ANNUAL FINANCIAL REPORT
FENTRESS COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2012

TENNESSEE
COMPTROLLER
OF THE TREASURY

ANNUAL FINANCIAL REPORT

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FOR THE YEAR ENDED JUNE 30, 2012

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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State Auditors

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

Audit Highlights

Annual Financial Report
Fentress County, Tennessee
For the Year Ended June 30, 2012

Scope

We have audited the basic financial statements of Fentress County as of and for the year ended June 30, 2012.

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 eight 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:

OFFICES OF FINANCE DIRECTOR AND ROAD SUPERVISOR

- The road supervisor entered into a lease-purchase agreement without obtaining County Commission approval.

OFFICE OF FINANCE DIRECTOR

- Purchase orders were not issued in some instances.
- Payroll liability accounts were not reconciled with subsidiary payroll records in the General Purpose School Fund.

OFFICE OF ASSESSOR OF PROPERTY

- New owners of greenbelt properties were not required to file a new application for agricultural property.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- Unclaimed funds were not reported and paid to the state.
- The office had deficiencies in computer system backup procedures.

OFFICES OF TRUSTEE AND SHERIFF

- Multiple employees operated from the same cash drawer.

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

- Duties were not segregated adequately.

BEST PRACTICE

Fentress County does not have an Audit Committee. The Division of Local Government 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.

FENTRESS COUNTY, TENNESSEE
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INTRODUCTORY SECTION

Fentress County Officials
June 30, 2012

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 LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

October 26, 2012

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, 2012, 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, 2012, 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, 2012, 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 26, 2012, 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.

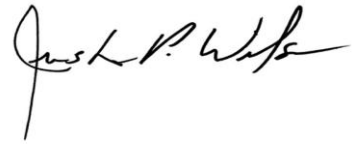
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required 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 61 through 68 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, 2012

	Primary Government	Component Unit
	Governmental Activities	Fentress County School Department
ASSETS		
Cash	$ 17,369	$ 0
Equity in Pooled Cash and Investments	5,510,331	4,966,774
Accounts Receivable	1,059,358	13,869
Allowance for Uncollectibles	(202,223)	0
Due from Other Governments	549,330	602,563
Property Taxes Receivable	5,625,042	1,037,954
Allowance for Uncollectible Property Taxes	(205,834)	(37,982)
Deferred Charges - Debt Issuance Costs	20,210	26,338
Notes Receivable - Long-term	0	10,533
Capital Assets:		
Assets Not Depreciated:		
Land	5,548,879	411,763
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,473,931	11,794,658
Other Capital Assets	1,737,496	1,576,320
Infrastructure	26,700,161	0
Total Assets	$ 50,834,050	$ 20,402,790
LIABILITIES		
Payroll Deductions Payable	$ 0	$ 237,827
Accrued Interest Payable	10,653	8,123
Claims and Judgments Payable	36,287	0
Due to State of Tennessee	0	5,458
Deferred Revenue - Current Property Taxes	5,131,255	946,838
Noncurrent Liabilities:		
Due Within One Year	1,088,845	591,011
Due in More Than One Year (net of deferred amount on refunding and unamortized premiums on debt)	6,063,996	2,761,570
Total Liabilities	$ 12,331,036	$ 4,550,827
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$ 36,755,449	$ 12,239,579
Restricted for:		
Drug Control	34,565	0
Debt Service	143,185	0
Capital Projects	11,165	0
School Federal Projects	0	33,586
Central Cafeteria	0	623,006
Other Purposes	61,404	56,583
Unrestricted	1,497,246	2,899,209
Total Net Assets	$ 38,503,014	$ 15,851,963

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, 2012

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	$ 701,474	$ 275,962	$ 98,904	$ 19,380	$ (307,228)	$ 0
Finance	885,139	415,582	0	0	(469,557)	0
Administration of Justice	725,061	309,799	38,582	0	(376,680)	0
Public Safety	2,755,115	107,784	13,317	0	(2,634,014)	0
Public Health and Welfare	3,113,518	1,782,319	139,942	9,746	(1,181,511)	0
Social, Cultural, and Recreational Services	268,108	0	16,763	0	(251,345)	0
Agriculture and Natural Resources	99,163	0	0	0	(99,163)	0
Other Operations	727,412	0	0	294,548	(432,864)	0
Highways/Public Works	437,040	0	1,719,512	0	1,282,472	0
Interest on Long-term Debt	94,621	0	0	0	(94,621)	0
Other Debt Service	49,210	0	350,000	0	300,790	0
Total Primary Government	$ 9,855,861	$ 2,891,446	$ 2,377,020	$ 323,674	$ (4,263,721)	$ 0
Component Unit:						
Fentress County School Department	$ 20,121,880	$ 275,847	$ 3,740,564	$ 0	$ 0	$ (16,105,469)
Total Component Unit	$ 20,121,880	$ 275,847	$ 3,740,564	$ 0	$ 0	$ (16,105,469)

(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					$ 4,534,480	$ 950,461
Property Taxes Levied for Debt Service					622,640	0
Local Option Sales Tax					979,025	1,583,247
Wheel Tax					0	403,238
Wholesale Beer Tax					207,256	0
Business Tax					106,054	28,219
Hotel/Motel Tax					44,126	0
Mineral Severance Tax					40,532	28,969
Litigation Tax - General					37,280	0
Litigation Tax - Jail, Workhouse, or Courthouse					13,393	0
Litigation Tax - Victim/Offender Mediation Center					21,665	0
Other Local Taxes					2,033	1,060
Grants and Contributions Not Restricted for Specific Programs					206,656	13,536,353
Unrestricted Investment Earnings					42,540	44,967
Sale of Equipment					127,271	0
Miscellaneous					40,051	103,992
Amortization of Debt Premium					10,636	8,573
Total General Revenues					$ 7,035,638	$ 16,689,079
Insurance Recovery					$ 69,777	$ 9,449
Change in Net Assets					$ 2,841,694	$ 593,059
Net Assets, July 1, 2011					35,661,320	15,258,904
Net Assets, June 30, 2012					$ 38,503,014	$ 15,851,963

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, 2012

	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	$ 17,369	$ 17,369
Equity in Pooled Cash and Investments	1,689,683	762,618	109,387	2,902,913	45,730	5,510,331
Accounts Receivable	1,035,273	23,684	0	0	401	1,059,358
Allowance for Uncollectibles	(202,223)	0	0	0	0	(202,223)
Due from Other Governments	100,414	105,384	286,684	56,848	0	549,330
Due from Other Funds	17,770	0	0	0	0	17,770
Property Taxes Receivable	4,453,158	502,236	0	669,648	0	5,625,042
Allowance for Uncollectible Property Taxes	(162,952)	(18,378)	0	(24,504)	0	(205,834)
Total Assets	$ 6,931,123	$ 1,375,544	$ 396,071	$ 3,604,905	$ 63,500	$ 12,371,143
LIABILITIES AND FUND BALANCES						
Liabilities						
Claims and Judgments Payable	$ 0	$ 0	$ 36,287	$ 0	$ 0	$ 36,287
Due to Other Funds	0	0	0	0	17,770	17,770
Deferred Revenue - Current Property Taxes	4,062,243	458,148	0	610,864	0	5,131,255
Deferred Revenue - Delinquent Property Taxes	204,571	23,072	0	30,762	0	258,405
Other Deferred Revenues	730,677	50,000	134,112	28,000	0	942,789
Total Liabilities	$ 4,997,491	$ 531,220	$ 170,399	$ 669,626	$ 17,770	$ 6,386,506
Fund Balances						
Restricted:						
Restricted for General Government	$ 26,331	$ 0	$ 0	$ 0	$ 0	$ 26,331
Restricted for Finance	17,433	0	0	0	0	17,433
Restricted for Administration of Justice	9,742	0	0	0	0	9,742
Restricted for Public Safety	2,948	0	0	0	34,565	37,513
Restricted for Other Operations	4,950	0	0	0	0	4,950
Restricted for Capital Outlay	0	0	0	0	11,165	11,165
Restricted for Debt Service	0	0	0	95,076	0	95,076
Committed:						
Committed for Public Health and Welfare	0	844,324	0	0	0	844,324

(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.)						
Committed (Cont.):						
Committed for Highways/Public Works	$ 0	$ 0	$ 155,895	$ 0	$ 0	$ 155,895
Committed for Debt Service	0	0	0	2,840,203	0	2,840,203
Assigned:						
Assigned for Highways/Public Works	0	0	69,777	0	0	69,777
Unassigned	1,872,228	0	0	0	0	1,872,228
Total Fund Balances	$ 1,933,632	$ 844,324	$ 225,672	$ 2,935,279	$ 45,730	$ 5,984,637
Total Liabilities and Fund Balances	$ 6,931,123	$ 1,375,544	$ 396,071	$ 3,604,905	$ 63,500	$ 12,371,143

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, 2012

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		$ 5,984,637
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	$ 5,548,879	
Add: buildings and improvements net of accumulated depreciation	4,473,931	
Add: other capital assets net of accumulated depreciation	1,737,496	
Add: infrastructure net of accumulated depreciation	26,700,161	38,460,467
(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	$ (590,000)	
Less: notes payable	(968,676)	
Less: other loans payable	(5,012,301)	
Less: capital leases payable	(28,041)	
Less: accrued interest on bonds, notes, and other loans	(10,653)	
Add: deferred charges - debt issuance costs	20,210	
Less: premium on debt issuances	(20,210)	
Less: compensated absences payable	(242,688)	
Less: other postemployment benefits liability	(81,343)	
Less: landfill postclosure care costs	(209,582)	(7,143,284)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		1,201,194
Net assets of governmental activities (Exhibit A)		$ 38,503,014

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, 2012

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 4,530,395	$ 1,096,504	$ 40,685	$ 953,292	$ 0	$ 6,620,876
Licenses and Permits	14,666	0	0	0	0	14,666
Fines, Forfeitures, and Penalties	92,312	0	0	0	33,841	126,153
Charges for Current Services	1,346,622	207,449	0	0	0	1,554,071
Other Local Revenues	183,540	170,770	95,560	64,380	13,937	528,187
Fees Received from County Officials	637,337	0	0	0	0	637,337
State of Tennessee	387,529	28,926	1,666,571	0	0	2,083,026
Federal Government	120,210	0	56,053	0	294,548	470,811
Other Governments and Citizens Groups	22,800	0	0	350,000	0	372,800
Total Revenues	$ 7,335,411	$ 1,503,649	$ 1,858,869	$ 1,367,672	$ 342,326	$ 12,407,927
Expenditures						
Current:						
General Government	$ 924,617	$ 0	$ 0	$ 0	$ 0	$ 924,617
Finance	867,897	0	0	0	0	867,897
Administration of Justice	556,814	0	0	0	0	556,814
Public Safety	2,339,313	0	0	0	28,579	2,367,892
Public Health and Welfare	1,486,757	1,498,311	0	0	0	2,985,068
Social, Cultural, and Recreational Services	233,263	0	0	0	0	233,263
Agriculture and Natural Resources	96,152	0	0	0	0	96,152
Other Operations	822,593	63,986	0	0	0	886,579
Highways	0	0	2,411,665	0	0	2,411,665
Debt Service:						
Principal on Debt	0	0	192,260	760,334	0	952,594
Interest on Debt	0	0	34,808	58,671	0	93,479
Other Debt Service	0	0	0	38,574	0	38,574
Capital Projects	0	0	0	0	294,548	294,548
Total Expenditures	$ 7,327,406	$ 1,562,297	$ 2,638,733	$ 857,579	$ 323,127	$ 12,709,142
Excess (Deficiency) of Revenues Over Expenditures	$ 8,005	$ (58,648)	$ (779,864)	$ 510,093	$ 19,199	$ (301,215)

(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)						
Capital Leases Issued	$ 0	$ 0	$ 23,454	$ 0	$ 0	$ 23,454
Insurance Recovery	0	0	69,777	0	0	69,777
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 93,231	$ 0	$ 0	$ 93,231
Net Change in Fund Balances	$ 8,005	$ (58,648)	$ (686,633)	$ 510,093	$ 19,199	$ (207,984)
Fund Balance, July 1, 2011	1,925,627	902,972	912,305	2,425,186	26,531	6,192,621
Fund Balance, June 30, 2012	$ 1,933,632	$ 844,324	$ 225,672	$ 2,935,279	$ 45,730	$ 5,984,637

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, 2012

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)		$ (207,984)
(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	$ 2,748,201	
Less: current-year depreciation expense	(751,013)	1,997,188
(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		(27,471)
(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, 2012	$ 1,201,194	
Less: deferred delinquent property taxes and other deferred June 30, 2011	(985,043)	216,151
(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: lease proceeds	$ (23,454)	
Add: change in premium on debt issuances	10,636	
Less: change in deferred debt issuance costs	(10,636)	
Add: principal payments on bonds	415,000	
Add: principal payments on notes	209,993	
Add: principal payments on other loans	345,334	
Add: capital lease principal payments	6,113	952,986
(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	$ (1,142)	
Change in closure/postclosure care costs	3,964	
Change in other postemployment benefits liability	(35,082)	
Change in compensated absences payable	(56,916)	(89,176)
Change in net assets of governmental activities (Exhibit B)		$ 2,841,694

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, 2012

	Agency Funds
ASSETS	
Cash	$ 559,951
Due from Other Governments	108,429
Total Assets	$ 668,380
LIABILITIES	
Due to Other Taxing Units	$ 105,564
Due to Litigants, Heirs, and Others	562,816
Total Liabilities	$ 668,380

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, 2012

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, 2012, the county appropriated an operating subsidy of $193,600 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, 2012, 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 Emergency Communications District and 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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2012.

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 accounts for transactions relating to the disposal of Fentress 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 Fund – The Community Development/Industrial Park Fund accounts for funds held to maintain and improve industrial park buildings.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers and local sales taxes received by the state to be forwarded to the various cities in Fentress County. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Fentress County School Department reports the following major governmental 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 two percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet with offsetting deferred revenue to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Circuit Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements. Claims and judgments payable totaling $36,287 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:

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

4. Compensated Absences

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.

Noncertified School Department employees and some county offices allow employees to accumulate vacation days beyond year-end. 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 and departments 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.

As of June 30, 2012, Fentress County had $4,894,000 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, and shall remain binding unless removed on the same manner.

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 Community Development/Industrial Parks Fund (capital projects fund), which adopts a project length budget. 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.

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the General Sessions Court major appropriation category (the legal level of control) of the General Fund by $3,908. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

C. Cash Shortage – Prior Years

The audit of Fentress County for the 2007-08 year reported a cash shortage of $2,032 at the Sharp/Alticrest Volunteer Fire Department. This shortage resulted from the misappropriation of county funds by a captain in the volunteer fire department. 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, 2012, the balance of restitution owed to Fentress County remained $544.

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, 2012.

B. Notes Receivable

The General Purpose School Fund had a long-term note receivable of $10,533 on June 30, 2012. 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, 2012, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Capital Assets Not Depreciated:				
Land	$ 5,293,759	$ 255,120	$ 0	$ 5,548,879
Total Capital Assets Not Depreciated	$ 5,293,759	$ 255,120	$ 0	$ 5,548,879
Capital Assets Depreciated:				
Buildings and Improvements	$ 7,603,579	$ 0	$ 0	$ 7,603,579
Infrastructure	29,730,475	2,357,740	0	32,088,215
Other Capital Assets	4,575,938	135,341	(197,568)	4,513,711
Total Capital Assets Depreciated	$ 41,909,992	$ 2,493,081	$ (197,568)	$ 44,205,505
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 3,008,566	$ 121,082	$ 0	$ 3,129,648
Infrastructure	5,036,313	351,741	0	5,388,054
Other Capital Assets	2,668,122	278,190	(170,097)	2,776,215
Total Accumulated Depreciation	$ 10,713,001	$ 751,013	$ (170,097)	$ 11,293,917
Total Capital Assets Depreciatied, Net	$ 31,196,991	$ 1,742,068	$ (27,471)	$ 32,911,588

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Decreases	Balance 6-30-12
Governmental Activities Capital Assets, Net	$ 36,490,750	$ 1,997,188	$ (27,471)	$ 38,460,467

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

Governmental Activities:

General Government	$ 4,625
Public Safety	132,436
Public Health and Welfare	155,067
Social, Cultural, and Recreational Services	21,421
Agriculture and Natural Resources	942
Other Operations	17,176
Highways/Public Works	419,346
Total Depreciation Expense - Governmental Activities	$ 751,013

Discretely Presented Fentress County School Department

Governmental Activities:

	Balance 7-1-11	Increases	Balance 6-30-12
Capital Assets Not Depreciated:			
Land	$ 411,763	$ 0	$ 411,763
Total Capital Assets Not Depreciated	$ 411,763	$ 0	$ 411,763
Capital Assets Depreciated:			
Buildings and Improvements	$ 16,984,032	$ 0	$ 16,984,032
Other Capital Assets	2,265,975	366,833	2,632,808
Total Capital Assets Depreciated	$ 19,250,007	$ 366,833	$ 19,616,840

Governmental Activities (Cont.):

	Balance 7-1-11	Increases	Balance 6-30-12
Less Accumulated Depreciated For:			
Buildings and Improvements	$ 4,835,518	$ 353,856	$ 5,189,374
Other Capital Assets	848,516	207,972	1,056,488
Total Accumulated Depreciation	$ 5,684,034	$ 561,828	$ 6,245,862
Total Capital Assets Depreciated, Net	$ 13,565,973	$ (194,995)	$ 13,370,978
Governmental Activities Capital Assets, Net	$ 13,977,736	$ (194,995)	$ 13,782,741

There were no decreases in capital assets to report during the year ended June 30, 2012.

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

Governmental Activities:

Instruction	$ 362,532
Support Services	199,296
Total Depreciation Expense - Governmental Activities	$ 561,828

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	$ 17,770
Discretely Presented School Department:		
General Purpose School	Central Cafeteria	2,053
"	School Federal Projects	15,453
School Federal Projects	General Purpose School	30,000

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.

A portion of the receivable in the General Purpose School Fund totaling $13,629 was in transit from the School Federal Projects Fund at June 30, 2012.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2012, consisted of the following amount:

Discretely Presented Fentress County School Department

	Transfer In
Transfer Out	General Purpose School Fund
School Federal Projects Fund	$ 16,014

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.

E. Capital Leases

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 Highway/Public Works Fund is making the lease payments.

On April 19, 2012, Fentress County entered into a five-year lease-purchase agreement for a tractor. The terms of the agreement require total lease payments of $23,454 plus interest of 6.59 percent. Title to the tractor transfers to Fentress County at the end of the lease period. The Highway/Public Works Fund is making the lease payments.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities
Machinery and Equipment	$ 60,000
Less: Accumulated Depreciation	(8,500)
Total Book Value	$ 51,500

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2012, were as follows:

Year Ending June 30	Governmental Funds
2013	$ 10,492
2014	6,072
2015	6,073
2016	6,072
2017	4,555
Total Minimum Lease Payments	$ 33,264
Less: Amount Representing Interest	(5,223)
Present Value of Minimum Lease Payments	$ 28,041

F. 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 and other loans included in the long-term debt as of June 30, 2012, will be retired from the General Debt Service Fund. Notes included in the long-term debt as of June 30, 2012 will be retired from the General and Highway/Public Works funds.

General obligation bonds, notes, other loans, and capital leases outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bond - Refunding	2.106 %	6-1-14	$ 1,435,000	$ 590,000
Capital Outlay Note	4	3-1-16	1,000,000	768,522
Promissory Note	3.25	12-31-20	224,000	200,154
Other Loans	variable	5-25-26	7,000,000	4,923,000
Other Loans	4.375	1-25-20	268,000	89,301
Capital Leases	6.59 to 7	4-19-17	53,513	28,041

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, 2012, the variable interest rate for each loan was .5 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.

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 annual requirements to amortize all bonds, notes, and other loans outstanding as of June 30, 2012, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2013	$ 213,916	$ 33,725	$ 247,641
2014	222,465	25,176	247,641
2015	231,358	16,283	247,641
2016	185,158	7,222	192,380
2017	22,835	3,763	26,598
2018-2021	92,944	7,384	100,328
Total	$ 968,676	$ 93,553	$ 1,062,229

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2013	$ 302,680	$ 33,315	$ 18,286	$ 354,281
2014	311,544	30,539	17,399	359,482
2015	313,507	27,631	16,465	357,603
2016	320,570	24,596	15,488	360,654
2017	327,000	22,265	14,462	363,727
2018-2022	1,895,000	73,246	55,015	2,023,261
2023-2026	1,542,000	19,740	17,108	1,578,848
Total	$ 5,012,301	$ 231,332	$ 154,223	$ 5,397,856

Year Ending June 30	Bond		
	Principal	Interest	Total
2013	$ 430,000	$ 17,700	$ 447,700
2014	160,000	4,800	164,800
Total	$ 590,000	$ 22,500	$ 612,500

There is $2,935,279 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $32, based on the 2010 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled $367, based on the 2010 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Notes	Other Loans	Bond
Balance, July 1, 2011	$ 1,178,669	$ 5,357,635	$ 1,005,000
Additions	0	0	0
Reductions	(209,993)	(345,334)	(415,000)
Balance, June 30, 2012	$ 968,676	$ 5,012,301	$ 590,000
Balance Due Within One Year	$ 213,916	$ 302,680	$ 430,000

	Capital Lease	Compensated Absences
Balance, July 1, 2011	$ 10,700	$ 185,772
Additions	23,454	212,179
Reductions	(6,113)	(155,263)
Balance, June 30, 2012	$ 28,041	$ 242,688
Balance Due Within One Year	$ 8,851	$ 121,345

	Other Postemployment Benefits	Landfill Postclosure Care Costs
Balance, July 1, 2011	$ 46,261	$ 213,546
Additions	37,110	0
Reductions	(2,028)	(3,964)
Balance, June 30, 2012	$ 81,343	$ 209,582
Balance Due Within One Year	$ 0	$ 12,053

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	$ 7,132,631
Add: Unamortized Premium on Debt	20,210
Less: Balance Due Within One Year	(1,088,845)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 6,063,996

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

Discretely Presented Fentress County School Department

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, 2012, will be retired from the General Purpose School Fund.

The capital outlay note, other loan, and general obligation bonds outstanding as of June 30, 2012, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-12
General Obligation Bond - Refunding	3 %	4-30-15	$ 1,950,000	$ 1,020,000
Capital Outlay Note	4	4-15-22	477,435	409,546
Other Loan	0	4-1-18	107,530	89,610

The annual requirements to amortize the note, other loan, and bond outstanding as of June 30, 2012, including interest payments, are presented in the following tables:

Year Ending June 30	Note		
	Principal	Interest	Total
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
2018-2022	224,770	27,699	252,469
Total	$ 409,546	$ 95,449	$ 504,995

Year Ending June 30	Other Loan Principal	Interest	Total
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	$ 89,610	$ 0	$ 89,610

Year Ending June 30	Bond Principal	Interest	Total
2013	$ 325,000	$ 32,350	$ 357,350
2014	345,000	22,600	367,600
2015	350,000	12,250	362,250
Total	$ 1,020,000	$ 67,200	$ 1,087,200

Bonded debt per capita totaled $57, based on the 2010 federal census. Total debt per capita, including notes, other loans, and bonds totaled $85, 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, 2012, was as follows:

Governmental Activities:

	Note	Other Loan
Balance, July 1, 2011	$ 442,365	$ 104,970
Reductions	(32,819)	(15,360)
Balance, June 30, 2012	$ 409,546	$ 89,610
Balance Due Within One Year	$ 34,121	$ 15,360

	Bond	Other Postemployment Benefits
Balance, July 1, 2011	$ 1,340,000	$ 1,257,046
Additions	0	352,908
Reductions	(320,000)	(233,594)
Balance, June 30, 2012	$ 1,020,000	$ 1,376,360
Balance Due Within One Year	$ 325,000	$ 0

	Compensated Absences
Balance, July 1, 2011	$ 350,307
Additions	128,360
Reductions	(45,608)
Balance, June 30, 2012	$ 433,059

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2012	$ 3,328,575
Add: Unamortized Premium on Debt	24,006
Less: Balance Due Within One Year	(591,011)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 2,761,570

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

G. On-Behalf Payments

Discretely Presented Fentress County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Fentress County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2012, were $112,780 and $25,094, 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. The county paid its portion during the year examined; however, the Highway Department's share is still unpaid at June 30, 2012.

C. Subsequent Events

On August 30, 2012, the County Commission approved an agreement between the county and the Fentress County Industrial Development Board in which the county agrees to lease-purchase the new justice center/jail building being built by the Board. The approximate cost of the project is $11 million and the lease/purchase agreement is for a period of up to 40 years. The county will take ownership of the property at the end of the lease.

On October 4, 2012, Fentress County issued capital outlay notes totaling $212,120 for Sheriff's Department vehicles and an ambulance remount.

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. 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 $209,582 reported as landfill postclosure care liability at June 30, 2012, 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.

F. 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, 2012, 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

G. Retirement Commitments

Plan Description

Employees of Fentess 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/.

Funding Policy

County Employees

Fentress County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, 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 Fentress County School Department requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2012, was 6.62 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.

Annual Pension Cost

County Employees

For the year ended June 30, 2012, Fentress County's annual pension cost of $263,184 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 three 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 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 eight years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	$263,184	100%	$0
6-30-11	221,070	100	0
6-30-10	239,993	100	0

School Department Employees

For the year ended June 30, 2012, Fentress County School Department's annual pension cost of $147,345 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 three 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 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, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-12	$147,345	100%	$0
6-30-11	105,734	100	0
6-30-10	143,542	100	0

Funded Status and Funding Progress

County Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 99.6 percent funded. The actuarial accrued liability for benefits was $5.42 million, and the actuarial value of assets was $5.39 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.02 million. The covered payroll (annual payroll of active employees covered by the plan) was $4.01 million, and the ratio of the UAAL to the covered payroll was .54 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.

School Department Employees

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.64 percent funded. The actuarial accrued liability for benefits was $6.27 million, and the actuarial value of assets was $5.87 million, resulting in an unfunded actuarial accrued liability (UAAL) of $.4 million. The covered payroll (annual payroll of active employees covered by the plan) was $2.14 million, and the ratio of the UAAL to the covered payroll was 18.63 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.

SCHOOL TEACHERS

Plan Description

The Fentress County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. A cost of living adjustment (COLA) is provided to retirees each July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

The TCRS issues a publicly available financial report that includes financia-l 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 salaries 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, 2012, 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 ending June 30, 2012, 2011, and 2010, were $779,241, $770,081, and $544,621 respectively, equal to the required contributions for each year.

H. 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. Prior to reaching the age of 65, all members 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://tn.gov/finance/act/cafr.html.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop a 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, 2012, the county and the discretely presented Fentress County School Department contributed $2,028 and $233,594, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	$ 37,000	$ 356,000
Interest on the NPO	2,082	50,282
Adjustment to the ARC	(1,972)	(53,374)
Annual OPEB cost	$ 37,110	$ 352,908
Amount of contribution	(2,028)	(233,594)
Increase/decrease in NPO	$ 35,082	$ 119,314
Net OPEB obligation, 7-1-11	46,261	1,257,046
Net OPEB obligation, 6-30-12	$ 81,343	$ 1,376,360

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-10	Local Government Group	$ 28,020	56%	$ 20,922
6-30-11	"	29,050	13	46,261
6-30-12	"	37,110	5	81,343
6-30-10	Local Education Group	414,082	58	1,074,136
6-30-11	"	422,552	57	1,257,046
6-30-12	"	352,909	66	1,376,360

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	$ 212,000	$ 3,630,000
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 212,000	$ 3,630,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	$ 2,868,933	$ 8,672,342
UAAL as a % of covered payroll	7%	42%

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, 2011, actuarial valuation, for the Local Government Group Plan and the Local Education Group Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 9.25 percent for fiscal year 2012. The trend rate will decrease to 8.75 percent in fiscal year 2013 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 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.

I. Office of Central Accounting, Budgeting, and Purchasing

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.

J. 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 and Budget
General Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 4,530,395	$ 4,345,200	$ 4,345,200	$ 185,195
Licenses and Permits	14,666	15,400	15,400	(734)
Fines, Forfeitures, and Penalties	92,312	79,500	79,500	12,812
Charges for Current Services	1,346,622	1,308,850	1,310,950	35,672
Other Local Revenues	183,540	164,000	194,292	(10,752)
Fees Received from County Officials	637,337	600,000	600,000	37,337
State of Tennessee	387,529	518,492	520,592	(133,063)
Federal Government	120,210	861,820	893,496	(773,286)
Other Governments and Citizens Groups	22,800	22,800	22,800	0
Total Revenues	$ 7,335,411	$ 7,916,062	$ 7,982,230	$ (646,819)
Expenditures				
General Government				
County Commission	$ 117,624	$ 103,693	$ 118,124	$ 500
Board of Equalization	0	1,000	1,000	1,000
Beer Board	1,200	1,500	1,500	300
Other Boards and Committees	429	0	50,000	49,571
County Mayor/Executive	157,462	158,948	158,948	1,486
Election Commission	174,773	162,595	186,075	11,302
Register of Deeds	175,587	177,801	177,801	2,214
Planning	12,187	12,250	12,250	63
County Buildings	284,566	265,444	298,950	14,384
Preservation of Records	789	836	836	47
Finance				
Accounting and Budgeting	254,795	255,689	255,689	894
Property Assessor's Office	146,220	152,584	152,584	6,364
Reappraisal Program	30,946	31,573	31,573	627
County Trustee's Office	193,303	191,719	193,312	9
County Clerk's Office	242,633	251,967	251,967	9,334
Administration of Justice				
Circuit Court	220,747	225,988	225,988	5,241
General Sessions Court	136,682	132,774	132,774	(3,908)
Chancery Court	115,346	118,476	118,476	3,130
Juvenile Court	20,864	21,459	22,641	1,777
Other Administration of Justice	21,786	22,816	22,816	1,030
Probation Services	41,389	40,304	41,424	35
Public Safety				
Sheriff's Department	1,200,005	1,125,242	1,211,463	11,458
Administration of the Sexual Offender Registry	2,758	1,370	3,470	712
Jail	773,770	677,141	784,824	11,054
Fire Prevention and Control	95,178	109,700	116,309	21,131
Rural Fire Protection	2,615	754,500	754,500	751,885
Civil Defense	24,224	23,263	24,296	72

(Continued)

Exhibit E-1

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)				
Public Safety (Cont.)				
Rescue Squad	$ 23,888	$ 24,000	$ 24,000	$ 112
Other Emergency Management	193,600	181,800	193,600	0
County Coroner/Medical Examiner	23,275	26,250	26,250	2,975
Public Health and Welfare				
Local Health Center	44,030	44,359	44,359	329
Ambulance/Emergency Medical Services	1,243,371	1,294,595	1,294,595	51,224
Alcohol and Drug Programs	36,537	57,668	57,668	21,131
Crippled Children Services	1,213	1,213	1,213	0
Other Local Health Services	80,332	199,100	199,100	118,768
Appropriation to State	34,000	34,000	34,000	0
General Welfare Assistance	1,000	4,000	4,000	3,000
Other Local Welfare Services	10,000	10,000	10,000	0
Waste Pickup	36,274	41,258	41,257	4,983
Social, Cultural, and Recreational Services				
Adult Activities	86,317	85,422	86,422	105
Libraries	142,887	147,643	147,643	4,756
Parks and Fair Boards	4,059	3,700	4,200	141
Agriculture and Natural Resources				
Agriculture Extension Service	66,252	66,589	66,589	337
Soil Conservation	29,900	29,900	29,900	0
Other Operations				
Tourism	51,409	51,409	51,409	0
Industrial Development	41,240	41,240	41,240	0
Other Economic and Community Development	2,489	767	2,684	195
Veterans' Services	37,731	36,334	42,878	5,147
Contributions to Other Agencies	43,173	49,425	49,425	6,252
Miscellaneous	646,551	449,250	678,163	31,612
Total Expenditures	$ 7,327,406	$ 7,900,554	$ 8,480,185	$ 1,152,779
Excess (Deficiency) of Revenues Over Expenditures	$ 8,005	$ 15,508	$ (497,955)	$ 505,960
Net Change in Fund Balance	$ 8,005	$ 15,508	$ (497,955)	$ 505,960
Fund Balance, July 1, 2011	1,925,627	1,942,275	1,942,275	(16,648)
Fund Balance, June 30, 2012	$ 1,933,632	$ 1,957,783	$ 1,444,320	$ 489,312

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, 2012

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,096,504	$ 1,067,000	$ 1,067,000	$ 29,504
Charges for Current Services	207,449	215,000	215,000	(7,551)
Other Local Revenues	170,770	146,125	146,125	24,645
State of Tennessee	28,926	40,300	40,300	(11,374)
Total Revenues	$ 1,503,649	$ 1,468,425	$ 1,468,425	$ 35,224
Expenditures				
Public Health and Welfare				
Sanitation Management	$ 115,454	$ 114,354	$ 116,851	$ 1,397
Sanitation Education/Information	8,292	9,000	11,000	2,708
Waste Pickup	312,904	339,468	337,468	24,564
Convenience Centers	436,359	470,639	469,439	33,080
Problem Waste Centers	6,935	5,500	8,450	1,515
Other Waste Collection	1,661	1,000	1,662	1
Recycling Center	256,140	272,644	270,232	14,092
Landfill Operation and Maintenance	351,690	380,000	377,503	25,813
Postclosure Care Costs	8,876	9,450	9,450	574
Other Operations				
Other Charges	63,778	70,800	70,800	7,022
Employee Benefits	208	500	500	292
Total Expenditures	$ 1,562,297	$ 1,673,355	$ 1,673,355	$ 111,058
Excess (Deficiency) of Revenues Over Expenditures	$ (58,648)	$ (204,930)	$ (204,930)	$ 146,282
Net Change in Fund Balance	$ (58,648)	$ (204,930)	$ (204,930)	$ 146,282
Fund Balance, July 1, 2011	902,972	903,202	903,202	(230)
Fund Balance, June 30, 2012	$ 844,324	$ 698,272	$ 698,272	$ 146,052

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, 2012

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 40,685	$ 0	$ 40,685	$ 38,000	$ 53,000	$ (12,315)
Other Local Revenues	95,560	0	95,560	35,000	116,795	(21,235)
State of Tennessee	1,666,571	0	1,666,571	2,098,136	2,098,136	(431,565)
Federal Government	56,053	0	56,053	100,000	100,000	(43,947)
Total Revenues	$ 1,858,869	$ 0	$ 1,858,869	$ 2,271,136	$ 2,367,931	$ (509,062)
Expenditures						
Highways						
Administration	$ 164,419	$ 0	$ 164,419	$ 183,698	$ 183,904	$ 19,485
Highway and Bridge Maintenance	1,436,281	0	1,436,281	1,678,949	1,740,370	304,089
Operation and Maintenance of Equipment	367,804	0	367,804	446,179	460,868	93,064
Quarry Operations	15,421	0	15,421	15,810	15,810	389
Other Charges	87,536	0	87,536	91,445	91,745	4,209
Employee Benefits	50,943	0	50,943	61,318	61,318	10,375
Capital Outlay	289,261	(210,301)	78,960	300,000	305,179	226,219
Principal on Debt						
Highways and Streets	192,260	0	192,260	206,114	206,114	13,854
Interest on Debt						
Highways and Streets	34,808	0	34,808	41,175	41,175	6,367
Total Expenditures	$ 2,638,733	$ (210,301)	$ 2,428,432	$ 3,024,688	$ 3,106,483	$ 678,051
Excess (Deficiency) of Revenues Over Expenditures	$ (779,864)	$ 210,301	$ (569,563)	$ (753,552)	$ (738,552)	$ 168,989

(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)	Less: Encumbrances 7/1/2011	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Other Financing Sources (Uses)						
Notes Issued	$ 0	$ 0	$ 0	$ 500,000	$ 500,000	$ (500,000)
Capital Leases Issued	23,454	0	23,454	0	0	23,454
Insurance Recovery	69,777	0	69,777	0	0	69,777
Total Other Financing Sources (Uses)	$ 93,231	$ 0	$ 93,231	$ 500,000	$ 500,000	$ (406,769)
Net Change in Fund Balance	$ (686,633)	$ 210,301	$ (476,332)	$ (253,552)	$ (238,552)	$ (237,780)
Fund Balance, July 1, 2011	912,305	(210,301)	702,004	351,311	351,311	350,693
Fund Balance, June 30, 2012	$ 225,672	$ 0	$ 225,672	$ 97,759	$ 112,759	$ 112,913

Exhibit E-4

Fentress County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Fentress County School Department
June 30, 2012

(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)
7-1-11	$ 5,873	$ 6,272	$ 399	93.64 %	$ 2,143	18.63 %
7-1-09	4,994	5,413	419	92.25	2,031	20.65
7-1-07	4,753	4,753	0	100	1,435	0

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, 2012

(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	7-1-09	$ 0	$ 212	$ 212	0 %	$ 2,666	8 %
"	7-1-10	0	228	228	0	2,666	9
"	7-1-11	0	212	212	0	2,868	7
DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT							
Local Education Group	7-1-09	0	4,544	4,544	0	8,122	56
"	7-1-10	0	4,570	4,570	0	8,122	56
"	7-1-11	0	3,630	3,630	0	8,672	42

FENTRESS COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2012

1. 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.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the General Sessions Court major appropriation category (the legal level of control) of the General Fund by $3,908. Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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, 2012

	Special Revenue Funds			Capital Projects Fund	
	Drug Control	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ 0	$ 17,369	$ 17,369	$ 0	$ 17,369
Equity in Pooled Cash and Investments	34,565	0	34,565	11,165	45,730
Accounts Receivable	0	401	401	0	401
Total Assets	$ 34,565	$ 17,770	$ 52,335	$ 11,165	$ 63,500
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to Other Funds	$ 0	$ 17,770	$ 17,770	$ 0	$ 17,770
Total Liabilities	$ 0	$ 17,770	$ 17,770	$ 0	$ 17,770
Fund Balances					
Restricted:					
Restricted for Public Safety	$ 34,565	$ 0	$ 34,565	$ 0	$ 34,565
Restricted for Capital Outlay	0	0	0	11,165	11,165
Total Fund Balances	$ 34,565	$ 0	$ 34,565	$ 11,165	$ 45,730
Total Liabilities and Fund Balances	$ 34,565	$ 17,770	$ 52,335	$ 11,165	$ 63,500

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, 2012

	Special Revenue Fund	Capital Projects Fund	
	Drug Control	Community Development/ Industrial Park	Total Nonmajor Governmental Funds
Revenues			
Fines, Forfeitures, and Penalties	$ 33,841	$ 0	$ 33,841
Other Local Revenues	13,937	0	13,937
Federal Government	0	294,548	294,548
Total Revenues	$ 47,778	$ 294,548	$ 342,326
Expenditures			
Current:			
Public Safety	$ 28,579	$ 0	$ 28,579
Capital Projects	0	294,548	294,548
Total Expenditures	$ 28,579	$ 294,548	$ 323,127
Excess (Deficiency) of Revenues Over Expenditures	$ 19,199	$ 0	$ 19,199
Net Change in Fund Balances	$ 19,199	$ 0	$ 19,199
Fund Balance, July 1, 2011	15,366	11,165	26,531
Fund Balance, June 30, 2012	$ 34,565	$ 11,165	$ 45,730

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, 2012

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 33,841	$ 23,000	$ 23,000	$ 10,841
Other Local Revenues	13,937	1,000	11,001	2,936
Total Revenues	$ 47,778	$ 24,000	$ 34,001	$ 13,777
Expenditures				
Public Safety				
Drug Enforcement	$ 28,579	$ 24,044	$ 34,045	$ 5,466
Total Expenditures	$ 28,579	$ 24,044	$ 34,045	$ 5,466
Excess (Deficiency) of Revenues Over Expenditures	$ 19,199	$ (44)	$ (44)	$ 19,243
Net Change in Fund Balance	$ 19,199	$ (44)	$ (44)	$ 19,243
Fund Balance, July 1, 2011	15,366	15,366	15,366	0
Fund Balance, June 30, 2012	$ 34,565	$ 15,322	$ 15,322	$ 19,243

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, 2012

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 953,292	$ 873,500	$ 873,500	$ 79,792
Other Local Revenues	64,380	64,580	64,580	(200)
Other Governments and Citizens Groups	350,000	350,000	350,000	0
Total Revenues	$ 1,367,672	$ 1,288,080	$ 1,288,080	$ 79,592
Expenditures				
Principal on Debt				
General Government	$ 136,334	$ 136,334	$ 136,334	$ 0
Education	624,000	624,000	624,000	0
Interest on Debt				
General Government	10,079	40,670	40,670	30,591
Education	48,592	255,800	255,800	207,208
Other Debt Service				
General Government	21,895	23,000	23,000	1,105
Education	16,679	35,000	35,000	18,321
Total Expenditures	$ 857,579	$ 1,114,804	$ 1,114,804	$ 257,225
Excess (Deficiency) of Revenues Over Expenditures	$ 510,093	$ 173,276	$ 173,276	$ 336,817
Net Change in Fund Balance	$ 510,093	$ 173,276	$ 173,276	$ 336,817
Fund Balance, July 1, 2011	2,425,186	2,425,819	2,425,819	(633)
Fund Balance, June 30, 2012	$ 2,935,279	$ 2,599,095	$ 2,599,095	$ 336,184

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, 2012

	Agency Funds		
	Cities - Sales Tax	Constitutional Officers - Agency	Total
ASSETS			
Cash	$ 0	$ 559,951	$ 559,951
Due from Other Governments	105,564	2,865	108,429
Total Assets	$ 105,564	$ 562,816	$ 668,380
LIABILITIES			
Due to Other Taxing Units	$ 105,564	$ 0	$ 105,564
Due to Litigants, Heirs, and Others	0	562,816	562,816
Total Liabilities	$ 105,564	$ 562,816	$ 668,380

Exhibit H-2

Fentress County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2012

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 606,580	$ 606,580	$ 0
Due from Other Governments	107,026	105,564	107,026	105,564
Total Assets	$ 107,026	$ 712,144	$ 713,606	$ 105,564
Liabilities				
Due to Other Taxing Units	$ 107,026	$ 712,144	$ 713,606	$ 105,564
Total Liabilities	$ 107,026	$ 712,144	$ 713,606	$ 105,564
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 453,003	$ 8,507,729	$ 8,400,781	$ 559,951
Accounts Receivable	0	2,865	0	2,865
Total Assets	$ 453,003	$ 8,510,594	$ 8,400,781	$ 562,816
Liabilities				
Due to Litigants, Heirs, and Others	$ 453,003	$ 8,510,594	$ 8,400,781	$ 562,816
Total Liabilities	$ 453,003	$ 8,510,594	$ 8,400,781	$ 562,816
Totals - All Agency Funds				
Assets				
Cash	$ 453,003	$ 8,507,729	$ 8,400,781	$ 559,951
Equity in Pooled Cash and Investments	0	606,580	606,580	0
Accounts Receivable	0	2,865	0	2,865
Due from Other Governments	107,026	105,564	107,026	105,564
Total Assets	$ 560,029	$ 9,222,738	$ 9,114,387	$ 668,380
Liabilities				
Due to Other Taxing Units	$ 107,026	$ 712,144	$ 713,606	$ 105,564
Due to Litigants, Heirs, and Others	453,003	8,510,594	8,400,781	562,816
Total Liabilities	$ 560,029	$ 9,222,738	$ 9,114,387	$ 668,380

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, 2012

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	$ 11,611,624	$ 9,396	$ 1,457,809	$ (10,144,419)
Support Services	6,465,108	0	495,366	(5,969,742)
Operation of Non-Instructional Services	1,984,036	266,451	1,787,389	69,804
Interest on Long-term Debt	51,065	0	0	(51,065)
Other Debt Service	10,047	0	0	(10,047)
Total Governmental Activities	$ 20,121,880	$ 275,847	$ 3,740,564	$ (16,105,469)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				$ 950,461
Local Option Sales Taxes				1,583,247
Wheel Tax				403,238
Mineral Severance Tax				28,969
Business Tax				28,219
Other Local Taxes				1,060
Grants and Contributions Not Restricted to Specific Programs				13,536,353
Unrestricted Investment Earnings				44,967
Miscellaneous				103,992
Amortization of Debt Premium				8,573
Total General Revenues				$ 16,689,079
Insurance Recovery				$ 9,449
Change in Net Assets				$ 593,059
Net Assets, July 1, 2011				15,258,904
Net Assets, June 30, 2012				$ 15,851,963

Exhibit I-2

Fentress County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Fentress County School Department
June 30, 2012

	Major Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	Govern-mental Funds
ASSETS				
Equity in Pooled Cash and Investments	$ 4,200,188	$ 121,843	$ 644,743	$ 4,966,774
Accounts Receivable	240	0	0	240
Due from Other Governments	567,251	33,567	1,745	602,563
Due from Other Funds	17,506	30,000	0	47,506
Property Taxes Receivable	1,037,954	0	0	1,037,954
Allowance for Uncollectible Property Taxes	(37,982)	0	0	(37,982)
Notes Receivable - Long-term	10,533	0	0	10,533
Total Assets	$ 5,795,690	$ 185,410	$ 646,488	$ 6,627,588
LIABILITIES AND FUND BALANCES				
Liabilities				
Payroll Deductions Payable	$ 237,827	$ 0	$ 0	$ 237,827
Due to Other Funds	30,000	1,824	2,053	33,877
Due to State of Tennessee	5,458	0	0	5,458
Deferred Revenue - Current Property Taxes	946,838	0	0	946,838
Deferred Revenue - Delinquent Property Taxes	47,682	0	0	47,682
Other Deferred Revenues	133,000	0	0	133,000
Total Liabilities	$ 1,400,805	$ 1,824	$ 2,053	$ 1,404,682
Fund Balances				
Nonspendable:				
Long-term Notes Receivable	$ 10,533	$ 0	$ 0	$ 10,533
Restricted:				
Restricted for Education	46,050	33,586	644,435	724,071
Committed:				
Committed for Education	2,181,525	0	0	2,181,525
Assigned:				
Assigned for Education	0	150,000	0	150,000
Unassigned	2,156,777	0	0	2,156,777
Total Fund Balances	$ 4,394,885	$ 183,586	$ 644,435	$ 5,222,906
Total Liabilities and Fund Balances	$ 5,795,690	$ 185,410	$ 646,488	$ 6,627,588

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, 2012

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)		$ 5,222,906
(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	11,794,658	
Add: other capital assets net of accumulated depreciation	1,576,320	13,782,741
(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	$ (409,546)	
Less: other loans payable	(89,610)	
Less: bonds payable	(1,020,000)	
Less: other postemployment benefits liability	(1,376,360)	
Less: compensated absences payable	(433,059)	
Less: accrued interest payable	(8,123)	
Less: other deferred revenue - premium on debt	(24,006)	
Add: deferred charges - debt issuance costs	26,338	(3,334,366)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		180,682
Net assets of governmental activities (Exhibit A)		$ 15,851,963

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, 2012

	Major Funds			
	General Purpose School	School Federal Projects	Central Cafeteria	Total Governmental Funds
Revenues				
Local Taxes	$ 2,987,541	$ 0	$ 0	$ 2,987,541
Licenses and Permits	1,292	0	0	1,292
Charges for Current Services	0	0	266,451	266,451
Other Local Revenues	221,377	0	2,007	223,384
State of Tennessee	13,173,816	0	14,692	13,188,508
Federal Government	254,128	2,591,741	1,176,219	4,022,088
Total Revenues	$ 16,638,154	$ 2,591,741	$ 1,459,369	$ 20,689,264
Expenditures				
Current:				
Instruction	$ 9,178,879	$ 1,674,603	$ 0	$ 10,853,482
Support Services	5,668,521	905,923	0	6,574,444
Operation of Non-Instructional Services	673,478	0	1,299,996	1,973,474
Capital Outlay	262,307	0	0	262,307
Debt Service:				
Principal on Debt	368,179	0	0	368,179
Interest on Debt	59,636	0	0	59,636
Other Debt Service	640	0	0	640
Total Expenditures	$ 16,211,640	$ 2,580,526	$ 1,299,996	$ 20,092,162
Excess (Deficiency) of Revenues Over Expenditures	$ 426,514	$ 11,215	$ 159,373	$ 597,102
Other Financing Sources (Uses)				
Insurance Recovery	$ 9,449	$ 0	$ 0	$ 9,449
Transfers In	16,014	0	0	16,014
Transfers Out	0	(16,014)	0	(16,014)
Total Other Financing Sources (Uses)	$ 25,463	$ (16,014)	$ 0	$ 9,449
Net Change in Fund Balances	$ 451,977	$ (4,799)	$ 159,373	$ 606,551
Fund Balance, July 1, 2011	3,942,908	188,385	485,062	4,616,355
Fund Balance, June 30, 2012	$ 4,394,885	$ 183,586	$ 644,435	$ 5,222,906

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, 2012

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)		$ 606,551
(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	$ 366,833	
Less: current-year depreciation expense	(561,828)	(194,995)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2012	$ 180,682	
Less: deferred delinquent property taxes and other deferred June 30, 2011	(173,029)	7,653
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Add: principal payments on notes	$ 32,819	
Add: principal payments on other loans	15,360	
Add: principal payments on bonds	320,000	
Add: change in premium on debt proceeds	8,573	
Less: change in deferred debt issuance costs	(9,407)	367,345
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest on bonds	$ 2,884	
Change in accrued interest on notes	5,687	
Change in other postemployment benefits liability	(119,314)	
Change in compensated absences payable	(82,752)	(193,495)
Change in net assets of governmental activities (Exhibit B)		$ 593,059

Exhibit I-6

Fentress County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Fentress County School Department
General Purpose School Fund
For the Year Ended June 30, 2012

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 2,987,541	$ 2,941,800	$ 2,941,800	$ 45,741
Licenses and Permits	1,292	1,500	1,500	(208)
Other Local Revenues	221,377	156,174	156,174	65,203
State of Tennessee	13,173,816	12,920,236	13,093,017	80,799
Federal Government	254,128	210,670	175,763	78,365
Total Revenues	$ 16,638,154	$ 16,230,380	$ 16,368,254	$ 269,900
Expenditures				
Instruction				
Regular Instruction Program	$ 8,013,012	$ 8,677,840	$ 8,677,840	$ 664,828
Alternative Instruction Program	117,045	117,860	117,860	815
Special Education Program	810,010	881,800	881,800	71,790
Vocational Education Program	147,111	151,160	158,860	11,749
Adult Education Program	91,701	110,540	126,940	35,239
Support Services				
Attendance	134,369	136,040	136,040	1,671
Health Services	245,341	267,250	267,250	21,909
Other Student Support	311,272	329,650	329,650	18,378
Regular Instruction Program	518,753	533,030	551,080	32,327
Special Education Program	132,549	141,730	141,730	9,181
Vocational Education Program	875	7,840	7,840	6,965
Adult Programs	70,381	76,740	76,740	6,359
Other Programs	137,874	0	137,874	0
Board of Education	819,018	538,500	833,600	14,582
Director of Schools	182,704	172,480	186,480	3,776
Office of the Principal	596,223	624,100	624,100	27,877
Fiscal Services	102,767	112,460	112,460	9,693
Operation of Plant	982,108	1,186,800	1,100,650	118,542
Maintenance of Plant	343,260	424,000	424,000	80,740
Transportation	1,091,027	1,121,950	1,121,950	30,923
Operation of Non-Instructional Services				
Community Services	76,997	77,000	76,999	2
Early Childhood Education	596,481	596,516	596,516	35
Capital Outlay				
Regular Capital Outlay	262,307	251,500	286,400	24,093
Principal on Debt				
Education	368,179	668,400	368,400	221
Interest on Debt				
Education	59,636	59,950	59,950	314
Other Debt Service				
Education	640	1,000	1,000	360
Total Expenditures	$ 16,211,640	$ 17,266,136	$ 17,404,009	$ 1,192,369

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Excess (Deficiency) of Revenues Over Expenditures	$ 426,514	$ (1,035,756)	$ (1,035,755)	$ 1,462,269
Other Financing Sources (Uses)				
Insurance Recovery	$ 9,449	$ 0	$ 0	$ 9,449
Transfers In	16,014	0	0	16,014
Total Other Financing Sources (Uses)	$ 25,463	$ 0	$ 0	$ 25,463
Net Change in Fund Balance	$ 451,977	$ (1,035,756)	$ (1,035,755)	$ 1,487,732
Fund Balance, July 1, 2011	3,942,908	4,135,380	4,135,380	(192,472)
Fund Balance, June 30, 2012	$ 4,394,885	$ 3,099,624	$ 3,099,625	$ 1,295,260

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, 2012

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Federal Government	$ 2,591,741	$ 3,427,062	$ 3,705,190	$ (1,113,449)
Total Revenues	$ 2,591,741	$ 3,427,062	$ 3,705,190	$ (1,113,449)
Expenditures				
Instruction				
Regular Instruction Program	$ 917,873	$ 958,705	$ 1,027,720	$ 109,847
Special Education Program	699,614	725,001	938,096	238,482
Vocational Education Program	57,116	57,961	57,153	37
Support Services				
Other Student Support	512,286	408,948	532,073	19,787
Regular Instruction Program	267,997	1,137,487	975,716	707,719
Special Education Program	87,889	86,192	109,054	21,165
Vocational Education Program	2,132	2,132	2,132	0
Transportation	35,619	37,387	44,490	8,871
Total Expenditures	$ 2,580,526	$ 3,413,813	$ 3,686,434	$ 1,105,908
Excess (Deficiency) of Revenues Over Expenditures	$ 11,215	$ 13,249	$ 18,756	$ (7,541)
Other Financing Sources (Uses)				
Transfers Out	$ (16,014)	$ (13,249)	$ (18,756)	$ 2,742
Total Other Financing Sources (Uses)	$ (16,014)	$ (13,249)	$ (18,756)	$ 2,742
Net Change in Fund Balance	$ (4,799)	$ 0	$ 0	$ (4,799)
Fund Balance, July 1, 2011	188,385	0	0	188,385
Fund Balance, June 30, 2012	$ 183,586	$ 0	$ 0	$ 183,586

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, 2012

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 266,451	$ 290,000	$ 290,000	$ (23,549)
Other Local Revenues	2,007	18,500	18,500	(16,493)
State of Tennessee	14,692	15,000	15,000	(308)
Federal Government	1,176,219	1,129,238	1,129,238	46,981
Total Revenues	$ 1,459,369	$ 1,452,738	$ 1,452,738	$ 6,631
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 1,299,996	$ 1,647,138	$ 1,647,138	$ 347,142
Total Expenditures	$ 1,299,996	$ 1,647,138	$ 1,647,138	$ 347,142
Excess (Deficiency) of Revenues Over Expenditures	$ 159,373	$ (194,400)	$ (194,400)	$ 353,773
Net Change in Fund Balance	$ 159,373	$ (194,400)	$ (194,400)	$ 353,773
Fund Balance, July 1, 2011	485,062	485,047	485,047	15
Fund Balance, June 30, 2012	$ 644,435	$ 290,647	$ 290,647	$ 353,788

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, 2012

Description of Indebtedness		Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
PRIMARY GOVERNMENT									
NOTES PAYABLE									
Payable through General Fund	(1)								
USDA Promissory Note - Grant 81-07	(2)	$ 224,000	3.25 %	9-2-10	12-31-20	$ 224,000	$ 0	$ 23,846	$ 200,154
Payable through Highway/Public Works Fund									
County Highway Improvements, Series 2011		1,000,000	4	3-1-11	3-1-16	954,669	0	186,147	768,522
Total Notes Payable						$ 1,178,669	$ 0	$ 209,993	$ 968,676
OTHER LOANS PAYABLE									
Payable through General Debt Service Fund									
School Construction - Southern System Facility		6,000,000	Variable	10-25-01	5-25-26	$ 4,513,000	$ 0	$ 209,000	$ 4,304,000
Public Works Project		1,000,000	Variable	5-21-02	5-25-22	666,000	0	47,000	619,000
Community Facilities Loan - Ambulances		180,000	4.375	1-27-10	1-25-20	119,979	0	60,000	59,979
Community Facilities Loan - Patrol Cars		88,000	4.375	1-27-10	1-25-15	58,656	0	29,334	29,322
Total Other Loans Payable						$ 5,357,635	$ 0	$ 345,334	$ 5,012,301
CAPITAL LEASES PAYABLE									
Payable through Highway/Public Works Fund									
Tractor and Cutter		30,059	7	4-25-08	3-25-13	$ 10,700	$ 0	$ 6,113	$ 4,587
Tractor		23,454	6.59	4-19-12	4-19-17	0	23,454	0	23,454
Total Capital Leases Payable						$ 10,700	$ 23,454	$ 6,113	$ 28,041
BOND 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	$ 1,005,000	$ 0	$ 415,000	$ 590,000

(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 7-1-11	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-12
DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT								
NOTE PAYABLE								
Payable through General Purpose School Fund								
School Roof Projects	$ 477,435	4 %	6-24-10	4-15-22	$ 442,365	$ 0	$ 32,819	$ 409,546
OTHER LOAN PAYABLE								
Payable through General Purpose School Fund								
Energy Efficient Schools Initiative Loan	107,530	0	5-1-11	4-1-18	$ 104,970	$ 0	$ 15,360	$ 89,610
BOND PAYABLE								
Payable through General Purpose School Fund								
School Refunding Series 2009	1,950,000	3	4-30-09	4-30-15	$ 1,340,000	$ 0	$ 320,000	$ 1,020,000

(1) In the prior year, this note was shown as payable through the General Debt Service Fund; however, the county has chosen to repay it through the General Fund.

(2) 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
2013	$ 213,916	$ 33,725	$ 247,641
2014	222,465	25,176	247,641
2015	231,358	16,283	247,641
2016	185,158	7,222	192,380
2017	22,835	3,763	26,598
2018	23,577	3,021	26,598
2019	24,344	2,254	26,598
2020	25,135	1,463	26,598
2021	19,888	646	20,534
Total	$ 968,676	$ 93,553	$ 1,062,229

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Other Loans Total
2013	$ 302,680	$ 33,315	$ 18,286	$ 354,281
2014	311,544	30,539	17,399	359,482
2015	313,507	27,631	16,465	357,603
2016	320,570	24,596	15,488	360,654
2017	327,000	22,265	14,462	363,727
2018	343,000	19,822	13,382	376,204
2019	360,000	17,264	12,250	389,514
2020	378,000	14,585	11,062	403,647
2021	397,000	11,780	9,815	418,595
2022	417,000	9,795	8,505	435,300
2023	358,000	7,710	6,109	371,819
2024	376,000	5,920	4,927	386,847
2025	394,000	4,040	3,686	401,726
2026	414,000	2,070	2,387	418,457
Total	$ 5,012,301	$ 231,332	$ 154,223	$ 5,397,856

(Continued)

Exhibit J-2

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

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2013	$ 8,851	$ 1,641	$ 10,492
2014	5,117	955	6,072
2015	5,117	956	6,073
2016	5,117	955	6,072
2017	3,839	716	4,555
Total	$ 28,041	$ 5,223	$ 33,264

Year Ending June 30	Bond		
	Principal	Interest	Total
2013	$ 430,000	$ 17,700	$ 447,700
2014	160,000	4,800	164,800
Total	$ 590,000	$ 22,500	$ 612,500

DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Note		
	Principal	Interest	Total
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	48,506	1,942	50,448
Total	$ 409,546	$ 95,449	$ 504,995

(Continued)

Exhibit J-2

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

DISCRETELY PRESENTED FENTRESS
COUNTY SCHOOL DEPARTMENT (CONT.)

Year Ending June 30	Other Loan		
	Principal	Interest	Total
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	$ 89,610	$ 0	$ 89,610

Year Ending June 30	Bond		
	Principal	Interest	Total
2013	$ 325,000	$ 32,350	$ 357,350
2014	345,000	22,600	367,600
2015	350,000	12,250	362,250
Total	$ 1,020,000	$ 67,200	$ 1,087,200

Exhibit J-3

Fentress County, Tennessee
Schedule of Notes Receivable
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2012

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-12
General Purpose School Fund						
Repayment of training expenses	Michelle Wright	$ 14,133	7-1-09	3-31-21	0 %	$ 10,533
Total Notes Receivable						$ 10,533

Exhibit J-4

Fentress County, Tennessee
Schedule of Transfers
Discretely Presented Fentress County School Department
For the Year Ended June 30, 2012

From Fund	To Fund	Purpose	Amount
School Federal Projects	General Purpose School	Indirect costs	$ 16,014
Total Transfers			$ 16,014

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, 2012

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, *TCA*	$ 66,702	$ 100,000	Western Surety Company
Road Supervisor	Section 8-24-102, *TCA*	63,527	100,000	"
Director of Schools	State Board of Education and Fentress County Board of Education	83,065 (1)	150,000	"
Trustee	Section 8-24-102, *TCA*	57,751	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 and General Sessions Courts 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	Section 8-24-102, *TCA*	63,527 (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 $3,460.
(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, 2012

		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	$ 3,729,113	$ 422,391	$ 0	$ 0	$ 552,871	$ 0	$ 4,704,375
Trustee's Collections - Prior Year	183,614	14,880	0	0	39,092	0	237,586
Circuit/Clerk & Master Collections - Prior Years	57,303	7,866	0	0	4,318	0	69,487
Interest and Penalty	41,215	5,950	0	0	6,374	0	53,539
Payments in-Lieu-of Taxes - Other	75,200	0	0	0	0	0	75,200
County Local Option Taxes							
Local Option Sales Tax	1,310	633,068	0	0	342,647	0	977,025
Hotel/Motel Tax	44,126	0	0	0	0	0	44,126
Litigation Tax - General	37,280	0	0	0	0	0	37,280
Litigation Tax - Jail, Workhouse, or Courthouse	13,393	0	0	0	0	0	13,393
Litigation Tax - Victim/Offender Mediation Center	21,665	0	0	0	0	0	21,665
Business Tax	85,715	12,349	0	0	7,990	0	106,054
Mineral Severance Tax	0	0	0	40,532	0	0	40,532
Statutory Local Taxes							
Bank Excise Tax	31,325	0	0	0	0	0	31,325
Wholesale Beer Tax	207,256	0	0	0	0	0	207,256
Beer Privilege Tax	1,045	0	0	0	0	0	1,045
Coal Severance Tax	0	0	0	153	0	0	153
Interstate Telecommunications Tax	835	0	0	0	0	0	835
Total Local Taxes	$ 4,530,395	$ 1,096,504	$ 0	$ 40,685	$ 953,292	$ 0	$ 6,620,876
Licenses and Permits							
Licenses							
Cable TV Franchise	$ 14,666	$ 0	$ 0	$ 0	$ 0	$ 0	$ 14,666
Total Licenses and Permits	$ 14,666	$ 0	$ 0	$ 0	$ 0	$ 0	$ 14,666
Fines, Forfeitures, and Penalties							
Circuit Court							
Fines	$ 17,748	$ 0	$ 0	$ 0	$ 0	$ 0	$ 17,748
Officers Costs	7,114	0	0	0	0	0	7,114

(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 (Cont.)							
Circuit Court (Cont.)							
Drug Control Fines	$ 0	$ 0	$ 14,818	$ 0	$ 0	$ 0	$ 14,818
Criminal Court							
Data Entry Fee - Criminal Court	1,082	0	0	0	0	0	1,082
General Sessions Court							
Fines	37,354	0	0	0	0	0	37,354
Officers Costs	23,535	0	0	0	0	0	23,535
Game and Fish Fines	673	0	0	0	0	0	673
Drug Control Fines	0	0	7,412	0	0	0	7,412
Data Entry Fee - General Sessions Court	2,490	0	0	0	0	0	2,490
Courtroom Security Fee	4	0	0	0	0	0	4
Other Courts - In-county							
Fines	679	0	0	0	0	0	679
DUI Treatment Fines	1,447	0	0	0	0	0	1,447
Judicial District Drug Program							
Drug Task Force Forfeitures and Seizures	0	0	2,161	0	0	0	2,161
Data Entry Fee - Other Courts	186	0	0	0	0	0	186
Other Fines, Forfeitures, and Penalties							
Proceeds from Confiscated Property	0	0	9,450	0	0	0	9,450
Total Fines, Forfeitures, and Penalties	$ 92,312	$ 0	$ 33,841	$ 0	$ 0	$ 0	$ 126,153
Charges for Current Services							
General Service Charges							
Tipping Fees	$ 0	$ 206,726	$ 0	$ 0	$ 0	$ 0	$ 206,726
Solid Waste Disposal Fees	0	505	0	0	0	0	505
Patient Charges	1,291,050	0	0	0	0	0	1,291,050
Service Charges	0	218	0	0	0	0	218
Fees							
Copy Fees	12	0	0	0	0	0	12
Greenbelt Late Application Fee	1,450	0	0	0	0	0	1,450
Vending Machine Collections	538	0	0	0	0	0	538

(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
Charges for Current Services (Cont.)							
Fees (Cont.)							
Constitutional Officers' Fees and Commissions	$ 12,666	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,666
Special Commissioner Fees/Special Master Fees	16,240	0	0	0	0	0	16,240
Data Processing Fee - Register	6,738	0	0	0	0	0	6,738
Sexual Offender Registration Fees - Sheriff	2,100	0	0	0	0	0	2,100
Data Processing Fee - County Clerk	15,828	0	0	0	0	0	15,828
Total Charges for Current Services	$ 1,346,622	$ 207,449	$ 0	$ 0	$ 0	$ 0	$ 1,554,071
Other Local Revenues							
Recurring Items							
Investment Income	$ 42,540	$ 0	$ 0	$ 0	$ 0	$ 0	$ 42,540
Lease/Rentals	87,000	5,975	0	0	64,380	0	157,355
Commissary Sales	2,954	0	0	0	0	0	2,954
Sale of Recycled Materials	0	146,592	0	146	0	0	146,738
Miscellaneous Refunds	16,142	253	13,937	9,719	0	0	40,051
Nonrecurring Items							
Sale of Equipment	3,562	15,950	0	85,695	0	0	105,207
Sale of Property	29,000	0	0	0	0	0	29,000
Contributions and Gifts	2,342	2,000	0	0	0	0	4,342
Total Other Local Revenues	$ 183,540	$ 170,770	$ 13,937	$ 95,560	$ 64,380	$ 0	$ 528,187
Fees Received from County Officials							
Fees in-Lieu-of Salary							
County Clerk	$ 140,100	$ 0	$ 0	$ 0	$ 0	$ 0	$ 140,100
Circuit Court Clerk	55,522	0	0	0	0	0	55,522
General Sessions Court Clerk	93,390	0	0	0	0	0	93,390
Clerk and Master	18,494	0	0	0	0	0	18,494
Register	73,853	0	0	0	0	0	73,853
Sheriff	10,440	0	0	0	0	0	10,440
Trustee	245,538	0	0	0	0	0	245,538
Total Fees Received from County Officials	$ 637,337	$ 0	$ 0	$ 0	$ 0	$ 0	$ 637,337

(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	9,198	0	0	0	0	0	9,198
Public Safety Grants							
Law Enforcement Training Programs	9,000	0	0	0	0	0	9,000
Other Public Safety Grants	4,317	0	0	0	0	0	4,317
Health and Welfare Grants							
Health Department Programs	79,504	0	0	0	0	0	79,504
Public Works Grants							
Litter Program	41,258	0	0	0	0	0	41,258
Other State Revenues							
Income Tax	45,782	0	0	0	0	0	45,782
Beer Tax	18,421	0	0	0	0	0	18,421
Alcoholic Beverage Tax	43,538	0	0	0	0	0	43,538
Contracted Prisoner Boarding	92,290	0	0	0	0	0	92,290
Gasoline and Motor Fuel Tax	0	0	0	1,653,613	0	0	1,653,613
Petroleum Special Tax	0	0	0	12,958	0	0	12,958
Registrar's Salary Supplement	15,164	0	0	0	0	0	15,164
Other State Grants	0	28,433	0	0	0	0	28,433
Other State Revenues	20,057	493	0	0	0	0	20,550
Total State of Tennessee	$ 387,529	$ 28,926	$ 0	$ 1,666,571	$ 0	$ 0	$ 2,083,026
Federal Government							
Federal Through State							
Disaster Relief	$ 0	$ 0	$ 0	$ 56,053	$ 0	$ 0	$ 56,053
Other Federal through State	120,210	0	0	0	0	294,548	414,758
Total Federal Government	$ 120,210	$ 0	$ 0	$ 56,053	$ 0	$ 294,548	$ 470,811
Other Governments and Citizens Groups							
Other Governments							
Contributions	$ 0	$ 0	$ 0	$ 0	$ 350,000	$ 0	$ 350,000

(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 (Cont.)							
Other Governments (Cont.)							
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	$ 7,335,411	$ 1,503,649	$ 47,778	$ 1,858,869	$ 1,367,672	$ 294,548	$ 12,407,927

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, 2012

	General Purpose School	School Federal Projects	Central Cafeteria	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 856,947	$ 0	$ 0	$ 856,947
Trustee's Collections - Prior Year	57,887	0	0	57,887
Circuit/Clerk & Master Collections - Prior Years	17,864	0	0	17,864
Interest and Penalty	10,110	0	0	10,110
County Local Option Taxes				
Local Option Sales Tax	1,583,247	0	0	1,583,247
Wheel Tax	403,238	0	0	403,238
Business Tax	28,219	0	0	28,219
Mineral Severance Tax	28,969	0	0	28,969
Statutory Local Taxes				
Coal Severance Tax	153	0	0	153
Interstate Telecommunications Tax	907	0	0	907
Total Local Taxes	$ 2,987,541	$ 0	$ 0	$ 2,987,541
Licenses and Permits				
Licenses				
Marriage Licenses	$ 1,292	$ 0	$ 0	$ 1,292
Total Licenses and Permits	$ 1,292	$ 0	$ 0	$ 1,292
Charges for Current Services				
Education Charges				
Lunch Payments - Children	$ 0	$ 0	$ 148,170	$ 148,170
Lunch Payments - Adults	0	0	47,674	47,674
Income from Breakfast	0	0	34,075	34,075
A la carte Sales	0	0	36,532	36,532
Total Charges for Current Services	$ 0	$ 0	$ 266,451	$ 266,451
Other Local Revenues				
Recurring Items				
Investment Income	$ 43,588	$ 0	$ 1,379	$ 44,967
Lease/Rentals	975	0	0	975
Sale of Recycled Materials	9,351	0	0	9,351
Refund of Telecommunication & Internet Fees (E-Rate)	35,190	0	0	35,190
Miscellaneous Refunds	101,097	0	628	101,725
Nonrecurring Items				
Damages Recovered from Individuals	45	0	0	45
Contributions and Gifts	30,728	0	0	30,728
Other Local Revenues				
Other Local Revenues	403	0	0	403
Total Other Local Revenues	$ 221,377	$ 0	$ 2,007	$ 223,384
State of Tennessee				
General Government Grants				
On-Behalf Contributions for OPEB	$ 137,874	$ 0	$ 0	$ 137,874
State Education Funds				
Basic Education Program	11,480,000	0	0	11,480,000
Early Childhood Education	596,478	0	0	596,478
School Food Service	0	0	14,692	14,692

(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.)				
Driver Education	$ 1,946	$ 0	$ 0	$ 1,946
Other State Education Funds	121,981	0	0	121,981
Career Ladder Program	97,535	0	0	97,535
Career Ladder - Extended Contract	42,600	0	0	42,600
Career Ladder - Extended Contract - ARRA	41,901	0	0	41,901
Other State Revenues				
State Revenue Sharing - T.V.A.	615,027	0	0	615,027
Other State Grants	38,474	0	0	38,474
Total State of Tennessee	$ 13,173,816	$ 0	$ 14,692	$ 13,188,508
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 0	$ 0	$ 774,350	$ 774,350
USDA - Commodities	0	0	66,062	66,062
Breakfast	0	0	291,472	291,472
USDA - Other	0	0	44,335	44,335
Adult Education State Grant Program	113,732	0	0	113,732
Vocational Education - Basic Grants to States	0	60,656	0	60,656
Title I Grants to Local Education Agencies	0	947,609	0	947,609
Special Education - Grants to States	0	617,836	0	617,836
Special Education Preschool Grants	0	27,863	0	27,863
Safe and Drug-free Schools - State Grants	0	99,457	0	99,457
Rural Education	0	47,834	0	47,834
Eisenhower Professional Development State Grants	0	142,231	0	142,231
Job Training Partnership Act	0	11,000	0	11,000
Race-to-the-Top - ARRA	0	75,467	0	75,467
Other Federal through State	72,117	561,788	0	633,905
Direct Federal Revenue				
ROTC Reimbursement	68,279	0	0	68,279
Total Federal Government	$ 254,128	$ 2,591,741	$ 1,176,219	$ 4,022,088
Total	$ 16,638,154	$ 2,591,741	$ 1,459,369	$ 20,689,264

Exhibit J-8

Fentress County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2012

General Fund		
General Government		
County Commission		
Board and Committee Members Fees	$ 66,702	
Social Security	4,136	
Employer Medicare	967	
Audit Services	5,388	
Legal Services	34,701	
Other Charges	5,730	
Total County Commission		$ 117,624
Beer Board		
Board and Committee Members Fees	$ 1,200	
Total Beer Board		1,200
Other Boards and Committees		
Advertising	$ 369	
Other Contracted Services	60	
Total Other Boards and Committees		429
County Mayor/Executive		
County Official/Administrative Officer	$ 66,702	
Assistant(s)	32,656	
Clerical Personnel	23,150	
Social Security	7,350	
State Retirement	5,346	
Medical Insurance	3,000	
Unemployment Compensation	396	
Employer Medicare	1,719	
Communication	3,219	
Postal Charges	558	
Printing, Stationery, and Forms	1,164	
Travel	3,556	
Office Supplies	6,145	
Premiums on Corporate Surety Bonds	350	
Other Equipment	2,151	
Total County Mayor/Executive		157,462
Election Commission		
County Official/Administrative Officer	$ 51,976	
Deputy(ies)	24,398	
Clerical Personnel	2,565	
Election Commission	4,850	

(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.)		
Election Workers	$ 17,210	
Social Security	5,667	
State Retirement	4,544	
Medical Insurance	3,000	
Unemployment Compensation	707	
Employer Medicare	1,325	
Communication	1,769	
Data Processing Services	9,159	
Dues and Memberships	175	
Maintenance and Repair Services - Equipment	1,830	
Postal Charges	6,181	
Printing, Stationery, and Forms	10,484	
Travel	3,622	
Office Supplies	5,139	
Office Equipment	792	
Voting Machines	19,380	
Total Election Commission		$ 174,773
Register of Deeds		
County Official/Administrative Officer	$ 57,751	
Deputy(ies)	28,974	
Clerical Personnel	44,678	
Social Security	7,921	
State Retirement	6,094	
Medical Insurance	9,000	
Unemployment Compensation	665	
Employer Medicare	1,853	
Communication	1,231	
Data Processing Services	6,769	
Maintenance and Repair Services - Equipment	368	
Postal Charges	961	
Printing, Stationery, and Forms	1,219	
Travel	1,955	
Duplicating Supplies	2,544	
Office Supplies	3,504	
Premiums on Corporate Surety Bonds	100	
Total Register of Deeds		175,587
Planning		
Board and Committee Members Fees	$ 1,950	

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
General Government (Cont.)		
Planning (Cont.)		
Dues and Memberships	$ 8,325	
Other Supplies and Materials	1,912	
Total Planning		$ 12,187
County Buildings		
Deputy(ies)	$ 22,464	
Foremen	14,000	
Laborers	52,038	
Social Security	4,746	
State Retirement	2,170	
Medical Insurance	2,250	
Unemployment Compensation	1,541	
Employer Medicare	1,110	
Communication	4,756	
Maintenance and Repair Services - Buildings	59,895	
Custodial Supplies	4,727	
Utilities	114,775	
Other Supplies and Materials	94	
Total County Buildings		284,566
Preservation of Records		
Office Equipment	$ 789	
Total Preservation of Records		789
Finance		
Accounting and Budgeting		
Supervisor/Director	$ 46,201	
Accountants/Bookkeepers	141,403	
Social Security	10,903	
State Retirement	11,163	
Medical Insurance	13,000	
Unemployment Compensation	1,352	
Employer Medicare	2,550	
Communication	3,173	
Postal Charges	1,597	
Printing, Stationery, and Forms	3,612	
Travel	92	
Other Contracted Services	3,159	
Office Supplies	10,746	
Other Supplies and Materials	220	

(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.)		
Premiums on Corporate Surety Bonds	$ 350	
Office Equipment	5,274	
Total Accounting and Budgeting		$ 254,795
Property Assessor's Office		
County Official/Administrative Officer	$ 57,751	
Clerical Personnel	26,894	
Part-time Personnel	23,046	
Social Security	6,591	
State Retirement	6,408	
Medical Insurance	6,000	
Unemployment Compensation	396	
Employer Medicare	1,542	
Audit Services	1,200	
Communication	878	
Contracts with Government Agencies	4,539	
Postal Charges	580	
Travel	4,268	
Office Supplies	5,257	
Premiums on Corporate Surety Bonds	150	
Office Equipment	720	
Total Property Assessor's Office		146,220
Reappraisal Program		
Clerical Personnel	$ 21,632	
Social Security	1,258	
State Retirement	1,287	
Medical Insurance	3,000	
Unemployment Compensation	198	
Employer Medicare	294	
Data Processing Services	2,782	
Postal Charges	495	
Total Reappraisal Program		30,946
County Trustee's Office		
County Official/Administrative Officer	$ 57,751	
Deputy(ies)	57,012	
Clerical Personnel	25,126	
Social Security	8,624	
State Retirement	8,323	

(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.)		
Medical Insurance	$ 3,000	
Unemployment Compensation	792	
Employer Medicare	2,017	
Communication	1,878	
Contracts with Government Agencies	5,000	
Postal Charges	5,628	
Printing, Stationery, and Forms	2,500	
Travel	1,398	
Office Supplies	2,114	
Premiums on Corporate Surety Bonds	3,702	
Data Processing Equipment	8,438	
Total County Trustee's Office		$ 193,303
County Clerk's Office		
County Official/Administrative Officer	$ 57,751	
Deputy(ies)	102,772	
Clerical Personnel	22,464	
Social Security	10,651	
State Retirement	10,888	
Medical Insurance	12,000	
Unemployment Compensation	990	
Employer Medicare	2,491	
Communication	1,741	
Data Processing Services	9,112	
Postal Charges	3,786	
Printing, Stationery, and Forms	3,867	
Office Supplies	2,570	
Premiums on Corporate Surety Bonds	175	
Office Equipment	1,375	
Total County Clerk's Office		242,633
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 57,751	
Deputy(ies)	75,075	
Clerical Personnel	24,814	
Jury and Witness Expense	7,713	
Social Security	9,381	
State Retirement	8,023	
Medical Insurance	6,000	

(Continued)

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
Circuit Court (Cont.)		
Unemployment Compensation	$ 1,047	
Employer Medicare	2,194	
Communication	1,704	
Data Processing Services	4,295	
Postal Charges	5,851	
Printing, Stationery, and Forms	2,748	
Office Supplies	9,349	
Premiums on Corporate Surety Bonds	250	
Office Equipment	4,552	
Total Circuit Court		$ 220,747
General Sessions Court		
Judge(s)	$ 83,640	
Deputy(ies)	26,894	
Social Security	6,763	
State Retirement	6,577	
Medical Insurance	3,000	
Unemployment Compensation	198	
Employer Medicare	1,582	
Communication	2,075	
Data Processing Services	4,294	
Travel	528	
Office Supplies	1,131	
Total General Sessions Court		136,682
Chancery Court		
County Official/Administrative Officer	$ 57,751	
Deputy(ies)	28,142	
Clerical Personnel	5,921	
Jury and Witness Expense	527	
Social Security	5,192	
State Retirement	5,111	
Medical Insurance	6,000	
Unemployment Compensation	526	
Employer Medicare	1,214	
Communication	1,241	
Postal Charges	850	
Office Supplies	2,421	
Premiums on Corporate Surety Bonds	450	
Total Chancery Court		115,346

(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	$ 17,118	
Social Security	1,061	
State Retirement	1,018	
Unemployment Compensation	209	
Employer Medicare	248	
Communication	598	
Contracts with Other Public Agencies	150	
Office Supplies	462	
Total Juvenile Court		$ 20,864
Other Administration of Justice		
Special Commissioner Fees/Special Master Fees	$ 10,460	
Gasoline	11,326	
Total Other Administration of Justice		21,786
Probation Services		
Probation Officer(s)	$ 29,000	
Social Workers	6,240	
Social Security	2,185	
State Retirement	1,726	
Unemployment Compensation	335	
Employer Medicare	511	
Communication	140	
Gasoline	269	
Office Supplies	617	
Testing	366	
Total Probation Services		41,389
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 63,527	
Deputy(ies)	580,489	
Salary Supplements	600	
Clerical Personnel	53,228	
Part-time Personnel	37,714	
Overtime Pay	7,808	
In-Service Training	8,508	
Social Security	45,079	
State Retirement	41,913	
Medical Insurance	17,122	

(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	$ 5,942	
Employer Medicare	10,543	
Communication	18,834	
Data Processing Services	622	
Licenses	175	
Maintenance and Repair Services - Equipment	327	
Maintenance and Repair Services - Office Equipment	1,478	
Maintenance and Repair Services - Vehicles	23,653	
Postal Charges	2,716	
Printing, Stationery, and Forms	474	
Travel	1,039	
Gasoline	127,486	
Law Enforcement Supplies	1,536	
Office Supplies	3,578	
Tires and Tubes	13,617	
Uniforms	4,216	
Other Supplies and Materials	878	
Premiums on Corporate Surety Bonds	5,700	
Other Charges	10,123	
Law Enforcement Equipment	3,076	
Motor Vehicles	107,984	
Office Equipment	20	
Total Sheriff's Department		$ 1,200,005
Administration of the Sexual Offender Registry		
Remittance of Revenue Collected	$ 700	
Office Supplies	2,058	
Total Administration of the Sexual Offender Registry		2,758
Jail		
Guards	$ 279,195	
In-Service Training	2,612	
Social Security	16,989	
State Retirement	16,613	
Medical Insurance	18,062	
Unemployment Compensation	3,582	
Employer Medicare	3,973	
Contracts with Government Agencies	167,257	
Data Processing Services	8,587	
Maintenance and Repair Services - Buildings	5,638	

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
Public Safety (Cont.)		
Jail (Cont.)		
Medical and Dental Services	$ 142,028	
Printing, Stationery, and Forms	585	
Transportation - Other than Students	1,510	
Travel	7	
Custodial Supplies	4,615	
Food Supplies	64,473	
Office Supplies	3,614	
Prisoners Clothing	2,525	
Uniforms	1,125	
Utilities	19,363	
Other Supplies and Materials	5,310	
Other Charges	1,808	
Building Improvements	901	
Furniture and Fixtures	1,576	
Office Equipment	1,822	
Total Jail		$ 773,770
Fire Prevention and Control		
Other Per Diem and Fees	$ 21,183	
Contracts with Government Agencies	2,000	
Maintenance and Repair Services - Buildings	2,516	
Maintenance and Repair Services - Vehicles	7,275	
Gasoline	9,190	
Utilities	16,974	
Other Equipment	36,040	
Total Fire Prevention and Control		95,178
Rural Fire Protection		
In-Service Training	$ 2,615	
Total Rural Fire Protection		2,615
Civil Defense		
Supervisor/Director	$ 12,016	
In-Service Training	440	
Social Security	745	
State Retirement	95	
Medical Insurance	250	
Unemployment Compensation	235	
Employer Medicare	174	
Communication	2,246	

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
Public Safety (Cont.)		
Civil Defense (Cont.)		
Maintenance and Repair Services - Vehicles	$ 1,330	
Gasoline	3,765	
Other Supplies and Materials	245	
Other Equipment	2,683	
Total Civil Defense		$ 24,224
Rescue Squad		
Communication	$ 1,655	
Contributions	4,000	
Maintenance and Repair Services - Vehicles	3,222	
Gasoline	5,650	
Other Supplies and Materials	1,197	
Other Equipment	8,164	
Total Rescue Squad		23,888
Other Emergency Management		
Contributions	$ 193,600	
Total Other Emergency Management		193,600
County Coroner/Medical Examiner		
Other Contracted Services	$ 23,275	
Total County Coroner/Medical Examiner		23,275
Public Health and Welfare		
Local Health Center		
Custodial Personnel	$ 8,576	
Social Security	532	
Unemployment Compensation	189	
Employer Medicare	124	
Communication	3,968	
Maintenance and Repair Services - Buildings	9,252	
Drugs and Medical Supplies	965	
Office Supplies	3,377	
Utilities	17,047	
Total Local Health Center		44,030
Ambulance/Emergency Medical Services		
Supervisor/Director	$ 41,503	
Medical Personnel	722,707	
Clerical Personnel	29,806	

(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.)		
Overtime Pay	$ 113,479	
In-Service Training	3,456	
Social Security	52,233	
State Retirement	51,231	
Medical Insurance	27,000	
Unemployment Compensation	5,236	
Employer Medicare	12,216	
Communication	10,344	
Data Processing Services	502	
Maintenance and Repair Services - Vehicles	22,331	
Postal Charges	1,339	
Travel	257	
Other Contracted Services	7,707	
Custodial Supplies	3,270	
Drugs and Medical Supplies	40,924	
Gasoline	65,122	
Office Supplies	6,554	
Uniforms	3,074	
Utilities	12,483	
Refunds	10,597	
Total Ambulance/Emergency Medical Services		$ 1,243,371
Alcohol and Drug Programs		
Supervisor/Director	$ 24,687	
Social Security	1,531	
State Retirement	1,469	
Unemployment Compensation	378	
Employer Medicare	358	
Postal Charges	218	
Printing, Stationery, and Forms	626	
Travel	2,197	
Other Contracted Services	1,269	
Office Supplies	2,974	
Other Supplies and Materials	830	
Total Alcohol and Drug Programs		36,537
Crippled Children Services		
Contracts with Government Agencies	$ 1,213	
Total Crippled Children Services		1,213

(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 Health Services		
Medical Personnel	$ 54,709	
Social Security	3,392	
State Retirement	3,064	
Unemployment Compensation	621	
Employer Medicare	793	
Travel	6,115	
Instructional Supplies and Materials	11,638	
Total Other Local Health Services		$ 80,332
Appropriation to State		
Other Contracted Services	$ 34,000	
Total Appropriation to State		34,000
General Welfare Assistance		
Pauper Burials	$ 1,000	
Total General Welfare Assistance		1,000
Other Local Welfare Services		
Contributions	$ 10,000	
Total Other Local Welfare Services		10,000
Waste Pickup		
Supervisor/Director	$ 8,920	
Clerical Personnel	8,442	
Social Security	1,072	
State Retirement	502	
Medical Insurance	516	
Unemployment Compensation	288	
Employer Medicare	251	
Maintenance and Repair Services - Vehicles	253	
Travel	1,436	
Gasoline	1,550	
Instructional Supplies and Materials	4,326	
Other Supplies and Materials	3,750	
Motor Vehicles	4,968	
Total Waste Pickup		36,274
Social, Cultural, and Recreational Services		
Adult Activities		
Supervisor/Director	$ 24,544	

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
Social, Cultural, and Recreational Services (Cont.)		
Adult Activities (Cont.)		
Other Salaries and Wages	$ 21,937	
Social Security	2,882	
State Retirement	2,766	
Unemployment Compensation	416	
Employer Medicare	674	
Communication	829	
Contracts with Private Agencies	600	
Postal Charges	178	
Travel	4,304	
Custodial Supplies	1,103	
Office Supplies	3,676	
Utilities	20,082	
Premiums on Corporate Surety Bonds	175	
Office Equipment	2,151	
Total Adult Activities		$ 86,317
Libraries		
Supervisor/Director	$ 29,952	
Librarians	54,567	
Social Security	4,981	
State Retirement	4,515	
Medical Insurance	3,000	
Unemployment Compensation	784	
Employer Medicare	1,165	
Communication	1,302	
Data Processing Services	425	
Maintenance and Repair Services - Buildings	5,930	
Maintenance and Repair Services - Equipment	3,292	
Postal Charges	372	
Travel	1,772	
Utilities	10,097	
Other Supplies and Materials	3,601	
Office Equipment	6,623	
Other Equipment	10,509	
Total Libraries		142,887
Parks and Fair Boards		
Contributions	$ 2,000	
Maintenance and Repair Services - Equipment	1,559	
Refunds	500	
Total Parks and Fair Boards		4,059

(Continued)

Exhibit J-8

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

General Fund (Cont.)		
Agriculture and Natural Resources		
Agriculture Extension Service		
Communication	$ 2,114	
Contributions	46,815	
Travel	2,408	
Office Supplies	13,904	
Office Equipment	1,011	
Total Agriculture Extension Service		$ 66,252
Soil Conservation		
Contributions	$ 29,900	
Total Soil Conservation		29,900
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	$ 2,489	
Total Other Economic and Community Development		2,489
Veterans' Services		
Supervisor/Director	$ 19,530	
Social Security	1,211	
State Retirement	1,162	
Unemployment Compensation	246	
Employer Medicare	283	
Communication	716	
Contracts with Government Agencies	8,260	
Contributions	1,500	
Postal Charges	306	
Travel	1,098	
Office Supplies	732	
Other Supplies and Materials	2,304	
Office Equipment	383	
Total Veterans' Services		37,731

(Continued)

Exhibit J-8

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

General Fund (Cont.)			
Other Operations (Cont.)			
Contributions to Other Agencies			
Contributions	$ 12,425		
Dues and Memberships	11,289		
Remittance of Revenue Collected	19,459		
Total Contributions to Other Agencies		$ 43,173	
Miscellaneous			
Data Processing Services	$ 14,425		
Road Signs	3,932		
Liability Insurance	63,409		
Trustee's Commission	103,941		
Vehicle and Equipment Insurance	47,949		
Workers' Compensation Insurance	62,477		
Fines, Assessments, and Penalties	966		
Other Charges	11,730		
Principal on Notes	23,846		
Interest on Notes	2,752		
Other Capital Outlay	311,124		
Total Miscellaneous		646,551	
Total General Fund			$ 7,327,406
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Sanitation Management			
Assistant(s)	$ 50,877		
Supervisor/Director	37,648		
Social Security	5,225		
State Retirement	3,692		
Medical Insurance	6,000		
Unemployment Compensation	594		
Employer Medicare	1,222		
Communication	3,361		
Postal Charges	610		
Printing, Stationery, and Forms	50		
Travel	2,000		
Office Supplies	1,295		
Other Supplies and Materials	2,230		
Office Equipment	650		
Total Sanitation Management		$ 115,454	

(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 Education/Information		
Advertising	$ 1,868	
Instructional Supplies and Materials	3,201	
Other Supplies and Materials	3,223	
Total Sanitation Education/Information		$ 8,292
Waste Pickup		
Truck Drivers	$ 93,119	
Laborers	45,344	
Social Security	8,378	
State Retirement	6,607	
Medical Insurance	7,750	
Unemployment Compensation	1,188	
Employer Medicare	1,959	
Communication	857	
Maintenance and Repair Services - Equipment	240	
Maintenance and Repair Services - Vehicles	47,614	
Gasoline	46,105	
Tires and Tubes	3,780	
Uniforms	1,290	
Other Supplies and Materials	2,685	
Solid Waste Equipment	45,988	
Total Waste Pickup		312,904
Convenience Centers		
Supervisor/Director	$ 28,080	
Paraprofessionals	26,728	
Equipment Operators - Heavy	31,990	
Attendants	263,371	
Social Security	21,608	
State Retirement	9,791	
Medical Insurance	1,250	
Unemployment Compensation	4,280	
Employer Medicare	5,054	
Communication	3,570	
Maintenance and Repair Services - Equipment	12,045	
Permits	1,242	
Uniforms	3,182	
Utilities	9,426	
Other Supplies and Materials	9,191	
Site Development	802	

(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.)		
Other Equipment	$ 4,749	
Total Convenience Centers		$ 436,359
Problem Waste Centers		
Advertising	$ 2,807	
Other Supplies and Materials	4,128	
Total Problem Waste Centers		6,935
Other Waste Collection		
Other Supplies and Materials	$ 1,661	
Total Other Waste Collection		1,661
Recycling Center		
Paraprofessionals	$ 27,976	
Truck Drivers	75,021	
Laborers	43,727	
Social Security	9,097	
State Retirement	6,155	
Unemployment Compensation	1,217	
Employer Medicare	2,128	
Communication	1,367	
Contracts with Private Agencies	19,573	
Maintenance and Repair Services - Buildings	1,079	
Maintenance and Repair Services - Equipment	440	
Maintenance and Repair Services - Vehicles	1,828	
Travel	712	
Gasoline	18,412	
Tires and Tubes	1,952	
Uniforms	1,969	
Utilities	6,525	
Other Supplies and Materials	5,808	
Other Equipment	31,154	
Total Recycling Center		256,140
Landfill Operation and Maintenance		
Contracts with Private Agencies	$ 351,690	
Total Landfill Operation and Maintenance		351,690
Postclosure Care Costs		
Communication	$ 310	

(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.)			
Postclosure Care Costs (Cont.)			
Engineering Services	$ 6,575		
Permits	1,500		
Utilities	419		
Other Supplies and Materials	72		
Total Postclosure Care Costs		$ 8,876	
Other Operations			
Other Charges			
Liability Insurance	$ 5,555		
Trustee's Commission	17,918		
Vehicle and Equipment Insurance	9,590		
Workers' Compensation Insurance	30,715		
Total Other Charges		63,778	
Employee Benefits			
Medical and Dental Services	$ 208		
Total Employee Benefits		208	
Total Solid Waste/Sanitation Fund			$ 1,562,297
Drug Control Fund			
Public Safety			
Drug Enforcement			
Other Salaries and Wages	$ 4,419		
In-Service Training	1,779		
Social Security	272		
State Retirement	262		
Unemployment Compensation	46		
Employer Medicare	64		
Confidential Drug Enforcement Payments	8,000		
Maintenance and Repair Services - Vehicles	1,542		
Veterinary Services	331		
Animal Food and Supplies	517		
Law Enforcement Supplies	453		
Other Supplies and Materials	340		
Trustee's Commission	319		
Other Charges	935		
Law Enforcement Equipment	9,300		
Total Drug Enforcement		$ 28,579	
Total Drug Control Fund			28,579

(Continued)

Exhibit J-8

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

Highway/Public Works Fund		
Highways		
Administration		
County Official/Administrative Officer	$ 63,527	
Clerical Personnel	68,234	
Social Security	7,924	
State Retirement	7,840	
Employer Medicare	1,853	
Communication	6,585	
Dues and Memberships	3,226	
Licenses	114	
Postal Charges	193	
Travel	706	
Other Contracted Services	252	
Custodial Supplies	952	
Office Supplies	659	
Other Charges	2,134	
Office Equipment	220	
Total Administration		$ 164,419
Highway and Bridge Maintenance		
Foremen	$ 24,957	
Equipment Operators	116,963	
Truck Drivers	58,783	
Laborers	218,213	
Social Security	24,810	
State Retirement	23,015	
Employer Medicare	5,802	
Rentals	6,812	
Other Contracted Services	12,902	
Asphalt - Cold Mix	9,889	
Asphalt - Hot Mix	594,620	
Asphalt - Liquid	121,140	
Crushed Stone	185,499	
Other Road Supplies	595	
Pipe - Metal	24,441	
Road Signs	1,356	
Other Charges	6,484	
Total Highway and Bridge Maintenance		1,436,281
Operation and Maintenance of Equipment		
Foremen	$ 32,981	
Mechanic(s)	33,315	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Operation and Maintenance of Equipment (Cont.)		
Social Security	$ 3,944	
State Retirement	3,945	
Employer Medicare	922	
Freight Expenses	1,116	
Maintenance and Repair Services - Vehicles	14,080	
Diesel Fuel	113,221	
Electricity	6,921	
Equipment and Machinery Parts	60,132	
Garage Supplies	2,158	
Gasoline	32,769	
Lubricants	8,429	
Natural Gas	1,269	
Tires and Tubes	42,441	
Other Supplies and Materials	8,256	
Other Charges	1,905	
Total Operation and Maintenance of Equipment		$ 367,804
Quarry Operations		
Operating Lease Payments	$ 10,000	
Licenses	4,199	
Electricity	1,222	
Total Quarry Operations		15,421
Other Charges		
Water and Sewer	$ 576	
Liability Insurance	31,035	
Premiums on Corporate Surety Bonds	582	
Trustee's Commission	17,098	
Workers' Compensation Insurance	38,245	
Total Other Charges		87,536
Employee Benefits		
Medical Insurance	$ 44,753	
Unemployment Compensation	6,190	
Total Employee Benefits		50,943
Capital Outlay		
Building Improvements	$ 7,276	
Communication Equipment	400	
Highway Construction	210,301	

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Capital Outlay (Cont.)			
Highway Equipment	$ 62,659		
Surplus Equipment	8,625		
Total Capital Outlay		$ 289,261	
Principal on Debt			
Highways and Streets			
Principal on Notes	$ 186,147		
Principal on Capital Leases	6,113		
Total Highways and Streets		192,260	
Interest on Debt			
Highways and Streets			
Interest on Notes	$ 33,669		
Interest on Capital Leases	1,139		
Total Highways and Streets		34,808	
Total Highway/Public Works Fund			$ 2,638,733
General Debt Service Fund			
Principal on Debt			
General Government			
Principal on Other Loans	$ 136,334		
Total General Government		$ 136,334	
Education			
Principal on Bonds	$ 415,000		
Principal on Other Loans	209,000		
Total Education		624,000	
Interest on Debt			
General Government			
Interest on Other Loans	$ 10,079		
Total General Government		10,079	
Education			
Interest on Bonds	$ 30,150		
Interest on Other Loans	18,442		
Total Education		48,592	

(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)			
Other Debt Service			
General Government			
Trustee's Commission	$ 16,163		
Other Debt Service	5,732		
Total General Government		$ 21,895	
Education			
Other Debt Service	$ 16,679		
Total Education		16,679	
Total General Debt Service Fund			$ 857,579
Community Development/Industrial Park Fund			
Capital Projects			
Other General Government Projects			
Other Contracted Services	$ 23,048		
Other Capital Outlay	271,500		
Total Other General Government Projects		$ 294,548	
Total Community Development/Industrial Park Fund			294,548
Total Governmental Funds - Primary Government			$ 12,709,142

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, 2012

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 4,903,875	
Career Ladder Program	65,000	
Career Ladder Extended Contracts	35,905	
Educational Assistants	364,052	
Other Salaries and Wages	126,254	
Certified Substitute Teachers	98,535	
Non-certified Substitute Teachers	58,870	
Social Security	332,059	
State Retirement	484,378	
Medical Insurance	858,576	
Unemployment Compensation	5,590	
Employer Medicare	77,730	
Maintenance and Repair Services - Equipment	99,140	
Instructional Supplies and Materials	215,948	
Textbooks	170,718	
Other Supplies and Materials	69,779	
Other Charges	11,580	
Regular Instruction Equipment	35,023	
Total Regular Instruction Program		$ 8,013,012
Alternative Instruction Program		
Teachers	$ 88,105	
Social Security	5,155	
State Retirement	7,974	
Medical Insurance	14,559	
Unemployment Compensation	46	
Employer Medicare	1,206	
Total Alternative Instruction Program		117,045
Special Education Program		
Teachers	$ 316,379	
Career Ladder Program	5,000	
Educational Assistants	84,452	
Speech Pathologist	137,449	
Certified Substitute Teachers	1,890	
Non-certified Substitute Teachers	38,334	
Social Security	33,086	
State Retirement	44,614	
Medical Insurance	70,302	

(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	$ 741	
Employer Medicare	7,738	
Other Contracted Services	47,023	
Instructional Supplies and Materials	21,089	
Other Supplies and Materials	1,568	
Other Charges	345	
Total Special Education Program		$ 810,010
Vocational Education Program		
Teachers	$ 103,841	
Career Ladder Program	1,500	
Social Security	6,432	
State Retirement	8,908	
Medical Insurance	12,481	
Unemployment Compensation	100	
Employer Medicare	1,504	
Other Contracted Services	9,975	
Instructional Supplies and Materials	2,370	
Total Vocational Education Program		147,111
Adult Education Program		
Teachers	$ 13,980	
Career Ladder Program	1,000	
Other Salaries and Wages	20,036	
Social Security	1,542	
State Retirement	1,259	
Medical Insurance	91	
Unemployment Compensation	93	
Employer Medicare	508	
Other Contracted Services	8,595	
Instructional Supplies and Materials	44,597	
Total Adult Education Program		91,701
Support Services		
Attendance		
Supervisor/Director	$ 62,042	
Career Ladder Program	1,000	
Other Salaries and Wages	38,469	
Social Security	6,294	

(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.)		
State Retirement	$ 7,923	
Medical Insurance	5,627	
Unemployment Compensation	87	
Employer Medicare	1,472	
Maintenance and Repair Services - Equipment	6,277	
Travel	5,178	
Total Attendance		$ 134,369
Health Services		
Supervisor/Director	$ 43,518	
Medical Personnel	129,711	
Secretary(ies)	20,131	
Social Security	11,546	
State Retirement	12,828	
Medical Insurance	9,852	
Unemployment Compensation	282	
Employer Medicare	2,700	
Travel	3,099	
Other Contracted Services	750	
Drugs and Medical Supplies	3,135	
Other Supplies and Materials	7,379	
Other Charges	410	
Total Health Services		245,341
Other Student Support		
Career Ladder Program	$ 3,000	
Guidance Personnel	225,145	
Social Security	13,775	
State Retirement	20,828	
Medical Insurance	33,971	
Unemployment Compensation	166	
Employer Medicare	3,221	
Evaluation and Testing	5,613	
Other Supplies and Materials	5,553	
Total Other Student Support		311,272
Regular Instruction Program		
Supervisor/Director	$ 63,742	
Career Ladder Program	5,400	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Regular Instruction Program (Cont.)		
Librarians	$ 201,360	
Materials Supervisor	62,542	
In-Service Training	3,275	
Social Security	19,881	
State Retirement	30,392	
Medical Insurance	49,152	
Unemployment Compensation	240	
Employer Medicare	4,650	
Travel	25,487	
Other Contracted Services	44,589	
In Service/Staff Development	7,855	
Other Charges	188	
Total Regular Instruction Program		$ 518,753
Special Education Program		
Supervisor/Director	$ 31,369	
Career Ladder Program	2,500	
Psychological Personnel	52,285	
Social Security	5,122	
State Retirement	7,879	
Medical Insurance	10,586	
Unemployment Compensation	53	
Employer Medicare	1,198	
Travel	14,630	
Other Supplies and Materials	502	
In Service/Staff Development	3,864	
Other Equipment	2,561	
Total Special Education Program		132,549
Vocational Education Program		
Supervisor/Director	$ 875	
Total Vocational Education Program		875
Adult Programs		
Supervisor/Director	$ 49,583	
Social Security	3,029	
State Retirement	4,487	
Medical Insurance	5,535	
Unemployment Compensation	33	

(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.)		
Employer Medicare	$ 708	
Travel	3,345	
In Service/Staff Development	3,661	
Total Adult Programs		$ 70,381
Other Programs		
On-Behalf Payments to OPEB	$ 137,874	
Total Other Programs		137,874
Board of Education		
Board and Committee Members Fees	$ 12,000	
Social Security	744	
Medical Insurance	115,837	
Employer Medicare	174	
Audit Services	5,500	
Dues and Memberships	8,898	
Legal Services	12,142	
Travel	3,408	
Liability Insurance	148,877	
Premiums on Corporate Surety Bonds	657	
Trustee's Commission	72,128	
Workers' Compensation Insurance	128,932	
Other Charges	9,721	
Debt Service Contribution to Primary Government	300,000	
Total Board of Education		819,018
Director of Schools		
County Official/Administrative Officer	$ 82,065	
Career Ladder Program	1,000	
Secretary(ies)	20,663	
Social Security	6,316	
State Retirement	8,863	
Medical Insurance	12,773	
Unemployment Compensation	67	
Employer Medicare	1,477	
Communication	43,860	
Travel	5,620	
Total Director of Schools		182,704

(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.)		
Office of the Principal		
Principals	$ 279,244	
Career Ladder Program	4,000	
Secretary(ies)	187,516	
Social Security	28,344	
State Retirement	37,554	
Medical Insurance	42,814	
Unemployment Compensation	516	
Employer Medicare	6,631	
Communication	9,049	
Other Charges	555	
Total Office of the Principal		$ 596,223
Fiscal Services		
Accountants/Bookkeepers	$ 48,002	
Clerical Personnel	25,214	
Social Security	3,702	
State Retirement	4,609	
Unemployment Compensation	113	
Employer Medicare	866	
Data Processing Services	2,500	
Travel	494	
Office Supplies	6,889	
Other Charges	7,038	
Administration Equipment	3,340	
Total Fiscal Services		102,767
Operation of Plant		
Custodial Personnel	$ 263,152	
Social Security	15,503	
State Retirement	15,930	
Unemployment Compensation	695	
Employer Medicare	3,721	
Disposal Fees	30,482	
Electricity	443,854	
Natural Gas	89,253	
Water and Sewer	34,931	
Other Supplies and Materials	84,587	
Total Operation of Plant		982,108

(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.)		
Maintenance of Plant		
Supervisor/Director	$ 23,900	
Other Salaries and Wages	85,615	
Social Security	6,774	
State Retirement	6,589	
Unemployment Compensation	184	
Employer Medicare	1,584	
Other Contracted Services	40,865	
Equipment and Machinery Parts	174,804	
Other Charges	2,945	
Total Maintenance of Plant		$ 343,260
Transportation		
Supervisor/Director	$ 24,148	
Mechanic(s)	36,190	
Bus Drivers	312,531	
Other Salaries and Wages	4,638	
Social Security	23,405	
State Retirement	22,242	
Medical Insurance	25	
Unemployment Compensation	1,096	
Employer Medicare	5,473	
Contracts with Parents	4,590	
Rentals	11,515	
Equipment and Machinery Parts	25,826	
Gasoline	213,121	
Lubricants	2,465	
Tires and Tubes	23,001	
Vehicle Parts	69,300	
Other Supplies and Materials	2,956	
Other Charges	18,940	
Transportation Equipment	289,565	
Total Transportation		1,091,027
Operation of Non-Instructional Services		
Community Services		
Teachers	$ 38,612	
Educational Assistants	13,795	
Social Security	3,249	
State Retirement	4,165	

(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.)		
Medical Insurance	$ 10,113	
Unemployment Compensation	70	
Employer Medicare	760	
Instructional Supplies and Materials	6,233	
Total Community Services		$ 76,997
Early Childhood Education		
Supervisor/Director	$ 31,369	
Teachers	219,375	
Educational Assistants	137,277	
Certified Substitute Teachers	3,443	
Non-certified Substitute Teachers	1,850	
Social Security	23,315	
State Retirement	27,803	
Medical Insurance	52,836	
Unemployment Compensation	664	
Employer Medicare	5,453	
Travel	11,100	
Food Supplies	8,248	
Instructional Supplies and Materials	60,381	
In Service/Staff Development	1,440	
Other Charges	2,008	
Other Equipment	9,919	
Total Early Childhood Education		596,481
Capital Outlay		
Regular Capital Outlay		
Architects	$ 6,266	
Building Improvements	256,041	
Total Regular Capital Outlay		262,307
Principal on Debt		
Education		
Principal on Bonds	$ 320,000	
Principal on Notes	32,819	
Principal on Other Loans	15,360	
Total Education		368,179

(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	$ 41,950		
Interest on Notes	17,686		
Total Education		$ 59,636	
Other Debt Service			
Education			
Other Debt Service	$ 640		
Total Education		640	
Total General Purpose School Fund			$ 16,211,640
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 585,589		
Educational Assistants	51,580		
Bonus Payments	18,397		
Certified Substitute Teachers	10,536		
Non-certified Substitute Teachers	5,816		
Social Security	40,360		
State Retirement	57,923		
Medical Insurance	118,325		
Unemployment Compensation	1,029		
Employer Medicare	9,487		
Instructional Supplies and Materials	18,571		
Regular Instruction Equipment	260		
Total Regular Instruction Program		$ 917,873	
Special Education Program			
Teachers	$ 345,147		
Educational Assistants	179,775		
Social Security	32,772		
State Retirement	45,155		
Medical Insurance	79,612		
Unemployment Compensation	905		
Employer Medicare	7,664		
Travel	201		
Other Contracted Services	3,956		
Instructional Supplies and Materials	4,368		

(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 Supplies and Materials	$ 59	
Total Special Education Program		$ 699,614
Vocational Education Program		
Teachers	$ 10,783	
Unemployment Compensation	24	
Employer Medicare	156	
Instructional Supplies and Materials	192	
Vocational Instruction Equipment	45,961	
Total Vocational Education Program		57,116
Support Services		
Other Student Support		
Supervisor/Director	$ 9,325	
Teachers	19,660	
Other Salaries and Wages	202,838	
Non-certified Substitute Teachers	35	
Social Security	13,578	
State Retirement	20,952	
Medical Insurance	32,015	
Unemployment Compensation	156	
Employer Medicare	3,179	
Evaluation and Testing	999	
Travel	12,844	
Other Contracted Services	163,105	
Instructional Supplies and Materials	22,098	
Other Charges	11,502	
Total Other Student Support		512,286
Regular Instruction Program		
Supervisor/Director	$ 56,898	
Instructional Computer Personnel	57,258	
Other Salaries and Wages	44,562	
Social Security	8,807	
State Retirement	14,364	
Medical Insurance	28,924	
Unemployment Compensation	100	
Employer Medicare	2,060	
Maintenance and Repair Services - Equipment	635	

(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.)			
Travel	$ 21,940		
Periodicals	678		
Other Supplies and Materials	2,770		
In Service/Staff Development	14,162		
Other Charges	14,839		
Total Regular Instruction Program		$ 267,997	
Special Education Program			
Psychological Personnel	$ 38,358		
Secretary(ies)	28,636		
In-Service Training	1,600		
Social Security	4,154		
State Retirement	5,367		
Medical Insurance	5,627		
Unemployment Compensation	67		
Employer Medicare	971		
Travel	1,587		
In Service/Staff Development	1,522		
Total Special Education Program		87,889	
Vocational Education Program			
Travel	$ 2,132		
Total Vocational Education Program		2,132	
Transportation			
Bus Drivers	$ 18,386		
Other Salaries and Wages	13,475		
Social Security	1,975		
State Retirement	1,217		
Unemployment Compensation	104		
Employer Medicare	462		
Total Transportation		35,619	
Total School Federal Projects Fund			$ 2,580,526
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 6,000		

(Continued)

Exhibit J-9

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

Central Cafeteria Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Food Service (Cont.)			
Secretary(ies)	$ 22,764		
Cafeteria Personnel	350,110		
Social Security	23,132		
State Retirement	21,514		
Unemployment Compensation	1,017		
Employer Medicare	5,375		
Communication	1,784		
Maintenance and Repair Services - Equipment	34,646		
Travel	4,288		
Other Contracted Services	9,061		
Food Supplies	680,496		
Uniforms	1,260		
USDA - Commodities	66,062		
Other Supplies and Materials	46,912		
Other Charges	1,980		
Food Service Equipment	23,595		
Total Food Service		$ 1,299,996	
Total Central Cafeteria Fund			$ 1,299,996
Total Governmental Funds - Fentress County School Department			$ 20,092,162

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, 2012

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 606,580
Total Cash Receipts	$ 606,580
Cash Disbursements	
Remittance of Revenues Collected	$ 600,514
Trustee's Commission	6,066
Total Cash Disbursements	$ 606,580
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2011	0
Cash Balance, June 30, 2012	$ 0

SINGLE AUDIT SECTION

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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 26, 2012

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, 2012, which collectively comprise Fentress County's basic financial statements and have issued our report thereon dated October 26, 2012. 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

The management of Fentress County is responsible for establishing and maintaining effective 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.

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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies in internal control over financial reporting: 12.02, 12.03, 12.07, and 12.08. 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.

Compliance and Other Matters

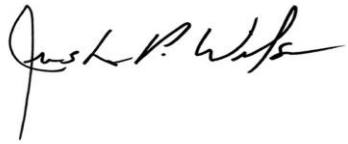
As part of obtaining reasonable assurance about whether Fentress County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 12.01, 12.04, 12.05, and 12.06.

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 LOCAL GOVERNMENT AUDIT
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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

INDEPENDENT AUDITOR'S REPORT

October 26, 2012

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

To the County Executive and Board of County Commissioners:

Compliance

We have audited Fentress County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 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

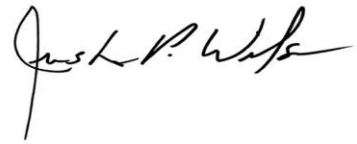
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Fentress County as of and for the year ended June 30, 2012, and have issued our report thereon dated October 26, 2012. 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, 2012

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	$ 291,472
National School Lunch Program	10.555	N/A	774,350 (3)
Fresh Fruit and Vegetable Program	10.582	N/A	31,078
Passed through East Tennessee Human Resource Agency:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	13,257
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	66,062 (3)
Total U.S. Department of Agriculture			$ 1,176,219
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	$ 294,548
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	$ 62,669
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA Youth Activities	17.259	(2)	$ 10,963
Appalachian Regional Commission:			
Passed-through Tennessee Technological University:			
Appalachian Area Development	23.002	TN16661-2011	$ 3,750
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	$ 113,732
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	974,474
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	594,406
Special Education - Preschool Grants	84.173	N/A	27,863
Career and Technical Education - Basic Grants to States	84.048	N/A	60,656
Special Education - Grants for Infants and Families	84.181	N/A	1,604
Twenty-first Century Community Learning Centers	84.287	N/A	99,860
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	2,061
Education Technology State Grants, Recovery Act	84.386	(2)	1,138
Rural Education	84.358	N/A	47,893
Improving Teacher Quality State Grants	84.367	N/A	141,919
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Government Services Recovery Act	84.397	N/A	41,901
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	76,706
Education Jobs Fund	84.410	N/A	558,602
Total U.S. Department of Education			$ 2,742,815
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	30510-00112-08	$ 19,380
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)	$ 7,565
Passed-through State Department of Mental Health and Substance Abuse Services:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	33901-47912	29,582
Total U.S. Department of Health and Human Services			$ 37,147

(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 Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance	97.036	(2)	$ 56,053
Total Expenditures of Federal Awards			$ 4,403,544

State Grants		Contract Number	
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	$ 37,911
Aging Program - Upper Cumberland Development District	N/A	(2)	9,198
ConnecTenn - State Department of Education	N/A	(2)	8,282
Coordinated School Heath Grant - State Department of Education	N/A	(2)	90,000
High Visibility Law Enforcement Campaign Grant	N/A	K8-11-05	4,317
Juvenile Justice State Supplement Grant - State Children's Services Commission	N/A	GG1029436	9,000
Law Enforcement Training - State Department of Safety	N/A	(2)	9,000
Litter Program - State Department of Transportation	N/A	40100-76212	41,258
Pilot and Voluntary State Funded Classrooms Grant - State Department of Education	N/A	MX12AAX	596,478
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(2)	19,180
Rural Local Health Services - State Department of Health	N/A	34360-28312	79,504
Safe Schools Act - State Department of Education	N/A	(2)	13,000
Tennessee Early Intervention System Grant - State Department of Education	N/A	(2)	70,513
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	9,746
Total State Grants			$ 997,387

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 $840,412.

Fentress County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2012

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, 2011, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

Finding Number	Page Number	Subject
11.02(A)	155	Purchase orders were not issued in some instances

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

Finding Number	Page Number	Subject
11.04	157	Unclaimed funds were not reported and paid to the state

OFFICES OF TRUSTEE AND SHERIFF

Finding Number	Page Number	Subject
11.06	158	Multiple employees operated from the same cash drawer

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER AND SHERIFF

Finding Number	Page Number	Subject
11.07	158	Duties were not segregated adequately

FENTRESS COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2012

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. None 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 Grants to Local Educational Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173); and Education Jobs Fund (CFDA No. 84.410) 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 trustee provided written responses on certain findings, which are included in this report. Other management officials did not provide responses for inclusion in this report.

OFFICES OF FINANCE DIRECTOR AND ROAD SUPERVISOR

FINDING 12.01 **THE ROAD SUPERVISOR ENTERED INTO A LEASE-PURCHASE AGREEMENT WITHOUT OBTAINING COUNTY COMMISSION APPROVAL**
(Noncompliance Under *Government Auditing Standards*)

On April 19, 2012, the road supervisor entered into a lease-purchase agreement totaling $23,454 for the acquisition of a tractor without obtaining the prior approval of the County Commission. Section 7-51-904, *Tennessee Code Annotated,* provides that such contract, lease, or lease-purchase agreement shall first be approved by a resolution adopted by the County Commission, and no such contract, lease, or lease-purchase agreement shall be entered into by a county without such approval.

RECOMMENDATION

All lease-purchase agreements should be approved by the County Commission as required by state statute.

OFFICE OF FINANCE DIRECTOR

FINDING 12.02 **PURCHASE ORDERS WERE NOT ISSUED IN SOME INSTANCES**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

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 applicable instances increases the risks of unauthorized purchases. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The office should issue purchase orders for all applicable purchases to improve internal controls over the purchasing process and to document purchasing commitments.

FINDING 12.03 **PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED WITH SUBSIDIARY PAYROLL RECORDS IN THE GENERAL PURPOSE SCHOOL FUND**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

General ledger payroll liability accounts were not reconciled with subsidiary payroll records and payments each month in the General Purpose School Fund. As a result, unidentified balances accumulated in the liability accounts for several payroll deductions. Sound business practices dictate that payroll liability accounts should be reconciled with billings monthly. The failure to regularly reconcile payroll liability accounts is a significant deficiency that increases the risk that errors will not be discovered and corrected in a timely manner. This deficiency exists due to a lack of management oversight.

RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and any errors discovered should be corrected promptly.

OFFICE OF ASSESSOR OF PROPERTY

FINDING 12.04 **NEW OWNERS OF GREENBELT PROPERTIES WERE NOT REQUIRED TO FILE A NEW APPLICATION FOR AGRICULTURAL PROPERTY**
(Noncompliance Under *Government Auditing Standards*)

New owners who purchased property that previously qualified as agricultural the year before were not required to file a new application for the Greenbelt classification. Section 67-5-1005(a)(1), *Tennessee Code Annotated*, requires all new owners of property that qualified as agricultural the year before to reapply by March 1 in the year of transferring ownership. This deficiency can be attributed to the lack of management oversight. Fentress County could be deprived of tax revenues from property that did not qualify to receive a Greenbelt exemption.

RECOMMENDATION

New owners of properties that qualified as agricultural should be required to file new Greenbelt applications as required by state statute.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 12.05 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 $4,164. At June 30, 2012, Circuit Court had 23 outstanding checks issued before July 1, 2011, totaling $3,448, and General Sessions Court had 26 outstanding checks totaling $716. 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 and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

FINDING 12.06 THE OFFICE HAD DEFICIENCIES IN COMPUTER SYSTEM BACKUP PROCEDURES

(Noncompliance Under *Government Auditing Standards*)

System backups were not stored off-site. Section 10-7-121, *Tennessee Code Annotated*, provides that records required to be retained by any government official may be maintained on a computer or removable storage media as long as certain standards are met. One of these standards requires that all data generated and stored within the computer system be copied to storage media daily, and media more than one week old be stored at an off-site location. This deficiency is the result of management's failure to implement adequate disaster recovery planning procedures. In the event of a disaster, all backup data could be destroyed, resulting in costly delays in generating and recording information accounted for through the automated process. Proper system backup procedures were implemented in March 2012.

RECOMMENDATION

Management should ensure backups are rotated off-site on a routine basis.

OFFICES OF TRUSTEE AND SHERIFF

FINDING 12.07 **MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Offices of Trustee 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 and management's failure to correct finding noted in the prior-year audit report.

RECOMMENDATION

Officials should assign each employee their own cash drawer.

MANAGEMENT'S RESPONSE – TRUSTEE

As of July 2012, each employee of the office has their own cash drawer.

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF

FINDING 12.08 **DUTIES WERE NOT SEGREGATED ADEQUATELY**
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among the officials and employees in the Offices of 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 – TRUSTEE

As of July 2012, we have segregated responsibilities as much as possible for the Trustee's Office. We try to correct any deficiencies to the best of our ability. With segregation of duties, it is not always possible, but we do what we can.

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 Local Government 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, 2012

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