	\$ 15,024,514	\$ 14,201,972	\$ 15,333,403	\$ 308,889
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 280,308	\$ (210,480)	\$ 69,828	\$ 99,388	\$ (421,132)	\$ 490,960
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$ (86,500)	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ (86,500)	\$ 0	\$ 0

(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)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 280,308	\$ (210,480)	\$ 69,828	\$ 12,888	\$ (421,132)	\$ 490,960
Fund Balance, July 1, 2006	2,341,790	0	2,341,790	2,369,435	2,369,435	(27,645)
Fund Balance, June 30, 2007	<u>\$ 2,622,098</u>	<u>\$ (210,480)</u>	<u>\$ 2,411,618</u>	<u>\$ 2,382,323</u>	<u>\$ 1,948,303</u>	<u>\$ 463,315</u>

Exhibit C-2

Fentress County, Tennessee  
Fentress County School Department  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

**Required Supplementary Information**

Schedule of Funding Progress for Fentress County School Department

(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	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 4,404	\$ 4,404	\$ 0	100 %	\$ 1,272	0 %
6-30-03	4,178	4,178	0	100	1,215	0
6-30-01	4,007	4,007	0	100	1,139	0

**FENTRESS COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF FENTRESS COUNTY, TENNESSEE  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2007**

**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: Instruction-Regular Instruction Program, Support Services-Attendance; Support Services-Vocational 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 schedule.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

General Purpose School Fund expenditures exceeded appropriations approved by the County Commission in the Operation of Plant major appropriation category (the legal level of control) by \$24,985. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balance.

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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 major capital projects) that are legally restricted to expenditures for specific purposes.

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

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

Exhibit D-1

Fentress County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Fentress County School Department  
June 30, 2007

	<u>Special Revenue Funds</u>		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 288,460	\$ 181,100	\$ 469,560
Accounts Receivable	0	13,205	13,205
Due from Other Governments	12,989	85,523	98,512
Due from Other Funds	6,280	0	6,280
Total Assets	<u>\$ 307,729</u>	<u>\$ 279,828</u>	<u>\$ 587,557</u>
<u>FUND BALANCES</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 146,034	\$ 0	\$ 146,034
Reserved for Innovative Education Program Strategies	44,471	0	44,471
Reserved for Special Education - Grants to States	114,720	0	114,720
Other Federal Reserves	2,504	0	2,504
Unreserved	0	279,828	279,828
Total Fund Balances	<u>\$ 307,729</u>	<u>\$ 279,828</u>	<u>\$ 587,557</u>

Exhibit D-2

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, 2007

	Special Revenue Funds		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 229,054	\$ 229,054
Other Local Revenues	0	42,923	42,923
State of Tennessee	0	14,987	14,987
Federal Government	1,588,577	832,049	2,420,626
Total Revenues	\$ 1,588,577	\$ 1,119,013	\$ 2,707,590
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,042,349	\$ 0	\$ 1,042,349
Support Services	465,996	0	465,996
Operation of Non-Instructional Services	0	1,133,398	1,133,398
Total Expenditures	\$ 1,508,345	\$ 1,133,398	\$ 2,641,743
Excess (Deficiency) of Revenues Over Expenditures	\$ 80,232	\$ (14,385)	\$ 65,847
Net Change in Fund Balances	\$ 80,232	\$ (14,385)	\$ 65,847
Fund Balance, July 1, 2006	227,497	294,213	521,710
Fund Balance, June 30, 2007	\$ 307,729	\$ 279,828	\$ 587,557

Exhibit D-3

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Fentress County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,588,577	\$ 1,580,524	\$ 1,583,524	\$ 5,053
Total Revenues	\$ 1,588,577	\$ 1,580,524	\$ 1,583,524	\$ 5,053
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 684,244	\$ 676,416	\$ 742,915	\$ 58,671
Special Education Program	287,511	272,994	342,196	54,685
Vocational Education Program	70,594	70,230	75,090	4,496
<u>Support Services</u>				
Attendance	924	0	1,000	76
Health Services	76,428	63,200	79,985	3,557
Other Student Support	67,048	97,566	98,333	31,285
Regular Instruction Program	152,496	229,178	261,212	108,716
Special Education Program	124,901	123,370	147,754	22,853
Vocational Education Program	190	3,064	1,204	1,014
Transportation	44,009	35,070	57,070	13,061
Total Expenditures	\$ 1,508,345	\$ 1,571,088	\$ 1,806,759	\$ 298,414
Excess (Deficiency) of Revenues Over Expenditures	\$ 80,232	\$ 9,436	\$ (223,235)	\$ 303,467
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (9,436)	\$ (9,436)	\$ 9,436
Total Other Financing Sources (Uses)	\$ 0	\$ (9,436)	\$ (9,436)	\$ 9,436
Net Change in Fund Balance	\$ 80,232	\$ 0	\$ (232,671)	\$ 312,903
Fund Balance, July 1, 2006	227,497	232,671	232,671	(5,174)
Fund Balance, June 30, 2007	\$ 307,729	\$ 232,671	\$ 0	\$ 307,729

Exhibit D-4

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 229,054	\$ 275,000	\$ 275,000	\$ (45,946)
Other Local Revenues	42,923	60,000	60,000	(17,077)
State of Tennessee	14,987	20,000	20,000	(5,013)
Federal Government	832,049	865,000	865,000	(32,951)
Total Revenues	<u>\$ 1,119,013</u>	<u>\$ 1,220,000</u>	<u>\$ 1,220,000</u>	<u>\$ (100,987)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,133,398	\$ 1,220,000	\$ 1,220,000	\$ 86,602
Total Expenditures	<u>\$ 1,133,398</u>	<u>\$ 1,220,000</u>	<u>\$ 1,220,000</u>	<u>\$ 86,602</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (14,385)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (14,385)</u>
Net Change in Fund Balance	\$ (14,385)	\$ 0	\$ 0	\$ (14,385)
Fund Balance, July 1, 2006	<u>294,213</u>	<u>294,489</u>	<u>294,489</u>	<u>(276)</u>
Fund Balance, June 30, 2007	<u>\$ 279,828</u>	<u>\$ 294,489</u>	<u>\$ 294,489</u>	<u>\$ (14,661)</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Fentress County, Tennessee  
Schedule of Changes in Long-term Capital Leases and Bonds  
Fentress County School Department  
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<u>CAPITAL LEASE</u>							
<u>Payable through General Purpose School Fund</u>							
Central Office Building	\$ 345,000	0 %	2-15-06	2-15-10	\$ 276,000	\$ 69,000	\$ 207,000
<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	\$ 475,000	\$ 230,000	\$ 245,000
School Refunding Series 1998	2,355,000	4.4 to 4.8	7-15-1998	5-1-15	2,245,000	15,000	2,230,000
Total Bonds Payable					\$ 2,720,000	\$ 245,000	\$ 2,475,000

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
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
Total	<u>\$ 2,475,000</u>	<u>\$ 553,285</u>	<u>\$ 3,028,285</u>

Exhibit E-3

Fentress County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Fentress County School Department  
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and Fentress County Board of Education	\$ 77,737	\$ 150,000	Western Surety Company
Employee Dishonesty Bond Coverage: School Department Employees			150,000	Tennessee School Boards Risk Management Trust

Exhibit E-4

Fentress County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Fentress County School Department  
For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 743,798	\$ 0	\$ 0	\$ 743,798
Trustee's Collections - Prior Year	38,575	0	0	38,575
Circuit/Clerk & Master Collections - Prior Years	12,470	0	0	12,470
Interest and Penalty	7,460	0	0	7,460
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,521,234	0	0	1,521,234
Wheel Tax	392,088	0	0	392,088
Business Tax	22,117	0	0	22,117
Mineral Severance Tax	23,061	0	0	23,061
<u>Statutory Local Taxes</u>				
Coal Severance Tax	1,149	0	0	1,149
Interstate Telecommunications Tax	2,988	0	0	2,988
Total Local Taxes	\$ 2,764,940	\$ 0	\$ 0	\$ 2,764,940
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,472	\$ 0	\$ 0	\$ 1,472
Total Licenses and Permits	\$ 1,472	\$ 0	\$ 0	\$ 1,472
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 129,679	\$ 129,679
Lunch Payments - Adults	0	0	37,618	37,618
Income from Breakfast	0	0	31,885	31,885
A la carte Sales	0	0	29,872	29,872
Total Charges for Current Services	\$ 0	\$ 0	\$ 229,054	\$ 229,054
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 155,871	\$ 0	\$ 5,262	\$ 161,133
Refund of Telecommunication & Internet Fees (E-Rate)	14,687	0	0	14,687
Miscellaneous Refunds	79,562	0	37,661	117,223
<u>Nonrecurring Items</u>				
Sale of Equipment	245,810	0	0	245,810
Damages Recovered from Individuals	220	0	0	220
<u>Other Local Revenues</u>				
Other Local Revenues	471	0	0	471
Total Other Local Revenues	\$ 496,621	\$ 0	\$ 42,923	\$ 539,544
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 10,428,978	\$ 0	\$ 0	\$ 10,428,978
Early Childhood Education	452,731	0	0	452,731
School Food Service	0	0	14,987	14,987
Driver Education	2,040	0	0	2,040
Other State Education Funds	57,493	0	0	57,493
Career Ladder Program	153,748	0	0	153,748
Career Ladder - Extended Contract	68,761	0	0	68,761

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 413,789	\$ 0	\$ 0	\$ 413,789
Other State Grants	49,153	0	0	49,153
Other State Revenues	37,728	0	0	37,728
Total State of Tennessee	\$ 11,664,421	\$ 0	\$ 14,987	\$ 11,679,408
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 593,587	\$ 593,587
Breakfast	0	0	218,598	218,598
Adult Education State Grant Program	93,285	0	0	93,285
Vocational Education - Basic Grants to States	0	61,294	0	61,294
Title I Grants to Local Education Agencies	0	725,944	0	725,944
Innovative Education Program Strategies	0	69,678	0	69,678
Special Education - Grants to States	11,049	517,359	0	528,408
Eisenhower Professional Development State Grants	0	180,483	0	180,483
Job Training Partnership Act	0	17,000	0	17,000
Other Federal through State	8,788	16,819	19,864	45,471
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	53,766	0	0	53,766
Total Federal Government	\$ 166,888	\$ 1,588,577	\$ 832,049	\$ 2,587,514
Total	\$ 15,094,342	\$ 1,588,577	\$ 1,119,013	\$ 17,801,932

Exhibit E-5

Fentress County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Fentress County School Department  
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	4,982,659	
Career Ladder Program		105,000	
Career Ladder Extended Contracts		47,000	
Educational Assistants		177,194	
Other Salaries & Wages		108,890	
Certified Substitute Teachers		100,260	
Social Security		327,180	
State Retirement		322,970	
Medical Insurance		739,904	
Unemployment Compensation		6,163	
Employer Medicare		76,517	
Maintenance & Repair Services - Equipment		113,126	
Instructional Supplies and Materials		181,400	
Textbooks		200,078	
Other Supplies and Materials		37,157	
Other Charges		6,541	
Regular Instruction Equipment		108,289	
Total Regular Instruction Program			\$ 7,640,328

Alternative Instruction Program

Teachers	\$	83,005	
Social Security		4,790	
State Retirement		5,088	
Medical Insurance		11,465	
Unemployment Compensation		52	
Employer Medicare		1,120	
Total Alternative Instruction Program			105,520

Special Education Program

Teachers	\$	562,114	
Career Ladder Program		4,000	
Career Ladder Extended Contracts		500	
Educational Assistants		97,607	
Certified Substitute Teachers		4,088	
Social Security		39,511	
State Retirement		37,060	
Medical Insurance		109,955	
Unemployment Compensation		807	
Employer Medicare		9,241	

(Continued)

Exhibit E-5

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	\$	72,613	
Instructional Supplies and Materials		18,677	
Other Supplies and Materials		674	
In Service/Staff Development		6,762	
Other Charges		1,003	
Special Education Equipment		3,366	
Total Special Education Program			\$ 967,978

Vocational Education Program

Teachers	\$	101,761	
Career Ladder Program		1,000	
Social Security		6,264	
State Retirement		6,299	
Medical Insurance		16,567	
Unemployment Compensation		57	
Employer Medicare		1,465	
Instructional Supplies and Materials		5,182	
Total Vocational Education Program			138,595

Adult Education Program

Teachers	\$	30,535	
Career Ladder Program		1,000	
Other Salaries & Wages		14,938	
Social Security		2,862	
State Retirement		1,658	
Medical Insurance		380	
Unemployment Compensation		98	
Employer Medicare		669	
Instructional Supplies and Materials		20,902	
In Service/Staff Development		611	
Other Equipment		6,451	
Total Adult Education Program			80,104

Support Services

Attendance

Supervisor/Director	\$	58,094	
Career Ladder Program		1,800	
Other Salaries & Wages		20,300	
Social Security		4,947	

(Continued)

Exhibit E-5

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.)

State Retirement	\$	3,861	
Unemployment Compensation		57	
Employer Medicare		1,157	
Travel		1,000	
Total Attendance			\$ 91,216

Health Services

Medical Personnel	\$	48,798	
Social Security		3,025	
State Retirement		1,834	
Unemployment Compensation		77	
Employer Medicare		708	
Travel		372	
Drugs and Medical Supplies		5,379	
Other Supplies and Materials		1,916	
Other Charges		960	
Total Health Services			63,069

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		173,009	
Career Ladder Extended Contracts		2,000	
Social Security		10,068	
State Retirement		10,851	
Medical Insurance		31,071	
Unemployment Compensation		86	
Employer Medicare		2,355	
Evaluation and Testing		4,851	
Total Other Student Support			236,291

Regular Instruction Program

Supervisor/Director	\$	61,324	
Career Ladder Program		8,800	
Career Ladder Extended Contracts		4,000	
Librarians		186,410	
Materials Supervisor		60,124	
Instructional Computer Personnel		31,715	
Social Security		21,288	
State Retirement		20,140	

(Continued)

Exhibit E-5

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.)

Medical Insurance	\$	39,097	
Unemployment Compensation		230	
Employer Medicare		4,979	
Consultants		1,687	
Travel		22,659	
Other Contracted Services		6,852	
Other Supplies and Materials		1,414	
In Service/Staff Development		27,745	
Other Charges		280	
Total Regular Instruction Program			\$ 498,744

Special Education Program

Supervisor/Director	\$	64,924	
Career Ladder Program		3,000	
Psychological Personnel		7,718	
Career Ladder Extended Contracts		2,000	
Social Security		4,848	
State Retirement		4,794	
Medical Insurance		5,305	
Unemployment Compensation		45	
Employer Medicare		1,134	
Travel		9,616	
In Service/Staff Development		5,165	
Other Charges		30	
Other Equipment		1,651	
Total Special Education Program			110,230

Vocational Education Program

Supervisor/Director	\$	49,294	
Career Ladder Program		3,600	
Social Security		3,254	
State Retirement		3,242	
Medical Insurance		5,187	
Unemployment Compensation		29	
Employer Medicare		761	
Travel		5,795	
Total Vocational Education Program			71,162

(Continued)

Exhibit E-5

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	\$	45,198	
Social Security		2,546	
State Retirement		2,771	
Medical Insurance		8,580	
Unemployment Compensation		29	
Employer Medicare		595	
Travel		3,203	
Total Adult Programs			\$ 62,922

Board of Education

Board and Committee Members Fees	\$	9,200	
Social Security		570	
Medical Insurance		70,302	
Employer Medicare		133	
Audit Services		4,000	
Contributions		86,500	
Dues and Memberships		3,693	
Legal Services		13,908	
Liability Insurance		147,555	
Premiums on Corporate Surety Bonds		1,199	
Trustee's Commission		67,207	
Workers' Compensation Insurance		105,763	
Other Charges		3,482	
Debt Service Contribution to Primary Government		300,000	
Total Board of Education			813,512

Director of Schools

County Official/Administrative Officer	\$	77,737	
Secretary(ies)		14,548	
Social Security		5,642	
State Retirement		5,369	
Medical Insurance		10,585	
Unemployment Compensation		29	
Employer Medicare		1,320	
Communication		26,011	
Total Director of Schools			141,241

Office of the Principal

Principals	\$	293,862	
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(Continued)

Exhibit E-5

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	\$	6,000	
Career Ladder Extended Contracts		4,000	
Secretary(ies)		151,162	
Social Security		27,265	
State Retirement		24,810	
Medical Insurance		41,217	
Unemployment Compensation		437	
Employer Medicare		6,377	
Communication		10,605	
Total Office of the Principal			\$ 565,735

Fiscal Services

Accountants/Bookkeepers	\$	42,557	
Social Security		2,594	
State Retirement		957	
Unemployment Compensation		57	
Employer Medicare		607	
Data Processing Services		182	
Office Supplies		9,273	
Other Supplies and Materials		1,299	
In Service/Staff Development		19	
Other Charges		5,641	
Administration Equipment		11,211	
Total Fiscal Services			74,397

Operation of Plant

Custodial Personnel	\$	240,300	
Social Security		14,747	
State Retirement		8,477	
Unemployment Compensation		730	
Employer Medicare		3,449	
Disposal Fees		19,540	
Electricity		425,031	
Natural Gas		178,688	
Water and Sewer		30,805	
Other Supplies and Materials		65,668	
Total Operation of Plant			987,435

(Continued)

Exhibit E-5

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	\$	26,100	
Other Salaries & Wages		37,764	
Social Security		3,866	
State Retirement		2,258	
Unemployment Compensation		106	
Employer Medicare		904	
Other Contracted Services		25,707	
Equipment and Machinery Parts		68,235	
Other Charges		11,350	
Total Maintenance of Plant			\$ 176,290

Transportation

Supervisor/Director	\$	20,650	
Mechanic(s)		25,326	
Bus Drivers		273,036	
Social Security		19,715	
State Retirement		12,320	
Medical Insurance		1,432	
Unemployment Compensation		909	
Employer Medicare		4,611	
Contracts with Parents		23,600	
Rentals		2,985	
Other Contracted Services		1,048	
Equipment and Machinery Parts		4,501	
Gasoline		116,881	
Lubricants		3,345	
Tires and Tubes		22,062	
Vehicle Parts		57,070	
Other Supplies and Materials		2,940	
Other Charges		13,311	
Transportation Equipment		170,131	
Total Transportation			775,873

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	185,079	
Educational Assistants		94,292	
Certified Substitute Teachers		1,018	
Social Security		16,601	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

State Retirement	\$	13,036	
Medical Insurance		28,933	
Unemployment Compensation		486	
Employer Medicare		3,882	
Travel		5,290	
Food Supplies		5,061	
Instructional Supplies and Materials		37,678	
Textbooks		2,321	
Other Supplies and Materials		5,000	
In Service/Staff Development		10,000	
Other Charges		10,889	
Other Equipment		37,242	
Total Early Childhood Education			\$ 456,808

Capital Outlay

Regular Capital Outlay

Architects	\$	486	
Other Contracted Services		20,968	
Building Improvements		290,495	
Total Regular Capital Outlay			311,949

Principal on Debt

Education

Principal on Bonds	\$	245,000	
Principal on Capital Leases		69,000	
Total Education			314,000

Interest on Debt

Education

Interest on Bonds	\$	129,850	
Total Education			129,850

Other Debt Service

Education

Other Debt Service	\$	785	
Total Education			785

Total General Purpose School Fund \$ 14,814,034

(Continued)

Exhibit E-5

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	505,599	
Certified Substitute Teachers		9,995	
Social Security		29,144	
State Retirement		30,994	
Medical Insurance		97,764	
Unemployment Compensation		432	
Employer Medicare		6,816	
Maintenance & Repair Services - Equipment		321	
Instructional Supplies and Materials		682	
In Service/Staff Development		1,997	
Other Charges		500	
Total Regular Instruction Program			\$ 684,244

Special Education Program

Teachers	\$	113,344	
Educational Assistants		72,391	
Certified Substitute Teachers		1,370	
Social Security		10,888	
State Retirement		9,515	
Medical Insurance		27,476	
Unemployment Compensation		338	
Employer Medicare		2,547	
Other Contracted Services		26,406	
Instructional Supplies and Materials		4,059	
Other Equipment		19,177	
Total Special Education Program			287,511

Vocational Education Program

Teachers	\$	15,766	
Educational Assistants		9,132	
Social Security		1,544	
State Retirement		360	
Unemployment Compensation		53	
Employer Medicare		361	
Travel		9,996	
Instructional Supplies and Materials		4,581	
Vocational Instruction Equipment		28,801	
Total Vocational Education Program			70,594

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services

Attendance

Travel	\$ 924	
Total Attendance		\$ 924

Health Services

Medical Personnel	\$ 68,406	
Social Security	4,241	
State Retirement	2,688	
Unemployment Compensation	101	
Employer Medicare	992	
Total Health Services		76,428

Other Student Support

Guidance Personnel	\$ 47,662	
Certified Substitute Teachers	190	
Social Security	2,967	
State Retirement	2,922	
Medical Insurance	4,679	
Unemployment Compensation	21	
Employer Medicare	694	
Evaluation and Testing	2,675	
In Service/Staff Development	1,875	
Other Charges	3,363	
Total Other Student Support		67,048

Regular Instruction Program

Supervisor/Director	\$ 60,388	
Secretary(ies)	2,513	
Social Security	4,360	
State Retirement	4,338	
Medical Insurance	5,615	
Unemployment Compensation	40	
Employer Medicare	1,020	
Travel	17,335	
Library Books/Media	5,673	
Other Supplies and Materials	8,865	
In Service/Staff Development	23,726	
Other Charges	9,954	
Other Equipment	8,669	
Total Regular Instruction Program		152,496

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Psychological Personnel	\$	48,393	
Secretary(ies)		21,000	
Other Salaries & Wages		27,731	
Social Security		6,002	
State Retirement		5,538	
Medical Insurance		8,719	
Unemployment Compensation		38	
Employer Medicare		1,404	
Travel		931	
In Service/Staff Development		5,145	
Total Special Education Program			\$ 124,901

Vocational Education Program

Maintenance & Repair Services - Equipment	\$	130	
Travel		60	
Total Vocational Education Program			190

Transportation

Bus Drivers	\$	8,534	
Other Salaries & Wages		20,934	
Social Security		1,827	
State Retirement		354	
Unemployment Compensation		100	
Employer Medicare		427	
Contracts with Parents		11,833	
Total Transportation			44,009

Total School Federal Projects Fund \$ 1,508,345

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Secretary(ies)	\$	19,550	
Cafeteria Personnel		301,417	
Social Security		19,239	
State Retirement		11,752	
Unemployment Compensation		882	
Employer Medicare		4,499	
Communication		2,163	

(Continued)

Exhibit E-5

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.)

Maintenance & Repair Services - Equipment	\$	36,466	
Travel		3,237	
Other Contracted Services		2,597	
Food Supplies		630,990	
Uniforms		1,697	
Other Supplies and Materials		47,295	
Other Charges		3,947	
Food Service Equipment		47,667	
Total Food Service			\$ 1,133,398

Total Central Cafeteria Fund \$ 1,133,398

Total Governmental Funds - Fentress County School Department \$ 17,455,777

**SINGLE AUDIT REPORT**  
**FENTRESS COUNTY, TENNESSEE**  
**AND**  
**FENTRESS COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

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

*JAMES R. ARNETTE*  
*Director*

*CARL LOWE, CGFM*  
*Audit Manager*

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

*GARY D. RAMSEY, CPA*  
*STEPHEN ALRED*  
*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

September 21, 2007

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

To the County Executive, 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, 2007, 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 September 21, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of

Fentress County's and the Fentress County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fentress County's and the Fentress County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03, 07.07(A,B), and 07.09.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Fentress County's and the Fentress County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be significant weaknesses. However, of the significant deficiencies described above, we consider items 07.03, and 07.07(A,B) 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 their 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 which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.04, 07.05, 07.06, 07.07(C,D), and 07.08.

We also noted certain matters that we reported to the management of Fentress County and the Fentress County School Department in separate communications dated September 21, 2007.

This report is intended solely for the information and use of management, the county executive, director of schools, road supervisor, finance director, County Commission, Board of Education, Financial Management Committee, others within Fentress County, 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/rc



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 21, 2007

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

To the County Executive, 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, 2007. 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 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 of Fentress County's and the Fentress County School Department's compliance with those requirements.

In our opinion, 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, 2007.

#### 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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Fentress County's and the Fentress County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund, and the aggregate remaining fund information of Fentress County and the Fentress County School Department as of and

for the year ended June 30, 2007, and have issued our reports thereon dated September 21, 2007. 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. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise a portion of Fentress County's and the Fentress County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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 management, the county executive, director of schools, road supervisor, finance director, County Commission, Board of Education, Financial Management Committee, others within Fentress County, 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.

Yours very truly,

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/rc

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, 2007

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	\$ 48,011
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	218,598
National School Lunch Program	10.555	N/A	593,587
Passed through East Tennessee Human Resource Agency:			
Summer Food Service Program for Children	10.559	(2)	19,864
Direct Program:			
Rural Business Enterprise Grants	10.769	N/A	19,000
Total U.S. Department of Agriculture			<u>\$ 899,060</u>
U.S. Department of Economic and Community Development:			
Passed through Tennessee Housing Development Agency:			
Home Investment Partnership Program	14.239	HM-05-18	<u>\$ 205,571</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	07-07-049-003-09-82	<u>\$ 17,343</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z-07-035796-00	<u>\$ 5,000</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(3)	\$ 93,285
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	671,935
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	515,898
Special Education - Preschool Grants	84.173	N/A	30,151
Vocational Education - Basic Grants to States	84.048	N/A	55,316
Safe and Drug Free Schools and Communities - State Grant	84.186	(2)	16,672
State Grants for Innovative Programs	84.298	N/A	4,211
Education Technology State Grants	84.318	(2)	8,190
Rural Education	84.358	N/A	59,502
Improving Teacher Quality State Grants	84.367	N/A	140,177
Total U.S. Department of Education			<u>\$ 1,595,337</u>
U.S. Elections Assistance Commission:			
Passed-through Tennessee Office of Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	<u>\$ 95,945</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	(4)	<u>\$ 8,788</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 Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	GG-05-20787	\$ 23,238
Emergency Management Performance Grant	97.042	Z-03-015797-02	49,793
Total U.S. Department of Homeland Security			\$ 73,031
Total Expenditures of Federal Awards			\$ 2,900,075

State Grants	Contract Number		Expenditures
Adult Education - State Department of Labor and Workforce Development	N/A	(5)	\$ 46,904
Aging Program - Upper Cumberland Development District	N/A	(2)	14,312
Rural Local Health Services - State Department of Health	N/A	(2)	87,617
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	9,000
Litter Program - State Department of Transportation	N/A	(2)	33,649
Career Awareness Grant - University of Tennessee	N/A	(2)	2,250
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	10,803
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	12,500
Total State Grants			\$ 217,035

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) Z-05-022217-00: \$2; Z-06-027770-00: \$5,773; Z-06-020902-00: \$1,817; Z-07-033689-00: \$85,693.
- (4) Z-06-027180-00: \$661; Z-07-034217-00: \$8,127.
- (5) Z-05-022217-00: \$1; Z-06-027770-00: \$1,535; Z-06-030902-00: \$483; Z-07-033689-00: \$28,564; Z-06-027180-01: \$1,227; Z-07-034217-00: \$15,094.

Fentress County, Tennessee, and the Fentress County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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, 2006, which have not been corrected.

**FENTRESS COUNTY AND FENTRESS COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**FINANCE DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.03	13	The office did not properly maintain inventory records and control over assets
06.04	14	Expenditures exceeded appropriations

**OFFICE OF GENERAL SESSIONS COURT CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.06	15	Bank statements were not reconciled with the general ledger
06.07	16	Unclaimed funds were not reported and paid to the state

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.09	17	Duties were not segregated adequately in the Offices of County Executive, Road Supervisor, 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, 2007**

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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 significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses in Fentress County. None of these deficiencies were considered to be material weaknesses in the Fentress County School Department.
3. The audit disclosed four instances of noncompliance that were material to the financial statements of Fentress County, and two instances of noncompliance that were material to the financial statements of the Fentress County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and the Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. 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. 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 07.01      **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.

FINDING 07.02

**FENTRESS COUNTY AND THE FENTRESS COUNTY SCHOOL DEPARTMENT HAVE NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**

(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, Fentress County and the Fentress County School Department have not taken the necessary steps to present their financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated) requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan that Fentress County and the Fentress County School Department filed with the Comptroller's Office shows that the county has failed to perform the steps in accordance with the timeline set forth in their plan. If Fentress County and the Fentress County School Department do not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county and the School Department.

RECOMMENDATION

Fentress County and the Fentress County School Department should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

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**FINANCE DEPARTMENT**

FINDING 07.03

**INVENTORY RECORDS WERE NOT MAINTAINED**

(Internal Control – Material Weakness Under Government Auditing Standards)

In prior years, officials attempted to maintain inventory records for the general county government and the School Department; however, these records were incomplete and had not been updated in several years. Therefore, as of June 30, 2007, these records were deemed outdated and materially inaccurate. Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles. The failure to maintain accurate inventory records results in a loss of control over assets.

RECOMMENDATION

Officials should maintain accurate inventory records for all county-owned assets on a current basis.

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**FINDING 07.04      EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Material Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Miscellaneous (\$193,911) major appropriation category (the legal level of control) in the General Fund and the Operation of Plant (\$24,985) major appropriation category in the General Purpose School Fund. Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

**RECOMMENDATION**

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

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**FINDING 07.05      THE      AMBULANCE      SERVICE      HAD      OPERATING  
DEFICIENCIES**  
(Noncompliance Under Government Auditing Standards)

Our examination of the Ambulance Service revealed the following operating deficiencies:

- A.      The Ambulance Service did not always follow the write-off policy approved by the County Commission for uncollectible accounts. In some instances, the Ambulance Service listed the patient’s age as the reason for writing-off the accounts. The County Commission’s policy lists specific instances in which a delinquent account may be written-off; however, age is not one of the criteria noted in the policy.
  
- B.      Ambulance Service officials did not deposit funds within three days of collection as required by Section 5-8-207, Tennessee Code Annotated. This statute requires county officials to deposit public funds to the office bank account within three days after receipt of the funds.

**RECOMMENDATION**

The Ambulance Service should follow the write-off policies established by the County Commission and should deposit all funds to the office bank account within three days of collection.

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## **OFFICE OF COUNTY CLERK**

### **FINDING 07.06      **REVENUE COLLECTIONS WERE NOT REPORTED AND REMITTED CURRENTLY** (Noncompliance Under Government Auditing Standards)**

The county clerk was delinquent in reporting and paying state and county revenues to the appropriate authorities for ten of the 12 months examined. Section 67-4-213(d), Tennessee Code Annotated, requires officials collecting state and county revenues to report those revenues to the appropriate agency within 15 days after the end of the month in which the funds were collected. Our examination revealed that the clerk reported and paid collections each month; however, for ten of the 12 months examined, these collections were reported and paid from two-to-15 days after the due date.

### **RECOMMENDATION**

The county clerk should report and pay state and county revenues to the appropriate agency no later than 15 days after the end of the month in which the funds were collected.

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

### **FINDING 07.07      **ACCOUNTING RECORDS WERE NOT MAINTAINED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND STATE STATUTES** (A. and B. – Internal Control – Material Weakness Under Government Auditing Standards; C. and D. – Material Noncompliance Under Government Auditing Standards)**

The following deficiencies were noted in the maintenance of General Sessions Court accounting records:

- A. Bank transactions of the General Sessions Court were not reconciled properly with the general ledger cash accounts during the year. Personnel of the clerk's office attempted to prepare monthly reconciliations; however, these reconciliations reflected unexplained variances between bank balances and general ledger cash accounts at the end of each month. We reviewed the reconciliations, the general ledger cash account, and the bank statements, and noted the following deficiencies:
  - 1. At June 30, 2007, the cash balance reflected on the clerk's annual financial report exceeded the amount reflected on the bank reconciliation by \$9,970. Officials were unable to explain this difference.
  - 2. The checking account earned interest of \$4,680 from May 2005 to June 2007; however, the interest earnings were not receipted and

posted to the general ledger. As a result, these interest earnings were not reported and remitted to the county.

- B. In April 2007, we noted that transactions of the General Sessions Court were not being posted to the general ledger on a current basis, and we brought this to the official's attention. We subsequently requested the general ledger with postings through June 30, 2007; however, the general ledger was not completed and provided to us until August 2007.
- C. Collections were not reported and paid to the state and county in compliance with state statute. Section 67-4-213(d), Tennessee Code Annotated (TCA), requires that state and county revenues be reported and paid to the appropriate agency no later than 15 days after the end of the month in which the funds were collected. We noted that the clerk did not remit to the state any collections due the Tennessee Bureau of Investigation from September 2006 through June 2007. Also at June 30, 2007, several general ledger accounts reflected balances from prior months that were due and had not been reported and paid as required by state statute.
- D. As of June 30, 2007, the clerk prepared a docket trial balance of execution docket cause balances for the General Sessions Court as required by Section 18-2-103, TCA. However, this trial balance did not reconcile with the general ledger by a substantial amount. Therefore, 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

We recommend the following actions:

- A. Bank reconciliations should be properly prepared, and any variances should be identified and promptly corrected. Interest earned on checking accounts should be posted currently.
- B. The general ledger should be posted on a current basis.
- C. The clerk should report and pay state and county revenues to the appropriate agency no later than 15 days after the end of the month in which the funds were collected.
- D. The execution docket trial balance for the General Sessions Court should be reconciled with general ledger accounts. Any funds held by the court for more than one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

**FINDING 07.08      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 \$12,189. The Unclaimed Property Act, Section 66-29-101, et seq., Tennessee Code Annotated, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office.

**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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**OTHER FINDING**

**FINDING 07.09      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF COUNTY EXECUTIVE, FINANCE DEPARTMENT, ROAD SUPERVISOR, DIRECTOR OF SCHOOLS, TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of County Executive, Road Supervisor, 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**

There were no findings and questioned costs for federal awards.

**FENTRESS COUNTY, TENNESSEE, AND THE  
FENTRESS COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2007**

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

**Finance Director – Summary Schedule of Prior Year's Findings**

**FINDINGS 06.09 and 06.10**

Although the Finance Department as a whole lacks sufficient segregation of duties, additional controls are in place over the expenditures of federal funds and reporting to federal agencies that we feel mitigate the lack of segregation of duties as it pertains to federal awards.