
ANNUAL FINANCIAL REPORT FENTRESS COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2008



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**ANNUAL FINANCIAL REPORT
FENTRESS COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008**

***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***

***STEPHEN ALRED
KELLEY J. McNEAL, CPA, CGFM
State Auditors***

This financial report is available at www.comptroller.state.tn.us

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FENTRESS COUNTY, TENNESSEE TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		9-10
<u>INTRODUCTORY SECTION</u>		11
Fentress County Officials		13
<u>FINANCIAL SECTION</u>		15
Independent Auditor’s Report		17-19
BASIC FINANCIAL STATEMENTS:		21
Government-wide Financial Statements:		
Statement of Net Assets	A	23
Statement of Activities	B	24-25
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	26-27
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	28
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	29-30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	31
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	32
Notes to the Financial Statements		33-72
REQUIRED SUPPLEMENTARY INFORMATION:		73
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	75-77
Solid Waste/Sanitation Fund	E-2	78
Highway/Public Works Fund	E-3	79
Schedule of Funding Progress – Pension Plan	E-4	80
Schedule of Funding Progress – Pension Plan – Discretely Presented Fentress County Emergency Communications District	E-5	81
Schedule of Funding Progress – Other Postemployment Benefits Plan	E-6	82
Notes to the Required Supplementary Information		83

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		85
Nonmajor Governmental Funds:		87
Combining Balance Sheet	F-1	89
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	90
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	F-3	91
Major Governmental Fund:		93
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	95
Fiduciary Funds:		97
Combining Statement of Fiduciary Assets and Liabilities	H-1	99
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	100
Component Unit:		
Discretely Presented Fentress County School Department:		101
Statement of Activities	I-1	103
Balance Sheet – Governmental Funds	I-2	104
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	105
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	106
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	107
Combining Balance Sheet – Nonmajor Governmental Funds	I-6	108
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	I-7	109
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-8	110-111
School Federal Projects Fund	I-9	112
Central Cafeteria Fund	I-10	113
Miscellaneous Schedules:		115
Schedule of Changes in Long-term Notes, Other Loans Capital Leases, and Bonds - Primary Government and Discretely Presented Fentress County School Department	J-1	117-118
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Fentress County School Department	J-2	119-120
Schedule of Transfers – Primary Government and Discretely Presented Fentress County School Department	J-3	121

	Exhibit	Page(s)
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Fentress County School Department	J-4	122
Schedule of Detailed Revenues – All Governmental Fund Types	J-5	123-126
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Fentress County School Department	J-6	127-128
Schedule of Detailed Expenditures – All Governmental Fund Types	J-7	129-149
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Fentress County School Department	J-8	150-161
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-9	162
<u>SINGLE AUDIT SECTION</u>		163
Auditor’s Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		165-167
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		169-171
Schedule of Expenditures of Federal Awards and State Grants		173-174
Schedule of Audit Findings Not Corrected		175
Schedule of Findings and Questioned Costs		177-185
Auditee Reporting Responsibilities		187

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Audit Highlights
Annual Financial Report
Fentress County, Tennessee
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of Fentress County as of and for the year ended June 30, 2008.

Results

Our report on the aggregately discretely presented component units is qualified because the financial statements did not include a component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in six 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 AND FENTRESS COUNTY SCHOOL DEPARTMENT

- ◆ Fentress County and the Fentress County School Department do not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF FINANCE DIRECTOR

- ◆ County funds totaling \$2,032 and volunteer fire department funds totaling \$1,556 were misappropriated.
- ◆ Expenditures exceeded appropriations in several major appropriation categories (the legal level of control) in the General, General Debt Service, and School Federal Projects funds.

OFFICES OF TRUSTEE AND COUNTY CLERK

- ◆ The Offices of Trustee and County Clerk did not review software audit logs during the year examined.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- ◆ Accounting records were not maintained in accordance with generally accepted accounting principles and state statutes. Numerous deficiencies were noted in the maintenance of the accounting records.
-

OTHER FINDING

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

INTRODUCTORY SECTION

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Fentress County Officials

June 30, 2008

Officials

John Mullinix, County Executive
Fred Blevins, Road Supervisor
Michael Jones, Director of Schools
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

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

Board of Education

Gary Tinch, Chairman	Barbara Pile
JoElla Allred	H. Russell Stephens
Karen Cooper	Leon Stepp
Trent Hall	Mike Stowers
Mark Howard	Derwin Wright

Financial Management Committee

Larry Cooper, Chairman	Frank Mullinix
Fred Blevins	John Mullinix
Michael Cross	Bob Pile
Michael Jones	

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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 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

December 19, 2008

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fentress County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Fentress County's basic financial statements as listed in the table of contents. 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 did not audit the financial statements of the discretely presented Fentress County Emergency Communications District, which represent 4.8 percent and 2.1 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Fentress County Emergency Communications District, is based on the report of the other auditors.

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. 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 and the report of other auditors provide a reasonable basis for our opinions.

The financial statements of the Fentress County Industrial Development Board, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units' financial statements referred to above do not include amounts for the Fentress County Industrial Development Board, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, except for the effects of not including the financial statements of the Fentress County Industrial Development Board as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Fentress County, Tennessee, at June 30, 2008, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fentress County, Tennessee, as of June 30, 2008, and the respective changes in financial position, thereof for the year 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 December 19, 2008, 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.

As described in Note V.B., Fentress County has implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. For the first time, the financial statements include the government-wide financial statements. Also, as described in Note V.B., Fentress County has adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures.

The management of Fentress County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison, pension, and other postemployment benefits information on pages 75 through 83 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, combining and individual fund financial statements of the Fentress County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fentress County School Department (a discretely presented component unit), 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/yu

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Fentress County, Tennessee
Statement of Net Assets
June 30, 2008

	Primary Government Governmental Activities	Component Units	
		Fentress County School Department	Fentress County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 10,906	\$ 0	\$ 611,422
Equity in Pooled Cash and Investments	5,146,619	2,914,128	0
Accounts Receivable	690,658	0	7,114
Allowance for Uncollectibles	(180,999)	0	0
Due from Other Governments	705,037	676,157	0
Prepaid Items	0	7,264	13,147
Property Taxes Receivable	2,897,487	825,449	0
Allowance for Uncollectible Property Taxes	(113,144)	(29,796)	0
Capital Assets:			
Assets Not Depreciated:			
Land	5,305,759	411,763	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	4,591,377	13,133,375	136,248
Other Capital Assets	1,697,665	1,054,803	190,998
Infrastructure	23,598,558	0	0
Total Assets	<u>\$ 44,349,923</u>	<u>\$ 18,993,143</u>	<u>\$ 958,929</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 23,430	\$ 0	\$ 2,060
Payroll Deductions Payable	0	387,188	19,811
Contracts Payable	219,755	70,000	0
Accrued Interest Payable	26,318	17,106	0
Deferred Revenue - Current Property Taxes	2,626,682	757,697	0
Noncurrent Liabilities:			
Due Within One Year	918,688	390,039	0
Due in More Than One Year	8,585,817	2,573,552	0
Total Liabilities	<u>\$ 12,400,690</u>	<u>\$ 4,195,582</u>	<u>\$ 21,871</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 33,616,111	\$ 12,246,941	\$ 0
Invested in Capital Assets	0	0	327,247
Restricted for:			
Debt Service	2,354,903	0	0
Solid Waste/Sanitation	644,544	0	0
Drug Control	26,904	0	0
Highway/Public Works	460,208	0	0
Capital Projects	10,925	0	0
School Federal Projects	0	236,872	0
Central Cafeteria	0	201,267	0
Other Purposes	29,991	891,257	0
Unrestricted	(5,194,353)	1,221,224	609,811
Total Net Assets	<u>\$ 31,949,233</u>	<u>\$ 14,797,561</u>	<u>\$ 937,058</u>

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

Exhibit B

Fentress County, Tennessee
 Statement of Activities
 For the Year Ended June 30, 2008

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						
	Program Revenues			Primary Government Total Governmental Activities	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions	Fentress County School Department	Fentress County Emergency Communications District
Primary Government:							
Governmental Activities:							
General Government	\$ 711,250	\$ 319,816	\$ 16,380	\$ 299	\$ (374,755)	\$ 0	\$ 0
Finance	812,810	340,160	9,152	0	(463,498)	0	0
Administration of Justice	449,797	343,343	31,979	0	(74,475)	0	0
Public Safety	1,507,821	69,936	41,838	0	(1,396,047)	0	0
Public Health and Welfare	2,541,299	1,574,045	257,211	0	(710,043)	0	0
Social, Cultural, and Recreational Services	215,726	0	14,297	0	(201,429)	0	0
Agriculture and Natural Resources	86,970	0	0	0	(86,970)	0	0
Other Operations	512,636	0	0	0	(512,636)	0	0
Highways/Public Works	2,352,767	120,699	1,719,899	161,060	(351,109)	0	0
Education	0	0	20,000	0	20,000	0	0
Interest on Long-term Debt	302,267	0	0	0	(302,267)	0	0
Other Debt Service	47,131	0	350,000	0	302,869	0	0
Total Governmental Activities	\$ 9,540,474	\$ 2,767,999	\$ 2,460,756	\$ 161,359	\$ (4,150,360)	\$ 0	\$ 0
Total Primary Government	\$ 9,540,474	\$ 2,767,999	\$ 2,460,756	\$ 161,359	\$ (4,150,360)	\$ 0	\$ 0
Component Units:							
Fentress County School Department	\$ 19,326,774	\$ 441,589	\$ 2,390,660	\$ 0	\$ 0	\$ (16,494,525)	\$ 0
Emergency Communications District	359,892	96,424	284,234	0	0	0	20,766
Total Component Units	\$ 19,686,666	\$ 538,013	\$ 2,674,894	\$ 0	\$ 0	\$ (16,494,525)	\$ 20,766

(Continued)

Exhibit B

Fentress County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues					Component Units		Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Fentress County School Department	Fentress County Emergency Communications District	
				Total Governmental Activities				
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes				\$ 2,838,543	\$	736,481	\$	0
Property Taxes Levied for Debt Service				198,070		0		0
Local Option Sales Tax				964,029		1,595,210		0
Wheel Tax				0		398,758		0
Business Tax				84,218		24,227		0
Mineral Severance Tax				52,878		28,510		0
Wholesale Beer Tax				203,990		0		0
Litigation Tax - General				35,917		0		0
Hotel/Motel Tax				54,702		0		0
Other Local Taxes				20,476		2,494		0
Grants and Contributions Not Restricted for Specific Programs				301,190		13,051,428		12,504
Unrestricted Investment Earnings				194,596		0		12,423
Sale of Equipment				20,380		0		3,500
Miscellaneous				52,606		91,732		150
Total General Revenues				\$ 5,021,595		\$ 15,928,840		\$ 28,577
Insurance Recovery				\$ 793		\$ 0		\$ 0
Change in Net Assets				\$ 872,028		\$ (565,685)		\$ 49,343
Net Assets, July 1, 2007				31,077,205		15,363,246		887,715
Net Assets, June 30, 2008				\$ 31,949,233		\$ 14,797,561		\$ 937,058

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

Exhibit C-1

Fentress County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,906	\$ 10,906	\$ 10,906
Equity in Pooled Cash and Investments	1,987,438	599,742	205,967	2,315,643	37,829	5,146,619	5,146,619
Accounts Receivable	664,997	20,750	4,614	0	297	690,658	690,658
Allowance for Uncollectibles	(180,999)	0	0	0	0	(180,999)	(180,999)
Due from Other Governments	40,410	139,886	469,382	55,359	0	705,037	705,037
Due from Other Funds	11,203	0	0	0	0	11,203	11,203
Property Taxes Receivable	2,393,369	335,408	0	168,710	0	2,897,487	2,897,487
Allowance for Uncollectible Property Taxes	(92,841)	(13,351)	0	(6,952)	0	(113,144)	(113,144)
Total Assets	\$ 4,823,577	\$ 1,082,435	\$ 679,963	\$ 2,532,760	\$ 49,032	\$ 9,167,767	\$ 9,167,767

ASSETS

LIABILITIES AND FUND BALANCES

Accounts Payable	\$ 23,430	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,430
Contracts Payable	0	0	219,755	0	0	219,755
Due to Other Funds	0	0	0	0	11,203	11,203
Deferred Revenue - Current Property Taxes	2,172,064	303,079	0	151,539	0	2,626,682
Deferred Revenue - Delinquent Property Taxes	101,266	14,742	0	7,022	0	123,030
Other Deferred Revenues	465,427	54,955	147,626	29,110	0	697,118
Total Liabilities	\$ 2,762,187	\$ 372,776	\$ 367,381	\$ 187,671	\$ 11,203	\$ 3,701,218

(Continued)

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 2,488	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,488
Reserved for Alcohol and Drug Treatment	5,576	0	0	0	0	0	5,576
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	3,420	0	0	0	0	0	3,420
Reserved for Sexual Offender Registration	2,500	0	0	0	0	0	2,500
Reserved for Courtroom Security	319	0	0	0	0	0	319
Reserved for Victims Assistance Programs	289	0	0	0	0	0	289
Reserved for Computer System - Register	9,681	0	0	0	0	0	9,681
Reserved for Automation Purposes - Other Courts	2,646	0	0	0	0	0	2,646
Reserved for Archives and Records Management - County Clerk	560	0	0	0	0	0	560
Reserved for Other General Purposes	5,000	0	0	0	0	0	5,000
Unreserved, Reported In:							
General Fund	2,028,911	0	0	0	0	0	2,028,911
Special Revenue Funds	0	709,659	312,582	0	26,904	0	1,049,145
Debt Service Funds	0	0	0	2,345,089	0	0	2,345,089
Capital Projects Funds	0	0	0	0	10,925	0	10,925
Total Fund Balances	\$ 2,061,390	\$ 709,659	\$ 312,582	\$ 2,345,089	\$ 37,829	\$ 0	\$ 5,466,549
Total Liabilities and Fund Balances	\$ 4,823,577	\$ 1,082,435	\$ 679,963	\$ 2,532,760	\$ 49,032	\$ 0	\$ 9,167,767

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

Exhibit C-2

Fentress County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Assets
June 30, 2008

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	5,466,549
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	5,305,759	
Add: infrastructure net of accumulated depreciation		23,598,558	
Add: buildings and improvements net of accumulated depreciation		4,591,377	
Add: other capital assets net of accumulated depreciation		<u>1,697,665</u>	35,193,359
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$	(97,254)	
Less: notes payable		(685,994)	
Less: other loans payable		(8,427,000)	
Less: accrued interest on bonds, notes, and other loans		(26,318)	
Less: compensated absences payable		(159,445)	
Less: landfill postclosure care costs		<u>(134,812)</u>	(9,530,823)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
Add: other deferred revenues	\$	697,118	
Add: deferred revenues from delinquent taxes net of allowance		<u>123,030</u>	<u>820,148</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 31,949,233</u>

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

Fentress County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Revenues</u>							
Local Taxes	\$ 2,965,984	\$ 1,006,431	\$ 53,247	\$ 532,367	\$ 0	\$ 0	\$ 4,558,029
Licenses and Permits	22,792	0	0	0	0	0	22,792
Fines, Forfeitures, and Penalties	105,483	0	0	0	34,423	0	139,906
Charges for Current Services	1,174,672	174,499	0	0	0	0	1,349,171
Other Local Revenues	423,562	165,534	136,376	60,380	1,540	0	787,392
Fees Received from County Officials	650,203	0	0	0	0	0	650,203
State of Tennessee	358,662	98,792	1,891,560	0	26,988	0	2,376,002
Federal Government	43,728	0	0	0	0	0	43,728
Other Governments and Citizens Groups	22,800	0	0	350,000	0	0	372,800
Total Revenues	\$ 5,767,886	\$ 1,445,256	\$ 2,081,183	\$ 942,747	\$ 62,951	\$ 0	\$ 10,300,023
<u>Expenditures</u>							
Current:							
General Government	\$ 706,300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 706,300
Finance	808,730	0	0	0	0	0	808,730
Administration of Justice	448,066	0	0	0	0	0	448,066
Public Safety	1,777,435	0	0	0	140,605	0	1,918,040
Public Health and Welfare	1,249,149	1,320,938	0	0	26,852	0	2,596,939
Social, Cultural, and Recreational Services	171,200	0	0	0	0	0	171,200
Agriculture and Natural Resources	86,028	0	0	0	0	0	86,028
Other Operations	539,834	52,469	0	0	0	0	592,303
Highways	0	0	1,999,683	0	0	0	1,999,683
Debt Service:							
Principal on Debt	0	0	255,446	479,334	0	0	734,780
Interest on Debt	0	0	28,188	292,004	0	0	320,192
Other Debt Service	0	0	0	47,131	0	0	47,131
Total Expenditures	\$ 5,786,742	\$ 1,373,407	\$ 2,283,317	\$ 818,469	\$ 167,457	\$ 0	\$ 10,429,392
Excess (Deficiency) of Revenues Over Expenditures	\$ (18,856)	\$ 71,849	\$ (202,134)	\$ 124,278	\$ (104,506)	\$ 0	\$ (129,369)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 219,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 219,000
Capital Leases Issued	0	0	30,059	0	41,550	0	71,609
Insurance Recovery	123	0	0	0	670	0	793

(Continued)

Exhibit C-3

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 Governmental Funds		
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers In	\$ 0	\$ 0	\$ 225,000	\$ 0	\$ 0	\$ 0	\$ 225,000
Transfers Out	(225,000)	0	0	0	0	0	(225,000)
Total Other Financing Sources (Uses)	\$ (5,877)	\$ 0	\$ 255,059	\$ 0	\$ 42,220	\$ 291,402	
Net Change in Fund Balances	\$ (24,733)	\$ 71,849	\$ 52,925	\$ 124,278	\$ (62,286)	\$ 162,033	
Fund Balance, July 1, 2007	2,086,123	637,810	259,657	2,220,811	100,115	5,304,516	
Fund Balance, June 30, 2008	\$ 2,061,390	\$ 709,659	\$ 312,582	\$ 2,345,089	\$ 37,829	\$ 5,466,549	

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

Exhibit C-4

Fentress County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 162,033
<p>(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:</p>		
Add: capital assets purchased in the current period	\$ 811,395	
Less: current year depreciation expense	<u>(708,963)</u>	102,432
<p>(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.</p>		
Less: loss on disposal of capital assets		(33,948)
<p>(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.</p>		
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$ 820,148	
Less: deferred delinquent property taxes and other deferred June 30, 2007	<u>(708,462)</u>	111,686
<p>(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:</p>		
Less: note proceeds	\$ (219,000)	
Less: capital lease proceeds	(71,609)	
Add: principal payments on notes	303,117	
Add: principal payments on capital leases	73,732	
Add: principal payments on other loans	<u>426,000</u>	512,240
<p>(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Change in accrued interest on notes	\$ (4,176)	
Change in accrued interest on capital leases	(151)	
Change in accrued interest on other loans	27,500	
Change in compensated absences payable	(14,088)	
Change in landfill postclosure care costs	<u>8,500</u>	<u>17,585</u>
Change in net assets of governmental activities (Exhibit B)		<u><u>\$ 872,028</u></u>

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

Exhibit D

Fentress County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 545,815
Due from Other Governments	<u>109,721</u>
Total Assets	<u><u>\$ 655,536</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 109,721
Due to Litigants, Heirs, and Others	<u>545,815</u>
Total Liabilities	<u><u>\$ 655,536</u></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, 2008

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fentress County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial 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. During the year ended June 30, 2008, the county appropriated an operating subsidy of \$160,200 to the district.

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, 2008, the county appropriated an operating subsidy of \$41,240 to the board. The financial statements of the Fentress County Industrial Development Board were not available from other auditors in time for inclusion in this report.

The Fentress County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Fentress County Industrial Development Board were not available in time for inclusion, as previously mentioned. 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. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Fentress County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Fentress County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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. An emphasis is placed on major funds within the governmental category. Fentress County has no proprietary funds to report.

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 funds financial statements are reported using the economic resources measurement focus (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 related to the disposal of the 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.

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

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

D. 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 funds and the discretely presented Fentress County School Department. 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 General and General Purpose School funds. Fentress County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit 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 Circuit 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 costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and 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.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$10,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	25-40
Other Capital Assets	5-30
Infrastructure	20-75

5. Compensated Absences

All offices and departments in Fentress County allow employees to earn vacation and sick pay benefits; however, there are several different methods used by county offices and departments regarding the accumulation of these benefits. All county offices allow the unlimited accumulation of sick leave. There is no liability for unpaid accumulated sick leave since Fentress County does not have a policy to pay any amounts when employees separate from service with the government. Some county offices allow employees to accumulate vacation days beyond year-end, while others do not. The Finance Department, working together with the elected officials, is responsible for maintaining the balances of accumulated leave in accordance with the policies of the individual offices of the county. All vacation pay is accrued when incurred in the government-wide financial statements for the county and the discretely presented School Department. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

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

7. Net Assets and Fund Equity

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

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

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the discretely presented School Department consists of various restrictions totaling \$891,257, with the primary restriction being for the Basic Education Program (\$812,633).

In the fund financial statements, 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. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

Discretely Presented Fentress County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

Primary Government

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

Discretely Presented Fentress County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and the capital projects 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

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) in the General, General Debt Service, and School Federal Projects funds. Such overexpenditures are a violation of state statutes. These overexpenditures were funded from available fund balances.

IV. 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, 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 on the balance sheets or statements of net assets 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, 2008.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 5,305,759	\$ 0	\$ 0	\$ 5,305,759
Total Capital Assets Not Depreciated	\$ 5,305,759	\$ 0	\$ 0	\$ 5,305,759

Governmental Activities (Cont.):

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Depreciated:				
Buildings and Improvements	\$ 6,984,739	\$ 235,800	\$ 0	\$ 7,220,539
Infrastructure	27,653,998	0	0	27,653,998
Other Capital Assets	3,375,866	575,595	(112,788)	3,838,673
Total Capital Assets Depreciated	\$ 38,014,603	\$ 811,395	\$ (112,788)	\$ 38,713,210
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,513,118	\$ 116,044	\$ 0	\$ 2,629,162
Infrastructure	3,729,497	325,943	0	4,055,440
Other Capital Assets	1,952,872	266,976	(78,840)	2,141,008
Total Accumulated Depreciation	\$ 8,195,487	\$ 708,963	\$ (78,840)	\$ 8,825,610
Total Capital Assets Depreciated, Net	\$ 29,819,116	\$ 102,432	\$ (33,948)	\$ 29,887,600
Governmental Activities Capital Assets, Net	\$ 35,124,875	\$ 102,432	\$ (33,948)	\$ 35,193,359

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

Governmental Activities:

General Government	\$ 4,625
Public Safety	144,541
Public Health and Welfare	102,004
Social, Cultural, and Recreational Services	21,420
Agriculture and Natural Resources	942
Other Operations	21,162
Highways/Public Works	414,269
Total Depreciation Expense - Governmental Activities	\$ 708,963

Discretely Presented Fentress County School Department

Governmental Activities:

	Balance 7-1-07	Increases	Balance 6-30-08
Capital Assets Not Depreciated:			
Land	\$ 411,763	\$ 0	\$ 411,763
Total Capital Assets Not Depreciated	<u>\$ 411,763</u>	<u>\$ 0</u>	<u>\$ 411,763</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 16,900,298	\$ 0	\$ 16,900,298
Other Capital Assets	1,560,308	230,651	1,790,959
Total Capital Assets Depreciated	<u>\$ 18,460,606</u>	<u>\$ 230,651</u>	<u>\$ 18,691,257</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 3,410,811	\$ 356,111	\$ 3,766,922
Other Capital Assets	624,704	111,453	736,157
Total Accumulated Depreciation	<u>\$ 4,035,515</u>	<u>\$ 467,564</u>	<u>\$ 4,503,079</u>
Total Capital Assets Depreciated, Net	<u>\$ 14,425,091</u>	<u>\$ (236,913)</u>	<u>\$ 14,188,178</u>
Governmental Activities Capital Assets, Net	<u>\$ 14,836,854</u>	<u>\$ (236,913)</u>	<u>\$ 14,599,941</u>

Depreciation expense was charged to functions of the discretely presented Fentress County School Department as follows:

Governmental Activities:

Instruction	\$ 357,268
Support Services	<u>110,296</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 467,564</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 11,203

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

Primary Government

<u>Transfer Out</u>	<u>Transfer In</u> Highway/ Public Works Fund
General Fund	\$ 225,000

Discretely Presented Typical County School Department

<u>Transfer Out</u>	<u>Transfer In</u> General Purpose School Fund
Nonmajor governmental fund	\$ 8,509

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.

D. Capital Leases

Primary Government

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. The General Fund (60%) and the Drug Control Fund (40%) will make subsequent lease payments.

On December 7, 2007, Fentress County entered into a two-year lease-purchase agreement for two patrol cars. The terms of the agreement require total lease payments of \$41,550 plus interest of 5.6 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 April 25, 2008, 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 \$30,059 plus interest of seven 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.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2009	\$ 65,441
2010	21,854
2011	7,243
2012	7,243
2013	5,433
Total Minimum Lease Payments	<u>\$ 107,214</u>
Amount Representing Interest	<u>(9,960)</u>
Present Value of Minimum Lease Payments	<u>\$ 97,254</u>

Discretely Presented Fentress County School Department

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.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2008, were as follows:

Year Ending June 30	Governmental Funds
2009	\$ 69,000
2010	69,000
Total Minimum Lease Payments	\$ 138,000
Amount Representing Interest	0
Present Value of Minimum Lease Payments	\$ 138,000

E. Long-term Debt

Primary Government

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. All notes included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund and the Highway/Public Works Fund. All other loans included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Capital Outlay Notes	2.7 to 4 %	\$ 1,469,000	\$ 685,994
Other Loans	variable	12,300,000	8,427,000
Capital Leases	5.6 to 7	273,531	97,254

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, 2008, the variable interest rate for each loan was 1.29 percent, and other fees totaled approximately .25 percent (letter of credit), .08 percent (remarketing) of the outstanding loan principal, and the trustee fee was \$85 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, 2008, the variable interest rate was three 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, 2008, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 325,168	\$ 16,430	\$ 341,598
2010	337,091	6,447	343,538
2011	20,280	544	20,824
2012	3,455	16	3,471
Total	<u>\$ 685,994</u>	<u>\$ 23,437</u>	<u>\$ 709,431</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 446,000	\$ 152,313	\$ 35,459	\$ 633,772
2010	473,000	142,712	33,492	649,204
2011	494,000	132,507	31,403	657,910
2012	521,000	121,859	29,223	672,082
2013	549,000	110,607	26,921	686,528
2014-2018	2,850,000	362,233	95,591	3,307,824
2019-2023	1,910,000	150,737	47,741	2,108,478
2023-2026	1,184,000	31,037	11,000	1,226,037
Total	<u>\$ 8,427,000</u>	<u>\$ 1,204,005</u>	<u>\$ 310,830</u>	<u>\$ 9,941,835</u>

There is \$2,345,089 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes, other loans, and capital leases totaled \$554, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:	Notes	Other Loans	Capital Leases
Balance, July 1, 2007	\$ 770,111	\$ 8,853,000	\$ 99,377
Additions	219,000	0	71,609
Deductions	(303,717)	(426,000)	(73,732)
Balance, June 30, 2008	<u>\$ 685,394</u>	<u>\$ 8,427,000</u>	<u>\$ 97,254</u>
Balance Due Within One Year	<u>\$ 325,168</u>	<u>\$ 446,000</u>	<u>\$ 65,441</u>

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2007	\$ 145,357	\$ 143,312
Additions	138,547	0
Deductions	(124,459)	(8,500)
Balance, June 30, 2008	<u>\$ 159,445</u>	<u>\$ 134,812</u>
Balance Due Within One Year	<u>\$ 79,723</u>	<u>\$ 7,305</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 9,504,505
Less: Balance Due Within One Year	<u>(918,688)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 8,585,817</u>

Compensated absences will be paid from the employing funds, primarily the General Fund and the Solid Waste/Sanitation Fund. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Fentress County School Department

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 17 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, 2008, will be retired from the General Purpose School Fund.

The general obligation bond and the capital lease outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
General Obligation Bonds - Refunding	4.4 to 4.8 %	\$ 2,355,000	\$ 2,215,000
Capital Lease	0	345,000	138,000

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2008, including interest payments, are presented in the following table:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2014-2015	715,000	51,665	766,665
Total	\$ 2,215,000	\$ 436,515	\$ 2,651,515

Bonded debt per capita totaled \$133, based on the 2000 federal census. Total debt per capital, including bonds and the capital lease totaled \$142, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Fentress County School Department for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Capital Leases		Bonds	
	Balance, July 1, 2007	\$ 207,000	\$	2,475,000
Deductions	(69,000)		(260,000)	
Balance, June 30, 2008	\$ 138,000	\$	2,215,000	
Balance Due Within One Year	\$ 69,000	\$	270,000	

	Other	
	Compensated Absences	Postemployment Benefits
Balance, July 1, 2007	\$ 151,458	\$ 0
Additions	70,615	629,000
Deductions	(51,039)	(189,443)
Balance, June 30, 2008	\$ 171,034	\$ 439,557

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 2,963,591
Less: Balance Due Within One Year	<u>(390,039)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,573,552</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

F. On-Behalf Payments – Discretely Presented Fentress County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Fentress County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$72,138 and \$16,650, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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

Fentress County participates in 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 (TCA), 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 this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

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

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

B. Accounting Changes

At the beginning of the year, Fentress County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. In the prior year, Fentress County had elected to implement only the provisions of Statement No. 34 that related to the fund financial statements.

Provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions; Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 45 establishes reporting requirements for Other Postemployment Benefits (OPEB). OPEB includes postemployment healthcare, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This statement establishes standards for the measurement, recognition, and display of OPEB expenses/ expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the county’s financial statements. In previous years, the Fentress County School Department had only recognized the current year cost (expense) of these benefits.

GASB Statement No. 45 was implemented prospectively with a zero net OPEB obligation at transition.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Fentress County. GASB Statement No. 48 had no effect on the financial statements of Fentress County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Fentress County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for OPEB and enhances the information disclosed in the notes to the financial statements or presented as RSI for pension plans. This statement requires Fentress County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Event

On August 31, 2008, Roger Compton left the Office of Assessor of Property and was succeeded by Harvey Stowers.

D. Contingent Liabilities

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

E. Change in Administration

On June 30, 2007, Homer Lee Linder left the Office of Director of Schools and was succeeded by Michael Jones.

F. 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 \$134,812 reported as landfill postclosure care liability at June 30, 2008, 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.

G. 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, 2008, 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

H. Retirement Commitments

County and School Department 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, TN 37243-0230 or can be accessed at <http://www.treasury.state.tn.us/tcrs/PS/>.

Funding Policy

County Employees

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, 2008, 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.

School Department Employees

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, 2008, was 4.15 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

County Employees

For the year ended June 30, 2008, Fentress County's annual pension cost of \$214,622 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 postretirement 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, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$214,622	100%	\$0
6-30-07	210,660	100	0
6-30-06	157,685	100	0

School Department Employees

For the year ended June 30, 2008, Fentress County's annual pension cost of \$79,663 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 postretirement 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 ten years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$79,663	100%	\$0
6-30-07	62,348	100	0
6-30-06	12,372	100	0

Funded Status and Funding Progress

County Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 87.61 percent funded. The actuarial accrued liability for benefits was \$3.85 million, and the actuarial value of assets was \$3.37 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.48 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.55 million, and the ratio of the UAAL to the covered payroll was 13.46 percent.

The schedules of funding progress, presented as required supplementary information 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 Actuarial Accrued Liability for benefits.

The annual required contribution 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.

School Department Employees

As of July 1, 2007, the most recent actuarial valuation date, the plan was 101.04 percent funded. The actuarial accrued liability for benefits was \$4.70 million, and the actuarial value of assets was \$4.75 million, resulting in an unfunded actuarial accrued liability (UAAL) of (\$0.05) million. The covered payroll (annual payroll of active employees covered by the plan) was \$1.43 million, and the ratio of the UAAL to the covered payroll was -3.41 percent.

The schedules of funding progress, presented as required supplementary information 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 Actuarial Accrued Liability for benefits.

The annual required contribution 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.

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.

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, 2008, was 6.24 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, 2008, 2007, and 2006, were \$523,499, \$493,907, and \$440,863, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

The School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare supplement plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/act/cafr.html>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employer in the plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The School Department pays 100 percent of single coverage for all eligible retirees until the participant is eligible for Medicare benefits. During the year ended June 30, 2008, the discretely presented Fentress County School Department contributed \$189,443 for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	<u>Local Education Group Plan</u>
ARC	\$ 629,000
Interest on the NPO	0
Adjustment to the ARC	0
Annual OPEB cost	<u>\$ 629,000</u>
Amount of contribution	(189,443)
Increase/decrease in NPO	<u>\$ 439,557</u>
Net OPEB obligation - 7-1-07	<u>0</u>
Net OPEB obligation - 6-30-08	<u><u>\$ 439,557</u></u>

Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 629,000	30 %	\$ 439,557

* Data not available for two preceding years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, was as follows:

	<u>Local Education Group Plan</u>
Actuarial valuation date	6-30-07
Actuarial accrued liability (AAL)	\$ 6,479,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 6,479,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 8,022,285
UAAL as a % of covered payroll	81%

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

Actuarial Methods and Assumptions

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

In the June 30, 2007, actuarial valuation, the projected unit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. Office of Central Accounting and Budgeting

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

K. 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 and the discretely presented School Department are required to be competitively bid.

VI. **OTHER NOTES – DISCRETELY PRESENTED EMERGENCY COMMUNICATIONS DISTRICT**

A. **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.

1. **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 residents within the boundaries of Fentress County, Tennessee, with emergency 911 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.

2. **Measurement Focus, Basis of Accounting, and Financial Statement 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.

3. 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.

4. 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:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	5-10

5. 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 35 hours per week) to the next year in an amount not to exceed 30 days or 240 total hours. Any hours exceeding the 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.

6. 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.

7. Net Assets

GASB Statement No. 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:

- a. 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.
- b. 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.
- c. 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.

8. Budget

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

B. Deposits and Investments

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

1. 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;
2. certificates of deposits and other evidence of deposit at Tennessee state chartered banks, savings and loan associations, and federally chartered banks and savings and loan associations;
3. the State of Tennessee local government investment pool;
4. obligations of the United States or its agencies under a repurchase agreement, with certain conditions;
5. 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;
6. 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 nationally recognized rating services;
7. the county's own bonds or notes issued in accordance with Tennessee Code Annotated, Title 9, Chapter 21;
8. the investment must have a maturity of not greater than two years or with certain authorized approval up to five years.

The district's deposits at June 30, 2008, consisted of the following:

	June 30, 2008	
	Bank Balance	Carrying Value
Operating Accounts -		
First Volunteer Bank	\$ 308,965	\$ 304,204
Progressive Savings Bank	57,522	57,522
Certificate of Deposit -		
First Volunteer Bank	249,696	249,696
Total	<u>\$ 616,183</u>	<u>\$ 611,422</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) for \$100,000. 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.

The district had no investments at June 30, 2008.

C. Changes in Capital Assets

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

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 164,646	\$ 0	\$ 0	\$ 164,646
Other Capital Assets	288,822	32,658	(11,998)	309,482
Total Capital Assets				
Depreciated	<u>\$ 453,468</u>	<u>\$ 32,658</u>	<u>\$ (11,998)</u>	<u>\$ 474,128</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 24,282	\$ 4,116	\$ 0	\$ 28,398
Other Capital Assets	87,040	43,442	(11,998)	118,484
Total Accumulated				
Depreciation	<u>\$ 111,322</u>	<u>\$ 47,558</u>	<u>\$ (11,998)</u>	<u>\$ 146,882</u>

	Balance 7-1-07	Increases	Decreases	Balance 6-30-08
Total Capital Assets				
Depreciated, Net (Cont.)	\$ 342,146	\$ (14,900)	\$ 0	\$ 327,246
Business-type Activities				
Capital Assets, Net	\$ 342,146	\$ (14,900)	\$ 0	\$ 327,246

D. 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 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, became 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 the Tennessee Code Annotated. 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 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 Emergency Communications District requires employees to contribute five percent of earnable compensation. The 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 percent 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.

Annual Pension Cost

For the year ending June 30, 2008, Fentress County Emergency Communications District’s annual pension cost of \$11,636 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 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 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 Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$11,636	100%	\$0
6-30-07	10,274	100	0
6-30-06	8,354	100	0

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 \$.11 million, and the actuarial value of assets was \$.08 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.03 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.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 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 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.

E. 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 year ended June 30, 2008, totaled \$160,200.

F. 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 has been obtained. No losses have occurred during the past three years that have exceeded coverage.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E-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, 2008

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,965,984	\$ 0	\$ 2,965,984	\$ 2,820,788	\$ 2,820,788	\$ 145,196
Licenses and Permits	22,792	0	22,792	27,800	27,800	(5,008)
Fines, Forfeitures, and Penalties	105,483	0	105,483	62,700	68,462	37,021
Charges for Current Services	1,174,672	0	1,174,672	1,083,290	1,083,290	91,382
Other Local Revenues	423,562	0	423,562	362,973	366,720	56,842
Fees Received from County Officials	650,203	0	650,203	606,000	611,498	38,705
State of Tennessee	358,662	0	358,662	436,286	482,319	(123,657)
Federal Government	43,728	0	43,728	0	23,000	20,728
Other Governments and Citizens Groups	22,800	0	22,800	22,800	22,800	0
Total Revenues	\$ 5,767,886	\$ 0	\$ 5,767,886	\$ 5,422,637	\$ 5,506,677	\$ 261,209
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 86,023	\$ 0	\$ 86,023	\$ 93,425	\$ 93,425	\$ 7,402
Board of Equalization	120	0	120	1,500	1,500	1,380
Beer Board	1,500	0	1,500	1,500	1,500	0
County Mayor/Executive	156,639	0	156,639	153,840	158,840	2,201
Election Commission	107,190	0	107,190	117,114	117,114	9,924
Register of Deeds	164,900	0	164,900	171,033	171,033	6,133
Planning	11,150	0	11,150	11,350	12,250	1,100
County Buildings	178,778	0	178,778	187,543	182,543	3,765
<u>Finance</u>						
Accounting and Budgeting	266,968	0	266,968	266,968	266,968	0
Property Assessor's Office	127,741	0	127,741	137,552	137,552	9,811
Reappraisal Program	27,987	0	27,987	27,987	27,987	0
County Trustee's Office	169,496	0	169,496	171,641	171,641	2,145
County Clerk's Office	216,538	0	216,538	206,461	206,461	(10,077)

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	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	\$ 197,251	0	\$ 197,251	\$ 191,922	\$ 197,420	\$ 169
General Sessions Court	89,597	0	89,597	90,896	90,896	1,299
Chancery Court	107,011	0	107,011	109,760	109,760	2,749
Juvenile Court	18,883	0	18,883	21,550	21,550	2,667
Probation Services	35,324	0	35,324	29,742	35,504	180
<u>Public Safety</u>						
Sheriff's Department	914,083	0	914,083	789,706	934,654	20,571
Administration of the Sexual Offender Registry	0	0	0	1,040	1,040	1,040
Jail	365,053	0	365,053	375,660	346,953	(18,100)
Fire Prevention and Control	290,565	1,001	291,566	290,400	308,253	16,687
Rural Fire Protection	3,519	0	3,519	5,000	4,600	1,081
Civil Defense	12,677	0	12,677	7,918	17,918	5,241
Rescue Squad	18,168	0	18,168	20,000	20,000	1,832
Other Emergency Management	160,200	0	160,200	160,200	160,200	0
County Coroner/Medical Examiner	13,170	0	13,170	16,250	16,250	3,080
<u>Public Health and Welfare</u>						
Local Health Center	39,822	0	39,822	41,763	41,763	1,941
Ambulance/Emergency Medical Services	1,068,738	0	1,068,738	1,089,373	1,089,373	20,635
Crippled Children Services	1,213	0	1,213	1,213	1,213	0
Other Local Health Services	84,376	0	84,376	189,501	189,501	105,125
Appropriation to State	34,000	0	34,000	34,000	34,000	0
General Welfare Assistance	1,500	0	1,500	1,500	1,500	0
Other Local Welfare Services	19,500	0	19,500	17,500	19,500	0
<u>Social, Cultural, and Recreational Services</u>						
Adult Activities	62,355	0	62,355	63,973	63,973	1,618
Libraries	100,805	0	100,805	101,546	101,546	741

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	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 (Cont.)</u>						
Parks and Fair Boards	\$ 8,040	\$ 0	\$ 8,040	\$ 3,700	\$ 17,147	\$ 9,107
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	59,506	0	59,506	62,909	62,909	3,403
Soil Conservation	26,522	0	26,522	26,522	26,522	0
<u>Other Operations</u>						
Tourism	51,409	0	51,409	51,409	51,409	0
Industrial Development	41,240	0	41,240	41,240	41,240	0
Other Economic and Community Development	2,567	987	3,554	141	4,141	587
Veterans' Services	45,712	0	45,712	47,315	48,815	3,103
Contributions to Other Agencies	56,731	0	56,731	22,994	56,306	(425)
Miscellaneous	342,175	500	342,675	403,317	482,317	139,642
<u>Highways</u>						
Highway and Bridge Maintenance	0	0	0	225,000	0	0
Total Expenditures	\$ 5,786,742	\$ 2,488	\$ 5,789,230	\$ 6,082,874	\$ 6,146,987	\$ 357,757
<u>Excess (Deficiency) of Revenues Over Expenditures</u>	\$ (18,856)	\$ (2,488)	\$ (21,344)	\$ (660,237)	\$ (640,310)	\$ 618,966
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 219,000	0	\$ 219,000	0	\$ 219,000	0
Other Loans Issued	0	0	0	160,000	0	0
Insurance Recovery	123	0	123	0	21,531	(21,408)
Transfers In	0	0	0	3,000	3,000	(3,000)
Transfers Out	(225,000)	0	(225,000)	0	(225,000)	0
Total Other Financing Sources (Uses)	\$ (5,877)	\$ 0	\$ (5,877)	\$ 163,000	\$ 18,531	\$ (24,408)
Net Change in Fund Balance	\$ (24,733)	\$ (2,488)	\$ (27,221)	\$ (497,237)	\$ (621,779)	\$ 594,558
Fund Balance, July 1, 2007	2,086,123	0	2,086,123	2,215,334	2,215,334	(129,211)
Fund Balance, June 30, 2008	\$ 2,061,390	\$ (2,488)	\$ 2,058,902	\$ 1,718,097	\$ 1,593,555	\$ 465,347

Exhibit E-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,006,431	\$ 993,703	\$ 993,703	\$ 12,728
Charges for Current Services	174,499	148,150	148,150	26,349
Other Local Revenues	165,534	118,010	118,010	47,524
State of Tennessee	98,792	69,800	69,800	28,992
Total Revenues	\$ 1,445,256	\$ 1,329,663	\$ 1,329,663	\$ 115,593
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 108,108	\$ 118,087	\$ 115,687	\$ 7,579
Sanitation Education/Information	10,077	11,000	11,000	923
Waste Pickup	212,470	209,959	222,509	10,039
Convenience Centers	367,119	378,412	378,412	11,293
Problem Waste Centers	5,041	5,500	6,400	1,359
Other Waste Collection	4,560	5,000	5,000	440
Recycling Center	250,283	281,171	270,121	19,838
Landfill Operation and Maintenance	354,780	365,000	365,000	10,220
Postclosure Care Costs	8,500	11,700	10,700	2,200
<u>Other Operations</u>				
Other Charges	51,425	55,500	55,500	4,075
Employee Benefits	1,044	500	1,500	456
Total Expenditures	\$ 1,373,407	\$ 1,441,829	\$ 1,441,829	\$ 68,422
Excess (Deficiency) of Revenues Over Expenditures	\$ 71,849	\$ (112,166)	\$ (112,166)	\$ 184,015
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ 0	\$ (3,000)	\$ (3,000)	\$ 3,000
Total Other Financing Sources (Uses)	\$ 0	\$ (3,000)	\$ (3,000)	\$ 3,000
Net Change in Fund Balance	\$ 71,849	\$ (115,166)	\$ (115,166)	\$ 187,015
Fund Balance, July 1, 2007	637,810	644,506	644,506	(6,696)
Fund Balance, June 30, 2008	\$ 709,659	\$ 529,340	\$ 529,340	\$ 180,319

Exhibit E-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 53,247	\$ 55,000	\$ 55,000	\$ (1,753)
Other Local Revenues	136,376	365,200	151,585	(15,209)
State of Tennessee	1,891,560	1,875,841	1,875,841	15,719
Total Revenues	<u>\$ 2,081,183</u>	<u>\$ 2,296,041</u>	<u>\$ 2,082,426</u>	<u>\$ (1,243)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 145,105	\$ 150,765	\$ 150,765	\$ 5,660
Highway and Bridge Maintenance	690,959	832,215	801,150	110,191
Operation and Maintenance of Equipment	504,666	498,489	537,172	32,506
Quarry Operations	184,921	229,207	234,243	49,322
Other Charges	77,204	76,582	77,582	378
Employee Benefits	47,951	54,836	54,836	6,885
Capital Outlay	348,877	366,750	401,817	52,940
<u>Principal on Debt</u>				
Highways and Streets	255,446	254,646	255,449	3
<u>Interest on Debt</u>				
Highways and Streets	28,188	32,458	32,863	4,675
Total Expenditures	<u>\$ 2,283,317</u>	<u>\$ 2,495,948</u>	<u>\$ 2,545,877</u>	<u>\$ 262,560</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (202,134)</u>	<u>\$ (199,907)</u>	<u>\$ (463,451)</u>	<u>\$ 261,317</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 30,059	\$ 0	\$ 30,059	\$ 0
Insurance Recovery	0	27,745	36,230	(36,230)
Transfers In	225,000	0	225,000	0
Total Other Financing Sources (Uses)	<u>\$ 255,059</u>	<u>\$ 27,745</u>	<u>\$ 291,289</u>	<u>\$ (36,230)</u>
Net Change in Fund Balance	\$ 52,925	\$ (172,162)	\$ (172,162)	\$ 225,087
Fund Balance, July 1, 2007	<u>259,657</u>	<u>257,157</u>	<u>257,157</u>	<u>2,500</u>
Fund Balance, June 30, 2008	<u>\$ 312,582</u>	<u>\$ 84,995</u>	<u>\$ 84,995</u>	<u>\$ 227,587</u>

Exhibit E-4

Fentress County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(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)
6-30-07	\$ 3,379	\$ 3,857	\$ 478	87.61 %	\$ 3,550	13.46 %
6-30-07	4,753	4,704	(49)	101.04	1,435	(3.41)

The Governmental Accounting Standards Board 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; therefore, only the most current year is presented.

Exhibit E-5

Fentress County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Fentress County Emergency Communications District
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 81	\$ 118	\$ 37	68.64 %	\$ 191	19.37 %

Exhibit E-6

Fentress County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefit Plan
Discretely Presented Fentress County School Department
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Local Education Group Plan						
6-30-07	\$ 0	\$ 6,479	\$ 6,479	0 %	\$ 8,022	81 %

FENTRESS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

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 following major appropriation categories (the legal level of control): County Clerk's Office (\$10,077), Jail (\$18,100), and Contributions to Other Agencies (\$425). 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

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.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register, and sheriff.

Capital Projects Fund

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

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.

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Exhibit F-1

Fentress County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	Community Development/Industrial Park		
\$	0	10,906	\$ 10,906	0	\$	10,906
	26,904	0	26,904	10,925		37,829
	0	297	297	0		297
\$	26,904	11,203	\$ 38,107	10,925	\$	49,032

ASSETS

Cash
 Equity in Pooled Cash and Investments
 Accounts Receivable

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

Due to Other Funds
 Total Liabilities

Fund Balances

Unreserved
 Total Fund Balances

Total Liabilities and Fund Balances

\$	0	11,203	\$ 11,203	0	\$	11,203
\$	0	11,203	\$ 11,203	0	\$	11,203
\$	26,904	0	\$ 26,904	10,925	\$	37,829
\$	26,904	0	\$ 26,904	10,925	\$	37,829
\$	26,904	11,203	\$ 38,107	10,925	\$	49,032

Exhibit F-2

Fentress County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2008

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Community Development/ Industrial Park	
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 34,423	\$ 0	\$ 34,423
Other Local Revenues	1,540	0	1,540
State of Tennessee	26,988	0	26,988
Total Revenues	<u>\$ 62,951</u>	<u>\$ 0</u>	<u>\$ 62,951</u>
<u>Expenditures</u>			
Current:			
Public Safety	\$ 140,605	\$ 0	\$ 140,605
Public Health and Welfare	26,852	0	26,852
Total Expenditures	<u>\$ 167,457</u>	<u>\$ 0</u>	<u>\$ 167,457</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (104,506)</u>	<u>\$ 0</u>	<u>\$ (104,506)</u>
<u>Other Financing Sources (Uses)</u>			
Capital Leases Issued	\$ 41,550	\$ 0	\$ 41,550
Insurance Recovery	670	0	670
Total Other Financing Sources (Uses)	<u>\$ 42,220</u>	<u>\$ 0</u>	<u>\$ 42,220</u>
Net Change in Fund Balances	\$ (62,286)	\$ 0	\$ (62,286)
Fund Balance, July 1, 2007	89,190	10,925	100,115
Fund Balance, June 30, 2008	<u>\$ 26,904</u>	<u>\$ 10,925</u>	<u>\$ 37,829</u>

Exhibit F-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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 34,423	\$ 114,000	\$ 114,000	\$ (79,577)
Other Local Revenues	1,540	0	800	740
State of Tennessee	26,988	11,000	11,000	15,988
Total Revenues	<u>\$ 62,951</u>	<u>\$ 125,000</u>	<u>\$ 125,800</u>	<u>\$ (62,849)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 140,605	\$ 90,302	\$ 142,253	\$ 1,648
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	26,852	30,000	30,000	3,148
Total Expenditures	<u>\$ 167,457</u>	<u>\$ 120,302</u>	<u>\$ 172,253</u>	<u>\$ 4,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (104,506)</u>	<u>\$ 4,698</u>	<u>\$ (46,453)</u>	<u>\$ (58,053)</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 41,550	\$ 0	\$ 41,550	\$ 0
Insurance Recovery	670	0	1,185	(515)
Total Other Financing Sources (Uses)	<u>\$ 42,220</u>	<u>\$ 0</u>	<u>\$ 42,735</u>	<u>\$ (515)</u>
Net Change in Fund Balance	\$ (62,286)	\$ 4,698	\$ (3,718)	\$ (58,568)
Fund Balance, July 1, 2007	89,190	89,190	89,190	0
Fund Balance, June 30, 2008	<u>\$ 26,904</u>	<u>\$ 93,888</u>	<u>\$ 85,472</u>	<u>\$ (58,568)</u>

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Major Governmental Fund

General Debt Service Fund

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 G

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 532,367	\$ 501,567	\$ 501,567	\$ 30,800
Other Local Revenues	60,380	56,780	56,780	3,600
Other Governments and Citizens Groups	350,000	350,000	350,000	0
Total Revenues	<u>\$ 942,747</u>	<u>\$ 908,347</u>	<u>\$ 908,347</u>	<u>\$ 34,400</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 92,334	\$ 92,334	\$ 92,334	\$ 0
Education	387,000	387,000	387,000	0
<u>Interest on Debt</u>				
General Government	30,081	44,317	44,317	14,236
Education	261,923	418,498	418,498	156,575
<u>Other Debt Service</u>				
General Government	14,631	14,500	14,500	(131)
Education	32,500	32,500	32,500	0
Total Expenditures	<u>\$ 818,469</u>	<u>\$ 989,149</u>	<u>\$ 989,149</u>	<u>\$ 170,680</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 124,278	\$ (80,802)	\$ (80,802)	\$ 205,080
Net Change in Fund Balance	\$ 124,278	\$ (80,802)	\$ (80,802)	\$ 205,080
Fund Balance, July 1, 2007	2,220,811	2,220,811	2,220,811	0
Fund Balance, June 30, 2008	<u>\$ 2,345,089</u>	<u>\$ 2,140,009</u>	<u>\$ 2,140,009</u>	<u>\$ 205,080</u>

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Fiduciary Funds

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.

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.

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Exhibit H-1

Fentress County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 545,815	\$ 545,815
Due from Other Governments	109,721	0	109,721
Total Assets	<u>\$ 109,721</u>	<u>\$ 545,815</u>	<u>\$ 655,536</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 109,721	\$ 0	\$ 109,721
Due to Litigants, Heirs, and Others	0	545,815	545,815
Total Liabilities	<u>\$ 109,721</u>	<u>\$ 545,815</u>	<u>\$ 655,536</u>

Exhibit H-2

Fentress County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 626,862	\$ 626,862	\$ 0
Due from Other Governments	108,660	109,721	108,660	109,721
Total Assets	<u>\$ 108,660</u>	<u>\$ 736,583</u>	<u>\$ 735,522</u>	<u>\$ 109,721</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 108,660	\$ 736,583	\$ 735,522	\$ 109,721
Total Liabilities	<u>\$ 108,660</u>	<u>\$ 736,583</u>	<u>\$ 735,522</u>	<u>\$ 109,721</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 544,715	\$ 8,758,675	\$ 8,757,575	\$ 545,815
Total Assets	<u>\$ 544,715</u>	<u>\$ 8,758,675</u>	<u>\$ 8,757,575</u>	<u>\$ 545,815</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 544,715	\$ 8,758,675	\$ 8,757,575	\$ 545,815
Total Liabilities	<u>\$ 544,715</u>	<u>\$ 8,758,675</u>	<u>\$ 8,757,575</u>	<u>\$ 545,815</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 544,715	\$ 8,758,675	\$ 8,757,575	\$ 545,815
Equity in Pooled Cash and Investments	0	626,862	626,862	0
Due from Other Governments	108,660	109,721	108,660	109,721
Total Assets	<u>\$ 653,375</u>	<u>\$ 9,495,258</u>	<u>\$ 9,493,097</u>	<u>\$ 655,536</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 108,660	\$ 736,583	\$ 735,522	\$ 109,721
Due to Litigants, Heirs, and Others	544,715	8,758,675	8,757,575	545,815
Total Liabilities	<u>\$ 653,375</u>	<u>\$ 9,495,258</u>	<u>\$ 9,493,097</u>	<u>\$ 655,536</u>

Fentress County School Department

This section presents combining and individual fund financial statements for the Fentress County School Department, a discretely presented component unit. The Fentress County School Department uses a General Fund and two Special Revenue Funds.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

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

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

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Exhibit I-1

Fentress County, Tennessee
Statement of Activities
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Component Unit:				
Governmental Activities:				
Instruction	\$ 11,526,128	\$ 0	\$ 1,059,647	\$ (10,466,481)
Support Services	5,627,126	0	311,721	(5,315,405)
Operation of Non-Instructional Services	2,056,185	441,589	1,019,292	(595,304)
Interest on Long-term Debt	116,550	0	0	(116,550)
Other Debt Service	785	0	0	(785)
Total Governmental Activities	\$ 19,326,774	\$ 441,589	\$ 2,390,660	\$ (16,494,525)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 736,481
Local Option Sales Tax				1,595,210
Wheel Tax				398,758
Business Tax				24,227
Mineral Severance Tax				28,510
Other Local Taxes				2,494
Grants and Contributions Not Restricted to Specific Programs				13,051,428
Miscellaneous				91,732
Total General Revenues				\$ 15,928,840
Change in Net Assets				\$ (565,685)
Net Assets, July 1, 2007				15,363,246
Net Assets, June 30, 2008				\$ 14,797,561

Exhibit I-2

Fentress County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Fentress County School Department
June 30, 2008

	<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	\$ 2,525,875	\$ 388,253	\$ 2,914,128
Due from Other Governments	574,090	102,067	676,157
Property Taxes Receivable	825,449	0	825,449
Allowance for Uncollectible Property Taxes	(29,796)	0	(29,796)
Prepaid Items	7,264	0	7,264
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 3,902,882	\$ 490,320	\$ 4,393,202
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 335,007	\$ 52,181	\$ 387,188
Contracts Payable	70,000	0	70,000
Deferred Revenue - Current Property Taxes	757,697	0	757,697
Deferred Revenue - Delinquent Property Taxes	27,880	0	27,880
Other Deferred Revenues	141,030	0	141,030
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 1,331,614	\$ 52,181	\$ 1,383,795
<u>Fund Balances</u>			
Reserved for Encumbrances	\$ 133,779	\$ 0	\$ 133,779
Reserved for Career Ladder - Extended Contract	72,507	0	72,507
Reserved for Career Ladder Program	6,117	0	6,117
Reserved for Basic Education Program	812,633	0	812,633
Reserved for Title I Grants to Local Education Agencies	0	117,672	117,672
Reserved for Innovative Education Program Strategies	0	21,518	21,518
Reserved for Special Education - Grants to States	0	93,624	93,624
Other Federal Reserves	0	4,058	4,058
Unreserved, Reported In:			
General Fund	1,546,232	0	1,546,232
Special Revenue Funds	0	201,267	201,267
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 2,571,268	\$ 438,139	\$ 3,009,407
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	\$ 3,902,882	\$ 490,320	\$ 4,393,202

Exhibit I-3

Fentress County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Discretely Presented Fentress County School Department
June 30, 2008

Amounts reported for governmental activities in the statement of net assets (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 3,009,407	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	411,763	
Add: buildings and improvements net of accumulated depreciation		13,133,375	
Add: other capital assets net of accumulated depreciation		<u>1,054,803</u>	14,599,941
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: capital leases payable	\$	(2,215,000)	
Less: bonds payable		(138,000)	
Less: other postemployment benefits		(439,557)	
Less: compensated absences payable		(171,034)	
Less: accrued interest payable		<u>(17,106)</u>	(2,980,697)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
Add: other deferred revenues	\$	141,030	
Add: deferred revenues from delinquent taxes net of allowance		<u>27,880</u>	<u>168,910</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 14,797,561</u>

Exhibit I-4

Fentress County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 2,784,291	\$ 0	\$ 2,784,291
Licenses and Permits	1,530	0	1,530
Charges for Current Services	0	233,272	233,272
Other Local Revenues	295,101	32,068	327,169
State of Tennessee	12,818,645	14,944	12,833,589
Federal Government	150,059	2,365,836	2,515,895
Total Revenues	\$ 16,049,626	\$ 2,646,120	\$ 18,695,746
<u>Expenditures</u>			
Current:			
Instruction	\$ 9,355,850	\$ 1,156,924	\$ 10,512,774
Support Services	5,394,916	386,558	5,781,474
Operation of Non-Instructional Services	589,180	1,243,547	1,832,727
Capital Outlay	322,464	0	322,464
Debt Service:			
Principal on Debt	329,000	0	329,000
Interest on Debt	116,770	0	116,770
Other Debt Service	785	0	785
Total Expenditures	\$ 16,108,965	\$ 2,787,029	\$ 18,895,994
Excess (Deficiency) of Revenues Over Expenditures	\$ (59,339)	\$ (140,909)	\$ (200,248)
<u>Other Financing Sources (Uses)</u>			
Transfers In	\$ 8,509	\$ 0	\$ 8,509
Transfers Out	0	(8,509)	(8,509)
Total Other Financing Sources (Uses)	\$ 8,509	\$ (8,509)	\$ 0
Net Change in Fund Balances	\$ (50,830)	\$ (149,418)	\$ (200,248)
Fund Balance, July 1, 2007	2,622,098	587,557	3,209,655
Fund Balance, June 30, 2008	\$ 2,571,268	\$ 438,139	\$ 3,009,407

Exhibit I-5

Fentress County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	(200,248)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	230,651	
Less: current year depreciation expense		<u>(467,564)</u>	(236,913)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2008	\$	168,910	
Less: deferred delinquent property taxes and other deferred June 30, 2007		<u>(167,512)</u>	1,398
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: principal payments on capital leases	\$	69,000	
Add: principal payments on bonds		<u>260,000</u>	329,000
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest on bonds from prior year	\$	220	
Change in other postemployment benefits		(439,557)	
Change in compensated absences payable		<u>(19,576)</u>	<u>(458,913)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(565,676)</u></u>

Exhibit I-6

Fentress County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Fentress County School Department
June 30, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 272,089	\$ 116,164	\$ 388,253
Due from Other Governments	16,078	85,989	102,067
Total Assets	<u>\$ 288,167</u>	<u>\$ 202,153</u>	<u>\$ 490,320</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Payroll Deductions Payable	\$ 51,295	\$ 886	\$ 52,181
Total Liabilities	<u>\$ 51,295</u>	<u>\$ 886</u>	<u>\$ 52,181</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 117,672	\$ 0	\$ 117,672
Reserved for Innovative Education Program Strategies	21,518	0	21,518
Reserved for Special Education - Grants to States	93,624	0	93,624
Other Federal Reserves	4,058	0	4,058
Unreserved	0	201,267	201,267
Total Fund Balances	<u>\$ 236,872</u>	<u>\$ 201,267</u>	<u>\$ 438,139</u>
Total Liabilities and Fund Balances	<u>\$ 288,167</u>	<u>\$ 202,153</u>	<u>\$ 490,320</u>

Exhibit I-7

Fentress County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

	<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 233,272	\$ 233,272
Other Local Revenues	0	32,068	32,068
State of Tennessee	0	14,944	14,944
Federal Government	1,481,134	884,702	2,365,836
Total Revenues	<u>\$ 1,481,134</u>	<u>\$ 1,164,986</u>	<u>\$ 2,646,120</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,156,924	\$ 0	\$ 1,156,924
Support Services	386,558	0	386,558
Operation of Non-Instructional Services	0	1,243,547	1,243,547
Total Expenditures	<u>\$ 1,543,482</u>	<u>\$ 1,243,547</u>	<u>\$ 2,787,029</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (62,348)</u>	<u>\$ (78,561)</u>	<u>\$ (140,909)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (8,509)	\$ 0	\$ (8,509)
Total Other Financing Sources (Uses)	<u>\$ (8,509)</u>	<u>\$ 0</u>	<u>\$ (8,509)</u>
Net Change in Fund Balances			
Fund Balance, July 1, 2007	307,729	279,828	587,557
Fund Balance, June 30, 2008	<u>\$ 236,872</u>	<u>\$ 201,267</u>	<u>\$ 438,139</u>

Exhibit I-8

Fentress County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Fentress County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,784,291	\$ 0	\$ 0	\$ 2,784,291	\$ 2,787,206	\$ 2,787,206	\$ (2,915)
Licenses and Permits	1,530	0	0	1,530	1,500	1,500	30
Other Local Revenues	295,101	0	0	295,101	220,400	220,400	74,701
State of Tennessee	12,818,645	0	0	12,818,645	12,271,116	12,640,104	178,541
Federal Government	150,059	0	0	150,059	201,250	213,250	(63,191)
Total Revenues	\$ 16,049,626	\$ 0	\$ 0	\$ 16,049,626	\$ 15,481,472	\$ 15,862,460	\$ 187,166
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 8,062,005	\$ 0	\$ 0	\$ 8,062,005	\$ 8,011,250	\$ 8,091,850	\$ 29,845
Alternative Instruction Program	109,164	0	0	109,164	107,260	109,660	496
Special Education Program	972,268	0	0	972,268	1,109,000	995,150	22,882
Vocational Education Program	142,539	0	0	142,539	144,735	144,735	2,196
Adult Education Program	69,874	0	0	69,874	82,767	82,767	12,893
<u>Support Services</u>							
Attendance	96,461	0	0	96,461	103,510	101,510	5,049
Health Services	260,982	0	0	260,982	163,715	266,029	5,047
Other Student Support	311,515	0	0	311,515	312,755	317,255	5,740
Regular Instruction Program	577,380	0	0	577,380	535,550	598,550	21,170
Special Education Program	113,706	0	0	113,706	118,235	118,235	4,529
Vocational Education Program	31,767	0	0	31,767	23,954	33,954	2,187
Adult Programs	64,015	0	0	64,015	66,054	66,054	2,039
Other Programs	88,788	0	0	88,788	0	88,788	0
Board of Education	810,710	0	0	810,710	494,620	840,036	29,326
Director of Schools	162,666	0	0	162,666	149,455	163,705	1,039
Office of the Principal	604,036	0	0	604,036	616,487	611,587	7,551
Fiscal Services	71,474	0	0	71,474	82,385	80,385	8,911

(Continued)

Exhibit I-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	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	\$ 1,040,615	\$ 0	\$ 0	\$ 1,040,615	\$ 1,064,845	\$ 1,079,845	\$ 39,230
Maintenance of Plant	254,628	0	0	254,628	204,656	267,756	13,128
Transportation	906,173	0	0	906,173	881,195	934,195	28,022
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	589,180	0	0	589,180	452,800	592,800	3,620
Capital Outlay							
Regular Capital Outlay	322,464	(210,480)	133,779	245,763	325,000	325,000	79,237
Principal on Debt							
Education	329,000	0	0	329,000	629,000	329,000	0
Interest on Debt							
Education	116,770	0	0	116,770	116,700	116,770	0
Other Debt Service							
Education	785	0	0	785	0	1,000	215
Total Expenditures	\$ 16,108,965	\$ (210,480)	\$ 133,779	\$ 16,032,264	\$ 15,795,928	\$ 16,356,616	\$ 324,352
Excess (Deficiency) of Revenues Over Expenditures	\$ (59,339)	\$ 210,480	\$ (133,779)	\$ 17,362	\$ (314,456)	\$ (494,156)	\$ 511,518
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,000	\$ (21,000)
Transfers In	8,509	0	0	8,509	0	0	8,509
Transfers Out	0	0	0	0	(86,500)	0	0
Total Other Financing Sources (Uses)	\$ 8,509	\$ 0	\$ 0	\$ 8,509	\$ (86,500)	\$ 21,000	\$ (12,491)
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ (50,830)	\$ 210,480	\$ (133,779)	\$ 25,871	\$ (400,956)	\$ (473,156)	\$ 499,027
Fund Balance, July 1, 2007	2,622,098	(210,480)	0	2,411,618	2,653,619	2,653,619	(242,001)
Fund Balance, June 30, 2008	\$ 2,571,268	\$ 0	\$ (133,779)	\$ 2,437,489	\$ 2,252,663	\$ 2,180,463	\$ 257,026

Exhibit I-9

Fentress County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Fentress County School Department
School Federal Projects Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,481,134	\$ 1,615,033	\$ 1,615,033	\$ (133,899)
Total Revenues	\$ 1,481,134	\$ 1,615,033	\$ 1,615,033	\$ (133,899)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 775,983	\$ 863,509	\$ 802,559	\$ 26,576
Special Education Program	320,130	315,989	368,008	47,878
Vocational Education Program	60,811	61,724	61,724	913
<u>Support Services</u>				
Health Services	13,027	71,179	14,970	1,943
Other Student Support	13,827	47,218	45,318	31,491
Regular Instruction Program	181,668	206,941	275,727	94,059
Special Education Program	144,459	96,800	150,000	5,541
Vocational Education Program	1,534	2,614	2,614	1,080
Transportation	32,043	32,390	28,390	(3,653)
Total Expenditures	\$ 1,543,482	\$ 1,698,364	\$ 1,749,310	\$ 205,828
Excess (Deficiency) of Revenues Over Expenditures	\$ (62,348)	\$ (83,331)	\$ (134,277)	\$ 71,929
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (8,509)	\$ (8,056)	\$ (8,056)	\$ (453)
Total Other Financing Sources (Uses)	\$ (8,509)	\$ (8,056)	\$ (8,056)	\$ (453)
Net Change in Fund Balance	\$ (70,857)	\$ (91,387)	\$ (142,333)	\$ 71,476
Fund Balance, July 1, 2007	307,729	142,333	142,333	165,396
Fund Balance, June 30, 2008	\$ 236,872	\$ 50,946	\$ 0	\$ 236,872

Exhibit I-10

Fentress County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Fentress County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 233,272	\$ 275,000	\$ 275,000	\$ (41,728)
Other Local Revenues	32,068	60,850	37,332	(5,264)
State of Tennessee	14,944	20,000	20,000	(5,056)
Federal Government	884,702	865,000	888,518	(3,816)
Total Revenues	<u>\$ 1,164,986</u>	<u>\$ 1,220,850</u>	<u>\$ 1,220,850</u>	<u>\$ (55,864)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,243,547	\$ 1,220,850	\$ 1,308,350	\$ 64,803
Total Expenditures	<u>\$ 1,243,547</u>	<u>\$ 1,220,850</u>	<u>\$ 1,308,350</u>	<u>\$ 64,803</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (78,561)</u>	<u>\$ 0</u>	<u>\$ (87,500)</u>	<u>\$ 8,939</u>
Net Change in Fund Balance	\$ (78,561)	\$ 0	\$ (87,500)	\$ 8,939
Fund Balance, July 1, 2007	<u>279,828</u>	<u>280,245</u>	<u>280,245</u>	<u>(417)</u>
Fund Balance, June 30, 2008	<u>\$ 201,267</u>	<u>\$ 280,245</u>	<u>\$ 192,745</u>	<u>\$ 8,522</u>

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MISCELLANEOUS SCHEDULES

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Exhibit J-1

Fentress County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
Primary Government and Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
PRIMARY GOVERNMENT								
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Grimsley Fire Hall	\$ 59,000	3.75 %	4-30-08	8-1-11	\$ 0	\$ 59,000	\$ 0	\$ 59,000
Fire Trucks	160,000	4	9-1-07	9-1-10	0	160,000	53,334	106,666
Total Payable through General Debt Service Fund					\$ 0	\$ 219,000	\$ 53,334	\$ 165,666
<u>Payable through Highway/Public Works Fund</u>								
County Highway Improvements	1,250,000	2.7	6-2-05	6-2-10	\$ 770,111	\$ 0	\$ 249,783	\$ 520,328
Total Notes Payable					\$ 770,111	\$ 219,000	\$ 303,117	\$ 685,994
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Construction - Allardt	5,300,000	Variable	6-1-1998	6-1-18	\$ 2,765,000	\$ 0	\$ 215,000	\$ 2,550,000
School Construction - Southern System Facility	6,000,000	Variable	10-25-01	5-25-26	5,255,000	0	172,000	5,083,000
Public Works Project	1,000,000	Variable	5-21-02	5-25-22	833,000	0	39,000	794,000
Total Other Loans Payable					\$ 8,853,000	\$ 0	\$ 426,000	\$ 8,427,000
CAPITAL LEASES PAYABLE								
<u>Payable through Highway/Public Works Fund</u>								
Tractor and Cutter	34,822	5.1	4-29-03	2-28-08 (2)	4,643	0	4,643	0
Tractor and Cutter	30,059	7	4-25-08	3-25-13	0	30,059	1,020	29,039
Total Payable through Highway/Public Works Fund					\$ 4,643	\$ 30,059	\$ 5,663	\$ 29,039
<u>Payable through Drug Control Fund and General Fund</u>								
Patrol Cars	(1) 123,950	5.6	2-21-07	2-21-09	\$ 80,363	\$ 0	\$ 39,087	\$ 41,276
<u>Payable through Drug Control Fund</u>								
Patrol Cars	43,150	5.2	12-13-05	12-13-07	\$ 14,371	\$ 0	\$ 14,371	\$ 0
Patrol Cars	41,550	5.6	12-7-07	12-7-09	0	41,550	14,611	26,939
Total Payable through Drug Control Fund					\$ 14,371	\$ 41,550	\$ 28,982	\$ 26,939
Total Capital Leases Payable					\$ 99,377	\$ 71,609	\$ 73,732	\$ 97,254

(Continued)

Exhibit J-1

Fentress County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
Primary Government and Discretely Presented Fentress County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-08
<u>DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASE</u>								
Payable through General Purpose School Fund Central Office Building	\$ 345,000	0 %	2-15-06	2-15-10	\$ 207,000	\$ 0	\$ 69,000	\$ 138,000
<u>BONDS PAYABLE</u>								
Payable through General Purpose School Fund School Refunding Series 1998	4,500,000 2,355,000	4.5 to 5.7 4.4 to 4.8	4-5-1995 7-15-1998	6-30-08 5-1-15	\$ 245,000 2,230,000	\$ 0 0	\$ 245,000 15,000	\$ 0 2,215,000
Total Bonds Payable					\$ 2,475,000	\$ 0	\$ 260,000	\$ 2,215,000

(1) This debt is being retired from the General Fund (60%) and the Drug Control Fund (40%).
(2) The beginning balance of this lease has been reduced by \$1,093 due to an error in the prior year's report.

Exhibit J-2

Fentress County, Tennessee

Schedule of Long-term Debt Requirements by Year

Primary Government and Discretely Presented Fentress County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 325,168	\$ 16,430	\$ 341,598
2010	337,091	6,447	343,538
2011	20,280	544	20,824
2012	3,455	16	3,471
Total	\$ 685,994	\$ 23,437	\$ 709,431

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2009	\$ 446,000	\$ 152,313	\$ 35,459	\$ 633,772
2010	473,000	142,712	33,492	649,204
2011	494,000	132,507	31,403	657,910
2012	521,000	121,859	29,223	672,082
2013	549,000	110,607	26,921	686,528
2014	578,000	98,737	24,493	701,230
2015	606,000	86,236	21,937	714,173
2016	636,000	73,118	19,255	728,373
2017	672,000	59,356	16,441	747,797
2018	358,000	44,787	13,465	416,252
2019	360,000	39,913	12,250	412,163
2020	378,000	35,269	11,062	424,331
2021	397,000	30,392	9,815	437,207
2022	417,000	25,271	8,505	450,776
2023	358,000	19,892	6,109	384,001
2024	376,000	15,274	4,927	396,201
2025	394,000	10,421	3,686	408,107
2026	414,000	5,341	2,387	421,728
Total	\$ 8,427,000	\$ 1,204,005	\$ 310,830	\$ 9,941,835

(Continued)

Exhibit J-2

Fentress County, Tennessee
Schedule of Long-term Debt Requirements by Year
Primary Government and Discretely Presented Fentress County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 60,491	\$ 4,950	\$ 65,441
2010	19,949	1,905	21,854
2011	6,113	1,130	7,243
2012	6,113	1,130	7,243
2013	4,588	845	5,433
Total	<u>\$ 97,254</u>	<u>\$ 9,960</u>	<u>\$ 107,214</u>

DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2009	\$ 69,000	\$ 0	\$ 69,000
2010	69,000	0	69,000
Total	<u>\$ 138,000</u>	<u>\$ 0</u>	<u>\$ 138,000</u>

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
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>\$ 2,215,000</u>	<u>\$ 436,515</u>	<u>\$ 2,651,515</u>

Exhibit J-3

Fentress County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Highway/Public Works	Operations	\$ 225,000
Total Transfers Primary Government			<u>\$ 225,000</u>
<u>DISCRETELY PRESENTED FENTRESS</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects	Indirect costs	\$ 8,509
Total Transfers Discretely Presented Fentress County School Department			<u>\$ 8,509</u>

Exhibit J-4

Fentress County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 63,377	\$ 100,000	Western Surety Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	60,360	100,000	"
Director of Schools	State Board of Education and Fentress County Board of Education	88,353	(2)	"
Trustee	Section 8-24-102, <u>TCA</u>	54,872	595,000	Western Surety Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,872	15,000	"
Finance Director	County Commission	43,898	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,872	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	54,872 (1)	100,000	Ohio Farmers Insurance Company
Register	Section 8-24-102, <u>TCA</u>	54,872	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	60,360	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			500,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Does not include special commissioner fees of \$1,000.
(2) The director of schools is covered under the schools blanket bond.

Fentress County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds						Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service Fund	Debt Service Fund	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 2,272,205	\$ 335,886	\$ 0	\$ 0	\$ 181,778	\$ 2,789,869	
Trustee's Collections - Prior Year	95,134	13,012	0	0	5,879	114,025	
Circuit/Clerk & Master Collections - Prior Years	66,377	9,563	0	0	6,726	82,666	
Interest and Penalty	19,181	2,739	0	0	1,455	23,375	
Payments in-Lieu-of Taxes - Other	41,674	0	0	0	0	41,674	
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	635,425	0	0	330,184	965,609	
Hotel/Motel Tax	54,702	0	0	0	0	54,702	
Litigation Tax - General	35,917	0	0	0	0	35,917	
Litigation Tax - Jail, Workhouse, or Courthouse	12,286	0	0	0	0	12,286	
Litigation Tax - Victim/Offender Mediation Center	4,967	0	0	0	0	4,967	
Business Tax	68,067	9,806	0	0	6,345	84,218	
Mineral Severance Tax	0	0	0	52,878	0	52,878	
<u>Statutory Local Taxes</u>							
Bank Excise Tax	88,630	0	0	0	0	88,630	
Wholesale Beer Tax	203,990	0	0	0	0	203,990	
Beer Privilege Tax	1,045	0	0	0	0	1,045	
Coal Severance Tax	0	0	0	369	0	369	
Interstate Telecommunications Tax	1,809	0	0	0	0	1,809	
Total Local Taxes	\$ 2,965,984	\$ 1,006,431	\$ 0	\$ 53,247	\$ 532,367	\$ 4,558,029	
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 21,992	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,992	
<u>Permits</u>							
Beer Permits	800	0	0	0	0	800	
Total Licenses and Permits	\$ 22,792	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,792	
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 8,446	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,446	
Officers Costs	14,048	0	0	0	0	14,048	

(Continued)

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

	Special Revenue Funds					Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Drug Control Fines			24,673	0	0	24,673
Jail Fees	130	0	0	0	0	130
<u>General Sessions Court</u>						
Fines	48,289	0	0	0	0	48,289
Officers Costs	9,849	0	0	0	0	9,849
Drug Control Fines	0	0	6,200	0	0	6,200
Jail Fees	3,126	0	0	0	0	3,126
Data Entry Fee - General Sessions Court	8,062	0	0	0	0	8,062
Courtroom Security Fee	51	0	0	0	0	51
<u>Chancery Court</u>						
Courtroom Security Fee	319	0	0	0	0	319
<u>Other Courts - In-county</u>						
Fines	12,833	0	0	0	0	12,833
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	2,181	0	0	2,181
Data Entry Fee - Other Courts	330	0	0	0	0	330
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	1,369	0	0	1,369
Total Fines, Forfeitures, and Penalties	\$ 105,483	\$ 0	\$ 34,423	\$ 0	\$ 0	\$ 139,906
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	0	174,499	0	0	0	174,499
Patient Charges	1,154,653	0	0	0	0	1,154,653
<u>Fees</u>						
Vending Machine Collections	721	0	0	0	0	721
Constitutional Officers' Fees and Commissions	7,460	0	0	0	0	7,460
Data Processing Fee - Register	10,538	0	0	0	0	10,538
Sexual Offender Registration Fees - Sheriff	1,300	0	0	0	0	1,300
Total Charges for Current Services	\$ 1,174,672	\$ 174,499	\$ 0	\$ 0	\$ 0	\$ 1,349,171

(Continued)

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

	Special Revenue Funds					Debt Service Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service		
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 194,596	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 194,596
Lease/Rentals	87,000	6,000	0	0	60,380	0	153,380
Sale of Gasoline	0	0	0	109,114	0	0	109,114
Sale of Recycled Materials	2,866	144,838	0	11,585	0	0	159,289
Miscellaneous Refunds	45,900	1,016	340	5,350	0	0	52,606
<u>Nonrecurring Items</u>							
Sale of Equipment	0	13,680	0	0	0	0	13,680
Sale of Property	6,700	0	0	0	0	0	6,700
Contributions and Gifts	86,500	0	1,200	10,327	0	0	98,027
Total Other Local Revenues	\$ 423,562	\$ 165,534	\$ 1,540	\$ 136,376	\$ 60,380	\$ 0	\$ 787,392
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 16,810	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,810
Circuit Court Clerk	6,779	0	0	0	0	0	6,779
<u>Fees in-Lieu-of Salary</u>							
County Clerk	138,186	0	0	0	0	0	138,186
Circuit Court Clerk	81,528	0	0	0	0	0	81,528
General Sessions Court Clerk	84,586	0	0	0	0	0	84,586
Clerk and Master	36,023	0	0	0	0	0	36,023
Register	109,585	0	0	0	0	0	109,585
Sheriff	5,781	0	0	0	0	0	5,781
Trustee	170,925	0	0	0	0	0	170,925
Total Fees Received from County Officials	\$ 650,203	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 650,203
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Aging Programs	14,297	0	0	0	0	0	14,297
State Reappraisal Grant	9,152	0	0	0	0	0	9,152
Solid Waste Grants	0	50,000	0	0	0	0	50,000

(Continued)

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

	Special Revenue Funds					Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service Fund	
<u>State of Tennessee (Cont.)</u>						
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	\$ 14,400	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,400
<u>Health and Welfare Grants</u>						
Health Department Programs	83,227	0	0	0	0	83,227
<u>Public Works Grants</u>						
State Aid Program	0	0	0	161,060	0	161,060
Litter Program	0	31,271	0	0	0	31,271
<u>Other State Revenues</u>						
Income Tax	16,498	0	0	0	0	16,498
Beer Tax	19,312	0	0	0	0	19,312
Alcoholic Beverage Tax	37,049	0	0	0	0	37,049
Contracted Prisoner Boarding	64,155	0	0	0	0	64,155
Gasoline and Motor Fuel Tax	0	0	0	1,717,148	0	1,717,148
Petroleum Special Tax	0	0	0	13,352	0	13,352
Registrar's Salary Supplement	16,380	0	0	0	0	16,380
Other State Grants	75,192	17,521	0	0	0	92,713
Other State Revenues	0	0	26,988	0	0	26,988
Total State of Tennessee	\$ 358,662	\$ 98,792	\$ 26,988	\$ 1,891,560	\$ 0	\$ 2,376,002
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 20,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,000
Civil Defense Reimbursement	450	0	0	0	0	450
Law Enforcement Grants	22,979	0	0	0	0	22,979
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	299	0	0	0	0	299
Total Federal Government	\$ 43,728	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,728
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 350,000
Contracted Services	22,800	0	0	0	0	22,800
Total Other Governments and Citizens Groups	\$ 22,800	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 372,800
Total	\$ 5,767,886	\$ 1,445,256	\$ 62,951	\$ 2,081,183	\$ 942,747	\$ 10,300,023

Exhibit J-6

Fentress County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 673,375	\$ 0	\$ 0	\$ 673,375
Trustee's Collections - Prior Year	32,673	0	0	32,673
Circuit/Clerk & Master Collections - Prior Years	23,626	0	0	23,626
Interest and Penalty	6,516	0	0	6,516
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,594,112	0	0	1,594,112
Wheel Tax	398,758	0	0	398,758
Business Tax	24,227	0	0	24,227
Mineral Severance Tax	28,510	0	0	28,510
<u>Statutory Local Taxes</u>				
Coal Severance Tax	369	0	0	369
Interstate Telecommunications Tax	2,125	0	0	2,125
Total Local Taxes	\$ 2,784,291	\$ 0	\$ 0	\$ 2,784,291
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,530	\$ 0	\$ 0	\$ 1,530
Total Licenses and Permits	\$ 1,530	\$ 0	\$ 0	\$ 1,530
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 130,498	\$ 130,498
Lunch Payments - Adults	0	0	39,056	39,056
Income from Breakfast	0	0	30,532	30,532
A la carte Sales	0	0	33,186	33,186
Total Charges for Current Services	\$ 0	\$ 0	\$ 233,272	\$ 233,272
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 194,595	\$ 0	\$ 3,972	\$ 198,567
Lease/Rentals	9,750	0	0	9,750
Refund of Telecommunication & Internet Fees (E-Rate)	27,120	0	0	27,120
Miscellaneous Refunds	62,691	0	28,096	90,787
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	365	0	0	365
<u>Other Local Revenues</u>				
Other Local Revenues	580	0	0	580
Total Other Local Revenues	\$ 295,101	\$ 0	\$ 32,068	\$ 327,169
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 88,788	\$ 0	\$ 0	\$ 88,788
<u>State Education Funds</u>				
Basic Education Program	11,247,416	0	0	11,247,416
Early Childhood Education	574,863	0	0	574,863
School Food Service	0	0	14,944	14,944
Driver Education	2,210	0	0	2,210
Other State Education Funds	75,886	0	0	75,886
Career Ladder Program	146,023	0	0	146,023
Career Ladder - Extended Contract	68,761	0	0	68,761

(Continued)

Exhibit J-6

Fentress County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented 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.	\$ 467,651	\$ 0	\$ 0	\$ 467,651
Other State Grants	137,183	0	0	137,183
Other State Revenues	9,864	0	0	9,864
Total State of Tennessee	<u>\$ 12,818,645</u>	<u>\$ 0</u>	<u>\$ 14,944</u>	<u>\$ 12,833,589</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 627,308	\$ 627,308
Breakfast	0	0	233,876	233,876
Adult Education State Grant Program	81,561	0	0	81,561
Vocational Education - Basic Grants to States	0	49,198	0	49,198
Title I Grants to Local Education Agencies	0	663,858	0	663,858
Innovative Education Program Strategies	0	68,990	0	68,990
Special Education - Grants to States	12,806	489,953	0	502,759
Safe and Drug-Free Schools - State Grants	0	13,957	0	13,957
Eisenhower Professional Development State Grants	0	172,405	0	172,405
Job Training Partnership Act	0	22,773	0	22,773
Other Federal through State	0	0	23,518	23,518
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	55,692	0	0	55,692
Total Federal Government	<u>\$ 150,059</u>	<u>\$ 1,481,134</u>	<u>\$ 884,702</u>	<u>\$ 2,515,895</u>
Total	<u>\$ 16,049,626</u>	<u>\$ 1,481,134</u>	<u>\$ 1,164,986</u>	<u>\$ 18,695,746</u>

Exhibit J-7

Fentress County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 63,377	
Social Security	3,929	
Employer Medicare	919	
Audit Services	3,941	
Legal Services	12,285	
Other Charges	<u>1,572</u>	
Total County Commission		\$ 86,023

Board of Equalization

Board and Committee Members Fees	\$ <u>120</u>	
Total Board of Equalization		120

Beer Board

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

County Mayor/Executive

County Official/Administrative Officer	\$ 63,377	
Assistant(s)	28,912	
Clerical Personnel	27,724	
Social Security	6,721	
State Retirement	5,183	
Medical Insurance	4,800	
Unemployment Compensation	280	
Employer Medicare	1,572	
Communication	5,188	
Postal Charges	528	
Printing, Stationery, and Forms	1,805	
Office Supplies	6,844	
Premiums on Corporate Surety Bonds	350	
Other Charges	100	
Other Equipment	<u>3,255</u>	
Total County Mayor/Executive		156,639

Election Commission

County Official/Administrative Officer	\$ 49,385	
Deputy(ies)	17,121	
Clerical Personnel	636	
Election Commission	4,750	
Election Workers	8,893	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Social Security	\$ 4,428	
State Retirement	3,433	
Medical Insurance	2,600	
Unemployment Compensation	431	
Employer Medicare	1,036	
Communication	1,118	
Data Processing Services	1,700	
Maintenance and Repair Services - Equipment	1,630	
Postal Charges	865	
Printing, Stationery, and Forms	5,055	
Office Supplies	2,993	
Office Equipment	1,116	
Total Election Commission		\$ 107,190

Register of Deeds

County Official/Administrative Officer	\$ 54,872	
Deputy(ies)	25,220	
Clerical Personnel	40,170	
Social Security	7,012	
State Retirement	5,722	
Medical Insurance	7,200	
Unemployment Compensation	420	
Employer Medicare	1,640	
Communication	2,336	
Data Processing Services	9,752	
Postal Charges	977	
Printing, Stationery, and Forms	2,389	
Duplicating Supplies	3,315	
Office Supplies	3,775	
Premiums on Corporate Surety Bonds	100	
Total Register of Deeds		164,900

Planning

Board and Committee Members Fees	\$ 1,900	
Dues and Memberships	9,250	
Total Planning		11,150

County Buildings

Custodial Personnel	\$ 9,976	
Social Security	194	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

State Retirement	\$	902	
Medical Insurance		2,400	
Unemployment Compensation		140	
Employer Medicare		45	
Communication		398	
Maintenance and Repair Services - Buildings		62,805	
Custodial Supplies		4,520	
Utilities		97,098	
Other Supplies and Materials		300	
Total County Buildings			\$ 178,778

Finance

Accounting and Budgeting

Supervisor/Director	\$	43,898	
Accountants/Bookkeepers		160,154	
Social Security		11,886	
State Retirement		12,284	
Medical Insurance		14,400	
Unemployment Compensation		840	
Employer Medicare		2,780	
Communication		3,646	
Postal Charges		1,942	
Printing, Stationery, and Forms		1,839	
Other Contracted Services		1,510	
Office Supplies		6,893	
Other Supplies and Materials		525	
Premiums on Corporate Surety Bonds		525	
Office Equipment		3,846	
Total Accounting and Budgeting			266,968

Property Assessor's Office

County Official/Administrative Officer	\$	54,872	
Clerical Personnel		23,556	
Part-time Personnel		18,720	
Social Security		5,710	
State Retirement		5,848	
Medical Insurance		4,800	
Unemployment Compensation		280	
Employer Medicare		1,335	
Audit Services		1,500	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Communication	\$ 1,388	
Contracts with Government Agencies	4,584	
Printing, Stationery, and Forms	784	
Travel	1,680	
Office Supplies	2,129	
Premiums on Corporate Surety Bonds	150	
Office Equipment	405	
Total Property Assessor's Office		\$ 127,741

Reappraisal Program

Clerical Personnel	\$ 21,788	
Social Security	1,351	
State Retirement	1,312	
Unemployment Compensation	140	
Employer Medicare	316	
Data Processing Services	2,496	
Postal Charges	500	
Office Supplies	84	
Total Reappraisal Program		27,987

County Trustee's Office

County Official/Administrative Officer	\$ 54,872	
Deputy(ies)	49,504	
Clerical Personnel	21,372	
Social Security	7,325	
State Retirement	6,133	
Medical Insurance	2,400	
Unemployment Compensation	420	
Employer Medicare	1,713	
Communication	1,946	
Contracts with Government Agencies	3,983	
Postal Charges	4,505	
Printing, Stationery, and Forms	1,775	
Office Supplies	1,769	
Premiums on Corporate Surety Bonds	2,762	
Data Processing Equipment	9,017	
Total County Trustee's Office		169,496

County Clerk's Office

County Official/Administrative Officer	\$ 54,872
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Deputy(ies)	\$ 84,450	
Clerical Personnel	18,720	
Social Security	9,278	
State Retirement	9,762	
Medical Insurance	8,000	
Unemployment Compensation	936	
Employer Medicare	2,170	
Communication	1,638	
Data Processing Services	14,164	
Postal Charges	4,848	
Printing, Stationery, and Forms	3,489	
Office Supplies	2,478	
Premiums on Corporate Surety Bonds	175	
Office Equipment	1,558	
Total County Clerk's Office		\$ 216,538

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 54,872	
Deputy(ies)	74,720	
Clerical Personnel	21,060	
Jury and Witness Fees	8,172	
Social Security	8,283	
State Retirement	6,280	
Medical Insurance	7,200	
Unemployment Compensation	560	
Employer Medicare	1,937	
Communication	1,772	
Postal Charges	1,237	
Printing, Stationery, and Forms	5,470	
Office Supplies	2,863	
Premiums on Corporate Surety Bonds	125	
Office Equipment	2,700	
Total Circuit Court		197,251

General Sessions Court

Judge(s)	\$ 77,150
Social Security	4,783
State Retirement	4,644
Employer Medicare	1,119

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Communication	\$ 1,403	
Drug Treatment	435	
Office Supplies	58	
Other Charges	5	
Total General Sessions Court		\$ 89,597

Chancery Court

County Official/Administrative Officer	\$ 54,872	
Deputy(ies)	24,388	
Clerical Personnel	5,858	
Social Security	4,867	
State Retirement	4,772	
Medical Insurance	4,800	
Unemployment Compensation	537	
Employer Medicare	1,138	
Communication	861	
Postal Charges	816	
Office Supplies	3,652	
Premiums on Corporate Surety Bonds	450	
Total Chancery Court		107,011

Juvenile Court

Social Workers	\$ 15,246	
Social Security	945	
State Retirement	918	
Unemployment Compensation	140	
Employer Medicare	221	
Contracts with Other Public Agencies	450	
Office Supplies	583	
Office Equipment	380	
Total Juvenile Court		18,883

Probation Services

Probation Officer(s)	\$ 29,000	
Social Security	1,798	
State Retirement	1,746	
Unemployment Compensation	140	
Employer Medicare	420	
Communication	1,673	
Maintenance and Repair Services - Vehicles	90	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probation Services (Cont.)

Gasoline	\$	168	
Office Supplies		289	
Total Probation Services			\$ 35,324

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	60,360	
Deputy(ies)		468,539	
Salary Supplements		14,400	
Clerical Personnel		42,141	
In-Service Training		14,933	
Social Security		34,983	
State Retirement		32,476	
Medical Insurance		11,600	
Unemployment Compensation		3,276	
Employer Medicare		8,182	
Communication		13,416	
Legal Notices, Recording, and Court Costs		113	
Maintenance and Repair Services - Equipment		36	
Maintenance and Repair Services - Office Equipment		383	
Maintenance and Repair Services - Vehicles		26,372	
Postal Charges		1,611	
Printing, Stationery, and Forms		953	
Rentals		1,775	
Gasoline		107,072	
Law Enforcement Supplies		496	
Office Supplies		2,065	
Tires and Tubes		6,149	
Uniforms		2,762	
Other Supplies and Materials		44	
Premiums on Corporate Surety Bonds		5,300	
Other Charges		101	
Principal on Capital Leases		23,452	
Interest on Capital Leases		2,700	
Law Enforcement Equipment		728	
Motor Vehicles		25,151	
Office Equipment		2,514	
Total Sheriff's Department			914,083

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Guards	\$ 188,374	
In-Service Training	587	
Social Security	11,411	
State Retirement	10,780	
Medical Insurance	2,400	
Unemployment Compensation	1,845	
Employer Medicare	2,669	
Contracts with Government Agencies	40,365	
Maintenance and Repair Services - Buildings	6,121	
Medical and Dental Services	46,427	
Printing, Stationery, and Forms	156	
Travel	131	
Custodial Supplies	3,668	
Food Supplies	32,670	
Office Supplies	262	
Uniforms	1,168	
Utilities	9,145	
Other Supplies and Materials	1,480	
Other Charges	720	
Building Improvements	1,104	
Furniture and Fixtures	1,086	
Office Equipment	2,484	
Total Jail		\$ 365,053

Fire Prevention and Control

In-Service Training	\$ 1,066	
Other Per Diem and Fees	25,649	
Contracts with Government Agencies	2,000	
Maintenance and Repair Services - Buildings	9,102	
Maintenance and Repair Services - Vehicles	11,161	
Gasoline	10,615	
Utilities	22,399	
Other Equipment	208,573	
Total Fire Prevention and Control		290,565

Rural Fire Protection

In-Service Training	\$ 3,519	
Total Rural Fire Protection		3,519

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$ 3,370	
In-Service Training	350	
Social Security	209	
Unemployment Compensation	41	
Employer Medicare	49	
Communication	2,093	
Maintenance and Repair Services - Vehicles	1,285	
Gasoline	1,953	
Other Supplies and Materials	1,684	
Other Equipment	1,643	
Total Civil Defense		\$ 12,677

Rescue Squad

Communication	\$ 1,007	
Contributions	4,000	
Maintenance and Repair Services - Vehicles	1,576	
Medical and Dental Services	432	
Gasoline	4,303	
Other Supplies and Materials	2,669	
Other Equipment	4,181	
Total Rescue Squad		18,168

Other Emergency Management

Contributions	\$ 160,200	
Total Other Emergency Management		160,200

County Coroner/Medical Examiner

Other Contracted Services	\$ 13,000	
Premiums on Corporate Surety Bonds	170	
Total County Coroner/Medical Examiner		13,170

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 7,743	
Social Security	480	
Unemployment Compensation	88	
Employer Medicare	112	
Communication	4,918	
Maintenance and Repair Services - Buildings	7,287	
Drugs and Medical Supplies	1,584	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Office Supplies	\$ 3,970	
Utilities	13,640	
Total Local Health Center		\$ 39,822

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 39,883	
Medical Personnel	714,836	
In-Service Training	1,767	
Social Security	42,641	
State Retirement	42,583	
Medical Insurance	25,400	
Unemployment Compensation	3,805	
Employer Medicare	9,973	
Communication	8,860	
Data Processing Services	1,908	
Maintenance and Repair Services - Vehicles	22,541	
Postal Charges	2,689	
Travel	1,257	
Other Contracted Services	16,616	
Custodial Supplies	3,657	
Drugs and Medical Supplies	36,359	
Gasoline	49,184	
Office Supplies	5,120	
Uniforms	5,788	
Utilities	12,860	
Refunds	21,011	
Total Ambulance/Emergency Medical Services		1,068,738

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$ 54,462	
Social Security	3,172	
State Retirement	3,057	
Medical Insurance	2,400	
Unemployment Compensation	383	
Employer Medicare	742	
Travel	11,583	

(Continued)

Exhibit J-7

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.)

Instructional Supplies and Materials	\$ 8,577	
Total Other Local Health Services		\$ 84,376

Appropriation to State

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

General Welfare Assistance

Pauper Burials	\$ 1,500	
Total General Welfare Assistance		1,500

Other Local Welfare Services

Contributions	\$ 19,500	
Total Other Local Welfare Services		19,500

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 24,960	
Other Salaries and Wages	7,904	
Social Security	1,938	
State Retirement	1,503	
Medical Insurance	2,400	
Unemployment Compensation	282	
Employer Medicare	453	
Communication	915	
Postal Charges	165	
Travel	602	
Office Supplies	124	
Utilities	19,643	
Other Supplies and Materials	100	
Office Equipment	1,366	
Total Adult Activities		62,355

Libraries

Supervisor/Director	\$ 26,208
Librarians	40,768
Social Security	4,112
State Retirement	3,807
Medical Insurance	2,400
Unemployment Compensation	494

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Employer Medicare	\$ 962	
Contributions	22,054	
Total Libraries		\$ 100,805

Parks and Fair Boards

Contributions	\$ 6,500	
Maintenance and Repair Services - Equipment	1,447	
Gasoline	93	
Total Parks and Fair Boards		8,040

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$ 3,242	
Contributions	50,721	
Travel	900	
Custodial Supplies	457	
Office Supplies	1,943	
Office Equipment	2,243	
Total Agriculture Extension Service		59,506

Soil Conservation

Contributions	\$ 26,522	
Total Soil Conservation		26,522

Other Operations

Tourism

Contributions	\$ 51,409	
Total Tourism		51,409

Industrial Development

Contributions	\$ 41,240	
Total Industrial Development		41,240

Other Economic and Community Development

Postal Charges	\$ 41	
Data Processing Supplies	2,013	
Equipment Parts - Light	440	
Other Charges	73	
Total Other Economic and Community Development		2,567

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$ 21,476	
Social Security	1,332	
State Retirement	1,293	
Unemployment Compensation	140	
Employer Medicare	311	
Communication	646	
Contracts with Government Agencies	11,489	
Contributions	5,000	
Data Processing Services	336	
Postal Charges	307	
Office Supplies	1,886	
Office Equipment	1,496	
Total Veterans' Services		\$ 45,712

Contributions to Other Agencies

Contributions	\$ 40,785	
Dues and Memberships	11,268	
Remittance of Revenue Collected	4,678	
Total Contributions to Other Agencies		56,731

Miscellaneous

Data Processing Services	\$ 11,847	
Travel	5,328	
Liability Insurance	43,146	
Trustee's Commission	57,926	
Vehicle and Equipment Insurance	39,766	
Workers' Compensation Insurance	65,058	
Other Charges	17,729	
Building Construction	59,000	
Other Capital Outlay	42,375	
Total Miscellaneous		342,175

Total General Fund \$ 5,786,742

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Assistant(s)	\$ 52,320
Supervisor/Director	35,000
Social Security	5,383

(Continued)

Exhibit J-7

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.)

State Retirement	\$ 2,107	
Unemployment Compensation	420	
Employer Medicare	1,259	
Communication	3,539	
Maintenance and Repair Services - Office Equipment	420	
Postal Charges	730	
Printing, Stationery, and Forms	81	
Travel	1,222	
Office Supplies	638	
Other Supplies and Materials	4,589	
Office Equipment	400	
Total Sanitation Management		\$ 108,108

Sanitation Education/Information

Advertising	\$ 2,544	
Instructional Supplies and Materials	3,527	
Other Supplies and Materials	4,006	
Total Sanitation Education/Information		10,077

Waste Pickup

Truck Drivers	\$ 80,866	
Laborers	19,983	
Social Security	6,272	
State Retirement	2,869	
Medical Insurance	1,240	
Unemployment Compensation	695	
Employer Medicare	1,467	
Communication	1,006	
Maintenance and Repair Services - Vehicles	38,423	
Gasoline	42,689	
Tires and Tubes	2,622	
Uniforms	1,258	
Other Supplies and Materials	4,386	
Solid Waste Equipment	8,694	
Total Waste Pickup		212,470

Convenience Centers

Assistant(s)	\$ 23,962	
Paraprofessionals	24,232	
Equipment Operators - Heavy	296	

(Continued)

Exhibit J-7

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.)

Attendants	\$ 228,833	
Social Security	16,853	
State Retirement	8,844	
Medical Insurance	3,160	
Unemployment Compensation	3,289	
Employer Medicare	3,941	
Communication	3,979	
Maintenance and Repair Services - Equipment	6,423	
Permits	1,203	
Uniforms	2,544	
Utilities	8,658	
Other Supplies and Materials	8,450	
Site Development	2,554	
Other Equipment	19,898	
Total Convenience Centers		\$ 367,119

Problem Waste Centers

Advertising	\$ 1,677	
Other Supplies and Materials	3,364	
Total Problem Waste Centers		5,041

Other Waste Collection

Other Supplies and Materials	\$ 4,560	
Total Other Waste Collection		4,560

Recycling Center

Foremen	\$ 23,178	
Truck Drivers	43,948	
Laborers	61,133	
Social Security	7,903	
State Retirement	5,601	
Medical Insurance	1,200	
Unemployment Compensation	1,159	
Employer Medicare	1,848	
Communication	739	
Contracts with Private Agencies	28,507	
Maintenance and Repair Services - Buildings	192	
Maintenance and Repair Services - Equipment	1,343	
Maintenance and Repair Services - Vehicles	2,806	
Travel	711	

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Gasoline	\$ 10,286	
Tires and Tubes	548	
Uniforms	2,172	
Utilities	6,746	
Other Supplies and Materials	7,031	
Other Equipment	43,232	
Total Recycling Center		\$ 250,283

Landfill Operation and Maintenance

Contracts with Private Agencies	\$ 354,780	
Total Landfill Operation and Maintenance		354,780

Postclosure Care Costs

Communication	\$ 845	
Engineering Services	7,175	
Utilities	363	
Other Supplies and Materials	117	
Total Postclosure Care Costs		8,500

Other Operations

Other Charges

Liability Insurance	\$ 5,131	
Trustee's Commission	13,785	
Vehicle and Equipment Insurance	9,157	
Workers' Compensation Insurance	23,352	
Total Other Charges		51,425

Employee Benefits

Medical and Dental Services	\$ 1,044	
Total Employee Benefits		1,044

Total Solid Waste/Sanitation Fund \$ 1,373,407

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries and Wages	\$ 15,534	
Social Security	946	
State Retirement	751	
Unemployment Compensation	64	

(Continued)

Exhibit J-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Employer Medicare	\$	221	
Confidential Drug Enforcement Payments		4,000	
Maintenance and Repair Services - Equipment		3,722	
Maintenance and Repair Services - Office Equipment		1,600	
Maintenance and Repair Services - Vehicles		6,744	
Veterinary Services		2,038	
Animal Food and Supplies		455	
Law Enforcement Supplies		3,438	
Other Supplies and Materials		3,534	
Other Charges		300	
Principal on Capital Leases		44,617	
Interest on Capital Leases		2,548	
Law Enforcement Equipment		8,543	
Motor Vehicles		41,550	
Total Drug Enforcement			\$ 140,605

Public Health and Welfare

Alcohol and Drug Programs

Contributions	\$	26,852	
Total Alcohol and Drug Programs			<u>26,852</u>

Total Drug Control Fund \$ 167,457

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	60,360	
Clerical Personnel		55,064	
Social Security		6,761	
State Retirement		6,949	
Employer Medicare		1,581	
Communication		5,827	
Dues and Memberships		3,226	
Licenses		68	
Postal Charges		194	
Travel		344	
Other Contracted Services		252	
Custodial Supplies		1,093	
Office Supplies		848	
Other Charges		2,448	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Office Equipment	\$ 90	
Total Administration		\$ 145,105

Highway and Bridge Maintenance

Foremen	\$ 88,336	
Equipment Operators	66,362	
Truck Drivers	18,986	
Laborers	132,040	
Social Security	18,204	
State Retirement	14,177	
Employer Medicare	4,257	
Rentals	10,000	
Other Contracted Services	4,538	
Asphalt - Cold Mix	5,509	
Asphalt - Hot Mix	20,672	
Asphalt - Liquid	212,992	
Crushed Stone	67,004	
Other Road Supplies	3,777	
Pipe - Metal	8,286	
Road Signs	5,282	
Salt	7,935	
Other Charges	2,602	
Total Highway and Bridge Maintenance		690,959

Operation and Maintenance of Equipment

Foremen	\$ 26,453
Mechanic(s)	28,478
Nightwatchmen	24,369
Social Security	4,294
State Retirement	3,853
Employer Medicare	1,004
Freight Expenses	884
Maintenance and Repair Services - Vehicles	7,370
Diesel Fuel	152,140
Electricity	6,072
Equipment and Machinery Parts	71,104
Garage Supplies	9,304
Gasoline	117,015
Lubricants	13,950
Natural Gas	861

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Tires and Tubes	\$ 29,419	
Other Supplies and Materials	4,343	
Other Charges	<u>3,753</u>	
Total Operation and Maintenance of Equipment		\$ 504,666

Quarry Operations

Foremen	\$ 26,122	
Equipment Operators	25,557	
Truck Drivers	21,652	
Laborers	46,984	
Social Security	6,704	
State Retirement	5,784	
Employer Medicare	1,568	
Operating Lease Payments	6,086	
Licenses	2,036	
Electricity	960	
Equipment and Machinery Parts	13,347	
Explosives and Drilling Supplies	23,351	
Lubricants	539	
Other Charges	<u>4,231</u>	
Total Quarry Operations		184,921

Other Charges

Water and Sewer	\$ 287	
Liability Insurance	27,688	
Premiums on Corporate Surety Bonds	582	
Trustee's Commission	17,853	
Workers' Compensation Insurance	<u>30,794</u>	
Total Other Charges		77,204

Employee Benefits

Medical Insurance	\$ 42,447	
Unemployment Compensation	<u>5,504</u>	
Total Employee Benefits		47,951

Capital Outlay

Bridge Construction	\$ 69,047	
Building Improvements	8,254	
Highway Construction	219,755	
Highway Equipment	44,871	

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Surplus Equipment	\$ 6,950	
Total Capital Outlay		\$ 348,877

Principal on Debt

Highways and Streets

Principal on Notes	\$ 249,783	
Principal on Capital Leases	5,663	
Total Highways and Streets		255,446

Interest on Debt

Highways and Streets

Interest on Notes	\$ 27,444	
Interest on Capital Leases	744	
Total Highways and Streets		28,188

Total Highway/Public Works Fund		\$ 2,283,317
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General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 53,334	
Principal on Other Loans	39,000	
Total General Government		\$ 92,334

Education

Principal on Other Loans	\$ 387,000	
Total Education		387,000

Interest on Debt

General Government

Interest on Notes	\$ 4,892	
Interest on Other Loans	25,189	
Total General Government		30,081

Education

Interest on Other Loans	\$ 261,923	
Total Education		261,923

(Continued)

Exhibit J-7

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

<u>General Debt Service Fund (Cont.)</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Trustee's Commission	\$ 7,917	
Other Debt Service	<u>6,714</u>	
Total General Government		\$ 14,631
 <u>Education</u>		
Other Debt Service	\$ <u>32,500</u>	
Total Education		<u>32,500</u>
 Total General Debt Service Fund		 <u>\$ 818,469</u>
 Total Governmental Funds - Primary Government		 <u><u>\$ 10,429,392</u></u>

Exhibit J-8

Fentress County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,091,291	
Career Ladder Program	99,300	
Career Ladder Extended Contracts	48,902	
Homebound Teachers	15,851	
Educational Assistants	272,755	
Other Salaries and Wages	111,846	
Certified Substitute Teachers	80,076	
Non-certified Substitute Teachers	15,225	
Social Security	336,462	
State Retirement	340,774	
Medical Insurance	795,368	
Unemployment Compensation	4,765	
Employer Medicare	79,582	
Other Fringe Benefits	4,676	
Maintenance and Repair Services - Equipment	74,914	
Instructional Supplies and Materials	239,129	
Textbooks	244,165	
Other Supplies and Materials	50,453	
Other Charges	49,429	
Regular Instruction Equipment	107,042	
Total Regular Instruction Program		\$ 8,062,005

Alternative Instruction Program

Teachers	\$ 85,320	
Social Security	5,020	
State Retirement	5,324	
Medical Insurance	12,276	
Unemployment Compensation	50	
Employer Medicare	1,174	
Total Alternative Instruction Program		109,164

Special Education Program

Teachers	\$ 571,085
Career Ladder Program	5,500
Career Ladder Extended Contracts	672
Educational Assistants	97,522
Certified Substitute Teachers	2,050
Non-certified Substitute Teachers	7,420
Social Security	40,494

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$ 39,337	
Medical Insurance	113,034	
Unemployment Compensation	759	
Employer Medicare	9,470	
Other Contracted Services	66,718	
Instructional Supplies and Materials	13,053	
Other Supplies and Materials	405	
In Service/Staff Development	460	
Other Charges	4,289	
Total Special Education Program		\$ 972,268

Vocational Education Program

Teachers	\$ 103,972	
Career Ladder Program	1,000	
Social Security	6,418	
State Retirement	6,550	
Medical Insurance	17,485	
Unemployment Compensation	55	
Employer Medicare	1,501	
Instructional Supplies and Materials	5,558	
Total Vocational Education Program		142,539

Adult Education Program

Teachers	\$ 24,100	
Career Ladder Program	1,000	
Other Salaries and Wages	16,247	
Social Security	2,092	
State Retirement	1,220	
Medical Insurance	606	
Unemployment Compensation	81	
Employer Medicare	600	
Instructional Supplies and Materials	17,628	
In Service/Staff Development	1,000	
Other Equipment	5,300	
Total Adult Education Program		69,874

Support Services

Attendance

Supervisor/Director	\$ 58,536	
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(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Career Ladder Program	\$	500	
Other Salaries and Wages		23,100	
Social Security		5,092	
State Retirement		4,642	
Unemployment Compensation		55	
Employer Medicare		1,191	
Travel		2,431	
Other Contracted Services		914	
Total Attendance			\$ 96,461

Health Services

Supervisor/Director	\$	33,170	
Medical Personnel		108,745	
Secretary(ies)		10,399	
Social Security		9,007	
State Retirement		6,375	
Medical Insurance		6,430	
Unemployment Compensation		160	
Employer Medicare		2,046	
Travel		5,817	
Other Contracted Services		12,589	
Drugs and Medical Supplies		5,432	
Other Supplies and Materials		42,455	
Other Charges		15,788	
Health Equipment		2,569	
Total Health Services			260,982

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		231,146	
Career Ladder Extended Contracts		2,000	
Social Security		13,766	
State Retirement		14,673	
Medical Insurance		39,656	
Unemployment Compensation		121	
Employer Medicare		3,220	
Evaluation and Testing		4,933	
Total Other Student Support			311,515

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	62,794	
Career Ladder Program		5,700	
Career Ladder Extended Contracts		1,500	
Librarians		194,665	
Materials Supervisor		61,594	
Instructional Computer Personnel		44,990	
Social Security		22,104	
State Retirement		23,187	
Medical Insurance		49,840	
Unemployment Compensation		216	
Employer Medicare		5,169	
Consultants		500	
Travel		16,762	
Other Contracted Services		13,726	
Library Books/Media		52,866	
Other Supplies and Materials		886	
In Service/Staff Development		20,060	
Other Charges		821	
Total Regular Instruction Program			\$ 577,380

Special Education Program

Supervisor/Director	\$	66,550	
Career Ladder Program		3,000	
Psychological Personnel		5,531	
Career Ladder Extended Contracts		2,000	
Social Security		4,779	
State Retirement		4,810	
Medical Insurance		5,512	
Unemployment Compensation		43	
Employer Medicare		1,118	
Travel		13,950	
Other Supplies and Materials		646	
In Service/Staff Development		4,035	
Other Equipment		1,732	
Total Special Education Program			113,706

Vocational Education Program

Supervisor/Director	\$	16,082	
Career Ladder Program		3,600	

(Continued)

Exhibit J-8

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

<u>General Purpose School Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Vocational Education Program (Cont.)</u>		
Social Security	\$ 1,195	
State Retirement	1,228	
Medical Insurance	5,329	
Unemployment Compensation	19	
Employer Medicare	280	
Travel	4,034	
Total Vocational Education Program		\$ 31,767
<u>Adult Programs</u>		
Supervisor/Director	\$ 47,212	
Social Security	2,813	
State Retirement	2,946	
Medical Insurance	6,981	
Unemployment Compensation	27	
Employer Medicare	658	
Travel	3,378	
Total Adult Programs		64,015
<u>Other Programs</u>		
On-Behalf Payments to OPEB	\$ 88,788	
Total Other Programs		88,788
<u>Board of Education</u>		
Board and Committee Members Fees	\$ 11,800	
Social Security	732	
Medical Insurance	84,553	
Employer Medicare	171	
Audit Services	4,500	
Contributions	86,500	
Dues and Memberships	8,498	
Legal Services	10,435	
Liability Insurance	129,346	
Premiums on Corporate Surety Bonds	757	
Trustee's Commission	67,177	
Workers' Compensation Insurance	92,869	
Other Charges	13,372	
Debt Service Contribution to Primary Government	300,000	
Total Board of Education		810,710

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools

County Official/Administrative Officer	\$	88,353	
Secretary(ies)		19,824	
Social Security		6,615	
State Retirement		5,900	
Medical Insurance		12,276	
Unemployment Compensation		77	
Employer Medicare		1,547	
Communication		28,074	
Total Director of Schools	\$		162,666

Office of the Principal

Principals	\$	300,535	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		4,000	
Secretary(ies)		184,800	
Social Security		29,906	
State Retirement		26,860	
Medical Insurance		36,563	
Unemployment Compensation		424	
Employer Medicare		6,994	
Communication		8,954	
Total Office of the Principal			604,036

Fiscal Services

Accountants/Bookkeepers	\$	41,300	
Social Security		1,916	
State Retirement		1,157	
Unemployment Compensation		76	
Employer Medicare		597	
Data Processing Services		1,146	
Office Supplies		10,650	
Other Supplies and Materials		268	
Other Charges		8,430	
Administration Equipment		5,934	
Total Fiscal Services			71,474

Operation of Plant

Custodial Personnel	\$	268,455	
Social Security		16,585	

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

State Retirement	\$ 10,372	
Unemployment Compensation	584	
Employer Medicare	3,879	
Disposal Fees	24,402	
Electricity	456,441	
Natural Gas	164,925	
Water and Sewer	29,993	
Other Supplies and Materials	64,979	
Total Operation of Plant	\$ 1,040,615	

Maintenance of Plant

Supervisor/Director	\$ 29,650	
Other Salaries and Wages	45,228	
Social Security	4,642	
State Retirement	2,644	
Unemployment Compensation	110	
Employer Medicare	1,086	
Other Contracted Services	43,601	
Equipment and Machinery Parts	102,204	
Other Charges	7,463	
Maintenance Equipment	18,000	
Total Maintenance of Plant	254,628	

Transportation

Supervisor/Director	\$ 24,600
Mechanic(s)	27,278
Bus Drivers	297,904
Social Security	21,646
State Retirement	13,839
Medical Insurance	1,197
Unemployment Compensation	889
Employer Medicare	5,062
Contracts with Parents	25,792
Rentals	3,370
Equipment and Machinery Parts	5,000
Gasoline	175,343
Lubricants	4,000
Tires and Tubes	6,964
Vehicle Parts	68,921

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Supplies and Materials	\$ 1,391	
Other Charges	9,676	
Transportation Equipment	213,301	
Total Transportation		\$ 906,173

Operation of Non-Instructional Services

Early Childhood Education

Supervisor/Director	\$ 25,930	
Teachers	224,569	
Educational Assistants	126,854	
Certified Substitute Teachers	2,780	
Non-certified Substitute Teachers	200	
Social Security	22,541	
State Retirement	18,448	
Medical Insurance	43,757	
Unemployment Compensation	586	
Employer Medicare	5,272	
Travel	4,697	
Food Supplies	5,000	
Instructional Supplies and Materials	47,429	
Textbooks	2,425	
Other Supplies and Materials	6,178	
In Service/Staff Development	7,499	
Other Charges	4,698	
Other Equipment	40,317	
Total Early Childhood Education		589,180

Capital Outlay

Regular Capital Outlay

Architects	\$ 22,140	
Building Improvements	300,324	
Total Regular Capital Outlay		322,464

Principal on Debt

Education

Principal on Bonds	\$ 260,000	
Principal on Capital Leases	69,000	
Total Education		329,000

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Bonds	\$ 116,770	
Total Education		\$ 116,770

Other Debt Service

Education

Other Debt Service	\$ 785	
Total Education		<u>785</u>

Total General Purpose School Fund		\$ 16,108,965
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 503,922	
Certified Substitute Teachers	7,455	
Non-certified Substitute Teachers	1,325	
Social Security	29,055	
State Retirement	31,478	
Medical Insurance	115,482	
Unemployment Compensation	425	
Employer Medicare	6,795	
Instructional Supplies and Materials	2,762	
Other Charges	2,018	
Regular Instruction Equipment	<u>75,266</u>	
Total Regular Instruction Program		\$ 775,983

Special Education Program

Teachers	\$ 140,403	
Educational Assistants	110,547	
Certified Substitute Teachers	100	
Non-certified Substitute Teachers	375	
Social Security	15,019	
State Retirement	13,237	
Medical Insurance	32,887	
Unemployment Compensation	381	
Employer Medicare	3,513	
Other Contracted Services	1,168	
Instructional Supplies and Materials	<u>2,500</u>	
Total Special Education Program		320,130

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	19,685	
Unemployment Compensation		24	
Employer Medicare		285	
Vocational Instruction Equipment		40,817	
Total Vocational Education Program			\$ 60,811

Support Services

Health Services

Medical Personnel	\$	10,857	
Social Security		1,110	
State Retirement		740	
Employer Medicare		320	
Total Health Services			13,027

Other Student Support

Evaluation and Testing	\$	2,398	
Travel		6,672	
Other Contracted Services		2,234	
Other Supplies and Materials		680	
In Service/Staff Development		175	
Other Charges		1,668	
Total Other Student Support			13,827

Regular Instruction Program

Supervisor/Director	\$	53,107	
Secretary(ies)		10,333	
Other Salaries and Wages		11,652	
Social Security		4,366	
State Retirement		4,140	
Medical Insurance		9,657	
Unemployment Compensation		57	
Employer Medicare		1,021	
Maintenance and Repair Services - Equipment		481	
Travel		20,686	
Library Books/Media		8,851	
Periodicals		492	
Other Supplies and Materials		1,398	
In Service/Staff Development		50,606	
Other Charges		1,430	

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Equipment	\$ 3,391	
Total Regular Instruction Program		\$ 181,668

Special Education Program

Psychological Personnel	\$ 51,495	
Secretary(ies)	23,800	
Clerical Personnel	8,970	
Other Salaries and Wages	28,465	
Social Security	6,840	
State Retirement	6,350	
Medical Insurance	9,356	
Unemployment Compensation	117	
Employer Medicare	1,600	
Travel	6,932	
In Service/Staff Development	534	
Total Special Education Program		144,459

Vocational Education Program

Travel	\$ 1,534	
Total Vocational Education Program		1,534

Transportation

Bus Drivers	\$ 8,638	
Other Salaries and Wages	18,856	
Social Security	1,705	
State Retirement	358	
Unemployment Compensation	88	
Employer Medicare	399	
Contracts with Parents	1,999	
Total Transportation		32,043

Total School Federal Projects Fund		\$ 1,543,482
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 35,841	
Secretary(ies)	21,533	
Cafeteria Personnel	378,493	

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Social Security	\$ 25,784	
State Retirement	16,573	
Unemployment Compensation	893	
Employer Medicare	6,154	
Communication	2,102	
Maintenance and Repair Services - Equipment	29,168	
Travel	5,800	
Other Contracted Services	7,091	
Food Supplies	665,371	
Uniforms	1,927	
Other Supplies and Materials	42,994	
Other Charges	3,748	
Food Service Equipment	75	
Total Food Service	\$ 1,243,547	

Total Central Cafeteria Fund \$ 1,243,547

Total Governmental Funds - Fentress County School Department \$ 18,895,994

Exhibit J-9

Fentress County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 626,862
Total Cash Receipts	<u>\$ 626,862</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 620,593
Trustee's Commission	6,269
Total Cash Disbursements	<u>\$ 626,862</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	 <u><u>\$ 0</u></u>

SINGLE AUDIT 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 37243-1402
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

December 19, 2008

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

To the County Executive and County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fentress County, Tennessee, as of and for the year ended June 30, 2008, which collectively comprise Fentress County's basic financial statements and have issued our report thereon dated December 19, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Fentress County Industrial Development Board, which were not available from other auditors as of the date of this report. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the discretely presented Emergency Communications District as described in our report on Fentress County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fentress County'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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Fentress County'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: 08.01, 08.02, 08.04, 08.05(A,B,C), and 08.06.

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 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 material weaknesses. However, of the significant deficiencies described above, we consider items 08.01 and 08.05(A,B,C) to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fentress County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 08.03 and 08.05(D,E).

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

This report is intended solely for the information and use of management, the county executive, road supervisor, director of schools, finance director, County Commission, Board of Education, Finance 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 flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/yu

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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 37243-1402
PHONE (615) 401-7841

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

December 19, 2008

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Fentress County 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 its major federal programs for the year ended June 30, 2008. Fentress County'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 its major federal programs is the responsibility of Fentress County's management. Our responsibility is to express an opinion on Fentress County'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 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 compliance with those requirements.

In our opinion, Fentress County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Fentress County 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 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 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.

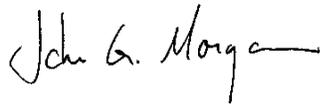
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fentress County as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Fentress County Industrial Development Board, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming

our opinions on the financial statements that collectively comprise Fentress County'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, road supervisor, director of schools, finance director, County Commission, Board of Education, Finance Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/yu

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Fentress County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2008

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Community Facilities Loans and Grants	10.766	N/A	\$ 20,000
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	63,954 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	233,876
National School Lunch Program	10.555	N/A	627,308 (3)
Passed-through East Tennessee Human Resource Agency:			
Summer Food Service Program for Children	10.559	(2)	23,518
Total U.S. Department of Agriculture			<u>\$ 968,656</u>
U.S. Department of Justice			
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	16.580	Z-06-027596-00	<u>\$ 18,000</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	<u>\$ 19,995</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	(2)	<u>\$ 4,979</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-08-027770-00	\$ 81,561
Passed-through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	N/A	684,987
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	493,165
Special Education - Preschool Grants	84.173	N/A	30,689
Vocational Education - Basic Grants to States	84.048	N/A	49,198
Safe and Drug Free Schools and Communities - State Grant	84.186	(2)	13,837
State Grants for Innovative Programs	84.298	N/A	6,494
Education Technology State Grants	84.318	(2)	19,565
Rural Education	84.358	N/A	71,075
Improving Teacher Quality State Grants	84.367	N/A	175,793
Total U.S. Department of Education			<u>\$ 1,626,364</u>
Total Expenditures of Federal Awards			<u>\$ 2,637,994</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 9,152
Aging Program - Upper Cumberland Development District	N/A	(2)	14,297
Rural Local Health Services - State Department of Health	N/A	(2)	83,227
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	9,000
Community Enhancement Grant - Tennessee Secretary of State	N/A	(2)	57,833
Local Archives Development Grant - Tennessee Secretary of State	N/A	(2)	4,000
Election Commission Computer Grant - Tennessee Secretary of State	N/A	(2)	1,773
Detection System - State Administrative Office of the Courts	N/A	(2)	4,477
Sound System - State Administrative Office of the Courts	N/A	(2)	4,389
Law Enforcement Training - State Department of Safety	N/A	(2)	14,400
Adult Education - State Department of Education	N/A	(4)	42,183
Coordinated School Health Project - State Department of Education	N/A	(2)	95,000
Safe Schools Act - State Department of Education	N/A	(2)	47,471
Internet Connection - State Department of Education	N/A	(2)	9,074
Tobacco Cessation - State Department of Health	N/A	(2)	15,789
Nutrition P.E. Equipment - State Department of Education	N/A	(2)	<u>3,552</u>
Total State Grants			<u>\$ 415,617</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$691,262.
- (4) Z-08-201205-00: \$18,455; Z-08-027770-00: \$23,728.

Fentress County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2008

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, for the year ended June 30, 2007, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.04	16	Expenditures exceeded appropriations

OFFICE OF GENERAL SESSIONS COURT CLERK

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.07	17	Accounting records were not maintained in accordance with generally accepted accounting principles and state statutes

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.09	19	Duties were not segregated adequately in the Offices of Finance Director, Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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FENTRESS COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Fentress County disclosed significant deficiencies in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Fentress County.
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, the National School Lunch Program, and the Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Fentress County did not qualify as a low-risk auditee.

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 08.01 **FENTRESS COUNTY AND THE FENTRESS COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Fentress County's and the Fentress County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial statements, including the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare their financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Fentress County and the Fentress County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's and the School Department's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's and the School Department's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

OFFICE OF FINANCE DIRECTOR

FINDING 08.02 COUNTY FUNDS TOTALING \$2,032 AND VOLUNTEER FIRE DEPARTMENT FUNDS TOTALING \$1,556 WERE MISAPPROPRIATED

(Internal Control – Significant Deficiency Under Government Auditing Standards)

In March 2008, the county executive notified us of an alleged misappropriation of county funds by a captain in the volunteer fire department and of an ongoing investigation by the county Sheriff's Department. This theft was related to the building used by the Sharp/Alticrest Volunteer Fire Department and owned by Fentress County. The county provides certain operational and maintenance expenses for the volunteer fire department.

In July 2007, a captain in the volunteer fire department requested and received a purchase order from the Fentress County Finance Department for some remodeling work to be performed at the Sharp/Alticrest Volunteer Fire Department. The captain subsequently provided the Finance Department with an invoice for the completed work, and the Finance Department paid the vendor. However, county officials later determined that the remodeling work had not been performed, and the county Sheriff's Department began an investigation. This investigation revealed that no remodeling work had been performed on the building; the vendor had cashed the check and had given the funds (\$1,532) to the captain for his personal use. Additionally, the captain used the county's credit card to purchase fuel (\$500) for his personal use. Therefore, the misappropriation of county funds totaled \$2,032.

In March 2008, we were asked to review the available records of the Sharp/Alticrest Volunteer Fire Department because other allegations had been made against the captain for misuse of county equipment and volunteer fire department funds. This review noted several questionable transactions; however, these transactions appeared to directly affect the volunteer fire department funds and not other funds provided by Fentress County. We shared the results of our review with the county executive, the Sheriff's Department, and the district attorney general. They determined from their review that the captain had misappropriated funds totaling \$1,556 from the Sharp/Alticrest Volunteer Fire Department.

The captain was dismissed and subsequently on September 24, 2008, pled guilty to one count of theft over \$500 and one count of theft over \$1,000. The former captain was ordered to pay restitution of \$2,032 to Fentress County and \$1,556 to the Sharp/Alticrest Volunteer Fire Department (\$150 per month beginning November 1, 2008) plus court costs and was sentenced to four years of unsupervised probation. As a result of the theft described above, the Finance Department has strengthened its internal controls by requiring all purchase orders issued for the county's volunteer fire departments to be requested through the fire chief or assistant fire chief.

RECOMMENDATION

County officials should ensure that the above-noted cash shortage is liquidated. Officials should monitor the internal control procedures over funds provided to volunteer fire departments.

FINDING 08.03 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

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

<u>Fund/Major Category</u>	<u>Amount Overspent</u>
<u>General</u>	
County Clerk's Office	\$ 10,077
Jail	18,100
Contributions to Other Agencies	425
<u>General Debt Service</u>	
Other Debt Service - General Government	131
<u>School Federal Projects</u>	
Transportation	3,653
Transfers Out	453

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.” This deficiency exists because of the failure of management to stay within the spending limits authorized by the County Commission and results in unauthorized expenditures.

RECOMMENDATION

County officials should ensure that expenditures are held within appropriations approved by the County Commission.

OFFICES OF TRUSTEE AND COUNTY CLERK

FINDING 08.04 **THE OFFICES OF TRUSTEE AND COUNTY CLERK DID NOT REVIEW SOFTWARE AUDIT LOGS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software applications used by the Offices of Trustee and County Clerk generated daily logs that displayed changes made by users. Because these logs provide the only audit trail of these changes, they should be reviewed daily for inappropriate activity. Since management did not understand the importance of the logs, they did not review these logs during the audit period. Procedures for reviewing these logs are currently in place.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 08.05 **ACCOUNTING RECORDS WERE NOT MAINTAINED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES AND STATE STATUTES**
(A., B., and C. – Internal Control – Material Weakness Under Government Auditing Standards; D. and E. – Material Noncompliance Under Government Auditing Standards)

Numerous deficiencies were noted in the maintenance of the accounting records in Circuit and General Sessions Courts. These deficiencies can be attributed in part to the failure of management to correct audit findings noted in prior reports and the lack of internal controls.

The deficiencies noted as a result of our audit are described below:

- A. Cash on hand was not properly presented in the financial records of Circuit and General Sessions Courts during the year examined. There were numerous posting errors to the cash accounts. Audit adjustments were accepted by management to correct the posting errors so that cash accounts could be properly presented in the financial statements of this report. Our examination revealed the following deficiencies in cash management:
1. In Circuit Court, several delinquent tax receipts were deposited but were not posted to the cash journal, and several delinquent tax receipts were posted twice to the cash journal.
 2. The clerk did not deposit collections intact; i.e., funds collected during a specific time period were not deposited together. The clerk made deposits of funds collected into the office bank account at least every three days; however, funds were deposited randomly and the office did not maintain a set amount of cash on hand. Because the clerk used this method of depositing collections, we could not trace all collections to deposits, and we could not determine if funds were deposited to the

office bank account within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

3. The clerk maintained a single cash box for both Circuit and General Sessions courts and did not maintain a set amount of cash on hand for either court. In April 2008, the clerk established separate cash boxes for each court.
 4. During the year, the clerk routinely cashed checks for individuals from the cash box. This practice weakens internal controls over collections by substituting non-business related checks for cash.
- B. Bank transactions of the General Sessions Court were not reconciled properly with the general ledger cash account during the year. Personnel of the clerk's office attempted to prepare monthly reconciliations; however, these reconciliations reflected unexplained variances between bank balances and the general ledger cash account at the end of each month. We reviewed the reconciliations, general ledger cash account, and bank statements, and we noted the following deficiencies:
1. At June 30, 2008, the cash balance reflected on the clerk's annual financial report exceeded the amount reflected on the bank reconciliation by \$2,275. Officials were unable to explain this difference.
 2. The checking account earned interest of \$2,399 during the year examined; 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. Audit adjustments were accepted by management to properly reflect these interest earnings in the financial statements of this report.
- C. During the period examined, the clerk did not post and balance the cash journal for General Sessions Court on a current basis. Our examination noted that the clerk generally waited until the end of the month to post all of the transactions for the month. The official cash journal is the primary cash control record that summarizes the office's financial operations; therefore, the maintenance of this record on a current basis is necessary for the official to determine the financial position of the office.
- D. Collections from General Sessions Court were not reported and paid to the state and county in accordance 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. At June 30, 2008, several general ledger accounts reflected balances from prior months that were due and had not been reported and paid as required by state statute.

- E. As of June 30, 2008, the clerk prepared execution docket trial balances for Circuit and General Sessions courts as required by Section 18-2-103, TCA. However, the trial balance for General Sessions Court did not reconcile with the general ledger by \$24,161. 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 courts for 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. The circuit and general sessions courts clerk should properly post all receipts and deposits to the official cash journal. All deposits should be made intact within three business days, separate cash drawers with predetermined amounts should be maintained for each employee receiving funds in each court, and the practice of cashing personal checks from office funds should be discontinued.
- B. The General Sessions Court's bank reconciliations should be properly prepared, and any variances should be identified and corrected promptly. The court's annual financial report should reconcile with the general ledger. Interest earned on checking accounts should be receipted and posted currently.
- C. The General Sessions Court's general ledger should be posted on a current basis.
- D. The general sessions court 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 are collected.
- E. The execution docket trial balance for 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 accordance with state statute.

OTHER FINDING AND RECOMMENDATION

FINDING 08.06 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF FINANCE DIRECTOR, 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 Finance Director, 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. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

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

There were no findings and questioned costs for federal awards.

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**FENTRESS COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2008**

There were no audit findings relative to federal awards presented in the prior- or current-years' Schedules of Findings and Questioned Costs.