

**ANNUAL FINANCIAL REPORT**  
**FENTRESS COUNTY, TENNESSEE**

**FOR THE YEAR ENDED JUNE 30, 2015**



**DIVISION OF LOCAL GOVERNMENT AUDIT**



**ANNUAL FINANCIAL REPORT  
FENTRESS COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2015**

***COMPTROLLER OF THE TREASURY  
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT  
JAMES R. ARNETTE  
Director***

***STEVE REEDER, CPA, CGFM, CFE  
Audit Manager***

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KELLY J. McNEAL, CPA, CGFM  
State Auditors***

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

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## FENTRESS COUNTY, TENNESSEE

### TABLE OF CONTENTS

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	Exhibit	Page(s)
Summary of Audit Findings		6-7
<u>INTRODUCTORY SECTION</u>		8
Fentress County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-14
BASIC FINANCIAL STATEMENTS:		15
Government-wide Financial Statements:		
Statement of Net Position	A	16-17
Statement of Activities	B	18-19
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	20-23
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	C-2	24
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	25-28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	29
Statements of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Fund	C-5	30-31
Solid Waste/Sanitation Fund	C-6	32
Highway/Public Works Fund	C-7	33
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	34
Index and Notes to the Financial Statements		35-103

	Exhibit	Page(s)
REQUIRED SUPPLEMENTARY INFORMATION:		104
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	E-1	105
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on Participation in the Public Employee Pension Plan of TCRS – Discretely Presented Fentress County School Department – Non-Certified Employees	E-2	106
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Primary Government	E-3	107
Schedule of Contributions Based on Participation in the Public Employee Pension Plan of TCRS – Discretely Presented Fentress County School Department – Non-Certified Employees	E-4	108
Schedule of Contributions Based on Participation in the Teacher Retirement Plan of TCRS – Discretely Presented Fentress County School Department	E-5	109
Schedule of Contributions Based on Participation in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Fentress County School Department	E-6	110
Schedule of Proportionate Share of the Net Pension Asset in the Teacher Legacy Pension Plan of TCRS – Discretely Presented Fentress County School Department	E-7	111
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Fentress County School Department	E-8	112
Notes to the Required Supplementary Information		113-114
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		115
Nonmajor Governmental Funds:		116
Combining Balance Sheet	F-1	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	118-119
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	F-3	120
Major Governmental Fund:		121
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	122
Fiduciary Funds:		123
Combining Statement of Fiduciary Assets and Liabilities	H-1	124
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	125

	Exhibit	Page(s)
Component Unit:		
Discretely Presented Fentress County School Department:		126
Statement of Activities	I-1	127
Balance Sheet – Governmental Funds	I-2	128-129
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	I-3	130
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	131-132
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	133
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	134-135
School Federal Projects Fund	I-7	136
Central Cafeteria Fund	I-8	137
Miscellaneous Schedules:		138
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds	J-1	139-140
Schedule of Long-term Debt Requirements by Year	J-2	141
Schedule of Notes Receivable – Discretely Presented Fentress County School Department	J-3	142
Schedule of Transfers – Discretely Presented Fentress County School Department	J-4	143
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Fentress County School Department	J-5	144
Schedule of Detailed Revenues – All Governmental Fund Types	J-6	145-156
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Fentress County School Department	J-7	157-159
Schedule of Detailed Expenditures – All Governmental Fund Types	J-8	160-178
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Fentress County School Department	J-9	179-188
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	J-10	189
<u>SINGLE AUDIT SECTION</u>		190
Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government</i> <i>Auditing Standards</i>		191-193
Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133		194-196
Schedule of Expenditures of Federal Awards and State Grants		197-198
Schedule of Audit Findings Not Corrected		199
Schedule of Findings and Questioned Costs		200-207
Auditee Reporting Responsibilities		208

# ***Summary of Audit Findings***

Annual Financial Report  
Fentress County, Tennessee  
For the Year Ended June 30, 2015

## ***Scope***

We have audited the basic financial statements of Fentress County as of and for the year ended June 30, 2015.

## ***Results***

Our report on Fentress County's financial statements is unmodified.

Our audit resulted in ten 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***

The following are summaries of the audit findings:

### **OFFICE OF FINANCE DIRECTOR**

- ◆ The Ice Storm Reclamation Fund had a deficit in unassigned fund balance at June 30, 2015.
- ◆ The School Federal Projects Fund had a cash overdraft at June 30, 2015.
- ◆ The Solid Waste Department's billing software did not have adequate application controls.
- ◆ The Solid Waste Department did not implement adequate controls to protect its information resources.

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

- ◆ Unclaimed funds were not reported and paid to the state.
  - ◆ The office did not properly restrict access to the court application.
-

## **OFFICE OF SHERIFF**

- ◆ Multiple employees operated from the same cash drawer.
  - ◆ The office did not deposit some funds within three days of collection.
  - ◆ The annual financial report was not accurate.
- 

## **FENTRESS COUNTY PUBLIC LIBRARY AND OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF**

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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Fentress County Officials  
June 30, 2015

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**Officials**

J. Michael Cross, County Executive  
Scott Norris, Road Supervisor  
Michael Jones, Director of Schools  
Wanda Tompkins, Trustee  
Harvey Stowers, Assessor of Property  
Marilyn Stephens, County Clerk  
Gina Mullinix, Circuit and General Sessions Courts Clerk  
Kathryn Taylor, Clerk and Master  
Patricia Slaven, Register of Deeds  
Charles Cravens, Sheriff  
Marsha Delk, Finance Director

**Board of County Commissioners**

J. Michael Cross, County Executive, Chairman	
Larry Cooper	Jimmy Johnson
Kim Davidson	Wade Matthews
Lester Gooding	Justin Elvis Miller
Jeff Green	J.P. Reagan
Benny Hughes	Donal Williams

**Board of Education**

Gary Tinch, Chairman	Myla Leffew
William Cody	Barbara Pile
Eddie Cook	Kathy Pritchett
Karen Cooper	Lynette Pritchett
Philip Michael Hall	Kathy Williams

**Financial Management Committee**

Larry Cooper, Chairman  
Kim Davidson  
Lester Gooding  
Jimmy Johnson  
J. Michael Cross, County Executive  
Michael Jones, Director of Schools  
Scott Norris, Road Supervisor

**Audit Committee**

Bryant Johnson, Chairman  
Phillip Horst  
Jimmy Johnson  
Julie Linder  
Donal Williams

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## FINANCIAL SECTION

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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

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

To the County Executive and Board of County Commissioners:

**Report on the Financial Statements**

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, 2015, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Fentress County Emergency Communications District, which represent 4.0 percent, 6.6 percent, and 3.0 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Also, we did not audit the financial statements of the Industrial Development Board of Fentress County, which represent 37.2 percent, 22.3 percent, and 1.3 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports have been furnished

to us, and our opinion, insofar as it relates to the amounts included for the Fentress County Emergency Communications District and the Industrial Development Board of Fentress County, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our report and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As described in Note V.B., Fentress County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

### ***Emphasis of Matter***

We draw attention to Note I.D.8. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$581,045 and the discretely presented Fentress County School Department's net position by \$3,153,121 on the Government-wide Statement of Activities. We also draw attention to Note VI.A.10. to the financial statements, which describes a restatement increasing the beginning discretely

presented Fentress County Emergency Communications District's net position by \$40,835 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

We draw attention to Note VII.H. to the financial statements, which describes a prior-period adjustment decreasing the beginning discretely presented Industrial Board of Fentress County's net position by \$267,971 on the Government-wide Statement of Activities. This adjustment was necessary to correct an overstatement of construction in progress for capital assets in the prior year.

### ***Other Matters***

#### *Required Supplementary Information*

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 schedule of changes in the county's net pension liability and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress – other postemployment benefits plans on pages 105-114 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fentress County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fentress County School Department (a discretely presented component unit), and miscellaneous schedules are

presented for purposes of additional analysis and are not a required part of the basic financial statements.

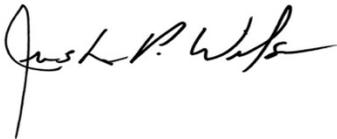
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Fentress County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic 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.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016, on our consideration of Fentress County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fentress County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 28, 2016

JPW/kp

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Fentress County, Tennessee  
Statement of Net Position  
June 30, 2015

	Primary Government Governmental Activities	Component Units		
		Fentress County School Department	Fentress County Emergency Communications District	Industrial Development Board of Fentress County
<u>ASSETS</u>				
Cash	\$ 17,816	\$ 0	\$ 986,084	\$ 165,858
Equity in Pooled Cash and Investments	4,981,377	5,835,200	0	0
Accounts Receivable	1,942,458	6,490	227	0
Allowance for Uncollectibles	(487,584)	0	0	0
Due from Other Governments	723,434	804,433	453	0
Due from Component Units	422,168	0	0	0
Property Taxes Receivable	5,503,561	923,253	0	0
Allowance for Uncollectible Property Taxes	(181,310)	(30,416)	0	0
Prepaid Items	0	0	33,363	382
Notes Receivable - Long-term	0	9,124	0	0
Net Pension Asset - Agent Plan	92,565	538,002	73,447	0
Net Pension Asset - Cost-sharing Plan	0	36,045	0	0
Capital Assets:				
Assets Not Depreciated:				
Land	5,446,089	411,763	0	1,002,090
Construction in Progress	0	0	0	10,526,551
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	6,264,680	11,207,869	0	0
Other Capital Assets	2,196,144	1,516,432	338,253	1,752,512
Infrastructure	25,638,932	0	0	0
Total Assets	\$ 52,560,330	\$ 21,258,195	\$ 1,431,827	\$ 13,447,393
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Pension Changes in Experience	\$ 0	\$ 87,509	\$ 0	\$ 0
Pension Other Deferrals	0	0	15,559	0
Pension Changes in Contributions after Measurement Date	291,934	901,188	0	0
Total Deferred Outflows of Resources	\$ 291,934	\$ 988,697	\$ 15,559	\$ 0

(Continued)

Exhibit A

Fentress County, Tennessee  
Statement of Net Position (Cont.)

	Primary Government Governmental Activities	Component Units		
		Fentress County School Department	Fentress County Emergency Communications District	Industrial Development Board of Fentress County
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 0	\$ 1,388	\$ 0
Accrued Payroll	0	0	3,375	0
Payroll Deductions Payable	0	178,364	5,308	0
Accrued Interest Payable	13,579	0	0	0
Cash Overdraft	0	78,440	0	0
Contracts Payable	184,044	0	0	0
Retainage Payable	7,523	0	0	0
Claims and Judgments Payable	18,964	0	0	0
Due to State of Tennessee	0	11,880	0	0
Due to Primary Government	0	422,168	0	0
Noncurrent Liabilities:				
Due Within One Year	1,403,598	177,129	15,173	13,687
Due in More Than One Year	6,685,623	1,862,048	0	8,764,262
Total Liabilities	<u>\$ 8,313,331</u>	<u>\$ 2,730,029</u>	<u>\$ 25,244</u>	<u>\$ 8,777,949</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 5,099,920	\$ 855,540	\$ 0	\$ 0
Pension Changes in Experience	258,554	321,622	9,135	0
Pension Changes in Investment Earnings	471,607	3,406,584	0	0
Pension Other Deferrals	0	8,816	22,221	0
Total Deferred Inflows of Resources	<u>\$ 5,830,081</u>	<u>\$ 4,592,562</u>	<u>\$ 31,356</u>	<u>\$ 0</u>
<u>NET POSITION</u>				
Net Investment in Capital Assets	\$ 36,071,433	\$ 13,136,064	\$ 338,253	\$ 4,503,204
Restricted for:				
General Government	30,703	0	0	0
Administration of Justice	3,001	0	0	0
Public Safety	80,358	0	0	0
Highways/Public Works	456,756	0	0	0
Capital Projects	11,165	0	0	0
Education	0	1,323,108	0	0
Other Purposes	92,565	0	73,447	4
Unrestricted	1,962,871	465,129	979,086	166,236
Total Net Position	<u>\$ 38,708,852</u>	<u>\$ 14,924,301</u>	<u>\$ 1,390,786</u>	<u>\$ 4,669,444</u>

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

Exhibit B

Fentress County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Expenses	Program Revenues			Primary Governmental Activities	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Fentress County School Department	Fentress County Emergency Communications District	Industrial Development Board of Fentress County
Primary Government:								
Governmental Activities:								
General Government	\$ 1,595,213	\$ 284,164	\$ 25,164	\$ 706	\$ (1,285,179)	\$ 0	\$ 0	\$ 0
Finance	910,060	427,353	0	0	(482,707)	0	0	0
Administration of Justice	613,594	254,337	13,500	0	(345,757)	0	0	0
Public Safety	5,189,704	227,362	142,240	0	(4,820,102)	0	0	0
Public Health and Welfare	3,146,451	1,696,459	198,602	314,922	(936,468)	0	0	0
Social, Cultural, and Recreational Services	447,003	226,719	18,300	100,000	(101,984)	0	0	0
Agriculture and Natural Resources	91,309	0	0	0	(91,309)	0	0	0
Highways/Public Works	2,044,130	0	1,715,442	0	(328,688)	0	0	0
Interest on Long-term Debt	80,084	0	0	25,850	(54,234)	0	0	0
<b>Total Primary Government</b>	<b>\$ 14,117,548</b>	<b>\$ 3,116,394</b>	<b>\$ 2,113,248</b>	<b>\$ 441,478</b>	<b>\$ (8,446,428)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Component Units:								
Fentress County School Department	\$ 18,795,142	\$ 44,008	\$ 3,268,086	\$ 0	\$ 0	\$ (15,483,048)	\$ 0	\$ 0
Emergency Communications District	592,615	244,872	297,362	0	0	0	(50,381)	0
Industrial Development Board	240,940	45,000	750	201,294	0	0	0	6,104
<b>Total Component Units</b>	<b>\$ 19,628,697</b>	<b>\$ 333,880</b>	<b>\$ 3,566,198</b>	<b>\$ 201,294</b>	<b>\$ 0</b>	<b>\$ (15,483,048)</b>	<b>\$ (50,381)</b>	<b>\$ 6,104</b>

(Continued)

Exhibit B

Fentress County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Component Units		
						Fentress County School Department	Fentress County Emergency Communications District	Industrial Development Board of Fentress County
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					\$ 4,884,427	\$ 894,256	\$ 0	\$ 0
Property Taxes Levied for Debt Service					438,739	0	0	0
Local Option Sales Tax					1,093,832	1,786,838	0	0
Wheel Tax					0	414,160	0	0
Wholesale Beer Tax					223,777	0	0	0
Business Tax					97,133	27,906	0	0
Hotel/Motel Tax					38,719	0	0	0
Mineral Severance Tax					20,676	27,016	0	0
Litigation Taxes					59,232	0	0	0
Other Local Taxes					2,758	1,918	0	0
Grants and Contributions Not Restricted for Specific Programs					160,576	14,011,366	5,432	0
Unrestricted Investment Earnings					30,089	33,427	3,013	38
Miscellaneous					205,137	77,853	210	0
Pension Income					0	77,655	0	0
<b>Total General Revenues</b>					<b>\$ 7,255,095</b>	<b>\$ 17,352,395</b>	<b>\$ 8,655</b>	<b>\$ 38</b>
Change in Net Position								
Change in Net Position					\$ (1,191,333)	\$ 1,869,347	\$ (41,726)	\$ 6,142
Net Position, July 1, 2014					40,481,230	16,208,075	1,391,677	4,931,273
Prior-period Adjustment (see Note VII.H)					0	0	0	(267,971)
Restatement - Pension Liability (see Note I.D.8)					(581,045)	(3,153,121)	0	0
Restatement - Pension Liability (see Note VI.A.10)					0	0	40,835	0
<b>Net Position, June 30, 2015</b>					<b>\$ 38,708,852</b>	<b>\$ 14,924,301</b>	<b>\$ 1,390,786</b>	<b>\$ 4,669,444</b>

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, 2015

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Ice Storm Reclamation
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	0
Equity in Pooled Cash and Investments	1,604,152	545,610	153,666	2,596,931	3,186
Accounts Receivable	1,910,991	17,956	0	5,365	0
Allowance for Uncollectibles	(487,584)	0	0	0	0
Due from Other Governments	216,728	125,067	322,054	59,585	0
Due from Other Funds	19,160	0	0	0	0
Property Taxes Receivable	4,628,900	421,133	0	453,528	0
Allowance for Uncollectible Property Taxes	(152,495)	(13,874)	0	(14,941)	0
Total Assets	<u>\$ 7,739,852</u>	<u>\$ 1,095,892</u>	<u>\$ 475,720</u>	<u>\$ 3,100,468</u>	<u>\$ 3,186</u>
<u>LIABILITIES</u>					
Contracts Payable	\$ 0	\$ 0	\$ 0	\$ 0	184,044
Retainage Payable	0	0	0	0	7,523
Claims and Judgments Payable	0	0	18,964	0	0
Due to Other Funds	0	0	0	0	0
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 18,964</u>	<u>\$ 0</u>	<u>\$ 191,567</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 4,289,409	\$ 390,246	\$ 0	\$ 420,265	0
Deferred Delinquent Property Taxes	153,557	13,970	0	15,045	0
Other Deferred/Unavailable Revenue	1,302,278	61,147	162,508	29,276	0
Total Deferred Inflows of Resources	<u>\$ 5,745,244</u>	<u>\$ 465,363</u>	<u>\$ 162,508</u>	<u>\$ 464,586</u>	<u>0</u>

(Continued)

Exhibit C-1

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

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Ice Storm Reclamation
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 24,434	\$ 0	\$ 0	\$ 0	0
Restricted for Administration of Justice	3,001	0	0	0	0
Restricted for Public Safety	6,889	0	0	0	0
Restricted for Other Operations	6,269	0	0	0	0
Restricted for Highways/Public Works	0	0	294,248	0	0
Restricted for Capital Outlay	0	0	0	0	0
Committed:					
Committed for Public Health and Welfare	0	630,529	0	0	0
Committed for Debt Service	0	0	0	2,635,882	0
Unassigned	1,954,015	0	0	0	(188,381)
Total Fund Balances	<u>\$ 1,994,608</u>	<u>\$ 630,529</u>	<u>\$ 294,248</u>	<u>\$ 2,635,882</u>	<u>\$ (188,381)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,739,852</u>	<u>\$ 1,095,892</u>	<u>\$ 475,720</u>	<u>\$ 3,100,468</u>	<u>\$ 3,186</u>

(Continued)

Exhibit C-1

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

	<u>Nonmajor Funds</u>		<u>Total Governmental Funds</u>
	Other	Govern- mental Funds	Funds
<u>ASSETS</u>			
Cash	\$ 17,816	\$	17,816
Equity in Pooled Cash and Investments	77,832	\$	4,981,377
Accounts Receivable	8,146		1,942,458
Allowance for Uncollectibles	0		(487,584)
Due from Other Governments	0		723,434
Due from Other Funds	0		19,160
Property Taxes Receivable	0		5,503,561
Allowance for Uncollectible Property Taxes	0		(181,310)
	<hr/>		<hr/>
Total Assets	\$ 103,794	\$	<u>12,518,912</u>
<u>LIABILITIES</u>			
Contracts Payable	\$ 0	\$	184,044
Retainage Payable	0		7,523
Claims and Judgments Payable	0		18,964
Due to Other Funds	19,160		19,160
Total Liabilities	<hr/>	\$	<u>229,691</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 0	\$	5,099,920
Deferred Delinquent Property Taxes	0		182,572
Other Deferred/Unavailable Revenue	0		1,555,209
Total Deferred Inflows of Resources	<hr/>	\$	<u>6,837,701</u>

(Continued)

Exhibit C-1

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

FUND BALANCES

Restricted:

Restricted for General Government

Restricted for Administration of Justice

Restricted for Public Safety

Restricted for Other Operations

Restricted for Highways/Public Works

Restricted for Capital Outlay

Committed:

Committed for Public Health and Welfare

Committed for Debt Service

Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

	<u>Nonmajor Funds</u>		<u>Total Governmental Funds</u>
	Other	Govern- mental Funds	Governmental Funds
	\$	0	\$ 24,434
		0	3,001
		73,469	80,358
		0	6,269
		0	294,248
		11,165	11,165
		0	630,529
		0	2,635,882
		0	1,765,634
	\$	84,634	\$ 5,451,520
	\$	103,794	\$ 12,518,912

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 Position  
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	5,451,520
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	5,446,089	
Add: buildings and improvements net of accumulated depreciation		6,264,680	
Add: other capital assets net of accumulated depreciation		2,196,144	
Add: infrastructure net of accumulated depreciation		<u>25,638,932</u>	39,545,845
(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	\$	(3,303,193)	
Less: other loans payable		(4,194,134)	
Less: capital leases payable		(10,253)	
Add: debt to be contributed by the School Department		422,168	
Less: accrued interest on notes and other loans		(13,579)	
Less: compensated absences payable		(238,324)	
Less: other postemployment benefits liability		(137,330)	
Less: landfill postclosure care costs		<u>(205,987)</u>	(7,680,632)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	291,934	
Less: deferred inflows of resources related to pensions		<u>(730,161)</u>	(438,227)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			92,565
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>1,737,781</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>38,708,852</u></u>

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

Exhibit C-3

Fentress County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2015

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Ice Storm Reclamation
<u>Revenues</u>					
Local Taxes	\$ 4,949,497	\$ 1,129,773	\$ 20,676	\$ 822,316	\$ 0
Licenses and Permits	18,217	0	0	0	0
Fines, Forfeitures, and Penalties	65,104	0	0	0	0
Charges for Current Services	1,337,458	229,360	0	0	0
Other Local Revenues	381,202	105,518	100,416	78,291	0
Fees Received from County Officials	659,141	0	0	0	0
State of Tennessee	585,907	34,078	1,706,014	0	0
Federal Government	82,806	0	0	0	0
Other Governments and Citizens Groups	38,525	0	0	444,731	0
<b>Total Revenues</b>	<b>\$ 8,117,857</b>	<b>\$ 1,498,729</b>	<b>\$ 1,827,106</b>	<b>\$ 1,345,338</b>	<b>\$ 0</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 1,033,245	\$ 0	\$ 0	\$ 0	\$ 0
Finance	918,321	0	0	0	0
Administration of Justice	633,970	0	0	0	0
Public Safety	2,860,673	0	0	0	2,168,431
Public Health and Welfare	1,523,890	1,415,954	0	0	0
Social, Cultural, and Recreational Services	318,897	0	0	0	0
Agriculture and Natural Resources	96,426	0	0	0	0
Other Operations	716,597	72,207	0	0	0
Highways	89,550	0	1,584,376	0	0
Debt Service:					
Principal on Debt	0	0	249,819	1,451,865	0
Interest on Debt	0	0	10,873	61,908	0
Other Debt Service	0	0	0	47,060	19,950

(Continued)

Exhibit C-3

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

	Major Funds				
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Ice Storm Reclamation
<u>Expenditures (Cont.)</u>					
Capital Projects	\$ 267,851	\$ 0	\$ 0	\$ 0	\$ 0
Total Expenditures	<u>\$ 8,459,420</u>	<u>\$ 1,488,161</u>	<u>\$ 1,845,068</u>	<u>\$ 1,560,833</u>	<u>\$ 2,188,381</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (341,563)</u>	<u>\$ 10,568</u>	<u>\$ (17,962)</u>	<u>\$ (215,495)</u>	<u>\$ (2,188,381)</u>
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,000,000
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,000,000</u>
Net Change in Fund Balances	\$ (341,563)	\$ 10,568	\$ (17,962)	\$ (215,495)	\$ (188,381)
Fund Balance, July 1, 2014	<u>2,336,171</u>	<u>619,961</u>	<u>312,210</u>	<u>2,851,377</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 1,994,608</u>	<u>\$ 630,529</u>	<u>\$ 294,248</u>	<u>\$ 2,635,882</u>	<u>\$ (188,381)</u>

(Continued)

Exhibit C-3

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

	Nonmajor Funds Other	Total Governmental Funds
<u>Revenues</u>		
Local Taxes	\$ 0	\$ 6,922,262
Licenses and Permits	0	18,217
Fines, Forfeitures, and Penalties	86,429	151,533
Charges for Current Services	8,700	1,575,518
Other Local Revenues	10,500	675,927
Fees Received from County Officials	0	659,141
State of Tennessee	160	2,326,159
Federal Government	314,922	397,728
Other Governments and Citizens Groups	0	483,256
Total Revenues	<u>\$ 420,711</u>	<u>\$ 13,209,741</u>
<u>Expenditures</u>		
Current:		
General Government	\$ 0	\$ 1,033,245
Finance	0	918,321
Administration of Justice	8,700	642,670
Public Safety	124,731	5,153,835
Public Health and Welfare	0	2,939,844
Social, Cultural, and Recreational Services	0	318,897
Agriculture and Natural Resources	0	96,426
Other Operations	0	788,804
Highways	0	1,673,926
Debt Service:		
Principal on Debt	0	1,701,684
Interest on Debt	0	72,781
Other Debt Service	0	67,010

(Continued)

Exhibit C-3

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

	Nonmajor Funds		Total Governmental Funds
	Other	Govern- mental	
	Funds	Funds	Funds
<hr/>			
<u>Expenditures (Cont.)</u>			
Capital Projects	\$ 314,922	\$ 582,773	
Total Expenditures	<u>\$ 448,353</u>	<u>\$ 15,990,216</u>	
 Excess (Deficiency) of Revenues Over Expenditures	 \$ (27,642)	 \$ (2,780,475)	
 <u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 0	\$ 2,000,000	
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 2,000,000</u>	
 Net Change in Fund Balances	 \$ (27,642)	 \$ (780,475)	
Fund Balance, July 1, 2014	<u>112,276</u>	<u>6,231,995</u>	
 Fund Balance, June 30, 2015	 <u>\$ 84,634</u>	 <u>\$ 5,451,520</u>	

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, 2015

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)		\$ (780,475)
(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	\$ 759,552	
Less: current-year depreciation expense	<u>(843,730)</u>	(84,178)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net position.		
Less: book value of capital assets disposed		(23,295)
(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, 2015	\$ 1,737,781	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(1,599,727)</u>	138,054
(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 position. Also, governmental funds report the effect of 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 bonds	\$ 350,000	
Add: principal payments on notes	1,035,644	
Add: principal payments on other loans	327,272	
Add: capital lease principal payments	10,443	
Less: note proceeds	(2,000,000)	
Less: contributions from the School Department for principal on debt	<u>(418,175)</u>	(694,816)
(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	\$ (7,303)	
Change in postclosure care costs	2,436	
Change in other postemployment benefits liability	(9,416)	
Change in compensated absences payable	32,277	
Change in net pension liability/asset	673,610	
Change in deferred outflows related to pensions	291,934	
Change in deferred inflows related to pensions	<u>(730,161)</u>	<u>253,377</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (1,191,333)</u>

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

Exhibit C-5

Fentress County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 4,949,497	\$ 5,039,067	\$ 5,039,067	\$ (89,570)
Licenses and Permits	18,217	20,400	20,400	(2,183)
Fines, Forfeitures, and Penalties	65,104	72,550	80,222	(15,118)
Charges for Current Services	1,337,458	1,280,782	1,297,876	39,582
Other Local Revenues	381,202	174,823	333,641	47,561
Fees Received from County Officials	659,141	624,000	624,000	35,141
State of Tennessee	585,907	880,641	913,631	(327,724)
Federal Government	82,806	38,177	38,177	44,629
Other Governments and Citizens Groups	38,525	22,800	22,800	15,725
Total Revenues	\$ 8,117,857	\$ 8,153,240	\$ 8,369,814	\$ (251,957)
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 117,907	\$ 89,853	\$ 119,853	\$ 1,946
Board of Equalization	510	750	750	240
Beer Board	1,500	1,500	1,500	0
County Mayor/Executive	138,179	133,208	138,489	310
Election Commission	177,780	179,985	180,370	2,590
Register of Deeds	178,443	183,432	183,432	4,989
Planning	12,638	13,750	13,750	1,112
County Buildings	405,838	402,837	414,802	8,964
Other General Administration	450	0	450	0
Preservation of Records	0	3,089	3,089	3,089
<u>Finance</u>				
Accounting and Budgeting	273,651	272,001	274,311	660
Property Assessor's Office	158,127	162,653	163,423	5,296
Reappraisal Program	19,529	19,821	19,821	292
County Trustee's Office	203,431	204,072	204,392	961
County Clerk's Office	263,583	266,299	266,379	2,796
<u>Administration of Justice</u>				
Circuit Court	259,917	235,427	260,947	1,030
General Sessions Court	138,859	140,526	140,911	2,052
Chancery Court	137,673	139,731	140,501	2,828
Juvenile Court	22,265	23,152	23,152	887
Other Administration of Justice	28,946	25,000	30,500	1,554
Probation Services	46,310	43,616	47,287	977
<u>Public Safety</u>				
Sheriff's Department	1,286,871	1,209,184	1,302,433	15,562
Administration of the Sexual Offender Registry	2,427	2,750	2,750	323
Jail	1,167,841	1,046,431	1,174,485	6,644
Fire Prevention and Control	115,860	117,025	117,025	1,165
Civil Defense	50,803	50,988	51,998	1,195
Rescue Squad	20,512	21,000	21,000	488
Other Emergency Management	204,100	204,100	204,100	0
County Coroner/Medical Examiner	12,259	13,750	13,750	1,491
<u>Public Health and Welfare</u>				
Local Health Center	50,945	45,967	54,770	3,825
Ambulance/Emergency Medical Services	1,273,685	1,339,114	1,348,429	74,744
Maternal and Child Health Services	19,764	20,000	20,000	236

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare (Cont.)</u>				
Other Local Health Services	\$ 127,535	\$ 140,100	\$ 142,235	\$ 14,700
Appropriation to State	26,410	35,213	26,410	0
General Welfare Assistance	1,000	1,000	1,000	0
Other Local Welfare Services	6,500	6,500	6,500	0
Other Public Health and Welfare	18,051	37,528	37,528	19,477
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	153,793	145,362	158,336	4,543
Libraries	158,594	148,414	163,540	4,946
Parks and Fair Boards	6,510	6,700	6,700	190
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	65,489	66,396	66,396	907
Soil Conservation	30,937	30,937	30,937	0
<u>Other Operations</u>				
Tourism	66,409	66,409	66,409	0
Industrial Development	59,428	129,429	129,429	70,001
Other Economic and Community Development	10,740	12,090	12,090	1,350
Veterans' Services	55,311	48,835	56,820	1,509
Contributions to Other Agencies	41,193	46,592	46,592	5,399
Miscellaneous	483,516	461,181	485,813	2,297
<u>Highways</u>				
Highway and Bridge Maintenance	89,550	89,550	89,550	0
<u>Capital Projects</u>				
Social, Cultural, and Recreation Projects	267,851	0	281,953	14,102
Total Expenditures	\$ 8,459,420	\$ 8,083,247	\$ 8,747,087	\$ 287,667
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (341,563)	\$ 69,993	\$ (377,273)	\$ 35,710
Net Change in Fund Balance				
Fund Balance, July 1, 2014	\$ 2,336,171	2,187,260	2,187,260	148,911
Fund Balance, June 30, 2015	\$ 1,994,608	\$ 2,257,253	\$ 1,809,987	\$ 184,621

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

Exhibit C-6

Fentress County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,129,773	\$ 1,085,050	\$ 1,085,050	\$ 44,723
Charges for Current Services	229,360	215,050	215,050	14,310
Other Local Revenues	105,518	132,000	132,000	(26,482)
State of Tennessee	34,078	59,000	59,000	(24,922)
Total Revenues	<u>\$ 1,498,729</u>	<u>\$ 1,491,100</u>	<u>\$ 1,491,100</u>	<u>\$ 7,629</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 119,972	\$ 122,103	\$ 124,393	\$ 4,421
Sanitation Education/Information	5,718	8,500	8,500	2,782
Waste Pickup	179,013	210,640	195,810	16,797
Convenience Centers	506,434	503,899	521,039	14,605
Problem Waste Centers	2,134	4,800	4,800	2,666
Other Waste Collection	0	1,200	1,200	1,200
Recycling Center	237,103	281,600	276,500	39,397
Landfill Operation and Maintenance	360,000	360,000	360,000	0
Postclosure Care Costs	5,580	6,500	6,500	920
<u>Other Operations</u>				
Other Charges	71,843	72,687	72,687	844
Employee Benefits	364	300	800	436
Total Expenditures	<u>\$ 1,488,161</u>	<u>\$ 1,572,229</u>	<u>\$ 1,572,229</u>	<u>\$ 84,068</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 10,568</u>	<u>\$ (81,129)</u>	<u>\$ (81,129)</u>	<u>\$ 91,697</u>
Net Change in Fund Balance	\$ 10,568	\$ (81,129)	\$ (81,129)	\$ 91,697
Fund Balance, July 1, 2014	619,961	621,141	621,141	(1,180)
Fund Balance, June 30, 2015	<u>\$ 630,529</u>	<u>\$ 540,012</u>	<u>\$ 540,012</u>	<u>\$ 90,517</u>

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

Exhibit C-7

Fentress County, Tennessee  
Statement of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 20,676	\$ 42,000	\$ 42,000	\$ (21,324)
Other Local Revenues	100,416	61,000	61,000	39,416
State of Tennessee	1,706,014	2,127,363	2,127,363	(421,349)
Total Revenues	<u>\$ 1,827,106</u>	<u>\$ 2,230,363</u>	<u>\$ 2,230,363</u>	<u>\$ (403,257)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 167,255	\$ 175,438	\$ 175,438	\$ 8,183
Highway and Bridge Maintenance	916,914	989,831	1,070,608	153,694
Operation and Maintenance of Equipment	289,913	352,472	338,691	48,778
Quarry Operations	13,449	14,250	14,250	801
Other Charges	91,593	95,846	95,846	4,253
Employee Benefits	65,090	69,000	69,000	3,910
Capital Outlay	40,162	502,626	435,630	395,468
<u>Principal on Debt</u>				
Highways and Streets	249,819	255,444	255,444	5,625
<u>Interest on Debt</u>				
Highways and Streets	10,873	16,454	16,454	5,581
Total Expenditures	<u>\$ 1,845,068</u>	<u>\$ 2,471,361</u>	<u>\$ 2,471,361</u>	<u>\$ 626,293</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (17,962)</u>	<u>\$ (240,998)</u>	<u>\$ (240,998)</u>	<u>\$ 223,036</u>
Net Change in Fund Balance	\$ (17,962)	\$ (240,998)	\$ (240,998)	\$ 223,036
Fund Balance, July 1, 2014	312,210	314,234	314,234	(2,024)
Fund Balance, June 30, 2015	<u>\$ 294,248</u>	<u>\$ 73,236</u>	<u>\$ 73,236</u>	<u>\$ 221,012</u>

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

Exhibit D

Fentress County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 629,251
Due from Other Governments	<u>123,781</u>
Total Assets	<u>\$ 753,032</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 123,781
Due to Litigants, Heirs, and Others	<u>629,251</u>
Total Liabilities	<u>\$ 753,032</u>

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

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**FENTRESS COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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Note	Page(s)
<b>I. Summary of Significant Accounting Policies</b>	
A. Reporting Entity	36
B. Government-wide and Fund Financial Statements	37
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	38
D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance	
1. Deposits and Investments	40
2. Receivables and Payables	41
3. Capital Assets	42
4. Deferred Outflows/Inflows of Resources	43
5. Compensated Absences	43
6. Long-term Obligations	44
7. Net Position and Fund Balance	44
8. Restatement	46
E. Pension Plans	46
<b>II. Reconciliation of Government-wide and Fund Financial Statements</b>	
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position	47
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	47
<b>III. Stewardship, Compliance, and Accountability</b>	
A. Budgetary Information	48
B. Fund Deficit	48
C. Cash Overdraft	48
D. Cash Shortages - Prior Years	49
<b>IV. Detailed Notes on All Funds</b>	
A. Deposits and Investments	49
B. Notes Receivable	50
C. Capital Assets	51
D. Interfund Receivables, Payables, and Transfers	54
E. Capital Leases	55
F. Long-term Obligations	56
G. On-Behalf Payments	60
<b>V. Other Information</b>	
A. Risk Management	61
B. Risk Financing Activities	62
C. Accounting Changes	62
D. Subsequent Event	63
E. Contingent Liabilities	63
F. Changes in Administration	63
G. Landfill Postclosure Care Costs	63
H. Joint Venture	64
I. Retirement Commitments	64
J. Other Postemployment Benefits (OPEB)	82
K. Office of Central Accounting, Budgeting, and Purchasing	85
L. Purchasing Law	85
<b>VI. Other Notes - Fentress County Emergency Communications District</b>	85
<b>VII. Other Notes - Industrial Development Board of Fentress County</b>	99

**FENTRESS COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**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, 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, 2015, the county appropriated an operating subsidy of \$204,100 to the district.

The Industrial Development Board of Fentress County 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, 2015, the county appropriated an operating subsidy of \$59,428 to the board.

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. Complete financial statements of the Fentress County Emergency Communications District and the Industrial Development Board of Fentress County can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Fentress County Emergency Communications District  
310 South Main  
Jamestown, TN 38556

Industrial Development Board of Fentress County  
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 Position 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, 2015.

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, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**Ice Storm Reclamation Fund** – This capital projects fund accounts for debt issued by Fentress County to fund public works projects related to the 2015 ice storm.

Additionally, Fentress County reports the following fund types:

**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.

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.

**D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. Ambulance receivables allowance for uncollectibles is based on historical collection data. The allowance for uncollectible property taxes is equal to 1.75 percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources 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 \$18,964, are discussed in Note V.B. Risk Financing Activities.

Retainage payable in the Ice Storm Reclamation Fund represents amount withheld from payments made on ice storm clean-up contracts pending the completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments.

**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:

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

4. **Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are for pension changes in experience and employer contributions made to the pension plan after the measurement date.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, changes in investment earnings, changes in proportionate share of contributions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

5. **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.

## **6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

## **7. Net Position and Fund Balance**

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

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

- b. Restricted net position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for Other Purposes for the primary government consists of pension obligations.

As of June 30, 2015, Fentress County had \$4,033,168 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 position with no corresponding increase in the county's capital assets.

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.

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 Commission has by resolution authorized the county's Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

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.

## **8. Restatement**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing Fentress County's and the Fentress County School Department's beginning net position has been recognized on the Statement of Activities totaling \$581,045 and \$3,153,121, respectively.

## **E. Pension Plans**

### **Primary Government**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Fentress County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Fentress County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Discretely Presented Fentress County School Department**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

**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 Position**

**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 Position.

**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 Position.

**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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the capital projects funds, which adopt a project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

#### B. Fund Deficit

The Ice Storm Reclamation Fund had a deficit of \$188,381 in unassigned fund balance at June 30, 2015. This deficit resulted from the recognition of liabilities related to the county's ice storm clean up. This deficit was liquidated subsequent to June 30, 2015, by issuing a \$325,000 capital outlay note.

#### C. Cash Overdraft

The discretely presented School Federal Projects Fund had a cash overdraft of \$78,440 at June 30, 2015. The cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. The cash overdraft was liquidated subsequent to June 30, 2015.

**D. Cash Shortages – Prior Years**

On January 28, 2014, the Comptroller of the Treasury released an investigative audit report regarding misappropriation of funds at the Fentress County Public Library. The report revealed a cash shortage of \$40,217 resulting from the misappropriation of funds by the former library director. During the investigation, the former director deposited \$7,000 in personal funds to the library bank account which left a shortage of \$33,217 at June 30, 2014. On September 25, 2014, the former library director pled guilty to theft of property and received ten years probation. She was also ordered to pay restitution to the library with payments beginning in October 2014. The unpaid restitution, as of June 30, 2015, was \$16,385.

On December 17, 2014, the Comptroller's Division of Investigations, Financial and Compliance Division issued an investigative report of selected records of the Fentress County Sheriff's Department. This report provided that on April 2, 2012, the Fentress County Sheriff's Department seized \$2,277 on a drug related offense. In a plea agreement dated April 30, 2012, the defendant pled no contest to the drug offense and forfeited the \$2,277. However, our review of records of the county trustee and Sheriff's Department disclosed that the forfeited funds were never received by the county trustee or deposited into a Sheriff's Department bank account. In addition, seizure forms for this drug offense were never submitted to the Tennessee Department of Safety as required by *Tennessee Code Annotated*, Section 40-33-204(g). As of the date of this report, no action has been taken with regard to this investigation, therefore, the \$2,277 remains unaccounted.

**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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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, 2015.

### **B. Notes Receivable**

The General Purpose School Fund had long-term notes receivable of \$9,124 on June 30, 2015. These notes receivable are the result of agreements entered into with two individuals, a current employee and a former employee of the School Department.

The School Department entered into an agreement with an employee in which the department 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 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 the employee leaves employment with the School Department before payment is made in full. The balance on this note is \$6,932 at June 30, 2015.

A school employee resigned her position with the School Department in December 2013. Following her resignation and after receiving all of the compensation due to her, this former employee received three additional payroll checks from Fentress County totaling \$3,850.12. Upon realizing the error, Fentress County contacted the employee and requested the funds be returned. In February 2014, the county received \$1,238.38 from the former employee leaving a balance of \$2,566.74. The School Department entered an agreement with this former employee to repay the remaining amount at the rate of \$25 per month beginning on March 15, 2014, and continuing through September 15, 2022. If for any reason a payment is missed or is late, the full balance becomes immediately payable. The balance on this note is \$2,192 at June 30, 2015.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2015, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 5,446,089	\$ 0	\$ 0	\$ 5,446,089
Total Capital Assets Not Depreciated	\$ 5,446,089	\$ 0	\$ 0	\$ 5,446,089
Capital Assets Depreciated:				
Buildings and Improvements	\$ 9,539,874	\$ 240,519	\$ 0	\$ 9,780,393
Infrastructure	32,088,215	0	0	32,088,215
Other Capital Assets	5,090,283	519,033	(116,701)	5,492,615
Total Capital Assets Depreciated	\$ 46,718,372	\$ 759,552	\$ (116,701)	\$ 47,361,223

**Governmental Activities (Continued):**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Less Accumulated Depreciation For: Buildings and Improvements	\$ 3,362,040	\$ 153,673	\$ 0	\$ 3,515,713
Infrastructure	6,095,650	353,633	0	6,449,283
Other Capital Assets	3,053,453	336,424	(93,406)	3,296,471
Total Accumulated Depreciation	<u>\$ 12,511,143</u>	<u>\$ 843,730</u>	<u>\$ (93,406)</u>	<u>\$ 13,261,467</u>
Total Capital Assets Depreciated, Net	<u>\$ 34,207,229</u>	<u>\$ (84,178)</u>	<u>\$ (23,295)</u>	<u>\$ 34,099,756</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,653,318</u>	<u>\$ (84,178)</u>	<u>\$ (23,295)</u>	<u>\$ 39,545,845</u>

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

**Governmental Activities:**

General Government	\$ 17,176
Public Safety	223,226
Public Health and Welfare	173,743
Social, Cultural, and Recreational Services	25,071
Agriculture and Natural Resources	1,081
Highways/Public Works	<u>403,433</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 843,730</u>

**Discretely Presented Fentress County School Department**

**Governmental Activities:**

	Balance		Balance
	7-1-14	Increases	6-30-15
	<u>                    </u>		<u>                    </u>
Capital Assets Not Depreciated:			
Land	\$ 411,763	\$ 0	\$ 411,763
Total Capital Assets Not Depreciated	<u>\$ 411,763</u>	<u>\$ 0</u>	<u>\$ 411,763</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 17,477,392	\$ 0	\$ 17,477,392
Other Capital Assets	3,053,041	56,990	3,110,031
Total Capital Assets Depreciated	<u>\$ 20,530,433</u>	<u>\$ 56,990</u>	<u>\$ 20,587,423</u>
Less Accumulated Depreciated For:			
Buildings and Improvements	\$ 5,897,653	\$ 371,870	\$ 6,269,523
Other Capital Assets	1,379,265	214,334	1,593,599
Total Accumulated Depreciation	<u>\$ 7,276,918</u>	<u>\$ 586,204</u>	<u>\$ 7,863,122</u>
Total Capital Assets Depreciated, Net	<u>\$ 13,253,515</u>	<u>\$ (529,214)</u>	<u>\$ 12,724,301</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 13,665,278</u></u>	<u><u>\$ (529,214)</u></u>	<u><u>\$ 13,136,064</u></u>

There were no decreases in capital assets to report during the year ended June 30, 2015.

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

**Governmental Activities:**

Instruction	\$ 382,611
Support Services	198,724
Operation of Non-instructional Services	<u>4,869</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 586,204</u>

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

The composition of interfund balances as of June 30, 2015, was as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 19,160
Discretely Presented School Department:		
General Purpose School	School Federal Projects	19,219
"	Central Cafeteria	3,102
School Federal Projects	General Purpose School	2,743

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.

The receivables in the General Purpose School Fund were in transit from the School Federal Projects and Central Cafeteria funds at June 30, 2015, and the receivable in the School Federal Projects Fund was in transit from the General Purpose School Fund at June 30, 2015.

**Due to/from Primary Government and Component Unit:**

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
	Component Unit:	
Primary Government	School Department	\$ 422,168

The Due to Primary Government is the balance of a note (\$303,034) and other loans (\$119,134) issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire these debt obligations. These long-term obligations are reflected in the governmental activities on the Statement of Net Position.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2015, consisted of the following amount:

**Discretely Presented Fentress County School Department**

Transfer Out	Transfer In General Purpose School Fund
School Federal Projects Fund	\$ 17,793

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 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 after a trade-in allowance of \$7,000. 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.

On December 3, 2012, Fentress County entered into a three-year lease-purchase agreement for a tractor. The terms of the agreement require total lease payments of \$15,500 plus interest of 6.25 percent after a trade-in allowance of \$15,000. 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:

Assets	Governmental Activities
Machinery and Equipment	\$ 60,954
Less: Accumulated Depreciation	<u>(24,233)</u>
Total Book Value	<u><u>\$ 36,721</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30	Governmental Funds
2016	\$ 7,494
2017	4,555
Total Minimum Lease Payments	<u>\$ 12,049</u>
Less: Amount Representing Interest	<u>(1,796)</u>
Present Value of Minimum Lease Payments	<u>\$ 10,253</u>

**F. Long-term Obligations**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

Fentress County issues bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. 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, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. Capital outlay notes and other loans outstanding were issued for original terms of up to 12 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 other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund. Notes included in long-term debt as of June 30, 2015, will be retired from the General, Highway/Public Works, and General Debt Service funds.

Capital outlay notes, other loans, and capital leases outstanding as of June 30, 2015, for governmental activities are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-15</u>
Capital Outlay Notes	1.75 to 4 %	4-15-22	\$ 5,477,435	\$ 3,165,553
Promissory Note	3.25	12-31-20	224,000	137,640
Other Loans	variable	5-25-26	7,000,000	4,075,000
Other Loans	0	3-1-20	218,936	119,134
Capital Leases	6.25 to 6.59	4-9-17	38,954	10,253

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, 2015, the variable interest rate for each loan was .27 percent, and other fees totaled approximately .57 percent (letter of credit), .08 percent (remarketing) of the outstanding loan principal, and the trustee fee was \$85 per month.

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 the principal for ten years at an interest rate of 3.25 percent.

The annual requirements to amortize all notes and other loans outstanding as of June 30, 2015 including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 922,983	\$ 65,983	\$ 988,966
2017	62,751	49,353	112,104
2018	545,089	47,014	592,103
2019	562,517	36,187	598,704
2020	575,019	25,022	600,041
2021-2022	634,834	15,498	650,332
Total	\$ 3,303,193	\$ 239,057	\$ 3,542,250

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 342,272	\$ 11,003	\$ 28,528	\$ 381,803
2017	358,272	10,163	26,506	394,941
2018	371,722	9,280	24,380	405,382
2019	375,912	8,354	22,151	406,417
2020	389,956	7,382	19,811	417,149
2021-2025	1,942,000	21,192	58,159	2,021,351
2026	414,000	1,118	3,711	418,829
Total	\$ 4,194,134	\$ 68,492	\$ 183,246	\$ 4,445,872

There is \$2,635,882 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$418, based on the 2010 federal census.

The School Department is currently contributing funds to service some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

Description of Indebtedness	Outstanding 6-30-15
<u>Notes Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
School Roof Projects	\$ 303,034
<u>Other Loans Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficient Schools Initiative Loans	119,134
Total	<u>\$ 422,168</u>

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2014	\$ 350,000	\$ 2,338,837	\$ 4,521,406
Additions	0	2,000,000	0
Reductions	(350,000)	(1,035,644)	(327,272)
Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 3,303,193</u>	<u>\$ 4,194,134</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 922,983</u>	<u>\$ 342,272</u>

	Capital Leases	Compensated Absences
Balance, July 1, 2014	\$ 20,696	\$ 270,601
Additions	0	213,642
Reductions	(10,443)	(245,919)
Balance, June 30, 2015	<u>\$ 10,253</u>	<u>\$ 238,324</u>
Balance Due Within One Year	<u>\$ 6,414</u>	<u>\$ 119,164</u>

	Other Postemployment Benefits	Landfill Postclosure Care Costs
Balance, July 1, 2014	\$ 127,914	\$ 208,423
Additions	14,132	3,144
Reductions	(4,716)	(5,580)
Balance, June 30, 2015	<u>\$ 137,330</u>	<u>\$ 205,987</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 12,765</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 8,089,221
Less: Balance Due Within One Year	<u>(1,403,598)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 6,685,623</u>

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

**Discretely Presented Fentress County School Department**

**Changes in Long-term Obligations**

Long-term obligations activity for the discretely presented Fentress County School Department for the year ended June 30, 2015, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 473,675	\$ 1,590,179
Additions	132,273	353,638
Reductions	(163,125)	(347,463)
Balance, June 30, 2015	<u>\$ 442,823</u>	<u>\$ 1,596,354</u>
Balance Due Within One Year	<u>\$ 177,129</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 2,039,177
Less: Balance Due Within One Year	<u>(177,129)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 1,862,048</u>

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

**G. On-Behalf Payments**

**Primary Government**

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Fentress County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the State's Comprehensive Annual Financial Report. Payments by the State to the Medicare Supplement Plan for the year ended June 30, 2015, were \$450. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**Discretely Presented Fentress County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Fentress County School Department. These payments are

made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2015, were \$121,676 and \$28,650, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. **OTHER INFORMATION**

A. **Risk Management**

**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 is 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. The Fentress County Highway Department's share of this second assessment totaled \$38,311. The Highway Department's unpaid share at June 30, 2015, was \$18,964.

**C. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

**D. Subsequent Event**

On July 31, 2015, Fentress County issued capital outlay notes totaling \$325,000 for the purpose of continuing the ice storm clean-up project.

**E. Contingent Liabilities**

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

**F. Changes in Administration**

The following changes in administration were noted in Fentress County on September 1, 2014:

<u>Office:</u>	<u>Official Leaving:</u>	<u>Succeeded By:</u>
County Executive	Frank Smith	J. Michael Cross
Circuit and General Sessions Courts Clerk	Tammy Smith	Gina Mullinix
Register of Deeds	Faye Stephens	Patricia Slaven
Sheriff	Tony Choate	Charles Cravens

**G. Landfill Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. These closure and postclosure care costs generally are paid near or after the date that the landfill stops accepting waste. Fentress County closed its landfill on July 27, 1994, and has contracted with Scott County for its waste disposal. The Solid Waste/Sanitation Fund (special revenue fund) reports postclosure care costs as expenditures in each period in which they are incurred. The \$205,987 reported as landfill postclosure care liability at June 30, 2015, represents estimated postclosure care costs based on the use of 100 percent of the landfill’s capacity. Actual costs may vary from estimates due to inflation, changes in technology, or changes in regulations.

## H. Joint Venture

The Eighth Judicial District Drug Task (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighth Judicial District and the municipalities within the district. The district is composed of Fentress, Campbell, Claiborne, Scott, and Union counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Fentress County made no contributions to the DTF for the year ended June 30, 2015, and does not have an equity interest in this joint venture. Complete financial statements for the Eighth Judicial District Task Force can be obtained from its administrative office at the following address:

Administrative Office:

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

## I. Retirement Commitments

### 1. Tennessee Consolidated Retirement System (TCRS)

#### Primary Government

#### **General Information About the Pension Plan**

*Plan Description.* Employees of Fentress County are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using

the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available for vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	38
Inactive Employees Entitled to But Not Yet Receiving Benefits	135
Active Employees	131
Total	304

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Fentress County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Fentress County were \$291,934 based on a rate of 6.02 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fentress County's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

## Net Pension Liability (Asset)

Fentress County's net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target

allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Fentress County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 7,095,835	\$ 6,239,006	\$ 856,829
Changes for the year:			
Service Cost	\$ 379,351	\$ 0	\$ 379,351
Interest	551,684	0	551,684
Differences Between Expected and Actual Experience	(310,265)	0	(310,265)
Contributions-Employer	0	275,784	(275,784)
Contributions-Employees	0	232,400	(232,400)
Net Investment Income	0	1,067,336	(1,067,336)
Benefit Payments, Including Refunds of Employee Contributions	(238,800)	(238,800)	0
Administrative Expense	0	(5,356)	5,356
Other Changes	0	0	0
Net Changes	\$ 381,970	\$ 1,331,364	\$ (949,394)
Balance, June 30, 2014	\$ 7,477,805	\$ 7,570,370	\$ (92,565)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Fentress County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1%	Current	1%
	Decrease	Discount	Increase
Fentress County	6.5%	7.5%	8.5%
Net Pension Liability	\$ 975,133	\$ (92,565)	\$ (971,724)

### Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

*Pension Expense.* For the year ended June 30, 2015, Fentress County recognized pension expense of \$56,551.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, Fentress County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 258,554
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	471,607
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	291,934	N/A
Total	<u>\$ 291,934</u>	<u>\$ 730,161</u>

(1) The amount shown above for ‘Contributions Subsequent to the Measurement Date of June 30, 2014,’ will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (169,613)
2017	(169,613)
2018	(169,613)
2019	(169,613)
2020	(51,711)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

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

### **Non-Certified Employees**

#### **General Information About the Pension Plan**

*Plan Description.* Non-certified employees of the School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPA is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	69
Inactive Employees Entitled to But Not Yet Receiving Benefits	130
Active Employees	153
 Total	 <u><u>352</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Fentress County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Fentress County were \$132,123 based on a rate of 6.42 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fentress County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

The School Department’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income	4.61		8	
Real Estate	0.98		29	
Short-term Securities	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Fentress County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 6,471,416	\$ 6,069,034	\$ 402,382
Changes for the year:			
Service Cost	\$ 192,786	\$ 0	\$ 192,786
Interest	486,751	0	486,751
Differences Between Expected and Actual Experience	(385,946)	0	(385,946)
Contributions-Employer	0	136,816	(136,816)
Contributions-Employees	0	106,056	(106,056)
Net Investment Income	0	996,848	(996,848)
Benefit Payments, Including Refunds of Employee Contributions	(348,385)	(348,385)	0
Administrative Expense	0	(5,745)	5,745
Other Changes	0	0	0
Net Changes	\$ (54,794)	\$ 885,590	\$ (940,384)
Balance, June 30, 2014	\$ 6,416,622	\$ 6,954,624	\$ (538,002)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Fentress County calculated using the discount rate of 7.5 percent,

as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<b>Fentress County</b>	<b>6.5%</b>	<b>7.5%</b>	<b>8.5%</b>
Net Pension Liability	\$ 246,940	\$ (538,002)	\$ (1,195,106)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Income.* For the year ended June 30, 2015, Fentress County recognized pension income of \$45,272.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, the School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 321,622
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	436,674
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	132,123	N/A
<b>Total</b>	<b>\$ 132,123</b>	<b>\$ 758,296</b>

(1) The amount shown above for ‘Contributions Subsequent to the Measurement Date of June 30, 2014,’ will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (173,493)
2017	(173,493)
2018	(173,493)
2019	(173,493)
2020	(64,324)
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

### **Certified Employees**

#### **Teacher Retirement Plan**

##### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Fentress County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service

retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than 4.0 percent, except for in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$10,915, which is 4.0 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities.* Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

*Pension Expense.* Since the measurement date is June 30, 2014, the Fentress County School Department did not recognize any pension expense at June 30, 2015.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, the Fentress County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$ 10,915	N/A

The Fentress County School Department’s employer contributions of \$10,915 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ended June 30, 2016.

**Teacher Legacy Pension Plan**

**General Information About the Pension Plan**

*Plan Description.* Teachers of the Fentress County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available for vested members at

age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Fentress County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$758,150, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Assets.* At June 30, 2015, the Fentress County School Department reported an asset of \$36,045 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Fentress County School Department's proportion of the net pension asset was based on Fentress County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the

Fentress County School Department's proportion was .221824 percent. The proportion measured as of June 30, 2013, was .0222449 percent.

*Pension Income.* For the year ended June 30, 2015, the Fentress County School Department recognized a pension income of \$32,383.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, the Fentress County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 87,509	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,969,911
Changes in Proportion and Differences Between LEAs Contributions and Proportionate Share of Contributions	0	8,816
LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	758,150	N/A
Total	<u>\$ 845,659</u>	<u>\$ 2,978,727</u>

The Fentress County School Department's employer contributions of \$758,150 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (729,362)
2017	(729,362)
2018	(729,362)
2019	(729,362)
2020	13,116
Thereafter	13,116

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial Assumptions.* The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents Fentress County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Fentress County School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability    \$    6,079,463    \$    (36,045)    \$    (5,099,023)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

2.    **Deferred Compensation** –

The School Department offers its employees a deferred compensation plan established pursuant to IRC Section 401(k). All costs of administering and funding the program are the responsibility of plan participants. The 401(k) plan assets remain the property of the contributing employees and are not presented in the accompanying financial statements. IRC Section 401(k) establishes participation, contribution, and withdrawal provisions for the plan.

Teachers hired after July 1, 2014, by the discretely presented Fentress County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Fentress County School Department has assumed a portion of the costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Fentress County School Department contributed \$12,213 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

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

**Plan Description**

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

employees 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 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, 2015, the county and the discretely presented Fentress County School Department contributed \$4,716 and \$347,463, respectively, for postemployment benefits.

### Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
	<hr/>	<hr/>
ARC	\$ 14,000	\$ 352,000
Interest on the NOPEBO	5,117	63,607
Adjustment to the ARC	(4,985)	(61,969)
Annual OPEB cost	<hr/> \$ 14,132	<hr/> \$ 353,638
Amount of contribution	(4,716)	(347,463)
Increase/decrease in NOPEBO	<hr/> \$ 9,416	<hr/> \$ 6,175
Net OPEB obligation, 7-1-14	<hr/> 127,914	<hr/> 1,590,179
Net OPEB obligation, 6-30-15	<hr/> <hr/> \$ 137,330	<hr/> <hr/> \$ 1,596,354

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Government Group	\$ 36,786	5 %	\$ 116,117
6-30-14	"	12,694	7	127,914
6-30-15	"	14,132	33	137,330
6-30-13	Local Education Group	357,615	67	1,495,264
6-30-14	"	341,541	72	1,590,179
6-30-15	"	353,638	98	1,596,354

#### Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-13	7-1-13
Actuarial accrued liability (AAL)	\$ 91,000	\$ 3,607,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 91,000	\$ 3,607,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 2,548,187	\$ 5,524,844
UAAL as a % of covered payroll	4%	65%

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, 2013, actuarial valuation for the Local Government and the Local Education plans, 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 seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. 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 July 1, 2007.

**K. 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.

**L. Purchasing Law**

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

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

**A. Summary of Significant Accounting Policies**

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

**1. Reporting Entity**

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

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

**2. Measurement Focus, Basis of Accounting, and Basis of Presentation**

The district's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., total assets net of total liabilities) is segregated into net investment in capital assets; restricted for specified purposes; and unrestricted components. The operating statement presents increases (e.g., revenues) and decreases (e.g., expenses) in net total position.

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

**3. Deposits and Investments**

For the purpose of the Statement of Cash Flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

**4. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**5. Capital Assets**

Capital assets are carried at cost. Capital assets are defined by the district as assets with an initial, individual cost of more than \$2,500 with an estimated useful life in excess of one year.

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

<u>Assets</u>	<u>Years</u>
Other Capital Assets	5 - 10

**6. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the Statement of Net Position will sometimes report separate sections for deferred outflows and inflows of resources. Deferred outflows of resources are presented after total assets. A deferred outflow of resources is a consumption of net assets by the district that is applicable to future reporting period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, the district has only one item that qualifies for reporting in this category, deferred pension contributions. (Refer to Note D on Pension Plan.)

Deferred inflows of resources are presented after total liabilities in the Statement of Net Position. A deferred inflow of resources is an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources until that time. The district has two items that qualify for reporting in this category, pension changes in experience and investment earnings. (Refer to Note D on Pension Plan.)

**7. Compensated Absences**

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

**8. Revenue and Expenses**

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

**9. Net Position**

Net position is classified into three components: Net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Investment in capital assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation.

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

Unrestricted net position – This component of net position consist of net position that does not meet the definition of “restricted” or “net investment in capital assets.”

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

**10. Restatement**

In prior years, the district was not required to recognize an asset or liability for its defined benefit plan. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a new pension asset or liability in their Statement of Net Position. Therefore, a restatement increasing Fentress County Emergency Communications District's beginning net position by \$40,835 has been recognized on the Statement of Activities.

**11. Pension Plan**

For purposes of measuring the net pension liability, deferred outflows or resources and deferred inflows of resources related pensions, pension expense, information about the fiduciary net position of Fentress County Emergency Communications District's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Fentress County Emergency Communications District's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**12. Budget**

The budget is legally adopted by the Board of Commissioners in accordance with the provisions of *Tennessee Code Annotated*, Section 7-86-120. The legal level of control is at the line-item level.

**13. Subsequent Events**

The district's management evaluated subsequent events through the date the financial statements were available to be issued.

**B. Deposits and Investments**

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

- Bonds, notes, or treasury bills of the United States or other obligations guaranteed as to principal and interest by the United States or any of its agencies;
- Certificates of deposit and other evidence of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations;
- The State of Tennessee local government investment pool;
- Obligations of the United States or its agencies under a repurchase agreement, with certain conditions;
- Bonds rated A or higher by any nationally recognized rating services of the State of Tennessee, bonds of any county or municipal corporations of the State of Tennessee (bonds of any

road, levee, or drainage district is expressly excluded), bonds of any other state or political subdivision;

- Nonconvertible debt securities of the Federal Home Loan Bank, the Federal National Mortgage Association, the Federal Farm Credit Bank, and the Student Loan Marketing Association provided such securities are rated in the highest category by at least two (2) nationally recognized rating services;
- The county's own bonds or notes issued in accordance with *Tennessee Code Annotated (TCA)*, Title 9, Chapter 21;
- The investment must have a maturity of not greater than two years or with certain authorized approval up to five years.

The district's deposits at June 30, 2015, consisted of the following:

	Bank Balance	Carrying Value
<u>Operating Accounts</u>		
First Volunteer Bank	\$ 648,740	\$ 645,345
Progressive Savings Bank	64,384	64,384
 <u>Certificatees of Deposit</u>		
Progressive Savings Bank	41,687	41,687
Union Bank	234,668	234,668
<hr/>		
Total	<u>\$ 989,479</u>	<u>\$ 986,084</u>

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

Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000. In addition, First Volunteer Bank is a member of the State of Tennessee Bank Collateral Pool. The Tennessee Bank Collateral Pool is a multiple financial institution collateral pool in which member financial institutions holding public funds pledge collateral securities. In the event any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. The district's deposits in financial institutions were entirely insured or collateralized at June 30, 2015.

The district had no investments at June 30, 2015.

**C. Changes in Capital Assets**

A summary of changes in capital assets at June 30, 2015, follows:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Depreciated:				
Buildings and Improvements	\$ 169,431	\$ 0	\$ (169,431)	\$ 0
Other Capital Assets	445,383	9,864	0	455,247
<b>Total Capital Assets Depreciated</b>	<b>\$ 614,814</b>	<b>\$ 9,864</b>	<b>\$ (169,431)</b>	<b>\$ 455,247</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 54,020	\$ 0	\$ (54,020)	\$ 0
Other Capital Assets	48,379	68,615	0	116,994
<b>Total Accumulated Depreciation</b>	<b>\$ 102,399</b>	<b>\$ 68,615</b>	<b>\$ (54,020)</b>	<b>\$ 116,994</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 512,415</b>	<b>\$ (58,751)</b>	<b>\$ (115,411)</b>	<b>\$ 338,253</b>
Governmental Activities Capital Assets, Net	<u>\$ 512,415</u>	<u>\$ (58,751)</u>	<u>\$ (115,411)</u>	<u>\$ 338,253</u>

Depreciation expense for the fiscal year ended June 30, 2015, totaled \$68,615.

#### **D. Pension Plan**

##### **General Information About the Pension Plan**

*Plan Description.* Employees of Fentress County Emergency Communications District are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability

benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	0
Inactive Employees Entitled to But Not Yet Receiving Benefits	4
Active Employees	10
 Total	 <u><u>14</u></u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Fentress County Emergency Communications District makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Fentress County Emergency Communications District were \$15,559 based on a rate of 5.62 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Fentress County Emergency Communication District’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Fentress County Emergency Communication District’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Fentress County Emergency Communications District will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Changes in the Net Pension Liability (Asset)**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 259,421	\$ 284,650	\$ (25,229)
Changes for the year:			
Service Cost	\$ 20,285	\$ 0	\$ 20,285
Interest	20,978	0	20,978
Differences Between Expected and Actual Experience	(10,150)	0	(10,150)
Contributions-Employer	0	15,606	(15,606)
Contributions-Employees	0	13,860	(13,860)
Net Investment Income	0	50,217	(50,217)
Benefit Payments, Including Refunds of Employee Contributions	0	0	0
Administrative Expense	0	(352)	352
Net Changes	<u>\$ 31,113</u>	<u>\$ 79,331</u>	<u>\$ (48,218)</u>
Balance, June 30, 2014	<u>\$ 290,534</u>	<u>\$ 363,981</u>	<u>\$ (73,447)</u>

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Fentress County Emergency Communications District calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate 7.5%	1% Increase
Fentress County Emergency Communications District	6.5%	7.5%	8.5%
Net Pension Liability	\$ (19,180)	\$ (73,447)	\$ (117,709)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Income.* For the year ended June 30, 2015, Fentress County Emergency Communications District recognized pension income of \$1,256.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, Fentress County Emergency Communications District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 9,135
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	22,221
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>15,559</u>	<u>N/A</u>
Total	<u>\$ 15,559</u>	<u>\$ 31,356</u>

(1) The amount shown above for ‘Contributions Subsequent to the Measurement Date of June 30, 2014,’ will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (6,570)
2017	(6,570)
2018	(6,570)
2019	(6,570)
2020	(1,015)
Thereafter	(4,060)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**E. Other Operating Revenues**

The Fentress County Emergency Communications District entered into an intergovernmental cooperation agreement with Fentress County, whereby the district will staff and operate the emergency communications center. Fentress County makes quarterly payments to the district for its share of the

dispatching cost. The amount received for the fiscal year ended June 30, 2015, was \$204,100.

**F. Impairment Loss**

Fentress County Emergency Communications District has relocated to new facilities and as a result has abandoned leasehold improvements with a carrying value of \$115,411. An impairment loss of \$115,411 has been reported on the district's Statement of Activities as a non-operating expense item.

**G. Changes in Accounting Principles**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* became effective for the fiscal year ended June 30, 2015.

GASB Statement No. 68, replaced the requirements of Statements No. 27 and No. 50 as they relate to pension plans administered as trust or equivalent arrangements that meet certain criteria. All other requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of GASB Statement 68. GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses.

GASB Statement No. 71 is an amendment to GASB Statement No. 68 and addresses issues related to contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The effect of implementation of these standards has resulted in an increase in net position at July 1, 2014, in the Statement of Net Position of \$40,835.

**H. Risk Financing**

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

<u>Commercial General Liability</u>	
General Aggregate	\$ 3,000,000
Products Aggregate	3,000,000
Personal and Advertising Injury	1,000,000
Each Occurrence	1,000,000
Medical Expense, Any One Person	5,000
<u>Vehicle</u>	
Liability, Each Accident	1,000,000
Uninsured Motorists	1,000,000
Medical Payments	10,000
Auto Physical Damage – Comprehensive and Collision	Actual Cash Value
Other Than Collision Deductible	250
Collision Deductible	250
<u>Blanket Summary</u>	
Personal Property	342,620
Software	250,000
Money and Securities	30,000
Commercial Blanket Bond	
Computer Fraud	10,000
Identity Fraud	10,000
Employee Dishonesty	5,000
Portable Equipment	Guaranteed Replacement Cost
Policy Deductible	
Policy – Per Occurrence	250
Earthquake – Per Item –	17,131
Flood – Per Premises	1,000
Portable Equipment	500
<u>Management Liability</u>	
Aggregate Limit	3,000,000
Wrongful Act – Each	1,000,000
Injunctive Relief – Each Action	50,000
<u>Workmen’s Compensation</u>	
Each Accident	100,000
Disease – Each Employee	100,000
– Policy Limit	500,000
<u>Crime and Fidelity Coverage</u>	
Employee Bond	25,000
Blanket Bond – Noncompensatory Officers – Treasurer, Secretary, Chairman, and Vice Chairman	
Limit of Insurance - Per Occurrence	175,000
Deductible Amount - Per Occurrence	500

**VII. OTHER NOTES – DISCRETELY PRESENTED INDUSTRIAL DEVELOPMENT BOARD OF FENTRESS COUNTY**

**A. Organization**

The Industrial Development Board of Fentress County was incorporated December 27, 1978. The purpose of the Industrial Development Board of Fentress County is to do business as an industrial development corporation as prescribed by Chapter 210 of the Public Act of 1955, as codified in 6-2801, et seq. *Tennessee Code Annotated*, and as amended by Chapter 222, Public Act of 1959. It is a component unit of Fentress County, Tennessee. The directors are elected by the governing body of Fentress County. It must file a budget with Fentress County each year. Upon dissolution, the title to all funds and properties owned by the Industrial Development Board of Fentress County at that time shall become the property of Fentress County. In the governmental fund financial statements, the board considers receivables collected within 30 days after year-end to be available and recognizes them as revenues of the current year. Program revenues consist of rental income, operating and capital grants and contributions.

**B. Government-wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report the governmental activities of the Industrial Development Board of Fentress County. The governmental activities are reported on the economic resources measurement focus on the accrual basis of accounting.

**C. Fund Financial Statements**

To ensure observance of limitations and restrictions placed on the use of resources available to the Industrial Development Board of Fentress County, the accounts of the board are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. The fund financial statements report using current financial resources measurement focus and the modified accrual basis of accounting. The measurement focus of governmental fund accounting is on expenditures rather than expenses. Most expenditures are measurable and are recorded when the related liability is incurred.

## Fund Balances

### Nonspendable Fund Balance

- Fund balances reported as nonspendable in the accompanying financial statements represent amounts for prepaid expenses.

### Restricted Fund Balance

- Fund balances reported as restricted are the result of externally imposed restrictions placed upon certain resources accounted for in the restricted funds. This includes grant funds.
- When both restricted and unrestricted resources are available for use, it is the board's policy to use restricted resources first, then unrestricted resources as they are needed.

### Assigned Fund Balance

- Amounts that are constrained by the board's intent to be used for specific purposes are reflected as assigned in the accompanying financial statements.

### Unassigned Fund Balance

- This classification represents fund balance that is not restricted and has not been assigned to specific purposes.
- When both assigned and unassigned resources are available for use, it is the board's policy to use assigned resources first, then unassigned resources as they are needed.

## **D. Capital Assets and Depreciation**

The board's property, plant, and equipment with useful lives of more than one year are stated at historical cost. The capital assets purchased in the current year are reported in the fund financial statements as expenditures in the current year. Donated assets are stated at fair value on the date donated. The board generally capitalizes assets that have a cost of over \$500 and have a useful life of more than one year.

The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. All capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

## **E. Subsequent Events**

The board has evaluated subsequent events through the date in which the financial statements were available to be issued.

**F. Cash and Cash Equivalents**

Cash and cash equivalents consist of demand deposits with original maturities of three months or less with local financial institutions. The organization's cash at June 30, 2015, was maintained as follows: the operating fund, the development fund and the justice center fund were maintained in separate checking accounts.

**G. Compensated Absences**

The board has no employees; therefore compensated absences are not accrued in the financial statements.

**H. Prior-period Adjustment**

A prior-period adjustment was made to construction in progress totaling \$267,971, which was overstated in the prior year.

**I. Property, Plant, and Equipment**

The following is a schedule of property as of June 30, 2015:

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 1,002,090	\$ 0	\$ 0	\$ 1,002,090
Construction in Progress	8,702,501	2,092,021	(267,971)	10,526,551
Total Capital Assets Not Depreciated	\$ 9,704,591	\$ 2,092,021	\$ (267,971)	\$ 11,528,641
Capital Assets Depreciated:				
Buildings and Improvements	\$ 1,741,363	\$ 0	\$ 0	\$ 1,741,363
Waterlines	523,911	0	0	523,911
Office Equipment	5,549	0	0	5,549
Total Capital Assets Depreciated	\$ 2,270,823	\$ 0	\$ 0	\$ 2,270,823
Total Assets	\$ 11,975,414	\$ 2,092,021	\$ (267,971)	\$ 13,799,464

The following is a schedule of accumulated depreciation as of June 30, 2015:

	Accumulated Depreciation 7-1-14	Increases	Accumulated Depreciation 6-30-15
Capital Assets:			
Buildings and Improvements	\$ 397,190	\$ 43,534	\$ 440,724
Waterlines	58,940	13,098	72,038
Office Equipment	5,549	0	5,549
Total Accumulated Depreciation	<u>\$ 461,679</u>	<u>\$ 56,632</u>	<u>\$ 518,311</u>

**J. Cash in Bank**

The Tennessee government code requires Tennessee banks and savings and loan associations to secure a governmental entity's deposits by pledging government securities as collateral. The market value of pledged securities must equal 105 percent of the entity's deposits. The entity may waive collateral requirements for deposits that are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2015, the carrying amount of the board's cash deposits was \$165,858. All cash deposits are covered by the Federal Deposit Insurance Corporation up to the limit of \$250,000. The amount over \$250,000, if any, is collateralized by the governmental collateral pool of which First Volunteer Bank is a member. The board is authorized to deposit and invest funds according to the provisions of Section 5-8-301, *Tennessee Code Annotated*. [Acts 1992, ch. 891, section 10].

**K. Budget**

The director of the board and staff compile the budget. It is then brought before the city and county for approval. Changes made by the city or county are not reflected in the budget. This is a non-appropriated budget used for guidance only and is not legally binding.

**L. Risk**

The board maintains general liability and property insurance on buildings. There have been no claims or settlement that exceeded coverage during the prior three years.

**M. Contract Management Fees**

S3 Consulting provides management services for the board and is paid monthly. The owner of S3 Consulting is a prior board member and officer. The total amount of management fees for the year ended June 30, 2015, was \$27,000.

**N. Loans**

On July 11, 2013, the board entered into a loan with First Volunteer Bank for \$52,000. This loan required quarterly payments of \$4,547 beginning October 11, 2013, at an interest rate of 2.537 percent. The following is a schedule of long-term debt payments for First Volunteer Bank.

Due Date	Loan Principal	Loan Balance
6-30-16	\$ 13,687	\$ 0
Total	<u>\$ 13,687</u>	<u>\$ 0</u>

Beginning October 23, 2013, the board began receiving funds from a USDA construction loan to build a justice center in Jamestown, Tennessee. USDA approved this project for \$9,500,000. As of June 30, 2015, the balance of the loan was \$8,764,262. No payments will be due on this loan until the construction is complete.

A schedule of changes in long-term debt is as follows:

Description	6-30-14 Balance	Additions	Principal Payments	6-30-15 Balance
FVB Loan	\$ 30,954	\$ 0	\$ (17,267)	\$ 13,687
USDA Loan	<u>6,672,241</u>	<u>2,092,021</u>	<u>0</u>	<u>8,764,262</u>
Total	<u>\$ 6,703,195</u>	<u>\$ 2,092,021</u>	<u>\$ (17,267)</u>	<u>\$ 8,777,949</u>

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-1

Fentress County, Tennessee  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on  
Participation in the Public Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>
<b>Total Pension Liability (Asset)</b>	
Service Cost	\$ 379,351
Interest	551,684
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(310,265)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(238,800)
Net Change in Total Pension Liability (Asset)	\$ 381,970
Total Pension Liability (Asset), Beginning	<u>7,095,835</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 7,477,805</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 275,784
Contributions - Employee	232,400
Net Investment Income	1,067,336
Benefit Payments, Including Refunds of Employee Contributions	(238,800)
Administrative Expense	(5,356)
Net Change in Plan Fiduciary Net Position	\$ 1,331,364
Plan Fiduciary Net Position, Beginning	<u>6,239,006</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 7,570,370</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (92,565)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.24%
Covered Employee Payroll	\$ 4,642,851
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	1.99%

Note: ten years of data will be presented when available.

Exhibit E-2

Fentress County, Tennessee  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on  
Participation in the Public Employee Pension Plan of TCRS  
Discretely Presented Fentress County School Department – Non-Certified Employees  
For the Fiscal Year Ended June 30

	<u>2014</u>
<b>Total Pension Liability (Asset)</b>	
Service Cost	\$ 192,786
Interest	486,751
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(385,946)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	(348,385)
Net Change in Total Pension Liability (Asset)	\$ (54,794)
Total Pension Liability (Asset), Beginning	<u>6,471,416</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 6,416,622</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 136,816
Contributions - Employee	106,056
Net Investment Income	996,848
Benefit Payments, Including Refunds of Employee Contributions	(348,385)
Administrative Expense	(5,745)
Net Change in Plan Fiduciary Net Position	\$ 885,590
Plan Fiduciary Net Position, Beginning	<u>6,069,034</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 6,954,624</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (538,002)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.38%
Covered Employee Payroll	\$ 2,121,124
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	25.36%

Note: ten years of data will be presented when available.

Exhibit E-3

Fentress County, Tennessee  
Schedule of Contributions Based on Participation in the Public  
Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 275,784	\$ 291,934
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(275,784)</u>	<u>(291,934)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 4,642,851	\$ 4,849,392
Contributions as a Percentage of Covered Employee Payroll	5.94%	6.02%

Note: ten years of data will be presented when available.

Exhibit E-4

Fentress County, Tennessee  
Schedule of Contributions Based on Participation in the Public  
Employee Pension Plan of TCRS  
Discretely Presented Fentress County School Department – Non-Certified Employees  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 136,816	\$ 132,123
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(136,816)</u>	<u>(132,123)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 2,121,124	\$ 2,056,730
Contributions as a Percentage of Covered Employee Payroll	6.45%	6.42%

Note: ten years of data will be presented when available.

Exhibit E-5

Fentress County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Retirement Plan of TCRS  
Discretely Presented Fentress County School Department  
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 6,822
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(10,915)</u>
Contribution Deficiency (Excess)	<u>\$ (4,093)</u>
Covered Employee Payroll	\$ 272,885
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit E-6

Fentress County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Legacy Pension Plan of TCRS  
Discretely Presented Fentress County School Department  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 773,144	\$ 758,150
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(773,144)</u>	<u>(758,150)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 8,706,591	\$ 8,386,636
Contributions as a Percentage of Covered Employee Payroll	8.88%	9.04%

Note: ten years of data will be presented when available.

Exhibit E-7

Fentress County, Tennessee  
Schedule of Proportionate Share of the Net Pension Asset  
in the Teacher Legacy Pension Plan of TCRS  
Discretely Presented Fentress County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.221824%
School Department's Proportionate Share of the Net Pension Asset	\$ 36,045
Covered Employee Payroll	\$ 8,706,591
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-8

Fentress County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Fentress County School Department  
June 30, 2015

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (b)	Actuarial Accrued Liability (AAL) (b)-(a)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>PRIMARY GOVERNMENT</u>								
Local Government Group	7-1-10	\$ 0	\$ 228	\$ 228	0 %	\$ 2,666	9 %	
"	7-1-11	0	212	212	0	2,868	7	
"	7-1-13	0	91	91	0	2,548	4	
<u>DISCRETELY PRESENTED FENTRESS COUNTY SCHOOL DEPARTMENT</u>								
Local Education Group	7-1-10	0	4,570	4,570	0	8,122	56	
"	7-1-11	0	3,630	3,630	0	8,672	42	
"	7-1-13	0	3,607	3,607	0	5,525	65	

**FENTRESS COUNTY, TENNESSEE  
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
 For the Year Ended June 30, 2015**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Primary Government:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	8 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

Discretely Presented Fentress County School Department – Non-Certified Employees:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	6 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustments	2.5%

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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Special Revenue Funds are used to account for 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.

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

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

## Capital Projects Funds

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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.

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

Ambulance Service Equipment Fund – The Ambulance Service Equipment Fund is use to account for grant revenues ambulance service vehicles and equipment. This project was completed within the year and the fund was closed.

Exhibit F-1

Fentress County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>Drug</u>	<u>Constitu -</u>	<u>Total</u>	<u>Projects Fund</u>	
	<u>Control</u>	<u>Officers -</u>		<u>Development/</u>	<u>Nonmajor</u>
		<u>Fees</u>		<u>Industrial</u>	<u>Governmental</u>
				<u>Park</u>	<u>Funds</u>
<u>ASSETS</u>					
Cash	\$ 0	\$ 17,816	\$ 17,816	\$ 0	\$ 17,816
Equity in Pooled Cash and Investments	66,667	0	66,667	11,165	77,832
Accounts Receivable	6,802	1,344	8,146	0	8,146
<b>Total Assets</b>	<b>\$ 73,469</b>	<b>\$ 19,160</b>	<b>\$ 92,629</b>	<b>\$ 11,165</b>	<b>\$ 103,794</b>
<u>LIABILITIES</u>					
Due to Other Funds	\$ 0	\$ 19,160	\$ 19,160	\$ 0	\$ 19,160
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 19,160</b>	<b>\$ 19,160</b>	<b>\$ 0</b>	<b>\$ 19,160</b>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 73,469	\$ 0	\$ 73,469	\$ 0	\$ 73,469
Restricted for Capital Outlay	0	0	0	11,165	11,165
<b>Total Fund Balances</b>	<b>\$ 73,469</b>	<b>\$ 0</b>	<b>\$ 73,469</b>	<b>\$ 11,165</b>	<b>\$ 84,634</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 73,469</b>	<b>\$ 19,160</b>	<b>\$ 92,629</b>	<b>\$ 11,165</b>	<b>\$ 103,794</b>

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, 2015

	Special Revenue Funds			Capital
	Drug Control	Constitu - tional Officers - Fees	Total	Projects Funds Community Development/ Industrial Park
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 86,429	\$ 0	\$ 86,429	\$ 0
Charges for Current Services	0	8,700	8,700	0
Other Local Revenues	10,500	0	10,500	0
State of Tennessee	160	0	160	0
Federal Government	0	0	0	0
Total Revenues	<u>\$ 97,089</u>	<u>\$ 8,700</u>	<u>\$ 105,789</u>	<u>\$ 0</u>
<u>Expenditures</u>				
Current:				
Administration of Justice	\$ 0	\$ 8,700	\$ 8,700	\$ 0
Public Safety	124,731	0	124,731	0
Capital Projects	0	0	0	0
Total Expenditures	<u>\$ 124,731</u>	<u>\$ 8,700</u>	<u>\$ 133,431</u>	<u>\$ 0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (27,642)</u>	<u>\$ 0</u>	<u>\$ (27,642)</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (27,642)	\$ 0	\$ (27,642)	\$ 0
Fund Balance, July 1, 2014	101,111	0	101,111	11,165
Fund Balance, June 30, 2015	<u>\$ 73,469</u>	<u>\$ 0</u>	<u>\$ 73,469</u>	<u>\$ 11,165</u>

(Continued)

Exhibit F-2

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

	<u>Capital Projects Funds (Cont.)</u>		Total
	Ambulance Service Equipment	Total	Nonmajor Governmental Funds
<u>Revenues</u>			
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 86,429
Charges for Current Services	0	0	8,700
Other Local Revenues	0	0	10,500
State of Tennessee	0	0	160
Federal Government	314,922	314,922	314,922
Total Revenues	<u>\$ 314,922</u>	<u>\$ 314,922</u>	<u>\$ 420,711</u>
<u>Expenditures</u>			
Current:			
Administration of Justice	\$ 0	\$ 0	\$ 8,700
Public Safety	0	0	124,731
Capital Projects	314,922	314,922	314,922
Total Expenditures	<u>\$ 314,922</u>	<u>\$ 314,922</u>	<u>\$ 448,353</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (27,642)</u>
Net Change in Fund Balances	\$ 0	\$ 0	\$ (27,642)
Fund Balance, July 1, 2014	0	11,165	112,276
Fund Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 11,165</u>	<u>\$ 84,634</u>

Exhibit F-3

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 86,429	\$ 18,500	\$ 87,490	\$ (1,061)
Other Local Revenues	10,500	1,000	1,000	9,500
State of Tennessee	160	0	0	160
Total Revenues	<u>\$ 97,089</u>	<u>\$ 19,500</u>	<u>\$ 88,490</u>	<u>\$ 8,599</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 124,731	\$ 40,387	\$ 161,685	\$ 36,954
Total Expenditures	<u>\$ 124,731</u>	<u>\$ 40,387</u>	<u>\$ 161,685</u>	<u>\$ 36,954</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (27,642)</u>	<u>\$ (20,887)</u>	<u>\$ (73,195)</u>	<u>\$ 45,553</u>
Net Change in Fund Balance	\$ (27,642)	\$ (20,887)	\$ (73,195)	\$ 45,553
Fund Balance, July 1, 2014	101,111	101,111	101,111	0
Fund Balance, June 30, 2015	<u>\$ 73,469</u>	<u>\$ 80,224</u>	<u>\$ 27,916</u>	<u>\$ 45,553</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit G

Fentress County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 822,316	\$ 785,900	\$ 785,900	\$ 36,416
Other Local Revenues	78,291	68,380	69,795	8,496
Other Governments and Citizens Groups	444,731	0	444,731	0
Total Revenues	<u>\$ 1,345,338</u>	<u>\$ 854,280</u>	<u>\$ 1,300,426</u>	<u>\$ 44,912</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 791,690	\$ 791,691	\$ 791,690	\$ 0
Education	660,175	242,000	660,175	0
<u>Interest on Debt</u>				
General Government	27,876	52,683	52,683	24,807
Education	34,032	192,650	218,500	184,468
<u>Other Debt Service</u>				
General Government	20,116	18,700	20,116	0
Education	26,944	30,500	31,206	4,262
Total Expenditures	<u>\$ 1,560,833</u>	<u>\$ 1,328,224</u>	<u>\$ 1,774,370</u>	<u>\$ 213,537</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (215,495)</u>	<u>\$ (473,944)</u>	<u>\$ (473,944)</u>	<u>\$ 258,449</u>
Net Change in Fund Balance	<u>\$ (215,495)</u>	<u>\$ (473,944)</u>	<u>\$ (473,944)</u>	<u>\$ 258,449</u>
Fund Balance, July 1, 2014	<u>2,851,377</u>	<u>2,851,377</u>	<u>2,851,377</u>	<u>0</u>
Fund Balance, June 30, 2015	<u><u>\$ 2,635,882</u></u>	<u><u>\$ 2,377,433</u></u>	<u><u>\$ 2,377,433</u></u>	<u><u>\$ 258,449</u></u>

# Fiduciary Funds

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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.

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, 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, 2015

	Agency Funds		
	Cities - Sales Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>			
Cash	\$ 0	\$ 629,251	\$ 629,251
Due from Other Governments	123,781	0	123,781
Total Assets	\$ 123,781	\$ 629,251	\$ 753,032
<u>LIABILITIES</u>			
Due to Other Taxing Units	\$ 123,781	\$ 0	\$ 123,781
Due to Litigants, Heirs, and Others	0	629,251	629,251
Total Liabilities	\$ 123,781	\$ 629,251	\$ 753,032

Exhibit H-2

Fentress County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 688,703	\$ 688,703	\$ 0
Due from Other Governments	117,278	123,781	117,278	123,781
Total Assets	<u>\$ 117,278</u>	<u>\$ 812,484</u>	<u>\$ 805,981</u>	<u>\$ 123,781</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 117,278</u>	<u>\$ 812,484</u>	<u>\$ 805,981</u>	<u>\$ 123,781</u>
Total Liabilities	<u>\$ 117,278</u>	<u>\$ 812,484</u>	<u>\$ 805,981</u>	<u>\$ 123,781</u>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 482,519	\$ 9,987,754	\$ 9,841,022	\$ 629,251
Accounts Receivable	2,093	0	2,093	0
Total Assets	<u>\$ 484,612</u>	<u>\$ 9,987,754</u>	<u>\$ 9,843,115</u>	<u>\$ 629,251</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	<u>\$ 484,612</u>	<u>\$ 9,987,754</u>	<u>\$ 9,843,115</u>	<u>\$ 629,251</u>
Total Liabilities	<u>\$ 484,612</u>	<u>\$ 9,987,754</u>	<u>\$ 9,843,115</u>	<u>\$ 629,251</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 482,519	\$ 9,987,754	\$ 9,841,022	\$ 629,251
Equity in Pooled Cash and Investments	0	688,703	688,703	0
Accounts Receivable	2,093	0	2,093	0
Due from Other Governments	117,278	123,781	117,278	123,781
Total Assets	<u>\$ 601,890</u>	<u>\$ 10,800,238</u>	<u>\$ 10,649,096</u>	<u>\$ 753,032</u>
<u>Liabilities</u>				
Due to Other Taxing Units	<u>\$ 117,278</u>	<u>\$ 812,484</u>	<u>\$ 805,981</u>	<u>\$ 123,781</u>
Due to Litigants, Heirs, and Others	<u>484,612</u>	<u>9,987,754</u>	<u>9,843,115</u>	<u>629,251</u>
Total Liabilities	<u>\$ 601,890</u>	<u>\$ 10,800,238</u>	<u>\$ 10,649,096</u>	<u>\$ 753,032</u>

# Fentress County School Department

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

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

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

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

Exhibit I-1

Fentress County, Tennessee  
Statement of Activities  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 10,696,505	\$ 200	\$ 1,314,743	\$ (9,381,562)
Support Services	6,140,701	0	1,807,115	(4,333,586)
Operation of Non-instructional Services	1,957,936	43,808	146,228	(1,767,900)
Total Governmental Activities	\$ 18,795,142	\$ 44,008	\$ 3,268,086	\$ (15,483,048)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 894,256
Local Option Sales Taxes				1,786,838
Wheel Tax				414,160
Mineral Severance Tax				27,016
Business Tax				27,906
Other Local Taxes				1,918
Grants and Contributions Not Restricted to Specific Programs				14,011,366
Unrestricted Investment Earnings				33,427
Miscellaneous				77,853
Pension Income				77,655
Total General Revenues				\$ 17,352,395
Change in Net Position				\$ 1,869,347
Net Position, July 1, 2014				16,208,075
Restatement - Pension Liability (see Note I.D.8)				(3,153,121)
Net Position, June 30, 2015				\$ 14,924,301

Exhibit I-2

Fentress County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Fentress County School Department  
June 30, 2015

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 5,052,664	\$ 0	\$ 757,472	\$ 5,810,136
Accounts Receivable	6,490	0	0	6,490
Due from Other Governments	569,791	225,910	8,732	804,433
Due from Other Funds	22,321	2,743	0	25,064
Property Taxes Receivable	923,253	0	0	923,253
Allowance for Uncollectible Property Taxes	(30,416)	0	0	(30,416)
Notes Receivable - Long-term	9,124	0	0	9,124
Total Assets	<u>\$ 6,553,227</u>	<u>\$ 228,653</u>	<u>\$ 766,204</u>	<u>\$ 7,548,084</u>
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 178,364	\$ 0	\$ 0	\$ 178,364
Cash Overdraft	0	78,440	0	78,440
Due to State of Tennessee	11,880	0	0	11,880
Total Liabilities	<u>\$ 190,244</u>	<u>\$ 78,440</u>	<u>\$ 0</u>	<u>\$ 268,684</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 855,540	\$ 0	\$ 0	\$ 855,540
Deferred Delinquent Property Taxes	30,628	0	0	30,628
Other Deferred/Unavailable Revenue	153,005	0	0	153,005
Total Deferred Inflows of Resources	<u>\$ 1,039,173</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,039,173</u>

(Continued)

Exhibit I-2

Fentress County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Fentress County School Department (Cont.)

FUND BALANCES

Nonspendable:

    Long-term Notes Receivable

Restricted:

    Restricted for Education

Committed:

    Committed for Education

Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

	Major Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	Governmental Funds
	\$ 9,124	\$ 0	\$ 0	\$ 9,124
	2,220	213	766,204	768,637
	2,180,327	150,000	0	2,330,327
	3,132,139	0	0	3,132,139
	<u>\$ 5,323,810</u>	<u>\$ 150,213</u>	<u>\$ 766,204</u>	<u>\$ 6,240,227</u>
	<u>\$ 6,553,227</u>	<u>\$ 228,653</u>	<u>\$ 766,204</u>	<u>\$ 7,548,084</u>

Exhibit I-3

Fentress County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
Discretely Presented Fentress County School Department  
June 30, 2015

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 6,240,227
(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	11,207,869	
Add: other capital assets net of accumulated depreciation	<u>1,516,432</u>	13,136,064
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due to the primary government debt for notes	\$ (303,034)	
Less: contributions due to the primary government debt for other loans	(119,134)	
Less: other postemployment benefits liability	(1,596,354)	
Less: compensated absences payable	<u>(442,823)</u>	(2,461,345)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 988,697	
Less: deferred inflows of resources related to pensions	<u>(3,737,022)</u>	(2,748,325)
(4) Net pension assets of the pension plans are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension asset - agent plan	\$ 538,002	
Add: net pension asset - cost-sharing plan	<u>36,045</u>	574,047
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>183,633</u>
Net position of governmental activities (Exhibit A)		<u>\$ 14,924,301</u>

Exhibit I-4

Fentress County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2015

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Revenues</u>				
Local Taxes	\$ 3,141,966	\$ 0	\$ 0	\$ 3,141,966
Licenses and Permits	1,168	0	0	1,168
Charges for Current Services	0	0	43,808	43,808
Other Local Revenues	184,145	0	4,864	189,009
State of Tennessee	13,894,053	0	13,638	13,907,691
Federal Government	326,936	1,793,200	1,172,928	3,293,064
Total Revenues	<u>\$ 17,548,268</u>	<u>\$ 1,793,200</u>	<u>\$ 1,235,238</u>	<u>\$ 20,576,706</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,790,057	\$ 1,225,694	\$ 0	\$ 11,015,751
Support Services	5,560,374	549,673	0	6,110,047
Operation of Non-instructional Services	679,140	0	1,288,811	1,967,951
Capital Outlay	75,797	0	0	75,797
Debt Service:				
Principal on Debt	418,175	0	0	418,175
Interest on Debt	25,850	0	0	25,850
Other Debt Service	706	0	0	706
Total Expenditures	<u>\$ 16,550,099</u>	<u>\$ 1,775,367</u>	<u>\$ 1,288,811</u>	<u>\$ 19,614,277</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 998,169</u>	<u>\$ 17,833</u>	<u>\$ (53,573)</u>	<u>\$ 962,429</u>

(Continued)

Exhibit I-4

Fentress County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Fentress County School Department (Cont.)

	Major Funds			Total Governmental Funds
	General Purpose School	School Federal Projects	Central Cafeteria	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 17,793	\$ 0	\$ 0	\$ 17,793
Transfers Out	0	(17,793)	0	(17,793)
Total Other Financing Sources (Uses)	\$ 17,793	\$ (17,793)	\$ 0	\$ 0
Net Change in Fund Balances	\$ 1,015,962	\$ 40	\$ (53,573)	\$ 962,429
Fund Balance, July 1, 2014	4,307,848	150,173	819,777	5,277,798
Fund Balance, June 30, 2015	\$ 5,323,810	\$ 150,213	\$ 766,204	\$ 6,240,227

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, 2015

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)		\$ 962,429
(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	\$ 56,990	
Less: current-year depreciation expense	<u>(586,204)</u>	(529,214)
(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, 2015	\$ 183,633	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(173,505)</u>	10,128
(3) The contribution of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: principal contributions on notes to the primary government	\$ 36,903	
Add: principal contributions on other loans to the primary government	31,272	
Add: principal contributions on bonds to the primary government	<u>350,000</u>	418,175
(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	\$ 4,309	
Change in accrued compensated absences	30,852	
Change in other postemployment benefits liability	(6,175)	
Change in net pension liability/asset	3,727,168	
Change in deferred outflows related to pensions	988,697	
Change in deferred inflows related to pensions	<u>(3,737,022)</u>	1,007,829
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,869,347</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 3,141,966	\$ 2,953,775	\$ 2,953,775	\$ 188,191
Licenses and Permits	1,168	1,333	1,333	(165)
Other Local Revenues	184,145	200,000	200,000	(15,855)
State of Tennessee	13,894,053	13,544,846	13,695,172	198,881
Federal Government	326,936	294,000	476,539	(149,603)
<b>Total Revenues</b>	<b>\$ 17,548,268</b>	<b>\$ 16,993,954</b>	<b>\$ 17,326,819</b>	<b>\$ 221,449</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 8,340,047	\$ 9,478,554	\$ 9,478,554	\$ 1,138,507
Alternative Instruction Program	123,079	128,410	128,410	5,331
Special Education Program	929,367	1,090,470	1,090,470	161,103
Vocational Education Program	127,625	131,170	131,170	3,545
Adult Education Program	269,939	97,770	280,309	10,370
<u>Support Services</u>				
Attendance	181,603	203,310	203,310	21,707
Health Services	244,946	293,850	293,850	48,904
Other Student Support	307,312	362,330	362,330	55,018
Regular Instruction Program	636,803	790,780	790,780	153,977
Special Education Program	235,669	244,745	244,745	9,076
Vocational Education Program	31,395	31,490	31,490	95
Adult Programs	85,329	93,390	93,390	8,061
Other Programs	150,326	0	150,326	0
Board of Education	728,431	606,500	740,025	11,594
Director of Schools	170,769	182,720	182,720	11,951
Office of the Principal	624,789	687,820	687,820	63,031
Fiscal Services	104,879	117,830	117,780	12,901
Operation of Plant	995,329	1,260,750	1,222,250	226,921
Maintenance of Plant	280,623	381,500	381,500	100,877
Transportation	782,171	1,202,450	1,107,425	325,254
<u>Operation of Non-Instructional Services</u>				
Community Services	81,878	85,934	85,934	4,056
Early Childhood Education	597,262	597,280	597,280	18
<u>Capital Outlay</u>				
Regular Capital Outlay	75,797	630,000	630,000	554,203
<u>Principal on Debt</u>				
Education	418,175	418,182	418,182	7
<u>Interest on Debt</u>				
Education	25,850	25,850	25,850	0
<u>Other Debt Service</u>				
Education	706	700	750	44
<b>Total Expenditures</b>	<b>\$ 16,550,099</b>	<b>\$ 19,143,785</b>	<b>\$ 19,476,650</b>	<b>\$ 2,926,551</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 998,169</b>	<b>\$ (2,149,831)</b>	<b>\$ (2,149,831)</b>	<b>\$ 3,148,000</b>

(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		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 17,793	\$ 0	\$ 0	\$ 17,793
Total Other Financing Sources	\$ 17,793	\$ 0	\$ 0	\$ 17,793
Net Change in Fund Balance	\$ 1,015,962	\$ (2,149,831)	\$ (2,149,831)	\$ 3,165,793
Fund Balance, July 1, 2014	4,307,848	5,796,464	5,796,464	(1,488,616)
Fund Balance, June 30, 2015	\$ 5,323,810	\$ 3,646,633	\$ 3,646,633	\$ 1,677,177

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,793,200	\$ 2,005,093	\$ 2,010,885	\$ (217,685)
Total Revenues	\$ 1,793,200	\$ 2,005,093	\$ 2,010,885	\$ (217,685)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 753,395	\$ 816,765	\$ 826,918	\$ 73,523
Special Education Program	427,430	470,231	474,378	46,948
Vocational Education Program	44,869	43,842	44,906	37
<u>Support Services</u>				
Other Student Support	29,427	49,314	39,319	9,892
Regular Instruction Program	381,827	450,255	452,042	70,215
Special Education Program	111,653	113,225	113,225	1,572
Vocational Education Program	936	2,300	936	0
Transportation	25,830	39,073	39,073	13,243
Total Expenditures	\$ 1,775,367	\$ 1,985,005	\$ 1,990,797	\$ 215,430
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,833	\$ 20,088	\$ 20,088	\$ (2,255)
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (17,793)	\$ (20,088)	\$ (20,088)	\$ 2,295
Total Other Financing Sources	\$ (17,793)	\$ (20,088)	\$ (20,088)	\$ 2,295
Net Change in Fund Balance	\$ 40	\$ 0	\$ 0	\$ 40
Fund Balance, July 1, 2014	150,173	0	0	150,173
Fund Balance, June 30, 2015	\$ 150,213	\$ 0	\$ 0	\$ 150,213

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 43,808	\$ 290,000	\$ 290,000	\$ (246,192)
Other Local Revenues	4,864	18,500	18,500	(13,636)
State of Tennessee	13,638	15,000	15,000	(1,362)
Federal Government	1,172,928	1,195,000	1,198,045	(25,117)
Total Revenues	<u>\$ 1,235,238</u>	<u>\$ 1,518,500</u>	<u>\$ 1,521,545</u>	<u>\$ (286,307)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,288,811	\$ 1,727,900	\$ 1,730,945	\$ 442,134
Total Expenditures	<u>\$ 1,288,811</u>	<u>\$ 1,727,900</u>	<u>\$ 1,730,945</u>	<u>\$ 442,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (53,573)</u>	<u>\$ (209,400)</u>	<u>\$ (209,400)</u>	<u>\$ 155,827</u>
Net Change in Fund Balance	\$ (53,573)	\$ (209,400)	\$ (209,400)	\$ 155,827
Fund Balance, July 1, 2014	819,777	819,765	819,765	12
Fund Balance, June 30, 2015	<u>\$ 766,204</u>	<u>\$ 610,365</u>	<u>\$ 610,365</u>	<u>\$ 155,839</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Fentress County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>NOTES PAYABLE</u>								
<u>Payable through General Fund</u>								
USDA Promissory Note - Grant 81-07	\$ 224,000	(1) 3.25 %	9-2-10	12-31-20	\$ 159,315	\$ 0	\$ 21,675	\$ 137,640
<u>Payable through Highway/Public Works Fund</u>								
County Highway Improvements, Series 2011	1,000,000	3	3-1-11	3-1-16	\$ 422,895	\$ 0	\$ 239,376	\$ 183,519
<u>Payable through General Debt Service Fund</u>								
Justice Center	2,000,000	1.83	2-8-13	2-1-16	\$ 1,346,000	\$ 0	\$ 667,000	\$ 679,000
Vehicles	212,120	3	10-4-12	11-1-14	70,690	0	70,690	0
Ice Storm Repairs	2,000,000	1.75	6-5-15	6-1-21	0	2,000,000	0	2,000,000
Total Payable through General Debt Service Fund					\$ 1,416,690	\$ 2,000,000	\$ 737,690	\$ 2,679,000
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
School Roof Projects	477,435	4	6-24-10	4-15-22	\$ 339,937	\$ 0	\$ 36,903	\$ 303,034
Total Notes Payable					\$ 2,338,837	\$ 2,000,000	\$ 1,035,644	\$ 3,303,193
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Construction - Southern System Facility	6,000,000	Variable	10-25-01	5-25-26	\$ 3,853,000	\$ 0	\$ 242,000	\$ 3,611,000
Public Works Project	1,000,000	Variable	5-21-02	5-25-22	518,000	0	54,000	464,000
Total Payable through General Debt Service Fund					\$ 4,371,000	\$ 0	\$ 296,000	\$ 4,075,000
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
Energy Efficient Schools Initiative Loan	107,530	0	5-1-11	4-1-18	\$ 58,890	\$ 0	\$ 15,360	\$ 43,530
Energy Efficient Schools Initiative Loan	111,406	0	4-1-13	3-1-20	91,516	0	15,912	75,604
Total Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund					\$ 150,406	\$ 0	\$ 31,272	\$ 119,134
Total Other Loans Payable					\$ 4,521,406	\$ 0	\$ 327,272	\$ 4,194,134

(Continued)

Exhibit J-1

Fentress County, Tennessee

Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Tractor	\$ 23,454	6.59 %	4-19-12	4-19-17	\$ 14,073	\$ 0	\$ 5,117	\$ 8,956
Tractor	15,500	6.25	12-3-12	12-3-15	6,623	0	5,326	1,297
Total Capital Leases Payable					<u>\$ 20,696</u>	<u>\$ 0</u>	<u>\$ 10,443</u>	<u>\$ 10,253</u>
<u>BONDS PAYABLE</u>								
<u>Contributions Due by the School Department from the General Purpose School</u>								
<u>Fund to the General Debt Service Fund</u>								
School Refunding Series 2009	1,950,000	3	4-30-09	4-30-15	\$ 350,000	\$ 0	\$ 350,000	\$ 0
Total Bonds Payable					<u>\$ 350,000</u>	<u>\$ 0</u>	<u>\$ 350,000</u>	<u>\$ 0</u>

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

Exhibit J-2

Fentress County, Tennessee  
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 922,983	\$ 65,983	\$ 988,966
2017	62,751	49,353	112,104
2018	545,089	47,014	592,103
2019	562,517	36,187	598,704
2020	575,019	25,022	600,041
2021	586,328	13,556	599,884
2022	48,506	1,942	50,448
Total	<u>\$ 3,303,193</u>	<u>\$ 239,057</u>	<u>\$ 3,542,250</u>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2016	\$ 342,272	\$ 11,003	\$ 28,528	\$ 381,803
2017	358,272	10,163	26,506	394,941
2018	371,722	9,280	24,380	405,382
2019	375,912	8,354	22,151	406,417
2020	389,956	7,382	19,811	417,149
2021	397,000	6,361	17,354	420,715
2022	417,000	5,289	14,774	437,063
2023	358,000	4,163	11,043	373,206
2024	376,000	3,197	8,716	387,913
2025	394,000	2,182	6,272	402,454
2026	414,000	1,118	3,711	418,829
Total	<u>\$ 4,194,134</u>	<u>\$ 68,492</u>	<u>\$ 183,246</u>	<u>\$ 4,445,872</u>

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2016	\$ 6,414	\$ 1,080	\$ 7,494
2017	3,839	716	4,555
Total	<u>\$ 10,253</u>	<u>\$ 1,796</u>	<u>\$ 12,049</u>

Exhibit J-3

Fentress County, Tennessee  
Schedule of Notes Receivable  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2015

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-15
<u>General Purpose School Fund</u>						
Repayment of training expenses	Michelle Wright	\$ 14,133	7-1-09	3-31-21	0 %	\$ 6,932
Repayment of unearned salary	Regina Copeland	2,567	2-14-14	9-30-22	0	<u>2,192</u>
Total Notes Receivable						<u>\$ 9,124</u>

Exhibit J-4

Fentress County, Tennessee  
Schedule of Transfers  
Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 17,793</u>
Total Transfers Discretely Presented Fentress County School Department			<u><u>\$ 17,793</u></u>

Exhibit J-5

Fentress County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Fentress County School Department  
For the Year Ended June 30, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive:				
Frank Smith (7-1-14 through 8-31-14)	Section 8-24-102, TCA	\$ 15,598	\$ 100,000	Western Surety Company
J. Michael Cross (9-1-14 through 6-30-15)	Section 8-24-102, TCA	58,140	100,000	"
Road Supervisor	Section 8-24-102, TCA	70,228	100,000	"
Director of Schools	State Board of Education and Fentress County Board of Education	85,421 (1)	150,000	"
Trustee	Section 8-24-102, TCA	63,843	690,400	"
Assessor of Property	Section 8-24-102, TCA	63,843	50,000	"
Finance Director	County Commission	51,074	100,000	"
County Clerk	Section 8-24-102, TCA	63,843	50,000	"
Circuit and General Sessions Courts Clerk:				
Tammy Smith (7-1-14 through 8-31-14)	Section 8-24-102, TCA	13,505	50,000	"
Gina Mullinix (9-1-14 through 6-30-15)	Section 8-24-102, TCA	50,338	100,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	63,843 (2)	100,000	Ohio Farmers Insurance Company
Register of Deeds:				
Faye Stephens (7-1-14 through 8-31-14)	Section 8-24-102, TCA	13,505	25,000	Western Surety Company
Patricia Slaven (9-1-14 through 6-30-15)	Section 8-24-102, TCA	50,338	100,000	"
Sheriff				
Tony Choate (7-1-14 through 8-31-14)	Section 8-24-102, TCA	14,856 (3)	25,000	"
Charles Cravens (9-1-14 through 6-30-15)	Section 8-24-102, TCA	55,372	100,000	"
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 \$8,700.  
(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, 2015

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,136,620	\$ 376,342	\$ 0	\$ 0	\$ 0	\$ 405,295
Trustee's Collections - Prior Year	149,382	13,591	0	0	0	14,636
Circuit/Clerk and Master Collections - Prior Years	146,436	14,540	0	0	0	14,540
Interest and Penalty	32,299	2,939	0	0	0	3,165
Pickup Taxes	25	2	0	0	0	2
Payments in-Lieu-of Taxes - Other	63,240	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	711,049	0	0	0	377,360
Hotel/Motel Tax	38,719	0	0	0	0	0
Litigation Tax - General	23,611	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	14,098	0	0	0	0	0
Litigation Tax - Victim-Offender Mediation Center	15,733	0	0	0	0	0
Litigation Tax - Courthouse Security	5,790	0	0	0	0	0
Business Tax	78,505	11,310	0	0	0	7,318
Mineral Severance Tax	0	0	0	0	20,676	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	18,504	0	0	0	0	0
Wholesale Beer Tax	223,777	0	0	0	0	0
Beer Privilege Tax	1,235	0	0	0	0	0
Interstate Telecommunications Tax	1,523	0	0	0	0	0
Total Local Taxes	\$ 4,949,497	\$ 1,129,773	\$ 0	\$ 0	\$ 20,676	\$ 822,316
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 17,917	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Licenses and Permits (Cont.)</u>						
<u>Permits</u>						
Beer Permits	\$ 300	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Licenses and Permits	\$ 18,217	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 761	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	6,312	0	0	0	0	0
Drug Control Fines	0	0	4,227	0	0	0
Jail Fees	100	0	0	0	0	0
Courtroom Security Fee	4	0	0	0	0	0
<u>Criminal Court</u>						
Data Entry Fee - Criminal Court	2,237	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	24,318	0	0	0	0	0
Officers Costs	7,423	0	0	0	0	0
Game and Fish Fines	507	0	0	0	0	0
Drug Control Fines	0	0	6,410	0	0	0
Data Entry Fee - General Sessions Court	3,107	0	0	0	0	0
Courtroom Security Fee	15	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	95	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	510	0	0	0	0	0
Officers Costs	15,568	0	0	0	0	0
DUI Treatment Fines	3,739	0	0	0	0	0

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	\$ 0	\$ 0	\$ 451	\$ 0	\$ 0	\$ 0
Data Entry Fee - Other Courts	408	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	75,341	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 65,104</b>	<b>\$ 0</b>	<b>\$ 86,429</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 213,503	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Disposal Fee	0	2,774	0	0	0	0
Surcharge - Waste Tire Disposal	0	13,083	0	0	0	0
Patient Charges	1,252,870	0	0	0	0	0
<u>Fees</u>						
Recreation Fees	33,406	0	0	0	0	0
Library Fees	17,461	0	0	0	0	0
Vending Machine Collections	446	0	0	0	0	0
Constitutional Officers' Fees and Commissions	12,302	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	10,990	0	0	8,700	0	0
Data Processing Fee - Register	6,728	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	3,255	0	0	0	0	0
<b>Total Charges for Current Services</b>	<b>\$ 1,337,458</b>	<b>\$ 229,360</b>	<b>\$ 0</b>	<b>\$ 8,700</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 30,089	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Other Local Revenues (Cont.)</u>						
<u>Recurring Items (Cont.)</u>						
Lease/Rentals	\$ 87,000	\$ 6,500	\$ 0	\$ 0	\$ 0	\$ 68,371
Commissary Sales	8,304	0	0	0	0	0
Sale of Recycled Materials	0	87,461	0	0	1,252	0
Miscellaneous Refunds	66,444	532	2,142	0	25,555	9,920
<u>Nonrecurring Items</u>						
Sale of Equipment	0	0	8,277	0	73,609	0
Sale of Property	7,950	0	0	0	0	0
Damages Recovered from Individuals	8,002	0	0	0	0	0
Contributions and Gifts	170,325	0	81	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	3,088	11,025	0	0	0	0
Total Other Local Revenues	\$ 381,202	\$ 105,518	\$ 10,500	\$ 0	\$ 100,416	\$ 78,291
<u>Fees Received from County Officials</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 172,605	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	62,951	0	0	0	0	0
General Sessions Court Clerk	70,983	0	0	0	0	0
Clerk and Master	24,749	0	0	0	0	0
Register	78,420	0	0	0	0	0
Sheriff	10,518	0	0	0	0	0
Trustee	238,915	0	0	0	0	0
Total Fees Received from County Officials	\$ 659,141	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 13,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	8,172	0	0	0	0	0
On-behalf Contributions for OPEB	450	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	127,343	0	0	0	0	0
<u>Public Works Grants</u>						
Litter Program	0	34,078	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	18,256	0	0	0	0	0
Beer Tax	18,055	0	0	0	0	0
Vehicle Certificate of Title Fees	2,358	0	0	0	0	0
Alcoholic Beverage Tax	49,243	0	0	0	0	0
Contracted Prisoner Boarding	202,729	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,693,056	0
Petroleum Special Tax	0	0	0	0	12,958	0
Registrar's Salary Supplement	15,164	0	0	0	0	0
Other State Grants	110,000	0	0	0	0	0
Other State Revenues	20,637	0	160	0	0	0
Total State of Tennessee	\$ 585,907	\$ 34,078	\$ 160	\$ 0	\$ 1,706,014	\$ 0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	15,000	0	0	0	0	0
Other Federal through State	67,806	0	0	0	0	0
Total Federal Government	\$ 82,806	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-6

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 13,825	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	0	0	0	0	0	444,731
Contracted Services	24,700	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 38,525</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 444,731</u>
Total	<u>\$ 8,117,857</u>	<u>\$ 1,498,729</u>	<u>\$ 97,089</u>	<u>\$ 8,700</u>	<u>\$ 1,827,106</u>	<u>\$ 1,345,338</u>

(Continued)

Exhibit J-6

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

	<u>Capital Projects Fund</u>	
	Ambulance Service Equipment -	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 4,918,257
Trustee's Collections - Prior Year	0	177,609
Circuit/Clerk and Master Collections - Prior Years	0	175,516
Interest and Penalty	0	38,403
Pickup Taxes	0	29
Payments in-Lieu-of Taxes - Other	0	63,240
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	1,088,409
Hotel/Motel Tax	0	38,719
Litigation Tax - General	0	23,611
Litigation Tax - Jail, Workhouse, or Courthouse	0	14,098
Litigation Tax - Victim-Offender Mediation Center	0	15,733
Litigation Tax - Courthouse Security	0	5,790
Business Tax	0	97,133
Mineral Severance Tax	0	20,676
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	18,504
Wholesale Beer Tax	0	223,777
Beer Privilege Tax	0	1,235
Interstate Telecommunications Tax	0	1,523
Total Local Taxes	<u>\$ 0</u>	<u>\$ 6,922,262</u>
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Cable TV Franchise	\$ 0	\$ 17,917

(Continued)

Exhibit J-6

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

	<u>Capital Projects Fund</u>		<u>Ambulance Service Equipment -</u>	<u>Total</u>
<u>Licenses and Permits (Cont.)</u>				
<u>Permits</u>				
Beer Permits	\$	0	\$	300
Total Licenses and Permits	\$	0	\$	18,217
<u>Fines, Forfeitures, and Penalties</u>				
<u>Circuit Court</u>				
Fines	\$	0	\$	761
Officers Costs		0		6,312
Drug Control Fines		0		4,227
Jail Fees		0		100
Courtroom Security Fee		0		4
<u>Criminal Court</u>				
Data Entry Fee - Criminal Court		0		2,237
<u>General Sessions Court</u>				
Fines		0		24,318
Officers Costs		0		7,423
Game and Fish Fines		0		507
Drug Control Fines		0		6,410
Data Entry Fee - General Sessions Court		0		3,107
Courtroom Security Fee		0		15
<u>Juvenile Court</u>				
Fines		0		95
<u>Other Courts - In-county</u>				
Fines		0		510
Officers Costs		0		15,568
DUI Treatment Fines		0		3,739

(Continued)

Exhibit J-6

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

	<u>Capital Projects Fund</u>	
	Ambulance Service Equipment -	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Judicial District Drug Program</u>		
Drug Task Force Forfeitures and Seizures	\$ 0	\$ 451
Data Entry Fee - Other Courts	0	408
<u>Other Fines, Forfeitures, and Penalties</u>		
Proceeds from Confiscated Property	0	75,341
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 151,533</u>
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Tipping Fees	\$ 0	\$ 213,503
Solid Waste Disposal Fee	0	2,774
Surcharge - Waste Tire Disposal	0	13,083
Patient Charges	0	1,252,870
<u>Fees</u>		
Recreation Fees	0	33,406
Library Fees	0	17,461
Vending Machine Collections	0	446
Constitutional Officers' Fees and Commissions	0	12,302
Special Commissioner Fees/Special Master Fees	0	19,690
Data Processing Fee - Register	0	6,728
Sexual Offender Registration Fee - Sheriff	0	3,255
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 1,575,518</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 0	\$ 30,089

(Continued)

Exhibit J-6

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

	<u>Capital Projects Fund</u>	
	Ambulance Service Equipment -	Total
<u>Other Local Revenues (Cont.)</u>		
<u>Recurring Items (Cont.)</u>		
Lease/Rentals	\$ 0	\$ 161,871
Commissary Sales	0	8,304
Sale of Recycled Materials	0	88,713
Miscellaneous Refunds	0	104,593
<u>Nonrecurring Items</u>		
Sale of Equipment	0	81,886
Sale of Property	0	7,950
Damages Recovered from Individuals	0	8,002
Contributions and Gifts	0	170,406
<u>Other Local Revenues</u>		
Other Local Revenues	0	14,113
Total Other Local Revenues	<u>\$ 0</u>	<u>\$ 675,927</u>
<u>Fees Received from County Officials</u>		
<u>Fees in-Lieu-of Salary</u>		
County Clerk	\$ 0	\$ 172,605
Circuit Court Clerk	0	62,951
General Sessions Court Clerk	0	70,983
Clerk and Master	0	24,749
Register	0	78,420
Sheriff	0	10,518
Trustee	0	238,915
Total Fees Received from County Officials	<u>\$ 0</u>	<u>\$ 659,141</u>

(Continued)

Exhibit J-6

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

	<u>Capital Projects Fund</u>		<u>Ambulance Service Equipment -</u>	<u>Total</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
Juvenile Services Program	\$ 0	\$		13,500
Aging Programs	0			8,172
On-behalf Contributions for OPEB	0			450
<u>Health and Welfare Grants</u>				
Health Department Programs			0	127,343
<u>Public Works Grants</u>				
Litter Program			0	34,078
<u>Other State Revenues</u>				
Income Tax			0	18,256
Beer Tax			0	18,055
Vehicle Certificate of Title Fees			0	2,358
Alcoholic Beverage Tax			0	49,243
Contracted Prisoner Boarding			0	202,729
Gasoline and Motor Fuel Tax			0	1,693,056
Petroleum Special Tax			0	12,958
Registrar's Salary Supplement			0	15,164
Other State Grants			0	110,000
Other State Revenues			0	20,797
Total State of Tennessee	\$ 0	\$		2,326,159
<u>Federal Government</u>				
<u>Federal Through State</u>				
Community Development	\$ 314,922	\$		314,922
Homeland Security Grants			0	15,000
Other Federal through State			0	67,806
Total Federal Government	\$ 314,922	\$		397,728

(Continued)

Exhibit J-6

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

	<u>Capital Projects Fund</u>		
	Ambulance Service Equipment -	Total	
<hr/>			
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Prisoner Board	\$ 0	\$ 13,825	
Contributions	0	444,731	
Contracted Services	0	24,700	
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 483,256</u>	
Total	<u>\$ 314,922</u>	<u>\$ 13,209,741</u>	

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, 2015

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 820,035	\$ 0	\$ 0	\$ 820,035
Trustee's Collections - Prior Year	34,823	0	0	34,823
Circuit/Clerk and Master Collections - Prior Years	31,156	0	0	31,156
Interest and Penalty	5,998	0	0	5,998
Pickup Taxes	3	0	0	3
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,779,089	0	0	1,779,089
Wheel Tax	414,160	0	0	414,160
Business Tax	27,906	0	0	27,906
Mineral Severance Tax	27,016	0	0	27,016
<u>Statutory Local Taxes</u>				
Interstate Telecommunications Tax	1,780	0	0	1,780
<b>Total Local Taxes</b>	<b>\$ 3,141,966</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,141,966</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,168	\$ 0	\$ 0	\$ 1,168
<b>Total Licenses and Permits</b>	<b>\$ 1,168</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,168</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Adults	\$ 0	\$ 0	\$ 22,957	\$ 22,957
A la carte Sales	0	0	20,851	20,851
<b>Total Charges for Current Services</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 43,808</b>	<b>\$ 43,808</b>

(Continued)

Exhibit J-7

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 31,671	\$ 0	\$ 1,756	\$ 33,427
Lease/Rentals	175	0	0	175
Sale of Recycled Materials	458	0	0	458
E-Rate Funding	54,688	0	0	54,688
Miscellaneous Refunds	72,944	0	3,108	76,052
<u>Nonrecurring Items</u>				
Damages Recovered from Individuals	200	0	0	200
Contributions and Gifts	5,962	0	0	5,962
<u>Other Local Revenues</u>				
Other Local Revenues	18,047	0	0	18,047
Total Other Local Revenues	<u>\$ 184,145</u>	<u>\$ 0</u>	<u>\$ 4,864</u>	<u>\$ 189,009</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 150,326	\$ 0	\$ 0	\$ 150,326
<u>State Education Funds</u>				
Basic Education Program	12,001,000	0	0	12,001,000
Early Childhood Education	597,262	0	0	597,262
School Food Service	0	0	13,638	13,638
Driver Education	2,820	0	0	2,820
Other State Education Funds	416,837	0	0	416,837
Career Ladder Program	81,831	0	0	81,831
Career Ladder - Extended Contract	21,295	0	0	21,295

(Continued)

Exhibit J-7

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

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 620,682	\$ 0	\$ 0	\$ 620,682
Other State Grants	2,000	0	0	2,000
Total State of Tennessee	<u>\$ 13,894,053</u>	<u>\$ 0</u>	<u>\$ 13,638</u>	<u>\$ 13,907,691</u>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 819,876	\$ 819,876
USDA - Commodities	0	0	66,136	66,136
Breakfast	0	0	274,111	274,111
USDA - Other	0	0	12,805	12,805
Adult Education State Grant Program	237,677	0	0	237,677
Vocational Education - Basic Grants to States	0	48,442	0	48,442
Title I Grants to Local Education Agencies	0	984,630	0	984,630
Special Education - Grants to States	0	538,522	0	538,522
Special Education Preschool Grants	0	31,156	0	31,156
Rural Education	0	43,263	0	43,263
Eisenhower Professional Development State Grants	0	132,768	0	132,768
Job Training Partnership Act	0	11,000	0	11,000
Race to the Top - ARRA	0	3,419	0	3,419
Other Federal through State	23,287	0	0	23,287
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	65,972	0	0	65,972
Total Federal Government	<u>\$ 326,936</u>	<u>\$ 1,793,200</u>	<u>\$ 1,172,928</u>	<u>\$ 3,293,064</u>
Total	<u>\$ 17,548,268</u>	<u>\$ 1,793,200</u>	<u>\$ 1,235,238</u>	<u>\$ 20,576,706</u>

Exhibit J-8

Fentress County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	58,377	
Social Security		3,619	
Employer Medicare		846	
Audit Services		5,957	
Legal Services		42,595	
Other Charges		6,513	
Total County Commission	\$		117,907

Board of Equalization

Board and Committee Members Fees	\$	510	
Total Board of Equalization			510

Beer Board

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

County Mayor/Executive

County Official/Administrative Officer	\$	73,738	
Assistant(s)		30,603	
Social Security		6,469	
Pensions		6,281	
Medical Insurance		5,629	
Unemployment Compensation		344	
Employer Medicare		1,513	
Communication		2,837	
Postal Charges		146	
Printing, Stationery, and Forms		1,015	
Travel		1,532	
Office Supplies		3,477	
Premiums on Corporate Surety Bonds		350	
Other Equipment		4,245	
Total County Mayor/Executive			138,179

Election Commission

County Official/Administrative Officer	\$	57,459	
Deputy(ies)		25,646	
Clerical Personnel		12,956	
Election Commission		6,300	
Election Workers		29,510	
Social Security		6,707	
Pensions		5,003	
Medical Insurance		3,385	
Unemployment Compensation		717	
Employer Medicare		1,569	
Communication		1,297	
Data Processing Services		2,400	
Dues and Memberships		202	

(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.)

Maintenance and Repair Services - Equipment	\$	6,595	
Postal Charges		82	
Printing, Stationery, and Forms		8,238	
Travel		3,965	
Office Supplies		4,829	
Office Equipment		920	
Total Election Commission			\$ 177,780

Register of Deeds

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		28,053	
Clerical Personnel		28,478	
Part-time Personnel		2,104	
Social Security		7,512	
Pensions		6,573	
Medical Insurance		7,270	
Unemployment Compensation		431	
Employer Medicare		1,757	
Communication		1,504	
Data Processing Services		8,389	
Postal Charges		328	
Printing, Stationery, and Forms		548	
Travel		576	
Duplicating Supplies		3,410	
Office Supplies		6,481	
Premiums on Corporate Surety Bonds		510	
Office Equipment		10,676	
Total Register of Deeds			178,443

Planning

Board and Committee Members Fees	\$	1,350	
Dues and Memberships		10,750	
Other Supplies and Materials		538	
Total Planning			12,638

County Buildings

Deputy(ies)	\$	23,712
Foremen		43,000
Social Security		4,136
Pensions		3,595
Medical Insurance		305
Unemployment Compensation		360
Employer Medicare		967
Communication		3,979
Data Processing Services		711
Maintenance and Repair Services - Buildings		66,374
Custodial Supplies		11,105

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Utilities	\$	233,435	
Other Supplies and Materials		4,518	
Communication Equipment		9,641	
Total County Buildings			\$ 405,838

Other General Administration

On-behalf Payments to OPEB	\$	450	
Total Other General Administration			450

Finance

Accounting and Budgeting

Supervisor/Director	\$	51,074	
Accountants/Bookkeepers		153,298	
In-service Training		500	
Social Security		11,772	
Pensions		12,303	
Medical Insurance		20,310	
Unemployment Compensation		1,080	
Employer Medicare		2,753	
Communication		3,415	
Postal Charges		1,458	
Printing, Stationery, and Forms		2,680	
Travel		1,436	
Other Contracted Services		2,000	
Office Supplies		6,957	
Other Supplies and Materials		499	
Premiums on Corporate Surety Bonds		350	
Office Equipment		1,766	
Total Accounting and Budgeting			273,651

Property Assessor's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		28,142	
Part-time Personnel		24,294	
Social Security		7,209	
Pensions		7,000	
Medical Insurance		6,770	
Unemployment Compensation		360	
Employer Medicare		1,686	
Audit Services		3,150	
Communication		1,147	
Contracts with Government Agencies		4,182	
Postal Charges		435	
Travel		4,509	
Office Supplies		4,069	
Premiums on Corporate Surety Bonds		450	
Office Equipment		881	
Total Property Assessor's Office			158,127

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

Clerical Personnel	\$	11,440	
Social Security		655	
Pensions		689	
Medical Insurance		1,540	
Employer Medicare		153	
Data Processing Services		3,485	
Office Supplies		1,567	
Total Reappraisal Program			\$ 19,529

County Trustee's Office

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		59,508	
Clerical Personnel		18,934	
Social Security		8,813	
Pensions		8,525	
Medical Insurance		12,320	
Unemployment Compensation		475	
Employer Medicare		2,061	
Communication		2,207	
Contracts with Government Agencies		4,182	
Postal Charges		7,899	
Printing, Stationery, and Forms		784	
Travel		392	
Office Supplies		1,987	
Premiums on Corporate Surety Bonds		3,702	
Data Processing Equipment		7,799	
Total County Trustee's Office			203,431

County Clerk's Office

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		97,588	
Clerical Personnel		20,800	
Social Security		11,162	
Pensions		10,940	
Medical Insurance		15,690	
Unemployment Compensation		769	
Employer Medicare		2,611	
Communication		3,339	
Data Processing Services		12,603	
Maintenance Agreements		2,002	
Postal Charges		6,695	
Printing, Stationery, and Forms		3,646	
Office Supplies		8,611	
Premiums on Corporate Surety Bonds		400	
Office Equipment		2,884	
Total County Clerk's Office			263,583

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		78,418	
Clerical Personnel		28,704	
Jury and Witness Expense		4,140	
Social Security		10,498	
Pensions		9,723	
Medical Insurance		15,822	
Unemployment Compensation		1,329	
Employer Medicare		2,455	
Communication		1,251	
Data Processing Services		10,387	
Postal Charges		6,562	
Printing, Stationery, and Forms		3,409	
Office Supplies		10,724	
Premiums on Corporate Surety Bonds		550	
Data Processing Equipment		8,395	
Office Equipment		3,707	
Total Circuit Court	\$		259,917

General Sessions Court

Judge(s)	\$	89,452	
Deputy(ies)		28,142	
Social Security		7,196	
Pensions		7,079	
Medical Insurance		3,334	
Unemployment Compensation		180	
Employer Medicare		1,683	
Communication		1,033	
Travel		93	
Office Supplies		667	
Total General Sessions Court			138,859

Chancery Court

County Official/Administrative Officer	\$	63,843	
Deputy(ies)		29,390	
Clerical Personnel		11,658	
Social Security		5,946	
Pensions		5,613	
Medical Insurance		6,770	
Unemployment Compensation		534	
Employer Medicare		1,391	
Communication		876	
Postal Charges		576	
Office Supplies		6,083	
Premiums on Corporate Surety Bonds		562	
Office Equipment		4,431	
Total Chancery Court			137,673

(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	\$	17,742	
Social Security		1,100	
Pensions		1,068	
Unemployment Compensation		182	
Employer Medicare		257	
Communication		670	
Contracts with Other Public Agencies		1,050	
Office Supplies		196	
Total Juvenile Court			\$ 22,265

Other Administration of Justice

Special Commissioner Fees/Special Master Fees	\$	17,344	
Gasoline		11,602	
Total Other Administration of Justice			28,946

Probation Services

Probation Officer(s)	\$	31,161	
Social Workers		6,863	
Social Security		2,357	
Pensions		2,147	
Medical Insurance		448	
Unemployment Compensation		403	
Employer Medicare		551	
Communication		242	
Gasoline		577	
Office Supplies		931	
Testing		630	
Total Probation Services			46,310

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	70,228	
Deputy(ies)		624,299	
Salary Supplements		10,200	
Clerical Personnel		69,151	
Part-time Personnel		31,143	
Overtime Pay		16,513	
Other Salaries and Wages		7,045	
In-service Training		15,179	
Social Security		51,170	
Pensions		44,133	
Medical Insurance		33,426	
Unemployment Compensation		6,517	
Employer Medicare		11,967	
Communication		23,260	
Data Processing Services		1,112	
Legal Notices, Recording, and Court Costs		60	

(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.)

Licenses	\$	18	
Maintenance and Repair Services - Buildings		200	
Maintenance and Repair Services - Equipment		800	
Maintenance and Repair Services - Office Equipment		49	
Maintenance and Repair Services - Vehicles		30,088	
Postal Charges		1,466	
Printing, Stationery, and Forms		200	
Travel		2,496	
Gasoline		96,170	
Law Enforcement Supplies		2,831	
Office Supplies		11,070	
Tires and Tubes		10,280	
Uniforms		2,724	
Other Supplies and Materials		2,298	
Premiums on Corporate Surety Bonds		6,850	
Other Charges		723	
Data Processing Equipment		26,810	
Law Enforcement Equipment		27,282	
Motor Vehicles		47,700	
Office Equipment		1,413	
Total Sheriff's Department			\$ 1,286,871

Administration of the Sexual Offender Registry

Remittance of Revenue Collected	\$	1,050	
Office Supplies		1,377	
Total Administration of the Sexual Offender Registry			2,427

Jail

Guards	\$	410,770	
Cafeteria Personnel		27,981	
Overtime Pay		4,010	
In-service Training		4,294	
Social Security		27,436	
Pensions		25,752	
Medical Insurance		30,770	
Unemployment Compensation		5,600	
Employer Medicare		6,416	
Contracts with Government Agencies		73,261	
Data Processing Services		12,779	
Maintenance and Repair Services - Buildings		7,007	
Medical and Dental Services		326,719	
Travel		14	
Custodial Supplies		16,176	
Food Supplies		145,042	
Gasoline		1,000	
Office Supplies		5,376	
Prisoners Clothing		10,747	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Uniforms	\$	1,445	
Utilities		25	
Other Supplies and Materials		7,929	
Other Charges		1,260	
Building Improvements		1,987	
Data Processing Equipment		10,984	
Furniture and Fixtures		774	
Office Equipment		2,287	
Total Jail			\$ 1,167,841

Fire Prevention and Control

In-service Training	\$	276	
Other Per Diem and Fees		23,933	
Contracts with Government Agencies		2,000	
Maintenance and Repair Services - Buildings		2,412	
Maintenance and Repair Services - Equipment		2,358	
Maintenance and Repair Services - Vehicles		9,835	
Gasoline		3,954	
Utilities		32,112	
Motor Vehicles		6,000	
Other Equipment		32,980	
Total Fire Prevention and Control			115,860

Civil Defense

Supervisor/Director	\$	25,792	
In-service Training		1,100	
Social Security		1,599	
Pensions		1,553	
Medical Insurance		3,385	
Unemployment Compensation		180	
Employer Medicare		374	
Communication		2,904	
Maintenance and Repair Services - Vehicles		1,738	
Gasoline		3,908	
Other Equipment		8,270	
Total Civil Defense			50,803

Rescue Squad

Communication	\$	1,795	
Contributions		4,000	
Maintenance and Repair Services - Vehicles		4,481	
Medical and Dental Services		2,500	
Gasoline		5,999	
Other Supplies and Materials		1,212	
Other Equipment		525	
Total Rescue Squad			20,512

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Contributions	\$ 204,100	
Total Other Emergency Management		\$ 204,100

County Coroner/Medical Examiner

Other Contracted Services	\$ 12,214	
Gasoline	45	
Total County Coroner/Medical Examiner		12,259

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 8,582	
Social Security	532	
Unemployment Compensation	172	
Employer Medicare	124	
Communication	3,920	
Maintenance and Repair Services - Buildings	33,671	
Drugs and Medical Supplies	1,516	
Office Supplies	2,428	
Total Local Health Center		50,945

Ambulance/Emergency Medical Services

Supervisor/Director	\$ 41,886	
Medical Personnel	715,349	
Clerical Personnel	28,558	
Overtime Pay	92,023	
In-service Training	4,723	
Social Security	50,462	
Pensions	50,177	
Medical Insurance	39,370	
Unemployment Compensation	4,716	
Employer Medicare	11,802	
Communication	8,614	
Maintenance and Repair Services - Vehicles	39,929	
Postal Charges	7,662	
Travel	1,041	
Other Contracted Services	11,018	
Custodial Supplies	3,937	
Drugs and Medical Supplies	59,846	
Gasoline	54,183	
Office Supplies	11,700	
Uniforms	1,400	
Refunds	11,295	
Motor Vehicles	17,877	
Health Equipment	6,117	
Total Ambulance/Emergency Medical Services		1,273,685

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Maternal and Child Health Services

Other Supplies and Materials	\$ 19,764	
Total Maternal and Child Health Services		\$ 19,764

Other Local Health Services

Medical Personnel	\$ 87,955	
Social Security	5,453	
Pensions	4,986	
Medical Insurance	2,135	
Unemployment Compensation	822	
Employer Medicare	1,275	
Travel	12,872	
Instructional Supplies and Materials	12,037	
Total Other Local Health Services		127,535

Appropriation to State

Other Contracted Services	\$ 26,410	
Total Appropriation to State		26,410

General Welfare Assistance

Pauper Burials	\$ 1,000	
Total General Welfare Assistance		1,000

Other Local Welfare Services

Contributions	\$ 6,500	
Total Other Local Welfare Services		6,500

Other Public Health and Welfare

Other Contracted Services	\$ 2,040	
Instructional Supplies and Materials	5,783	
Other Supplies and Materials	10,228	
Total Other Public Health and Welfare		18,051

Social, Cultural, and Recreational Services

Adult Activities

Supervisor/Director	\$ 25,792	
Other Salaries and Wages	24,398	
Social Security	3,112	
Pensions	3,021	
Unemployment Compensation	360	
Employer Medicare	728	
Communication	1,065	
Contracts with Private Agencies	900	
Postal Charges	490	
Travel	1,114	
Custodial Supplies	1,500	
Office Supplies	5,688	
Utilities	21,084	

(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 Supplies and Materials	\$	19,069	
Premiums on Corporate Surety Bonds		175	
Motor Vehicles		39,918	
Office Equipment		5,379	
Total Adult Activities			\$ 153,793

Libraries

Supervisor/Director	\$	29,952	
Librarians		57,237	
Social Security		5,309	
Pensions		4,443	
Medical Insurance		10,155	
Unemployment Compensation		720	
Employer Medicare		1,242	
Communication		2,698	
Data Processing Services		1,988	
Maintenance and Repair Services - Buildings		3,310	
Postal Charges		245	
Printing, Stationery, and Forms		2,067	
Travel		1,061	
Custodial Supplies		3,451	
Instructional Supplies and Materials		6,764	
Library Books/Media		4,999	
Office Supplies		4,983	
Utilities		12,715	
Other Supplies and Materials		2,877	
Other Charges		2,378	
Total Libraries			158,594

Parks and Fair Boards

Contributions	\$	2,000	
Maintenance and Repair Services - Equipment		4,510	
Total Parks and Fair Boards			6,510

Agriculture and Natural Resources

Agricultural Extension Service

Communication	\$	2,276	
Contributions		37,055	
Travel		347	
Office Supplies		16,188	
Motor Vehicles		6,215	
Office Equipment		3,408	
Total Agricultural Extension Service			65,489

Soil Conservation

Contributions	\$	30,937	
Total Soil Conservation			30,937

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations

Tourism

Contributions	\$ 66,409	
Total Tourism		\$ 66,409

Industrial Development

Contributions	\$ 59,428	
Total Industrial Development		59,428

Other Economic and Community Development

Data Processing Services	\$ 9,900	
Other Supplies and Materials	700	
Other Charges	140	
Total Other Economic and Community Development		10,740

Veterans' Services

Supervisor/Director	\$ 32,802	
Social Security	2,034	
Pensions	1,717	
Unemployment Compensation	299	
Employer Medicare	476	
Communication	1,433	
Contracts with Government Agencies	8,829	
Contributions	500	
Data Processing Services	669	
Postal Charges	230	
Travel	2,469	
Office Supplies	915	
Other Supplies and Materials	1,759	
Office Equipment	1,179	
Total Veterans' Services		55,311

Contributions to Other Agencies

Contributions	\$ 12,292	
Dues and Memberships	11,814	
Remittance of Revenue Collected	17,087	
Total Contributions to Other Agencies		41,193

Miscellaneous

Data Processing Services	\$ 22,469	
Medical and Dental Services	1,200	
Road Signs	2,341	
Liability Insurance	106,228	
Trustee's Commission	109,182	
Vehicle and Equipment Insurance	53,310	
Workers' Compensation Insurance	140,974	
Fines, Assessments, and Penalties	26,853	
Other Charges	6,180	
Other Capital Outlay	14,779	
Total Miscellaneous		483,516

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Highways

Highway and Bridge Maintenance

Asphalt - Liquid	\$ 89,550	
Total Highway and Bridge Maintenance		\$ 89,550

Capital Projects

Social, Cultural, and Recreation Projects

Engineering Services	\$ 17,254	
Library Books/Media	6,503	
Building Construction	223,265	
Furniture and Fixtures	20,829	
Total Social, Cultural, and Recreation Projects		<u>267,851</u>

Total General Fund \$ 8,459,420

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Assistant(s)	\$ 53,373	
Supervisor/Director	40,596	
Social Security	5,712	
Pensions	4,822	
Medical Insurance	4,135	
Unemployment Compensation	540	
Employer Medicare	1,336	
Communication	2,793	
Maintenance and Repair Services - Office Equipment	75	
Postal Charges	821	
Printing, Stationery, and Forms	251	
Travel	1,844	
Office Supplies	1,319	
Other Supplies and Materials	2,355	
Total Sanitation Management		\$ 119,972

Sanitation Education/Information

Advertising	\$ 1,067	
Instructional Supplies and Materials	1,423	
Other Supplies and Materials	3,228	
Total Sanitation Education/Information		5,718

Waste Pickup

Truck Drivers	\$ 52,945	
Laborers	23,296	
Social Security	4,600	
Pensions	2,902	
Medical Insurance	6,770	
Unemployment Compensation	540	
Employer Medicare	1,076	
Communication	988	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Maintenance and Repair Services - Vehicles	\$	44,521	
Gasoline		29,648	
Tires and Tubes		2,949	
Uniforms		1,666	
Other Supplies and Materials		2,168	
Solid Waste Equipment		4,944	
Total Waste Pickup			\$ 179,013

Convenience Centers

Supervisor/Director	\$	50,766	
Paraprofessionals		27,976	
Equipment Operators - Heavy		50,295	
Attendants		258,033	
Social Security		23,881	
Pensions		16,764	
Medical Insurance		25,025	
Unemployment Compensation		3,870	
Employer Medicare		5,585	
Communication		6,417	
Maintenance and Repair Services - Equipment		3,759	
Permits		1,857	
Uniforms		2,996	
Utilities		12,081	
Other Supplies and Materials		6,903	
Site Development		5,850	
Other Equipment		4,376	
Total Convenience Centers			506,434

Problem Waste Centers

Advertising	\$	1,874	
Other Supplies and Materials		260	
Total Problem Waste Centers			2,134

Recycling Center

Paraprofessionals	\$	22,206	
Truck Drivers		44,684	
Laborers		75,888	
Social Security		8,852	
Pensions		7,829	
Medical Insurance		945	
Unemployment Compensation		1,140	
Employer Medicare		2,070	
Communication		967	
Contracts with Private Agencies		25,668	
Maintenance and Repair Services - Buildings		1,019	
Maintenance and Repair Services - Equipment		1,275	
Maintenance and Repair Services - Vehicles		667	

(Continued)

Exhibit J-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Recycling Center (Cont.)

Travel	\$	570	
Gasoline		17,996	
Tires and Tubes		1,037	
Uniforms		2,043	
Utilities		8,599	
Other Supplies and Materials		3,648	
Other Equipment		10,000	
Total Recycling Center			\$ 237,103

Landfill Operation and Maintenance

Contracts with Private Agencies	\$	360,000	
Total Landfill Operation and Maintenance			360,000

Postclosure Care Costs

Engineering Services	\$	3,900	
Permits		1,170	
Utilities		510	
Total Postclosure Care Costs			5,580

Other Operations

Other Charges

Liability Insurance	\$	6,663	
Trustee's Commission		17,649	
Vehicle and Equipment Insurance		11,318	
Workers' Compensation Insurance		36,213	
Total Other Charges			71,843

Employee Benefits

Medical and Dental Services	\$	364	
Total Employee Benefits			364

Total Solid Waste/Sanitation Fund \$ 1,488,161

Drug Control Fund

Public Safety

Drug Enforcement

Other Salaries and Wages	\$	348	
In-service Training		185	
Social Security		22	
Pensions		21	
Unemployment Compensation		8	
Employer Medicare		5	
Confidential Drug Enforcement Payments		6,000	
Veterinary Services		604	
Animal Food and Supplies		2,750	
Law Enforcement Supplies		19,162	
Tires and Tubes		2,119	

(Continued)

Exhibit J-8

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Other Supplies and Materials	\$	1,264	
Trustee's Commission		987	
Other Charges		5,061	
Law Enforcement Equipment		21,103	
Motor Vehicles		65,092	
Total Drug Enforcement			\$ 124,731

Total Drug Control Fund \$ 124,731

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	8,700	
Total Chancery Court			\$ 8,700

Total Constitutional Officers - Fees Fund 8,700

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	70,228	
Clerical Personnel		62,356	
Social Security		8,220	
Pensions		7,981	
Employer Medicare		1,922	
Communication		6,857	
Dues and Memberships		3,227	
Licenses		35	
Postal Charges		135	
Travel		1,172	
Custodial Supplies		782	
Office Supplies		1,355	
Other Charges		2,386	
Office Equipment		599	
Total Administration			\$ 167,255

Highway and Bridge Maintenance

Foremen	\$	75,472
Equipment Operators		67,989
Truck Drivers		79,796
Laborers		234,768
Social Security		28,153
Pensions		25,770
Employer Medicare		6,584
Asphalt - Cold Mix		16,944
Asphalt - Liquid		117,816
Crushed Stone		208,191

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Other Road Materials	\$	1,915	
Pipe - Metal		14,288	
Road Signs		3,349	
Salt		29,799	
Other Charges		6,080	
Total Highway and Bridge Maintenance			\$ 916,914

Operation and Maintenance of Equipment

Foremen	\$	21,038	
Mechanic(s)		37,826	
Social Security		3,478	
Pensions		3,544	
Employer Medicare		813	
Freight Expenses		1,066	
Maintenance and Repair Services - Vehicles		7,718	
Diesel Fuel		91,374	
Electricity		6,402	
Equipment and Machinery Parts		61,062	
Garage Supplies		3,482	
Gasoline		22,046	
Lubricants		10,016	
Natural Gas		2,083	
Tires and Tubes		10,285	
Other Supplies and Materials		5,713	
Other Charges		1,967	
Total Operation and Maintenance of Equipment			289,913

Quarry Operations

Operating Lease Payments	\$	10,000	
Licenses		3,449	
Total Quarry Operations			13,449

Other Charges

Water and Sewer	\$	260	
Liability Insurance		32,533	
Premiums on Corporate Surety Bonds		582	
Trustee's Commission		17,284	
Workers' Compensation Insurance		40,934	
Total Other Charges			91,593

Employee Benefits

Medical Insurance	\$	58,679	
Unemployment Compensation		6,411	
Total Employee Benefits			65,090

Capital Outlay

Building Improvements	\$	5,499	
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(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 Construction	\$	12,975	
Highway Equipment		18,288	
Surplus Equipment		3,400	
Total Capital Outlay			\$ 40,162

Principal on Debt

Highways and Streets

Principal on Notes	\$	239,376	
Principal on Capital Leases		10,443	
Total Highways and Streets			249,819

Interest on Debt

Highways and Streets

Interest on Notes	\$	9,419	
Interest on Capital Leases		1,454	
Total Highways and Streets			10,873

Total Highway/Public Works Fund \$ 1,845,068

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	737,690	
Principal on Other Loans		54,000	
Total General Government			\$ 791,690

Education

Principal on Bonds	\$	350,000	
Principal on Notes		36,903	
Principal on Other Loans		273,272	
Total Education			660,175

Interest on Debt

General Government

Interest on Notes	\$	26,782	
Interest on Other Loans		1,094	
Total General Government			27,876

Education

Interest on Bonds	\$	12,250	
Interest on Notes		13,600	
Interest on Other Loans		8,182	
Total Education			34,032

Other Debt Service

General Government

Trustee's Commission	\$	13,217	
Other Debt Service		6,899	
Total General Government			20,116

(Continued)

Exhibit J-8

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service (Cont.)</u>			
<u>Education</u>			
Other Debt Service	\$	26,944	
Total Education			\$ 26,944
Total General Debt Service Fund			\$ 1,560,833
<u>Ambulance Service Equipment Fund</u>			
<u>Capital Projects</u>			
<u>Public Health and Welfare Projects</u>			
Other Contracted Services	\$	9,500	
Motor Vehicles		220,111	
Total Public Health and Welfare Projects			\$ 229,611
<u>Social, Cultural, and Recreation Projects</u>			
Other Contracted Services	\$	10,000	
Health Equipment		75,311	
Total Social, Cultural, and Recreation Projects			85,311
Ambulance Service Equipment Fund			314,922
<u>Ice Storm Reclamation Fund</u>			
<u>Public Safety</u>			
<u>Disaster Relief</u>			
Other Contracted Services	\$	297,811	
Other Capital Outlay		1,870,620	
Total Disaster Relief			\$ 2,168,431
<u>Other Debt Service</u>			
<u>General Government</u>			
Other Debt Issuance Charges	\$	19,950	
Total General Government			19,950
Total Ice Storm Reclamation Fund			2,188,381
Total Governmental Funds - Primary Government			\$ 15,990,216

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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 5,163,440	
Career Ladder Program	39,500	
Career Ladder Extended Contracts	17,540	
Educational Assistants	355,693	
Bonus Payments	83,230	
Other Salaries and Wages	149,091	
Certified Substitute Teachers	92,085	
Non-certified Substitute Teachers	91,590	
Social Security	346,371	
Pensions	503,370	
Medical Insurance	693,215	
Unemployment Compensation	5,945	
Employer Medicare	82,158	
Maintenance and Repair Services - Equipment	149,579	
Instructional Supplies and Materials	251,270	
Textbooks	183,560	
Other Supplies and Materials	90,347	
Other Charges	4,862	
Regular Instruction Equipment	37,201	
Total Regular Instruction Program		\$ 8,340,047

Alternative Instruction Program

Teachers	\$ 97,222	
Bonus Payments	1,400	
Social Security	6,074	
Pensions	8,915	
Medical Insurance	7,980	
Unemployment Compensation	67	
Employer Medicare	1,421	
Total Alternative Instruction Program		123,079

Special Education Program

Teachers	\$ 423,819	
Career Ladder Program	6,000	
Career Ladder Extended Contracts	264	
Educational Assistants	81,371	
Speech Pathologist	154,618	
Bonus Payments	10,320	
Certified Substitute Teachers	245	
Non-certified Substitute Teachers	22,203	
Social Security	40,584	
Pensions	59,005	
Medical Insurance	100,962	
Unemployment Compensation	713	
Employer Medicare	9,491	
Instructional Supplies and Materials	18,727	

(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.)

Other Supplies and Materials	\$	768	
Other Charges		277	
Total Special Education Program			\$ 929,367

Vocational Education Program

Teachers	\$	92,073	
Career Ladder Program		1,500	
Bonus Payments		1,100	
Social Security		5,485	
Pensions		8,513	
Medical Insurance		13,294	
Unemployment Compensation		67	
Employer Medicare		1,290	
Instructional Supplies and Materials		4,303	
Total Vocational Education Program			127,625

Adult Education Program

Teachers	\$	53,385	
Career Ladder Program		1,000	
Other Salaries and Wages		19,593	
Social Security		1,779	
Pensions		1,395	
Medical Insurance		2,871	
Unemployment Compensation		191	
Employer Medicare		1,073	
Instructional Supplies and Materials		188,652	
Total Adult Education Program			269,939

Support Services

Attendance

Supervisor/Director	\$	64,476	
Career Ladder Program		1,000	
Bonus Payments		700	
Other Salaries and Wages		48,532	
Social Security		7,086	
Pensions		9,100	
Medical Insurance		8,772	
Unemployment Compensation		105	
Employer Medicare		1,657	
Maintenance and Repair Services - Equipment		34,294	
Travel		5,881	
Total Attendance			181,603

Health Services

Supervisor/Director	\$	47,429
Medical Personnel		123,971

(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.)

Health Services (Cont.)

Secretary(ies)	\$	20,900	
Social Security		11,434	
Pensions		13,003	
Medical Insurance		15,016	
Unemployment Compensation		268	
Employer Medicare		2,679	
Travel		3,421	
Drugs and Medical Supplies		1,881	
Other Supplies and Materials		4,115	
Other Charges		829	
Total Health Services			\$ 244,946

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		222,159	
Career Ladder Extended Contracts		330	
Bonus Payments		5,120	
Social Security		13,855	
Pensions		20,705	
Medical Insurance		27,789	
Unemployment Compensation		168	
Employer Medicare		3,240	
Evaluation and Testing		8,641	
Other Supplies and Materials		3,305	
Total Other Student Support			307,312

Regular Instruction Program

Supervisor/Director	\$	56,874	
Career Ladder Program		5,180	
Career Ladder Extended Contracts		1,760	
Librarians		224,473	
Materials Supervisor		64,976	
Bonus Payments		6,620	
In-service Training		35,310	
Social Security		22,046	
Pensions		34,358	
Medical Insurance		44,476	
Unemployment Compensation		315	
Employer Medicare		5,363	
Travel		49,149	
Other Contracted Services		71,049	
In Service/Staff Development		14,562	
Other Charges		24	
Other Equipment		268	
Total Regular Instruction Program			636,803

(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.)

Special Education Program

Supervisor/Director	\$	32,848	
Career Ladder Program		2,500	
Psychological Personnel		54,313	
Bonus Payments		3,015	
In-service Training		120	
Social Security		5,438	
Pensions		8,389	
Medical Insurance		8,163	
Unemployment Compensation		50	
Employer Medicare		1,272	
Travel		10,001	
Other Contracted Services		101,976	
Other Supplies and Materials		234	
In Service/Staff Development		6,103	
Other Equipment		1,247	
Total Special Education Program	\$		235,669

Vocational Education Program

Supervisor/Director	\$	30,914	
Unemployment Compensation		33	
Employer Medicare		448	
Total Vocational Education Program			31,395

Adult Programs

Supervisor/Director	\$	58,863	
Bonus Payments		700	
Social Security		3,648	
Pensions		5,385	
Medical Insurance		5,076	
Unemployment Compensation		33	
Employer Medicare		853	
Travel		3,291	
In Service/Staff Development		7,480	
Total Adult Programs			85,329

Other Programs

On-behalf Payments to OPEB	\$	150,326	
Total Other Programs			150,326

Board of Education

Board and Committee Members Fees	\$	12,000	
Social Security		744	
Medical Insurance		250,708	
Employer Medicare		174	
Audit Services		5,500	
Dues and Memberships		11,905	

(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.)

Board of Education (Cont.)

Legal Services	\$	14,940	
Travel		13,991	
Liability Insurance		179,090	
Premiums on Corporate Surety Bonds		1,426	
Trustee's Commission		77,128	
Workers' Compensation Insurance		139,766	
Criminal Investigation of Applicants - TBI		1,800	
Other Charges		19,259	
Total Board of Education	\$		728,431

Director of Schools

County Official/Administrative Officer	\$	84,421	
Career Ladder Program		1,000	
Secretary(ies)		745	
Bonus Payments		2,010	
Social Security		5,337	
Pensions		7,904	
Medical Insurance		8,935	
Unemployment Compensation		36	
Employer Medicare		1,248	
Communication		54,352	
Travel		4,781	
Total Director of Schools			170,769

Office of the Principal

Principals	\$	292,826	
Career Ladder Program		4,000	
Secretary(ies)		178,289	
Bonus Payments		5,920	
Social Security		28,750	
Pensions		38,417	
Medical Insurance		50,607	
Unemployment Compensation		501	
Employer Medicare		6,728	
Communication		14,829	
Other Charges		3,922	
Total Office of the Principal			624,789

Fiscal Services

Accountants/Bookkeepers	\$	46,550	
Clerical Personnel		26,265	
Social Security		4,178	
Pensions		4,297	
Medical Insurance		4,523	
Unemployment Compensation		115	
Employer Medicare		977	

(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.)

Fiscal Services (Cont.)

Data Processing Services	\$	1,500	
Travel		416	
Office Supplies		5,941	
Other Charges		4,982	
Administration Equipment		5,135	
Total Fiscal Services			\$ 104,879

Operation of Plant

Custodial Personnel	\$	253,547	
Social Security		15,649	
Pensions		14,415	
Medical Insurance		18,024	
Unemployment Compensation		680	
Employer Medicare		3,670	
Disposal Fees		28,225	
Electricity		438,726	
Natural Gas		94,478	
Water and Sewer		35,388	
Other Supplies and Materials		92,527	
Total Operation of Plant			995,329

Maintenance of Plant

Supervisor/Director	\$	35,679	
Other Salaries and Wages		39,769	
Social Security		4,678	
Pensions		4,812	
Medical Insurance		1,459	
Unemployment Compensation		102	
Employer Medicare		1,094	
Other Contracted Services		36,115	
Equipment and Machinery Parts		156,043	
Other Charges		872	
Total Maintenance of Plant			280,623

Transportation

Supervisor/Director	\$	35,701	
Mechanic(s)		15,182	
Bus Drivers		296,614	
Social Security		20,265	
Pensions		18,628	
Medical Insurance		3,851	
Unemployment Compensation		1,065	
Employer Medicare		5,038	
Contracts with Parents		3,181	
Maintenance and Repair Services - Vehicles		1,000	
Rentals		3,674	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Equipment and Machinery Parts	\$	29,098	
Gasoline		145,695	
Lubricants		4,749	
Tires and Tubes		28,474	
Vehicle Parts		89,465	
Other Supplies and Materials		1,352	
Other Charges		12,747	
Transportation Equipment		66,392	
Total Transportation			\$ 782,171

Operation of Non-Instructional Services

Community Services

Teachers	\$	40,864	
Educational Assistants		14,648	
Bonus Payments		300	
Social Security		2,910	
Pensions		4,594	
Medical Insurance		12,988	
Unemployment Compensation		71	
Employer Medicare		680	
Travel		2,942	
Instructional Supplies and Materials		619	
Indirect Cost		1,262	
Total Community Services			81,878

Early Childhood Education

Supervisor/Director	\$	32,848	
Teachers		220,131	
Educational Assistants		142,679	
Bonus Payments		3,305	
Certified Substitute Teachers		2,772	
Non-certified Substitute Teachers		3,468	
Social Security		23,317	
Pensions		28,497	
Medical Insurance		47,891	
Unemployment Compensation		670	
Employer Medicare		5,536	
Travel		3,763	
Food Supplies		8,055	
Instructional Supplies and Materials		38,748	
In Service/Staff Development		2,990	
Other Charges		2,718	
Other Equipment		29,874	
Total Early Childhood Education			597,262

(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.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$ 75,797	
Total Regular Capital Outlay		\$ 75,797

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$ 418,175	
Total Education		418,175

Interest on Debt

Education

Debt Service Contribution to Primary Government	\$ 25,850	
Total Education		25,850

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 706	
Total Education		<u>706</u>

Total General Purpose School Fund \$ 16,550,099

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 537,735	
Certified Substitute Teachers	175	
Non-certified Substitute Teachers	584	
Social Security	31,385	
Pensions	48,564	
Medical Insurance	78,699	
Unemployment Compensation	517	
Employer Medicare	7,341	
Instructional Supplies and Materials	29,931	
Regular Instruction Equipment	<u>18,464</u>	
Total Regular Instruction Program		\$ 753,395

Special Education Program

Teachers	\$ 144,320	
Educational Assistants	149,397	
Speech Pathologist	38,790	
Social Security	19,407	
Pensions	26,158	
Medical Insurance	40,517	
Unemployment Compensation	619	
Employer Medicare	4,539	
Instructional Supplies and Materials	3,462	
Other Supplies and Materials	<u>221</u>	
Total Special Education Program		427,430

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	10,783	
Unemployment Compensation		24	
Employer Medicare		156	
Instructional Supplies and Materials		5	
Other Supplies and Materials		195	
Vocational Instruction Equipment		33,706	
Total Vocational Education Program	\$		44,869

Support Services

Other Student Support

Other Salaries and Wages	\$	3,937	
Unemployment Compensation		15	
Employer Medicare		57	
Travel		13,600	
In Service/Staff Development		3,419	
Other Charges		8,399	
Total Other Student Support			29,427

Regular Instruction Program

Supervisor/Director	\$	61,311	
Instructional Computer Personnel		61,727	
Other Salaries and Wages		47,770	
In-service Training		7,945	
Social Security		9,862	
Pensions		16,159	
Medical Insurance		26,642	
Unemployment Compensation		113	
Employer Medicare		2,306	
Maintenance and Repair Services - Equipment		125	
Travel		10,288	
Library Books/Media		228	
Periodicals		130	
Other Supplies and Materials		1,243	
In Service/Staff Development		135,978	
Total Regular Instruction Program			381,827

Special Education Program

Psychological Personnel	\$	41,180	
Secretary(ies)		29,086	
Social Security		4,356	
Pensions		5,593	
Medical Insurance		7,013	
Unemployment Compensation		65	
Employer Medicare		1,019	
Travel		2,459	
Other Contracted Services		20,882	
Total Special Education Program			111,653

(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.)

Vocational Education Program

Travel	\$ 936	
Total Vocational Education Program		\$ 936

Transportation

Bus Drivers	\$ 9,632	
Other Salaries and Wages	13,646	
Social Security	1,441	
Pensions	690	
Unemployment Compensation	84	
Employer Medicare	337	
Total Transportation		<u>25,830</u>

Total School Federal Projects Fund \$ 1,775,367

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 6,000	
Secretary(ies)	26,168	
Cafeteria Personnel	360,275	
Social Security	23,528	
Pensions	23,024	
Medical Insurance	27,803	
Unemployment Compensation	1,032	
Employer Medicare	5,603	
Communication	2,200	
Maintenance and Repair Services - Equipment	36,624	
Travel	5,583	
Other Contracted Services	11,698	
Food Supplies	538,013	
Uniforms	1,980	
USDA - Commodities	66,136	
Other Supplies and Materials	42,801	
Other Charges	2,579	
Food Service Equipment	107,764	
Total Food Service		<u>\$ 1,288,811</u>

Total Central Cafeteria Fund 1,288,811

Total Governmental Funds - Fentress County School Department \$ 19,614,277

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, 2015

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 688,703
Total Cash Receipts	<u>\$ 688,703</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 681,816
Trustee's Commission	6,887
Total Cash Disbursements	<u>\$ 688,703</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2014	<u>0</u>
 Cash Balance, June 30, 2015	 <u><u>\$ 0</u></u>

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# SINGLE AUDIT SECTION

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

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2015, and the related notes to the financial statements, which collectively comprise Fentress County's basic financial statements, and have issued our report thereon dated January 28, 2016. Our report includes a reference to other auditors who audited the financial statements of the Fentress County Emergency Communications District and the Industrial Development Board of Fentress County, as described in our report on Fentress County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Fentress County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Fentress County's internal control.

*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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-001, 2015-002, 2015-003, 2015-004, 2015-006, 2015-007, 2015-009, and 2015-010.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Fentress County's financial statements are free from 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: 2015-005 and 2015-008.

### **Fentress County's Responses to Findings**

Fentress County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Fentress County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fentress County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

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

Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 28, 2016

JPW/kp



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 Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

**Report on Compliance for Each Major Federal Program**

We have audited Fentress County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Fentress County's major federal programs for the year ended June 30, 2015. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Fentress County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Fentress County's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Fentress County complied, in all material respects, with the types of compliance 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, 2015.

### **Report on Internal Control Over Compliance**

Management of Fentress County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fentress County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

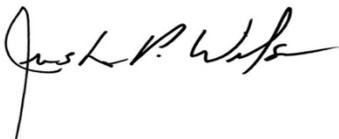
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on

the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

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, 2015, and the related notes to the financial statements, which collectively comprise Fentress County's basic financial statements. We issued our report thereon dated January 28, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

January 28, 2016

JPW/kp

Fentress County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2015

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	\$ 274,111
National School Lunch Program	10.555	N/A	819,876 (3)
Passed through State Department of Human Services:			
Child Nutrition Cluster:			
Summer Food Service Program for Children	10.559	N/A	12,805
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	66,136 (3)
Total U.S. Department of Agriculture			<u>\$ 1,172,928</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program	12.Unknown	(2)	<u>\$ 30,470</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	(2)	<u>\$ 314,922</u>
U.S. Department of Labor:			
Passed-through Upper Cumberland Human Resource Agency:			
WIA/WIOA Youth Activities	17.259	(2)	<u>\$ 10,963</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(2)	<u>\$ 37,914</u>
U.S. Department of Education:			
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	(2)	\$ 237,677
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	984,627
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	538,522
Special Education - Preschool Grants	84.173	N/A	31,157
Career and Technical Education - Basic Grants to States	84.048	N/A	48,442
Special Education - Grants for Infants and Families	84.181	N/A	23,287
Rural Education	84.358	N/A	43,262
Improving Teacher Quality State Grants	84.367	N/A	132,768
State Fiscal Stabilization Fund - Race-to-the-Top Incentive Grants Recovery Act	84.395	N/A	3,419
Total U.S. Department of Education			<u>\$ 2,043,161</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
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)	\$ 10,128
Passed-through State Department of Health: Maternal and Child Health Services Block Grant to the States	93.944	GG-14-407784-01	19,764
Total U.S. Department of Health and Human Services			\$ 29,892
U.S. Department of Homeland Security: Passed-through State Department of Military: Emergency Management Performance Grant Program	97.042	(2)	\$ 15,000
Total Expenditures of Federal Awards			\$ 3,655,250

State Grants		Contract Number	Expenditures
Adult Education - State Department of Labor and Workforce Development	N/A	(2)	\$ 79,226
Aging Program - Upper Cumberland Development District	N/A	(2)	8,172
Arts Build Communities (ABC) Grant Program - Tennessee Arts Commission	N/A	(2)	2,000
Tennessee State Library and Archives Construction Grant - Tennessee Secretary of State	N/A	(2)	100,000
Economic Development ThreeStar Grant Program - State Department of Economic and Community Development	N/A	(2)	10,000
Youth Services Program - State Commission on Children and Youth	N/A	(2)	13,500
Local Health Services - State Department of Health	N/A	GG-15-41981-00	127,343
Litter Program - State Department of Transportation	N/A	(2)	34,078
ConnecTenn - State Department of Education	N/A	(2)	6,414
Coordinated School Health Grant - State Department of Education	N/A	(2)	90,000
Student Ticket Subsidy - Tennessee Arts Commission	N/A	(2)	3,943
Safe Schools Act - State Department of Education	N/A	(2)	14,100
Tennessee Early Intervention System Grant - State Department of Education	N/A	(2)	75,212
Early Childhood Education - State Department of Education	N/A	(2)	597,262
Total State Grants			\$ 1,161,250

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 \$886,012.

Fentress County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2015

*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, 2014, which have not been corrected.

**OFFICE OF FINANCE DIRECTOR**

Finding Number	Page Number	Subject
2014-005	172	The Solid Waste Department's billing software did not have adequate application controls

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

Finding Number	Page Number	Subject
2014-009	175	Unclaimed funds were not reported and paid to the state

**OFFICE OF SHERIFF**

Finding Number	Page Number	Subject
2014-011	176	Multiple employees operated from the same cash drawer
2014-012	176	The office did not deposit some funds within three days of collection
2014-013	177	The annual financial report was not accurate

**FENTRESS COUNTY PUBLIC LIBRARY AND OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF**

Finding Number	Page Number	Subject
2014-015	178	Duties were not segregated adequately

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**FENTRESS COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2015**

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**PART I, SUMMARY OF AUDITOR'S RESULTS**

1. Our report on the financial statements of Fentress County is unmodified.
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 reported no significant deficiencies in internal control over major programs.
5. An unmodified 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) and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDS Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Fentress County qualified as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. The finance director provided written responses, which are included in this report. Other management officials did not provide responses for inclusion in this report.

### OFFICE OF FINANCE DIRECTOR

#### FINDING 2015-001

#### **THE ICE STORM RECLAMATION FUND HAD A DEFICIT IN UNASSIGNED FUND BALANCE AT JUNE 30, 2015**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The Ice Storm Reclamation Fund had a deficit of \$188,381 in unassigned fund balance at June 30, 2015. This deficit resulted from the recognition of liabilities related to the county's ice storm clean-up. Sound business practices dictate that expenditures should be held within available funding. This deficit in unassigned fund balance was liquidated subsequent to June 30, 2015, when the county issued a capital outlay note for \$325,000.

#### RECOMMENDATION

Management should ensure that expenditures are held within available funding.

#### MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur. There was work done during the 2014-15 fiscal year and could not be paid until the following fiscal year (because the vendors had not invoiced the county yet and because the county was in need of another draw from the bank loan to cover this and any remaining work). Because those charges actually had to be reflected in the 2014-15 year, a payable was set up to reflect charges for work done through June 30. On paper, this shows an increase in expenditures above what was actually written out in warrants. However, no warrants were actually written above the amount of money originally drawn down. The year-end invoices were paid after a second draw on the bank loan so there was money available in the fund to cover all warrants written for this project from the beginning through the end.

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#### FINDING 2015-002

#### **THE SCHOOL FEDERAL PROJECTS FUND HAD A CASH OVERDRAFT AT JUNE 30, 2015**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The School Federal Projects Fund had a cash overdraft of \$78,440 at June 30, 2015. The cash overdraft resulted from the issuance of checks exceeding cash on deposit with the county trustee. Sound business practices dictate that expenditures be held within available funds. The cash overdraft was liquidated subsequent to June 30, 2015.

## RECOMMENDATION

The office should not issue checks in excess of cash on deposit with the county trustee.

## MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

We concur. This error was not discovered until it was too late to correct. The Board of Education has replaced the federal bookkeeper and the new person and the finance department are working very closely together to see that this does not happen again. Cash balances are being monitored very closely by the Board of Education's federal bookkeeper and finance department accounting personnel.

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## FINDING 2015-003

### **THE SOLID WASTE DEPARTMENT'S BILLING SOFTWARE DID NOT HAVE ADEQUATE APPLICATION CONTROLS**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The following control deficiencies relating to the Solid Waste Department's software were identified:

- A. The application did not provide a record of changes made to previously posted charges. Users had the capability to change information regarding these charges, leaving no evidence of the original information.
- B. Users could receipt collections to a previous or future date. Because the application did not assign receipt numbers to collections and because these collections did not display on the current day's collection report, there was no method to account for these receipts easily.

Sound business practices dictate that proper application controls be implemented. These controls would help ensure the reliability and integrity of the information maintained by the system. Since the vendor did not design the system with these controls, inappropriate system activity could occur. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The office changed software applications in April 2015, and this new application does not have the above-noted deficiencies; therefore, this finding has been corrected.

---

## FINDING 2015-004

### **THE SOLID WASTE DEPARTMENT DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The office changed software applications in April 2015, and this new application provides adequate controls to protect information resources.

---

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

**FINDING 2015-005**

**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 \$4,640. At June 30, 2015, Circuit Court had 19 outstanding checks issued before July 1, 2014, totaling \$3,874, and General Sessions Court had 25 outstanding checks issued before July 1, 2014, totaling \$766. 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 was the result of 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 2015-006**

**THE OFFICE DID NOT PROPERLY RESTRICT ACCESS TO THE COURT APPLICATION**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Access to computer resources within the office was not sufficiently restricted. An individual who was not an employee of the office used an employee's user account to access the system to look up information. Because this user account was assigned permissions other than inquiry only, this exposed important information within the application to unauthorized changes. This deficiency was corrected in November 2015 after a user account was created that provided only inquiry access.

RECOMMENDATION

Management should ensure access to computer resources is restricted to employees of the office whose documented job responsibilities authorize such access.

---

**OFFICE OF SHERIFF**

FINDING 2015-007

**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 Sheriff's Office. Good 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 that 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 sheriff 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 the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The sheriff should assign each employee their own cash drawer.

---

FINDING 2015-008

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

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the months of December 2014, March 2015, and June 2015, to examine receipts and deposits. The office did not deposit some funds to the bank account within three days of collection in 24 of 89 receipts tested during these months. This deficiency was the result of a lack of management oversight over cash collections and management's failure to correct the finding noted in the prior-year audit report. The delay in depositing the funds increases the risks of fraud and misappropriation.

RECOMMENDATION

All funds should be deposited within three days of collection as required by state statute.

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FINDING 2015-009

**THE ANNUAL FINANCIAL REPORT WAS NOT ACCURATE**

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

The office prepared and filed an annual financial report as required by Section 5-8-505, *Tennessee Code Annotated*; however, the report did not include funds from the operation of the commissary or the drug seizure checking account. This deficiency is the result of a lack of management oversight and management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All financial activity of the office should be reflected in the annual financial report.

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**FENTRESS COUNTY PUBLIC LIBRARY AND THE OFFICES OF COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF**

FINDING 2015-010

**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 Fentress County Public Library and the Offices of County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register of Deeds, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to give reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

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

**MANAGEMENT'S RESPONSE – FINANCE DIRECTOR**

We concur. We feel the library personnel have taken strides in the right direction. The official has taken steps to train other staff members on the daily financial operations of the library – something which had not been done prior to the current official being appointed. In addition, starting in July 2014, the library director started supplying copies of bank statements for the library's bank account to the finance director for review. While this action may not directly address segregation of duties, it does show a desire on the part of the library

director to make sure everything is done properly. The finance director will endeavor to work more closely with the library director and her staff to see that duties are more adequately segregated in the future.

**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, 2015**

There were no audit findings relative to federal awards presented in the current-year's Schedule of Findings and Questioned Costs. There was an audit finding relative to federal awards presented in the prior-year's Schedule of Findings and Questioned Costs.

**Fentress County – Summary Schedule of Prior-year's Finding**

**FINDING 2014-001**

Assets received from the Section 1033 Property Program have been properly inventoried and tracked by the county. Assets that were not being used for law enforcement purposes have reverted to the county and are no longer restricted for use for law enforcement purposes only.