ANNUAL FINANCIAL REPORT
FENTRESS COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2011

TENNESSEE
COMPTROLLER
OF THE TREASURY

ANNUAL FINANCIAL REPORT

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FOR THE YEAR ENDED JUNE 30, 2011

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF COUNTY AUDIT
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State Auditors

This financial report is available at www.tn.gov/comptroller

FENTRESS COUNTY, TENNESSEE
TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		6-7
INTRODUCTORY SECTION		8
Fentress County Officials		9
FINANCIAL SECTION		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16-17
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	18-19
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	20
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	21-22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	24
Notes to the Financial Statements		25-61
REQUIRED SUPPLEMENTARY INFORMATION:		62
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	63-65
Solid Waste/Sanitation Fund	E-2	66
Highway/Public Works Fund	E-3	67-68
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Fentress County School Department	E-4	69

	Exhibit	Page(s)
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Fentress County School Department	E-5	70
Notes to the Required Supplementary Information		71
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		72
Nonmajor Governmental Funds:		73
Combining Balance Sheet	F-1	74
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	75
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	F-3	76
Major Governmental Fund:		77
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	78
Fiduciary Funds:		79
Combining Statement of Fiduciary Assets and Liabilities	H-1	80
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	81
Component Unit:		
Discretely Presented Fentress County School Department:		82
Statement of Activities	I-1	83
Balance Sheet – Governmental Funds	I-2	84
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	85
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	86
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	87
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	I-6	88-90
School Federal Projects Fund	I-7	91
Central Cafeteria Fund	I-8	92
Miscellaneous Schedules:		93
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds – Primary Government and Discretely Presented Fentress County School Department	J-1	94-95

	Exhibit	Page(s)
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Fentress County School Department	J-2	96-98
Schedule of Notes Receivable – Discretely Presented Fentress County School Department	J-3	99
Schedule of Transfers – Discretely Presented Fentress County School Department	J-4	100
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Fentress County School Department	J-5	101
Schedule of Detailed Revenues – All Governmental Fund Types	J-6	102-106
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Fentress County School Department	J-7	107-108
Schedule of Detailed Expenditures – All Governmental Fund Types	J-8	109-129
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Fentress County School Department	J-9	130-141
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-10	142
SINGLE AUDIT SECTION		143
Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*		144-146
Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133		147-149
Schedule of Expenditures of Federal Awards and State Grants		150-151
Schedule of Audit Findings Not Corrected		152
Schedule of Findings and Questioned Costs		153-160
Auditee Reporting Responsibilities		161

Audit Highlights

Annual Financial Report
Fentress County, Tennessee
For the Year Ended June 30, 2011

Scope

We have audited the basic financial statements of Fentress County as of and for the year ended June 30, 2011.

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include two component units 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 seven findings and recommendations, which we have reviewed with Fentress County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings 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.
- The office had deficiencies in purchasing procedures.
- The office had deficiencies in budget operations.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- Unclaimed funds were not reported and paid to the state.
- The office did not deposit some funds within three days of collection.

OTHER FINDINGS

- Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.
- 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.

INTRODUCTORY SECTION

Fentress County Officials
June 30, 2011

Officials

Frank Smith, County Executive
Fred Blevins, Road Supervisor
Michael Jones, Director of Schools
Wanda Tompkins, 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
Tony Choate, Sheriff
Marsha Delk, Finance Director

Board of County Commissioners

Bob Pile, Chairman
Leonard Bilbrey
Ray Buck
William Campau
Lowell Findley
Rodney Lee Jones
Gary Peters
Bill Phipps
Floyd Stephens
Donal Williams

Board of Education

Gary Tinch, Chairman
Frank Campbell, Jr.
William Cody
Karen Cooper
Philip Michael Hall
Barbara Pile
Kathy Pritchett
H. Russell Stephens
Mike Stowers
Kathy Williams

Financial Management Committee

Bob Pile, Chairman
Fred Blevins, Road Supervisor
Michael Jones, Director of Schools
Frank Smith, County Executive
Leonard Bilbrey
Ray Buck
Lowell Findley

FINANCIAL SECTION

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

October 28, 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, 2011, 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 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 provides a reasonable basis for our opinions.

The financial statements of the Fentress County Emergency Communications District and the Fentress County Industrial Development Board, component units 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 Emergency

Communications District and 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 Emergency Communications District and 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, 2011, and the results of operations of the aggregate discretely presented component units, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fentress County, Tennessee, as of June 30, 2011, 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 October 28, 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. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which became effective for the year ended June 30, 2011.

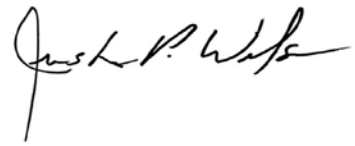
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 63 through 71 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 financial statements as a whole. 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 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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on it.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Basic Financial Statements

Exhibit A

Fentress County, Tennessee
Statement of Net Assets
June 30, 2011

	Primary Government Governmental Activities	Component Unit Fentress County School Department
ASSETS		
Cash	$ 17,524	$ 0
Equity in Pooled Cash and Investments	4,987,770	3,734,553
Accounts Receivable	803,756	9,128
Allowance for Uncollectibles	(92,376)	0
Due from Other Governments	773,688	1,328,386
Due from Component Units	9,999	0
Note Proceeds Receivable	500,000	0
Property Taxes Receivable	5,225,187	1,257,915
Allowance for Uncollectible Property Taxes	(314,522)	(84,752)
Deferred Charges - Debt Issuance Costs	30,846	35,745
Notes Receivable - Long-term	0	11,733
Capital Assets:		
Assets Not Depreciated:		
Land	5,293,759	411,763
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,595,013	12,148,514
Other Capital Assets	1,907,816	1,417,459
Infrastructure	24,694,162	0
Total Assets	$ 48,432,622	$ 20,270,444
LIABILITIES		
Accounts Payable	$ 0	$ 60,000
Accrued Payroll	0	9,311
Payroll Deductions Payable	0	272,903
Accrued Interest Payable	9,511	16,694
Claims and Judgments Payable	66,793	0
Due to State of Tennessee		1,932
Deferred Revenue - Current Property Taxes	4,666,569	1,123,433
Noncurrent Liabilities:		
Due Within One Year	1,019,286	543,275
Due in More Than One Year (net of deferred amount on refunding and unamortized premiums on debt)	7,009,143	2,983,992
Total Liabilities	$ 12,771,302	$ 5,011,540
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 34,456,746	$ 12,093,567
Restricted for:		
Debt Service	2,452,452	0
Solid Waste/Sanitation	714,571	0
Drug Control	15,366	0
Highway/Public Works	1,049,529	0
Capital Projects	11,165	0
School Federal Projects	0	133,684
Central Cafeteria	0	474,195
Other Purposes	63,638	2,191,923
Unrestricted	(3,102,147)	365,535
Total Net Assets	$ 35,661,320	$ 15,258,904

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, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Unit: Fentress County School Department
Primary Government:						
Governmental Activities:						
General Government	$ 867,304	$ 277,791	$ 18,374	$ 25,000	$ (546,139)	$ 0
Finance	895,503	370,575	0	0	(524,928)	0
Administration of Justice	698,497	295,759	9,000	0	(393,738)	0
Public Safety	2,465,145	140,950	3,000	0	(2,321,195)	0
Public Health and Welfare	2,603,028	1,617,260	78,223	0	(907,545)	0
Social, Cultural, and Recreational Services	221,892	0	15,762	11,294	(194,836)	0
Agriculture and Natural Resources	76,599	0	0	0	(76,599)	0
Other Operations	366,332	0	0	106,452	(259,880)	0
Highways/Public Works	1,632,990	0	1,795,527	279,949	442,486	0
Interest on Long-term Debt	86,479	0	0	0	(86,479)	0
Other Debt Service	273,942	0	350,000	0	76,058	0
Total Primary Government	$ 10,187,711	$ 2,702,335	$ 2,269,886	$ 422,695	$ (4,792,795)	$ 0
Component Unit:						
Fentress County School Department	$ 20,787,636	$ 255,272	$ 3,726,808	$ 0	$ 0	$ (16,805,556)
Total Component Unit	$ 20,787,636	$ 255,272	$ 3,726,808	$ 0	$ 0	$ (16,805,556)

(Continued)

Exhibit B

Fentress County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Total Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Component Unit: Fentress County School Department
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes					$ 4,289,463	$ 909,267
Property Taxes Levied for Debt Service					553,023	0
Local Option Sales Tax					934,022	1,549,556
Wheel Tax					0	398,355
Wholesale Beer Tax					217,919	0
Business Tax					82,707	0
Hotel/Motel Tax					43,880	0
Mineral Severance Tax					30,391	0
Litigation Tax - General					39,089	0
Litigation Tax - Jail, Workhouse, or Courthouse					13,107	0
Litigation Tax - Victim/Offender Mediation Center					24,720	0
Other Local Taxes					4,601	52,079
Grants and Contributions Not Restricted for Specific Programs					352,766	13,861,274
Unrestricted Investment Earnings					53,059	51,067
Sale of Equipment					36,455	800
Miscellaneous					56,290	95,556
Amortization of Debt Premium					5,318	8,573
Total General Revenues					$ 6,736,810	$ 16,926,527
Insurance Recovery					$ 0	$ 719
Change in Net Assets					$ 1,944,015	$ 121,690
Net Assets, July 1, 2010					33,717,305	15,137,214
Net Assets, June 30, 2011					$ 35,661,320	$ 15,258,904

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

Exhibit C-1

Fentress County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS						
Cash	$ 0	$ 0	$ 0	$ 0	$ 17,524	$ 17,524
Equity in Pooled Cash and Investments	1,756,518	769,094	79,053	2,356,574	26,531	4,987,770
Accounts Receivable	784,957	18,449	0	0	350	803,756
Allowance for Uncollectibles	(92,376)	0	0	0	0	(92,376)
Due from Other Governments	61,871	123,053	496,764	92,000	0	773,688
Due from Other Funds	17,874	0	0	0	0	17,874
Due from Component Units	0	0	9,999	0	0	9,999
Note Proceeds Receivable	0	0	500,000	0	0	500,000
Property Taxes Receivable	4,257,559	628,958	0	338,670	0	5,225,187
Allowance for Uncollectible Property Taxes	(286,853)	(4,851)	0	(22,818)	0	(314,522)
Total Assets	$ 6,499,550	$ 1,534,703	$ 1,085,816	$ 2,764,426	$ 44,405	$ 11,928,900
LIABILITIES AND FUND BALANCES						
Liabilities						
Claims and Judgments Payable	$ 30,506	$ 0	$ 36,287	$ 0	$ 0	$ 66,793
Due to Other Funds	0	0	0	0	17,874	17,874
Deferred Revenue - Current Property Taxes	3,802,389	561,717	0	302,463	0	4,666,569
Deferred Revenue - Delinquent Property Taxes	135,481	20,014	0	10,777	0	166,272
Other Deferred Revenues	605,547	50,000	137,224	26,000	0	818,771
Total Liabilities	$ 4,573,923	$ 631,731	$ 173,511	$ 339,240	$ 17,874	$ 5,736,279
Fund Balances						
Restricted:						
Restricted for General Government	$ 19,709	$ 0	$ 0	$ 0	$ 0	$ 19,709
Restricted for Finance	10,875	0	0	0	0	10,875
Restricted for Administration of Justice	15,172	0	0	0	0	15,172
Restricted for Public Safety	3,627	0	0	0	15,366	18,993
Restricted for Social, Cultural, and Recreational Services	11,294	0	0	0	0	11,294

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Restricted (Cont.):						
Restricted for Other Operations	$ 2,961	$ 0	$ 0	$ 0	$ 0	$ 2,961
Restricted for Highways/Public Works	0	0	628,816	0	0	628,816
Restricted for Capital Outlay	0	0	0	0	11,165	11,165
Committed:						
Committed for Public Health and Welfare	0	902,972	0	0	0	902,972
Committed for Highways/Public Works	0	0	73,188	0	0	73,188
Committed for Debt Service	0	0	0	2,425,186	0	2,425,186
Assigned:						
Assigned for Highways/Public Works	0	0	210,301	0	0	210,301
Unassigned	1,861,989	0	0	0	0	1,861,989
Total Fund Balances	$ 1,925,627	$ 902,972	$ 912,305	$ 2,425,186	$ 26,531	$ 6,192,621
Total Liabilities and Fund Balances	$ 6,499,550	$ 1,534,703	$ 1,085,816	$ 2,764,426	$ 44,405	$ 11,928,900

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, 2011

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)		$ 6,192,621
(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: buildings and improvements net of accumulated depreciation	4,595,013	
Add: infrastructure net of accumulated depreciation	24,694,162	
Add: other capital assets net of accumulated depreciation	1,907,816	36,490,750
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	$ (1,005,000)	
Less: notes payable	(1,178,669)	
Less: other loans payable	(5,357,635)	
Less: capital leases payable	(10,700)	
Less: accrued interest on bonds, notes, and other loans	(9,511)	
Add: deferred charges - debt issuance costs	30,486	
Less: premium on debt issuances	(30,486)	
Less: compensated absences payable	(185,772)	
Less: other postemployment benefits liability	(46,261)	
Less: landfill postclosure care costs	(213,546)	(8,007,094)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		985,043
Net assets of governmental activities (Exhibit A)		$ 35,661,320

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, 2011

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 4,253,330	$ 1,208,891	$ 32,660	$ 875,545	$ 0	$ 6,370,426
Licenses and Permits	15,215	0	0	0	0	15,215
Fines, Forfeitures, and Penalties	85,210	0	0	0	25,403	110,613
Charges for Current Services	1,326,249	213,165	0	0	0	1,539,414
Other Local Revenues	167,314	167,029	197,186	67,484	5,912	604,925
Fees Received from County Officials	593,578	0	0	0	0	593,578
State of Tennessee	309,006	46,996	1,970,884	0	0	2,326,886
Federal Government	7,034	0	118,480	0	106,452	231,966
Other Governments and Citizens Groups	22,800	0	0	350,000	0	372,800
Total Revenues	$ 6,779,736	$ 1,636,081	$ 2,319,210	$ 1,293,029	$ 137,767	$ 12,165,823
Expenditures						
Current:						
General Government	$ 826,116	$ 0	$ 0	$ 0	$ 0	$ 826,116
Finance	876,960	0	0	0	0	876,960
Administration of Justice	501,763	0	0	0	0	501,763
Public Safety	1,919,109	0	0	0	23,380	1,942,489
Public Health and Welfare	1,346,109	1,367,545	0	0	0	2,713,654
Social, Cultural, and Recreational Services	183,769	0	0	0	0	183,769
Agriculture and Natural Resources	73,474	0	0	0	0	73,474
Other Operations	837,889	57,214	0	0	0	895,103
Highways	0	0	2,503,037	0	0	2,503,037
Debt Service:						
Principal on Debt	0	0	51,444	1,433,707	0	1,485,151
Interest on Debt	0	0	5,251	87,851	0	93,102
Other Debt Service	0	0	0	304,788	0	304,788
Capital Projects	0	0	0	0	106,434	106,434
Total Expenditures	$ 6,565,189	$ 1,424,759	$ 2,559,732	$ 1,826,346	$ 129,814	$ 12,505,840
Excess (Deficiency) of Revenues Over Expenditures	$ 214,547	$ 211,322	$ (240,522)	$ (533,317)	$ 7,953	$ (340,017)

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Notes Issued	$ 0	$ 0	$ 1,000,000	$ 224,000	$ 0	$ 1,224,000
Refunding Debt Issued	0	0	0	1,435,000	0	1,435,000
Premiums on Debt Issued	0	0	0	36,164	0	36,164
Payments to Refunded Debt Escrow Agent	0	0	0	(1,435,000)	0	(1,435,000)
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 1,000,000	$ 260,164	$ 0	$ 1,260,164
Net Change in Fund Balances	$ 214,547	$ 211,322	$ 759,478	$ (273,153)	$ 7,953	$ 920,147
Fund Balance, July 1, 2010	1,711,080	691,650	152,827	2,698,339	18,578	5,272,474
Fund Balance, June 30, 2011	$ 1,925,627	$ 902,972	$ 912,305	$ 2,425,186	$ 26,531	$ 6,192,621

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, 2011

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)		$ 920,147
(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	$ 1,783,482	
Less: current year depreciation expense	(834,670)	948,812
(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		(151,476)
(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, 2011	$ 985,043	
Less: deferred delinquent property taxes and other deferred June 30, 2010	(997,293)	(12,250)
(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: bond proceeds	$ (1,435,000)	
Less: note proceeds	(1,224,000)	
Less: change in premium on debt issuances	(30,846)	
Add: change in deferred debt issuance costs	30,846	
Add: principal payments on bonds	430,000	
Add: payment to refunding agent	1,435,000	
Add: principal payments on notes	65,673	
Add: principal payments on other loans	983,365	
Add: capital lease principal payments	6,113	261,151
(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 payable	$ 6,623	
Change in other postemployment benefits liability	(25,339)	
Change in compensated absences payable	(3,653)	(22,369)
Change in net assets of governmental activities (Exhibit B)		$ 1,944,015

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, 2011

	Agency Funds
ASSETS	
Cash	$ 453,003
Due from Other Governments	107,026
Total Assets	$ 560,029
LIABILITIES	
Due to Other Taxing Units	$ 107,026
Due to Litigants, Heirs, and Others	453,003
Total Liabilities	$ 560,029

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, 2011

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, 2011, the county appropriated an operating subsidy of $170,600 to the district. The financial statements of the Fentress County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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, 2011, 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 $107,530 were contributed by the county to the School Department during the year ended June 30, 2011.

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 special revenue fund is used to account for transactions related to the disposal of the county's solid waste. Local taxes and general service charges are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county's Highway Department. State gasoline/fuel taxes are the foundational revenues of this fund.

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 special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – This special revenue fund is used to account for the cafeteria operations in each of the schools. Grant funds and collections from food sales are the foundational revenues of this fund.

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.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

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 3.86 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.

The Highway/Public Works Fund had note proceeds receivable of $500,000 at June 30, 2011. This receivable represents the amount of capital outlay notes that were requested but had not been received by the county at year-end. This amount was received in July 2011.

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable totaling $66,793 is discussed in Note V.B. Risk Financing Activities.

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 $5,000 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:

Buildings and Improvements	25 - 40
Other Capital Assets	5 - 30
Infrastructure	20 - 75

4. <u>Compensated Absences</u>

Most 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, except the Highway Department, allow the unlimited accumulation of sick leave. The Highway Department does not offer sick leave to its employees. There is no liability for unpaid accumulated sick leave in the primary government since Fentress County does not have a policy to pay any amounts when employees separate from service with the government. The Fentress County School Department reports a liability for unpaid accumulated sick leave according to its policy to pay $25 per accumulated sick leave day when employees separate from service with the School Department. 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 $2,191,923 with the primary restriction being for the Basic Education Program totaling $2,172,695.

As of June 30, 2011, Fentress County had $5,518,000 in outstanding debt for capital purposes for the discretely presented Fentress County School Department. This debt is a liability of Fentress County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Fentress County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The county's Budget/Finance Committee and the Board of Education are authorized bodies to make assignments.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

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 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.

At June 30, 2011, Fentress County reported significant encumbrances of $210,301 in the Highway/Public Works Fund for various road projects.

B. <u>Cash Shortage – Prior Years</u>

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. On September 24, 2008, the captain 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 made only 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. Therefore, at June 30, 2011, the balance of restitution owed to Fentress County remained $544.

C. Appropriations Exceeded Estimated Available Funding

The budget and subsequent amendments approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funding by $4,969. Sound budgetary principles dictate that appropriations be held within estimated available funding.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Community Services major appropriation category (the legal level of control) of the General Purpose School Fund by $57,978. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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, 2011.

B. Notes Receivable

The General Purpose School Fund had a long-term note receivable of $11,733 on June 30 2011. 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, 2011, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	$ 5,293,759	$ 0	$ 0	$ 5,293,759
Total Capital Assets Not Depreciated	$ 5,293,759	$ 0	$ 0	$ 5,293,759
Capital Assets Depreciated:				
Buildings and Improvements	$ 7,220,539	$ 383,040	$ 0	$ 7,603,579
Infrastructure	28,490,934	1,239,541	0	29,730,475
Other Capital Assets	4,913,184	160,901	(498,147)	4,575,938
Total Capital Assets Depreciated	$ 40,624,657	$ 1,783,482	$ (498,147)	$ 41,909,992
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 2,856,961	$ 151,605	$ 0	$ 3,008,566
Infrastructure	4,711,709	324,604	0	5,036,313
Other Capital Assets	2,656,332	358,461	(346,671)	2,668,122
Total Accumulated Depreciation	$ 10,225,002	$ 834,670	$ (346,671)	$ 10,713,001
Total Capital Assets Depreciatied, Net	$ 30,399,655	$ 948,812	$ (151,476)	$ 31,196,991
Governmental Activities Capital Assets, Net	$ 35,693,414	$ 948,812	$ (151,476)	$ 36,490,750

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

Governmental Activities:

General Government	$ 4,625
Public Safety	166,605
Public Health and Welfare	228,205
Social, Cultural, and Recreational Services	21,421
Agriculture and Natural Resources	942
Other Operations	17,176
Highways/Public Works	395,696
Total Depreciation Expense - Governmental Activities	$ 834,670

Discretely Presented Fentress County School Department

Governmental Activities:

	Balance 7-1-10	Increases	Decreases	Balance 6-30-11
Capital Assets Not Depreciated:				
Land	$ 411,763	$ 0	$ 0	$ 411,763
Total Capital Assets Not Depreciated	$ 411,763	$ 0	$ 0	$ 411,763
Capital Assets Depreciated:				
Buildings and Improvements	$ 16,900,298	$ 83,734	$ 0	$ 16,984,032
Other Capital Assets	2,344,776	376,393	(455,194)	2,265,975
Total Capital Assets Depreciated	$ 19,245,074	$ 460,127	$ (455,194)	$ 19,250,007
Less Accumulated Depreciated For:				
Buildings and Improvements	$ 4,479,145	$ 356,373	$ 0	$ 4,835,518
Other Capital Assets	1,010,357	200,386	(362,227)	848,516
Total Accumulated Depreciation	$ 5,489,502	$ 556,759	$ (362,227)	$ 5,684,034
Total Capital Assets Depreciated, Net	$ 13,755,572	$ (96,632)	$ (92,967)	$ 13,565,973
Governmental Activities Capital Assets, Net	$ 14,167,335	$ (96,632)	$ (92,967)	$ 13,977,736

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

Governmental Activities:

Instruction	$ 365,049
Support Services	191,710
Total Depreciation Expense - Governmental Activities	$ 556,759

D. Construction Commitments

At June 30, 2011, the Highway Department had uncompleted construction contracts of approximately $210,301 for various road projects. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2011, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 17,874
Discretely Presented School Department:		
School Federal Projects	Central Cafeteria	258

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.

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary Government:	Component Unit:	
Highway/Public Works	General Purpose School	$ 9,999

The receivable in the Highway/Public Works Fund totaling $9,999 was in transit from the General Purpose School Fund at June 30, 2011.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2011, consisted of the following amount:

Discretely Presented Fentress County School Department

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	$ 17,759

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.

F. Capital Lease

Primary Government

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.

The asset acquired through this capital lease is as follows:

Asset	Governmental Activities
Machinery and Equipment	$ 30,059
Less: Accumulated Depreciation	(6,500)
Total Book Value	$ 23,559

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2011, were as follows:

Year Ending June 30	Governmental Funds
2012	$ 7,243
2013	5,432
Total Minimum Lease Payments	$ 12,675
Less: Amount Representing Interest	(1,975)
Present Value of Minimum Lease Payments	$ 10,700

G. Long-term Debt

Primary Government

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, notes and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to four years for bonds, ten years for notes, and up to 25 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in the long-term debt as of June 30, 2011, will be retired from the General Debt Service Fund.

General obligation bonds, notes, other loans, and the capital lease outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
General Obligation Bond - Refunding	2.106 %	$ 1,435,000	$ 1,005,000
Capital Outlay Note	4	1,000,000	954,669
Promissory Note	3.25	224,000	224,000
Other Loans	variable	7,000,000	5,179,000
Other Loans	4.375	492,000	178,635
Capital Lease	7	30,059	10,700

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, 2011, the variable interest rate for each loan was .13 percent, and other fees totaled approximately .25 percent (letter of credit), .08 percent (remarketing) of the outstanding loan principal, and the trustee fee was $85 per month.

Also, in prior years, Fentress County entered into a loan agreement with the Sevier County Public Building Authority. Under this loan agreement, the authority loaned Fentress County $5,300,000 for construction and renovation of an elementary school. This loan was retired with the issuance of a general obligation refunding bond in December 2010.

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 $88,000 available to the county for the purchase of five patrol cars. The loans are repayable at an interest rate of 4.375 percent.

In September 2010, the Rural Development Office of the U.S. Department of Agriculture (USDA) notified the county that it was requiring the repayment of Rural Development Grant 81-07 totaling $224,000 awarded to the county in 2002. This grant was used to purchase land for a county industrial park, and the grant agreement stipulated that the land was not to be sold. The county chose to sell the land in 2008, and as a result, the USDA demanded repayment of the grant. Under terms of the repayment plan, the county will make annual payments of principal for ten years at an interest rate of 3.25 percent. The official promissory note was dated August 15, 2011; however, the liability has been recognized as a long-term debt outstanding in the financial statements of this report because the original notification of the demand for repayment was made by the USDA in September 2010. The first payment on this liability is due in December 2011.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2011, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes Principal	Notes Interest	Notes Total
2012	$ 205,465	$ 42,176	$ 247,641
2013	213,769	33,872	247,641
2014	222,313	25,328	247,641
2015	231,201	16,440	247,641
2016	184,996	7,384	192,380
2017-2021	120,925	12,065	132,990
Total	$ 1,178,669	$ 137,265	$ 1,315,934

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Other Loans Total
2012	$ 288,306	$ 16,806	$ 19,131	$ 324,243
2013	302,680	15,100	18,286	336,066
2014	318,110	13,319	17,398	348,827
2015	319,421	11,458	16,464	347,343
2016	329,251	9,519	15,488	354,258
2017-2021	1,840,867	28,792	60,971	1,930,630
2022-2026	1,959,000	7,678	25,612	1,992,290
Total	$ 5,357,635	$ 102,672	$ 173,350	$ 5,633,657

Year Ending June 30	Bond Principal	Bond Interest	Bond Total
2012	$ 415,000	$ 30,150	$ 445,150
2013	430,000	17,700	447,700
2014	160,000	4,800	164,800
Total	$ 1,005,000	$ 52,650	$ 1,057,650

There is $2,425,186 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $56, based on the 2010 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled $421, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2011, was as follows:

Governmental Activities:

	Notes	Other Loans	Bond
Balance, July 1, 2010	$ 20,342	$ 7,776,000	$ 0
Additions	1,224,000	0	1,435,000
Deductions	(65,673)	(2,418,365)	(430,000)
Balance, June 30, 2011	$ 1,178,669	$ 5,357,635	$ 1,005,000
Balance Due Within One Year	$ 205,465	$ 288,306	$ 415,000

	Capital Lease	Compensated Absences
Balance, July 1, 2010	$ 16,813	$ 182,119
Additions	0	170,859
Deductions	(6,113)	(167,206)
Balance, June 30, 2011	$ 10,700	$ 185,772
Balance Due Within One Year	$ 6,113	$ 92,887

	Other Postemployment Benefits	Landfill Postclosure Care Costs
Balance, July 1, 2010	$ 20,922	$ 213,546
Additions	29,050	0
Deductions	(3,711)	0
Balance, June 30, 2011	$ 46,261	$ 213,546
Balance Due Within One Year	$ 0	$ 11,515

Information on landfill postclosure care costs was not available from the State Department of Solid Waste Management for the year ending June 30, 2011, as of the date of this report. Therefore, no additions or deductions are shown for this liability in the above schedule. The balance shown agrees with the prior-year report.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	$ 7,997,583
Add: Unamortized Premium on Debt	30,846
Less: Balance Due Within One Year	(1,019,286)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 7,009,143

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.

Current Refunding

On December 30, 2010, Fentress County advance refunded a school construction loan issue with a separate general obligation bond issue. The county issued $1,435,000 of general obligation refunding bonds to provide resources to retire the outstanding loan balance as of the date of issuance. As a result, the refunded loan is considered retired, and the liability has been removed from the county's long-term debt.

Discretely Presented Fentress County School Department

General Obligation Bonds, Notes, and Other Loans

The county issues capital outlay notes and other loans for the School Department to fund capital facilities and other capital outlay purchases, such as building renovations. In addition, general obligation bonds have been issued to refund other general obligation bonds.

Notes, other loans, and general obligation bonds are direct obligations and pledge the full faith and credit of the government. Notes, other loans, and general obligation bonds were issued for original terms of 12 years for notes, seven years for other loans, and six years for general obligation bonds. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes, other loans, and bonds included in long-term debt as of June 30, 2011, will be retired from the General Purpose School Fund.

The capital outlay note, other loan, and general obligation bonds outstanding as of June 30, 2011, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-11
Capital Outlay Note	4%	$ 477,435	$ 442,365
Other Loan	0	107,530	104,970
General Obligation Bonds - Refunding	3	1,950,000	1,340,000

The annual requirements to amortize the note, other loans, and bonds outstanding as of June 30, 2011, including interest payments, are presented in the following tables:

Year Ending June 30	Note		
	Principal	Interest	Total
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
2017-2021	216,180	36,347	252,527
2022	48,563	1,942	50,505
Total	$ 442,365	$ 113,192	$ 555,557

Year Ending June 30	Other Loan		
	Principal	Interest	Total
2012	$ 15,360	$ 0	$ 15,360
2013	15,360	0	15,360
2014	15,360	0	15,360
2015	15,360	0	15,360
2016	15,360	0	15,360
2017-2018	28,170	0	28,170
Total	$ 104,970	$ 0	$ 104,970

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	$ 1,340,000	$ 109,150	$ 1,449,150

Bonded debt per capita totaled $75, based on the 2010 federal census. Total debt per capital, including bonds and the capital outlay note totaled $105, based on the 2010 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, 2011, was as follows:

Governmental Activities:

	Note	Other Loan
Balance, July 1, 2010	$ 477,435	$ 0
Additions	0	107,530
Deductions	(35,070)	(2,560)
Balance, June 30, 2011	$ 442,365	$ 104,970
Balance Due Within One Year	$ 32,762	$ 15,360

	Bonds	Other Postemployment Benefits
Balance, July 1, 2010	$ 1,650,000	$ 1,074,136
Additions	0	422,553
Deductions	(310,000)	(239,643)
Balance, June 30, 2011	$ 1,340,000	$ 1,257,046
Balance Due Within One Year	$ 320,000	$ 0

	Compensated Absences
Balance, July 1, 2010	$ 173,566
	304,269
Deductions	(127,528)
Additions	
Balance, June 30, 2011	$ 350,307
Balance Due Within One Year	$ 175,153

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2011	$ 3,494,688
Add: Unamortized Premium on Debt	32,579
Less: Balance Due Within One Year	(543,275)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 2,983,992

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

H. On-Behalf Payments

Primary Government

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Fentress County. These payments are made by the state to the Medicare Supplement Plan, which is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2011, were $470. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

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, 2011, were $128,325 and $25,278, 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 Change

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* became effective for the year ended June 30, 2011.

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications include nonspendable, restricted, committed, assigned, and unassigned and are based on the relative strength of the constraints that control how specific amounts can be spent. Also, Statement No. 54 clarified the definitions of the General Fund and the special revenue, capital projects, debt service, and permanent fund types. Fentress County and the Fentress County School Department have implemented provisions of this statement in the financial statements of this report for their governmental funds.

D. Contingent Liabilities

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

E. Changes in Administration

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.

F. Landfill Postclosure Care Costs

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Fentress County closed its landfill on July 27, 1994, and has contracted with Scott County for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports postclosure care costs as expenditures in each period in which they are

incurred. The $213,546 reported as landfill postclosure care liability at June 30, 2011, represents estimated postclosure care costs based on the use of 100 percent of the landfill's capacity. Actual costs may vary from estimates due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

The Eighth Judicial District Drug Task (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighth Judicial District and the municipalities within the district. The district is composed of Fentress, Campbell, Claiborne, Scott, and Union counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Fentress County made no contributions to the DTF for the year ended June 30, 2011, and does not have an equity interest in this joint venture. Complete financial statements for the Eighth Judicial District Task Force can be obtained from its administrative office at the following address:

Administrative Office:

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

H. Retirement Commitments

Plan Description

County Employees

Employees of Fentress County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four

years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Fentress County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

School Department Employees

Employees of Fentress County School Department are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with ten 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 ten 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 School Department participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

County Employees

Fentress County government requires employees to contribute five percent of their earnable compensation to the plan. The metropolitan government is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 5.95 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

School Department Employees

The School Department requires employees to contribute five percent of their earnable compensation to the plan. The department is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2011, was 6.68 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the department is established and may be amended by the TCRS Board of Trustees

Annual Pension Cost

County Employees

For the year ended June 30, 2011, the county's annual pension cost of $239,993 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 2.5 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 ten-year period. The metropolitan government's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009, 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
6-30-11	$239,993	100%	$0
6-30-10	221,070	100	0
6-30-09	220,199	100	0

School Department Employees

For the year ended June 30, 2011, the School Department's annual pension cost of $143,542 to TCRS was equal to the School Department's required and actual contributions. The required contribution was determined as part of the July 1, 2009, 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 2.5 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 ten-year period. The 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, 2009, was 20 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
6-30-11	$143,542	100%	$0
6-30-10	105,734	100	0
6-30-09	102,852	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 $5 million, and the actuarial value of assets was $4 million, resulting in an unfunded actuarial accrued liability (UAAL) of $1 million The covered

payroll (annual payroll of active employees covered by the plan) was $4 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Department Employees

As of July 1, 2009, the most recent actuarial valuation date, the plan was 92.25 percent funded. The actuarial accrued liability for benefits was $5 million, and the actuarial value of assets was $5 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero. 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 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 annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

SCHOOL TEACHERS

Plan Description

The 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. Cost of living adjustments (COLA) are 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.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salary to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2011, was 9.05 percent of annual covered payroll. The employer contribution requirement for the 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, 2011, 2010, and 2009, were $770,081, $544,621, and $546,840, respectively, equal to the required contributions for each year.

I. 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 8-27-302, *Tennessee Code Annotated* (*TCA*), for teachers and Section 8-27-207, *TCA,* for local governments. In previous fiscal years, prior to

reaching the age of 65, all members had the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. However, as of January 1, 2010, the insurance plan structure was changed and as a result all members now have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://tennessee.gov/finance/act/cafr.html.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The 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 does provide 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, 2011, the county and the discretely presented Fentress County School Department contributed $3,711 and $239,643, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	$ 29,000	$ 420,000
Interest on the NPO	941	48,336
Adjustment to the ARC	(891)	(45,783)
Annual OPEB cost	$ 29,050	$ 422,553
Amount of contribution	(3,711)	(239,643)
Increase/decrease in NPO	$ 25,339	$ 182,910
Net OPEB obligation, 7-1-10	20,922	1,074,136
Net OPEB obligation, 6-30-11	$ 46,261	$ 1,257,046

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
6-30-11	"	29,050	13	46,261
6-30-09	Local Education Group	637,528	28	900,596
6-30-10	"	414,082	58	1,074,136
6-30-11	"	422,552	57	1,257,046

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2010, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-10	7-1-10
Actuarial accrued liability (AAL)	$ 228,000	$ 4,570,000
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 228,000	$ 4,570,000
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	9%	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, 2010, actuarial valuation for the Local Education Plan, 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) and an annual healthcare cost trend rate ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 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 Plan was ten percent for fiscal year 2011. The trend will decrease to 9.5 percent in fiscal year 2012 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. Office of Central Accounting and Budgeting

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

K. Purchasing Law

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

REQUIRED SUPPLEMENTARY INFORMATION

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 4,253,330	$ 0	$ 4,253,330	$ 4,310,866	$ 4,310,866	$ (57,536)
Licenses and Permits	15,215	0	15,215	20,800	20,800	(5,585)
Fines, Forfeitures, and Penalties	85,210	0	85,210	82,500	82,500	2,710
Charges for Current Services	1,326,249	0	1,326,249	1,262,217	1,279,192	47,057
Other Local Revenues	167,314	0	167,314	195,000	199,302	(31,988)
Fees Received from County Officials	593,578	0	593,578	628,000	612,000	(18,422)
State of Tennessee	309,006	0	309,006	597,269	603,949	(294,943)
Federal Government	7,034	0	7,034	749,000	749,000	(741,966)
Other Governments and Citizens Groups	22,800	0	22,800	22,800	22,800	0
Total Revenues	$ 6,779,736	$ 0	$ 6,779,736	$ 7,868,452	$ 7,880,409	$ (1,100,673)
Expenditures						
General Government						
County Commission	$ 115,845	$ 0	$ 115,845	$ 97,793	$ 119,365	$ 3,520
Board of Equalization	583	0	583	1,500	1,500	917
Beer Board	1,500	0	1,500	1,500	1,500	0
County Mayor/Executive	160,404	(2,500)	157,904	164,055	164,055	6,151
Election Commission	177,608	0	177,608	163,526	188,526	10,918
Register of Deeds	149,274	0	149,274	173,773	173,773	24,499
Planning	11,132	0	11,132	11,850	11,850	718
County Buildings	206,429	0	206,429	269,841	270,741	64,312
Other General Administration	470	0	470	0	470	0
Preservation of Records	2,871	0	2,871	497	3,707	836
Finance						
Accounting and Budgeting	284,055	0	284,055	281,138	284,593	538

(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 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Finance (Cont.)						
Property Assessor's Office	$ 143,475	$ 0	$ 143,475	$ 146,675	$ 146,675	$ 3,200
Reappraisal Program	27,802	0	27,802	28,637	28,637	835
County Trustee's Office	178,874	0	178,874	180,475	180,476	1,602
County Clerk's Office	242,754	0	242,754	242,361	244,162	1,408
Administration of Justice						
Circuit Court	192,840	0	192,840	206,468	206,468	13,628
General Sessions Court	126,980	0	126,980	132,904	132,904	5,924
Chancery Court	109,814	0	109,814	118,983	118,983	9,169
Juvenile Court	18,776	0	18,776	22,009	22,009	3,233
Other Administration of Justice	19,322	0	19,322	25,900	25,900	6,578
Probation Services	34,031	0	34,031	35,633	35,633	1,602
Public Safety						
Sheriff's Department	971,385	0	971,385	925,351	980,306	8,921
Administration of the Sexual Offender Registry	4,764	0	4,764	1,040	4,775	11
Jail	601,904	(700)	601,204	485,224	681,133	79,929
Fire Prevention and Control	99,866	0	99,866	109,700	113,165	13,299
Rural Fire Protection	4,967	0	4,967	754,500	754,500	749,533
Civil Defense	19,670	0	19,670	19,627	19,791	121
Rescue Squad	23,378	0	23,378	22,500	23,394	16
Other Emergency Management	170,600	0	170,600	170,600	170,600	0
County Coroner/Medical Examiner	22,575	0	22,575	20,250	24,175	1,600
Public Health and Welfare						
Local Health Center	43,893	0	43,893	41,763	50,540	6,647
Ambulance/Emergency Medical Services	1,212,331	(2,500)	1,209,831	1,207,036	1,219,805	9,974

(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 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Public Health and Welfare (Cont.)						
Alcohol and Drug Programs	$ 5,691	$ 0	$ 5,691	$ 6,013	$ 6,013	$ 322
Crippled Children Services	1,213	0	1,213	1,213	1,213	0
Other Local Health Services	31,481	0	31,481	199,100	199,100	167,619
Appropriation to State	34,000	0	34,000	34,000	34,000	0
General Welfare Assistance	0	0	0	1,500	1,500	1,500
Other Local Welfare Services	17,500	0	17,500	17,500	17,500	0
Social, Cultural, and Recreational Services						
Adult Activities	71,795	0	71,795	71,079	73,319	1,524
Libraries	108,536	0	108,536	109,296	109,296	760
Parks and Fair Boards	3,438	0	3,438	3,700	3,700	262
Agriculture and Natural Resources						
Agriculture Extension Service	44,071	0	44,071	66,591	66,591	22,520
Soil Conservation	29,403	0	29,403	29,403	29,403	0
Other Operations						
Tourism	51,409	0	51,409	51,409	51,409	0
Industrial Development	41,240	0	41,240	41,240	41,240	0
Other Economic and Community Development	723	0	723	550	940	217
Veterans' Services	31,605	0	31,605	41,102	41,102	9,497
Contributions to Other Agencies	46,607	0	46,607	27,325	47,325	718
Miscellaneous	666,305	0	666,305	1,031,000	1,027,544	361,239
Total Expenditures	$ 6,565,189	$ (5,700)	$ 6,559,489	$ 7,795,130	$ 8,155,306	$ 1,595,817
Excess (Deficiency) of Revenues Over Expenditures	$ 214,547	$ 5,700	$ 220,247	$ 73,322	$ (274,897)	$ 495,144
Net Change in Fund Balance	$ 214,547	$ 5,700	$ 220,247	$ 73,322	$ (274,897)	$ 495,144
Fund Balance, July 1, 2010	1,711,080	(5,700)	1,705,380	1,724,515	1,724,515	(19,135)
Fund Balance, June 30, 2011	$ 1,925,627	$ 0	$ 1,925,627	$ 1,797,837	$ 1,449,618	$ 476,009

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,208,891	$ 1,198,226	$ 1,198,226	$ 10,665
Charges for Current Services	213,165	215,000	215,000	(1,835)
Other Local Revenues	167,029	105,625	105,625	61,404
State of Tennessee	46,996	321,600	321,600	(274,604)
Total Revenues	$ 1,636,081	$ 1,840,451	$ 1,840,451	$ (204,370)
Expenditures				
Public Health and Welfare				
Sanitation Management	$ 107,333	$ 105,483	$ 110,495	$ 3,162
Sanitation Education/Information	12,069	11,000	12,070	1
Waste Pickup	243,006	557,592	514,586	271,580
Convenience Centers	415,469	417,529	449,679	34,210
Problem Waste Centers	6,941	5,500	7,500	559
Other Waste Collection	1,574	5,000	5,000	3,426
Recycling Center	214,088	286,458	286,458	72,370
Landfill Operation and Maintenance	359,455	398,000	398,000	38,545
Postclosure Care Costs	7,610	10,200	10,200	2,590
Other Operations				
Other Charges	56,746	54,900	57,174	428
Employee Benefits	468	0	500	32
Total Expenditures	$ 1,424,759	$ 1,851,662	$ 1,851,662	$ 426,903
Excess (Deficiency) of Revenues Over Expenditures	$ 211,322	$ (11,211)	$ (11,211)	$ 222,533
Net Change in Fund Balance	$ 211,322	$ (11,211)	$ (11,211)	$ 222,533
Fund Balance, July 1, 2010	691,650	701,112	701,112	(9,462)
Fund Balance, June 30, 2011	$ 902,972	$ 689,901	$ 689,901	$ 213,071

Exhibit E-3

Fentress County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2011

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 32,660	$ 0	$ 32,660	$ 68,000	$ 68,000	$ (35,340)
Other Local Revenues	197,186	0	197,186	15,500	181,157	16,029
State of Tennessee	1,970,884	0	1,970,884	2,154,568	2,154,568	(183,684)
Federal Government	118,480	0	118,480	0	37,500	80,980
Total Revenues	$ 2,319,210	$ 0	$ 2,319,210	$ 2,238,068	$ 2,441,225	$ (122,015)
Expenditures						
Highways						
Administration	$ 174,769	$ 0	$ 174,769	$ 181,161	$ 188,391	$ 13,622
Highway and Bridge Maintenance	1,506,628	0	1,506,628	1,055,364	1,707,102	200,474
Operation and Maintenance of Equipment	438,075	0	438,075	355,901	453,601	15,526
Quarry Operations	10,475	0	10,475	11,060	11,060	585
Other Charges	82,753	0	82,753	88,327	88,327	5,574
Employee Benefits	50,031	0	50,031	50,000	51,030	999
Capital Outlay	240,306	210,301	450,607	642,958	532,967	82,360
Principal on Debt						
Highways and Streets	51,444	0	51,444	6,114	51,614	170
Interest on Debt						
Highways and Streets	5,251	0	5,251	1,175	11,125	5,874
Total Expenditures	$ 2,559,732	$ 210,301	$ 2,770,033	$ 2,392,060	$ 3,095,217	$ 325,184
Excess (Deficiency) of Revenues Over Expenditures	$ (240,522)	$ (210,301)	$ (450,823)	$ (153,992)	$ (653,992)	$ 203,169

(Continued)

Exhibit E-3

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Notes Issued	$ 1,000,000	$ 0	$ 1,000,000	$ 0	$ 500,000	$ 500,000
Total Other Financing Sources (Uses)	$ 1,000,000	$ 0	$ 1,000,000	$ 0	$ 500,000	$ 500,000
Net Change in Fund Balance	$ 759,478	$ (210,301)	$ 549,177	$ (153,992)	$ (153,992)	$ 703,169
Fund Balance, July 1, 2010	152,827	0	152,827	189,114	189,114	(36,287)
Fund Balance, June 30, 2011	$ 912,305	$ (210,301)	$ 702,004	$ 35,122	$ 35,122	$ 666,882

Exhibit E-4

Fentress County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Fentress County School Department
June 30, 2011

(Dollar amounts in thousands)

	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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 entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method went into effect during the year of the 2007 acturial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-5

Fentress County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Fentress County School Department
June 30, 2011

(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)
PRIMARY GOVERNMENT							
Local Government Group	7-1-07	$ 0	$ 85	$ 85	0 %	$ 2,666	3 %
"	7-1-09	0	212	212	0	2,666	8
"	7-1-10	0	228	228	0	2,666	9
DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT							
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
"	7-1-10	0	4,570	4,570	0	8,122	56

FENTRESS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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 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.

At June 30, 2011, Fentress County reported significant encumbrances of $210,301 in the Highway/Public Works Fund for various road projects.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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

Capital Projects Fund

Capital Project Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Exhibit F-1

Fentress County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue Funds			Capital Projects Fund	
	Drug Control	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ 0	$ 17,524	$ 17,524	$ 0	$ 17,524
Equity in Pooled Cash and Investments	15,366	0	15,366	11,165	26,531
Accounts Receivable	0	350	350	0	350
Total Assets	$ 15,366	$ 17,874	$ 33,240	$ 11,165	$ 44,405
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	$ 0	$ 17,874	$ 17,874	$ 0	$ 17,874
Total Liabilities	$ 0	$ 17,874	$ 17,874	$ 0	$ 17,874
Fund Balances					
Restricted:					
Restricted for Public Safety	$ 15,366	$ 0	$ 15,366	$ 0	$ 15,366
Restricted for Capital Outlay	0	0	0	11,165	11,165
Total Fund Balances	$ 15,366	$ 0	$ 15,366	$ 11,165	$ 26,531
Total Liabilities and Fund Balances	$ 15,366	$ 17,874	$ 33,240	$ 11,165	$ 44,405

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, 2011

	Special Revenue Fund	Capital Projects Fund	
	Drug Control	Community Development/ Industrial Park	Total Nonmajor Governmental Funds
Revenues			
Fines, Forfeitures, and Penalties	$ 25,403	$ 0	$ 25,403
Other Local Revenues	5,912	0	5,912
Federal Government	0	106,452	106,452
Total Revenues	$ 31,315	$ 106,452	$ 137,767
Expenditures			
Current:			
Public Safety	$ 23,380	$ 0	$ 23,380
Capital Projects	0	106,434	106,434
Total Expenditures	$ 23,380	$ 106,434	$ 129,814
Excess (Deficiency) of Revenues Over Expenditures	$ 7,935	$ 18	$ 7,953
Net Change in Fund Balances	$ 7,935	$ 18	$ 7,953
Fund Balance, July 1, 2010	7,431	11,147	18,578
Fund Balance, June 30, 2011	$ 15,366	$ 11,165	$ 26,531

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 25,403	$ 15,000	$ 15,000	$ 10,403
Other Local Revenues	5,912	1,500	1,500	4,412
Total Revenues	$ 31,315	$ 16,500	$ 16,500	$ 14,815
Expenditures				
Public Safety				
Drug Enforcement	$ 23,380	$ 20,800	$ 28,900	$ 5,520
Total Expenditures	$ 23,380	$ 20,800	$ 28,900	$ 5,520
Excess (Deficiency) of Revenues Over Expenditures	$ 7,935	$ (4,300)	$ (12,400)	$ 20,335
Net Change in Fund Balance	$ 7,935	$ (4,300)	$ (12,400)	$ 20,335
Fund Balance, July 1, 2010	7,431	7,431	7,431	0
Fund Balance, June 30, 2011	$ 15,366	$ 3,131	$ (4,969)	$ 20,335

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 875,545	$ 889,680	$ 889,680	$ (14,135)
Other Local Revenues	67,484	64,380	64,380	3,104
Other Governments and Citizens Groups	350,000	350,000	350,000	0
Total Revenues	$ 1,293,029	$ 1,304,060	$ 1,304,060	$ (11,031)
Expenditures				
Principal on Debt				
General Government	$ 154,707	$ 96,666	$ 154,707	$ 0
Education	1,279,000	449,000	1,284,000	5,000
Interest on Debt				
General Government	15,317	47,368	40,443	25,126
Education	72,534	357,350	357,350	284,816
Other Debt Service				
General Government	243,034	15,641	246,536	3,502
Education	61,754	35,000	71,164	9,410
Total Expenditures	$ 1,826,346	$ 1,001,025	$ 2,154,200	$ 327,854
Excess (Deficiency) of Revenues Over Expenditures	$ (533,317)	$ 303,035	$ (850,140)	$ 316,823
Other Financing Sources (Uses)				
Notes Issued	$ 224,000	$ 0	$ 224,000	$ 0
Refunding Debt Issued	1,435,000	0	1,435,000	0
Premiums on Debt Issued	36,164	0	36,164	0
Payments to Refunded Debt Escrow Agent	(1,435,000)	0	(1,435,000)	0
Total Other Financing Sources (Uses)	$ 260,164	$ 0	$ 260,164	$ 0
Net Change in Fund Balance	$ (273,153)	$ 303,035	$ (589,976)	$ 316,823
Fund Balance, July 1, 2010	2,698,339	2,698,339	2,698,339	0
Fund Balance, June 30, 2011	$ 2,425,186	$ 3,001,374	$ 2,108,363	$ 316,823

Fiduciary Funds

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

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

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

Exhibit H-1

Fentress County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2011

	Agency Funds		
	Cities - Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 453,003	$ 453,003
Due from Other Governments	107,026	0	107,026
Total Assets	$ 107,026	$ 453,003	$ 560,029
LIABILITIES			
Due to Other Taxing Units	$ 107,026	$ 0	$ 107,026
Due to Litigants, Heirs, and Others	0	453,003	453,003
Total Liabilities	$ 107,026	$ 453,003	$ 560,029

Exhibit H-2

Fentress County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2011

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 617,892	$ 617,892	$ 0
Due from Other Governments	110,750	107,026	110,750	107,026
Total Assets	$ 110,750	$ 724,918	$ 728,642	$ 107,026
Liabilities				
Due to Other Taxing Units	$ 110,750	$ 724,918	$ 728,642	$ 107,026
Total Liabilities	$ 110,750	$ 724,918	$ 728,642	$ 107,026
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 583,533	$ 8,661,218	$ 8,791,748	$ 453,003
Accounts Receivable	5,400	0	5,400	0
Total Assets	$ 588,933	$ 8,661,218	$ 8,797,148	$ 453,003
Liabilities				
Due to Litigants, Heirs, and Others	$ 588,933	$ 8,661,218	$ 8,797,148	$ 453,003
Total Liabilities	$ 588,933	$ 8,661,218	$ 8,797,148	$ 453,003
Totals - All Agency Funds				
Assets				
Cash	$ 583,533	$ 8,661,218	$ 8,791,748	$ 453,003
Equity in Pooled Cash and Investments	0	617,892	617,892	0
Accounts Receivable	5,400	0	5,400	0
Due from Other Governments	110,750	107,026	110,750	107,026
Total Assets	$ 699,683	$ 9,386,136	$ 9,525,790	$ 560,029
Liabilities				
Due to Other Taxing Units	$ 110,750	$ 724,918	$ 728,642	$ 107,026
Due to Litigants, Heirs, and Others	588,933	8,661,218	8,797,148	453,003
Total Liabilities	$ 699,683	$ 9,386,136	$ 9,525,790	$ 560,029

Fentress County School Department

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

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

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

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

Exhibit I-1

Fentress County, Tennessee
Statement of Activities
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental Activities:				
Instruction	$ 11,934,542	$ 0	$ 1,197,005	$ (10,737,537)
Support Services	6,532,222	0	255,817	(6,276,405)
Operation of Non-Instructional Services	2,235,987	255,272	2,273,986	293,271
Interest on Long-term Debt	74,838	0	0	(74,838)
Other Debt Service	10,047	0	0	(10,047)
Total Governmental Activities	$ 20,787,636	$ 255,272	$ 3,726,808	$ (16,805,556)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				$ 909,267
Local Option Sales Taxes				1,549,556
Wheel Tax				398,355
Other Local Taxes				52,079
Grants and Contributions Not Restricted to Specific Programs				13,861,274
Unrestricted Investment Earnings				51,067
Miscellaneous				95,556
Sale of Equipment				800
Amortization of Debt Premium				8,573
Total General Revenues				$ 16,926,527
Insurance Recovery				$ 719
Change in Net Assets				$ 121,690
Net Assets, July 1, 2010				15,137,214
Net Assets, June 30, 2011				$ 15,258,904

Exhibit I-2

Fentress County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Fentress County School Department
June 30, 2011

	Major Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	Govern-mental Funds
ASSETS				
Equity in Pooled Cash and Investments	$ 3,215,020	$ 149,398	$ 370,135	$ 3,734,553
Accounts Receivable	9,127	1	0	9,128
Due from Other Governments	1,165,295	46,872	116,219	1,328,386
Due from Other Funds	0	258	0	258
Property Taxes Receivable	1,257,915	0	0	1,257,915
Allowance for Uncollectible Property Taxes	(84,752)	0	0	(84,752)
Notes Receivable - Long-term	11,733	0	0	11,733
Total Assets	$ 5,574,338	$ 196,529	$ 486,354	$ 6,257,221
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 60,000	$ 0	$ 0	$ 60,000
Accrued Payroll	1,167	8,144	0	9,311
Payroll Deductions Payable	272,903	0	0	272,903
Due to Other Funds	0	0	258	258
Due to State of Tennessee	898	0	1,034	1,932
Deferred Revenue - Current Property Taxes	1,123,433	0	0	1,123,433
Deferred Revenue - Delinquent Property Taxes	40,029	0	0	40,029
Other Deferred Revenues	133,000	0	0	133,000
Total Liabilities	$ 1,631,430	$ 8,144	$ 1,292	$ 1,640,866
Fund Balances				
Nonspendable:				
Long-term Notes Receivable	$ 11,733	$ 0	$ 0	$ 11,733
Restricted:				
Restricted for Education	7,495	38,385	485,062	530,942
Committed:				
Committed for Education	2,172,695	0	0	2,172,695
Assigned:				
Assigned for Education	0	150,000	0	150,000
Unassigned	1,750,985	0	0	1,750,985
Total Fund Balances	$ 3,942,908	$ 188,385	$ 485,062	$ 4,616,355
Total Liabilities and Fund Balances	$ 5,574,338	$ 196,529	$ 486,354	$ 6,257,221

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, 2011

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)		$ 4,616,355
(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	12,148,514	
Add: other capital assets net of accumulated depreciation	1,417,459	13,977,736
(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	$ (442,365)	
Less: other loans payable	(104,970)	
Less: bonds payable	(1,340,000)	
Less: other postemployment benefits liability	(1,257,046)	
Less: compensated absences payable	(350,306)	
Less: accrued interest payable	(16,694)	
Less: other deferred revenue - premium on debt	(32,580)	
Add: deferred charges - debt issuance costs	35,745	(3,508,216)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		173,029
Net assets of governmental activities (Exhibit A)		$ 15,258,904

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, 2011

	Major Funds			
	General Purpose School	School Federal Projects	Central Cafeteria	Total Governmental Funds
Revenues				
Local Taxes	$ 2,911,043	$ 0	$ 0	$ 2,911,043
Licenses and Permits	1,254	0	0	1,254
Charges for Current Services	0	0	255,272	255,272
Other Local Revenues	201,390	0	15,665	217,055
State of Tennessee	13,111,844	0	14,688	13,126,532
Federal Government	582,150	2,685,270	1,133,205	4,400,625
Total Revenues	$ 16,807,681	$ 2,685,270	$ 1,418,830	$ 20,911,781
Expenditures				
Current:				
Instruction	$ 9,404,462	$ 1,719,118	$ 0	$ 11,123,580
Support Services	5,459,795	919,820	0	6,379,615
Operation of Non-Instructional Services	952,632	0	1,300,480	2,253,112
Capital Outlay	408,544	0	0	408,544
Debt Service:				
Principal on Debt	347,630	0	0	347,630
Interest on Debt	66,686	0	0	66,686
Other Debt Service	640	0	0	640
Total Expenditures	$ 16,640,389	$ 2,638,938	$ 1,300,480	$ 20,579,807
Excess (Deficiency) of Revenues Over Expenditures	$ 167,292	$ 46,332	$ 118,350	$ 331,974
Other Financing Sources (Uses)				
Other Loans Issued	$ 107,530	$ 0	$ 0	$ 107,530
Insurance Recovery	719	0	0	719
Transfers In	17,759	0	0	17,759
Transfers Out	0	(17,759)	0	(17,759)
Total Other Financing Sources (Uses)	$ 126,008	$ (17,759)	$ 0	$ 108,249
Net Change in Fund Balances	$ 293,300	$ 28,573	$ 118,350	$ 440,223
Fund Balance, July 1, 2010	3,649,608	159,812	366,712	4,176,132
Fund Balance, June 30, 2011	$ 3,942,908	$ 188,385	$ 485,062	$ 4,616,355

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, 2011

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)		$ 440,223
(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	$ 460,127	
Less: current-year depreciation expense	(556,759)	(96,632)
(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		(92,967)
(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, 2011	$ 173,029	
Less: deferred delinquent property taxes and other deferred June 30, 2010	(173,426)	(397)
(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:		
Add: principal payments on notes	$ 35,070	
Add: principal payments on other loans	2,560	
Add: principal payments on bonds	310,000	
Less: other loan proceeds	(107,530)	
Add: premium on debt proceeds	8,573	
Less: deferred debt issuance costs	(9,407)	239,266
(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 bonds	$ 266	
Change in accrued interest on notes	(8,418)	
Change in other postemployment benefits liability	(182,910)	
Change in compensated absences payable	(176,741)	(367,803)
Change in net assets of governmental activities (Exhibit B)		$ 121,690

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, 2011

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 2,911,043	$ 0	$ 2,911,043	$ 2,969,974	$ 2,969,974	$ (58,931)
Licenses and Permits	1,254	0	1,254	1,500	1,500	(246)
Other Local Revenues	201,390	0	201,390	168,000	168,000	33,390
State of Tennessee	13,111,844	0	13,111,844	12,718,820	12,899,927	211,917
Federal Government	582,150	0	582,150	210,670	502,566	79,584
Total Revenues	$ 16,807,681	$ 0	$ 16,807,681	$ 16,068,964	$ 16,541,967	$ 265,714
Expenditures						
Instruction						
Regular Instruction Program	$ 8,282,202	$ 0	$ 8,282,202	$ 8,685,340	$ 8,653,610	$ 371,408
Alternative Instruction Program	115,570	0	115,570	111,275	117,345	1,775
Special Education Program	810,439	0	810,439	933,650	933,650	123,211
Vocational Education Program	140,686	0	140,686	153,650	165,770	25,084
Adult Education Program	55,565	0	55,565	75,360	96,260	40,695
Support Services						
Attendance	132,238	0	132,238	130,705	134,245	2,007
Health Services	238,491	0	238,491	268,950	268,950	30,459
Other Student Support	302,705	0	302,705	329,650	329,650	26,945
Regular Instruction Program	485,577	0	485,577	536,430	536,430	50,853
Special Education Program	125,331	0	125,331	142,665	142,665	17,334
Vocational Education Program	889	0	889	12,035	12,035	11,146
Adult Programs	69,215	0	69,215	78,310	78,310	9,095
Other Programs	153,603	0	153,603	0	153,603	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)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Support Services (Cont.)						
Board of Education	$ 783,222	$ 0	$ 783,222	$ 544,550	$ 844,550	$ 61,328
Director of Schools	168,463	0	168,463	171,500	171,500	3,037
Office of the Principal	592,860	0	592,860	619,300	619,300	26,440
Fiscal Services	76,111	0	76,111	86,560	86,560	10,449
Operation of Plant	1,040,756	0	1,040,756	1,174,800	1,174,800	134,044
Maintenance of Plant	316,970	0	316,970	409,900	409,900	92,930
Transportation	973,364	0	973,364	1,001,964	1,011,964	38,600
Operation of Non-Instructional Services						
Community Services	356,478	0	356,478	0	298,500	(57,978)
Early Childhood Education	596,154	0	596,154	596,516	596,515	361
Capital Outlay						
Regular Capital Outlay	408,544	(260,588)	147,956	200,000	200,000	52,044
Principal on Debt						
Education	347,630	0	347,630	670,100	370,100	22,470
Interest on Debt						
Education	66,686	0	66,686	66,750	66,750	64
Other Debt Service						
Education	640	0	640	1,000	1,000	360
Total Expenditures	$ 16,640,389	$ (260,588)	$ 16,379,801	$ 17,000,960	$ 17,473,962	$ 1,094,161
Excess (Deficiency) of Revenues Over Expenditures	$ 167,292	$ 260,588	$ 427,880	$ (931,996)	$ (931,995)	$ 1,359,875

(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)	Less: Encumbrances 7/1/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Other Loans Issued	$ 107,530	$ 0	$ 107,530	$ 132,900	$ 132,900	$ (25,370)
Insurance Recovery	719	0	719	0	0	719
Transfers In	17,759	0	17,759	5,000	5,000	12,759
Total Other Financing Sources (Uses)	$ 126,008	$ 0	$ 126,008	$ 137,900	$ 137,900	$ (11,892)
Net Change in Fund Balance	$ 293,300	$ 260,588	$ 553,888	$ (794,096)	$ (794,095)	$ 1,347,983
Fund Balance, July 1, 2010	3,649,608	(260,588)	3,389,020	3,374,891	3,374,891	14,129
Fund Balance, June 30, 2011	$ 3,942,908	$ 0	$ 3,942,908	$ 2,580,795	$ 2,580,796	$ 1,362,112

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Federal Government	$ 2,685,270	$ 3,633,475	$ 4,267,804	$ (1,582,534)
Total Revenues	$ 2,685,270	$ 3,633,475	$ 4,267,804	$ (1,582,534)
Expenditures				
Instruction				
Regular Instruction Program	$ 1,026,414	$ 1,102,262	$ 1,476,917	$ 450,503
Special Education Program	638,455	696,440	758,983	120,528
Vocational Education Program	54,249	52,318	54,281	32
Support Services				
Other Student Support	291,728	327,328	500,040	208,312
Regular Instruction Program	496,286	1,319,424	1,326,418	830,132
Special Education Program	73,970	72,554	89,834	15,864
Vocational Education Program	1,943	2,666	2,666	723
Office of the Principal	21,023	1,700	27,400	6,377
Transportation	34,870	37,477	41,975	7,105
Total Expenditures	$ 2,638,938	$ 3,612,169	$ 4,278,514	$ 1,639,576
Excess (Deficiency) of Revenues Over Expenditures	$ 46,332	$ 21,306	$ (10,710)	$ 57,042
Other Financing Sources (Uses)				
Transfers Out	$ (17,759)	$ (21,307)	$ (19,377)	$ 1,618
Total Other Financing Sources (Uses)	$ (17,759)	$ (21,307)	$ (19,377)	$ 1,618
Net Change in Fund Balance	$ 28,573	$ (1)	$ (30,087)	$ 58,660
Fund Balance, July 1, 2010	159,812	1	30,087	129,725
Fund Balance, June 30, 2011	$ 188,385	$ 0	$ 0	$ 188,385

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, 2011

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 255,272	$ 290,000	$ 290,000	$ (34,728)
Other Local Revenues	15,665	24,500	24,500	(8,835)
State of Tennessee	14,688	15,000	15,000	(312)
Federal Government	1,133,205	1,027,600	1,122,460	10,745
Total Revenues	$ 1,418,830	$ 1,357,100	$ 1,451,960	$ (33,130)
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 1,300,480	$ 1,456,000	$ 1,581,260	$ 280,780
Total Expenditures	$ 1,300,480	$ 1,456,000	$ 1,581,260	$ 280,780
Excess (Deficiency) of Revenues Over Expenditures	$ 118,350	$ (98,900)	$ (129,300)	$ 247,650
Net Change in Fund Balance	$ 118,350	$ (98,900)	$ (129,300)	$ 247,650
Fund Balance, July 1, 2010	366,712	366,712	366,712	0
Fund Balance, June 30, 2011	$ 485,062	$ 267,812	$ 237,412	$ 247,650

MISCELLANEOUS SCHEDULES

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, 2011

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-10	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-11
PRIMARY GOVERNMENT									
NOTES PAYABLE									
Payable through General Debt Service Fund									
Grimsley Fire Hall	$ 59,000	3.75 %	4-30-08	6-30-11	$ 20,342	$ 0	$ 20,342	$ 0	$ 0
Rural Development Grant 81-07 Repayment	(1) 224,000	3.25	9-2-10	12-31-20	0	224,000	0	0	224,000
Total Payable through General Debt Service Fund					$ 20,342	$ 224,000	$ 20,342	$ 0	$ 224,000
Payable through Highway/Public Works Fund									
County Highway Improvements, Series 2011	1,000,000	4	3-1-11	3-1-16	0	1,000,000	45,331	0	954,669
Total Notes Payable					$ 20,342	$ 1,224,000	$ 65,673	$ 0	$ 1,178,669
OTHER LOANS PAYABLE									
Payable through General Debt Service Fund									
School Construction - Allardt	5,300,000	Variable	6-1-1998	6-1-18	$ 2,085,000	$ 0	$ 650,000	$ 1,435,000	$ 0
School Construction - Southern System Facility	6,000,000	Variable	10-25-01	5-25-26	4,712,000	0	199,000	0	4,513,000
Public Works Project	1,000,000	Variable	5-21-02	5-25-22	711,000	0	45,000	0	666,000
Community Facilities Loan - Ambulances	180,000	4.375	1-27-10	1-25-20	180,000	0	60,021	0	119,979
Community Facilities Loan - Patrol Cars	88,000	4.375	1-27-10	1-25-15	88,000	0	29,344	0	58,656
Total Other Loans Payable					$ 7,776,000	$ 0	$ 983,365	$ 1,435,000	$ 5,357,635
CAPITAL LEASES PAYABLE									
Payable through Highway/Public Works Fund									
Tractor and Cutter	30,059	7	4-25-08	3-25-13	$ 16,813	$ 0	$ 6,113	$ 0	$ 10,700
BONDS PAYABLE									
Payable through General Debt Service Fund									
General Obligation Refunding Bonds, School Construction - Allardt, Series 2010	1,435,000	2.106	12-30-10	6-1-14	$ 0	$ 1,435,000	$ 430,000	$ 0	$ 1,005,000

(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 7-1-10	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-11
DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT									
NOTES PAYABLE									
Payable through General Purpose School Fund									
School Roof Projects	$ 477,435	4 %	6-24-10	4-15-22	$ 477,435	$ 0	$ 35,070	$ 0	$ 442,365
OTHER LOAN PAYABLE									
Payable through General Purpose School Fund									
Energy Efficient Schools Initiative Loan	107,530	0	5-1-11	4-1-18	$ 0	$ 107,530	$ 2,560	$ 0	$ 104,970
BONDS PAYABLE									
Payable through General Purpose School Fund									
School Refunding Series 2009	1,950,000	3	4-30-09	4-30-15	$ 1,650,000	$ 0	$ 310,000	$ 0	$ 1,340,000

(1) The county sold a piece of property that was purchased with a Rural Development Grant in 2002. As a result, the USDA ruled that the county had violated the grant contract and must repay the grant. According to a promissory note between the entities, the county will repay this amount over ten years at 3.25 percent interest.

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	Notes Principal	Notes Interest	Notes Total
2012	$ 205,465	$ 42,176	$ 247,641
2013	213,769	33,872	247,641
2014	222,313	25,328	247,641
2015	231,201	16,440	247,641
2016	184,996	7,384	192,380
2017	22,668	3,930	26,598
2018	23,405	3,194	26,599
2019	24,165	2,433	26,598
2020	24,951	1,647	26,598
2021	25,736	861	26,597
Total	$ 1,178,669	$ 137,265	$ 1,315,934

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Other Loans Total
2012	$ 288,306	$ 16,806	$ 19,131	$ 324,243
2013	302,680	15,100	18,286	336,066
2014	318,110	13,319	17,398	348,827
2015	319,421	11,458	16,464	347,343
2016	329,251	9,519	15,488	354,258
2017	346,027	8,338	14,461	368,826
2018	359,840	7,105	13,382	380,327
2019	360,000	5,816	12,250	378,066
2020	378,000	4,469	11,062	393,531
2021	397,000	3,063	9,815	409,878
2022	417,000	2,547	8,505	428,052
2023	358,000	2,005	6,109	366,114
2024	376,000	1,539	4,927	382,466
2025	394,000	1,050	3,686	398,736
2026	414,000	538	2,386	416,924
Total	$ 5,357,635	$ 102,672	$ 173,350	$ 5,633,657

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Capital Lease Total
2012	$ 6,113	$ 1,130	$ 7,243
2013	4,587	845	5,432
Total	$ 10,700	$ 1,975	$ 12,675

(Continued)

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

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2012	$ 415,000	$ 30,150	$ 445,150
2013	430,000	17,700	447,700
2014	160,000	4,800	164,800
Total	$ 1,005,000	$ 52,650	$ 1,057,650

DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes Principal	Notes Interest	Notes Total
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	$ 442,365	$ 113,192	$ 555,557

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Total
2012	$ 15,360	$ 0	$ 15,360
2013	15,360	0	15,360
2014	15,360	0	15,360
2015	15,360	0	15,360
2016	15,360	0	15,360
2017	15,360	0	15,360
2018	12,810	0	12,810
Total	$ 104,970	$ 0	$ 104,970

(Continued)

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 (CONT.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	$ 1,340,000	$ 109,150	$ 1,449,150

Exhibit J-3

Fentress County, Tennessee
Schedule of Notes Receivable
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2011

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-11
General Purpose School Fund						
Repayment of training expenses	Michelle Wright	$ 14,133	7-1-09	3-31-21	0 %	$ 11,733
Total Notes Receivable						$ 11,733

Exhibit J-4

Fentress County, Tennessee
Schedule of Transfers
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2011

From Fund	To Fund	Purpose	Amount
School Federal Projects	General Purpose School	Indirect costs	$ 17,759
Total Transfers			$ 17,759

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, 2011

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
John Mullinix (7-1-10 through 8-31-10)	Section 8-24-102, TCA	$ 13,340	$ 100,000	Western Surety Company
Frank Smith (9-1-10 through 6-30-11)	Section 8-24-102, TCA	53,362	100,000	"
Road Supervisor	Section 8-24-102, TCA	63,527	100,000	"
Director of Schools	State Board of Education and Fentress County Board of Education	82,369 (1)	150,000	"
Trustee:				
Jerry Roysden (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,550	595,000	Western Surety Company
Wanda Tompkins (9-1-10 through 6-30-11)	Section 8-24-102, TCA	46,201	690,400	"
Assessor of Property	Section 8-24-102, TCA	57,751	15,000	"
Finance Director	County Commission	46,201	100,000	"
County Clerk	Section 8-24-102, TCA	57,751	50,000	"
Circuit Court Clerk	Section 8-24-102, TCA	57,751	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	57,751 (2)	100,000	Ohio Farmers Insurance Company
Register	Section 8-24-102, TCA	57,751	25,000	Western Surety Company
Sheriff:				
Charles Cravens (7-1-10 through 8-31-10)	Section 8-24-102, TCA	11,817	25,000	"
Tony Choate (9-1-10 through 6-30-11)	Section 8-24-102, TCA	51,710 (3)	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 a chief executive officer training supplement of $1,000.
(2) Does not include special commissioner fees of $20,861.
(3) Does not include a 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, 2011

		Special Revenue Funds			Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Local Taxes							
County Property Taxes							
Current Property Tax	$ 3,494,009	$ 552,160	$ 0	$ 0	$ 539,232	$ 0	$ 4,585,401
Trustee's Collections - Prior Year	120,987	16,201	0	0	7,584	0	144,772
Circuit/Clerk & Master Collections - Prior Years	76,471	8,691	0	0	4,346	0	89,508
Interest and Penalty	24,858	3,432	0	0	2,034	0	30,324
Payments in-Lieu-of Taxes - Other	70,791	852	0	0	896	0	72,539
County Local Option Taxes							
Local Option Sales Tax	875	617,925	0	0	315,222	0	934,022
Hotel/Motel Tax	43,880	0	0	0	0	0	43,880
Litigation Tax - General	39,089	0	0	0	0	0	39,089
Litigation Tax - Jail, Workhouse, or Courthouse	13,107	0	0	0	0	0	13,107
Litigation Tax - Victim/Offender Mediation Center	24,720	0	0	0	0	0	24,720
Business Tax	66,846	9,630	0	0	6,231	0	82,707
Mineral Severance Tax	0	0	0	30,391	0	0	30,391
Statutory Local Taxes							
Bank Excise Tax	57,446	0	0	0	0	0	57,446
Wholesale Beer Tax	217,919	0	0	0	0	0	217,919
Beer Privilege Tax	1,345	0	0	0	0	0	1,345
Coal Severance Tax	0	0	0	2,269	0	0	2,269
Interstate Telecommunications Tax	987	0	0	0	0	0	987
Total Local Taxes	$ 4,253,330	$ 1,208,891	$ 0	$ 32,660	$ 875,545	$ 0	$ 6,370,426
Licenses and Permits							
Licenses							
Cable TV Franchise	$ 14,915	$ 0	$ 0	$ 0	$ 0	$ 0	$ 14,915
Permits							
Beer Permits	300	0	0	0	0	0	300
Total Licenses and Permits	$ 15,215	$ 0	$ 0	$ 0	$ 0	$ 0	$ 15,215

(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	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Fines, Forfeitures, and Penalties							
Circuit Court							
Fines	$ 5,228	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,228
Officers Costs	7,549	0	0	0	0	0	7,549
Drug Control Fines	0	0	15,799	0	0	0	15,799
Jail Fees	100	0	0	0	0	0	100
Criminal Court							
Data Entry Fee - Criminal Court	888	0	0	0	0	0	888
General Sessions Court							
Fines	39,037	0	0	0	0	0	39,037
Officers Costs	25,023	0	0	0	0	0	25,023
Game and Fish Fines	684	0	0	0	0	0	684
Drug Control Fines	0	0	5,821	0	0	0	5,821
Data Entry Fee - General Sessions Court	2,483	0	0	0	0	0	2,483
Other Courts - In-county							
Fines	793	0	0	0	0	0	793
DUI Treatment Fines	3,157	0	0	0	0	0	3,157
Judicial District Drug Program							
Drug Task Force Forfeitures and Seizures	0	0	983	0	0	0	983
Data Entry Fee - Other Courts	268	0	0	0	0	0	268
Other Fines, Forfeitures, and Penalties							
Proceeds from Confiscated Property	0	0	2,800	0	0	0	2,800
Total Fines, Forfeitures, and Penalties	$ 85,210	$ 0	$ 25,403	$ 0	$ 0	$ 0	$ 110,613
Charges for Current Services							
General Service Charges							
Tipping Fees	$ 0	$ 213,165	$ 0	$ 0	$ 0	$ 0	$ 213,165
Patient Charges	1,271,240	0	0	0	0	0	1,271,240
Fees							
Greenbelt Late Application Fee	200	0	0	0	0	0	200
Vending Machine Collections	473	0	0	0	0	0	473
Constitutional Officers' Fees and Commissions	13,668	0	0	0	0	0	13,668

(Continued)

Exhibit J-6

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

	General	Special Revenue Funds: Solid Waste / Sanitation	Special Revenue Funds: Drug Control	Special Revenue Funds: Highway / Public Works	Debt Service Fund: General Debt Service	Capital Projects Fund: Community Development/ Industrial Park	Total
Charges for Current Services (Cont.)							
Fees (Cont.)							
Special Commissioner Fees/Special Master Fees	$ 14,906	$ 0	$ 0	$ 0	$ 0	$ 0	$ 14,906
Data Processing Fee - Register	6,780	0	0	0	0	0	6,780
Sexual Offender Registration Fees - Sheriff	3,560	0	0	0	0	0	3,560
Data Processing Fee - County Clerk	15,422	0	0	0	0	0	15,422
Total Charges for Current Services	$ 1,326,249	$ 213,165	$ 0	$ 0	$ 0	$ 0	$ 1,539,414
Other Local Revenues							
Recurring Items							
Investment Income	$ 53,059	$ 0	$ 0	$ 0	$ 0	$ 0	$ 53,059
Lease/Rentals	87,000	6,000	0	0	64,580	0	157,580
Sale of Recycled Materials	0	147,272	0	2,458	0	0	149,730
Miscellaneous Refunds	17,996	1,848	4,470	29,072	2,904	0	56,290
Nonrecurring Items							
Sale of Equipment	8,611	11,909	1,442	41,658	0	0	63,620
Contributions and Gifts	648	0	0	123,998	0	0	124,646
Total Other Local Revenues	$ 167,314	$ 167,029	$ 5,912	$ 197,186	$ 67,484	$ 0	$ 604,925
Fees Received from County Officials							
Fees in-Lieu-of Salary							
County Clerk	$ 140,730	$ 0	$ 0	$ 0	$ 0	$ 0	$ 140,730
Circuit Court Clerk	52,433	0	0	0	0	0	52,433
General Sessions Court Clerk	90,492	0	0	0	0	0	90,492
Clerk and Master	27,315	0	0	0	0	0	27,315
Register	74,943	0	0	0	0	0	74,943
Sheriff	7,110	0	0	0	0	0	7,110
Trustee	200,555	0	0	0	0	0	200,555
Total Fees Received from County Officials	$ 593,578	$ 0	$ 0	$ 0	$ 0	$ 0	$ 593,578

(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	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
State of Tennessee							
General Government Grants							
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,000
Aging Programs	8,728	0	0	0	0	0	8,728
On-Behalf Contributions for OPEB	470	0	0	0	0	0	470
Public Safety Grants							
Law Enforcement Training Programs	3,000	0	0	0	0	0	3,000
Health and Welfare Grants							
Health Department Programs	31,227	0	0	0	0	0	31,227
Public Works Grants							
Bridge Program	0	0	0	124,488	0	0	124,488
State Aid Program	0	0	0	155,461	0	0	155,461
Litter Program	0	30,274	0	0	0	0	30,274
Other State Revenues							
Income Tax	20,944	0	0	0	0	0	20,944
Beer Tax	9,387	0	0	0	0	0	9,387
Alcoholic Beverage Tax	41,302	0	0	0	0	0	41,302
Contracted Prisoner Boarding	130,280	0	0	0	0	0	130,280
Gasoline and Motor Fuel Tax	0	0	0	1,677,583	0	0	1,677,583
Petroleum Special Tax	0	0	0	13,352	0	0	13,352
Registrar's Salary Supplement	15,164	0	0	0	0	0	15,164
Other State Grants	39,504	13,722	0	0	0	0	53,226
Other State Revenues	0	3,000	0	0	0	0	3,000
Total State of Tennessee	$ 309,006	$ 46,996	$ 0	$ 1,970,884	$ 0	$ 0	$ 2,326,886
Federal Government							
Federal Through State							
Disaster Relief	$ 0	$ 0	$ 0	$ 118,480	$ 0	$ 0	$ 118,480
Other Federal through State	7,034	0	0	0	0	106,452	113,486
Total Federal Government	$ 7,034	$ 0	$ 0	$ 118,480	$ 0	$ 106,452	$ 231,966

(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	
	General	Solid Waste / Sanitation	Drug Control	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
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	$ 6,779,736	$ 1,636,081	$ 31,315	$ 2,319,210	$ 1,293,029	$ 106,452	$ 12,165,823

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, 2011

	General Purpose School	School Federal Projects	Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 841,456	$ 0	$ 0	$ 841,456
Trustee's Collections - Prior Year	40,141	0	0	40,141
Circuit/Clerk & Master Collections - Prior Years	20,280	0	0	20,280
Interest and Penalty	7,787	0	0	7,787
Payments in-Lieu-of Taxes - Other	1,389	0	0	1,389
County Local Option Taxes				
Local Option Sales Tax	1,549,556	0	0	1,549,556
Wheel Tax	398,355	0	0	398,355
Business Tax	23,793	0	0	23,793
Mineral Severance Tax	24,835	0	0	24,835
Statutory Local Taxes				
Coal Severance Tax	2,290	0	0	2,290
Interstate Telecommunications Tax	1,161	0	0	1,161
Total Local Taxes	$ 2,911,043	$ 0	$ 0	$ 2,911,043
Licenses and Permits				
Licenses				
Marriage Licenses	$ 1,254	$ 0	$ 0	$ 1,254
Total Licenses and Permits	$ 1,254	$ 0	$ 0	$ 1,254
Charges for Current Services				
Education Charges				
Lunch Payments - Children	$ 0	$ 0	$ 143,953	$ 143,953
Lunch Payments - Adults	0	0	43,949	43,949
Income from Breakfast	0	0	34,721	34,721
A la carte Sales	0	0	32,649	32,649
Total Charges for Current Services	$ 0	$ 0	$ 255,272	$ 255,272
Other Local Revenues				
Recurring Items				
Investment Income	$ 48,578	$ 0	$ 2,489	$ 51,067
Lease/Rentals	3,150	0	0	3,150
Refund of Telecommunication & Internet Fees (E-Rate)	26,880	0	0	26,880
Miscellaneous Refunds	89,499	0	13,176	102,675
Nonrecurring Items				
Sale of Equipment	12,150	0	0	12,150
Contributions and Gifts	20,730	0	0	20,730
Other Local Revenues				
Other Local Revenues	403	0	0	403
Total Other Local Revenues	$ 201,390	$ 0	$ 15,665	$ 217,055
State of Tennessee				
General Government Grants				
On-Behalf Contributions for OPEB	$ 153,603	$ 0	$ 0	$ 153,603
State Education Funds				
Basic Education Program	10,372,429	0	0	10,372,429
Basic Education Program - ARRA	1,084,435	0	0	1,084,435
Early Childhood Education	596,178	0	0	596,178

(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
State of Tennessee (Cont.)				
State Education Funds (Cont.)				
School Food Service	$ 0	$ 0	$ 14,688	$ 14,688
Energy Efficient School Initiative	9,184	0	0	9,184
Driver Education	1,999	0	0	1,999
Other State Education Funds	5,687	0	0	5,687
Coordinated School Health - ARRA	90,000	0	0	90,000
Internet Connectivity - ARRA	7,055	0	0	7,055
Statewide Student Management System (SSMS) - ARRA	6,103	0	0	6,103
Career Ladder Program	103,776	0	0	103,776
Career Ladder - Extended Contract - ARRA	43,767	0	0	43,767
Other State Revenues				
State Revenue Sharing - T.V.A.	576,256	0	0	576,256
Other State Grants	47,272	0	0	47,272
Safe Schools - ARRA	14,100	0	0	14,100
Total State of Tennessee	$ 13,111,844	$ 0	$ 14,688	$ 13,126,532
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 739,613	$ 739,613
USDA - Commodities	0	0	94,860	94,860
Breakfast	0	0	268,401	268,401
USDA - Other	0	0	30,331	30,331
Adult Education State Grant Program	96,811	1,243	0	98,054
Vocational Education - Basic Grants to States	0	52,560	0	52,560
Title I Grants to Local Education Agencies	0	1,249,528	0	1,249,528
Special Education - Grants to States	0	728,759	0	728,759
Special Education Preschool Grants	0	30,655	0	30,655
Safe and Drug-free Schools - State Grants	0	115,628	0	115,628
Rural Education	0	58,514	0	58,514
Eisenhower Professional Development State Grants	0	163,097	0	163,097
Job Training Partnership Act	0	13,757	0	13,757
Race to the Top - ARRA	0	123,561	0	123,561
Other Federal through State	428,392	80,337	0	508,729
Direct Federal Revenue				
ROTC Reimbursement	56,947	0	0	56,947
Other Direct Federal Revenue	0	67,631	0	67,631
Total Federal Government	$ 582,150	$ 2,685,270	$ 1,133,205	$ 4,400,625
Total	$ 16,807,681	$ 2,685,270	$ 1,418,830	$ 20,911,781

Exhibit J-8

Fentress County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2011

General Fund				
General Government				
County Commission				
Board and Committee Members Fees	$	66,702		
Social Security		4,135		
Employer Medicare		967		
Audit Services		11,482		
Legal Services		27,096		
Other Charges		5,463		
Total County Commission			$	115,845
Board of Equalization				
Board and Committee Members Fees	$	583		
Total Board of Equalization				583
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)		33,205		
Clerical Personnel		22,050		
Social Security		6,713		
State Retirement		4,701		
Medical Insurance		3,292		
Unemployment Compensation		461		
Employer Medicare		1,570		
Communication		2,495		
Postal Charges		1,031		
Printing, Stationery, and Forms		560		
Travel		6,433		
Office Supplies		7,660		
Premiums on Corporate Surety Bonds		450		
Other Equipment		3,081		
Total County Mayor/Executive				160,404
Election Commission				
County Official/Administrative Officer	$	51,976		
Deputy(ies)		21,892		
Clerical Personnel		3,447		
Election Commission		6,000		
Election Workers		28,695		

(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.)		
Social Security	$ 5,872	
State Retirement	4,395	
Medical Insurance	5,250	
Unemployment Compensation	892	
Employer Medicare	1,373	
Communication	1,085	
Data Processing Services	3,200	
Dues and Memberships	25	
Maintenance and Repair Services - Equipment	5,626	
Postal Charges	1,613	
Printing, Stationery, and Forms	5,109	
Travel	2,265	
Office Supplies	3,533	
Office Equipment	360	
Voting Machines	25,000	
Total Election Commission		$ 177,608
Register of Deeds		
County Official/Administrative Officer	$ 57,751	
Deputy(ies)	26,468	
Clerical Personnel	26,970	
Social Security	6,523	
State Retirement	5,041	
Medical Insurance	6,750	
Unemployment Compensation	428	
Employer Medicare	1,526	
Communication	1,232	
Data Processing Services	5,694	
Maintenance and Repair Services - Equipment	192	
Postal Charges	820	
Printing, Stationery, and Forms	888	
Travel	1,578	
Duplicating Supplies	3,883	
Office Supplies	3,430	
Premiums on Corporate Surety Bonds	100	
Total Register of Deeds		149,274
Planning		
Board and Committee Members Fees	$ 1,500	
Dues and Memberships	9,250	

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
General Government (Cont.)		
Planning (Cont.)		
Other Supplies and Materials	$ 382	
Total Planning		$ 11,132
County Buildings		
Deputy(ies)	$ 19,968	
Social Security	903	
State Retirement	1,188	
Medical Insurance	1,250	
Unemployment Compensation	162	
Employer Medicare	211	
Communication	6,612	
Maintenance and Repair Services - Buildings	58,935	
Custodial Supplies	4,763	
Utilities	112,205	
Other Supplies and Materials	232	
Total County Buildings		206,429
Other General Administration		
On-Behalf Payments to OPEB	$ 470	
Total Other General Administration		470
Preservation of Records		
Office Equipment	$ 2,871	
Total Preservation of Records		2,871
Finance		
Accounting and Budgeting		
Supervisor/Director	$ 46,201	
Accountants/Bookkeepers	150,946	
Social Security	11,217	
State Retirement	11,730	
Medical Insurance	13,458	
Unemployment Compensation	1,037	
Employer Medicare	2,623	
Communication	3,082	
Postal Charges	2,144	
Printing, Stationery, and Forms	2,455	
Travel	862	
Other Contracted Services	1,783	
Office Supplies	21,574	

(Continued)

Exhibit J-8

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

General Fund (Cont.)				
Finance (Cont.)				
Accounting and Budgeting (Cont.)				
Other Supplies and Materials	$	1,073		
Premiums on Corporate Surety Bonds		700		
Fines, Assessments, and Penalties		3,456		
Office Equipment		9,714		
Total Accounting and Budgeting			$	284,055
Property Assessor's Office				
County Official/Administrative Officer	$	57,751		
Clerical Personnel		24,388		
Part-time Personnel		20,550		
Social Security		6,160		
State Retirement		6,110		
Medical Insurance		6,000		
Unemployment Compensation		324		
Employer Medicare		1,441		
Audit Services		7,000		
Communication		911		
Contracts with Government Agencies		4,599		
Postal Charges		408		
Travel		4,256		
Office Supplies		2,217		
Premiums on Corporate Surety Bonds		300		
Office Equipment		1,060		
Total Property Assessor's Office				143,475
Reappraisal Program				
Clerical Personnel	$	19,136		
Social Security		1,114		
State Retirement		1,139		
Medical Insurance		3,000		
Unemployment Compensation		231		
Employer Medicare		260		
Data Processing Services		2,790		
Postal Charges		132		
Total Reappraisal Program				27,802
County Trustee's Office				
County Official/Administrative Officer	$	57,751		
Deputy(ies)		52,001		
Clerical Personnel		22,620		

(Continued)

Exhibit J-8

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

General Fund (Cont.)				
Finance (Cont.)				
County Trustee's Office (Cont.)				
Social Security	$	8,012		
State Retirement		7,587		
Medical Insurance		3,000		
Unemployment Compensation		776		
Employer Medicare		1,874		
Communication		1,703		
Contracts with Government Agencies		4,599		
Postal Charges		5,698		
Printing, Stationery, and Forms		1,206		
Travel		935		
Office Supplies		1,559		
Premiums on Corporate Surety Bonds		3,702		
Data Processing Equipment		5,851		
Total County Trustee's Office			$	178,874
County Clerk's Office				
County Official/Administrative Officer	$	57,751		
Deputy(ies)		100,631		
Clerical Personnel		19,968		
Social Security		10,211		
State Retirement		10,169		
Medical Insurance		12,000		
Unemployment Compensation		944		
Employer Medicare		2,388		
Communication		2,048		
Data Processing Services		13,610		
Maintenance and Repair Services - Office Equipment		2,008		
Postal Charges		5,071		
Printing, Stationery, and Forms		2,564		
Office Supplies		1,891		
Premiums on Corporate Surety Bonds		325		
Office Equipment		1,175		
Total County Clerk's Office				242,754
Administration of Justice				
Circuit Court				
County Official/Administrative Officer	$	57,751		
Deputy(ies)		60,932		
Clerical Personnel		22,308		
Jury and Witness Expense		3,805		

(Continued)

Exhibit J-8

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

General Fund (Cont.)				
Administration of Justice (Cont.)				
Circuit Court (Cont.)				
Social Security	$	9,019		
State Retirement		8,181		
Medical Insurance		4,750		
Unemployment Compensation		694		
Employer Medicare		2,109		
Communication		1,817		
Data Processing Services		8,245		
Postal Charges		3,000		
Printing, Stationery, and Forms		1,226		
Office Supplies		4,319		
Premiums on Corporate Surety Bonds		250		
Office Equipment		4,434		
Total Circuit Court			$	192,840
General Sessions Court				
Judge(s)	$	82,323		
Deputy(ies)		24,388		
Social Security		6,539		
State Retirement		6,349		
Medical Insurance		3,000		
Unemployment Compensation		162		
Employer Medicare		1,529		
Communication		1,707		
Travel		969		
Office Supplies		14		
Total General Sessions Court				126,980
Chancery Court				
County Official/Administrative Officer	$	57,751		
Deputy(ies)		25,636		
Clerical Personnel		3,763		
Social Security		4,957		
State Retirement		4,962		
Medical Insurance		6,000		
Unemployment Compensation		393		
Employer Medicare		1,159		
Communication		1,129		
Postal Charges		412		
Office Supplies		3,202		
Premiums on Corporate Surety Bonds		450		
Total Chancery Court				109,814

(Continued)

Exhibit J-8

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

General Fund (Cont.)				
Administration of Justice (Cont.)				
Juvenile Court				
Social Workers	$	15,662		
Social Security		971		
State Retirement		932		
Unemployment Compensation		172		
Employer Medicare		227		
Communication		453		
Contracts with Other Public Agencies		150		
Travel		143		
Office Supplies		66		
Total Juvenile Court			$	18,776
Other Administration of Justice				
Special Commissioner Fees/Special Master Fees	$	9,746		
Gasoline		9,576		
Total Other Administration of Justice				19,322
Probation Services				
Probation Officer(s)	$	29,000		
Social Security		1,798		
State Retirement		1,726		
Unemployment Compensation		162		
Employer Medicare		420		
Communication		230		
Gasoline		136		
Office Supplies		184		
Testing		375		
Total Probation Services				34,031
Public Safety				
Sheriff's Department				
County Official/Administrative Officer	$	63,527		
Deputy(ies)		502,407		
Salary Supplements		3,000		
Clerical Personnel		63,512		
Part-time Personnel		29,411		
Overtime Pay		6,776		
In-Service Training		18,332		
Social Security		39,945		
State Retirement		36,996		
Medical Insurance		20,429		

(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.)		
Unemployment Compensation	$ 6,549	
Employer Medicare	9,342	
Communication	15,869	
Data Processing Services	212	
Legal Notices, Recording, and Court Costs	100	
Licenses	17	
Maintenance and Repair Services - Equipment	9	
Maintenance and Repair Services - Office Equipment	1,111	
Maintenance and Repair Services - Vehicles	20,721	
Postal Charges	1,972	
Printing, Stationery, and Forms	417	
Rentals	2,680	
Travel	975	
Gasoline	94,562	
Law Enforcement Supplies	1,537	
Office Supplies	6,639	
Tires and Tubes	4,994	
Uniforms	7,330	
Other Supplies and Materials	114	
Premiums on Corporate Surety Bonds	6,736	
Law Enforcement Equipment	4,578	
Office Equipment	586	
Total Sheriff's Department		$ 971,385
Administration of the Sexual Offender Registry		
Remittance of Revenue Collected	$ 1,300	
Office Supplies	3,464	
Total Administration of the Sexual Offender Registry		4,764
Jail		
Guards	$ 209,355	
In-Service Training	654	
Social Security	12,727	
State Retirement	12,302	
Medical Insurance	9,196	
Unemployment Compensation	2,680	
Employer Medicare	2,976	
Contracts with Government Agencies	62,021	
Maintenance and Repair Services - Buildings	28,512	
Medical and Dental Services	166,090	

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
Public Safety (Cont.)		
Jail (Cont.)		
Printing, Stationery, and Forms	$ 334	
Transportation - Other than Students	459	
Travel	355	
Custodial Supplies	3,653	
Food Supplies	55,132	
Office Supplies	2,604	
Prisoners Clothing	1,053	
Utilities	14,342	
Other Supplies and Materials	4,054	
Other Charges	885	
Building Improvements	7,939	
Furniture and Fixtures	1,194	
Office Equipment	3,387	
Total Jail		$ 601,904
Fire Prevention and Control		
Other Per Diem and Fees	$ 32,214	
Contracts with Government Agencies	2,000	
Maintenance and Repair Services - Buildings	5,770	
Maintenance and Repair Services - Vehicles	4,181	
Gasoline	7,627	
Utilities	19,948	
Other Equipment	28,126	
Total Fire Prevention and Control		99,866
Rural Fire Protection		
In-Service Training	$ 4,967	
Total Rural Fire Protection		4,967
Civil Defense		
Supervisor/Director	$ 9,358	
Social Security	580	
Unemployment Compensation	170	
Employer Medicare	136	
Communication	2,149	
Maintenance and Repair Services - Vehicles	1,230	
Gasoline	2,868	
Other Supplies and Materials	854	
Other Equipment	2,325	
Total Civil Defense		19,670

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
Public Safety (Cont.)		
Rescue Squad		
Communication	$ 1,080	
Contributions	4,000	
Maintenance and Repair Services - Vehicles	3,497	
Gasoline	4,923	
Other Supplies and Materials	3,046	
Other Equipment	6,832	
Total Rescue Squad		$ 23,378
Other Emergency Management		
Contributions	$ 170,600	
Total Other Emergency Management		170,600
County Coroner/Medical Examiner		
Other Contracted Services	$ 22,575	
Total County Coroner/Medical Examiner		22,575
Public Health and Welfare		
Local Health Center		
Custodial Personnel	$ 7,615	
Social Security	472	
Unemployment Compensation	141	
Employer Medicare	110	
Communication	4,086	
Maintenance and Repair Services - Buildings	10,511	
Drugs and Medical Supplies	1,691	
Office Supplies	4,974	
Utilities	14,293	
Total Local Health Center		43,893
Ambulance/Emergency Medical Services		
Supervisor/Director	$ 39,375	
Medical Personnel	677,331	
Clerical Personnel	27,300	
Overtime Pay	103,804	
In-Service Training	8,824	
Social Security	48,561	
State Retirement	46,542	
Medical Insurance	26,750	
Unemployment Compensation	4,553	
Employer Medicare	11,357	

(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.)				
Communication	$	8,681		
Data Processing Services		657		
Maintenance and Repair Services - Vehicles		20,661		
Postal Charges		3,076		
Travel		1,317		
Other Contracted Services		7,843		
Custodial Supplies		3,694		
Drugs and Medical Supplies		43,408		
Gasoline		49,986		
Office Supplies		5,794		
Uniforms		7,159		
Utilities		15,244		
Refunds		9,495		
Other Equipment		40,919		
Total Ambulance/Emergency Medical Services			$	1,212,331
Alcohol and Drug Programs				
Probation Officer(s)	$	5,200		
Social Security		322		
Unemployment Compensation		94		
Employer Medicare		75		
Total Alcohol and Drug Programs				5,691
Crippled Children Services				
Contracts with Government Agencies	$	1,213		
Total Crippled Children Services				1,213
Other Local Health Services				
Medical Personnel	$	15,993		
Social Security		992		
State Retirement		653		
Unemployment Compensation		290		
Employer Medicare		232		
Travel		4,153		
Instructional Supplies and Materials		9,168		
Total Other Local Health Services				31,481
Appropriation to State				
Other Contracted Services	$	34,000		
Total Appropriation to State				34,000

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
Public Health and Welfare (Cont.)		
Other Local Welfare Services		
Contributions	$ 17,500	
Total Other Local Welfare Services		$ 17,500
Social, Cultural, and Recreational Services		
Adult Activities		
Supervisor/Director	$ 25,661	
Other Salaries and Wages	13,731	
Social Security	2,427	
State Retirement	2,135	
Medical Insurance	500	
Unemployment Compensation	350	
Employer Medicare	568	
Communication	887	
Postal Charges	157	
Travel	1,776	
Office Supplies	2,533	
Utilities	20,118	
Premiums on Corporate Surety Bonds	175	
Office Equipment	777	
Total Adult Activities		71,795
Libraries		
Supervisor/Director	$ 27,456	
Librarians	45,240	
Social Security	4,363	
State Retirement	4,069	
Medical Insurance	3,000	
Unemployment Compensation	569	
Employer Medicare	1,020	
Communication	1,233	
Data Processing Services	425	
Maintenance and Repair Services - Buildings	5,052	
Maintenance and Repair Services - Equipment	744	
Postal Charges	163	
Travel	619	
Utilities	11,656	
Other Supplies and Materials	2,927	
Total Libraries		108,536

(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.)		
Parks and Fair Boards		
Contributions	$ 2,000	
Maintenance and Repair Services - Equipment	1,346	
Gasoline	92	
Total Parks and Fair Boards		$ 3,438
Agriculture and Natural Resources		
Agriculture Extension Service		
Communication	$ 2,279	
Contributions	35,906	
Travel	526	
Custodial Supplies	460	
Office Supplies	2,000	
Office Equipment	2,900	
Total Agriculture Extension Service		44,071
Soil Conservation		
Contributions	$ 29,403	
Total Soil Conservation		29,403
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	$ 723	
Total Other Economic and Community Development		723
Veterans' Services		
Supervisor/Director	$ 13,654	
Social Security	847	
State Retirement	812	
Unemployment Compensation	161	
Employer Medicare	198	
Communication	587	
Contracts with Government Agencies	8,973	

(Continued)

Exhibit J-8

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

General Fund (Cont.)			
Other Operations (Cont.)			
Veterans' Services (Cont.)			
Contributions	$ 500		
Data Processing Services	450		
Postal Charges	196		
Travel	1,095		
Office Supplies	421		
Other Supplies and Materials	2,379		
Office Equipment	1,332		
Total Veterans' Services		$ 31,605	
Contributions to Other Agencies			
Contributions	$ 11,625		
Dues and Memberships	11,945		
Remittance of Revenue Collected	23,037		
Total Contributions to Other Agencies		46,607	
Miscellaneous			
Architects	$ 102,685		
Data Processing Services	20,879		
Evaluation and Testing	1,900		
Other Contracted Services	5,600		
Road Signs	6,257		
Liability Insurance	63,987		
Trustee's Commission	84,631		
Vehicle and Equipment Insurance	48,761		
Workers' Compensation Insurance	70,502		
Other Charges	5,983		
Land	255,120		
Total Miscellaneous		666,305	
Total General Fund			$ 6,565,189
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Sanitation Management			
Assistant(s)	$ 44,702		
Supervisor/Director	35,402		
Social Security	4,762		
State Retirement	3,339		
Medical Insurance	4,750		
Unemployment Compensation	486		

(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.)				
Sanitation Management (Cont.)				
Employer Medicare	$	1,114		
Communication		3,190		
Maintenance and Repair Services - Office Equipment		309		
Postal Charges		824		
Printing, Stationery, and Forms		100		
Travel		2,930		
Office Supplies		1,582		
Other Supplies and Materials		3,093		
Office Equipment		750		
Total Sanitation Management			$	107,333
Sanitation Education/Information				
Advertising	$	2,666		
Instructional Supplies and Materials		6,342		
Other Supplies and Materials		3,061		
Total Sanitation Education/Information				12,069
Waste Pickup				
Truck Drivers	$	85,290		
Laborers		39,547		
Social Security		7,567		
State Retirement		5,707		
Medical Insurance		5,500		
Unemployment Compensation		1,089		
Employer Medicare		1,770		
Communication		892		
Maintenance and Repair Services - Vehicles		43,099		
Gasoline		37,846		
Tires and Tubes		2,699		
Uniforms		803		
Other Supplies and Materials		2,500		
Solid Waste Equipment		8,697		
Total Waste Pickup				243,006
Convenience Centers				
Supervisor/Director	$	25,584		
Paraprofessionals		6,739		
Equipment Operators - Heavy		30,025		
Attendants		255,044		
Social Security		19,527		

(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.)		
Convenience Centers (Cont.)		
State Retirement	$ 9,649	
Medical Insurance	3,000	
Unemployment Compensation	3,277	
Employer Medicare	4,567	
Communication	3,237	
Maintenance and Repair Services - Equipment	8,128	
Uniforms	3,662	
Utilities	9,383	
Other Supplies and Materials	8,283	
Site Development	20,400	
Other Equipment	4,964	
Total Convenience Centers		$ 415,469
Problem Waste Centers		
Advertising	$ 3,569	
Other Supplies and Materials	3,372	
Total Problem Waste Centers		6,941
Other Waste Collection		
Other Supplies and Materials	$ 1,574	
Total Other Waste Collection		1,574
Recycling Center		
Paraprofessionals	$ 24,892	
Truck Drivers	67,619	
Laborers	38,605	
Social Security	8,129	
State Retirement	5,170	
Unemployment Compensation	952	
Employer Medicare	1,901	
Communication	1,134	
Contracts with Private Agencies	22,120	
Maintenance and Repair Services - Buildings	1,460	
Maintenance and Repair Services - Equipment	2,452	
Maintenance and Repair Services - Vehicles	1,786	
Travel	780	
Gasoline	19,997	
Tires and Tubes	1,257	
Uniforms	1,942	
Utilities	7,842	

(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.)			
Recycling Center (Cont.)			
Other Supplies and Materials	$ 5,230		
Solid Waste Equipment	820		
Total Recycling Center		$ 214,088	
Landfill Operation and Maintenance			
Contracts with Private Agencies	$ 359,455		
Total Landfill Operation and Maintenance		359,455	
Postclosure Care Costs			
Communication	$ 433		
Engineering Services	6,425		
Maintenance and Repair Services - Equipment	242		
Utilities	418		
Other Supplies and Materials	92		
Total Postclosure Care Costs		7,610	
Other Operations			
Other Charges			
Liability Insurance	$ 4,021		
Trustee's Commission	17,604		
Vehicle and Equipment Insurance	10,366		
Workers' Compensation Insurance	24,755		
Total Other Charges		56,746	
Employee Benefits			
Medical and Dental Services	$ 468		
Total Employee Benefits		468	
Total Solid Waste/Sanitation Fund			$ 1,424,759
Drug Control Fund			
Public Safety			
Drug Enforcement			
Other Salaries and Wages	$ 2,071		
Social Security	128		
State Retirement	111		
Unemployment Compensation	4		
Employer Medicare	30		
Confidential Drug Enforcement Payments	9,000		
Maintenance and Repair Services - Equipment	3,000		

(Continued)

Exhibit J-8

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

Drug Control Fund (Cont.)			
Public Safety (Cont.)			
Drug Enforcement (Cont.)			
Maintenance and Repair Services - Office Equipment	$ 136		
Maintenance and Repair Services - Vehicles	2,121		
Veterinary Services	408		
Animal Food and Supplies	325		
Law Enforcement Supplies	1,400		
Other Supplies and Materials	180		
Trustee's Commission	38		
Law Enforcement Equipment	4,428		
Total Drug Enforcement		$ 23,380	
Total Drug Control Fund			$ 23,380
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 63,527		
Clerical Personnel	73,867		
Social Security	8,264		
State Retirement	8,175		
Employer Medicare	1,933		
Communication	6,756		
Dues and Memberships	3,226		
Licenses	158		
Postal Charges	208		
Travel	271		
Other Contracted Services	252		
Custodial Supplies	1,131		
Office Supplies	1,135		
Other Charges	5,005		
Office Equipment	861		
Total Administration		$ 174,769	
Highway and Bridge Maintenance			
Foremen	$ 43,386		
Equipment Operators	98,391		
Truck Drivers	64,643		
Laborers	283,475		
Social Security	29,206		
State Retirement	25,902		
Employer Medicare	6,830		

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Highway and Bridge Maintenance (Cont.)		
Rentals	$ 1,526	
Other Contracted Services	5,930	
Asphalt - Cold Mix	10,782	
Asphalt - Hot Mix	608,026	
Asphalt - Liquid	52,661	
Crushed Stone	203,266	
Other Road Supplies	8,560	
Pipe - Metal	30,331	
Road Signs	1,196	
Salt	24,445	
Other Charges	8,072	
Total Highway and Bridge Maintenance		$ 1,506,628
Operation and Maintenance of Equipment		
Foremen	$ 34,537	
Mechanic(s)	34,460	
Nightwatchmen	1,969	
Social Security	4,201	
State Retirement	4,222	
Employer Medicare	982	
Freight Expenses	1,335	
Maintenance and Repair Services - Vehicles	8,347	
Diesel Fuel	115,548	
Electricity	7,396	
Equipment and Machinery Parts	95,709	
Garage Supplies	6,548	
Gasoline	46,185	
Lubricants	19,084	
Natural Gas	1,838	
Tires and Tubes	43,956	
Other Supplies and Materials	7,400	
Other Charges	4,358	
Total Operation and Maintenance of Equipment		438,075
Quarry Operations		
Operating Lease Payments	$ 6,000	
Licenses	3,449	
Electricity	1,026	
Total Quarry Operations		10,475

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Other Charges			
Water and Sewer	$ 445		
Liability Insurance	29,237		
Premiums on Corporate Surety Bonds	632		
Trustee's Commission	17,312		
Workers' Compensation Insurance	35,127		
Total Other Charges		$ 82,753	
Employee Benefits			
Medical Insurance	$ 41,030		
Unemployment Compensation	9,001		
Total Employee Benefits		50,031	
Capital Outlay			
Engineering Services	$ 20,024		
Bridge Construction	124,488		
Building Improvements	5,596		
Communication Equipment	548		
Highway Equipment	73,250		
Surplus Equipment	16,400		
Total Capital Outlay		240,306	
Principal on Debt			
Highways and Streets			
Principal on Notes	$ 45,331		
Principal on Capital Leases	6,113		
Total Highways and Streets		51,444	
Interest on Debt			
Highways and Streets			
Interest on Notes	$ 4,112		
Interest on Capital Leases	1,139		
Total Highways and Streets		5,251	
Total Highway/Public Works Fund			$ 2,559,732
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Notes	$ 20,342		
Principal on Other Loans	134,365		
Total General Government		$ 154,707	

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)			
Principal on Debt (Cont.)			
Education			
Principal on Bonds	$ 430,000		
Principal on Other Loans	849,000		
Total Education		$ 1,279,000	
Interest on Debt			
General Government			
Interest on Notes	$ 12,142		
Interest on Other Loans	3,175		
Total General Government		15,317	
Education			
Interest on Bonds	$ 16,253		
Interest on Other Loans	56,281		
Total Education		72,534	
Other Debt Service			
General Government			
Trustee's Commission	$ 14,994		
Other Debt Service	228,040		
Total General Government		243,034	
Education			
Underwriter's Discount	$ 17,460		
Other Debt Issuance Charges	18,704		
Other Debt Service	25,590		
Total Education		61,754	
Total General Debt Service Fund			$ 1,826,346
Community Development/Industrial Park Fund			
Capital Projects			
Other General Government Projects			
Engineering Services	$ 25,175		
Other Contracted Services	25,477		
Other Capital Outlay	55,782		
Total Other General Government Projects		$ 106,434	
Total Community Development/Industrial Park Fund			106,434
Total Governmental Funds - Primary Government			$ 12,505,840

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, 2011

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 5,029,729	
Career Ladder Program	67,500	
Career Ladder Extended Contracts	48,720	
Educational Assistants	338,130	
Other Salaries and Wages	124,854	
Certified Substitute Teachers	43,698	
Non-certified Substitute Teachers	68,861	
Social Security	335,294	
State Retirement	495,476	
Medical Insurance	912,792	
Unemployment Compensation	5,523	
Employer Medicare	78,524	
Maintenance and Repair Services - Equipment	100,459	
Instructional Supplies and Materials	290,001	
Textbooks	218,511	
Other Supplies and Materials	77,647	
Other Charges	11,141	
Regular Instruction Equipment	35,342	
Total Regular Instruction Program		$ 8,282,202
Alternative Instruction Program		
Teachers	$ 86,735	
Social Security	5,074	
State Retirement	7,849	
Medical Insurance	14,679	
Unemployment Compensation	46	
Employer Medicare	1,187	
Total Alternative Instruction Program		115,570
Special Education Program		
Teachers	$ 359,004	
Career Ladder Program	5,000	
Educational Assistants	79,805	
Speech Pathologist	86,435	
Certified Substitute Teachers	1,155	
Non-certified Substitute Teachers	7,520	
Social Security	31,277	
State Retirement	44,633	
Medical Insurance	86,674	

(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.)		
Unemployment Compensation	$ 648	
Employer Medicare	7,315	
Other Contracted Services	86,731	
Instructional Supplies and Materials	10,781	
Other Supplies and Materials	936	
Other Charges	2,525	
Total Special Education Program		$ 810,439
Vocational Education Program		
Teachers	$ 106,240	
Career Ladder Program	2,000	
Social Security	6,689	
State Retirement	9,796	
Medical Insurance	11,415	
Unemployment Compensation	34	
Employer Medicare	1,564	
Instructional Supplies and Materials	2,948	
Total Vocational Education Program		140,686
Adult Education Program		
Teachers	$ 10,930	
Career Ladder Program	1,000	
Other Salaries and Wages	13,416	
Social Security	1,093	
State Retirement	881	
Medical Insurance	95	
Unemployment Compensation	83	
Employer Medicare	363	
Other Contracted Services	8,874	
Instructional Supplies and Materials	18,830	
Total Adult Education Program		55,565
Support Services		
Attendance		
Supervisor/Director	$ 60,594	
Career Ladder Program	1,000	
Other Salaries and Wages	39,853	
Social Security	6,290	
State Retirement	8,483	

(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.)				
Medical Insurance	$	5,687		
Unemployment Compensation		73		
Employer Medicare		1,471		
Maintenance and Repair Services - Equipment		6,103		
Travel		2,684		
Total Attendance			$	132,238
Health Services				
Supervisor/Director	$	42,636		
Medical Personnel		122,573		
Secretary(ies)		20,976		
Other Salaries and Wages		233		
Social Security		11,141		
State Retirement		12,505		
Medical Insurance		9,322		
Unemployment Compensation		264		
Employer Medicare		2,606		
Travel		4,096		
Other Contracted Services		3,500		
Drugs and Medical Supplies		3,135		
Other Supplies and Materials		4,966		
Other Charges		538		
Total Health Services				238,491
Other Student Support				
Career Ladder Program	$	3,000		
Guidance Personnel		221,210		
Social Security		13,282		
State Retirement		20,291		
Medical Insurance		35,473		
Unemployment Compensation		156		
Employer Medicare		3,106		
Evaluation and Testing		6,187		
Total Other Student Support				302,705
Regular Instruction Program				
Supervisor/Director	$	62,794		
Career Ladder Program		5,600		
Librarians		195,700		

(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.)				
Materials Supervisor	$	61,594		
Other Salaries and Wages		1,167		
In-Service Training		1,991		
Social Security		19,529		
State Retirement		29,761		
Medical Insurance		47,938		
Unemployment Compensation		175		
Employer Medicare		4,567		
Travel		17,385		
Other Contracted Services		21,890		
In Service/Staff Development		14,897		
Other Charges		589		
Total Regular Instruction Program			$	485,577
Special Education Program				
Supervisor/Director	$	30,890		
Career Ladder Program		2,500		
Psychological Personnel		51,765		
Other Salaries and Wages		233		
Social Security		5,041		
State Retirement		7,728		
Medical Insurance		9,969		
Unemployment Compensation		30		
Employer Medicare		1,179		
Travel		10,876		
Other Supplies and Materials		75		
In Service/Staff Development		3,376		
Other Equipment		1,669		
Total Special Education Program				125,331
Vocational Education Program				
Supervisor/Director	$	826		
Social Security		51		
Employer Medicare		12		
Total Vocational Education Program				889
Adult Programs				
Supervisor/Director	$	48,015		
Other Salaries and Wages		233		

(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.)				
Adult Programs (Cont.)				
Social Security	$	2,954		
State Retirement		4,367		
Medical Insurance		5,593		
Unemployment Compensation		18		
Employer Medicare		691		
Travel		2,888		
In Service/Staff Development		4,456		
Total Adult Programs			$	69,215
Other Programs				
On-Behalf Payments to OPEB	$	153,603		
Total Other Programs				153,603
Board of Education				
Board and Committee Members Fees	$	12,000		
Social Security		744		
Medical Insurance		104,446		
Employer Medicare		174		
Audit Services		5,500		
Dues and Memberships		8,281		
Legal Services		9,532		
Travel		2,432		
Liability Insurance		136,614		
Premiums on Corporate Surety Bonds		889		
Trustee's Commission		73,060		
Workers' Compensation Insurance		116,147		
Criminal Investigation of Applicants - TBI		3,900		
Other Charges		9,503		
Debt Service Contribution to Primary Government		300,000		
Total Board of Education				783,222
Director of Schools				
County Official/Administrative Officer	$	81,369		
Career Ladder Extended Contracts		1,000		
Secretary(ies)		22,000		
Social Security		6,364		
State Retirement		8,937		
Medical Insurance		12,771		
Unemployment Compensation		35		

(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.)		
Employer Medicare	$ 1,488	
Communication	29,000	
Travel	5,499	
Total Director of Schools		$ 168,463
Office of the Principal		
Principals	$ 277,382	
Career Ladder Program	4,000	
Secretary(ies)	187,093	
Social Security	28,149	
State Retirement	37,606	
Medical Insurance	43,297	
Unemployment Compensation	499	
Employer Medicare	6,584	
Communication	8,250	
Total Office of the Principal		592,860
Fiscal Services		
Accountants/Bookkeepers	$ 54,486	
Social Security	3,281	
State Retirement	3,369	
Unemployment Compensation	64	
Employer Medicare	767	
Travel	433	
Office Supplies	6,965	
Other Charges	4,135	
Administration Equipment	2,611	
Total Fiscal Services		76,111
Operation of Plant		
Custodial Personnel	$ 266,821	
Social Security	15,855	
State Retirement	16,209	
Unemployment Compensation	665	
Employer Medicare	3,774	
Disposal Fees	29,200	
Electricity	458,087	
Natural Gas	147,007	
Water and Sewer	30,369	

(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 (Cont.)		
Other Supplies and Materials	$ 72,769	
Total Operation of Plant		$ 1,040,756
Maintenance of Plant		
Supervisor/Director	$ 29,900	
Other Salaries and Wages	66,925	
Social Security	5,948	
State Retirement	6,410	
Unemployment Compensation	108	
Employer Medicare	1,391	
Other Contracted Services	32,788	
Equipment and Machinery Parts	169,234	
Other Charges	4,266	
Total Maintenance of Plant		316,970
Transportation		
Supervisor/Director	$ 24,600	
Mechanic(s)	34,421	
Bus Drivers	319,812	
Social Security	23,564	
State Retirement	24,386	
Medical Insurance	4	
Unemployment Compensation	1,062	
Employer Medicare	5,489	
Contracts with Parents	9,174	
Rentals	6,156	
Equipment and Machinery Parts	26,087	
Gasoline	175,826	
Lubricants	7,745	
Tires and Tubes	22,754	
Vehicle Parts	49,178	
Other Charges	14,852	
Transportation Equipment	228,254	
Total Transportation		973,364
Operation of Non-Instructional Services		
Community Services		
Teachers	$ 37,652	
Educational Assistants	12,077	

(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.)				
Operation of Non-Instructional Services (Cont.)				
Community Services (Cont.)				
Social Security	$	3,083		
State Retirement		4,190		
Medical Insurance		9,454		
Unemployment Compensation		36		
Employer Medicare		721		
Instructional Supplies and Materials		289,265		
Total Community Services			$	356,478
Early Childhood Education				
Supervisor/Director	$	30,890		
Teachers		228,766		
Educational Assistants		119,452		
Non-certified Substitute Teachers		2,038		
Social Security		22,733		
State Retirement		28,052		
Medical Insurance		50,081		
Unemployment Compensation		615		
Employer Medicare		5,317		
Travel		5,665		
Food Supplies		5,814		
Instructional Supplies and Materials		60,200		
In Service/Staff Development		2,292		
Other Charges		2,651		
Other Equipment		31,588		
Total Early Childhood Education				596,154
Capital Outlay				
Regular Capital Outlay				
Architects	$	3,253		
Building Improvements		405,291		
Total Regular Capital Outlay				408,544
Principal on Debt				
Education				
Principal on Bonds	$	310,000		
Principal on Notes		35,070		
Principal on Other Loans		2,560		
Total Education				347,630

(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	$ 51,250		
Interest on Notes	15,436		
Total Education		$ 66,686	
Other Debt Service			
Education			
Other Debt Service	$ 640		
Total Education		640	
Total General Purpose School Fund			$ 16,640,389
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 520,191		
Educational Assistants	50,747		
Other Salaries and Wages	4,320		
Certified Substitute Teachers	6,544		
Non-certified Substitute Teachers	8,036		
Social Security	35,118		
State Retirement	50,317		
Medical Insurance	92,038		
Unemployment Compensation	704		
Employer Medicare	8,235		
Instructional Supplies and Materials	144,467		
Regular Instruction Equipment	105,697		
Total Regular Instruction Program		$ 1,026,414	
Special Education Program			
Teachers	$ 294,020		
Educational Assistants	184,689		
Certified Substitute Teachers	140		
Non-certified Substitute Teachers	969		
Social Security	28,812		
State Retirement	37,470		
Medical Insurance	58,688		
Unemployment Compensation	841		
Employer Medicare	6,738		
Travel	24		

(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.)		
Special Education Program (Cont.)		
Other Contracted Services	$ 15,612	
Instructional Supplies and Materials	10,452	
Total Special Education Program		$ 638,455
Vocational Education Program		
Teachers	$ 14,758	
Unemployment Compensation	25	
Employer Medicare	214	
Instructional Supplies and Materials	5,500	
Vocational Instruction Equipment	33,752	
Total Vocational Education Program		54,249
Support Services		
Other Student Support		
Supervisor/Director	$ 10,975	
Teachers	25,600	
Bonus Payments	43,821	
Other Salaries and Wages	21,108	
Social Security	6,309	
State Retirement	9,198	
Medical Insurance	584	
Unemployment Compensation	37	
Employer Medicare	1,475	
Evaluation and Testing	8,161	
Travel	19,613	
Other Contracted Services	79,115	
Instructional Supplies and Materials	17,554	
In Service/Staff Development	633	
Other Charges	47,545	
Total Other Student Support		291,728
Regular Instruction Program		
Supervisor/Director	$ 54,888	
Librarians	4,273	
Instructional Computer Personnel	55,380	
Clerical Personnel	8,868	
Other Salaries and Wages	62,720	
In-Service Training	27,465	
Social Security	12,155	

(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.)		
State Retirement	$ 18,927	
Medical Insurance	31,850	
Unemployment Compensation	124	
Employer Medicare	2,815	
Communication	679	
Maintenance and Repair Services - Equipment	2,500	
Travel	28,947	
Other Contracted Services	13,406	
Library Books/Media	66,742	
Periodicals	878	
Other Supplies and Materials	5,935	
In Service/Staff Development	91,058	
Other Equipment	6,676	
Total Regular Instruction Program		$ 496,286
Special Education Program		
Psychological Personnel	$ 18,841	
Secretary(ies)	28,436	
Clerical Personnel	8,868	
In-Service Training	1,028	
Social Security	3,368	
State Retirement	4,268	
Medical Insurance	2,925	
Unemployment Compensation	58	
Employer Medicare	788	
Travel	4,652	
In Service/Staff Development	738	
Total Special Education Program		73,970
Vocational Education Program		
Travel	$ 1,943	
Total Vocational Education Program		1,943
Office of the Principal		
Travel	$ 11,998	
In Service/Staff Development	9,025	
Total Office of the Principal		21,023

(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.)			
Transportation			
Bus Drivers	$ 17,236		
Other Salaries and Wages	13,478		
Social Security	1,904		
State Retirement	1,141		
Unemployment Compensation	93		
Employer Medicare	445		
Contracts with Parents	573		
Total Transportation		$ 34,870	
Total School Federal Projects Fund			$ 2,638,938
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 5,560		
Secretary(ies)	22,474		
Cafeteria Personnel	356,166		
Social Security	23,031		
State Retirement	21,650		
Unemployment Compensation	1,034		
Employer Medicare	5,388		
Communication	2,166		
Maintenance and Repair Services - Equipment	41,304		
Travel	3,059		
Other Contracted Services	9,879		
Food Supplies	636,972		
Uniforms	1,064		
USDA - Commodities	94,860		
Other Supplies and Materials	46,452		
Other Charges	3,678		
Food Service Equipment	25,743		
Total Food Service		$ 1,300,480	
Total Central Cafeteria Fund			1,300,480
Total Governmental Funds - Fentress County School Department			$ 20,579,807

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, 2011

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 617,892
Total Cash Receipts	$ 617,892
Cash Disbursements	
Remittance of Revenues Collected	$ 611,713
Trustee's Commission	6,179
Total Cash Disbursements	$ 617,892
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2010	0
Cash Balance, June 30, 2011	$ 0

SINGLE AUDIT SECTION

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*

October 28, 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, 2011, which collectively comprise Fentress County's basic financial statements and have issued our report thereon dated October 28, 2011. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Fentress County Emergency Communications District and 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.

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: 11.01.

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: 11.02, 11.03(A), 11.06, and 11.07.

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 11.03(B), 11.04, and 11.05.

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

Fentress County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Fentress County's responses and, accordingly, we express no opinion on the responses.

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,

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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 THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 28, 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, 2011. 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, 2011.

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

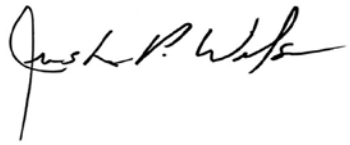
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fentress County as of and for the year ended June 30, 2011, and have issued our report thereon dated October 28, 2011. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Fentress County Emergency Communications District and 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 as a whole. The 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 financial statements. Such information is the responsibility of

management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Fentress County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Fentress County's responses and, accordingly, we express no opinion on the responses.

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,



Justin P. Wilson
Comptroller of the Treasury

JPW/yu

Fentress County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2011

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures	
U.S. Department of Agriculture:				
Direct Program:				
Emergency Watershed Protection Program	10.923	N/A	$ 118,480	
Passed-through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	268,401	
National School Lunch Program	10.555	N/A	739,613	(3)
Fresh Fruit and Vegetable Program	10.582	N/A	30,331	
Passed through East Tennessee Human Resource Agency:				
Child Nutrition Cluster:				
Summer Food Service Program for Children	10.559	N/A	11,523	
Passed-through State Department of Agriculture:				
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	94,860	(3)
Total U.S. Department of Agriculture			$ 1,263,208	
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	$ 20,475	
Passed-through Tennessee Housing Development Agency:				
Home Investment Partnerships Program	14.239	(2)	1,977	
Total U.S. Department of Housing and Urban Development			$ 22,452	
U.S. Department of Interior:				
Direct Program:				
Payments in-Lieu-of Taxes	15.226	N/A	$ 61,387	
U.S. Department of Labor:				
Passed-through Upper Cumberland Human Resource Agency:				
WIA Youth Activities	17.259	(2)	$ 14,997	
Appalachian Regional Commission:				
Direct Program:				
Appalachian Regional Development	23.001	N/A	$ 84,000	
Passed-through Tennessee Appalachian Center for Higher Education:				
Appalachian Area Development	23.002	(2)	15,000	
Total Appalachian Regional Commission			$ 99,000	
U.S. Department of Education:				
Direct Program:				
Improving Literacy Through School Libraries	84.364	N/A	$ 67,631	
Passed-through State Department of Labor and Workforce Development:				
Adult Education - State Grant Program	84.002	(4)	96,811	
Passed-through State Department of Education:				
Title I Part A Cluster:				
Title I Grants to Local Educational Agencies	84.010	N/A	966,428	
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	257,474	
Special Education Cluster:				
Special Education - Grants to States	84.027	N/A	506,535	
Special Education - Grants to States, Recovery Act	84.391	N/A	211,269	
Special Education - Preschool Grants	84.173	N/A	31,330	
Special Education - Preschool Grants, Recovery Act	84.392	N/A	5,707	
Career and Technical Education - Basic Grants to States	84.048	N/A	54,523	
Early Intervention Services (IDEA) Cluster:				
Special Education - Grants for Infants and Families	84.181	ED0000KA11AAX11	48,407	
Special Education - Grants for Infants and Families, Recovery Act	84.393	EDARRA0KR9AAX09	156,673	
Twenty-first Century Community Learning Centers	84.287	N/A	118,308	

(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)	$ 1,894
Education Technology State Grants, Recovery Act	84.386	(2)	26,279
Rural Education	84.358	N/A	57,878
Improving Teacher Quality State Grants	84.367	N/A	163,091
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	1,084,435
State Fiscal Stabilization Fund - Government Services Recovery Act	84.397	(5)	161,025
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	122,214
Education Jobs Fund	84.410	N/A	51,139
Total U.S. Department of Education			$ 4,189,051
U.S. Department of Health and Human Services:			
Passed-through Upper Cumberland Development District:			
Special Programs for the Aging - Title III, Part B Grants for Supportive Services and Senior Centers	93.044	(2)	$ 7,034
Passed-through State Department of Education:			
Temporary Assistance for Needy Families	93.558	(2)	23,143
Total U.S. Department of Health and Human Services			$ 30,177
Total Expenditures of Federal Awards			$ 5,680,272

State Grants		Contract Number	
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	$ 32,272
Aging Program - Upper Cumberland Development District	N/A	(2)	8,728
ConnecTenn - State Department of Education	N/A	(2)	1,294
Energy Efficient Schools Initiative - State Department of Agriculture	N/A	(2)	9,184
High Schools that Work - State Department of Education	N/A	(2)	4,393
Juvenile Justice - State Commission on Children and Youth	N/A	(2)	9,000
Law Enforcement Training - State Department of Safety	N/A	(2)	3,000
Litter Program - State Department of Transportation	N/A	(2)	30,274
Local Archives Development Grant - Tennessee Secretary of State	N/A	(2)	3,210
Pilot and Voluntary State Funded Classrooms Grant - State Department of Education	N/A	MX11AAX	596,178
Rural Local Health Services - State Department of Health	N/A	(2)	31,227
Tennessee Early Intervention System Grant - State Department of Education	N/A	(2)	151,398
Voting Machine Grant - Tennessee Secretary of State	N/A	(2)	25,000
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	13,722
Total State Grants			$ 918,880

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 $834,473.
(4) Z-10-218504-00: $27,844; DG1131220: $68,967.
(5) Coordinated School Health ($90,000), Internet Connectivity ($7,055), Safe Schools ($14,100), Statewide Student Management Systems ($6,103), Career Ladder - Extended Contract ($43,767).

Fentress County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2011

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Fentress County, Tennessee, for the year ended June 30, 2010, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

Finding Number	Page Number	Subject
10.01	159	The Highway/Public Works Fund required material audit adjustments for proper financial statement presentation
10.03	160	Expenditures exceeded appropriations

OTHER FINDING

Finding Number	Page Number	Subject
10.08	163	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

FENTRESS COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2011

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 Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); 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); 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. The finance director provided written responses on certain findings, which are included in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF FINANCE DIRECTOR

FINDING 11.01 **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, 2011, 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. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, 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. We presented an audit adjustment 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.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur.

A receivable totaling $99,375 in federal disaster funds had been set up in the Highway/Public Works Fund representing the county's reimbursement from the federal government for federal disaster relief funding for disaster work performed by the county. This work had been performed by the county during the 2010-11 fiscal year with the use of county labor and equipment. This receivable had not been received as of the date the audit was performed in September; therefore, the receivable did not meet the 60-day rule to be included in revenue for the 2010-11 fiscal year. An audit adjustment was made to back out the receivable, and the disaster funding will be recognized as revenue in the accounting period in which it is received.

At the time of closing for the 2010-11 fiscal year, our best information was that Fentress County had completed all of the work for the funding, and payment requests had been signed-off on by all the appropriate officials. We thought that we would be receiving the disaster funds at any time; therefore, the amount was recognized as a current receivable. We agree that the funds were not received within 60 days; however, we had no way to know that at the time of closing.

FINDING 11.02 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in purchasing procedures. These deficiencies can be attributed to the failure of management to adequately monitor and review purchasing procedures.

A. Purchase orders were not issued in some instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments. The failure to issue purchase orders in all required instances increases the risks of unauthorized purchases.

B. In several instances, invoices were paid without documentation that goods had been received or services rendered. The practice of paying invoices without documentation that goods had been received or services rendered increases the risks of paying for goods or services that were not received.

RECOMMENDATION

The office should issue purchase orders for all applicable purchases to improve internal controls over the purchasing process and to document purchasing commitments. The office should maintain documentation that goods have been received or services have been rendered before invoices are paid.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur.

This office will continue our effort to increase control over our purchasing procedures. We continue to take steps to ensure that complete, accurate, itemized purchase orders are issued in all applicable instances.

Invoices are not paid without documentation that the goods and services have been received. We will improve our methods of indicating this on invoices in the future to ensure that there are no questions on the receipt of goods and services.

FINDING 11.03 **THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**
(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations. These deficiencies can be attributed to the failure of management to adequately monitor and review budget procedures.

A. The budget and subsequent amendments approved by the County Commission for the Drug Control Fund resulted in appropriations exceeding estimated available funding by $4,969. Sound budgetary principles dictate that appropriations be held within estimated available funding.

B. Expenditures exceeded appropriations approved by the County Commission in the Community Services major appropriation category (the legal level of control) of the General Purpose School Fund by $57,978. Section 5-9-401, *Tennessee Code Annotated*, states that "All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies."

RECOMMENDATION

Appropriations that exceed estimated available funding should not be submitted to the County Commission, and the County Commission should not approve such appropriations. Expenditures should be held within appropriations approved by the County Commission.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur.

Amendments were approved for the Drug Control Fund to increase appropriations, and the source of funding for the amendments was to decrease the anticipated ending fund balance. The audited financial statements for the Drug Control Fund reflect that the actual realized revenue for the fiscal year exceeded estimated revenues in excess of $14,000. The amendment to increase appropriations should have been presented with the source of funding being this excess in actual realized revenue. We will take extra precautions in the future to present amendments that rely on other items of funding rather than fund balance to ensure a balanced budget.

An invoice totaling of $60,000 to a vendor was set up as accounts payable as of June 30, 2011. The vendor was paid in July 2011. The timing of this payable was after the last County Commission meeting for this fiscal year, and there was no time to get an amendment approved for this expenditure, which resulted in an overspent appropriation line-item and major category.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 11.04 **UNCLAIMED FUNDS WERE NOT REPORTED AND PAID TO THE STATE**

(Noncompliance Under *Government Auditing Standards*)

The clerk did not report and pay to the state unclaimed funds (old outstanding checks) totaling $5,998. At June 30, 2011, Circuit Court had 25 outstanding checks issued before July 1, 2010, totaling $5,746, and General Sessions Court had 13 outstanding checks totaling $252. The Unclaimed Property Act, Section 66-29-101, et seq., *Tennessee Code Annotated*, provides that any funds held by the court for more than one year and unclaimed by the owner are considered abandoned. This statute further provides for the funds to be reported and paid to the state Treasurer's Office. This deficiency in internal controls was the result of a lack of management oversight.

RECOMMENDATION

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

FINDING 11.05 **THE OFFICE DID NOT DEPOSIT SOME FUNDS WITHIN THREE DAYS OF COLLECTION**

(Noncompliance Under *Government Auditing Standards*)

In some instances, the clerk did not deposit funds within three days of collection. Section 5-8-207, *Tennessee Code Annotated*, requires county officials to deposit public funds to the office bank account within three days of collection. This deficiency is the result of management's oversight. The delay in depositing the funds increases the risks of fraud and misappropriation.

RECOMMENDATION

The clerk should ensure that all funds are deposited to the office bank account within three days of collection as required by state statute.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 11.06 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. Sound internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of the day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency in internal controls was the result of a lack of management oversight over risks related to safeguarding assets.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

FINDING 11.07 **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.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur.

We will continue to review the duties of the personnel in the Finance Department, and we will continue to take additional steps with our employees in the areas of receipting, depositing, fund disbursement, and records management to provide for clearer lines of responsibility and to strengthen our segregation of duties. We will continue our efforts to strengthen all components of internal control.

BEST PRACTICE

FENTRESS COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

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, 2011

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