

**FENTRESS COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2012

HASSELL RAY YORK AND ASSOCIATES, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Phone: 931-484-5570

P. O. Box 137 • 228 Rector Avenue

Crossville, Tennessee 38557

**FENTRESS COUNTY EMERGENCY
COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE**

FINANCIAL STATEMENTS

June 30, 2012

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT

OF FENTRESS COUNTY, TENNESSEE

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INTRODUCTORY SECTION

ROSTER OF MANAGEMENT OFFICIALS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF MANAGEMENT OFFICIALS (UNAUDITED)
June 30, 2012

Gary Peters, Chairman
106 Horseshoe Circle
Jamestown, Tennessee 38556

Billy Jennings, Sr., Vice Chairman
P. O. Box 765
Jamestown, Tennessee 38556

Leonard Bilbrey, Treasurer
P. O. Box 286
Jamestown, Tennessee 38556

Karen Little, Secretary
P. O. Box 38
Clarkrange, Tennessee 38553

Rodney Foy
1114 Circle Drive
Jamestown, Tennessee 38556

Sheriff Tony Choate
P. O. Box 1085
Jamestown, Tennessee 38556

James Bilbrey
125 Pyle Road
Jamestown, Tennessee 38556

Gene Holt
P. O. Box 254
Jamestown, Tennessee 38556

Hollis Crabtree
589 Ted Brooks Road
Jamestown, Tennessee 38556

FINANCIAL SECTION

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2012

As financial management of the Fentress County Emergency Communications District, we offer readers of these financial statements this narrative overview and analysis of the District for the fiscal year ending June 30, 2012. Please read it in conjunction with the District's financial statements that begin on page 7.

FINANCIAL HIGHLIGHTS

- The District's total net assets increased to \$1,165,026.22 from \$1,080,597.95 over the course of this year's operations. This was largely due to:
 - Increase in Operational Funding from the State
 - Slight increase in funding from the Fentress County Government to cover costs associated with the E-911 Dispatchers.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

FINANCIAL ANALYSIS

Net Assets may serve, over time as a useful indicator of the District's financial position. In the case of the District, the change by which Assets exceeded Liabilities at the close of the most current fiscal year is \$59,508.78. Part of this is attributable to an increase in revenues from the State for Operational Funding, slight increase from Fentress County Government for cost associated with E-911 Dispatchers.

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2012

FINANCIAL ANALYSIS (continued)

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

NET ASSETS

Table 1
Condensed Statements of Net Assets

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Difference</u>
Current and Other Assets	\$ 983,823.17	\$ 879,895.09	\$103,928.08
Capital Assets (Net)	181,203.05	233,329.40	(52,126.35)
Total Assets	<u>\$1,165,026.22</u>	<u>\$1,113,224.49</u>	<u>\$ 51,801.73</u>
 Current Liabilities	 \$ 24,919.49	 \$ 32,626.54	 \$ (7,707.05)
 Net Assets:			
Invested in Capital Assets	\$ 181,203.05	\$ 233,329.40	\$ (52,126.35)
Unrestricted	958,903.68	847,268.55	111,635.13
Total Net Assets	<u>\$1,140,106.73</u>	<u>\$1,080,597.95</u>	<u>\$ 59,508.78</u>

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

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

	<u>FY 2012</u>	<u>FY 2011</u>	<u>Difference</u>
Operating Revenues	\$ 504,492.03	\$ 459,241.30	\$ 45,250.73
Non-Operating Revenues	17,917.86	18,761.08	(843.22)
Total Revenues	<u>522,409.89</u>	<u>478,002.38</u>	<u>44,407.51</u>
 Depreciation Expense	 52,126.35	 52,905.61	 (779.26)
Other Operating Expense	410,774.76	374,367.97	36,406.79
Total Operating Expenses	<u>462,901.11</u>	<u>427,273.58</u>	<u>35,627.53</u>
 Increase in Net Assets	 59,508.78	 50,728.80	 8,779.98
 Net Assets – Beginning of Year	 <u>1,080,597.95</u>	 <u>1,029,869.15</u>	 <u>50,728.80</u>
 Net Assets – End of Year	 <u>\$1,140,106.73</u>	 <u>\$1,080,597.95</u>	 <u>\$ 59,508.78</u>

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2012

FINANCIAL ANALYSIS (continued)

CAPITAL ASSETS

The following table summarizes the District's Capital Assets, Net of Accumulated Depreciation:

	<u>2012</u>	<u>2011</u>	<u>Difference</u>
Building	\$ 169,430.98	\$ 169,430.98	\$.00
Office Equipment and Fixtures	54,519.74	54,519.74	.00
Communication and Computer Equipment	230,084.85	230,084.85	.00
Vehicle	18,300.00	18,300.00	.00
 Total	 472,335.57	 472,335.57	 .00
 Accumulated Depreciation	 (291,132.52)	 (239,006.17)	 (52,126.35)
 Net Capital Assets	 <u>\$ 181,203.05</u>	 <u>\$ 233,329.40</u>	 <u>\$(52,126.35)</u>

See Note 3 to the financial statements for additional details.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Economic Factors and Rates:

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

Future Budgetary Considerations:

Presently, Fentress County has been awarded a Federal Disaster Grant "HUD" in the amount of \$490,000.00 for the purpose of relocating the present 911 center into a new building. Recently the State 911 Board approved up to \$300,000.00 for equipment upgrades for all Communication Districts across the state. Fentress County Emergency Communications District will use this grant allocation to place new equipment in the new center. Should the costs for construction and/or equipment exceed the awarded grant amounts, the Fentress County Emergency Communications District has the cash flow available for capital expenditures.

The project should not have a significant impact on the financial position or results of activities of the District in the 2012-2013 fiscal year budget.

REQUEST FOR INFORMATION

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

INDEPENDENT AUDITOR'S REPORT

Hassell Ray York and Associates, P.C.

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

October 25, 2012

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Fentress County Emergency Communications District, a component unit of Fentress County, Tennessee, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Fentress County Emergency Communications District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Fentress County Emergency Communications District as of June 30, 2012, and the changes in financial position and cash flows 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 25, 2012 on our consideration of Fentress County Emergency Communications District's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Fentress County Emergency
Communications District
Page 2
October 25, 2012

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 – 4 and the schedule of funding progress for Fentress County Emergency Communications District on page 21, 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 an opinion on the financial statements taken as a whole. The introductory section and accompanying financial information listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements. The accompanying financial information listed as supplementary information in the table of contents is the responsibility of management and was 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.

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.

A handwritten signature in black ink that reads "Hassell Ray York". The signature is written in a cursive, flowing style.

Hassell Ray York
Certified Public Accountant

HRY:kam

FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 695,676.93
Certificates of Deposit	270,003.08
Accrued Interest Receivable	511.23
Due from Tennessee Emergency Communications Board	224.70
Prepaid Expenses	<u>17,407.23</u>
Total Current Assets	<u>983,823.17</u>

Non-Current Assets

Capital Assets

Building and Improvements	169,430.98
Furniture and Fixtures	34,143.82
Office Equipment	20,375.92
Communication Equipment	230,084.85
Vehicles	<u>18,300.00</u>
Total Capital Assets	472,335.57
Accumulated Depreciation	<u>(291,132.52)</u>
Capital Assets, Net	<u>181,203.05</u>

TOTAL ASSETS **\$1,165,026.22**

LIABILITIES

Current Liabilities

Accounts Payable	\$ 2,795.46
Accrued Payroll	1,397.08
Accrued Payroll Deductions Payable	2,606.55
Compensated Absences Payable	<u>18,120.40</u>
Total Current Liabilities	<u>24,919.49</u>

Total Liabilities **24,919.49**

NET ASSETS

Invested in Capital Assets	181,203.05
Unrestricted Net Assets	<u>958,903.68</u>
Total Net Assets	<u>1,140,106.73</u>

TOTAL LIABILITIES AND NET ASSETS **\$1,165,026.22**

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2012

OPERATING REVENUES

Emergency Telephone Service Charge	\$ 87,529.47
Tennessee Emergency Communications Board – Shared Wireless Charge	42,095.69
Tennessee Emergency Communications Board – Operational Funding	181,266.87
Other Operating Revenues	<u>193,600.00</u>
Total Operating Revenues	<u>504,492.03</u>

OPERATING EXPENSES

Salaries and Wages

Administrative Personnel	34,456.35
Dispatchers	222,060.39
Overtime Pay	7,411.77
Part-time Personnel	<u>17,903.92</u>
Total Salaries and Wages	<u>281,832.43</u>

Employee Benefits

Social Security	16,499.88
Medicare	3,858.89
Medical Insurance	14,808.84
Unemployment Taxes	873.87
Retirement Contributions	<u>15,057.13</u>
Total Employee Benefits	<u>51,098.61</u>

Contracted Services

Addressing/Mapping Expense	9,361.35
Audit Services	5,000.00
Data Processing Service	7,349.99
Maintenance Agreements	18,733.48
Mapping/Data Base Consultants	12,000.00
Maintenance and Repairs – Communications Equipment	240.00
Maintenance and Repairs – Building and Facilities	1,924.45
Maintenance and Repairs – Vehicles	66.75
Fuel – Vehicles	<u>545.03</u>
Total Contracted Services	<u>55,221.05</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
For the Year Ended June 30, 2012

OPERATING EXPENSES (continued)

Supplies and Materials

Office Supplies	1,285.20
Custodial Supplies	84.83
Data Processing Supplies	522.62
Postage	132.00
Small Equipment Purchases	1,908.32
Uniforms and Shirts	1,020.00
Utilities – General Telephone	4,932.97
Other Supplies and Materials	<u>74.99</u>
 Total Supplies and Materials	 <u>9,960.93</u>

Other Charges

Dues and Memberships	253.00
Insurance – Workers Compensation	1,054.00
Insurance – Liability	2,406.17
Insurance – Equipment	2,058.67
Insurance – Vehicles	785.00
Premiums on Surety Bonds	293.00
Training Expense	910.00
Travel Expenses	3,322.38
Internet Charges	1,535.52
Other Charges	<u>44.00</u>
 Total Other Charges	 <u>12,661.74</u>

Depreciation

Depreciation Expense	<u>52,126.35</u>
 Total Depreciation	 <u>52,126.35</u>
 Total Operating Expenses	 <u>462,901.11</u>
 Operating Income (Loss)	 <u>41,590.92</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS (CONTINUED)
For the Year Ended June 30, 2012

NON-OPERATING REVENUES AND (EXPENSES)

Interest Income	603.94
Investment Income	4,594.52
Tennessee Emergency Communications Board – Grants and Reimbursements	12,504.40
Miscellaneous Income	<u>215.00</u>

Total Non-Operating Revenue (Expenses)	<u>17,917.86</u>
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INCREASE IN NET ASSETS	59,508.78
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NET ASSETS – BEGINNING OF PERIOD	<u>1,080,597.95</u>
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NET ASSETS – END OF PERIOD	<u>\$1,140,106.73</u>
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2012

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Cash Received from Surcharges and Other Revenues	\$ 504,707.03
Cash Payments to Suppliers for Goods and Services	(77,754.69)
Cash Payments for Payroll, Taxes, and Related Benefits	<u>(341,426.39)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>85,525.95</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>	
Grants/Reimbursements TECB	<u>12,735.63</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>12,735.63</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest Income Received	5,249.98
Increase in Certificates of Deposit	<u>(3,395.42)</u>
NET CASH PROVIDED FROM INVESTING ACTIVITIES	<u>1,854.56</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	100,116.14
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>595,560.79</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 695,676.93</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
STATEMENT OF CASH FLOWS (CONTINUED)
For the Year Ended June 30, 2012

RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET
CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES

Operating Income (Loss)	\$ 41,590.92
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Depreciation	52,126.35
Changes in Assets and Liabilities:	
(Increase) Decrease in Prepaid Expenses	(699.27)
Increase (Decrease) in Accounts Payable	788.30
Increase (Decrease) Accrued Payroll	(8,668.75)
Increase (Decrease) Accrued Payroll Deductions Payable	(1,002.09)
Increase (Decrease) Compensated Absences Payable	1,175.49
Miscellaneous Income	<u>215.00</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 85,525.95</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

REPORTING ENTITY

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

The County Commission of Fentress County, Tennessee is the basic level of government which has financial accountability and control over certain activities related to the Fentress County Emergency Communications District. The County Commission of Fentress County, Tennessee must approve any issuance of debt by the District, has the authority to adjust the District's service charges, and appoints the nine (9) member Board of Directors which governs the District. The Fentress County Emergency Communications District is a component unit of Fentress County, Tennessee.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Assets. Net Assets (i.e., Total Assets Net of Total Liabilities) are segregated into Invested Capital Assets, Net of Related Debt; Restricted for specified purposes; and Unrestricted components. The Operating Statement presents increases (e.g. Revenues) and decreases (e.g. Expenses) in Net Total Assets.

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

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

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

DEPOSITS AND INVESTMENTS

For the purpose of the Statement of Cash Flows, Cash and Cash Equivalents have original maturities of three (3) months or less from the date of acquisition.

CAPITAL ASSETS

Capital Assets are carried at cost. Capital Assets are defined by the District as assets with an initial, individual cost of more than \$2,500.00.

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

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

COMPENSATED ABSENCES

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

REVENUE AND EXPENSES

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

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

NET ASSETS

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

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

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

Unrestricted Net Assets – This component of Net Assets consist of Net Assets that do not meet the definition of “Restricted” or “Invested in Capital Assets, Net of Related Debt.”

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

BUDGET

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

NOTE 2 – DEPOSITS AND INVESTMENTS

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

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

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

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

The District’s deposits at June 30, 2012 consisted of the following:

	Bank Balance	Carrying Value
Operating Account –		
First Volunteer Bank	\$641,143.98	\$635,141.29
Progressive Savings Bank	60,535.64	60,535.64
Certificates of Deposit –		
Progressive Savings Bank	41,687.32	41,687.32
Union Bank	228,315.76	228,315.76
Total	\$971,682.70	\$965,680.01

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

Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000.00. In addition, First Volunteer Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The District’s deposits in financial institutions were entirely insured or collateralized at June 30, 2012.

The District had no investments at June 30, 2012.

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 3 – CHANGES IN CAPITAL ASSETS

A summary of Changes in Capital Assets at June 30, 2012 follows:

	Balance 6/30/11	Increases	Decreases	Balance 6/30/12
Capital Assets Being Depreciated:				
Building	\$169,430.98	\$.00	\$.00	\$169,430.98
Office Equipment and Fixtures	54,519.74	.00	.00	54,519.74
Communication and Computer				
Equipment	230,084.85	.00	.00	230,084.85
Vehicle	18,300.00	.00	.00	18,300.00
Total Capital Assets Being				
Depreciated	<u>472,335.57</u>	<u>.00</u>	<u>.00</u>	<u>472,335.57</u>
Less: Accumulated Depreciated				
Building	41,384.47	4,594.63	.00	45,979.10
Office Equipment and Fixtures	44,626.62	5,850.83	.00	50,477.45
Communication and Computer				
Equipment	143,082.49	38,630.89	.00	181,713.38
Vehicle	9,912.59	3,050.00	.00	12,962.59
Total Accumulated Depreciation	<u>239,006.17</u>	<u>52,126.35</u>	<u>.00</u>	<u>291,132.52</u>
Net Capital Assets	<u>\$233,329.40</u>	<u>\$ (52,126.35)</u>	<u>\$.00</u>	<u>\$181,203.05</u>

Depreciation expense for the fiscal year ended June 30, 2012 totaled \$52,126.35.

NOTE 4 – EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION

Employees of Fentress County Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of sixty (60) with five (5) years of service or at any age with thirty (30) years of service. A reduced retirement benefit is available to vested members at the age of fifty-five (55). Disability benefits are available to active members with five (5) years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five (5) years of service and members joining prior to July 1, 1979 were vested after four (4) years of service. Benefit provisions are established in state statute found in *Title 8, Chapter 34-37* of the *Tennessee Code Annotated* (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Fentress County Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – EMPLOYEE RETIREMENT SYSTEM (continued)

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

FUNDING POLICY

Fentress County Emergency Communications District requires employees to contribute 5.0 percent of earnable compensation.

Fentress County Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2012 was 5.71% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Fentress County Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

ANNUAL PENSION COST

For the year ending June 30, 2012, Fentress County Emergency Communications District’s annual pension cost of \$15,486.00 to TCRS was equal to Fentress County Emergency Communications District’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 3.0 percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) 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 (10) period. Fentress County Emergency Communications District’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2009 was thirteen (13) years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 2012	\$15,486	100.00%	\$0.00
June 30, 2011	\$13,494	100.00%	\$0.00
June 30, 2010	\$13,472	100.00%	\$0.00

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 – EMPLOYEES RETIREMENT SYSTEM (continued)

FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2011, the most recent actuarial valuation date, the plan was 92.29% percent funded. The actuarial accrued liability for benefits was \$0.22 million, and the actuarial value of assets was \$0.20 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.02 million. The covered payroll (annual payroll of active employees covered by the plan) was \$0.23 million, and the ratio of the UAAL to the covered payroll was 7.13 percent.

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

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2011	\$200	\$217	\$17	92.29%	\$235	7.13%
July 01, 2009	\$114	\$133	\$19	86.02%	\$197	9.43%
July 01, 2007	\$ 81	\$102	\$21	79.41%	\$191	10.99%

NOTE 5 – OTHER OPERATING REVENUES

The Fentress County Emergency Communications District entered into an intergovernmental cooperation agreement with Fentress County, whereby the District will staff and operate the emergency communications center. Fentress County makes quarterly payments to the District for its share of the dispatching cost. The amount received for the fiscal year ended June 30, 2012 was \$193,600.00.

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 – RISK FINANCING

The Fentress County Emergency Communications District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and natural disasters. The premises are commercially insured by the Fentress County Government. The building coverage has some hardware insurance coverage for each of the three (3) locations where the equipment is located. Additional commercial insurance, as detailed below, has been obtained. No losses have occurred during the past three (3) years that have exceeded coverage.

Commercial General Liability

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

Vehicle

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

Blanket Summary

Personal Property	304,588
Software	250,000
Money and Securities	10,000
Commercial Blanket Bond	5,000
Deductible	
Policy – Per Occurrence	250
Earthquake – Per Item – 310 South Main Street	7,638
100 South Smith Street	7,592
Flood – Per Premises	1,000

Employee Dishonesty

15,000

Management Liability

Aggregate Limit	3,000,000
Wrongful Act – Each	1,000,000
Injunctive Relief – Each Action	25,000

Workmen’s Compensation

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

Crime and Fidelity Coverage

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

SCHEDULE OF FUNDING PROGRESS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS
June 30, 2012

SCHEDULE OF FUNDING PROGRESS FOR FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT 89820

(Dollar Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2011	\$200	\$217	\$17	92.29%	\$235	7.13%
July 01, 2009	\$114	\$133	\$19	86.02%	\$197	9.43%
July 01, 2007	\$ 81	\$102	\$21	79.41%	\$191	10.99%

SUPPLEMENTAL INFORMATION

**SCHEDULE OF BONDS
ON PRINCIPAL OFFICERS**

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
SCHEDULE OF BONDS ON PRINCIPAL OFFICERS
June 30, 2012

The principal officials, including the directors, treasurer, and secretary, of the Fentress County Communications District are covered under a Public Employee Dishonesty Bond in the amount of \$175,000.00, deductible \$500.00, written with the Westfield Companies. The current bond period is January 1, 2010 to January 1, 2013.

BUDGET TO ACTUAL COMPARISONS

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET)
June 30, 2012

<u>CASH RECEIPTS</u>	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under(Over)
Emergency Telephone Service Charge	\$ 87,537.47	\$ 90,000.00	\$ 2,462.53
TECB – Shared Wireless Charge	42,095.69	43,000.00	904.31
TECB – Operational Funding	181,266.87	189,750.00	8,483.13
Other Operating Revenue	193,600.00	193,600.00	.00
Interest Income	603.94	600.00	(3.94)
Investment Income	4,646.04	3,500.00	(1,146.04)
TECB – Grants and Reimbursements	12,713.10	160,000.00	147,286.90
Miscellaneous Income	215.00	500.00	285.00
Total Cash Basis Revenues	522,678.11	680,950.00	158,271.89
 <u>CASH EXPENDITURES</u>			
<u>Salaries and Wages</u>			
Administrative Personnel	35,532.00	36,000.00	468.00
Dispatchers	228,478.00	236,000.00	7,522.00
Overtime Pay	7,411.77	10,000.00	2,588.23
Part-time Personnel	17,903.92	19,000.00	1,096.08
Total Salaries and Wages	289,325.69	301,000.00	11,674.31
 <u>Employee Benefits</u>			
Social Security	16,964.47	18,800.00	1,835.53
Medicare	3,967.54	4,500.00	532.46
Medical Insurance	15,102.18	18,000.00	2,897.82
Unemployment Taxes	1,642.81	1,642.81	.00
Retirement Compensation	15,485.98	16,300.00	814.02
Total Employee Benefits	53,162.98	59,242.81	6,079.83
 <u>Contracted Services</u>			
Addressing/Mapping Expense	9,799.57	12,000.00	2,200.43
Advertising	.00	200.00	200.00
Audit Services	5,000.00	5,500.00	500.00
Data Processing Service	7,473.77	9,000.00	1,526.23
Maintenance Agreements	18,733.48	22,741.05	4,007.57
Mapping/Data Base Consultants	11,000.00	12,000.00	1,000.00
Maintenance and Repairs – Communication Equipment	240.00	160,500.00	160,260.00
Maintenance and Repairs – Office Equipment	.00	1,000.00	1,000.00
Maintenance and Repairs – Building and Facilities	1,924.45	2,000.00	75.55
Maintenance and Repairs – Vehicles	66.75	500.00	433.25
Fuel - Vehicles	583.44	600.00	16.56
Total Contracted Services	54,821.46	226,041.05	171,219.59

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (CONTINUED)
June 30, 2012

<u>CASH EXPENDITURES</u> (continued)	Actual (Cash Basis)	Budget (Cash Basis)	Variance Under(Over)
<i>Supplies and Materials</i>			
Office Supplies	1,285.20	1,285.20	.00
Custodial Supplies	68.72	1,000.00	931.28
Data Processing Supplies	522.62	522.62	.00
Postage	132.00	300.00	168.00
Small Equipment Purchases	1,908.32	1,908.32	.00
Uniforms and Shirts	1,020.00	2,000.00	980.00
Utilities – General Telephone	4,917.48	5,500.00	582.52
Utilities – Cell Phones and Pagers	(14.53)	500.00	514.53
Other Supplies and Materials	74.99	900.00	825.01
<i>Total Supplies and Materials</i>	9,914.80	13,916.14	4,001.34
<i>Other Charges</i>			
Dues and Memberships	253.00	253.00	.00
Employee Testing and Exams	.00	1,000.00	1,000.00
Insurance – Workers Compensation	1,098.00	2,000.00	902.00
Insurance – Liability	2,422.00	4,000.00	1,578.00
Insurance – Buildings and Contents	.00	1,000.00	1,000.00
Insurance – Equipment	2,297.00	2,297.00	.00
Insurance – Vehicles	829.00	1,000.00	171.00
Legal Notices	.00	200.00	200.00
Premiums on Surety Bonds	293.00	600.00	307.00
Training Expense	910.00	2,000.00	1,090.00
Travel Expenses	3,322.38	4,500.00	1,177.62
Internet Charges	1,535.52	2,000.00	464.48
Other Charges	44.00	200.00	156.00
<i>Total Other Charges</i>	13,003.90	21,050.00	8,046.10
Total Cash Basis Expenses	420,228.83	621,250.00	201,021.17
Cash Basis Net Income (Loss)	102,449.28	59,700.00	(42,749.28)

FENTRESS COUNTY EMERGENCY COMMUNICATIONS DISTRICT
OF FENTRESS COUNTY, TENNESSEE
BUDGETARY COMPARISON SCHEDULE (CASH BASIS BUDGET) (CONTINUED)
June 30, 2012

RECONCILIATION OF CASH BASIS TO ACCRUAL BASIS

Depreciation Expense	(52,126.35)
Decrease in Accrued Interest Receivable	(51.52)
Decrease in Current Receivables	(231.23)
Increase in Prepaid Expenses	699.27
Increase in Accounts Payable	(788.30)
Decrease in Accrued Payroll	8,668.75
Decrease in Accrued Payroll Deductions	2,064.37
Increase in Compensated Absences Payable	<u>(1,175.49)</u>
Net Reconciliation Cash to Accrual	<u>(42,940.50)</u>
INCREASE (DECREASE) IN NET ASSETS (ACCRUAL)	<u>59,508.78</u>
NET ASSETS -- BEGINNING OF YEAR	<u>1,080,597.95</u>
NET ASSETS - END OF YEAR	<u>\$1,140,106.73</u>

**INTERNAL CONTROL AND
COMPLIANCE SECTION**

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS**

Hassell Ray York and Associates, P.C.

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

October 25, 2012

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

***REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of the Fentress County Emergency Communications District, a component unit of Fentress County, Tennessee, as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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.

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

Board of Directors
Fentress County Emergency
Communications District
Page 2
October 25, 2012

Compliance and Other Matters

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

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

Respectfully,

HASSELL RAY YORK AND ASSOCIATES, P.C.

A handwritten signature in black ink that reads "Hassell Ray York". The signature is written in a cursive style with a large, sweeping "Y" at the end.

Hassell Ray York
Certified Public Accountant

HRY:kam