

FENTRESS COUNTY "911" EMERGENCY

COMMUNICATIONS DISTRICT

OF FENTRESS COUNTY, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2008 and 2007

FENTRESS COUNTY "911" EMERGENCY

COMMUNICATIONS DISTRICT

OF FENTRESS COUNTY, TENNESSEE

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June 30, 2008 and 2007

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
Management Discussion and Analysis
June 30, 2008

As financial management of the Fentress County Emergency Communications District, we offer readers of these financial statements this narrative overview and analysis of the District for the fiscal year ending June 30, 2008. Please read it in conjunction with the District's financial statements that begin on page 7.

FINANCIAL HIGHLIGHTS

- The District's total net assets increased to \$937,058.00 from \$887,715.00 over the course of this year's operations. This was largely due to:
 - Increase in revenues from Shared Wireless Charge and Emergency Telephone Service Charge;
 - Slight increase in funding from the Fentress County Government to cover costs associated with the E-911 Dispatchers.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this management's discussion and analysis report, the independent auditor's report, the financial statements, and supplemental information of the District. The financial statements also include notes that explain in more detail some of the information in the financial statements.

FINANCIAL STATEMENTS

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The Statement of Net Assets presents information on all the District's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets (without a corresponding increase to liabilities) results in increased net assets, which indicates an improved financial position.

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
Management Discussion and Analysis
June 30, 2008**

FINANCIAL ANALYSIS

Net assets may serve, over time as a useful indicator of District's financial position. In the case of the District, assets exceeded liabilities by \$49,343.63 at the close of the most current fiscal year. Part of this is attributable to an increase in revenues from the Shared Wireless Charge, Emergency Telephone Service Charge, and a slight increase from Fentress County Government for cost associated with E-911 Dispatchers.

Our analysis below focuses on the District's Net Assets (Table 1) and Changes in Net Assets (Table 2) during the year.

NET ASSETS

**Table 1
Condensed Statements of Net Assets**

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Difference</u>
Current and Other Assets	\$631,681.72	\$566,142.11	\$ 65,539.61
Capital Assets (Net)	<u>327,246.75</u>	<u>342,145.67</u>	<u>(14,898.92)</u>
Total Assets	<u>\$958,928.47</u>	<u>\$908,287.78</u>	<u>\$ 50,640.69</u>
 Current Liabilities	 <u>\$ 21,870.22</u>	 <u>\$ 20,573.16</u>	 <u>\$ 1,297.06</u>
 Net Assets:			
Invested in Capital Assets	\$327,246.75	\$342,145.67	\$ (14,898.92)
Unrestricted	<u>609,811.50</u>	<u>545,568.95</u>	<u>64,242.55</u>
Total Net Assets	<u>\$937,058.25</u>	<u>\$887,714.62</u>	<u>\$ 49,343.63</u>

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
Management Discussion and Analysis
June 30, 2008**

NET ASSETS (continued)

Changes in the District's net assets can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Assets for the year.

**Table 2
Condensed Statements of Revenues,
Expenses, and Changes in Net Assets**

	<u>FY 2008</u>	<u>FY 2007</u>	<u>Difference</u>
Operating Revenues	\$380,658.24	\$366,930.81	\$ 13,727.43
Non-Operating Revenues	28,577.84	216,796.74	(188,218.90)
Total Revenues	<u>\$409,236.08</u>	<u>\$583,727.55</u>	<u>\$(174,491.47)</u>
Depreciation Expense	\$ 47,557.57	\$ 32,154.27	\$ 15,403.30
Other Operating Expense	312,334.88	269,689.44	42,645.44
Total Operating Expenses	<u>\$359,892.45</u>	<u>\$301,843.71</u>	<u>\$ 58,048.74</u>
Increase in Net Assets	\$ 49,343.63	\$281,883.84	\$(232,540.21)
Net Assets – Beginning of Year	<u>887,714.62</u>	<u>605,830.78</u>	<u>281,883.84</u>
Net Assets – End of Year	<u>\$937,058.25</u>	<u>\$887,714.62</u>	<u>\$ 49,343.63</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Rates:

- o The District currently maintains a rate for the Emergency Telephone Service Charge of \$.65 per residential line and \$2.00 per business line.
- o Based upon current trends in housing and population growth, we do not anticipate any reversals in our revenue growth. We have seen a marked increase in the number of "911" calls received from wireless sources.

Future Budgetary Considerations:

Presently, the Board of Directors are not aware of any changes in conditions that would have a significant impact on the financial position or results of activities of the District in the 2008-2009 fiscal year budget.

FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
Management Discussion and Analysis
June 30, 2008

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information, contact the District's Director of Administration at 310 South Main Street, Jamestown, Tennessee 38556.

INDEPENDENT AUDITOR'S REPORT

Hassell Ray York and Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
P.O. Box 137 • Phone: 931-484-5570
Crossville, Tennessee 38557

September 2, 2008

Board of Directors
Fentress County "911" Emergency
Communications District
P. O. Box 460
Jamestown, Tennessee 38556

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Fentress County "911" Emergency Communications District, a component unit of Fentress County, Tennessee, as of and for the year ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Fentress County "911" Emergency Communications District's management. Our responsibility is to express an opinion 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 the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fentress County "911" Emergency Communications District as of June 30, 2008 and 2007, and the changes in financial position and its cash flows for the periods then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2008 on our consideration of Fentress County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Board of Directors
Fentress County "911" Emergency
Communications District
Page 2
September 2, 2008

The management's discussion and analysis on pages 1 – 4 and the schedule of funding progress for Fentress County "911" Emergency Communications District on page 20 are not a required part of the financial statements but are 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 measurements and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplementary information in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of Fentress County "911" Emergency Communications District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.


Hassell Ray York
Certified Public Accountant

HRY:kam

FINANCIAL STATEMENTS

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE**
Statement of Net Assets
June 30, 2008 and 2007

ASSETS

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$361,725.90	\$291,015.10
Certificates of Deposit	249,695.93	238,109.92
Due From Tennessee Emergency Communications Board	6,408.70	6,564.23
Accrued Interest Receivable	704.33	807.70
Prepaid Expenses	13,146.86	5,972.27
Other Current Assets	.00	23,672.89
Total Current Assets	<u>\$631,681.72</u>	<u>\$566,142.11</u>
NON-CURRENT ASSETS		
Capital Assets		
Building and Improvements	\$164,646.26	\$164,646.26
Vehicle and Equipment	309,482.02	288,821.57
Less: Accumulated Depreciation	<u>(146,881.53)</u>	<u>(111,322.16)</u>
Net Capital Assets	<u>\$327,246.75</u>	<u>\$342,145.67</u>
TOTAL ASSETS	<u>\$958,928.47</u>	<u>\$908,287.78</u>

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable	\$ 2,059.51	\$ 779.20
Accrued Employment Expenses	19,810.71	19,793.96
Total Liabilities	<u>\$ 21,870.22</u>	<u>\$ 20,573.16</u>

NET ASSETS

NET ASSETS		
Invested in Capital Assets	\$327,246.75	\$342,145.67
Unrestricted	<u>609,811.50</u>	<u>545,568.95</u>
TOTAL NET ASSETS	<u>\$937,058.25</u>	<u>\$887,714.62</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Statement of Revenues, Expenses,
and Changes in Net Assets
For the Years Ended June 30, 2008 and 2007**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
OPERATING REVENUES		
Emergency Telephone Service Charge	\$ 96,423.98	\$ 96,031.80
Tennessee Emergency Communications Board:		
Shared Wireless Charge	37,865.50	34,630.01
Operational Funding	86,168.76	86,169.00
Other Operating Revenues	<u>160,200.00</u>	<u>150,100.00</u>
Total Operating Revenues	<u>\$380,658.24</u>	<u>\$366,930.81</u>
 OPERATING EXPENSES		
Salaries and Wages	\$216,785.47	\$184,655.96
Employee Benefits	39,441.53	34,206.07
Auditing and Accounting Services	3,800.00	3,750.00
Advertising/Legal Notices	86.30	237.30
Addressing/Mapping Expense	6,089.50	9,000.82
Maintenance Agreements	9,736.73	5,077.23
Mapping/Data Base Consultants	12,000.00	12,000.00
Data Processing Service	2,096.06	75.50
Building and Equipment – Repairs and Maintenance	1,220.00	1,341.49
Office Supplies, Postage, and Miscellaneous	1,121.53	1,645.85
Uniforms and Shirts	3,898.60	658.00
Small Equipment	.00	298.73
Telephone, Cellular Phone, and Internet	5,856.32	6,809.63
Vehicle Expense	1,088.92	983.11
Dues and Memberships	141.00	141.00
Insurance and Surety Bonds	4,760.32	5,812.28
Education, Training, and Travel Expense	4,212.60	2,996.47
Depreciation	<u>47,557.57</u>	<u>32,154.27</u>
Total Operating Expenses	<u>\$359,892.45</u>	<u>\$301,843.71</u>
 Operating Income	 <u>\$ 20,765.79</u>	 <u>\$ 65,087.10</u>
 NON-OPERATING REVENUES AND (EXPENSES)		
Interest Income	\$ 12,423.44	\$ 3,883.75
Miscellaneous Income	150.00	160.00
Gain on Disposal of Equipment	3,500.00	.00
Tennessee Emergency Communications Board – Grants and Reimbursements	<u>12,504.40</u>	<u>212,752.99</u>
Total Non-Operating Revenue (Expenses)	<u>\$ 28,577.84</u>	<u>\$216,796.74</u>
 INCREASE IN NET ASSETS	 <u>\$ 49,343.63</u>	 <u>\$281,883.84</u>
 NET ASSETS – BEGINNING OF YEAR	 <u>887,714.62</u>	 <u>605,830.78</u>
 NET ASSETS – END OF YEAR	 <u>\$937,058.25</u>	 <u>\$887,714.62</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Statement of Cash Flows
For the Years Ended June 30, 2008 and 2007

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Surcharges and Other Revenues	\$ 380,605.07	\$ 366,635.71
Cash Payments to Suppliers for Goods and Services	(62,002.16)	(51,901.99)
Cash Payments for Payroll, Taxes, and Related Benefits	(256,210.25)	(213,328.58)
Other	<u>23,822.89</u>	<u>(23,512.89)</u>
Net Cash Flows from Operating Activities	<u>\$ 86,215.55</u>	<u>\$ 77,892.25</u>
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Grants and Reimbursements	<u>\$ 12,713.10</u>	<u>\$ 222,172.70</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	\$ (32,658.65)	\$(289,963.33)
Proceeds From the Sale of Equipment	<u>3,500.00</u>	<u>.00</u>
Net Cash Used for Capital and Related Financing Activities	<u>\$ (29,158.65)</u>	<u>\$(298,963.33)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	\$ 12,526.81	\$ 3,510.61
Increase in Certificate of Deposit	<u>(11,586.01)</u>	<u>(202,203.25)</u>
Net Cash Flows from Investing Activities	<u>\$ 940.80</u>	<u>(198,692.64)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>\$ 70,710.80</u>	<u>\$(197,591.02)</u>
 CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>291,015.10</u>	<u>488,606.12</u>
 CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 361,725.90</u>	<u>\$ 291,015.10</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Statement of Cash Flows (Continued)
For the Years Ended June 30, 2008 and 2007**

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Revenues Over (Under) Expenses	\$ 20,765.79	\$65,087.10
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	47,557.57	32,154.27
Changes in Assets and Liabilities:		
(Increase) Decrease in Receivables	(53.17)	(295.10)
(Increase) Decrease in Prepaid Expenses	(7,174.59)	(208.02)
Increase (Decrease) in Accounts Payable and Accrued Expenses	1,297.06	4,666.89
Other	<u>23,822.89</u>	<u>(23,512.89)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 86,215.55</u>	<u>\$77,892.25</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Fentress County "911" Emergency Communications District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

REPORTING ENTITY

The Fentress County "911" Emergency Communications District was organized October, 1990, under the authority of Title 7, Chapter 86, Tennessee Code Annotated, for the purpose of providing to the residence within the boundaries of Fentress County, Tennessee with emergency 9-1-1 service as a means of securing emergency services quickly and efficiently.

The County Commission of Fentress County, Tennessee is the basic level of government which has financial accountability and control over certain activities related to the Fentress County "911" Emergency Communications District. The County Commission of Fentress County, Tennessee must approve any issuance of debt by the District, has the authority to adjust the District's service charges, and appoints the nine member Board of Directors which governs the District. The Fentress County "911" Emergency Communications District is a component unit of Fentress County, Tennessee.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets. Net assets (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for specified purposes; and unrestricted components. The operating statement presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

The District follows all pronouncements of the *Governmental Accounting Standards Board*, and has elected not to follow *Financial Accounting Standards Board* pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEPOSITS AND INVESTMENTS

For the purpose of the Statement of Cash Flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

CAPITAL ASSETS

Capital assets are carried at cost.

Capital assets in service are depreciated using the straight-line method at rates that will amortize costs over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building and Improvements	40 Years
Vehicles, Equipment, Furniture, and Fixtures	5 to 10 Years

COMPENSATED ABSENCES

The District's policy provides that vacation time may be accumulated and carried forward by full time employees (those who work more than thirty-five (35) hours per week) to the next year in an amount not to exceed thirty (30) days or two hundred forty (240) total hours. Any hours exceeding the two hundred-forty (240) hour limit may be converted to sick leave at the end of each fiscal year to the next. Upon termination of employment, an employee will be entitled to payment for any unused vacation time. Payment will be based upon the employee's daily rate of compensation at the time of termination. The accumulated amount is charged to expense and corresponding liability in the financial statements.

REVENUE AND EXPENSES

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are emergency telephone service charges collected from telephone service providers, shared wireless charges, and other operational funding. Operating expenses include the cost of salaries and wages, employee benefits, contracted services, materials and supplies, other charges, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

GASB 34 requires the classification of net assets into three components – Invested in Capital Assets, Net of Related Debt, Restricted, and Unrestricted. These classifications are defined as follows:

Invested in Capital Assets, Net of Related Debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net assets consists of constraints placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – This component of net assets consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

BUDGET

The budget is legally adopted, by the Board of Commissioners, in accordance with the provisions of *Tennessee Code Annotated, Section 7-86-120*.

NOTE 2 – DEPOSITS AND INVESTMENTS

Investment of District funds is restricted by State of Tennessee statutes to include the following:

- Bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;
- Certificates of deposits and other evidence of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations;
- The State of Tennessee local government investment pool;
- Obligations of the United States or its agencies under a repurchase agreement, with certain conditions;

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007**

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

- Bonds rated A or higher by any nationally recognized rating services of the State of Tennessee, bonds of any county or municipal corporations of the State of Tennessee (bonds of any road, levee, or drainage district is expressly excluded), bonds of any other state or political subdivision;
- Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, the Student Loan Marketing Association provided such securities are rated in the highest category by at least two (2) nationally recognized rating services;
- The county's own bonds or notes issued in accordance with Tennessee Code Annotated (TCA), Title 9, Chapter 21;
- The investment must have a maturity of not greater than two (2) years or with certain authorized approval up to five (5) years.

The District's deposits at June 30, 2008 and 2007 consisted of the following:

	<u>June 30, 2008</u>		<u>June 30, 2007</u>	
	<u>Bank Balance</u>	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
Operating Account –				
First Volunteer Bank	\$308,964.77	\$304,204.00	\$239,832.59	\$233,866.64
Progressive Savings Bank	57,521.90	57,521.90	57,148.46	57,148.46
Certificate of Deposit –				
First Volunteer Bank	<u>249,695.93</u>	<u>249,695.93</u>	<u>238,109.92</u>	<u>238,109.92</u>
 Total	 <u>\$616,182.60</u>	 <u>\$611,421.83</u>	 <u>\$535,090.97</u>	 <u>\$529,125.02</u>

The difference between the bank balance and carrying amount is due to outstanding checks and/or deposits in transit.

Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000.00. In addition, First Volunteer Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The District's deposits in financial institutions were entirely insured or collateralized at June 30, 2008 and 2007.

The District had no investments at June 30, 2008 and 2007.

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets at June 30, 2008 follows:

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08
Capital Assets Being Depreciated:				
Building	\$164,646.26	\$.00	\$.00	\$164,646.26
Office Equipment and Fixtures Communication and Computer Equipment	50,207.02	3,548.80	.00	53,755.82
Vehicle	226,616.35	10,809.85	.00	237,426.20
Vehicle	11,998.20	18,300.00	11,998.20	18,300.00
Total Capital Assets Being Depreciated	<u>\$453,467.83</u>	<u>\$ 32,658.65</u>	<u>\$ 11,998.20</u>	<u>\$474,128.28</u>
Less: Accumulated Depreciated				
Building	\$ 24,281.88	\$ 4,116.16	\$.00	\$ 28,398.04
Office Equipment and Fixtures Communication and Computer Equipment	18,268.49	6,474.90	.00	24,743.39
Vehicle	56,773.59	36,204.00	.00	92,977.59
Vehicle	11,998.20	762.51	11,998.20	762.51
Total Accumulated Depreciation	<u>\$111,322.16</u>	<u>\$ 47,557.57</u>	<u>\$ 11,998.20</u>	<u>\$146,881.53</u>
Net Capital Assets	<u>\$342,145.67</u>	<u>\$ (14,898.92)</u>	<u>\$.00</u>	<u>\$327,246.75</u>

A summary of changes in capital assets at June 30, 2007 follows:

	Balance 6/30/06	Increases	Decreases	Balance 6/30/07
Capital Assets Being Depreciated:				
Building	\$ 67,092.81	\$ 97,553.45	\$.00	\$164,646.26
Office Equipment and Fixtures Communication and Computer Equipment	21,147.89	33,147.04	4,087.91	50,207.02
Vehicle	290,436.16	168,262.84	232,082.65	226,616.35
Vehicle	11,998.20	.00	.00	11,998.20
Total Capital Assets Being Depreciated	<u>\$390,675.06</u>	<u>\$298,963.33</u>	<u>\$236,170.56</u>	<u>\$453,467.83</u>
Less: Accumulated Depreciated				
Building	\$ 21,588.36	\$ 2,693.52	\$.00	\$ 24,281.88
Office Equipment and Fixtures Communication and Computer Equipment	16,897.11	5,459.29	4,087.91	18,268.49
Vehicle	264,854.78	24,001.46	232,082.65	56,773.59
Vehicle	11,998.20	.00	.00	11,998.20
Total Accumulated Depreciation	<u>\$315,338.45</u>	<u>\$ 32,154.27</u>	<u>\$236,170.56</u>	<u>\$111,322.16</u>
Net Capital Assets	<u>\$ 75,336.61</u>	<u>\$266,809.06</u>	<u>\$.00</u>	<u>\$342,145.67</u>

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007**

NOTE 4 – EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

Employees of Fentress County Emergency Communications District 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 sixty (60) with five (5) years of service or at any age with thirty (30) years of service. A reduced retirement benefit is available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) 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 became vested after five (5) years of service and members joining prior to July 1, 1979 were vested after four (4) years of service. Benefit provisions are established in state statute found in *Title 8, Chapter 34-37* of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Fentress County Emergency Communications District 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 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 Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Fentress County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2008 was 5.82% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Fentress County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007**

NOTE 4 – EMPLOYEES RETIREMENT SYSTEM (continued)

ANNUAL PENSION COST

For the year ending June 30, 2008, Fentress County Emergency Communications District's annual pension cost of \$11,636.00 to TCRS was equal to Fentress County Emergency Communication'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 3.0 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year (5) period. Fentress County Emergency Communications District'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 17 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2008	\$11,636	100.00%	\$0.00
June 30, 2007	\$10,274	100.00%	\$0.00
June 30, 2006	\$ 8,354	100.00%	\$0.00

FUND STATUS AND FUNDING PROGRESS

As of July 1, 2007, the most recent actuarial valuation date, the plan was 68.64% percent funded. The actuarial accrued liability for benefits was \$0.11 million, and the actuarial value of assets was \$0.08 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.19 million, and the ratio of the UAAL to the covered payroll was 19.37% percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

The annual required contribution (ARC) was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007**

NOTE 4 – EMPLOYEES RETIREMENT SYSTEM (continued)

FUND STATUS AND FUNDING PROGRESS (continued)

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2007	\$81	\$118	\$37	68.64%	\$191	19.37%

NOTE 5 – OTHER OPERATING REVENUES

The Fentress County "911" Emergency Communications District entered into an intergovernmental cooperation agreement with Fentress County, whereby the District will staff and operate the emergency communications center. Fentress County makes quarterly payments to the District for its share of the dispatching cost. The amount received for the fiscal years ended June 30, 2008 and 2007 totaled \$160,200.00 and \$150,100.00 respectively.

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Notes to the Financial Statements
June 30, 2008 and 2007**

NOTE 6 – RISK FINANCING

The Fentress County "911" Emergency Communications District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and natural disasters. The premises are commercially insured by the Fentress County Government. The building coverage has some hardware insurance coverage for each of the three locations where the equipment is located. Additional commercial insurance, as detailed below, has been obtained. No losses have occurred during the past three years that have exceeded coverage.

Commercial General Liability

General Aggregate	\$3,000,000
Products Aggregate	3,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence	1,000,000
Medical Expense, Any One Person	5,000

Vehicle

Liability, Each Accident	1,000,000
Uninsured Motorists	1,000,000
Medical Payments	10,000
Auto Physical Damage – Comprehensive and Collision	Actual Cash Value
Other Than Collision Deductible	250
Collision Deductible	250

Blanket Summary

Personal Property	260,363
Software	250,000
Money and Securities	10,000
Commercial Blanket Bond	5,000
Deductible	
Policy – Per Occurrence	250
Earthquake -- Per Item –	
310 South Main Street	6,529
100 South Smith Street	6,490
Flood – Per Premises	1,000

Employee Dishonesty

15,000

Management Liability

Aggregate Limit	3,000,000
Wrongful Act – Each	1,000,000
Injunctive Relief – Each Action	5,000

Workmen's Compensation

Each Accident	100,000
Disease – Each Employee	100,000
– Policy Limit	500,000

Crime and Fidelity Coverage

Blanket Bond -- All Employees and Non-Compensatory Officers	175,000
Deductible	500

**REQUIRED SUPPLEMENTARY
INFORMATION**

SCHEDULE OF FUNDING PROGRESS

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Required Supplementary Information
Schedule of Funding Progress
June 30, 2008**

Schedule of funding progress for Fentress County Emergency Communications District, 89820

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2007	\$81	\$118	\$37	68.64%	\$191	19.37%

The Government Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and, therefore, only the most current year is presented.

SUPPLEMENTAL INFORMATION

SCHEDULE OF BONDS
ON PRINCIPAL OFFICERS

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Schedule of Bonds on Principal Officers
June 30, 2008**

The principal officials, including the directors, treasurer, and secretary, of the Fentress County "911" Communications District are covered under a Public Employee Dishonesty Bond in the amount of \$175,000.00, deductible \$500.00, written with the Westfield Companies. The current bond period is January 1, 2007 to January 1, 2010.

BUDGET TO ACTUAL COMPARISONS

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE**
Schedule of Revenue and Expenses
Budget to Actual Comparisons (Non-GAAP)
For the Year Ended June 30, 2008

	Original Budget (Cash Basis)	Final Budget (Cash Basis)	Actual Amounts (Cash Basis)	Variance With Final Budget- Positive (Negative)
Operating Revenue				
Emergency Telephone Service Charges	\$ 31,000.00	\$ 30,500.00	\$ 30,472.00	\$ 28.00
Tennessee Emergency Communications Board – Shared Wireless Charges	180,000.00	178,000.00	173,191.88	4,808.12
Operational Funding	5,000.00	1,656.97	1,656.97	.00
Other Operating Revenues	8,000.00	11,610.10	11,610.10	.00
Total Operating Revenue	\$ 378,069.00	\$ 371,200.00	\$ 380,605.07	\$ 9,405.07
Operating Expenses				
Administrative Personnel Salaries and Wages	\$ 3,400.00	3,400.00	2,969.96	430.04
Dispatchers Salaries and Wages	16,800.00	12,000.00	11,620.40	379.60
Director Salary	1,200.00	1,550.00	526.93	1,023.07
Overtime Pay	8,000.00	11,610.10	11,610.10	.00
Part-time Personnel	14,000.00	14,000.00	12,699.13	1,300.87
Social Security Taxes	3,400.00	3,400.00	2,969.96	430.04
Medicare Taxes	16,800.00	12,000.00	11,620.40	379.60
Medical Insurance	1,200.00	1,550.00	526.93	1,023.07
Unemployment Compensation	12,800.00	12,800.00	11,636.21	1,163.79
Retirement Contributions	5,500.00	4,627.50	4,627.50	.00
Addressing/Mapping Expenses	200.00	200.00	104.50	95.50
Advertising	4,000.00	3,905.37	3,800.00	105.37
Auditing Services	.00	.00	.00	.00
Architects	2,200.00	2,152.52	2,152.52	.00
Data Processing Services	20,000.00	15,313.35	15,313.35	.00
Maintenance Agreements	12,000.00	12,000.00	12,000.00	.00
Mapping/Data Base Consultants	1,000.00	1,000.00	765.00	235.00
Communications Equipment – Maintenance and Repairs	500.00	500.00	455.00	45.00
Building – Maintenance and Repairs	1,100.00	1,000.00	.00	1,000.00
Office Equipment – Maintenance and Repairs	2,000.00	1,059.76	1,059.76	.00
Vehicles – Maintenance and Repairs	1,000.00	1,000.00	701.62	298.38
Office Supplies	800.00	800.00	155.35	644.65
Custodial Supplies	700.00	700.00	.00	700.00
Data Processing Supplies	400.00	400.00	182.36	217.64
Postage	1,000.00	1,000.00	.00	1,000.00
Small Equipment Purchases	3,000.00	3,898.60	3,898.60	.00
Uniform and Shirts	6,000.00	5,000.00	4,860.07	139.93
General Telephone	500.00	500.00	245.39	254.61
Cell Phones and Pagers				

Other Supplies and Materials	900.00	600.00	.00	600.00
Dues and Memberships	250.00	250.00	141.00	109.00
Employee Testing and Exams	1,000.00	1,000.00	.00	1,000.00
Workmen's Compensation Insurance	1,700.00	1,500.00	1,197.00	303.00
Liability Insurance	3,000.00	4,000.00	2,129.00	1,871.00
Building and Contents Insurance	1,000.00	2,500.00	.00	2,500.00
Equipment Insurance	3,200.00	2,000.00	1,748.00	252.00
Vehicle Insurance	1,500.00	1,075.83	1,075.83	.00
Legal Notices	200.00	200.00	48.30	151.70
License and Fees	.00	.00	.00	.00
Premiums on Surety Bonds	800.00	800.00	340.00	460.00
Public Education	.00	.00	.00	.00
Service Awards	200.00	200.00	.00	200.00
Training Expenses	1,500.00	1,500.00	880.00	620.00
Travel Expenses	4,500.00	4,500.00	3,332.60	1,167.40
Internet Charges	800.00	750.00	730.44	19.56
Other Charges	500.00	100.00	59.00	41.00
Total Operating Expense	<u>\$355,150.00</u>	<u>\$341,550.00</u>	<u>\$318,385.77</u>	<u>\$ 23,164.23</u>

Non-Operating Revenue (Expenses)

Investment Income (C of D's)	\$ 10,500.00	\$ 1,900.00	\$ 11,586.01	\$ 9,686.01
Interest Income	950.00	1,300.00	940.80	(359.20)
Tennessee Emergency Communications Board - Grants and Reimbursements	13,000.00	13,000.00	12,713.10	(286.90)
Gain on Disposal of Property	.00	.00	3,500.00	3,500.00
Miscellaneous Income	1,000.00	1,000.00	150.00	(850.00)
Net Non-Operating Revenue (Expense)	<u>\$ 25,450.00</u>	<u>\$ 17,200.00</u>	<u>\$ 28,889.91</u>	<u>\$ 11,689.91</u>

Cash Basis Net Income

	\$ 48,369.00	\$ 46,850.00	\$ 91,109.21	\$ 44,259.21
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Reconciliation of Cash Basis to Accrual Basis

Depreciation Expense	\$ (47,557.57)
Decrease in Current Receivables	(155.53)
Decrease in Accrued Interest Receivable	(103.37)
Increase in Prepaid Expenses	7,174.59
Increase in Accounts Payable	(1,280.31)
Increase in Accrued Employment Expenses	156.61
Net Reconciliation Cash to Accrual	<u>\$ (41,765.58)</u>

Increase (Decrease) in Net Assets (Accrual)

	\$ 49,343.63
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Net Assets - Beginning of Period

	<u>887,714.62</u>
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Net Assets - End of Period

	<u>\$ 937,058.25</u>
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SCHEDULE OF INFORMATION
REQUIRED BY THE
TENNESSEE EMERGENCY
COMMUNICATIONS BOARD

**FENTRESS COUNTY "911" EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
Schedule of Information Required by the
Tennessee Emergency Communications Board
For the Year Ended June 30, 2008**

- (1) The number of public safety answering points (PSAP) –

Three

- (2) The address of each PSAP –

100 Smith Street South
Jamestown, Tennessee 38556

- (3) The type of system/equipment and database used by each PSAP –

Combix Corporation

- (4) The name, address, telephone number, and fax number of the director of the Emergency Communications District –

Fentress County "911" Communications District does not have an Emergency Communications Director.

- (5) The name, address, telephone number, and fax number of the chairman of the Emergency Communications District –

Gary Peters, Chairman
106 Horseshoe Circle
Jamestown, Tennessee 38556
Telephone Number: (931)879-3319
Fax Number: (931)879-5056

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

**LETTER ON INTERNAL CONTROL
AND COMPLIANCE AND OTHER MATTERS**

Hassell Ray York and Associates, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 137 • Phone: 931-484-5570

Crossville, Tennessee 38557

September 2, 2008

Board of Directors
Fentress County "911" Emergency
Communications District
P. O. Box 460
Jamestown, Tennessee 38556

***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***

We have audited the financial statements of the Fentress County "911" Emergency Communications District, a component unit of Fentress County, Tennessee, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 2, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fentress County "911" Emergency Communications District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Fentress County "911" Emergency Communications District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fentress County "911" Emergency Communications District's internal control over financial reporting.

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 District'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 District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

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 the District's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Fentress County "911" Emergency
Communications District
Page 2
September 2, 2008

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fentress County "911" Emergency Communications District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, Fentress County, Tennessee, and the Comptroller's Office of the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.


Hassell Ray York
Certified Public Accountant

HRY:kam