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# ANNUAL FINANCIAL REPORT FENTRESS COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



**ANNUAL FINANCIAL REPORT  
FENTRESS COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2010**

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

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# ***Audit Highlights***

Annual Financial Report  
Fentress County, Tennessee  
For the Year Ended June 30, 2010

## ***Scope***

We have audited the basic financial statements of Fentress County as of and for the year ended June 30, 2010.

## ***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements do 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 eight 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 and Best Practice***

The following are summaries of the audit findings and best practice:

### **OFFICE OF FINANCE DIRECTOR**

- ◆ The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation.
- ◆ Leave records were not on file to support payroll disbursements.
- ◆ Expenditures exceeded appropriations.

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

- ◆ The execution docket trial balance prepared by the clerk did not reconcile with general ledger accounts by \$6,643 in Circuit Court.
-

## **OFFICE OF SHERIFF**

- ◆ Time sheets did not always accurately reflect time worked.
  - ◆ Employees received benefits that were not authorized by the department's personnel policies.
  - ◆ The full-time employment status and payroll documentation of a secretary are questionable.
- 

## **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.
- 

## **BEST PRACTICE**

Fentress County does not have an Audit Committee. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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# INTRODUCTORY SECTION

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# Fentress County Officials

## June 30, 2010

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### **Officials**

John Mullinix, County Executive  
Fred Blevins, Road Supervisor  
Michael Jones, Director of Schools  
Jerry Roysden, Trustee  
Harvey Stowers, 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  
Marsha Delk, Interim Finance Director

### **Board of County Commissioners**

Bob Pile, Chairman  
Leonard Bilbrey  
William Campau  
Larry Cooper  
Michael Cross

Frank Mullinix  
Bill Phipps  
Gene Allen Roysden  
Floyd Stephens  
Joe Stewart

### **Board of Education**

Gary Tinch, Chairman  
Frank Campbell, Jr.  
Karen Cooper  
Philip Michael Hall  
Trent Hall

Barbara Pile  
Kathy Pritchett  
H. Russell Stephens  
Leon Stepp  
Kathy Williams

### **Financial Management Committee**

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

Leonard Bilbrey  
Michael Cross  
Floyd Stephens

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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**

January 12, 2011

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, 2010, 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 5.1 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 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, 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, 2010, 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, based on our report and the report of other auditors, 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, 2010, 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 January 12, 2011, 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.

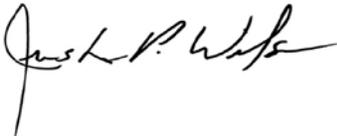
As described in Note V.C., Fentress County has adopted Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 68 through 77 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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,



Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Fentress County, Tennessee  
Statement of Net Assets  
June 30, 2010

	Primary Government Governmental Activities	Component Units	
		Fentress County School Department	Fentress County Emergency Communications District
<u>ASSETS</u>			
Cash	\$ 17,290	\$ 0	\$ 756,003
Equity in Pooled Cash and Investments	5,025,327	4,113,374	0
Accounts Receivable	707,146	0	595
Allowance for Uncollectibles	(83,102)	0	0
Due from Other Governments	774,893	591,071	219
Prepaid Items	0	0	15,936
Property Taxes Receivable	3,478,662	837,455	0
Allowance for Uncollectible Property Taxes	(90,936)	(21,892)	0
Notes Receivable	0	12,933	0
Capital Assets:			
Assets Not Depreciated:			
Land	5,293,759	411,763	0
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	4,363,578	12,421,153	132,641
Other Capital Assets	2,256,852	1,334,419	153,594
Infrastructure	23,779,225	0	0
Total Assets	<u>\$ 45,522,694</u>	<u>\$ 19,700,276</u>	<u>\$ 1,058,988</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 0	\$ 0	\$ 551
Accrued Payroll	0	2,672	8,398
Payroll Deductions Payable	0	413,517	3,139
Contracts Payable	314,940	2,174	0
Accrued Interest Payable	16,134	8,542	0
Claims and Judgments Payable	66,793	0	0
Deferred Revenue - Current Property Taxes	3,177,780	765,020	0
Noncurrent Liabilities:			
Due Within One Year	653,957	412,710	17,031
Due In More Than One Year (net of deferred amount on refunding and unamortized premiums on debt)	7,575,785	2,958,427	0
Total Liabilities	<u>\$ 11,805,389</u>	<u>\$ 4,563,062</u>	<u>\$ 29,119</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 34,677,259	\$ 12,043,900	\$ 0
Invested in Capital Assets	0	0	286,235
Restricted for:			
Debt Service	2,717,155	0	0
Solid Waste/Sanitation	551,096	0	0
Drug Control	7,431	0	0
Highway/Public Works	303,939	0	0
Capital Projects	11,147	0	0
School Federal Projects	0	9,812	0
Central Cafeteria	0	366,712	0
Other Purposes	73,067	1,920,866	0
Unrestricted	(4,623,789)	795,924	743,634
Total Net Assets	<u>\$ 33,717,305</u>	<u>\$ 15,137,214</u>	<u>\$ 1,029,869</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, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Fentress County School Department	Fentress County Emergency Communications District
Primary Government:						
Governmental Activities:						
General Government	\$ 820,890	\$ 296,121	\$ 0	\$ (504,889)	\$ 0	\$ 0
Finance	840,327	338,374	0	(494,098)	0	0
Administration of Justice	501,471	11,250	0	(157,935)	0	0
Public Safety	1,951,912	7,800	66,297	(1,664,833)	0	0
Public Health and Welfare	2,778,802	1,696,861	478,320	(507,174)	0	0
Social, Cultural, and Recreational Services	200,548	0	0	(185,545)	0	0
Agriculture and Natural Resources	93,940	0	0	(93,940)	0	0
Other Operations	858,910	0	316,031	(542,879)	0	0
Highways/Public Works	1,650,371	1,303	232,089	240,956	0	0
Interest on Long-term Debt	109,366	0	0	(109,366)	0	0
Other Debt Service	46,673	0	350,000	303,327	0	0
<b>Total Primary Government</b>	<b>\$ 9,853,210</b>	<b>\$ 2,877,927</b>	<b>\$ 2,166,170</b>	<b>\$ (3,716,376)</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:						
Fentress County School Department	\$ 20,039,267	\$ 249,040	\$ 3,232,714	\$ 0	\$ (16,456,313)	\$ 0
Emergency Communications District	410,658	92,954	328,124	0	0	10,420
<b>Total Component Units</b>	<b>\$ 20,449,925</b>	<b>\$ 341,994</b>	<b>\$ 3,560,838</b>	<b>\$ 0</b>	<b>\$ (16,456,313)</b>	<b>\$ 10,420</b>

(Continued)

Exhibit B

Fentress County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets					
	Program Revenues			Component Units		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total	Fentress County School Department	Fentress County Emergency Communications District
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes				\$ 2,921,154	\$ 816,127	\$ 0
Property Taxes Levied for Debt Service				176,023	0	0
Local Option Sales Tax				931,979	1,551,781	0
Wheel Tax				0	399,582	0
Wholesale Beer Tax				205,390	0	0
Business Tax				93,737	26,965	0
Hotel/Motel Tax				50,232	0	0
Mineral Severance Tax				75,322	21,759	0
Litigation Tax - General				45,401	0	0
Litigation Tax - Jail, Workhouse, or Courthouse				14,649	0	0
Litigation Tax - Victim/Offender Mediation Center				22,188	0	0
Other Local Taxes				13,344	6,454	0
Grants and Contributions Not Restricted for Specific Programs				292,369	13,873,482	12,505
Unrestricted Investment Earnings				78,261	70,234	6,002
Sale of Equipment				11,645	3,960	0
Miscellaneous				46,541	122,481	150
Total General Revenues				\$ 4,978,235	\$ 16,892,825	\$ 18,657
Insurance Recovery				\$ 38,977	\$ 0	\$ 446
Change in Net Assets				\$ 1,300,836	\$ 436,512	\$ 29,523
Prior-period Adjustment				13,671	0	0
Net Assets, July 1, 2009				32,402,798	14,700,702	1,000,346
Net Assets, June 30, 2010				\$ 33,717,305	\$ 15,137,214	\$ 1,029,869

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

Fentress County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2010

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	0	0	17,290	\$ 17,290
Equity in Pooled Cash and Investments	1,619,252	614,168	101,967	2,671,362	18,578	5,025,327	5,025,327
Accounts Receivable	688,631	16,960	1,180	0	375	707,146	707,146
Allowance for Uncollectibles	(83,102)	0	0	0	0	(83,102)	(83,102)
Due from Other Governments	66,312	108,243	552,019	48,319	0	774,893	774,893
Due from Other Funds	17,665	0	0	0	0	17,665	17,665
Property Taxes Receivable	2,834,465	418,728	0	225,469	0	3,478,662	3,478,662
Allowance for Uncollectible Property Taxes	(74,096)	(10,946)	0	(5,894)	0	(90,936)	(90,936)
Total Assets	\$ 5,069,127	\$ 1,147,153	\$ 655,166	\$ 2,939,256	\$ 36,243	\$ 9,846,945	\$ 9,846,945

ASSETS

Cash	0
Equity in Pooled Cash and Investments	1,619,252
Accounts Receivable	688,631
Allowance for Uncollectibles	(83,102)
Due from Other Governments	66,312
Due from Other Funds	17,665
Property Taxes Receivable	2,834,465
Allowance for Uncollectible Property Taxes	(74,096)
Total Assets	\$ 5,069,127

LIABILITIES AND FUND BALANCES

Liabilities	
Contracts Payable	0
Claims and Judgments Payable	30,506
Due to Other Funds	0
Deferred Revenue - Current Property Taxes	2,589,302
Deferred Revenue - Delinquent Property Taxes	141,849
Other Deferred Revenues	596,390
Total Liabilities	\$ 3,358,047
Fund Balances	
Reserved for Encumbrances	5,700
Reserved for Alcohol and Drug Treatment	10,387
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	30,707
Reserved for Sexual Offender Registration	4,867
Reserved for Courtroom Security	849
Reserved for Victims Assistance Programs	1,508
Reserved for Computer System - Register	10,460
Total Fund Balances	\$ 5,700

(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		
\$	1,511	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,511
	3,201	0	0	0	0	0	3,201
	514	0	0	0	0	0	514
	9,063	0	0	0	0	0	9,063
	1,632,313	0	0	0	0	0	1,632,313
	0	691,650	152,827	0	7,431	0	851,908
	0	0	0	2,698,339	0	0	2,698,339
	0	0	0	0	(7,992)	0	(7,992)
	<u>1,711,080</u>	<u>\$ 691,650</u>	<u>\$ 152,827</u>	<u>\$ 2,698,339</u>	<u>\$ 18,578</u>	<u>\$ 5,272,474</u>	
	<u>\$ 5,069,127</u>	<u>\$ 1,147,153</u>	<u>\$ 655,166</u>	<u>\$ 2,939,256</u>	<u>\$ 36,243</u>	<u>\$ 9,846,945</u>	

LIABILITIES AND FUND BALANCES (Cont.)

<u>Fund Balances (Cont.)</u>
Reserved for Automation Purposes - Criminal Court
Reserved for Automation Purposes - General Sessions Court
Reserved for Automation Purposes - Other Courts
Reserved for Automation Purposes - County Clerk
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds (Deficit)
Total Fund Balances
Total Liabilities and Fund Balances

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, 2010

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)		\$ 5,272,474	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$ 5,293,759		
Add: infrastructure net of accumulated depreciation	23,779,225		
Add: buildings and improvements net of accumulated depreciation	4,363,578		
Add: other capital assets net of accumulated depreciation	<u>2,256,852</u>	35,693,414	
(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	\$ (16,813)		
Less: notes payable	(20,342)		
Less: other loans payable	(7,776,000)		
Less: accrued interest on bonds, notes, and other loans	(16,134)		
Less: compensated absences payable	(182,119)		
Less: other postemployment benefits liability	(20,922)		
Less: landfill postclosure care costs	<u>(213,546)</u>	(8,245,876)	
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>997,293</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 33,717,305</u>

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

Exhibit C-3

Fentress County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	Total Governmental Funds		
		Waste / Sanitation	Highway / Public Works	General Debt Service				
<u>Revenues</u>								
Local Taxes	\$ 3,078,882	\$ 984,012	\$ 86,393	\$ 492,700	\$ 0	\$ 0	\$ 4,641,987	
Licenses and Permits	21,227	0	0	0	0	0	21,227	
Fines, Forfeitures, and Penalties	73,155	0	0	0	26,395	0	99,550	
Charges for Current Services	1,267,805	213,672	0	0	0	0	1,481,477	
Other Local Revenues	286,496	143,080	21,085	64,380	1,670	0	516,711	
Fees Received from County Officials	610,151	0	0	0	0	0	610,151	
State of Tennessee	393,125	43,130	1,880,409	0	0	0	2,316,664	
Federal Government	293,589	258,320	9,071	0	316,031	0	877,011	
Other Governments and Citizens Groups	22,800	0	0	350,000	0	0	372,800	
Total Revenues	\$ 6,047,230	\$ 1,642,214	\$ 1,996,958	\$ 907,080	\$ 344,096	\$ 0	\$ 10,937,578	
<u>Expenditures</u>								
Current:								
General Government	\$ 803,962	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 803,962	
Finance	840,327	0	0	0	0	0	840,327	
Administration of Justice	501,471	0	0	0	0	0	501,471	
Public Safety	1,814,749	0	0	0	49,087	0	1,863,836	
Public Health and Welfare	1,687,070	1,655,952	0	0	10,000	0	3,353,022	
Social, Cultural, and Recreational Services	179,128	0	0	0	0	0	179,128	
Agriculture and Natural Resources	92,998	0	0	0	0	0	92,998	
Other Operations	605,883	49,886	0	0	0	0	655,769	
Highways	0	0	2,014,528	0	0	0	2,014,528	
Debt Service:								
Principal on Debt	0	0	256,113	546,564	0	0	802,677	
Interest on Debt	0	0	4,941	101,361	0	0	106,302	
Other Debt Service	0	0	0	46,673	0	0	46,673	
Capital Projects	0	0	0	0	315,965	0	315,965	
Capital Projects - Donated	0	0	0	0	477,435	0	477,435	
Total Expenditures	\$ 6,525,588	\$ 1,705,838	\$ 2,275,582	\$ 694,598	\$ 852,487	\$ 0	\$ 12,054,093	

(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		
Excess (Deficiency) of Revenues Over Expenditures	\$ (478,358)	\$ (63,624)	\$ (278,624)	\$ 212,482	\$ (508,391)	\$ (1,116,515)	
Other Financing Sources (Uses)							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 477,435	\$ 477,435	
Other Loans Issued	268,000	0	0	0	0	268,000	
Insurance Recovery	1,060	0	37,917	0	0	38,977	
Total Other Financing Sources (Uses)	\$ 269,060	\$ 0	\$ 37,917	\$ 0	\$ 477,435	\$ 784,412	
Net Change in Fund Balances	\$ (209,298)	\$ (63,624)	\$ (240,707)	\$ 212,482	\$ (30,956)	\$ (332,103)	
Fund Balance, July 1, 2009	1,920,378	755,274	393,534	2,485,857	49,534	5,604,577	
Fund Balance, June 30, 2010	\$ 1,711,080	\$ 691,650	\$ 152,827	\$ 2,698,339	\$ 18,578	\$ 5,272,474	

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, 2010

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)		\$ (332,103)
(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	\$ 1,665,245	
Less: current year depreciation expense	<u>(722,719)</u>	942,526
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on disposal of capital assets		(25,679)
(3) 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, 2010	\$ 997,293	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(819,802)</u>	177,491
(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:		
Less: other loan proceeds	(268,000)	
Add: principal payments on notes	323,564	
Add: principal payments on capital leases	19,949	
Add: principal payments on other loans	<u>473,000</u>	548,513
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on notes	\$ 2,073	
Change in accrued interest on capital leases	452	
Change in accrued interest on other loans	(4,813)	
Change in other postemployment benefits liability	(12,303)	
Change in landfill postclosure care costs	<u>4,679</u>	<u>(9,912)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,300,836</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, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 583,533
Accounts Receivable	5,400
Due from Other Governments	<u>110,750</u>
Total Assets	<u>\$ 699,683</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 110,750
Due to Litigants, Heirs, and Others	<u>588,933</u>
Total Liabilities	<u>\$ 699,683</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, 2010**

**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.

**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, 2010, the county appropriated an operating subsidy of \$166,700 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, 2010, 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.

Fentress County issues all debt for the discretely presented Fentress County School Department. Net debt issues totaling \$477,435 were contributed by the county to the School Department during the year ended June 30, 2010.

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

Fund financial statements of 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 Funds** – These funds account for financial resources to be used for maintaining and improving industrial park buildings and debt issued by the county and contributed to the School Department for building renovations.

**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 funds:

**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.

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

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

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented 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 1.43 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. 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

**4. Compensated Absences**

All offices and departments in Fentress County allow employees to earn vacation and sick leave 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.

**5. 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, other postemployment benefits, and landfill postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

**6. 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 \$1,920,866 with the primary restriction being for the Basic Education Program totaling \$1,897,317.

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.

**7. Prior-period Adjustment**

Long-term liabilities were restated \$13,671 from the prior year because an error was discovered in the posting of principal and interest on debt.

**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 funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances

may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County 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. Fund Deficit**

The Community Development/Industrial Park Fund had a deficit of \$7,992 in unreserved fund balance as of June 30, 2010. This deficit resulted from the unperformed portion of a construction contract totaling \$19,139 being reserved as an encumbrance in the financial statements of this report. Funding for these future expenditures should be received subsequent to year-end.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) of the General Fund by \$20,493 and in the Other Charges major appropriation category of the Highway/Public Works Fund by \$26,410. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**D. Cash Shortages – Prior Years**

The audit of Fentress County for the 2007-08 year reported a cash shortage of \$2,032 at the Sharp/Alticrest Volunteer Fire Department. This shortage resulted from the misappropriation of county funds by a captain in the 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 Fire Department (\$150 monthly payments beginning November 1, 2008) plus court costs and was sentenced to four years of unsupervised probation. The former captain only made one payment during the year ended June 30, 2009, and in

July 2009, the court issued a petition to revoke probation. At June 30, 2010, the balance of restitution owed to Fentress County was \$544. Subsequent to June 30, 2010, the defendant sustained injuries that do not allow him to work; therefore, the court has suspended payments until the defendant is medically cleared to return to work.

The audit of Fentress County for the 2008-09 year reported a cash shortage of \$8,741.70 at the Fentress County Highway Department. Certain allegations led to an investigation by our office and the Tennessee Bureau of Investigation concerning the sale of scrap metal by the Highway Department to a recycling company. During the period December 4, 2007 through October 21, 2009, truck drivers from the Highway Department were paid both in cash and checks by a recycling company for the sale of scrap metals. We obtained documentation of all payments (\$26,975.10) made by the recycling company but were unable to account for \$8,741.70. On December 17, 2009, the grand jury indicted the road supervisor on the following charges: four counts of theft over \$1,000; two counts of theft over \$500; and one count of official misconduct. On June 7, 2010, the road supervisor entered a plea of no contest to one count of official misconduct. The court dropped the other charges and granted judicial diversion, with four years of unsupervised probation upon payment of restitution of \$8,742, audit costs of \$2,500, and court costs. The road supervisor paid these amounts from personal funds on June 7, 2010.

#### **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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2010.

### **B. Notes Receivable**

The General Purpose School Fund had a long-term note receivable of \$12,933 on June 30 2010. The School Department entered into an agreement with an employee in which Fentress County Schools would pay for the employee's training as a speech therapist in return for a service commitment by the employee when the training was completed. The employee, Michelle Wright, did not complete the training, and in accordance with the agreement, became liable for the costs incurred by the School Department. The School Department is deducting \$50 per pay period (\$1,200 annually) until the amount is repaid. The entire amount becomes due and payable if Ms. Wright leaves employment with the School Department before payment is made in full.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2010, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 5,293,759	\$ 0	\$ 0	\$ 5,293,759
Total Capital Assets Not Depreciated	<u>\$ 5,293,759</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,293,759</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 7,220,539	\$ 0	\$ 0	\$ 7,220,539
Infrastructure	27,787,693	703,241	0	28,490,934
Other Capital Assets	4,015,155	962,004	(63,975)	4,913,184
Total Capital Assets Depreciated	<u>\$ 39,023,387</u>	<u>\$ 1,665,245</u>	<u>\$ (63,975)</u>	<u>\$ 40,624,657</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 2,743,062	\$ 113,899	\$ 0	\$ 2,856,961
Infrastructure	4,381,494	330,215	0	4,711,709
Other Capital Assets	2,416,023	278,605	(38,296)	2,656,332
Total Accumulated Depreciation	<u>\$ 9,540,579</u>	<u>\$ 722,719</u>	<u>\$ (38,296)</u>	<u>\$ 10,225,002</u>
Total Capital Assets Depreciated, Net	<u>\$ 29,482,808</u>	<u>\$ 942,526</u>	<u>\$ (25,679)</u>	<u>\$ 30,399,655</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,776,567</u>	<u>\$ 942,526</u>	<u>\$ (25,679)</u>	<u>\$ 35,693,414</u>

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

**Governmental Activities:**

General Government	\$ 4,625
Public Safety	160,650
Public Health and Welfare	117,323
Social, Cultural, and Recreational Services	21,420
Agriculture and Natural Resources	942
Other Operations	17,176
Highways/Public Works	<u>400,583</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 722,719</u></u>

**Discretely Presented Fentress County School Department**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 411,763	\$ 0	\$ 0	\$ 411,763
Total Capital Assets Not Depreciated	<u>\$ 411,763</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 411,763</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 16,900,298	\$ 0	\$ 0	\$ 16,900,298
Other Capital Assets	2,003,895	419,681	(78,800)	2,344,776
Total Capital Assets Depreciated	<u>\$ 18,904,193</u>	<u>\$ 419,681</u>	<u>\$ (78,800)</u>	<u>\$ 19,245,074</u>
Less Accumulated Depreciated For:				
Buildings and Improvements	\$ 4,123,033	\$ 356,112	\$ 0	\$ 4,479,145
Other Capital Assets	869,852	175,860	(35,355)	1,010,357
Total Accumulated Depreciation	<u>\$ 4,992,885</u>	<u>\$ 531,972</u>	<u>\$ (35,355)</u>	<u>\$ 5,489,502</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,911,308</u>	<u>\$ (112,291)</u>	<u>\$ (43,445)</u>	<u>\$ 13,755,572</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 14,323,071</u></u>	<u><u>\$ (112,291)</u></u>	<u><u>\$ (43,445)</u></u>	<u><u>\$ 14,167,335</u></u>

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

**Governmental Activities:**

Instruction	\$ 363,112
Support Services	<u>168,860</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 531,972</u></u>

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

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 17,665
Discretely Presented School Department:		
School Federal Projects	General Purpose School	7

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

**Discretely Presented Fentress County School Department**

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	School Federal Projects Fund
School Federal Projects Fund	\$ 18,161	\$ 0
General Purpose School Fund	<u>0</u>	<u>150,000</u>
Total	<u><u>\$ 18,161</u></u>	<u><u>\$ 150,000</u></u>

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

The School Department made a one-time transfer of \$150,000 from the General Purpose School Fund to the School Federal Projects Fund to alleviate cash flow problems caused by reimbursable grant programs.

**E. Capital Leases**

**Primary Government**

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, 2010, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2011	\$ 7,243
2012	7,243
2013	<u>5,432</u>
Total Minimum Lease Payments	\$ 19,918
Less: Amount Representing Interest	<u>(3,105)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 16,813</u>

**F. 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 three 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 and other loans included in the long-term debt as of June 30, 2010, will be retired from the General Debt Service Fund.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2010, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-10</u>
Capital Outlay Notes	3.75 %	\$ 59,000	\$ 20,342
Other Loans	variable	12,300,000	7,508,000
Other Loans	4.375	268,000	268,000
Capital Lease	7	30,059	16,813

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, 2010, the variable interest rate for each loan was .37 percent, and other fees totaled approximately .3 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 of 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, 2010, the variable interest rate was 3.25 percent, and other fees were approximately .43 percent of the outstanding loan principal.

In January 2010, Fentress County entered into two USDA Rural Development loan/grant agreements totaling \$534,000 for the purchase of public safety vehicles. One agreement made grant funds of \$220,000 and loan funds of \$180,000 available to the county for the purchase of three ambulances. The other agreement made grant funds of \$46,000 and loan funds of \$80,000 available to the county for the purchase of five patrol cars. The loans are repayable at an interest rate of 4.375 percent.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2010, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 20,280	\$ 544	\$ 20,824
2012	62	16	78
Total	<u>\$ 20,342</u>	<u>\$ 560</u>	<u>\$ 20,902</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 524,989	\$ 99,218	\$ 35,991	\$ 660,198
2012	553,306	88,873	33,464	675,643
2013	582,680	77,940	30,796	691,416
2014	613,110	66,414	27,981	707,505
2015	642,598	54,286	25,018	721,902
2016-2020	2,503,317	110,746	81,980	2,696,043
2021-2025	1,942,000	29,041	36,966	2,008,007
2026	414,000	1,532	2,593	418,125
Total	<u>\$ 7,776,000</u>	<u>\$ 528,050</u>	<u>\$ 274,789</u>	<u>\$ 8,578,839</u>

There is \$2,698,339 available in the General Debt Service Fund to service long-term debt. Debt per capita, including notes, other loans, and capital leases totaled \$470, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Notes	Other Loans	Capital Leases
Balance, July 1, 2009	\$ 343,906	\$ 7,981,000	\$ 36,762
Additions	0	268,000	0
Deductions	(323,564)	(473,000)	(19,949)
Balance, June 30, 2010	<u>\$ 20,342</u>	<u>\$ 7,776,000</u>	<u>\$ 16,813</u>
Balance Due Within One Year	<u>\$ 20,280</u>	<u>\$ 524,989</u>	<u>\$ 6,113</u>

	Other Postemployment Benefits	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2009	\$ 8,619	\$ 182,119	\$ 218,225
Additions	28,021	185,921	5,005
Deductions	(15,718)	(185,921)	(9,684)
Balance, June 30, 2010	<u>\$ 20,922</u>	<u>\$ 182,119</u>	<u>\$ 213,546</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 91,061</u>	<u>\$ 11,515</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 8,229,742
Less: Balance Due Within One Year	<u>(653,957)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 7,575,785</u>

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

**Discretely Presented Fentress County School Department**

**Notes and General Obligation Bonds**

The county issues capital outlay notes for the School Department to fund capital facilities and other capital outlay purchases, such as building renovations. The county also issues general obligation bonds for 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.

Notes and general obligation bonds are direct obligations and pledge the full faith and credit of the government. The note outstanding was issued for an original term of 12 years and general obligation bonds outstanding were issued for an original term of six years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes and bonds included in long-term debt as of June 30, 2010, will be retired from the General Purpose School Fund.

The capital outlay note and general obligation bonds outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Capital Outlay Note	4%	\$ 477,435	\$ 477,435
General Obligation Bonds - Refunding	3	1,950,000	1,650,000

The annual requirements to amortize the note and bonds outstanding as of June 30, 2010, including interest payments, are presented in the following tables:

Year Ending June 30	Note		
	Principal	Interest	Total
2011	\$ 35,070	\$ 15,435	\$ 50,505
2012	32,762	17,743	50,505
2013	34,121	16,384	50,505
2014	35,486	15,019	50,505
2015	36,905	13,600	50,505
2016-2020	207,833	44,694	252,527
2021-2022	95,258	5,752	101,010
Total	\$ 477,435	\$ 128,627	\$ 606,062

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 310,000	\$ 51,250	\$ 361,250
2012	320,000	41,950	361,950
2013	325,000	32,350	357,350
2014	345,000	22,600	367,600
2015	350,000	12,250	362,250
Total	\$ 1,650,000	\$ 160,400	\$ 1,810,400

Bonded debt per capita totaled \$99, based on the 2000 federal census. Total debt per capital, including bonds and the capital outlay note totaled \$128, 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, 2010, was as follows:

Governmental Activities:

	Note	Bonds
Balance, July 1, 2009	\$ 0	\$ 1,950,000
Additions	477,435	0
Deductions	0	(300,000)
	<hr/>	<hr/>
Balance, June 30, 2010	\$ 477,435	\$ 1,650,000
	<hr/> <hr/>	<hr/> <hr/>
Balance Due Within One Year	\$ 35,070	\$ 310,000
	<hr/> <hr/>	<hr/> <hr/>
	Compensated	Other
	Absences	Postemployment
	<hr/>	Benefits
Balance, July 1, 2009	\$ 172,300	\$ 900,596
Additions	70,420	414,082
Deductions	(69,154)	(240,542)
	<hr/>	<hr/>
Balance, June 30, 2010	\$ 173,566	\$ 1,074,136
	<hr/> <hr/>	<hr/> <hr/>
Balance Due Within One Year	\$ 67,640	\$ 0
	<hr/> <hr/>	<hr/> <hr/>
		Capital
		Lease
		<hr/>
Balance, July 1, 2009		\$ 69,000
Deductions		(69,000)
		<hr/>
Balance, June 30, 2010		\$ 0
		<hr/> <hr/>
Balance Due Within One Year		\$ 67,640
		<hr/> <hr/>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 3,371,137
Less: Balance Due Within One Year	<u>(412,710)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,958,427</u>

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

**G. 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, 2010, were \$80,471 and \$17,369, 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**

**Primary Government**

Fentress County is exposed to various risks related to general liability, property, casualty, and workers' 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.

### **Discretely Presented Fentress County School Department**

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. Risk Financing Activities**

Fentress County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for workers' compensation insurance for one or more policy years in 1996-97, 1997-98, or 1999-2000. LOGIC obtained excess coverage insurance from Reliance Insurance Company for claims that exceeded certain amounts. Reliance Insurance Company is now insolvent and is being liquidated in the State of Pennsylvania. The insolvency of Reliance Insurance Company has left LOGIC members exposed to significant claim liabilities for their policy years. In 2003, LOGIC board of directors assessed its members certain amounts for each member's share of outstanding claims unpaid by Reliance Insurance Company. In 2009, the LOGIC board of directors made a second assessment of its members. Fentress County's and the Fentress County Highway Department's share of this second assessment totaled \$30,506 and \$36,287, respectively.

## **C. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and

Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be reported as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Fentress County and the School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Fentress County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the cost of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Fentress County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Fentress County had not participated in derivative transactions as of June 30, 2010. However, it is reasonably expected that Fentress County may enter into derivative transactions in subsequent years.

**D. Subsequent Events**

On August 31, 2010, John Mullinix left the Office of County Executive and was succeeded by Frank Smith, Jerry Roysden left the Office of Trustee and was succeeded by Wanda Tompkins, and Charles Cravens left the Office of Sheriff and was succeeded by Tony Choate.

On December 30, 2010, Fentress County issued \$1,435,000 in general obligation refunding bonds.

**E. 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.

**F. Change in Administration**

On May 13, 2010, Joyce Crabtree left the Office of Finance Director and was succeeded by Marsha Delk, who served as interim finance director until August 2010, when she was appointed finance director.

**G. 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 \$213,546 reported as landfill postclosure care liability at June 30, 2010, 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.

**H. 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, 2010, 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

## **I. Retirement Commitments**

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS](http://www.tn.gov/treasury/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, 2010, was 5.94 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, 2010, was 5.1 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, 2010, Fentress County's annual pension cost of \$221,070 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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, 2007, was ten years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$221,070	100%	\$0
6-30-09	220,199	100	0
6-30-08	214,622	100	0

School Department Employees

For the year ended June 30, 2010, Fentress County's annual pension cost of \$105,734 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$105,734	100%	\$0
6-30-09	102,852	100	0
6-30-08	79,663	100	0

**Funded Status and Funding Progress**

County Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 84.35 percent funded. The actuarial accrued liability for benefits was \$4.69 million, and the actuarial value of assets was \$3.95 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.73 million. The covered payroll (annual payroll of active employees covered by the plan) was \$3.59 million, and the ratio of the UAAL to the covered payroll was 20.4 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The TCRS uses the frozen entry age actuarial cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

### School Department Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 92.25 percent funded. The actuarial accrued liability for benefits was \$5.41 million, and the actuarial value of assets was \$4.99 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.42 million. The covered payroll (annual payroll of active employees covered by the plan) was \$2.03 million, and the ratio of the UAAL to the covered payroll was 20.65 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The TCRS uses the frozen entry age cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

### 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.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Fentress County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 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, 2010, 2009, and 2008, were \$544,621, \$546,840, and \$523,499, respectively, equal to the required contributions for each year.

## **J. Other Postemployment Benefits (OPEB)**

### Plan Description

Fentress County and the School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, 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://tn.gov/finance/act/cafr.html>.

### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are 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 each plan develops 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 does not provide a subsidy for local

government participants; however, 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, 2010, the county and the discretely presented Fentress County School Department contributed \$15,718 and \$240,542, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	\$ 28,000	\$ 413,000
Interest on the NPO	388	40,526
Adjustment to the ARC	(367)	(39,444)
Annual OPEB cost	\$ 28,021	\$ 414,082
Amount of contribution	(15,718)	(240,542)
Increase/decrease in NPO	\$ 12,303	\$ 173,540
Net OPEB obligation, 7-1-09	8,619	900,596
Net OPEB obligation, 6-30-10	\$ 20,922	\$ 1,074,136

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-09	Local Government Group*	\$ 12,870	33%	\$ 8,619
6-30-10	"	28,020	56	20,922
6-30-08	Local Education Group	629,000	30	439,557
6-30-09	"	637,528	28	900,596
6-30-10	"	414,082	58	1,074,136

\* Data only available for two years.

### Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 212,000	\$ 4,544,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 212,000	\$ 4,544,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 2,665,870	\$ 8,121,673
UAAL as a % of covered payroll	8%	56%

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

### Actuarial Methods and Assumptions

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

In the July 1, 2009, actuarial valuation the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses). The Local Education Group Plan had an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Group Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Each rate

includes 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.

**K. 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.

**L. 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 the Fentress County 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 Emergency Communications District was organized October 1990 under the authority of Title 7, Chapter 86, Tennessee Code Annotated, to provide 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 Emergency Communications District. The County Commission 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 Emergency Communications District is a component unit of Fentress County.

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. Revenues and Expenses**

The district distinguishes operating revenues and expenses from nonoperating 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 nonoperating 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 consists 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, and;
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, 2010, consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Value</u>
<u>Operating Accounts</u>		
First Volunteer Bank	\$ 441,458	\$ 435,645
Progressive Savings Bank	57,909	57,909
<u>Certificates of Deposit</u>		
First Volunteer Bank	41,687	41,687
Progressive Savings Bank	220,761	220,761
Total	<u>\$ 761,815</u>	<u>\$ 756,002</u>

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

Deposits of the district are insured by the Federal Deposit Insurance Corporation (FDIC) for \$250,000. 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, 2010.

The district had no investments at June 30, 2010.

**C. Changes in Capital Assets**

A summary of changes in capital assets at June 30, 2010, follows:

	Balance 7-1-09	Increases	Balance 6-30-10
Capital Assets Depreciated:			
Buildings and Improvements	\$ 164,646	\$ 4,785	\$ 169,431
Other Capital Assets	300,798	2,107	302,905
Total Capital Assets Depreciated	<u>\$ 465,444</u>	<u>\$ 6,892</u>	<u>\$ 472,336</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 32,514	\$ 4,276	\$ 36,790
Other Capital Assets	101,118	48,193	149,311
Total Accumulated Depreciation	<u>\$ 133,632</u>	<u>\$ 52,469</u>	<u>\$ 186,101</u>
Total Capital Assets Depreciated, Net	<u>\$ 331,812</u>	<u>\$ (45,577)</u>	<u>\$ 286,235</u>
Business-type Activities Capital Assets, Net	<u>\$ 331,812</u>	<u>\$ (45,577)</u>	<u>\$ 286,235</u>

**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 Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as the 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, 10<sup>th</sup> Floor, Andrew Jackson Building, Nashville, Tennessee 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS/](http://www.tn.gov/treasury/tcrs/PS/).

### **Funding Policy**

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 5.81 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2010, Fentress County Emergency Communications District's annual pension cost of \$13,494 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2007, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the social security wage base, and (d) projected post retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. The 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, 2007, was 15 years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

### Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$ 13,494	100%	\$ 0
6-30-09	12,099	100	0
6-30-08	11,636	100	0

### Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 82.46 percent funded. The actuarial accrued liability for benefits was \$.14 million, and the actuarial value of assets was \$.11 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$.2 million, and the ratio of the UAAL to the covered payroll was 12.34 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial 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.

### **E. Other Operating Revenues**

The 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, 2010, totaled \$166,700.

**F. Risk Financing**

The 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 Fentress County Government commercially insures the premises. The building has some hardware insurance coverage for each of the three equipment locations. Additional commercial insurance has been obtained. No losses have occurred during the past three years that have exceeded coverage.

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**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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,078,882	\$ 0	\$ 0	\$ 3,078,882	\$ 3,137,200	\$ 3,137,200	\$ (58,318)
Licenses and Permits	21,227	0	0	21,227	15,800	15,800	5,427
Fines, Forfeitures, and Penalties	73,155	0	0	73,155	115,250	115,250	(42,095)
Charges for Current Services	1,267,805	0	0	1,267,805	1,220,200	1,220,200	47,605
Other Local Revenues	286,496	0	0	286,496	368,500	390,180	(103,684)
Fees Received from County Officials	610,151	0	0	610,151	702,585	702,585	(92,434)
State of Tennessee	393,125	0	0	393,125	415,380	415,380	(22,255)
Federal Government	293,589	0	0	293,589	402,309	422,606	(129,017)
Other Governments and Citizens Groups	22,800	0	0	22,800	22,800	22,800	0
Total Revenues	\$ 6,047,230	\$ 0	\$ 0	\$ 6,047,230	\$ 6,400,024	\$ 6,442,001	\$ (394,771)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 101,874	\$ 0	\$ 0	\$ 101,874	\$ 95,645	\$ 103,468	\$ 1,594
Board of Equalization	0	0	0	0	1,500	1,500	1,500
Beer Board	1,500	0	0	1,500	1,500	1,500	0
County Mayor/Executive	159,012	0	2,500	161,512	162,182	162,182	670
Election Commission	115,157	0	0	115,157	185,202	185,202	70,045
Register of Deeds	163,711	0	0	163,711	178,790	178,790	15,079
Planning	11,229	0	0	11,229	11,550	11,550	321
County Buildings	244,176	(15,742)	0	228,434	201,169	231,517	3,083
Preservation of Records	7,303	0	0	7,303	3,500	7,800	497
<u>Finance</u>							
Accounting and Budgeting	276,646	(2,175)	0	274,471	274,419	274,749	278
Property Assessor's Office	133,176	0	0	133,176	148,380	147,380	14,204

(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)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 25,446	\$ 0	\$ 0	\$ 25,446	\$ 27,250	\$ 28,250	\$ 2,804
County Trustee's Office	175,634	0	0	175,634	175,839	175,839	205
County Clerk's Office	229,425	0	0	229,425	236,108	236,108	6,683
<u>Administration of Justice</u>							
Circuit Court	196,002	(150)	0	195,852	211,583	213,583	17,731
General Sessions Court	115,869	0	0	115,869	131,697	131,697	15,828
Chancery Court	113,046	0	0	113,046	117,943	117,943	4,897
Juvenile Court	18,112	0	0	18,112	21,538	21,538	3,426
Other Administration of Justice	23,443	0	0	23,443	0	25,900	2,457
Probation Services	34,999	0	0	34,999	39,933	39,933	4,934
<u>Public Safety</u>							
Sheriff's Department	971,553	0	0	971,553	969,294	994,349	22,796
Administration of the Sexual Offender Registry	973	0	0	973	1,040	1,515	542
Jail	476,200	0	700	476,900	364,138	490,815	13,915
Fire Prevention and Control	126,262	(30,000)	0	96,262	109,700	109,700	13,438
Rural Fire Protection	3,913	0	0	3,913	5,000	5,000	1,087
Civil Defense	29,945	0	0	29,945	15,227	29,954	9
Rescue Squad	20,305	0	0	20,305	20,000	20,401	96
Other Emergency Management	166,700	0	0	166,700	166,700	166,700	0
County Coroner/Medical Examiner	18,898	0	0	18,898	20,250	20,250	1,352
<u>Public Health and Welfare</u>							
Local Health Center	40,149	0	0	40,149	41,763	41,763	1,614
Ambulance/Emergency Medical Services	1,548,140	(60,830)	2,500	1,489,810	1,585,734	1,585,734	95,924
Crippled Children Services	1,213	0	0	1,213	1,213	1,213	0

(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)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare (Cont.)</u>							
Other Local Health Services	\$ 46,068	\$ (44)	\$ 0	\$ 46,024	\$ 190,100	\$ 190,100	\$ 144,076
Appropriation to State	34,000	0	0	34,000	34,000	34,000	0
General Welfare Assistance	0	0	0	0	1,500	1,500	1,500
Other Local Welfare Services	17,500	0	0	17,500	17,500	17,500	0
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	69,399	0	0	69,399	69,743	70,493	1,094
Libraries	106,029	0	0	106,029	104,382	106,276	247
Parks and Fair Boards	3,700	0	0	3,700	3,700	3,700	0
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	64,815	0	0	64,815	66,591	66,591	1,776
Soil Conservation	28,183	0	0	28,183	28,183	28,183	0
<u>Other Operations</u>							
Tourism	51,409	0	0	51,409	51,409	51,409	0
Industrial Development	41,240	0	0	41,240	41,240	41,240	0
Other Economic and Community Development	518	0	0	518	2,097	2,097	1,579
Veterans' Services	30,000	0	0	30,000	41,196	41,196	11,196
Contributions to Other Agencies	48,777	0	0	48,777	26,325	53,010	4,233
ARRA Grant No. 1	0	0	0	0	0	47,100	47,100
ARRA Grant No. 6	20,297	0	0	20,297	0	20,297	0
Miscellaneous	413,642	(50)	0	413,592	356,133	393,099	(20,493)
<b>Total Expenditures</b>	<b>\$ 6,525,588</b>	<b>\$ (108,991)</b>	<b>\$ 5,700</b>	<b>\$ 6,422,297</b>	<b>\$ 6,559,886</b>	<b>\$ 6,931,614</b>	<b>\$ 509,317</b>
<b>Excess (Deficiency) of Revenues</b>	<b>\$ (478,358)</b>	<b>\$ 108,991</b>	<b>\$ (5,700)</b>	<b>\$ (375,067)</b>	<b>\$ (159,862)</b>	<b>\$ (489,613)</b>	<b>\$ 114,546</b>
<b>Over Expenditures</b>							

(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)	Less: Encumbrances 7/1/2009	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 268,000	\$ 0	\$ 0	\$ 268,000	\$ 0	\$ 0	\$ 268,000
Insurance Recovery	1,060	0	0	1,060	0	6,452	(5,392)
Total Other Financing Sources (Uses)	\$ 269,060	\$ 0	\$ 0	\$ 269,060	\$ 0	\$ 6,452	\$ 262,608
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (209,298)	\$ 108,991	\$ (5,700)	\$ (106,007)	\$ (159,862)	\$ (483,161)	\$ 377,154
	1,920,378	(108,991)	0	1,811,387	1,808,137	1,808,137	3,250
Fund Balance, June 30, 2010	\$ 1,711,080	\$ 0	\$ (5,700)	\$ 1,705,380	\$ 1,648,275	\$ 1,324,976	\$ 380,404

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 984,012	\$ 993,384	\$ 993,384	\$ (9,372)
Charges for Current Services	213,672	192,000	192,000	21,672
Other Local Revenues	143,080	55,900	55,900	87,180
State of Tennessee	43,130	321,500	44,500	(1,370)
Federal Government	258,320	0	277,000	(18,680)
Total Revenues	<u>\$ 1,642,214</u>	<u>\$ 1,562,784</u>	<u>\$ 1,562,784</u>	<u>\$ 79,430</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 101,199	\$ 105,659	\$ 104,479	\$ 3,280
Sanitation Education/Information	12,718	11,000	14,200	1,482
Waste Pickup	548,463	558,092	573,480	25,017
Convenience Centers	388,439	417,029	402,162	13,723
Problem Waste Centers	5,048	5,500	6,100	1,052
Other Waste Collection	4,949	5,000	5,000	51
Recycling Center	237,227	294,778	286,687	49,460
Landfill Operation and Maintenance	348,225	398,000	398,000	49,775
Postclosure Care Costs	9,684	10,200	15,150	5,466
<u>Other Operations</u>				
Other Charges	49,386	54,217	54,217	4,831
Employee Benefits	500	1,000	1,000	500
Total Expenditures	<u>\$ 1,705,838</u>	<u>\$ 1,860,475</u>	<u>\$ 1,860,475</u>	<u>\$ 154,637</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (63,624)</u>	<u>\$ (297,691)</u>	<u>\$ (297,691)</u>	<u>\$ 234,067</u>
Net Change in Fund Balance	\$ (63,624)	\$ (297,691)	\$ (297,691)	\$ 234,067
Fund Balance, July 1, 2009	<u>755,274</u>	<u>762,866</u>	<u>762,866</u>	<u>(7,592)</u>
Fund Balance, June 30, 2010	<u>\$ 691,650</u>	<u>\$ 465,175</u>	<u>\$ 465,175</u>	<u>\$ 226,475</u>

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 86,393	\$ 42,000	\$ 98,741	\$ (12,348)
Other Local Revenues	21,085	115,500	116,304	(95,219)
State of Tennessee	1,880,409	1,869,586	1,869,586	10,823
Federal Government	9,071	9,702	9,702	(631)
<b>Total Revenues</b>	<b>\$ 1,996,958</b>	<b>\$ 2,036,788</b>	<b>\$ 2,094,333</b>	<b>\$ (97,375)</b>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 156,446	\$ 160,760	\$ 161,330	\$ 4,884
Highway and Bridge Maintenance	867,610	957,669	1,005,669	138,059
Operation and Maintenance of Equipment	349,152	365,710	367,386	18,234
Quarry Operations	10,568	10,700	10,700	132
Other Charges	111,815	85,405	85,405	(26,410)
Employee Benefits	45,180	52,776	52,776	7,596
Capital Outlay	473,757	532,000	560,750	86,993
<u>Principal on Debt</u>				
Highways and Streets	256,113	256,114	256,114	1
<u>Interest on Debt</u>				
Highways and Streets	4,941	8,007	8,007	3,066
<b>Total Expenditures</b>	<b>\$ 2,275,582</b>	<b>\$ 2,429,141</b>	<b>\$ 2,508,137</b>	<b>\$ 232,555</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (278,624)	\$ (392,353)	\$ (413,804)	\$ 135,180
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 37,917	\$ 0	\$ 28,192	\$ 9,725
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 37,917</b>	<b>\$ 0</b>	<b>\$ 28,192</b>	<b>\$ 9,725</b>
Net Change in Fund Balance	\$ (240,707)	\$ (392,353)	\$ (385,612)	\$ 144,905
Fund Balance, July 1, 2009	393,534	393,536	393,536	(2)
<b>Fund Balance, June 30, 2010</b>	<b>\$ 152,827</b>	<b>\$ 1,183</b>	<b>\$ 7,924</b>	<b>\$ 144,903</b>

Exhibit E-4

Fentress County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Fentress County School Department  
June 30, 2010

(Dollar amounts in thousands)

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)		Unfunded AAL (UAAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
			\$	%				
County Employees	7-1-09	\$ 3,953	\$ 4,686	\$ 733	84.35 %	\$ 3,594	20.40 %	
	7-1-07	3,379	3,857	478	87.61	3,550	13.46	
School Department Employees	7-1-09	4,994	5,413	419	92.25	2,031	20.65	
	7-1-07	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 frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method was a change made during the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-5

Fentress County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Discretely Presented Fentress County Emergency Communications District  
June 30, 2010

(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)
7-1-09	\$ 114	\$ 139	\$ 25	82.46 %	\$ 197	12.34 %
7-1-07	81	118	37	68.64	191	19.37

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method went into effect during the 2007 actuarial valuation; therefore, only the two most recent actuarial valuations are presented.

Exhibit E-6

Fentress County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Fentress County School Department  
June 30, 2010

(Dollar amounts in thousands)

Plans	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)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-07	\$ 0	\$ 85	\$ 85	0 %	\$ 2,666	3 %
"	7-1-09	0	212	212	0	2,666	8
<u>DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	6,479	6,479	0	8,122	81
"	7-1-09	0	4,544	4,544	0	8,122	56

\*Data for three actuarial valuations will be presented when available.

**FENTRESS COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

**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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County 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**

Expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) of the General Fund by \$20,493 and in the Other Charges major appropriation category of the Highway/Public Works Fund by \$26,410. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

## Capital Projects Funds

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

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for note proceeds contributed to the School Department to fund roof projects.

Exhibit F-1

Fentress County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

	Special Revenue Funds			Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	Community Development/ Industrial Park		
\$	0 \$	17,290 \$	17,290 \$	0 \$		17,290
	7,431	0	7,431	11,147		18,578
	0	375	375	0		375
\$	7,431 \$	17,665 \$	25,096 \$	11,147 \$		36,243

ASSETS

Cash  
 Equity in Pooled Cash and Investments  
 Accounts Receivable  
 Total Assets

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>						
Due to Other Funds	0 \$	17,665 \$	17,665 \$	0 \$		17,665
Total Liabilities	0 \$	17,665 \$	17,665 \$	0 \$		17,665
<u>Fund Balances</u>						
Reserved for Encumbrances	0 \$	0 \$	0 \$	19,139 \$		19,139
Unreserved (Deficit)	7,431	0	7,431	(7,992)		(561)
Total Fund Balances	7,431 \$	0 \$	7,431 \$	11,147 \$		18,578
Total Liabilities and Fund Balances	7,431 \$	17,665 \$	25,096 \$	11,147 \$		36,243

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, 2010

	Special Revenue Fund	Capital Projects Funds				Total Nonmajor Governmental Funds
		Community Development/ Industrial Park	Other Capital Projects	Total		
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 26,395	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,395
Other Local Revenues	1,670	0	0	0	0	1,670
Federal Government	0	316,031	0	316,031	316,031	316,031
Total Revenues	\$ 28,065	\$ 316,031	\$ 0	\$ 316,031	\$ 316,031	\$ 344,096
<u>Expenditures</u>						
Current:						
Public Safety	\$ 49,087	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,087
Public Health and Welfare	10,000	0	0	0	0	10,000
Capital Projects	0	315,965	0	315,965	315,965	315,965
Capital Projects - Donated	0	0	477,435	477,435	477,435	477,435
Total Expenditures	\$ 59,087	\$ 315,965	\$ 477,435	\$ 793,400	\$ 793,400	\$ 852,487
Excess (Deficiency) of Revenues Over Expenditures	\$ (31,022)	\$ 66	\$ (477,435)	\$ (477,369)	\$ (508,391)	
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 477,435	\$ 477,435	\$ 477,435	\$ 477,435
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 477,435	\$ 477,435	\$ 477,435	\$ 477,435
Net Change in Fund Balances	\$ (31,022)	\$ 66	\$ 0	\$ 66	\$ (30,956)	
Fund Balance, July 1, 2009	38,453	11,081	0	11,081	49,534	
Fund Balance, June 30, 2010	\$ 7,431	\$ 11,147	\$ 0	\$ 11,147	\$ 18,578	

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 26,395	\$ 63,208	\$ 63,208	\$ (36,813)
Other Local Revenues	1,670	0	185	1,485
State of Tennessee	0	13,000	13,000	(13,000)
Total Revenues	<u>\$ 28,065</u>	<u>\$ 76,208</u>	<u>\$ 76,393</u>	<u>\$ (48,328)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 49,087	\$ 59,437	\$ 59,622	\$ 10,535
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	10,000	0	10,000	0
Total Expenditures	<u>\$ 59,087</u>	<u>\$ 59,437</u>	<u>\$ 69,622</u>	<u>\$ 10,535</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (31,022)</u>	<u>\$ 16,771</u>	<u>\$ 6,771</u>	<u>\$ (37,793)</u>
Net Change in Fund Balance	\$ (31,022)	\$ 16,771	\$ 6,771	\$ (37,793)
Fund Balance, July 1, 2009	<u>38,453</u>	<u>38,451</u>	<u>38,451</u>	<u>2</u>
Fund Balance, June 30, 2010	<u>\$ 7,431</u>	<u>\$ 55,222</u>	<u>\$ 45,222</u>	<u>\$ (37,791)</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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

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Exhibit 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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 492,700	\$ 487,420	\$ 487,420	\$ 5,280
Other Local Revenues	64,380	65,000	65,000	(620)
Other Governments and Citizens Groups	350,000	350,000	350,000	0
Total Revenues	<u>\$ 907,080</u>	<u>\$ 902,420</u>	<u>\$ 902,420</u>	<u>\$ 4,660</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 116,564	\$ 157,043	\$ 157,043	\$ 40,479
Education	430,000	430,000	430,000	0
<u>Interest on Debt</u>				
General Government	4,869	44,921	44,921	40,052
Education	96,492	378,750	378,750	282,258
<u>Other Debt Service</u>				
General Government	14,240	15,500	15,500	1,260
Education	32,433	33,000	33,000	567
Total Expenditures	<u>\$ 694,598</u>	<u>\$ 1,059,214</u>	<u>\$ 1,059,214</u>	<u>\$ 364,616</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 212,482</u>	<u>\$ (156,794)</u>	<u>\$ (156,794)</u>	<u>\$ 369,276</u>
Net Change in Fund Balance	\$ 212,482	\$ (156,794)	\$ (156,794)	\$ 369,276
Fund Balance, July 1, 2009	<u>2,485,857</u>	<u>2,485,857</u>	<u>2,485,857</u>	<u>0</u>
Fund Balance, June 30, 2010	<u>\$ 2,698,339</u>	<u>\$ 2,329,063</u>	<u>\$ 2,329,063</u>	<u>\$ 369,276</u>

# Fiduciary Funds

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Agency Funds are used to account for assets held by the county as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Fentress County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 583,533	\$ 583,533
Accounts Receivable	0	5,400	5,400
Due from Other Governments	110,750	0	110,750
Total Assets	<u>\$ 110,750</u>	<u>\$ 588,933</u>	<u>\$ 699,683</u>
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 110,750	\$ 0	\$ 110,750
Due to Litigants, Heirs, and Others	0	588,933	588,933
Total Liabilities	<u>\$ 110,750</u>	<u>\$ 588,933</u>	<u>\$ 699,683</u>

Exhibit H-2

Fentress County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 626,583	\$ 626,583	\$ 0
Due from Other Governments	115,904	110,750	115,904	110,750
Total Assets	<u>\$ 115,904</u>	<u>\$ 737,333</u>	<u>\$ 742,487</u>	<u>\$ 110,750</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 115,904	\$ 737,333	\$ 742,487	\$ 110,750
Total Liabilities	<u>\$ 115,904</u>	<u>\$ 737,333</u>	<u>\$ 742,487</u>	<u>\$ 110,750</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 586,411	\$ 9,171,377	\$ 9,174,255	\$ 583,533
Accounts Receivable	127	5,400	127	5,400
Total Assets	<u>\$ 586,538</u>	<u>\$ 9,176,777</u>	<u>\$ 9,174,382</u>	<u>\$ 588,933</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 586,538	\$ 9,176,777	\$ 9,174,382	\$ 588,933
Total Liabilities	<u>\$ 586,538</u>	<u>\$ 9,176,777</u>	<u>\$ 9,174,382</u>	<u>\$ 588,933</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 586,411	\$ 9,171,377	\$ 9,174,255	\$ 583,533
Equity in Pooled Cash and Investments	0	626,583	626,583	0
Accounts Receivable	127	5,400	127	5,400
Due from Other Governments	115,904	110,750	115,904	110,750
Total Assets	<u>\$ 702,442</u>	<u>\$ 9,914,110</u>	<u>\$ 9,916,869</u>	<u>\$ 699,683</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 115,904	\$ 737,333	\$ 742,487	\$ 110,750
Due to Litigants, Heirs, and Others	586,538	9,176,777	9,174,382	588,933
Total Liabilities	<u>\$ 702,442</u>	<u>\$ 9,914,110</u>	<u>\$ 9,916,869</u>	<u>\$ 699,683</u>

# Fentress County School Department

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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.

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

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

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

Exhibit I-1

Fentress County, Tennessee  
Statement of Activities  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 11,758,109	\$ 0	\$ 1,087,410	\$ 101,200	\$ (10,569,499)
Support Services	6,389,374	0	573,252	0	(5,816,122)
Operation of Non-Instructional Services	1,822,548	249,040	1,572,052	0	(1,456)
Interest on Long-term Debt	58,889	0	0	0	(58,889)
Other Debt Service	10,347	0	0	0	(10,347)
<b>Total Governmental Activities</b>	<b>\$ 20,039,267</b>	<b>\$ 249,040</b>	<b>\$ 3,232,714</b>	<b>\$ 101,200</b>	<b>\$ (16,456,313)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 816,127
Local Option Sales Taxes					1,551,781
Wheel Tax					399,582
Business Tax					26,965
Mineral Severance Tax					21,759
Other Local Taxes					6,454
Grants and Contributions Not Restricted to Specific Programs					13,873,482
Unrestricted Investment Earnings					70,234
Miscellaneous					122,481
Sale of Equipment					3,960
<b>Total General Revenues</b>					<b>\$ 16,892,825</b>
Change in Net Assets					\$ 436,512
Net Assets, July 1, 2009					14,700,702
Net Assets, June 30, 2010					<u>\$ 15,137,214</u>

Exhibit I-2

Fentress County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Fentress County School Department  
June 30, 2010

	Major Funds			Total Govern- mental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 3,581,038	\$ 169,946	\$ 362,390	\$ 4,113,374
Due from Other Governments	551,481	34,189	5,401	591,071
Due from Other Funds	0	7	0	7
Property Taxes Receivable	837,455	0	0	837,455
Allowance for Uncollectible Property Taxes	(21,892)	0	0	(21,892)
Notes Receivable - Long-term	12,933	0	0	12,933
<b>Total Assets</b>	<b>\$ 4,961,015</b>	<b>\$ 204,142</b>	<b>\$ 367,791</b>	<b>\$ 5,532,948</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accrued Payroll	\$ 1,141	\$ 1,531	\$ 0	\$ 2,672
Payroll Deductions Payable	369,639	42,799	1,079	413,517
Contracts Payable	2,174	0	0	2,174
Due to Other Funds	7	0	0	7
Deferred Revenue - Current Property Taxes	765,020	0	0	765,020
Deferred Revenue - Delinquent Property Taxes	40,426	0	0	40,426
Other Deferred Revenues	133,000	0	0	133,000
<b>Total Liabilities</b>	<b>\$ 1,311,407</b>	<b>\$ 44,330</b>	<b>\$ 1,079</b>	<b>\$ 1,356,816</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 260,588	\$ 0	\$ 0	\$ 260,588
Reserved for Long-term Notes Receivable	12,933	0	0	12,933
Reserved for Career Ladder Program	10,616	0	0	10,616
Reserved for Basic Education Program	1,897,317	0	0	1,897,317
Reserved for Title I Grants to Local Education Agencies	0	2,112	0	2,112
Reserved for Special Education - Grants to States	0	3,747	0	3,747
Other Federal Reserves	0	3,953	0	3,953
Unreserved, Reported In:				
General Fund	1,468,154	0	0	1,468,154
Special Revenue Funds	0	150,000	366,712	516,712
<b>Total Fund Balances</b>	<b>\$ 3,649,608</b>	<b>\$ 159,812</b>	<b>\$ 366,712</b>	<b>\$ 4,176,132</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,961,015</b>	<b>\$ 204,142</b>	<b>\$ 367,791</b>	<b>\$ 5,532,948</b>

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, 2010

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)		\$ 4,176,132
(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	12,421,153	
Add: other capital assets net of accumulated depreciation	<u>1,334,419</u>	14,167,335
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (477,435)	
Less: bonds payable	(1,650,000)	
Less: other postemployment benefits liability	(1,074,136)	
Less: compensated absences payable	(173,566)	
Less: accrued interest payable	(8,542)	
Less: other deferred revenue - premium on debt	(41,152)	
Add: deferred charges - debt issuance costs	<u>45,152</u>	(3,379,679)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>173,426</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 15,137,214</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, 2010

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 2,827,998	\$ 0	\$ 0	\$ 2,827,998
Licenses and Permits	1,358	0	0	1,358
Charges for Current Services	0	0	249,040	249,040
Other Local Revenues	205,868	0	22,309	228,177
State of Tennessee	12,907,034	0	14,759	12,921,793
Federal Government	152,922	3,029,673	1,065,525	4,248,120
Other Governments and Citizens Groups	477,435	0	0	477,435
Total Revenues	<u>\$ 16,572,615</u>	<u>\$ 3,029,673</u>	<u>\$ 1,351,633</u>	<u>\$ 20,953,921</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,172,207	\$ 1,741,517	\$ 0	\$ 10,913,724
Support Services	5,235,848	1,265,549	0	6,501,397
Operation of Non-Instructional Services	578,786	0	1,250,038	1,828,824
Capital Outlay	399,494	0	0	399,494
Debt Service:				
Principal on Debt	369,000	0	0	369,000
Interest on Debt	60,417	0	0	60,417
Other Debt Service	940	0	0	940
Total Expenditures	<u>\$ 15,816,692</u>	<u>\$ 3,007,066</u>	<u>\$ 1,250,038</u>	<u>\$ 20,073,796</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 755,923</u>	<u>\$ 22,607</u>	<u>\$ 101,595</u>	<u>\$ 880,125</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 18,161	\$ 150,000	\$ 0	\$ 168,161
Transfers Out	(150,000)	(18,161)	0	(168,161)
Total Other Financing Sources (Uses)	<u>\$ (131,839)</u>	<u>\$ 131,839</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 624,084	\$ 154,446	\$ 101,595	\$ 880,125
Fund Balance, July 1, 2009	<u>3,025,524</u>	<u>5,366</u>	<u>265,117</u>	<u>3,296,007</u>
Fund Balance, June 30, 2010	<u>\$ 3,649,608</u>	<u>\$ 159,812</u>	<u>\$ 366,712</u>	<u>\$ 4,176,132</u>

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, 2010

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)		\$ 880,125
<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	\$ 419,681	
Less: current-year depreciation expense	<u>(531,972)</u>	(112,291)
<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	\$ (39,495)	
Less: decrease of revenue for the sale of disposed assets	<u>(3,950)</u>	(43,445)
<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, 2010	\$ 173,426	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(178,756)</u>	(5,330)
<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>		
Add: principal payments on capital leases	\$ 69,000	
Add: principal payments on bonds	300,000	
Less: note proceeds	(477,435)	
Add: premium on debt proceeds	8,573	
Less: deferred debt issuance costs	<u>(9,407)</u>	(109,269)
<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 the governmental funds.</p>		
Change in accrued interest on bonds	\$ 1,528	
Change in other postemployment benefits liability	(173,540)	
Change in compensated absences payable	<u>(1,266)</u>	<u>(173,278)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 436,512</u>

Exhibit I-6

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, 2010

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 2,827,998	\$ 0	\$ 2,827,998	\$ 2,895,136	\$ 2,895,136	\$ (67,138)
Licenses and Permits	1,358	0	1,358	1,500	1,500	(142)
Other Local Revenues	205,868	0	205,868	215,000	215,000	(9,132)
State of Tennessee	12,907,034	0	12,907,034	12,572,873	12,670,713	236,321
Federal Government	152,922	0	152,922	184,000	269,000	(116,078)
Other Governments and Citizens Groups	477,435	0	477,435	0	477,435	0
Total Revenues	\$ 16,572,615	\$ 0	\$ 16,572,615	\$ 15,868,509	\$ 16,528,784	\$ 43,831
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 8,139,739	\$ 0	\$ 8,139,739	\$ 8,397,000	\$ 8,398,754	\$ 259,015
Alternative Instruction Program	104,255	0	104,255	111,850	111,850	7,595
Special Education Program	733,716	0	733,716	715,661	784,750	51,034
Vocational Education Program	144,426	0	144,426	147,540	147,540	3,114
Adult Education Program	50,071	0	50,071	80,800	64,392	14,321
<u>Support Services</u>						
Attendance	121,717	0	121,717	111,990	124,163	2,446
Health Services	238,596	0	238,596	267,250	267,250	28,654
Other Student Support	296,085	0	296,085	328,100	328,100	32,015
Regular Instruction Program	471,205	0	471,205	521,550	521,550	50,345
Special Education Program	125,288	0	125,288	103,733	127,064	1,776
Vocational Education Program	25,860	0	25,860	35,100	35,100	9,240
Adult Programs	63,725	0	63,725	68,600	72,835	9,110
Other Programs	97,840	0	97,840	0	97,840	0

(Continued)

Exhibit I-6

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)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Board of Education	\$ 829,943	\$ 0	\$ 829,943	\$ 526,150	\$ 912,650	\$ 82,707
Director of Schools	166,064	0	166,064	167,800	167,800	1,736
Office of the Principal	580,037	0	580,037	643,600	643,600	63,563
Fiscal Services	76,255	0	76,255	81,100	81,100	4,845
Operation of Plant	1,044,007	0	1,044,007	1,160,300	1,160,300	116,293
Maintenance of Plant	248,211	0	248,211	269,050	269,050	20,839
Transportation	851,015	0	851,015	999,900	990,726	139,711
<u>Operation of Non-Instructional Services</u>						
Early Childhood Education	578,786	0	578,786	579,373	579,375	589
<u>Capital Outlay</u>						
Regular Capital Outlay	399,494	260,588	660,082	200,000	677,435	17,353
<u>Principal on Debt</u>						
Education	369,000	0	369,000	669,000	369,000	0
<u>Interest on Debt</u>						
Education	60,417	0	60,417	61,700	60,700	283
<u>Other Debt Service</u>						
Education	940	0	940	0	1,000	60
<u>Total Expenditures</u>	<u>\$ 15,816,692</u>	<u>\$ 260,588</u>	<u>\$ 16,077,280</u>	<u>\$ 16,247,147</u>	<u>\$ 16,993,924</u>	<u>\$ 916,644</u>
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ 755,923	(260,588)	495,335	(378,638)	(465,140)	960,475

(Continued)

Exhibit I-6

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)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 18,161	0	\$ 18,161	0	0	\$ 18,161
Transfers Out	(150,000)	0	(150,000)	(336,500)	(250,000)	100,000
Total Other Financing Sources (Uses)	\$ (131,839)	0	\$ (131,839)	(336,500)	(250,000)	\$ 118,161
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ 624,084	(260,588)	\$ 363,496	(715,138)	(715,140)	\$ 1,078,636 (124,072)
Fund Balance, June 30, 2010	\$ 3,649,608	(260,588)	\$ 3,389,020	2,434,458	2,434,456	\$ 954,564

Exhibit I-7

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,029,673	\$ 3,885,703	\$ 3,858,181	\$ (828,508)
Total Revenues	\$ 3,029,673	\$ 3,885,703	\$ 3,858,181	\$ (828,508)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 953,583	\$ 1,212,860	\$ 1,108,700	\$ 155,117
Special Education Program	738,052	928,127	975,084	237,032
Vocational Education Program	49,882	53,000	51,905	2,023
<u>Support Services</u>				
Other Student Support	241,999	436,244	386,311	144,312
Regular Instruction Program	847,147	1,000,664	1,094,688	247,541
Special Education Program	72,552	154,951	112,554	40,002
Vocational Education Program	610	2,821	610	0
Transportation	103,241	123,661	123,663	20,422
Total Expenditures	\$ 3,007,066	\$ 3,912,328	\$ 3,853,515	\$ 846,449
Excess (Deficiency) of Revenues Over Expenditures	\$ 22,607	\$ (26,625)	\$ 4,666	\$ 17,941
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 150,000	\$ 0	\$ 0	\$ 150,000
Transfers Out	(18,161)	(29,820)	(23,695)	5,534
Total Other Financing Sources (Uses)	\$ 131,839	\$ (29,820)	\$ (23,695)	\$ 155,534
Net Change in Fund Balance	\$ 154,446	\$ (56,445)	\$ (19,029)	\$ 173,475
Fund Balance, July 1, 2009	5,366	56,445	56,445	(51,079)
Fund Balance, June 30, 2010	\$ 159,812	\$ 0	\$ 37,416	\$ 122,396

Exhibit I-8

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 249,040	\$ 290,000	\$ 290,000	\$ (40,960)
Other Local Revenues	22,309	34,500	34,500	(12,191)
State of Tennessee	14,759	15,000	15,000	(241)
Federal Government	1,065,525	975,600	1,049,465	16,060
Total Revenues	<u>\$ 1,351,633</u>	<u>\$ 1,315,100</u>	<u>\$ 1,388,965</u>	<u>\$ (37,332)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,250,038	\$ 1,496,850	\$ 1,570,715	\$ 320,677
Total Expenditures	<u>\$ 1,250,038</u>	<u>\$ 1,496,850</u>	<u>\$ 1,570,715</u>	<u>\$ 320,677</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 101,595</u>	<u>\$ (181,750)</u>	<u>\$ (181,750)</u>	<u>\$ 283,345</u>
Net Change in Fund Balance	\$ 101,595	\$ (181,750)	\$ (181,750)	\$ 283,345
Fund Balance, July 1, 2009	<u>265,117</u>	<u>265,070</u>	<u>265,070</u>	<u>47</u>
Fund Balance, June 30, 2010	<u>\$ 366,712</u>	<u>\$ 83,320</u>	<u>\$ 83,320</u>	<u>\$ 283,392</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, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Grimsley Fire Hall	\$ 59,000	3.75 %	4-30-08	8-1-11	\$ 40,022	0 \$	19,680 \$	20,342
Fire Trucks	160,000	4	9-1-07	6-30-10	53,884	0	53,884	0
Total Payable through General Debt Service Fund					\$ 93,906	0 \$	73,564 \$	20,342
<u>Payable through Highway/Public Works Fund</u>								
County Highway Improvements	1,250,000	2.7	6-2-05	6-2-10 (1)	\$ 250,000	0 \$	250,000 \$	0
Total Notes Payable					\$ 343,906	0 \$	323,564 \$	20,342
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction - Allardt	5,300,000	Variable	6-1-1998	6-1-18	\$ 2,325,000	0 \$	240,000 \$	2,085,000
School Construction - Southern System Facility	6,000,000	Variable	10-25-01	5-25-26	4,902,000	0	190,000	4,712,000
Public Works Project	1,000,000	Variable	5-21-02	5-25-22	754,000	0	43,000	711,000
Community Facilities Loan - Ambulances	180,000	4.375	1-27-10	1-25-20	0	180,000	0	180,000
Community Facilities Loan - Patrol Cars	88,000	4.375	1-27-10	1-25-15	0	88,000	0	88,000
Total Other Loans Payable					\$ 7,981,000	268,000 \$	473,000 \$	7,776,000
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Tractor and Cutter	30,059	7	4-25-08	3-25-13	\$ 22,926	0 \$	6,113 \$	16,813
<u>Payable through Drug Control Fund</u>								
Patrol Cars	41,550	5.6	12-7-07	12-7-09	\$ 13,836	0 \$	13,836 \$	0
Total Capital Leases Payable					\$ 36,762	0 \$	19,949 \$	16,813

(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 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>DISCRETELY PRESENTED FENTRESS</u>								
<u>COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Roof Projects	\$ 477,435	4 %	6-24-10	4-15-22	\$ 0	\$ 477,435	\$ 0	\$ 477,435
<u>CAPITAL LEASE</u>								
<u>Payable through General Purpose School Fund</u>								
Central Office Building	345,000	0	2-15-06	2-15-10	\$ 69,000	\$ 0	\$ 69,000	\$ 0
<u>BONDS PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Refunding Series 2009	1,950,000	3	4-30-09	4-30-15	\$ 1,950,000	\$ 0	\$ 300,000	\$ 1,650,000

(1) The June 30, 2009, balance shown in the prior-year audit report was \$263,671. Based on information obtained during our examination, the July 1, 2009, balance was adjusted to \$250,000.

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	Interest	Total
2011	\$ 20,280	\$ 544	\$ 20,824
2012	62	16	78
Total	<u>\$ 20,342</u>	<u>\$ 560</u>	<u>\$ 20,902</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2011	\$ 524,989	\$ 99,218	\$ 35,991	\$ 660,198
2012	553,306	88,873	33,464	675,643
2013	582,680	77,940	30,796	691,416
2014	613,110	66,414	27,981	707,505
2015	642,598	54,286	25,018	721,902
2016	654,251	41,561	21,909	717,721
2017	691,027	29,072	18,647	738,746
2018	377,835	15,841	15,197	408,873
2019	380,678	13,242	13,797	407,717
2020	399,526	11,031	12,429	422,986
2021	397,000	8,717	10,993	416,710
2022	417,000	7,248	9,484	433,732
2023	358,000	5,705	6,879	370,584
2024	376,000	4,381	5,519	385,900
2025	394,000	2,990	4,091	401,081
2026	414,000	1,531	2,594	418,125
Total	<u>\$ 7,776,000</u>	<u>\$ 528,050</u>	<u>\$ 274,789</u>	<u>\$ 8,578,839</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2011	\$ 6,113	\$ 1,130	\$ 7,243
2012	6,113	1,130	7,243
2013	4,587	845	5,432
Total	<u>\$ 16,813</u>	<u>\$ 3,105</u>	<u>\$ 19,918</u>

(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.)

DISCRETELY PRESENTED FENTRESS  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 35,070	\$ 15,435	\$ 50,505
2012	32,762	17,743	50,505
2013	34,121	16,384	50,505
2014	35,486	15,019	50,505
2015	36,905	13,600	50,505
2016	38,348	12,157	50,505
2017	39,916	10,590	50,506
2018	41,512	8,993	50,505
2019	43,173	7,333	50,506
2020	44,884	5,621	50,505
2021	46,695	3,810	50,505
2022	48,563	1,942	50,505
Total	\$ 477,435	\$ 128,627	\$ 606,062

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 310,000	\$ 51,250	\$ 361,250
2012	320,000	41,950	361,950
2013	325,000	32,350	357,350
2014	345,000	22,600	367,600
2015	350,000	12,250	362,250
Total	\$ 1,650,000	\$ 160,400	\$ 1,810,400

Exhibit J-3

Fentress County, Tennessee  
Schedule of Notes Receivable  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2010

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-10
<u>General Purpose School Fund</u> Repayment of training expenses	Michelle Wright	\$ 14,133	7-1-09	3-31-21	0 %	\$ 12,933
Total Notes Receivable						<u>\$ 12,933</u>

Exhibit J-4

Fentress County, Tennessee  
Schedule of Transfers  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	School Federal Projects	Operations	\$ 150,000
School Federal Projects	General Purpose School	Indirect costs	18,161
Total Transfers			<u>\$ 168,161</u>

Exhibit J-5

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, 2010

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 66,702	\$ 100,000	Western Surety Company
Road Supervisor	Section 8-24-102, <u>TCA</u>	63,527	100,000	"
Director of Schools	State Board of Education and Fentress County Board of Education	83,369 (1)	150,000	"
Trustee	Section 8-24-102, <u>TCA</u>	57,751	595,000	Western Surety Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	57,751	15,000	"
Finance Director:				
Joyce Crabtree (7-1-09 through 5-13-10)	County Commission	46,203 (2)	50,000	"
Marsha Delk (5-14-10 through 6-30-10)	County Commission	5,023 (3)	(4)	"
County Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000	Western Surety Company
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	57,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	57,751 (5)	100,000	Ohio Farmers Insurance Company
Register	Section 8-24-102, <u>TCA</u>	57,751	15,000	Western Surety Company
Sheriff	Section 8-24-102, <u>TCA</u>	63,527 (6)	25,000	"
Employee Blanket Bonds:				
Public Employee Dishonesty - County Departments			150,000	Local Government Insurance Pool
Public Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

(1) Includes chief executive officer training supplement of \$2,000.

(2) Includes payment for accrued leave of \$5,333.

(3) Ms. Delk assumed the position of interim finance director on May 14, 2010. She continued to receive compensation as an accountant until August 2010, when she was appointed as finance director.

(4) Ms. Delk was covered under the employee blanket bond until August 2010.

(5) Does not include special commissioner fees of \$4,574.

(6) Does not include law enforcement training supplement of \$600.

Exhibit J-6

Fentress County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2010

	Special Revenue Funds							Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	Debt Service Fund	Capital Projects Fund	Community Development/ Industrial Park	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 2,361,744	\$ 322,349	\$ 0	\$ 0	\$ 161,698	\$ 0	\$ 2,845,791	
Trustee's Collections - Prior Year	117,705	15,524	0	0	6,683	0	139,912	
Circuit/Clerk & Master Collections - Prior Years	32,834	4,850	0	0	2,612	0	40,296	
Interest and Penalty	22,389	3,053	0	0	1,526	0	26,968	
Payments in-Lieu-of Taxes - Other	64,554	8	0	0	4	0	64,566	
<u>County Local Option Taxes</u>								
Local Option Sales Tax	2,187	627,313	0	0	313,115	0	942,615	
Hotel/Motel Tax	50,232	0	0	0	0	0	50,232	
Litigation Tax - General	45,401	0	0	0	0	0	45,401	
Litigation Tax - Jail, Workhouse, or Courthouse	14,649	0	0	0	0	0	14,649	
Litigation Tax - Victim/Offender Mediation Center	22,188	0	0	0	0	0	22,188	
Business Tax	75,760	10,915	0	0	7,062	0	93,737	
Mineral Severance Tax	0	0	0	75,322	0	0	75,322	
<u>Statutory Local Taxes</u>								
Bank Excise Tax	61,576	0	0	0	0	0	61,576	
Wholesale Beer Tax	205,390	0	0	0	0	0	205,390	
Beer Privilege Tax	1,045	0	0	0	0	0	1,045	
Coal Severance Tax	0	0	0	11,071	0	0	11,071	
Interstate Telecommunications Tax	1,228	0	0	0	0	0	1,228	
<b>Total Local Taxes</b>	<b>\$ 3,078,882</b>	<b>\$ 984,012</b>	<b>\$ 0</b>	<b>\$ 86,393</b>	<b>\$ 492,700</b>	<b>\$ 0</b>	<b>\$ 4,641,987</b>	
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Cable TV Franchise	\$ 20,727	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,727	
<u>Permits</u>								
Beer Permits	500	0	0	0	0	0	500	
<b>Total Licenses and Permits</b>	<b>\$ 21,227</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 21,227</b>	

(Continued)

Exhibit J-6

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	Debt Service Fund	Capital Projects Fund	Community Development/ Industrial Park	
<u>Circuit Court</u>								
Fines	\$ 3,344	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,344
Officers Costs	7,694	0	0	0	0	0	0	7,694
Drug Control Fines	0	0	9,744	0	0	0	0	9,744
Jail Fees	142	0	0	0	0	0	0	142
<u>Criminal Court</u>								
Data Entry Fee - Criminal Court	856	0	0	0	0	0	0	856
<u>General Sessions Court</u>								
Fines	27,738	0	0	0	0	0	0	27,738
Officers Costs	23,701	0	0	0	0	0	0	23,701
Game and Fish Fines	1,604	0	0	0	0	0	0	1,604
Drug Control Fines	0	0	3,882	0	0	0	0	3,882
Data Entry Fee - General Sessions Court	2,746	0	0	0	0	0	0	2,746
<u>Other Courts - In-county</u>								
Fines	383	0	0	0	0	0	0	383
DUI Treatment Fines	4,711	0	0	0	0	0	0	4,711
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	3,153	0	0	0	0	3,153
Data Entry Fee - Other Courts	236	0	0	0	0	0	0	236
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	0	0	9,616	0	0	0	0	9,616
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 73,155</b>	<b>\$ 0</b>	<b>\$ 26,395</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 99,550</b>
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Tipping Fees	\$ 0	\$ 213,427	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	213,427
Surcharge - General	52	0	0	0	0	0	0	52
Solid Waste Disposal Fees	0	245	0	0	0	0	0	245
Patient Charges	1,212,818	0	0	0	0	0	0	1,212,818

(Continued)

Exhibit J-6

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	Debt Service Fund	Capital Projects Fund	
<u>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Vending Machine Collections	\$ 776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	776
Constitutional Officers' Fees and Commissions	12,834	0	0	0	0	0	12,834
Special Commissioner Fees/Special Master Fees	15,523	0	0	0	0	0	15,523
Data Processing Fee - Register	7,334	0	0	0	0	0	7,334
Sexual Offender Registration Fees - Sheriff	2,480	0	0	0	0	0	2,480
Data Processing Fee - County Clerk	15,988	0	0	0	0	0	15,988
<b>Total Charges for Current Services</b>	<b>\$ 1,267,805</b>	<b>\$ 213,672</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,481,477</b>
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 78,261	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	78,261
Lease/Rentals	94,250	6,000	0	0	64,380	0	164,630
Sale of Recycled Materials	385	126,946	0	1,303	0	0	128,634
Miscellaneous Refunds	24,950	824	985	19,782	0	0	46,541
<u>Nonrecurring Items</u>							
Sale of Equipment	2,150	9,310	185	0	0	0	11,645
Contributions and Gifts	86,500	0	500	0	0	0	87,000
<b>Total Other Local Revenues</b>	<b>\$ 286,496</b>	<b>\$ 143,080</b>	<b>\$ 1,670</b>	<b>\$ 21,085</b>	<b>\$ 64,380</b>	<b>\$ 0</b>	<b>\$ 516,711</b>
<u>Fees Received from County Officials</u>							
<u>Fees in-Lieu-of Salary</u>							
County Clerk	\$ 140,028	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	140,028
Circuit Court Clerk	94,691	0	0	0	0	0	94,691
General Sessions Court Clerk	97,470	0	0	0	0	0	97,470
Clerk and Master	22,572	0	0	0	0	0	22,572
Register	78,969	0	0	0	0	0	78,969
Sheriff	6,897	0	0	0	0	0	6,897
Trustee	169,524	0	0	0	0	0	169,524
<b>Total Fees Received from County Officials</b>	<b>\$ 610,151</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 610,151</b>

(Continued)

Exhibit J-6

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/Industrial Park				
						General	Industrial Park			
<u>State of Tennessee</u>										
<u>General Government Grants</u>										
Juvenile Services Program	\$ 11,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,250	
Aging Programs	15,003	0	0	0	0	0	0	0	15,003	
State Reappraisal Grant	7,855	0	0	0	0	0	0	0	7,855	
<u>Public Safety Grants</u>										
Law Enforcement Training Programs	7,800	0	0	0	0	0	0	0	7,800	
<u>Health and Welfare Grants</u>										
Health Department Programs	46,025	0	0	0	0	0	0	0	46,025	
<u>Public Works Grants</u>										
State Aid Program	0	0	0	232,089	0	0	0	0	232,089	
Litter Program	0	27,830	0	0	0	0	0	0	27,830	
<u>Other State Revenues</u>										
Income Tax	21,840	0	0	0	0	0	0	0	21,840	
Beer Tax	17,778	0	0	0	0	0	0	0	17,778	
Alcoholic Beverage Tax	39,609	0	0	0	0	0	0	0	39,609	
Contracted Prisoner Boarding	206,085	0	0	0	0	0	0	0	206,085	
Gasoline and Motor Fuel Tax	0	0	0	1,634,968	0	0	0	0	1,634,968	
Petroleum Special Tax	0	0	0	13,352	0	0	0	0	13,352	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380	
Other State Grants	3,500	15,300	0	0	0	0	0	0	18,800	
Total State of Tennessee	\$ 393,125	\$ 43,130	\$ 0	\$ 1,880,409	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,316,664	
<u>Federal Government</u>										
<u>Federal Through State</u>										
USDA - Other	\$ 266,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 266,000	
Disaster Relief	7,292	0	0	9,071	0	0	0	0	16,363	
Other Federal through State	0	258,320	0	0	0	0	316,031	0	574,351	
<u>Direct Federal Revenue</u>										
ARRA Grant No. 6	20,297	0	0	0	0	0	0	0	20,297	
Total Federal Government	\$ 293,589	\$ 258,320	\$ 0	\$ 9,071	\$ 0	\$ 0	\$ 316,031	\$ 0	\$ 877,011	

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service			
Other Governments and Citizens Groups								
Other Governments								
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 0	\$ 350,000	
Contracted Services	22,800	0	0	0	0	0	22,800	
Total Other Governments and Citizens Groups	\$ 22,800	\$ 0	\$ 0	\$ 0	\$ 350,000	\$ 0	\$ 372,800	
Total	\$ 6,047,230	\$ 1,642,214	\$ 28,065	\$ 1,996,958	\$ 907,080	\$ 316,031	\$ 10,937,578	

Exhibit J-7

Fentress County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 752,284	\$ 0	\$ 0	\$ 752,284
Trustee's Collections - Prior Year	35,829	0	0	35,829
Circuit/Clerk & Master Collections - Prior Years	9,701	0	0	9,701
Interest and Penalty	7,124	0	0	7,124
Pick-up Taxes	19	0	0	19
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,568,281	0	0	1,568,281
Wheel Tax	399,582	0	0	399,582
Business Tax	26,965	0	0	26,965
Mineral Severance Tax	21,759	0	0	21,759
<u>Statutory Local Taxes</u>				
Coal Severance Tax	4,904	0	0	4,904
Interstate Telecommunications Tax	1,550	0	0	1,550
Total Local Taxes	\$ 2,827,998	\$ 0	\$ 0	\$ 2,827,998
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,358	\$ 0	\$ 0	\$ 1,358
Total Licenses and Permits	\$ 1,358	\$ 0	\$ 0	\$ 1,358
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 143,846	\$ 143,846
Lunch Payments - Adults	0	0	40,184	40,184
Income from Breakfast	0	0	32,304	32,304
A la carte Sales	0	0	32,706	32,706
Total Charges for Current Services	\$ 0	\$ 0	\$ 249,040	\$ 249,040
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 67,464	\$ 0	\$ 2,770	\$ 70,234
Lease/Rentals	3,000	0	0	3,000
Refund of Telecommunication and Internet Fees (E-Rate)	27,552	0	0	27,552
Miscellaneous Refunds	99,303	0	19,539	118,842
<u>Nonrecurring Items</u>				
Sale of Equipment	7,910	0	0	7,910
Damages Recovered from Individuals	50	0	0	50
<u>Other Local Revenues</u>				
Other Local Revenues	589	0	0	589
Total Other Local Revenues	\$ 205,868	\$ 0	\$ 22,309	\$ 228,177
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 97,840	\$ 0	\$ 0	\$ 97,840
<u>State Education Funds</u>				
Basic Education Program	10,961,098	0	0	10,961,098
Basic Education Program - ARRA	429,400	0	0	429,400
Early Childhood Education	578,946	0	0	578,946

(Continued)

Exhibit J-7

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>State Education Funds (Cont.)</u>				
School Food Service	\$ 0	\$ 0	\$ 14,759	\$ 14,759
Energy Efficient School Initiative	42,703	0	0	42,703
Driver Education	1,729	0	0	1,729
Other State Education Funds	9,802	0	0	9,802
Coordinated School Health - ARRA	90,000	0	0	90,000
Internet Connectivity - ARRA	6,859	0	0	6,859
Statewide Student Management System (SSMS) - ARRA	6,013	0	0	6,013
Career Ladder Program	109,867	0	0	109,867
Career Ladder - Extended Contract - ARRA	1,141	0	0	1,141
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	563,036	0	0	563,036
Safe Schools - ARRA	8,600	0	0	8,600
Total State of Tennessee	\$ 12,907,034	\$ 0	\$ 14,759	\$ 12,921,793
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 723,768	\$ 723,768
USDA - Commodities	0	0	73,865	73,865
Breakfast	0	0	262,491	262,491
USDA Food Service Equipment Grant - ARRA	0	0	5,401	5,401
Adult Education State Grant Program	92,425	0	0	92,425
Vocational Education - Basic Grants to States	0	54,962	0	54,962
Title I Grants to Local Education Agencies	0	1,303,492	0	1,303,492
Special Education - Grants to States	0	929,721	0	929,721
Safe and Drug-free Schools - State Grants	0	149,940	0	149,940
Rural Education	0	57,516	0	57,516
Eisenhower Professional Development State Grants	0	173,304	0	173,304
Job Training Partnership Act	0	15,000	0	15,000
Other Federal through State	0	25,703	0	25,703
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	60,497	0	0	60,497
Other Direct Federal Revenue	0	320,035	0	320,035
Total Federal Government	\$ 152,922	\$ 3,029,673	\$ 1,065,525	\$ 4,248,120
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 477,435	\$ 0	\$ 0	\$ 477,435
Total Other Governments and Citizens Groups	\$ 477,435	\$ 0	\$ 0	\$ 477,435
Total	\$ 16,572,615	\$ 3,029,673	\$ 1,351,633	\$ 20,953,921

## Exhibit J-8

Fentress County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	66,702	
Social Security		4,135	
Employer Medicare		967	
Audit Services		12,256	
Legal Services		14,205	
Other Charges		3,609	
Total County Commission			\$ 101,874

Beer Board

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

County Mayor/Executive

County Official/Administrative Officer	\$	66,702	
Assistant(s)		29,744	
Clerical Personnel		23,663	
Social Security		7,031	
State Retirement		5,368	
Medical Insurance		6,000	
Unemployment Compensation		450	
Employer Medicare		1,644	
Communication		4,492	
Postal Charges		328	
Printing, Stationery, and Forms		1,903	
Travel		4,536	
Office Supplies		4,180	
Premiums on Corporate Surety Bonds		350	
Other Equipment		2,621	
Total County Mayor/Executive			159,012

Election Commission

County Official/Administrative Officer	\$	51,976	
Deputy(ies)		21,476	
Clerical Personnel		935	
Election Commission		1,400	
Election Workers		2,851	
Social Security		4,438	
State Retirement		4,363	
Medical Insurance		6,000	
Unemployment Compensation		567	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Employer Medicare	\$	1,038	
Communication		1,321	
Data Processing Services		8,774	
Dues and Memberships		175	
Postal Charges		2,552	
Printing, Stationery, and Forms		4,112	
Travel		1,265	
Office Supplies		1,597	
Office Equipment		317	
Total Election Commission			\$ 115,157

Register of Deeds

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		26,052	
Clerical Personnel		37,530	
Social Security		7,163	
State Retirement		5,660	
Medical Insurance		8,500	
Unemployment Compensation		632	
Employer Medicare		1,675	
Communication		1,635	
Data Processing Services		6,710	
Postal Charges		996	
Printing, Stationery, and Forms		2,484	
Travel		1,444	
Duplicating Supplies		2,723	
Office Supplies		2,656	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			163,711

Planning

Board and Committee Members Fees	\$	1,374	
Dues and Memberships		9,250	
Other Supplies and Materials		605	
Total Planning			11,229

County Buildings

Deputy(ies)	\$	19,552	
Social Security		420	
State Retirement		1,161	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Medical Insurance	\$	3,000	
Unemployment Compensation		225	
Employer Medicare		98	
Communication		411	
Maintenance and Repair Services - Buildings		112,298	
Custodial Supplies		4,598	
Utilities		102,413	
Total County Buildings			\$ 244,176

Preservation of Records

Office Equipment	\$	7,303	
Total Preservation of Records			7,303

Finance

Accounting and Budgeting

Supervisor/Director	\$	46,203	
Accountants/Bookkeepers		163,251	
In-Service Training		500	
Social Security		12,128	
State Retirement		12,442	
Medical Insurance		17,750	
Unemployment Compensation		1,350	
Employer Medicare		2,836	
Communication		3,990	
Postal Charges		1,264	
Printing, Stationery, and Forms		1,207	
Travel		679	
Other Contracted Services		1,894	
Office Supplies		4,710	
Other Supplies and Materials		103	
Premiums on Corporate Surety Bonds		1,050	
Office Equipment		5,289	
Total Accounting and Budgeting			276,646

Property Assessor's Office

County Official/Administrative Officer	\$	57,751	
Clerical Personnel		23,972	
Part-time Personnel		20,036	
Social Security		5,920	
State Retirement		6,020	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Medical Insurance	\$	4,250	
Unemployment Compensation		497	
Employer Medicare		1,384	
Audit Services		1,905	
Communication		1,348	
Contracts with Government Agencies		4,198	
Postal Charges		459	
Printing, Stationery, and Forms		89	
Travel		3,122	
Office Supplies		1,355	
Premiums on Corporate Surety Bonds		150	
Office Equipment		720	
Total Property Assessor's Office			\$ 133,176

Reappraisal Program

Clerical Personnel	\$	20,637	
Social Security		1,279	
Unemployment Compensation		416	
Employer Medicare		299	
Data Processing Services		2,771	
Postal Charges		44	
Total Reappraisal Program			25,446

County Trustee's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		51,168	
Clerical Personnel		22,204	
Social Security		7,653	
State Retirement		6,322	
Medical Insurance		3,000	
Unemployment Compensation		624	
Employer Medicare		1,790	
Communication		1,839	
Contracts with Government Agencies		4,198	
Postal Charges		5,660	
Printing, Stationery, and Forms		1,841	
Travel		1,339	
Office Supplies		1,780	
Premiums on Corporate Surety Bonds		3,225	
Data Processing Equipment		5,240	
Total County Trustee's Office			175,634

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		91,520	
Clerical Personnel		19,552	
Social Security		9,519	
State Retirement		10,028	
Medical Insurance		12,000	
Unemployment Compensation		1,125	
Employer Medicare		2,226	
Communication		2,393	
Data Processing Services		12,844	
Postal Charges		4,910	
Printing, Stationery, and Forms		2,113	
Office Supplies		2,280	
Premiums on Corporate Surety Bonds		175	
Office Equipment		989	
Total County Clerk's Office			\$ 229,425

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		62,154	
Clerical Personnel		21,892	
Jury and Witness Expense		4,336	
Social Security		8,536	
State Retirement		7,839	
Medical Insurance		4,125	
Unemployment Compensation		952	
Employer Medicare		1,996	
Communication		2,285	
Data Processing Services		8,775	
Postal Charges		2,269	
Printing, Stationery, and Forms		4,941	
Office Supplies		3,252	
Premiums on Corporate Surety Bonds		125	
Office Equipment		4,774	
Total Circuit Court			196,002

General Sessions Court

Judge(s)	\$	82,323
Deputy(ies)		14,752

(Continued)

## Exhibit J-8

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

General Fund (Cont.)Administration of Justice (Cont.)General Sessions Court (Cont.)

Social Security	\$	5,972	
State Retirement		5,766	
Medical Insurance		1,875	
Unemployment Compensation		180	
Employer Medicare		1,397	
Communication		2,143	
Travel		1,123	
Office Supplies		338	
Total General Sessions Court			\$ 115,869

Chancery Court

County Official/Administrative Officer	\$	57,751	
Deputy(ies)		25,220	
Clerical Personnel		5,882	
Social Security		5,097	
State Retirement		4,929	
Medical Insurance		6,000	
Unemployment Compensation		574	
Employer Medicare		1,192	
Communication		1,429	
Postal Charges		842	
Office Supplies		3,680	
Premiums on Corporate Surety Bonds		450	
Total Chancery Court			113,046

Juvenile Court

Social Workers	\$	15,246	
Social Security		945	
State Retirement		906	
Unemployment Compensation		194	
Employer Medicare		221	
Contracts with Other Public Agencies		600	
Total Juvenile Court			18,112

Other Administration of Justice

Special Commissioner Fees/Special Master Fees	\$	14,082	
Gasoline		9,361	
Total Other Administration of Justice			23,443

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Probation Services

Probation Officer(s)	\$	29,000	
Social Security		1,798	
State Retirement		1,722	
Unemployment Compensation		225	
Employer Medicare		420	
Communication		1,019	
Gasoline		298	
Office Supplies		267	
Testing		250	
Total Probation Services			\$ 34,999

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	63,527
Deputy(ies)		400,454
Salary Supplements		7,800
Clerical Personnel		65,291
Part-time Personnel		31,166
Overtime Pay		14,457
In-Service Training		6,545
Social Security		35,129
State Retirement		31,907
Medical Insurance		11,000
Unemployment Compensation		5,223
Employer Medicare		8,216
Communication		16,837
Data Processing Services		45
Legal Notices, Recording, and Court Costs		14
Licenses		180
Maintenance and Repair Services - Office Equipment		832
Maintenance and Repair Services - Vehicles		28,329
Postal Charges		1,466
Printing, Stationery, and Forms		564
Rentals		2,855
Gasoline		73,392
Law Enforcement Supplies		444
Office Supplies		4,294
Tires and Tubes		7,477
Uniforms		5,055
Premiums on Corporate Surety Bonds		5,500

(Continued)

## Exhibit J-8

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

General Fund (Cont.)Public Safety (Cont.)Sheriff's Department (Cont.)

Law Enforcement Equipment	\$	4,042	
Motor Vehicles		139,166	
Office Equipment		346	
Total Sheriff's Department			\$ 971,553

Administration of the Sexual Offender Registry

Remittance of Revenue Collected	\$	750	
Office Supplies		223	
Total Administration of the Sexual Offender Registry			973

Jail

Guards	\$	160,552	
In-Service Training		1,555	
Social Security		9,686	
State Retirement		8,986	
Medical Insurance		5,250	
Unemployment Compensation		2,212	
Employer Medicare		2,265	
Contracts with Government Agencies		98,035	
Maintenance and Repair Services - Buildings		6,526	
Medical and Dental Services		103,366	
Printing, Stationery, and Forms		370	
Transportation - Other than Students		400	
Travel		151	
Custodial Supplies		2,659	
Food Supplies		46,526	
Office Supplies		596	
Prisoners Clothing		1,320	
Utilities		16,449	
Other Supplies and Materials		3,000	
Other Charges		527	
Building Improvements		3,202	
Furniture and Fixtures		876	
Office Equipment		1,691	
Total Jail			476,200

Fire Prevention and Control

In-Service Training	\$	50	
Other Per Diem and Fees		26,706	
Contracts with Government Agencies		2,000	

(Continued)

## Exhibit J-8

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

General Fund (Cont.)Public Safety (Cont.)Fire Prevention and Control (Cont.)

Maintenance and Repair Services - Buildings	\$	5,080	
Maintenance and Repair Services - Vehicles		7,028	
Gasoline		5,774	
Utilities		23,071	
Other Equipment		56,553	
Total Fire Prevention and Control			\$ 126,262

Rural Fire Protection

In-Service Training	\$	3,913	
Total Rural Fire Protection			3,913

Civil Defense

Supervisor/Director	\$	3,120	
In-Service Training		360	
Social Security		193	
Unemployment Compensation		66	
Employer Medicare		45	
Communication		1,432	
Maintenance and Repair Services - Vehicles		1,096	
Gasoline		2,638	
Other Supplies and Materials		2,477	
Other Equipment		13,337	
Other Capital Outlay		5,181	
Total Civil Defense			29,945

Rescue Squad

Communication	\$	799	
Contributions		4,000	
Maintenance and Repair Services - Vehicles		1,901	
Gasoline		3,694	
Other Supplies and Materials		5,883	
Other Equipment		4,028	
Total Rescue Squad			20,305

Other Emergency Management

Contributions	\$	166,700	
Total Other Emergency Management			166,700

County Coroner/Medical Examiner

Other Contracted Services	\$	18,728	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner (Cont.)

Premiums on Corporate Surety Bonds	\$ 170	
Total County Coroner/Medical Examiner		\$ 18,898

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 7,675	
Social Security	476	
Unemployment Compensation	162	
Employer Medicare	111	
Communication	5,023	
Maintenance and Repair Services - Buildings	6,279	
Drugs and Medical Supplies	1,951	
Office Supplies	4,853	
Utilities	13,619	
Total Local Health Center		40,149

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 39,520
Medical Personnel	616,971
Clerical Personnel	26,884
Overtime Pay	96,746
In-Service Training	2,017
Social Security	43,974
State Retirement	44,440
Medical Insurance	27,000
Unemployment Compensation	5,610
Employer Medicare	10,284
Communication	10,037
Data Processing Services	2,261
Maintenance and Repair Services - Vehicles	28,103
Postal Charges	2,308
Travel	924
Other Contracted Services	8,293
Custodial Supplies	3,579
Drugs and Medical Supplies	39,595
Gasoline	35,540
Office Supplies	11,756
Uniforms	7,268
Utilities	14,214
Refunds	10,728

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Motor Vehicles	\$ 460,088	
Total Ambulance/Emergency Medical Services		\$ 1,548,140

Crippled Children Services

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

Other Local Health Services

Medical Personnel	\$ 29,528	
Social Security	942	
State Retirement	705	
Medical Insurance	1,500	
Unemployment Compensation	207	
Employer Medicare	220	
Travel	3,420	
Instructional Supplies and Materials	9,546	
Total Other Local Health Services		46,068

Appropriation to State

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

Other Local Welfare Services

Contributions	\$ 17,500	
Total Other Local Welfare Services		17,500

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 25,792
Other Salaries and Wages	12,636
Social Security	2,302
State Retirement	1,532
Medical Insurance	3,000
Unemployment Compensation	463
Employer Medicare	538
Communication	935
Postal Charges	132
Travel	1,887
Office Supplies	1,194
Utilities	18,488

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Adult Activities (Cont.)

Office Equipment	\$ 500	
Total Adult Activities		\$ 69,399

Libraries

Supervisor/Director	\$ 27,040	
Librarians	44,408	
Social Security	4,421	
State Retirement	3,988	
Medical Insurance	3,000	
Unemployment Compensation	758	
Employer Medicare	1,034	
Communication	1,176	
Data Processing Services	425	
Maintenance and Repair Services - Buildings	5,648	
Maintenance and Repair Services - Equipment	500	
Postal Charges	326	
Travel	794	
Utilities	9,511	
Other Supplies and Materials	3,000	
Total Libraries		106,029

Parks and Fair Boards

Contributions	\$ 843	
Maintenance and Repair Services - Equipment	2,760	
Gasoline	97	
Total Parks and Fair Boards		3,700

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$ 3,257	
Contributions	55,824	
Custodial Supplies	174	
Office Supplies	3,091	
Office Equipment	2,469	
Total Agriculture Extension Service		64,815

Soil Conservation

Contributions	\$ 28,183	
Total Soil Conservation		28,183

(Continued)

Exhibit J-8

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

General Fund (Cont.)

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

Other Charges	\$ 518	
Total Other Economic and Community Development		518

Veterans' Services

Supervisor/Director	\$ 14,150	
Social Security	877	
State Retirement	841	
Unemployment Compensation	189	
Employer Medicare	205	
Communication	806	
Contracts with Government Agencies	8,082	
Contributions	500	
Data Processing Services	450	
Postal Charges	276	
Travel	847	
Office Supplies	773	
Other Supplies and Materials	1,783	
Office Equipment	221	
Total Veterans' Services		30,000

Contributions to Other Agencies

Contributions	\$ 13,325	
Dues and Memberships	12,185	
Remittance of Revenue Collected	23,267	
Total Contributions to Other Agencies		48,777

ARRA Grant No. 6

Motor Vehicles	\$ 20,297	
Total ARRA Grant No. 6		20,297

Miscellaneous

Data Processing Services	\$ 12,206	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous (Cont.)

Road Signs	\$	5,486	
Liability Insurance		61,666	
Trustee's Commission		58,084	
Vehicle and Equipment Insurance		47,745	
Workers' Compensation Insurance		60,254	
Other Charges		38,201	
Other Capital Outlay		130,000	
Total Miscellaneous			\$ 413,642

Total General Fund

\$ 6,525,588

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Assistant(s)	\$	42,150	
Supervisor/Director		35,482	
Social Security		4,710	
State Retirement		3,213	
Medical Insurance		2,974	
Unemployment Compensation		614	
Employer Medicare		1,102	
Communication		4,138	
Maintenance and Repair Services - Office Equipment		128	
Postal Charges		912	
Printing, Stationery, and Forms		75	
Travel		1,866	
Office Supplies		732	
Other Supplies and Materials		2,703	
Office Equipment		400	
Total Sanitation Management			\$ 101,199

Sanitation Education/Information

Advertising	\$	3,021	
Instructional Supplies and Materials		5,430	
Other Supplies and Materials		4,267	
Total Sanitation Education/Information			12,718

Waste Pickup

Truck Drivers	\$	85,303	
Laborers		39,274	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Social Security	\$	5,411	
State Retirement		2,634	
Medical Insurance		3,000	
Unemployment Compensation		846	
Employer Medicare		1,265	
Communication		565	
Maintenance and Repair Services - Vehicles		49,839	
Permits		75	
Gasoline		31,361	
Tires and Tubes		5,715	
Uniforms		241	
Other Supplies and Materials		2,962	
Solid Waste Equipment		319,972	
Total Waste Pickup			\$ 548,463

Convenience Centers

Supervisor/Director	\$	25,168	
Paraprofessionals		10,508	
Equipment Operators - Heavy		29,869	
Attendants		242,062	
Social Security		20,030	
State Retirement		8,712	
Medical Insurance		1,276	
Unemployment Compensation		3,954	
Employer Medicare		4,684	
Communication		4,226	
Maintenance and Repair Services - Equipment		5,130	
Permits		1,000	
Uniforms		3,696	
Utilities		9,091	
Other Supplies and Materials		8,447	
Site Development		686	
Other Equipment		9,900	
Total Convenience Centers			388,439

Problem Waste Centers

Advertising	\$	2,058	
Other Supplies and Materials		2,990	
Total Problem Waste Centers			5,048

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Other Waste Collection

Other Supplies and Materials	\$ 4,949	
Total Other Waste Collection		\$ 4,949

Recycling Center

Foremen	\$ 25,298	
Truck Drivers	64,380	
Laborers	37,808	
Social Security	8,981	
State Retirement	6,059	
Unemployment Compensation	1,293	
Employer Medicare	2,100	
Communication	1,026	
Contracts with Private Agencies	30,698	
Maintenance and Repair Services - Buildings	11,059	
Maintenance and Repair Services - Equipment	326	
Maintenance and Repair Services - Vehicles	1,453	
Travel	630	
Gasoline	9,473	
Tires and Tubes	85	
Uniforms	2,408	
Utilities	7,615	
Other Supplies and Materials	4,685	
Other Equipment	21,850	
Total Recycling Center		237,227

Landfill Operation and Maintenance

Contracts with Private Agencies	\$ 348,225	
Total Landfill Operation and Maintenance		348,225

Postclosure Care Costs

Communication	\$ 681	
Engineering Services	7,850	
Maintenance and Repair Services - Equipment	25	
Utilities	386	
Other Supplies and Materials	742	
Total Postclosure Care Costs		9,684

Other Operations

Other Charges

Liability Insurance	\$ 4,053	
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(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$	13,344	
Vehicle and Equipment Insurance		7,527	
Workers' Compensation Insurance		24,462	
Total Other Charges			\$ 49,386

Employee Benefits

Medical and Dental Services	\$	500	
Total Employee Benefits			500

Total Solid Waste/Sanitation Fund \$ 1,705,838

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries and Wages	\$	16,307	
Social Security		1,011	
State Retirement		825	
Unemployment Compensation		71	
Employer Medicare		237	
Confidential Drug Enforcement Payments		6,000	
Maintenance and Repair Services - Equipment		1,261	
Veterinary Services		856	
Other Contracted Services		1,071	
Animal Food and Supplies		1,222	
Law Enforcement Supplies		1,432	
Other Charges		50	
Principal on Capital Leases		13,836	
Interest on Capital Leases		776	
Law Enforcement Equipment		4,132	
Total Drug Enforcement			\$ 49,087

Public Health and Welfare

Alcohol and Drug Programs

Contributions	\$	10,000	
Total Alcohol and Drug Programs			10,000

Total Drug Control Fund 59,087

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,527	
Clerical Personnel		61,498	
Social Security		7,302	
State Retirement		7,427	
Employer Medicare		1,708	
Communication		6,634	
Dues and Memberships		3,226	
Licenses		105	
Postal Charges		164	
Travel		67	
Other Contracted Services		252	
Custodial Supplies		957	
Office Supplies		793	
Other Charges		2,786	
Total Administration			\$ 156,446

Highway and Bridge Maintenance

Foremen	\$	94,140	
Equipment Operators		72,940	
Truck Drivers		43,874	
Laborers		224,648	
Social Security		25,834	
State Retirement		23,091	
Employer Medicare		6,042	
Rentals		4,050	
Other Contracted Services		25,610	
Asphalt - Cold Mix		6,030	
Asphalt - Hot Mix		211	
Asphalt - Liquid		121,889	
Crushed Stone		169,371	
Other Road Supplies		2,732	
Pipe - Metal		9,873	
Road Signs		7,126	
Salt		26,772	
Other Charges		3,377	
Total Highway and Bridge Maintenance			867,610

Operation and Maintenance of Equipment

Foremen	\$	32,372	
Mechanic(s)		32,765	

(Continued)

## Exhibit J-8

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.)

Nightwatchmen	\$	19,501	
Social Security		4,579	
State Retirement		5,009	
Employer Medicare		1,071	
Freight Expenses		1,089	
Maintenance and Repair Services - Vehicles		13,600	
Diesel Fuel		81,342	
Electricity		5,885	
Equipment and Machinery Parts		75,469	
Garage Supplies		4,015	
Gasoline		26,292	
Lubricants		7,221	
Natural Gas		603	
Tires and Tubes		29,177	
Other Supplies and Materials		5,844	
Other Charges		3,318	
Total Operation and Maintenance of Equipment			\$ 349,152

Quarry Operations

Operating Lease Payments	\$	6,000	
Licenses		3,258	
Electricity		960	
Other Charges		350	
Total Quarry Operations			10,568

Other Charges

Water and Sewer	\$	214	
Liability Insurance		28,073	
Premiums on Corporate Surety Bonds		582	
Trustee's Commission		17,277	
Workers' Compensation Insurance		29,382	
Other Charges		36,287	
Total Other Charges			111,815

Employee Benefits

Medical Insurance	\$	37,064	
Unemployment Compensation		8,116	
Total Employee Benefits			45,180

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Building Improvements	\$	591	
Communication Equipment		1,000	
Highway Construction		400,392	
Highway Equipment		71,774	
Total Capital Outlay			\$ 473,757

Principal on Debt

Highways and Streets

Principal on Notes	\$	250,000	
Principal on Capital Leases		6,113	
Total Highways and Streets			256,113

Interest on Debt

Highways and Streets

Interest on Notes	\$	3,811	
Interest on Capital Leases		1,130	
Total Highways and Streets			4,941

Total Highway/Public Works Fund \$ 2,275,582

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	73,564	
Principal on Other Loans		43,000	
Total General Government			\$ 116,564

Education

Principal on Other Loans	\$	430,000	
Total Education			430,000

Interest on Debt

General Government

Interest on Notes	\$	1,603	
Interest on Other Loans		3,266	
Total General Government			4,869

Education

Interest on Other Loans	\$	96,492	
Total Education			96,492

(Continued)

Exhibit J-8

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	\$	7,418	
Other Debt Service		<u>6,822</u>	
Total General Government			\$ 14,240
 <u>Education</u>			
Other Debt Service	\$	<u>32,433</u>	
Total Education			<u>32,433</u>
Total General Debt Service Fund			\$ 694,598
 <u>Community Development/Industrial Park Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Engineering Services	\$	14,375	
Other Contracted Services		11,000	
Other Capital Outlay		<u>290,590</u>	
Total Other General Government Projects			<u>\$ 315,965</u>
Total Community Development/Industrial Park Fund			315,965
 <u>Other Capital Projects Fund</u>			
<u>Capital Projects - Donated</u>			
<u>Capital Projects Donated to School Department</u>			
Contributions	\$	<u>477,435</u>	
Total Capital Projects Donated to School Department			<u>\$ 477,435</u>
Total Other Capital Projects Fund			<u>477,435</u>
Total Governmental Funds - Primary Government			<u>\$ 12,054,093</u>

Exhibit J-9

Fentress County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	5,019,154	
Career Ladder Program		71,460	
Career Ladder Extended Contracts		46,900	
Educational Assistants		328,779	
Other Salaries and Wages		121,119	
Certified Substitute Teachers		61,608	
Non-certified Substitute Teachers		64,126	
Social Security		335,088	
State Retirement		351,883	
Medical Insurance		877,314	
Unemployment Compensation		5,679	
Employer Medicare		78,399	
Maintenance and Repair Services - Equipment		94,579	
Instructional Supplies and Materials		282,843	
Textbooks		223,848	
Other Supplies and Materials		83,933	
Other Charges		8,572	
Regular Instruction Equipment		84,455	
Total Regular Instruction Program			\$ 8,139,739

Alternative Instruction Program

Teachers	\$	80,476	
Social Security		4,746	
State Retirement		5,166	
Medical Insurance		12,724	
Unemployment Compensation		33	
Employer Medicare		1,110	
Total Alternative Instruction Program			104,255

Special Education Program

Teachers	\$	360,344
Career Ladder Program		5,955
Career Ladder Extended Contracts		1,400
Educational Assistants		82,495
Speech Pathologist		40,125
Certified Substitute Teachers		1,413
Non-certified Substitute Teachers		2,175
Social Security		28,841
State Retirement		30,074

(Continued)

Exhibit J-9

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.)

Medical Insurance	\$	76,929	
Unemployment Compensation		628	
Employer Medicare		6,745	
Other Contracted Services		15,000	
Instructional Supplies and Materials		62,687	
Other Supplies and Materials		658	
Other Charges		4,929	
Special Education Equipment		13,318	
Total Special Education Program			\$ 733,716

Vocational Education Program

Teachers	\$	104,740	
Career Ladder Program		2,000	
Social Security		6,500	
State Retirement		6,853	
Medical Insurance		18,091	
Unemployment Compensation		66	
Employer Medicare		1,520	
Instructional Supplies and Materials		4,656	
Total Vocational Education Program			144,426

Adult Education Program

Teachers	\$	10,470	
Career Ladder Program		1,000	
Other Salaries and Wages		12,623	
Social Security		1,131	
State Retirement		420	
Medical Insurance		94	
Unemployment Compensation		86	
Employer Medicare		340	
Other Contracted Services		11,556	
Instructional Supplies and Materials		12,351	
Total Adult Education Program			50,071

Support Services

Attendance

Supervisor/Director	\$	59,556	
Career Ladder Program		1,000	
Other Salaries and Wages		35,136	

(Continued)

Exhibit J-9

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.)

Social Security	\$	5,933	
State Retirement		5,801	
Medical Insurance		5,406	
Unemployment Compensation		98	
Employer Medicare		1,388	
Maintenance and Repair Services - Equipment		6,013	
Travel		1,386	
Total Attendance			\$ 121,717

Health Services

Supervisor/Director	\$	41,779	
Medical Personnel		120,409	
Secretary(ies)		13,914	
Social Security		10,526	
State Retirement		9,063	
Medical Insurance		8,644	
Unemployment Compensation		267	
Employer Medicare		2,462	
Travel		5,676	
Other Contracted Services		10,973	
Drugs and Medical Supplies		2,877	
Other Supplies and Materials		11,456	
Other Charges		550	
Total Health Services			238,596

Other Student Support

Career Ladder Program	\$	3,000	
Guidance Personnel		218,789	
Social Security		12,840	
State Retirement		14,239	
Medical Insurance		37,667	
Unemployment Compensation		165	
Employer Medicare		3,003	
Evaluation and Testing		6,382	
Total Other Student Support			296,085

Regular Instruction Program

Supervisor/Director	\$	62,794	
Career Ladder Program		6,400	

(Continued)

Exhibit J-9

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 (Cont.)

Career Ladder Extended Contracts	\$	1,400	
Librarians		199,572	
Materials Supervisor		61,594	
Social Security		19,793	
State Retirement		21,299	
Medical Insurance		42,051	
Unemployment Compensation		227	
Employer Medicare		4,629	
Consultants		500	
Travel		11,528	
Other Contracted Services		19,668	
Other Supplies and Materials		1,971	
In Service/Staff Development		17,269	
Other Charges		510	
Total Regular Instruction Program			\$ 471,205

Special Education Program

Supervisor/Director	\$	30,895	
Career Ladder Program		2,500	
Psychological Personnel		51,500	
Career Ladder Extended Contracts		2,800	
Social Security		5,223	
State Retirement		5,624	
Medical Insurance		4,324	
Unemployment Compensation		26	
Employer Medicare		1,223	
Travel		12,896	
In Service/Staff Development		3,617	
Other Equipment		4,660	
Total Special Education Program			125,288

Vocational Education Program

Supervisor/Director	\$	13,142	
Career Ladder Program		3,600	
Social Security		1,013	
State Retirement		1,075	
Medical Insurance		5,456	
Unemployment Compensation		8	
Employer Medicare		237	

(Continued)

Exhibit J-9

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.)

Vocational Education Program (Cont.)

Travel	\$	1,329	
Total Vocational Education Program			\$ 25,860

Adult Programs

Supervisor/Director	\$	48,015	
Social Security		2,977	
State Retirement		3,083	
Medical Insurance		5,543	
Unemployment Compensation		33	
Employer Medicare		696	
Travel		2,668	
In Service/Staff Development		710	
Total Adult Programs			63,725

Other Programs

On-Behalf Payments to OPEB	\$	97,840	
Total Other Programs			97,840

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		744	
Medical Insurance		111,459	
Employer Medicare		174	
Audit Services		5,000	
Contributions		86,500	
Dues and Memberships		4,949	
Legal Services		9,884	
Travel		2,224	
Liability Insurance		116,012	
Premiums on Corporate Surety Bonds		232	
Trustee's Commission		67,136	
Workers' Compensation Insurance		97,232	
Criminal Investigation of Applicants - TBI		5,200	
Other Charges		11,197	
Debt Service Contribution to Primary Government		300,000	
Total Board of Education			829,943

Director of Schools

County Official/Administrative Officer	\$	81,369	
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(Continued)

Exhibit J-9

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 (Cont.)

Career Ladder Program	\$	1,000	
Career Ladder Extended Contracts		1,000	
Secretary(ies)		23,560	
Social Security		6,534	
State Retirement		6,554	
Medical Insurance		12,532	
Unemployment Compensation		59	
Employer Medicare		1,528	
Communication		28,063	
Travel		3,865	
Total Director of Schools			\$ 166,064

Office of the Principal

Principals	\$	270,758	
Career Ladder Program		4,000	
Career Ladder Extended Contracts		2,800	
Secretary(ies)		187,379	
Social Security		27,750	
State Retirement		27,212	
Medical Insurance		43,928	
Unemployment Compensation		511	
Employer Medicare		6,490	
Communication		9,209	
Total Office of the Principal			580,037

Fiscal Services

Accountants/Bookkeepers	\$	48,250	
Social Security		2,631	
State Retirement		2,369	
Unemployment Compensation		73	
Employer Medicare		615	
Data Processing Services		2,899	
Travel		88	
Office Supplies		8,909	
Other Charges		7,021	
Administration Equipment		3,400	
Total Fiscal Services			76,255

(Continued)

Exhibit J-9

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

Custodial Personnel	\$	257,421	
Social Security		15,906	
State Retirement		12,150	
Unemployment Compensation		674	
Employer Medicare		3,720	
Disposal Fees		26,850	
Electricity		425,919	
Natural Gas		172,139	
Water and Sewer		25,234	
Other Supplies and Materials		103,994	
Total Operation of Plant			\$ 1,044,007

Maintenance of Plant

Supervisor/Director	\$	29,900	
Other Salaries and Wages		53,738	
Social Security		5,129	
State Retirement		4,062	
Unemployment Compensation		137	
Employer Medicare		1,200	
Other Contracted Services		40,227	
Equipment and Machinery Parts		112,557	
Other Charges		1,261	
Total Maintenance of Plant			248,211

Transportation

Supervisor/Director	\$	24,600	
Mechanic(s)		34,014	
Bus Drivers		296,030	
Social Security		21,975	
State Retirement		16,965	
Medical Insurance		14	
Unemployment Compensation		1,063	
Employer Medicare		5,139	
Contracts with Parents		9,368	
Rentals		4,197	
Equipment and Machinery Parts		12,723	
Gasoline		126,948	
Lubricants		6,892	
Tires and Tubes		15,132	

(Continued)

Exhibit J-9

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.)

Vehicle Parts	\$	58,492	
Other Supplies and Materials		4,240	
Other Charges		15,833	
Transportation Equipment		197,390	
Total Transportation			\$ 851,015

Operation of Non-Instructional Services

Early Childhood Education

Supervisor/Director	\$	30,895	
Teachers		230,804	
Educational Assistants		120,445	
Certified Substitute Teachers		3,000	
Non-certified Substitute Teachers		1,568	
Social Security		22,772	
State Retirement		20,100	
Medical Insurance		47,399	
Unemployment Compensation		635	
Employer Medicare		5,326	
Travel		7,105	
Food Supplies		6,106	
Instructional Supplies and Materials		34,280	
In Service/Staff Development		3,703	
Other Charges		1,807	
Other Equipment		42,841	
Total Early Childhood Education			578,786

Capital Outlay

Regular Capital Outlay

Architects	\$	26,223	
Building Improvements		373,271	
Total Regular Capital Outlay			399,494

Principal on Debt

Education

Principal on Bonds	\$	300,000	
Principal on Capital Leases		69,000	
Total Education			369,000

(Continued)

Exhibit J-9

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	\$ 60,417	
Total Education		\$ 60,417

Other Debt Service

Education

Other Debt Service	\$ 940	
Total Education		940

Total General Purpose School Fund		\$ 15,816,692
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 507,926	
Certified Substitute Teachers	17,804	
Non-certified Substitute Teachers	9,987	
Social Security	32,460	
State Retirement	32,609	
Medical Insurance	82,817	
Unemployment Compensation	584	
Employer Medicare	7,596	
Instructional Supplies and Materials	47,168	
Regular Instruction Equipment	214,632	
Total Regular Instruction Program		\$ 953,583

Special Education Program

Teachers	\$ 304,449	
Educational Assistants	187,273	
Certified Substitute Teachers	560	
Non-certified Substitute Teachers	3,146	
Social Security	29,453	
State Retirement	28,733	
Medical Insurance	57,212	
Unemployment Compensation	836	
Employer Medicare	6,729	
Travel	739	
Other Contracted Services	88,028	
Instructional Supplies and Materials	13,092	
Special Education Equipment	17,802	
Total Special Education Program		738,052

(Continued)

Exhibit J-9

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	\$	14,700	
Unemployment Compensation		28	
Employer Medicare		213	
Instructional Supplies and Materials		801	
Vocational Instruction Equipment		34,140	
Total Vocational Education Program			\$ 49,882

Support Services

Other Student Support

Supervisor/Director	\$	14,138	
Teachers		23,820	
Other Salaries and Wages		21,458	
Social Security		3,684	
State Retirement		3,816	
Unemployment Compensation		34	
Employer Medicare		862	
Evaluation and Testing		8,466	
Travel		17,265	
Other Contracted Services		63,429	
Instructional Supplies and Materials		36,126	
Other Supplies and Materials		75	
Other Charges		48,826	
Total Other Student Support			241,999

Regular Instruction Program

Supervisor/Director	\$	54,630
Librarians		6,122
Instructional Computer Personnel		46,345
Clerical Personnel		8,375
Other Salaries and Wages		155,179
Social Security		15,798
State Retirement		17,213
Medical Insurance		29,763
Unemployment Compensation		264
Employer Medicare		3,695
Communication		220
Travel		43,534
Other Contracted Services		28,165
Library Books/Media		99,859

(Continued)

Exhibit J-9

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.)

Periodicals	\$	416	
Other Supplies and Materials		7,494	
In Service/Staff Development		110,274	
Other Equipment		219,801	
Total Regular Instruction Program			\$ 847,147

Special Education Program

Psychological Personnel	\$	18,403	
Secretary(ies)		24,250	
Clerical Personnel		8,625	
Social Security		3,066	
State Retirement		2,865	
Medical Insurance		8,246	
Unemployment Compensation		88	
Employer Medicare		715	
Travel		1,436	
In Service/Staff Development		4,858	
Total Special Education Program			72,552

Vocational Education Program

Travel	\$	610	
Total Vocational Education Program			610

Transportation

Bus Drivers	\$	17,615	
Other Salaries and Wages		13,184	
Social Security		1,910	
State Retirement		898	
Unemployment Compensation		97	
Employer Medicare		447	
Transportation Equipment		69,090	
Total Transportation			103,241

Total School Federal Projects Fund \$ 3,007,066

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	39,428	
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(Continued)

Exhibit J-9

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.)

Secretary(ies)	\$	22,200	
Cafeteria Personnel		369,431	
Social Security		25,952	
State Retirement		20,411	
Unemployment Compensation		1,059	
Employer Medicare		6,069	
Communication		2,163	
Maintenance and Repair Services - Equipment		38,173	
Travel		4,576	
Other Contracted Services		7,596	
Food Supplies		584,982	
Uniforms		1,780	
USDA - Commodities		73,865	
Other Supplies and Materials		39,608	
Other Charges		6,075	
Food Service Equipment		6,670	
Total Food Service			\$ 1,250,038

Total Central Cafeteria Fund \$ 1,250,038

Total Governmental Funds - Fentress County School Department \$ 20,073,796

Exhibit J-10

Fentress County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 626,583
Total Cash Receipts	<u>\$ 626,583</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 620,317
Trustee's Commission	<u>6,266</u>
Total Cash Disbursements	<u>\$ 626,583</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2019	<u>0</u>
 Cash Balance, June 30, 2010	 <u><u>\$ 0</u></u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF 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

January 12, 2011

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

To the County Executive and Board of 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, 2010, which collectively comprise Fentress County's basic financial statements and have issued our report thereon dated January 12, 2011. Our report includes a reference to other auditors. 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. 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 10.01.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.02, 10.05, 10.06, 10.07, and 10.08.

## 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 10.03 and 10.04.

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, appearing to read "Justin P. Wilson". The signature is written in a cursive style with a large initial "J" and "W".

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb



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

January 12, 2011

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, 2010. 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, 2010.

#### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

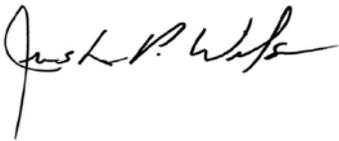
#### Schedule of Expenditures of Federal Awards

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, 2010, and have issued our report thereon dated January 12, 2011. 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 Fentress County, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Fentress County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2010

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	\$ 534,000
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	262,491
National School Lunch Program	10.555	N/A	723,768 (3)
Child Nutrition Discretionary Grants Limited Availability, Recovery Act	10.579	N/A	5,401
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	73,865 (3)
Total U.S. Department of Agriculture			<u>\$ 1,599,525</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant - State's Program	14.228	GG-08-25666-00	<u>\$ 238,731</u>
U.S. Department of Justice:			
Direct Program:			
Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to Units of Local Government	16.804	N/A	<u>\$ 20,297</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	<u>\$ 14,940</u>
Appalachian Regional Commission:			
Direct Program:			
Appalachian Area Development	23.002	N/A	\$ 258,320
Passed-through Tennessee Housing Development Agency:			
Appalachian Area Development	23.002	(2)	<u>77,300</u>
Total Appalachian Regional Commission			<u>\$ 335,620</u>
U.S. Department of Education:			
Direct Program:			
Improving Literacy Through School Libraries	84.364	N/A	\$ 320,036
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	92,425
Passed-through State Department of Education:			
Title I Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	893,783
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	404,731
Special Education Cluster:			
Special Education - Grants To States	84.027	N/A	516,569
Special Education - Grants to States, Recovery Act	84.391	N/A	371,645
Special Education - Preschool Grants	84.173	N/A	27,258
Special Education - Preschool Grants, Recovery Act	84.392	N/A	10,353
Career and Technical Education - Basic Grants to States	84.048	N/A	52,998
Safe and Drug-free Schools and Communities - State Grant	84.186	(2)	12,439
Twenty-first Century Community Learning Centers	84.287	N/A	135,121

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Education: (Cont.)			
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	\$ 9,482
Education Technology State Grants, Recovery Act	84.386	(2)	17,237
Rural Education	84.358	N/A	57,290
Improving Teacher Quality State Grants	84.367	N/A	181,345
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	429,400
State Fiscal Stabilization Fund - Government Services Recovery Act	84.397	(4)	112,163
Total U.S. Department of Education			\$ 3,644,275
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)			
Emergency Management Performance Grants	97.036	(5)	\$ 14,080
	97.042	DG-0924430-00	2,283
Total U.S. Department of Homeland Security			\$ 16,363
Total Expenditures of Federal Awards			\$ 5,869,751

State Grants		Contract Number	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	\$ 7,855
Aging Program - Upper Cumberland Development District	N/A	(2)	15,003
Rural Local Health Services - State Department of Health	N/A	(2)	46,025
Youth Services Officer Grant - State Commission on Children and Youth	N/A	(2)	11,250
Litter Program - State Department of Transportation	N/A	(2)	27,830
Local Archives Development Grant - Tennessee Secretary of State	N/A	(2)	3,500
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	15,300
Law Enforcement Training - State Department of Safety	N/A	(2)	7,800
Lottery for Education/Pre-K - State Department of Education	N/A	(2)	578,946
High Schools That Work - State Department of Education	N/A	(2)	6,000
Energy Efficient Schools Initiative - State Department of Agriculture	N/A	(2)	42,703
Total State Grants			\$ 762,212

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 \$797,633.
- (4) Coordinated School Health (\$90,000), Internet Connectivity (\$6,859), Safe Schools (\$8,600), Statewide Student Management Systems (\$6,013), Career Ladder - Extended Contract (\$1,141).
- (5) Z-08-212824-00: \$5,009; 1745-DR-TN: \$9,071.

Fentress County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2010

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is a finding from the Annual Financial Report for Fentress County, Tennessee, for the year ended June 30, 2009, which has not been corrected.

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.03	180	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, 2010**

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**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. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were 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 Community Facilities Loans and Grants Program (CFDA No. 10.766); the Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555); the Appalachian Area Development Grant (CFDA No. 23.002); the Title I Part A Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); Improving Literacy Through School Libraries (CFDA No. 84.364); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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; however, management did not provide responses for inclusion in this report.

### **OFFICE OF FINANCE DIRECTOR**

#### **FINDING 10.01      **THE HIGHWAY/PUBLIC WORKS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION****

(Internal Control – Material Weakness Under Government Auditing Standards)

At June 30, 2010, certain general ledger account balances in the Highway/Public Works Fund were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Fentress County to have adequate internal controls over the maintenance of its accounting records. Material audit adjustments were required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

#### **RECOMMENDATION**

Fentress County should have appropriate processes in place to ensure that its general ledgers are materially correct.

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#### **FINDING 10.02      **LEAVE RECORDS WERE NOT ON FILE TO SUPPORT PAYROLL DISBURSEMENTS****

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Personnel policies adopted by various county officials permit employees to accumulate earned but unused vacation, sick, and compensatory leave. However, the Finance Department did not have documentation on file to support leave for these employees and could not provide us with accrued leave balances at June 30, 2010. Leave records showing leave earned, used, and the accumulated balance are maintained by each county official; however, these records are not centrally filed. Sound business practices dictate that leave records of employees be centrally filed, and Governmental Accounting Standards Board Statement No. 34 requires that all leave should be accrued when incurred in the government-wide financial statements. However, the omission of these amounts was not considered to be material to the county's financial statements. The failure to maintain

adequate documentation of accumulated leave weakens internal controls over the payroll process, increases the risks of improper payments, and prohibits the presentation of accrued leave balances in the financial statements.

#### RECOMMENDATION

The Finance Department should maintain summary accrued leave information by account function for all county offices and departments of the general county government. These records should reflect the dollar value of the leave at the beginning of the year, amount earned, amount used, and the value of the leave at year end.

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#### FINDING 10.03      **EXPENDITURES EXCEEDED APPROPRIATIONS** (Noncompliance Under Government Auditing Standards)

Expenditures exceeded appropriations approved by the County Commission in the Miscellaneous major appropriation category (the legal level of control) of the General Fund by \$20,493 and in the Other Charges major appropriation category of the Highway/Public Works Fund by \$26,410. 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.” These deficiencies exist because management failed to stay within the spending limits authorized by the County Commission, which resulted in unauthorized expenditures, and the failure of management to correct the finding noted in the prior-year audit report.

#### RECOMMENDATION

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

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

#### FINDING 10.04      **THE EXECUTION DOCKET TRIAL BALANCE DID NOT RECONCILE WITH GENERAL LEDGER ACCOUNTS** (Noncompliance Under Government Auditing Standards)

At June 30, 2010, the circuit and general sessions courts clerk prepared a trial balance of execution docket cause balances as required by Section 18-2-104, Tennessee Code Annotated (TCA). However, the trial balance did not reconcile with the general ledger accounts by \$6,643 in Circuit Court. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-101, TCA. This statute provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer’s Office.

## RECOMMENDATION

The circuit and general sessions courts clerk should reconcile the trial balance of execution docket cause balances with the general ledger accounts.

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## OFFICE OF SHERIFF

**FINDING 10.05      TIME SHEETS DID NOT ALWAYS ACCURATELY REFLECT TIME WORKED**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Time sheets for Sheriff's Department employees did not always accurately reflect time worked. Several employees advised us that time worked in excess of 80 hours was generally not reflected on employee time sheets; instead, the sheriff would allow these employees "unofficial" time off for hours worked in excess of scheduled hours. The sheriff and many employees stated that no record of actual time worked was maintained; therefore, the actual hours employees worked could not be determined. The failure to accurately record time has implications concerning federal wage and hour laws.

## RECOMMENDATION

Employees should be paid for actual time worked based on accurate time sheets. Time sheets should be prepared and signed by each employee to document their actual time worked, and time sheets should be reviewed by supervisory personnel.

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**FINDING 10.06      EMPLOYEES RECEIVED BENEFITS THAT WERE NOT AUTHORIZED BY THE DEPARTMENT'S PERSONNEL POLICIES**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

We noted that employees received the following benefits, which were not authorized by the department's personnel policies:

- A. The sheriff paid an employee 206 hours for unused vacation leave when the employee left government service. The Sheriff's Department's personnel policies and procedures manual reveals that employees are allowed to accumulate a maximum of 192 hours of unused vacation leave. Therefore, this payment of 206 hours was 14 hours in excess of the maximum allowed hours.
- B. The sheriff allowed several employees to accumulate vacation leave in excess of the maximum number of hours allowed.

- C. The sheriff approved the transfer of sick leave between department employees. These transfers of sick leave were not authorized for by the Sheriff Department's personnel policies.

### RECOMMENDATION

The sheriff should not provide employees with benefits that are not authorized by the department's personnel policies.

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### FINDING 10.07      **THE FULL-TIME EMPLOYMENT STATUS AND PAYROLL DOCUMENTATION OF A SECRETARY ARE QUESTIONABLE** (Internal Control – Significant Deficiency Under Government Auditing Standards)

The chief deputy reviews and signs employee time sheets. The chief deputy stated that many of the signatures on time sheets for the secretary who enters the Tennessee Incident Based Reporting System (TIBRS) information were not his signature. The sheriff advised us that the department has three full-time secretarial positions. One of the three secretaries' sole responsibility is to enter information into the TIBRS system. The following details related to this secretary's employment are based on auditor interviews with the sheriff, chief deputy, other office employees, the secretary, and an examination of payroll and other records maintained at the office:

- A. The chief deputy reviews and signs employee time sheets; however, timesheets for the secretary who enters the TIBRS information were not always signed by the chief deputy. The chief deputy stated that the secretary's time sheets were rarely part of the employee time sheets given to him for approval. He did not know who was signing his name on her time sheets before they were sent to the payroll department. Furthermore, the chief deputy stated he had not seen or talked with this secretary in several years, except at the most recent Christmas party. We presented all of the time sheets for the secretary for the pay period January 1, 2009, through February 13, 2010, to the chief deputy for his examination. Although the time sheets contained a signature represented to be that of the chief deputy, the chief deputy verified that in 23 instances his signature had been forged. The gross payroll to the secretary for these 23 periods was \$19,199.
- B. Inconsistent statements were made to auditors by the sheriff and the secretary related to her work. The sheriff indicated he took reports and related paperwork from the office to the secretary's home for her to telecommute. However, the secretary advised us that she would go to the Sheriff's Office on nights and weekends to pick up reports and other paperwork and enter the TIBRS information. The secretary also stated that she has at times taken a sheriff's department computer home to work. The secretary maintains that she worked 40 hours every week.

- C. Other employees of the office were interviewed and stated that it takes less than one-half day a week to input the required daily TIBRS information. One employee advised us that she entered information on TIBRS for two months as part of her regular job responsibilities. In addition, auditors inquired with surrounding counties (Overton and Clay) and determined these counties only spent five to ten hours per week entering TIBRS information. We noted Fentress County's error rate on the Tennessee Bureau of Investigation's Quality Assurance Review of TIBRS was 57 percent, while the rate was 16 percent for Overton County and 14 percent for Clay County. Based on comparable county sheriff departments, entering TIBRS information does not appear to be a full-time position.

This finding has been discussed with the district attorney general.

### RECOMMENDATION

A written detailed job description detailing the secretary's responsibilities should be on file in the department. Accurate time sheets should be presented to and be reviewed and signed by the chief deputy to document the time worked.

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### OTHER FINDING AND RECOMMENDATION

FINDING 10.08      **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 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. 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 management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

### RECOMMENDATION

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

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## **BEST PRACTICE**

### **AN AUDIT COMMITTEE HAS NOT BEEN ESTABLISHED**

Fentress County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee could significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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

There were no findings and questioned costs for federal awards.

**FENTRESS COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2010**

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