

**ANNUAL FINANCIAL REPORT  
OF  
CLAIBORNE COUNTY, TENNESSEE  
AND  
CLAIBORNE COUNTY SCHOOL DEPARTMENT**

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**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2005**

**Comptroller of the Treasury  
Department of Audit  
Division of County Audit  
Nashville, Tennessee**

**ANNUAL FINANCIAL REPORT**  
**CLAIBORNE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*F. CLIFFORD TUCKER, CPA*  
*Audit Manager*

*LESTER TACKETT, CPA, CGFM*  
*Auditor 4*

*PHILIP TOBY*  
*DOUG SANDIDGE, CISA*  
*State Auditors*

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

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# CLAIBORNE COUNTY, TENNESSEE

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# ***Audit Highlights***

Annual Financial Report  
Claiborne County, Tennessee  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of Claiborne County, Tennessee, as of and for the year ended June 30, 2005.

## ***Results***

Our report on Claiborne County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Auditing Standards Board Statement No. 34.

Our audit resulted in 11 findings and recommendations, which we have reviewed with Claiborne County's management. Detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **CLAIBORNE COUNTY**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

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### **OFFICE OF COUNTY MAYOR**

- ◆ Cash on deposit with the trustee was not accurately reconciled with the General Fund and the General Capital Projects Fund.
- ◆ The county mayor made payments (\$1,170) for personal advertisements with county funds.
- ◆ Deficiencies existed with payments made to the ADA coordinator.

## OFFICE OF COUNTY MAYOR (CONT.)

- ◆ Some payments to individuals were not properly supported by adequate payroll records. Payroll was coded to multiple accounts without documentation to support the allocation, and the former clerk and master was overpaid.
  - ◆ General Fund and General Debt Service Fund expenditures exceeded appropriations. The General, Solid Waste/Sanitation, and General Debt Service Funds' beginning fund balances varied materially from the estimated fund balances presented to the County Commission during the budgetary process. Transfers between funds presented in the 2005 budget did not balance, and revenue from wheel tax was significantly overestimated.
  - ◆ Deficiencies were noted in procedures and controls relating to contracts.
  - ◆ In several instances purchase orders were not issued, issued after purchases were made, contained incorrect account and fund numbers, and were not preaudited to verify unencumbered balances. Also, the county paid unnecessary finance charges, lost allowable discounts, and did not solicit competitive bids on certain purchases.
  - ◆ Written guidelines governing the use of county-owned equipment maintained away from county facilities had not been adopted.
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## OTHER FINDINGS

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.
- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff.

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# INTRODUCTORY SECTION

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Claiborne County Officials  
June 30, 2005

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Officials:

Virgil Herrell, County Mayor  
Mike Sharp, Road Superintendent  
Alice Alexander, Trustee  
Kay Sandifer, Assessor of Property  
Evelyn Hill, County Clerk  
Billy Ray Cheek, Circuit and General Sessions Courts Clerk  
Frances Cardwell, Clerk and Master  
Kimberly Harmon-Reece, Register  
Harry Shultz, Sheriff

Board of County Commissioners:

Dennis Graves, Chairperson	James Hatmaker
Elizabeth Fugate, Co-Chairperson	Juanita Honeycutt
Steve Brogan	Bill Keck
Bill M. Brooks	Chester Keck
Otis Campbell	Phillip Mabe
Kenneth Clark	Steve Mason
Mitchell Cosby	David Mundy
Tom Daughtery	Troy R. Poore
Bill Debusk	Shawn Peters
Franklin Essary	Barry Thomas
Dennis Estes	

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## **FINANCIAL SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

INDEPENDENT AUDITOR'S REPORT

September 23, 2005

Claiborne County Mayor and  
Board of County Commissioners  
Claiborne County, Tennessee

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Claiborne County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 36, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Claiborne County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial

statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Claiborne County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Claiborne County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Claiborne County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

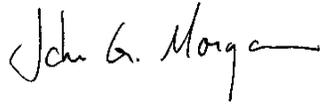
In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2005, on our consideration of Claiborne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Claiborne County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 39 through 46 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Claiborne 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, miscellaneous schedules, and statistical tables 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, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Claiborne County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2005

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>							
Cash	\$ 0	\$ 400	\$ 0	\$ 0	\$ 0	\$ 110,432	\$ 110,832
Equity in Pooled Cash and Investments	485,618	152,231	53,479	1,130,232	964,857	90,259	2,876,676
Accounts Receivable	51,546	30,982	0	0	0	783	83,311
Due from Other Governments	72,859	0	426,606	0	0	0	499,465
Due from Other Funds	705	0	0	107,888	0	12,296	120,889
Property Taxes Receivable	2,037,363	768,815	38,441	192,204	0	0	3,036,823
Allowance for Uncollectible Property Taxes	(113,331)	(42,767)	(2,138)	(10,692)	0	0	(168,928)
<b>Total Assets</b>	<b>\$ 2,534,760</b>	<b>\$ 909,661</b>	<b>\$ 516,388</b>	<b>\$ 1,419,632</b>	<b>\$ 964,857</b>	<b>\$ 213,770</b>	<b>\$ 6,559,068</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 55,899	\$ 44,159	\$ 63,465	\$ 27	\$ 0	\$ 11	\$ 163,561
Accrued Payroll	41,242	0	0	0	0	0	41,242
Payroll Deductions Payable	28,141	5,378	389	0	0	0	33,908
Contracts Payable	0	0	0	0	626,745	0	626,745
Retainage Payable	0	0	0	0	150,880	0	150,880
Due to Other Funds	12,296	107,888	0	0	0	705	120,889
Deferred Revenue - Current Property Taxes	1,836,300	692,942	34,647	173,235	0	0	2,737,124
Deferred Revenue - Delinquent Property Taxes	78,457	29,606	1,481	7,402	0	0	116,946
Other Deferred Revenues	20,455	0	202,804	0	0	0	223,259
<b>Total Liabilities</b>	<b>\$ 2,072,790</b>	<b>\$ 879,973</b>	<b>\$ 302,786</b>	<b>\$ 180,664</b>	<b>\$ 777,625</b>	<b>\$ 716</b>	<b>\$ 4,214,554</b>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 19,904	\$ 895	\$ 0	\$ 0	\$ 4,182,162	\$ 0	\$ 4,202,961
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	61,298	61,298
Reserved for Alcohol and Drug Treatment	55,638	0	0	0	0	0	55,638
Reserved for Computer System - Register	5,946	0	0	0	0	0	5,946
Reserved for Automation Purposes - General Sessions Court	6,732	0	0	0	0	0	6,732
Reserved for Automation Purposes - Sheriff	4,298	0	0	0	0	0	4,298

(Continued)

Exhibit A

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Reserved for Other General Purposes  
 Unreserved, Reported In:  
   General Fund  
   Special Revenue Funds  
   Debt Service Funds  
   Capital Projects Funds (Deficit)  
 Total Fund Balances

	Major Funds					Nonmajor Funds	Total Govern- mental Funds
General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds		
\$ 0	\$ 0	\$ 0	\$ 34,860	\$ 0	\$ 0	\$ 0	\$ 34,860
369,452	0	0	0	0	0	0	369,452
0	28,793	213,602	0	0	151,756	0	394,151
0	0	0	1,204,108	0	0	0	1,204,108
0	0	0	0	(3,994,930)	0	0	(3,994,930)
<u>\$ 461,970</u>	<u>\$ 29,688</u>	<u>\$ 213,602</u>	<u>\$ 1,238,968</u>	<u>\$ 187,232</u>	<u>\$ 213,054</u>	<u>\$</u>	<u>\$ 2,344,514</u>
<u>\$ 2,534,760</u>	<u>\$ 909,661</u>	<u>\$ 516,388</u>	<u>\$ 1,419,632</u>	<u>\$ 964,857</u>	<u>\$ 213,770</u>	<u>\$</u>	<u>\$ 6,559,068</u>

Total Liabilities and Fund Balances

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

Exhibit B

Claiborne County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2005

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
<b>Revenues</b>							
Local Taxes	\$ 2,679,009	\$ 728,867	\$ 339,440	\$ 549,073	\$ 0	\$ 52,826	\$ 4,349,215
Licenses and Permits	22,061	0	0	0	0	0	22,061
Fines, Forfeitures, and Penalties	113,480	0	0	0	0	47,498	160,978
Charges for Current Services	21,967	287,720	0	0	0	453,782	763,469
Other Local Revenues	241,702	37,916	25,985	1,968,571	0	4,582	2,278,756
Fees Received from County Officials	517,536	0	0	0	0	0	517,536
State of Tennessee	456,293	61,046	1,844,783	12,761	0	12,296	2,387,179
Federal Government	252,560	0	4,141	0	0	438,003	694,704
Other Governments and Citizens Groups	28,144	0	0	0	0	0	28,144
<b>Total Revenues</b>	<b>\$ 4,332,752</b>	<b>\$ 1,115,549</b>	<b>\$ 2,214,349</b>	<b>\$ 2,530,405</b>	<b>\$ 0</b>	<b>\$ 1,008,987</b>	<b>\$ 11,202,042</b>
<b>Expenditures</b>							
Current:							
General Government	\$ 630,436	\$ 0	\$ 0	\$ 0	\$ 0	\$ 90,027	\$ 720,463
Finance	298,632	0	0	0	0	366,351	664,983
Administration of Justice	436,104	0	0	0	0	33,415	469,519
Public Safety	1,783,970	0	0	0	0	73,474	1,857,444
Public Health and Welfare	333,319	1,041,050	0	0	0	0	1,374,369
Social, Cultural, and Recreational Services	90,237	0	0	0	0	0	90,237
Agricultural and Natural Resources	81,778	0	0	0	0	0	81,778
Other Operations	751,133	0	0	3,756	0	37,137	792,026
Highways	0	0	1,909,349	0	0	0	1,909,349
Debt Service:							
Principal	0	0	0	1,354,548	0	0	1,354,548
Interest	0	2,888	0	1,254,296	0	0	1,257,184
Other Debt Service	0	0	0	9,734	205,630	0	215,364
Capital Projects	0	0	0	0	4,890,697	438,003	5,328,700
<b>Total Expenditures</b>	<b>\$ 4,405,609</b>	<b>\$ 1,043,938</b>	<b>\$ 1,909,349</b>	<b>\$ 2,622,334</b>	<b>\$ 5,096,327</b>	<b>\$ 1,038,407</b>	<b>\$ 16,115,964</b>
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (72,857)	\$ 71,611	\$ 305,000	\$ (91,929)	\$ (5,096,327)	\$ (29,420)	\$ (4,913,922)
<b>Other Financing Sources (Uses)</b>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 5,630,630	\$ 0	\$ 5,630,630
Transfers In	0	0	0	139,037	0	0	139,037

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers Out	\$ 0	\$ 0	\$ (139,037)	\$ 0	\$ 0	\$ 0	\$ (139,037)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ (139,037)	\$ 139,037	\$ 5,630,630	\$ 0	\$ 5,630,630
Net Change in Fund Balances	\$ (72,857)	\$ 71,611	\$ 165,963	\$ 47,108	\$ 534,303	\$ (29,420)	\$ 716,708
Fund Balance, July 1, 2004	534,827	(41,923)	47,639	1,191,860	(347,071)	242,474	1,627,806
Fund Balance, June 30, 2005	\$ 461,970	\$ 29,688	\$ 213,602	\$ 1,238,968	\$ 187,232	\$ 213,054	\$ 2,344,514

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

Exhibit C

Claiborne County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 940,977
Equity in Pooled Cash and Investments	433,833
Accounts Receivable	7,499
Due from Other Governments	<u>242,480</u>
Total Assets	<u>\$ 1,624,789</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 242,480
Due to Litigants, Heirs, and Others	940,977
Other Current Liabilities	<u>441,332</u>
Total Liabilities	<u>\$ 1,624,789</u>

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

**CLAIBORNE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Claiborne County's financial statements are not 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.

Claiborne County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Claiborne County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Claiborne County's auditor to issue an adverse opinion on the county's financial statements.

Although Claiborne County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements that are presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of Claiborne County:

**A. Reporting Entity**

Claiborne County is a public municipal corporation governed by an elected 21-member board. As required by GAAP, these financial statements present Claiborne County, the primary government.

**Blended Component Units** – There are no legally separate component units of Claiborne County that meet the criteria for being reported as part of the primary government by the blending method.

**Excluded Component Units** – The following entities meet the criteria for discretely presented component units of the county. Since Claiborne County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Claiborne County School Department operates the public school system in the county, and the voters of Claiborne County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Claiborne County Hospital and Nursing Home provides health care to the citizens of Claiborne County, and the Claiborne County Commission appoints its governing body. The county has issued long-term debt obligations on behalf of the hospital and nursing home.

The Claiborne County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Claiborne County, and the Claiborne 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.

The Claiborne County Industrial Development Board is a non-profit corporation incorporated under the provisions of the State of Tennessee, and the Claiborne County Commission appoints its governing body. The board is funded primarily through the sale and lease of industrial park properties, hotel/motel taxes, investment income, grants, and contributions. Before the issuance of most debt instruments, the board obtains the approval of the County Commission. The function of the board is to attract and promote new industry in the county.

The Claiborne County School Department, Claiborne County Hospital and Nursing Home, and the Claiborne County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report but under the same cover as the county's financial statements. The Claiborne County Hospital and Nursing Home and the Claiborne County Emergency Communications District's financial statements are published as separate reports. Financial statements of the Claiborne County Industrial Development Board had not been audited for the 2004-05 year. Complete

financial statements of the Claiborne County Hospital and Nursing Home, the Claiborne County Emergency Communications District, and unaudited financial information of the Claiborne County Industrial Development Board can be obtained from their administrative offices at the following addresses:

Claiborne County Hospital and Nursing Home  
P.O. Box 219  
Tazewell, TN 37879

Claiborne County Emergency Communications District  
P.O. Box 911  
Tazewell, TN 37879

Claiborne County Industrial Development Board  
3222 Highway 25E  
Suite 1  
Tazewell, TN 37879

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of Claiborne County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Claiborne County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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. Fiduciary funds are reported in total 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. Claiborne County considers grant 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 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 fund financial statements are reported using the economic resources 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.

Claiborne County reports the following major governmental funds:

**General Fund** – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Solid Waste/Sanitation Fund** – This fund is used to account for transactions related to the county’s solid waste collection.

**Highway/Public Works Fund** – This fund is used to account for transactions of the county Highway Department.

**General Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**General Capital Projects Fund** – This fund is primarily used to account for the building of the county justice center. This fund is also used to account for other loan proceeds borrowed by the primary government and contributed to the Claiborne County School Department for capital acquisition.

Additionally, Claiborne County reports the following fund type:

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Claiborne County, and assets held in a custodial capacity for the Claiborne County Industrial Development Board. 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.

C. **Assets, Liabilities, and Net Assets or Equity**

1. **Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by Claiborne County and Claiborne County School Department funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the General Fund and Solid Waste/Sanitation Fund. Claiborne County and the Claiborne County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. **Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds. Long-term interfund loans between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.98 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 deferred revenue as of June 30.

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

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

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Claiborne County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Claiborne County does not present government-wide statements.

**4. Compensated Absences**

It is the county's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Claiborne County does not have a policy to pay any amounts when employees separate from service with the government. A liability for vacation benefits is

reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**5. Long-term Obligations**

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 and landfill closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

Governmental fund types 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.

**6. Fund Equity**

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. The reserve for other general purposes in the General Debt Service Fund represents amounts reserved for the long-term portion of an interfund receivable from the Solid Waste/Sanitation Fund.

Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$328,036 of the June 30, 2005, General Fund balance, generated by Local Wheel Tax revenue, to provide funding of expected ADA compliance renovations to county facilities.

**II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Expenditures Exceeded Appropriations**

Total expenditures exceeded total appropriations approved by the County Commission in the General Fund and the General Debt Service Fund by \$42,109 and \$96,156, respectively.

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories of the General, Highway/Public Works, and General Debt Service Funds. These overexpenditures are detailed in the following table:

Fund/Major Category	Appropriations	Expenditures	Amount Over Appropriation
General Fund:			
Budget and Finance Committee	\$ 5,000	\$ 11,100	\$ 6,100
County Mayor	135,951	140,049	4,098
Register of Deeds	20,861	22,404	1,543
Planning	30,421	31,827	1,406
County Trustee's Office	28,542	30,512	1,970
County Clerk's Office	20,067	22,104	2,037
Other Finance	33,280	61,089	27,809
Circuit Court	157,046	164,956	7,910
General Sessions Court	102,048	102,591	543
District Attorney General	13,000	13,190	190
Civil Defense	29,166	55,920	26,754
County Coroner/Medical Examiner	6,000	38,850	32,850
General Welfare Assistance	700	720	20
Sanitation Education/Information	40,859	43,449	2,590
Other Charges	388,658	401,475	12,817
Employee Benefits	263,000	284,980	21,980
Highway/Public Works Fund:			
Employee Benefits	318,000	322,901	4,901
General Debt Service Fund:			
Interest - General Government	258,600	351,997	93,397
Interest - Highway and Streets	16,200	19,203	3,003

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

**B. Fund Deficit**

The General Capital Projects Fund had a fund deficit of \$3,994,930 at June 30, 2005. This deficit resulted from the unperformed portions of construction projects of \$4,182,162 being reserved as encumbrances. Funding for these future expenditures is expected to be received from loan proceeds as discussed in Note III. E.

**C. Actual Fund Balances Varied from Estimated Beginning Fund Balance by Material Amounts**

The estimate of beginning fund balances reflected in the county's budget for the following funds varied significantly from actual fund balances.

Fund	Budget Estimate	Actual	Variance
General	\$808,326	\$ 527,826	(\$280,500)
Solid Waste/Sanitation	112,338	(41,923)	(154,261)
General Debt Service	869,717	1,191,860	322,143

**D. Improper Payments**

The County Commission, in its June 20, 2005, meeting, adopted a resolution instructing the county mayor to reimburse the county a total of \$1,170. This resolution addressed disbursements made to various organizations for advertisements which the commissioners believed to be of a personal nature instead of having any benefit to the county. On October 11, 2005, the county mayor reimbursed \$1,170 to the county for those disbursements.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

Claiborne County and the Claiborne County School Department participate in an internal cash and investment pool through the Office of Trustee. The Claiborne County School Department meets the criteria for a discretely presented component unit of Claiborne County. Since Claiborne County is presenting fund financial statements only, financial information for the Claiborne County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; 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 director of Local Finance 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 market value of the securities on the day of purchase.

The county had no pooled and nonpooled investments as of June 30, 2005.

### **B. Construction Commitments**

At June 30, 2005, the General Fund had uncompleted construction contracts of \$16,177 related to ADA renovations to the public restrooms in the courthouse. Funding has been provided for these future expenditures.

Additionally, at June 30, 2005, the General Capital Projects Fund had uncompleted construction contracts of \$4,182,162 for architectural services and construction costs related to the new judicial complex. Funding is being provided for the future expenditures through public building authority loan agreements discussed in Note III. E.

### **C. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2005, is as follows:

#### **Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 705
General Debt Service	Solid Waste/Sanitation	107,888
Nonmajor governmental	General	<u>12,296</u>
Total		<u>\$ 120,889</u>

The amount due to the General Debt Service Fund from the Solid Waste/Sanitation Fund represents the balance of an interfund loan that was originally scheduled to be retired over three years. The amount of interfund receivables in the General Debt Service Fund not expected to be received within one year is \$34,860.

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> General Debt Service Fund
Highway/Public Works Fund	\$ 139,037
Total	<u>\$ 139,037</u>

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

**D. Payables**

The Other Current Liabilities in the Other Agency Fund represent assets held by the county in a trustee capacity for the Claiborne County Industrial Development Board.

Retainage payable in the General Capital Projects Fund represents amounts withheld from payments to contractors related to construction of the judicial complex. The amount withheld is retained by the county until the project is completed to ensure that the work completed is satisfactory.

**E. Long-term Debt**

Since Claiborne County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Claiborne County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for Claiborne County and the Claiborne County School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. 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. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 17 years for bonds, up to seven years for notes, and up to 27 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
County, Hospital and Nursing			
Home Refunding	3.8 to 4.9 %	\$ 2,140,000	\$ 1,575,000
School Refunding	3 to 3.125	3,540,000	2,210,000
Capital Outlay Notes	3	35,785	16,247
Other Loans - Variable Rate	variable	42,319,297	37,880,503
Other Loans - Fixed Rate	4.272	6,225,000	5,152,915

Included in amounts outstanding are various general obligation debts Claiborne County has issued for the benefit of its component units, the Claiborne County School Department and the Claiborne County Hospital and Nursing Home. The School Department and the Hospital and Nursing Home contribute funds annually to the county to be applied toward the retirement of debt. During the year, the School Department contributed \$1,758,578 and the Hospital and Nursing Home contributed \$207,105 to the county's General Debt Service Fund for retirement of those general obligation debt issues. The county is also contingently liable for certain revenue and tax bonds issued for the Claiborne County Hospital and Nursing Home and an interest free note issued for the Claiborne County Industrial Development Board as discussed in Note IV. D.

Claiborne County has entered into various loan agreements with Public Building Authorities (PBAs) to finance various capital projects for the county

and the School Department. Under the loan agreements, the PBAs made amounts available for loan to Claiborne County on an as needed basis. The following table summarizes loan agreements outstanding at June 30, 2005.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction Loan Program	\$ 18,000,000	\$ 17,800,000	Variable	2.24 %	0.45 %
Various Construction and Renovations Loan - 2001	1,000,000	714,000	Variable	2.24	0.45
Various Construction and Renovations Loan - 2002	1,244,297	888,787	Variable	2.24	0.45
<u>Sevier County Public Building Authority</u>					
School Construction Loan Program - 2002	18,000,000	18,000,000	Variable	2.31	0.44
Jail Construction Program - 2004 (1)	4,075,000	477,716	Variable	2.26	0.42
Jail Construction Program - 2004 (2)	6,225,000	<u>5,152,915</u>	Fixed	4.272	N/A
		<u>\$ 43,033,418</u>			

(1) \$3,597,284 remains available for draws under this loan agreement as of June 30, 2005.

(2) \$1,072,085 remains available for draws under this loan agreement as of June 30, 2005.

The interest rates for the Montgomery County Public Building Authority loans are variable rate tax exempt rates determined by the remarketing agent daily or weekly depending on the particular program. The interest rates on the variable rate loans from the Sevier County Public Building Authority are functions of the Bond Market Association Index with the rates changing daily or weekly.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table. Amounts reflected for loans payable are based on the outstanding principal. Estimated interest payments and estimated other fees included for the loan agreements are computed based on the rates in effect at June 30, 2005.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 910,000	\$ 138,239	\$ 5,257	\$ 487
2007	960,000	108,314	5,414	330
2008	1,005,000	76,589	5,576	167
2009	140,000	42,368	0	0
2010	145,000	36,135	0	0
2011-2014	625,000	84,055	0	0
<b>Total</b>	<b>\$ 3,785,000</b>	<b>\$ 485,700</b>	<b>\$ 16,247</b>	<b>\$ 984</b>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2006	\$ 685,667	\$ 1,056,012	\$ 183,628	\$ 1,925,307
2007	747,200	1,038,944	181,554	1,967,698
2008	810,061	1,020,306	179,317	2,009,684
2009	1,562,264	1,000,261	176,797	2,739,322
2010	1,615,827	962,741	170,892	2,749,460
2011-2015	7,929,768	4,230,457	765,996	12,926,221
2016-2020	9,794,000	3,146,519	618,317	13,558,836
2021-2025	11,668,631	1,803,907	488,856	13,961,394
2026-2028	8,220,000	388,426	237,600	8,846,026
<b>Total</b>	<b>\$ 43,033,418</b>	<b>\$ 14,647,573</b>	<b>\$ 3,002,957</b>	<b>\$ 60,683,948</b>

There is \$1,204,108 available in the General Debt Service Fund to service long-term debt. General bonded debt per capita amounted to \$127, based on the 2000 federal census. Total debt per capita, including bonds, notes, and other loans amounted to \$1,568, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Bonds	Notes	Claims and Judgments Payable
Balance, July 1, 2004	\$ 4,605,000	\$ 21,350	\$ 31,677
Deductions	(820,000)	(5,103)	(31,677)
<b>Balance, June 30, 2005</b>	<b>\$ 3,785,000</b>	<b>\$ 16,247</b>	<b>\$ 0</b>
<b>Balance Due Within One Year</b>	<b>\$ 910,000</b>	<b>\$ 5,257</b>	<b>\$ 0</b>

	Other Loans	Compensated Absences Payable	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2004	\$ 37,827,232	\$ 66,614	\$ 1,436,381
Additions	5,630,631	30,268	0
Deductions	(424,445)	0	(29,566)
Balance, June 30, 2005	<u>\$ 43,033,418</u>	<u>\$ 96,882</u>	<u>\$ 1,406,815</u>
Balance Due Within One Year	<u>\$ 685,667</u>	<u>\$ 19,376</u>	<u>\$ 59,849</u>

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

**F. Short-term Debt**

Claiborne County issued tax anticipation notes in advance of property tax collections for the General and Solid Waste/Sanitation Funds. These notes were necessary because the cash balances were not sufficient to meet current obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
General	\$ 0	\$ 500,000	\$ (500,000)	\$ 0
Solid Waste Sanitation	0	100,000	(100,000)	0

**IV. OTHER INFORMATION**

**A. Risk Management**

The Claiborne County Road Department is a member of 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 were 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, 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. Other departments and offices of the primary government do not provide health insurance coverage for employees.

It is the policy of the county to purchase commercial insurance for other risks of losses to which it is exposed. These risks include general liability, property, casualty, and workers' compensation. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

**B. Accounting Change**

During the year, Claiborne County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Subsequent Events**

The county entered into a loan agreement with the Montgomery County Public Building Authority in the amount of \$5,000,000 to provide funds for various paving projects.

Also, the county drew \$3,004,314 of the remaining balance from the Public Building Authority loans for judicial complex construction costs.

The county issued tax anticipation notes from the General Debt Service Fund to the General Fund (\$500,000) and Solid Waste/Sanitation Fund (\$200,000).

**D. Contingent Liabilities**

Claiborne County is contingently liable for certain long-term debt issues that are reflected as liabilities of the discretely presented Claiborne County Hospital and Nursing Home. These include Hospital Revenue and Tax Bonds, Series 1995, Hospital Revenue and Tax Bonds, Series 1997. As of June 30, 2005, future principal requirements were \$940,000 on these bonds. Claiborne County would become liable for these debt issues, and the interest thereon, in the event of default by the Claiborne County Hospital and Nursing Home. During the year, the retirement of bond principal (\$105,000) and interest (\$52,005) was funded by the Claiborne County Hospital and Nursing Home and channeled through the General Debt Service Fund.

Claiborne County is also contingently liable for a long-term, interest free note that is a liability of the Claiborne County Industrial Development Board. As of June 30, 2005, future principal requirements were \$270,833 on this note.

Claiborne County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with the requirements of the Americans with Disabilities Act (ADA). This lawsuit applies to all Claiborne County facilities. Claiborne County has begun construction of a new judicial complex as discussed in Note III.B. Also, during the year the county expended or encumbered \$31,964 from the General Fund for other ADA improvements. Management has designated \$328,036 of the unreserved General Fund balance at June 30, 2005, toward other ADA improvements.

There are other several pending lawsuits in which the county is involved. Management has purchased commercial insurance to provide for potential claims and judgments that may arise. Based on a letter from the county attorney, management believes that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

**E. Change in Administration**

On March 31, 2005, Thomas Shumate left the Office of Clerk and Master and was succeeded by Frances Cardwell.

**F. Landfill Closure/Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its Poore Road landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. During the 1997-98 fiscal year, Claiborne County had stopped accepting waste and had placed the final cover on the site. The \$1,406,815 reflected as landfill postclosure care costs at June 30, 2005, represents the estimated postclosure care cost for the next 22 years. The postclosure care cost is based on what it would cost to perform all postclosure care in 2005. Actual postclosure care cost may be higher due to inflation, changes in technology, or changes in regulations.

**E. Joint Venture**

The Eighth Judicial District Drug Task Force (DTF) is a joint venture formed by an inter-local agreement between the District Attorney General of the Eighth Judicial District; Campbell, Claiborne, Union, Scott, and Fentress Counties; and various cities within these counties. The purpose of 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. Claiborne County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in the joint venture. Complete financial statements for the DTF can be obtained from their administrative office at the following address:

District Attorney General's Office  
8<sup>th</sup> Judicial District  
P. O. Box 10  
Huntsville, TN 37756

#### **H. Jointly Governed Organizations**

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated and includes the counties of Claiborne, Cocke, Grainger, Greene, Hamblen, Hancock, Hawkins, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a board of directors consisting of the county mayors of each county or the county mayor's designee and one nonvoting member representing each of the following: the Tennessee Department of Agriculture and the University of Tennessee's Agricultural Extension Service. The Executive Committee (chairman, vice chairman, secretary, and treasurer of the Board of Directors, along with the center manager as an ex officio member) is in charge of the daily operation of the center.

#### **I. Retirement Commitments**

##### **Plan Description**

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

liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

### **Funding Policy**

Claiborne County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 3.01 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Claiborne County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2005, Claiborne County's annual pension cost of \$515,676 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), and (c) projected 3.5 percent annual increase in the Social Security wage base. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Claiborne County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was ten years.

#### **Trend Information**

<b>Fiscal Year Ending</b>	<b>Annual Pension Cost(APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6-30-05	\$515,676	100%	\$0
6-30-04	174,591	100	0
6-30-03	157,861	100	0

**Required Supplementary Information**  
Schedule of Funding Progress for Claiborne County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll (b-a)/c
	(a)	(b)	(b) - (a)	(a/b)	(c)	
6-30-03	\$25,150	\$25,150	\$0	100%	\$13,255	0%
6-30-01	23,587	23,587	0	100	12,439	0
6-30-99	20,877	20,877	0	100	10,995	0

**J. Purchasing Laws**

Office of County Mayor

Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

Office of Road Superintendent

Chapter 436, Private Acts of 1943, and provisions of the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated, govern purchasing procedures for this office. These statutes provide for the superintendent to make all purchases and require that competitive bids be solicited for all purchases estimated to exceed \$10,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,679,009	\$ 0	\$ 0	\$ 2,679,009	\$ 2,723,824	\$ 2,723,824	\$ (44,815)
Licenses and Permits	22,061	0	0	22,061	31,300	31,300	(9,239)
Fines, Forfeitures and Penalties	113,480	0	0	113,480	135,000	137,170	(23,690)
Charges for Current Services	21,967	0	0	21,967	22,550	27,100	(5,133)
Other Local Revenues	241,702	0	0	241,702	191,250	192,400	49,302
Fees Received from County Officials	517,536	0	0	517,536	974,000	550,000	(32,464)
State of Tennessee	456,293	0	0	456,293	496,079	357,879	98,414
Federal Government	252,560	0	0	252,560	127,700	265,900	(13,340)
Other Governments and Citizens Groups	28,144	0	0	28,144	42,750	42,750	(14,606)
<b>Total Revenues</b>	<b>\$ 4,332,752</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,332,752</b>	<b>\$ 4,744,453</b>	<b>\$ 4,328,323</b>	<b>\$ 4,429</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 41,344	\$ 0	\$ 0	\$ 41,344	\$ 45,050	\$ 45,050	\$ 3,706
Board of Equalization	2,245	0	0	2,245	3,000	3,000	755
Beer Board	500	0	0	500	700	700	200
Budget and Finance Committee	11,100	0	0	11,100	5,000	5,000	(6,100)
County Mayor	140,049	0	0	140,049	135,135	135,951	(4,098)
County Attorney	37,621	0	0	37,621	37,621	37,621	0
Election Commission	142,577	0	0	142,577	143,543	143,543	966
Register of Deeds	22,404	0	0	22,404	132,718	20,861	(1,543)
Development	10,389	0	0	10,389	13,000	13,000	2,611
Planning	31,827	0	0	31,827	29,921	30,421	(1,406)
County Buildings	190,380	0	17,586	207,966	227,969	228,657	20,691
<u>Finance</u>							
Property Assessor's Office	129,079	0	0	129,079	129,574	131,103	2,024
Reappraisal Program	55,848	0	0	55,848	54,982	57,379	1,531

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Trustee's Office	\$ 30,512	\$ 0	\$ 0	\$ 30,512	\$ 164,311	\$ 28,542	\$ (1,970)
County Clerk's Office	22,104	0	0	22,104	234,191	20,067	(2,037)
Other Finance	61,089	0	0	61,089	31,280	33,280	(27,809)
<u>Administration of Justice</u>							
Circuit Court	164,956	0	0	164,956	154,854	157,046	(7,910)
General Sessions Court	102,591	0	0	102,591	101,352	102,048	(543)
Chancery Court	155,367	0	0	155,367	158,093	161,285	5,918
District Attorney General	13,190	0	0	13,190	13,000	13,000	(190)
<u>Public Safety</u>							
Sheriff's Department	1,249,376	0	1,518	1,250,894	1,215,684	1,280,992	30,098
Workhouse	323,172	0	0	323,172	336,923	326,923	3,751
Juvenile Services	20,151	0	0	20,151	19,861	20,338	187
Fire Prevention and Control	67,000	0	0	67,000	67,000	67,000	0
Civil Defense	62,921	(7,001)	0	55,920	7,200	29,166	(26,754)
Rescue Squad	8,000	0	0	8,000	8,000	8,000	0
Other Emergency Management	14,500	0	0	14,500	14,500	14,500	0
County Coroner/Medical Examiner	38,850	0	0	38,850	6,000	6,000	(32,850)
<u>Public Health and Welfare</u>							
Local Health Center	84,438	0	640	85,078	89,297	89,743	4,665
Rabies and Animal Control	5,000	0	0	5,000	5,000	5,000	0
Ambulance/Emergency Medical Services	80,000	0	0	80,000	80,000	80,000	0
Other Local Health Services	119,712	0	0	119,712	140,200	144,275	24,563
General Welfare Assistance	720	0	0	720	700	700	(20)
Sanitation Education/Information	43,449	0	0	43,449	40,179	40,859	(2,590)
<u>Social, Cultural and Recreational Services</u>							
Adult Activities	10,000	0	0	10,000	10,000	10,000	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural and Recreational Services (Cont.)</u>							
Senior Citizens Assistance	\$ 20,237	\$ 0	\$ 0	\$ 20,237	\$ 20,935	\$ 20,935	\$ 698
Libraries	60,000	0	0	60,000	60,000	60,000	0
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	59,778	0	0	59,778	60,712	60,712	934
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	20,000	0	0	20,000	20,000	20,000	0
<u>Other Operations</u>							
Industrial Development	20,000	0	0	20,000	20,000	20,000	0
Other Economic and Community Development	30,557	0	0	30,557	32,211	32,448	1,891
Veterans' Services	14,281	0	0	14,281	17,600	17,600	3,319
Other Charges	401,315	0	160	401,475	386,338	388,658	(12,817)
Employee Benefits	284,980	0	0	284,980	263,000	263,000	(21,980)
<b>Total Expenditures</b>	<b>\$ 4,405,609</b>	<b>\$ (7,001)</b>	<b>\$ 19,904</b>	<b>\$ 4,418,512</b>	<b>\$ 4,738,634</b>	<b>\$ 4,376,403</b>	<b>\$ (42,109)</b>
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (72,857)	\$ 7,001	\$ (19,904)	\$ (85,760)	\$ 5,819	\$ (48,080)	\$ (37,680)
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ 534,827	(7,001)	0	527,826	808,326	808,326	(280,500)
Fund Balance, June 30, 2005							
	\$ 461,970	\$ 0	\$ (19,904)	\$ 442,066	\$ 814,145	\$ 760,246	\$ (318,180)

Exhibit D-2

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 728,867	\$ 0	\$ 728,867	\$ 736,260	\$ 736,260	\$ (7,393)
Charges for Current Services	287,720	0	287,720	246,000	246,000	41,720
Other Local Revenues	37,916	0	37,916	15,500	27,348	10,568
State of Tennessee	61,046	0	61,046	42,000	42,000	19,046
Total Revenues	\$ 1,115,549	\$ 0	\$ 1,115,549	\$ 1,039,760	\$ 1,051,608	\$ 63,941
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Waste Pickup	\$ 1,041,050	\$ 895	\$ 1,041,945	\$ 1,032,909	\$ 1,069,757	\$ 27,812
<u>Interest</u>						
General Government	2,888	0	2,888	0	2,888	0
Total Expenditures	\$ 1,043,938	\$ 895	\$ 1,044,833	\$ 1,032,909	\$ 1,072,645	\$ 27,812
Excess (Deficiency) of Revenues Over Expenditures	\$ 71,611	\$ (895)	\$ 70,716	\$ 6,851	\$ (21,037)	\$ 91,753
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$ (38,000)	\$ (35,112)	\$ 35,112
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ (38,000)	\$ (35,112)	\$ 35,112
Net Change in Fund Balance	\$ 71,611	\$ (895)	\$ 70,716	\$ (31,149)	\$ (56,149)	\$ 126,865
Fund Balance, July 1, 2004	(41,923)	0	(41,923)	112,338	112,338	(154,261)
Fund Balance, June 30, 2005	\$ 29,688	\$ (895)	\$ 28,793	\$ 81,189	\$ 56,189	\$ (27,396)

Exhibit D-3

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 339,440	\$ 338,357	\$ 348,457	\$ (9,017)
Other Local Revenues	25,985	2,200	14,610	11,375
State of Tennessee	1,844,783	1,867,626	1,858,626	(13,843)
Federal Government	4,141	0	4,141	0
Total Revenues	<u>\$ 2,214,349</u>	<u>\$ 2,208,183</u>	<u>\$ 2,225,834</u>	<u>\$ (11,485)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 111,598	\$ 111,843	\$ 112,112	\$ 514
Highway and Bridge Maintenance	921,169	851,008	945,175	24,006
Operation and Maintenance of Equipment	266,179	239,500	270,600	4,421
Other Charges	121,308	127,475	122,269	961
Employee Benefits	322,901	272,600	318,000	(4,901)
Capital Outlay	166,194	424,500	175,296	9,102
Total Expenditures	<u>\$ 1,909,349</u>	<u>\$ 2,026,926</u>	<u>\$ 1,943,452</u>	<u>\$ 34,103</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 305,000</u>	<u>\$ 181,257</u>	<u>\$ 282,382</u>	<u>\$ 22,618</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (139,037)	\$ (144,000)	\$ (142,000)	\$ 2,963
Total Other Financing Sources (Uses)	<u>\$ (139,037)</u>	<u>\$ (144,000)</u>	<u>\$ (142,000)</u>	<u>\$ 2,963</u>
Net Change in Fund Balance	\$ 165,963	\$ 37,257	\$ 140,382	\$ 25,581
Fund Balance, July 1, 2004	<u>47,639</u>	<u>81,510</u>	<u>81,510</u>	<u>(33,871)</u>
Fund Balance, June 30, 2005	<u>\$ 213,602</u>	<u>\$ 118,767</u>	<u>\$ 221,892</u>	<u>\$ (8,290)</u>

**CLAIBORNE COUNTY, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

Annual budgets are adopted for all governmental funds except the Constitutional Officers – Fees special revenue fund and the capital projects funds. 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 State 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, Beer Board, Budget and Finance Committee, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Total expenditures exceeded total appropriations approved by the County Commission in the General Fund by \$42,109.

Additionally, expenditures exceeded appropriations approved by the County Commission in 16 major appropriation categories of the General Fund. These overexpenditures are detailed in the following table:

Major Category	Appropriations	Expenditures	Amount Over Appropriations
Budget and Finance Committee	\$ 5,000	\$ 11,100	6,100
County Mayor	135,951	140,049	4,098
Register of Deeds	20,861	22,404	1,543
Planning	30,421	31,827	1,406
County Trustee's Office	28,542	30,512	1,970
County Clerk's Office	20,067	22,104	2,037
Other Finance	33,280	61,089	27,809
Circuit Court	157,046	164,956	7,910
General Sessions Court	102,048	102,591	543
District Attorney General	13,000	13,190	190
Civil Defense	29,166	55,920	26,754
County Coroner/Medical Examiner	6,000	38,850	32,850
General Welfare Assistance	700	720	20
Sanitation Education/Information	40,859	43,449	2,590
Other Charges	388,658	401,475	12,817
Employee Benefits	263,000	284,980	21,980

Expenditures exceeded appropriations approved by the County Commission in the Employee Benefits major appropriation category (the legal level of control) of the Highway/Public Works Fund by \$4,901.

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**C. ESTIMATED FUND BALANCES EXCEEDED ACTUAL BEGINNING FUND BALANCES**

The General Fund's actual fund balance at July 1, 2004, was \$527,826; however, the estimated fund balance reflected in the county's budget was \$808,326. Therefore, the actual fund balance was \$280,500 less than the estimated fund balance presented to the County Commission.

The Solid Waste/Sanitation Fund's actual fund balance at July 1, 2004, was a deficit of \$41,923; however the estimated fund balance reflected in the county's budget was \$112,338. Therefore, the actual fund balance was \$154,261 less than the estimated fund balance presented to the County Commission.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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

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

## Capital Projects Funds

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

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Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used primarily to account for Community Development and H.O.M.E. grants received by the county.

Exhibit E-1

Claiborne County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

	<u>Special Revenue Funds</u>		
	Drug Control	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
<b><u>ASSETS</u></b>			
Cash	\$ 0	\$ 110,432	\$ 110,432
Equity in Pooled Cash and Investments	90,259	0	90,259
Accounts Receivable	0	783	783
Due from Other Funds	12,296	0	12,296
	<hr/>		
Total Assets	\$ 102,555	\$ 111,215	\$ 213,770
<hr/>			
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b><u>Liabilities</u></b>			
Accounts Payable	\$ 11	\$ 0	\$ 11
Due to Other Funds	0	705	705
Total Liabilities	\$ 11	\$ 705	\$ 716
<hr/>			
<b><u>Fund Balances</u></b>			
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 61,298	\$ 0	\$ 61,298
Unreserved	41,246	110,510	151,756
Total Fund Balances	\$ 102,544	\$ 110,510	\$ 213,054
<hr/>			
Total Liabilities and Fund Balances	\$ 102,555	\$ 111,215	\$ 213,770
<hr/>			

Exhibit E-2

Claiborne County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 15,689	\$ 15,689	\$ 37,137	\$ 52,826
Fines, Forfeitures, and Penalties	47,498	0	47,498	0	47,498
Charges for Current Services	0	453,782	453,782	0	453,782
Other Local Revenues	0	4,582	4,582	0	4,582
State of Tennessee	12,296	0	12,296	0	12,296
Federal Government	0	0	0	438,003	438,003
Total Revenues	<u>\$ 59,794</u>	<u>\$ 474,053</u>	<u>\$ 533,847</u>	<u>\$ 475,140</u>	<u>\$ 1,008,987</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 0	\$ 90,027	\$ 90,027	\$ 0	\$ 90,027
Finance	0	366,351	366,351	0	366,351
Administration of Justice	0	33,415	33,415	0	33,415
Public Safety	73,361	113	73,474	0	73,474
Other Operations	0	0	0	37,137	37,137
Capital Projects	0	0	0	438,003	438,003
Total Expenditures	<u>\$ 73,361</u>	<u>\$ 489,906</u>	<u>\$ 563,267</u>	<u>\$ 475,140</u>	<u>\$ 1,038,407</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,567)</u>	<u>\$ (15,853)</u>	<u>\$ (29,420)</u>	<u>\$ 0</u>	<u>\$ (29,420)</u>
Net Change in Fund Balances	\$ (13,567)	\$ (15,853)	\$ (29,420)	\$ 0	\$ (29,420)
Fund Balance, July 1, 2004	116,111	126,363	242,474	0	242,474
Fund Balance, June 30, 2005	<u>\$ 102,544</u>	<u>\$ 110,510</u>	<u>\$ 213,054</u>	<u>\$ 0</u>	<u>\$ 213,054</u>

Exhibit E-3

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 47,498	\$ 37,000	\$ 37,000	\$ 10,498
State of Tennessee	12,296	0	0	12,296
Total Revenues	<u>\$ 59,794</u>	<u>\$ 37,000</u>	<u>\$ 37,000</u>	<u>\$ 22,794</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 73,361	\$ 38,300	\$ 99,124	\$ 25,763
Total Expenditures	<u>\$ 73,361</u>	<u>\$ 38,300</u>	<u>\$ 99,124</u>	<u>\$ 25,763</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,567)</u>	<u>\$ (1,300)</u>	<u>\$ (62,124)</u>	<u>\$ 48,557</u>
Net Change in Fund Balance	\$ (13,567)	\$ (1,300)	\$ (62,124)	\$ 48,557
Fund Balance, July 1, 2004	<u>116,111</u>	<u>76,405</u>	<u>76,405</u>	<u>39,706</u>
Fund Balance, June 30, 2005	<u>\$ 102,544</u>	<u>\$ 75,105</u>	<u>\$ 14,281</u>	<u>\$ 88,263</u>

# Major Governmental Fund

## General Debt Service Fund

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

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Exhibit F

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 549,073	\$ 828,865	\$ 828,865	\$ (279,792)
Other Local Revenues	1,968,571	2,027,688	2,027,688	(59,117)
State of Tennessee	12,761	9,900	9,900	2,861
Total Revenues	<u>\$ 2,530,405</u>	<u>\$ 2,866,453</u>	<u>\$ 2,866,453</u>	<u>\$ (336,048)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 3,756	\$ 0	\$ 4,000	\$ 244
<u>Principal</u>				
General Government	362,670	390,400	362,670	0
Highways and Streets	116,878	144,500	116,878	0
Education	875,000	875,000	875,000	0
<u>Interest</u>				
General Government	351,997	216,500	258,600	(93,397)
Highways and Streets	19,203	16,200	16,200	(3,003)
Education	883,096	883,096	883,096	0
<u>Other Debt Service</u>				
General Government	5,304	0	5,304	0
Highways and Streets	3,948	0	3,948	0
Education	482	482	482	0
Total Expenditures	<u>\$ 2,622,334</u>	<u>\$ 2,526,178</u>	<u>\$ 2,526,178</u>	<u>\$ (96,156)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (91,929)</u>	<u>\$ 340,275</u>	<u>\$ 340,275</u>	<u>\$ (432,204)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 139,037	\$ 250,540	\$ 250,540	\$ (111,503)
Total Other Financing Sources (Uses)	<u>\$ 139,037</u>	<u>\$ 250,540</u>	<u>\$ 250,540</u>	<u>\$ (111,503)</u>
Net Change in Fund Balance	\$ 47,108	\$ 590,815	\$ 590,815	\$ (543,707)
Fund Balance, July 1, 2004	<u>1,191,860</u>	<u>869,717</u>	<u>869,717</u>	<u>322,143</u>
Fund Balance, June 30, 2005	<u>\$ 1,238,968</u>	<u>\$ 1,460,532</u>	<u>\$ 1,460,532</u>	<u>\$ (221,564)</u>

# Fiduciary Funds

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

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

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

Other Agency Fund – The Other Agency Fund is used to account for transactions of the discretely presented Claiborne County Industrial Development Board that are channeled through the county Trustee's Office.

Exhibit G-1

Claiborne County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2005

	<u>Agency Funds</u>				Total
	Cities - Sales Tax	Constitu - tional Officers - Agency	Other Agency		
<u>ASSETS</u>					
Cash	\$ 0	\$ 940,977	\$ 0	\$	940,977
Equity in Pooled Cash and Investments	0	0	433,833		433,833
Accounts Receivable	0	0	7,499		7,499
Due from Other Governments	242,480	0	0		242,480
Total Assets	<u>\$ 242,480</u>	<u>\$ 940,977</u>	<u>\$ 441,332</u>	<u>\$</u>	<u>1,624,789</u>
<u>LIABILITIES</u>					
Due to Other Taxing Units	\$ 242,480	\$ 0	\$ 0	\$	242,480
Due to Litigants, Heirs, and Others	0	940,977	0		940,977
Other Current Liabilities	0	0	441,332		441,332
Total Liabilities	<u>\$ 242,480</u>	<u>\$ 940,977</u>	<u>\$ 441,332</u>	<u>\$</u>	<u>1,624,789</u>

Exhibit G-2

Claiborne County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,344,823	\$ 1,344,823	\$ 0
Due From Other Governments	225,546	242,480	225,546	242,480
<b>Total Assets</b>	<b>\$ 225,546</b>	<b>\$ 1,587,303</b>	<b>\$ 1,570,369</b>	<b>\$ 242,480</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 225,546	\$ 1,587,303	\$ 1,570,369	\$ 242,480
<b>Total Liabilities</b>	<b>\$ 225,546</b>	<b>\$ 1,587,303</b>	<b>\$ 1,570,369</b>	<b>\$ 242,480</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,084,980	\$ 5,409,549	\$ 5,553,552	\$ 940,977
<b>Total Assets</b>	<b>\$ 1,084,980</b>	<b>\$ 5,409,549</b>	<b>\$ 5,553,552</b>	<b>\$ 940,977</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,084,980	\$ 5,409,549	\$ 5,553,552	\$ 940,977
<b>Total Liabilities</b>	<b>\$ 1,084,980</b>	<b>\$ 5,409,549</b>	<b>\$ 5,553,552</b>	<b>\$ 940,977</b>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 577,590	\$ 525,140	\$ 668,897	\$ 433,833
Accounts Receivable	1,390	7,499	1,390	7,499
Due From Other Governments	149,369	0	149,369	0
Due From Other Funds	1,000	0	1,000	0
<b>Total Assets</b>	<b>\$ 729,349</b>	<b>\$ 532,639</b>	<b>\$ 820,656</b>	<b>\$ 441,332</b>
<u>Liabilities</u>				
Other Current Liabilities	\$ 729,349	\$ 532,639	\$ 820,656	\$ 441,332
<b>Total Liabilities</b>	<b>\$ 729,349</b>	<b>\$ 532,639</b>	<b>\$ 820,656</b>	<b>\$ 441,332</b>

(Continued)

Exhibit G-2

Claiborne County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,084,980	\$ 5,409,549	\$ 5,553,552	\$ 940,977
Equity in Pooled Cash and Investments	577,590	1,869,963	2,013,720	433,833
Accounts Receivable	1,390	7,499	1,390	7,499
Due From Other Governments	374,915	242,480	374,915	242,480
Due From Other Funds	1,000	0	1,000	0
Total Assets	<u>\$ 2,039,875</u>	<u>\$ 7,529,491</u>	<u>\$ 7,944,577</u>	<u>\$ 1,624,789</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 225,546	\$ 1,587,303	\$ 1,570,369	\$ 242,480
Due to Litigants, Heirs, and Others	1,084,980	5,409,549	5,553,552	940,977
Other Current Liabilities	729,349	532,639	820,656	441,332
Total Liabilities	<u>\$ 2,039,875</u>	<u>\$ 7,529,491</u>	<u>\$ 7,944,577</u>	<u>\$ 1,624,789</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit H-1

Claiborne County, Tennessee  
Schedule of Changes in Long-term Notes,  
Other Loans, and Bonds  
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Capital Outlay - Energy Efficiency	\$ 35,785	3 %	8-28-00	10-15-07	\$ 21,350	\$ 0	\$ 5,103	\$ 16,247
Total Notes Payable					\$ 21,350	\$ 0	\$ 5,103	\$ 16,247
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Montgomery County Public Building Authority	1,000,000	Variable	10-2-01	5-25-11	\$ 814,000	\$ 0	\$ 100,000	\$ 714,000
Montgomery County Public Building Authority	1,244,297	Variable	5-23-02	5-25-11	1,013,232	0	124,445	888,787
Montgomery County Public Building Authority School	18,000,000	Variable	8-9-01	5-25-21	18,000,000	0	0	18,000,000
Sevier County Public Building Authority - School	18,000,000	Variable	3-1-02	6-1-28	18,000,000	0	200,000	17,800,000
Blount County Public Building Authority - Judicial Complex (1)	6,225,000	4.272	9-2-04	6-1-24	0	5,152,915	0	5,152,915
Sevier County Public Building Authority - Judicial Complex (2)	4,075,000	Variable	10-21-04	6-1-31	0	477,716	0	477,716
Total Other Loans Payable					\$ 37,827,232	\$ 5,630,631	\$ 424,445	\$ 43,033,418
<b>GENERAL BONDED DEBT</b>								
<u>Payable through General Debt Service Fund</u>								
Refunding Series 1998 - County, Hospital and Nursing Home	2,140,000	3.8 to 4.9	3-1-1998	3-1-15	\$ 1,720,000	\$ 0	\$ 145,000	\$ 1,575,000
School Refunding Bonds, Series 2003	3,540,000	3 to 3.125	3-31-03	3-1-08	2,885,000	0	675,000	2,210,000
Total General Bonded Debt					\$ 4,605,000	\$ 0	\$ 820,000	\$ 3,785,000

(1) At June 30, 2005, a balance of \$1,072,085 remained to be drawn down.

(2) At June 30, 2005, a balance of \$3,597,284 remained to be drawn down.

Exhibit H-2

Claiborne County, Tennessee  
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	\$ 910,000	\$ 138,239	\$ 1,048,239
2007	960,000	108,314	1,068,314
2008	1,005,000	76,589	1,081,589
2009	140,000	42,368	182,368
2010	145,000	36,135	181,135
2011	150,000	29,610	179,610
2012	155,000	22,710	177,710
2013	100,000	15,425	115,425
2014	105,000	10,675	115,675
2015	115,000	5,635	120,635
Total	<u>\$ 3,785,000</u>	<u>\$ 485,700</u>	<u>\$ 4,270,700</u>

Exhibit H-3

Claiborne County, Tennessee  
Schedule of Transfers - All Funds  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Highway/Public Works	General Debt Service	To provide funds for retirement of debt	\$ 139,037
Total Transfers			<u>\$ 139,037</u>

Exhibit H-4

Claiborne County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 70,523	\$ 50,000	Liberty Mutual Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	57,165	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	51,969	695,700	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	51,969	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Circuit and General Sessions Courts Clerk Clerk and Master:	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Thomas Shumate (7-1-04 to 3-31-05)	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	52,426 (1)	50,000	"
Frances Cardwell (4-1-05 to 6-30-05)	Section 8-24-102, <u>TCA</u>	12,992	50,000	"
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	67,684 (2)	25,000	"
Employee Blanket Bonds:				
County Employees Public Employee Dishonesty			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of \$13,449.

(2) Includes additional compensation of \$10,000 provided by the County Commission for serving as workhouse superintendent and a \$518 law enforcement training supplement.

Exhibit H-5

Claiborne County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2005

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,758,724	\$ 664,851	\$ 0	\$ 0	\$ 33,183	\$ 165,917	\$ 0	\$ 2,622,675
Trustee's Collections - Prior Year	101,023	39,148	0	0	1,906	9,530	0	151,607
Circuit/Clerk & Master Collections - Prior Years	48,690	16,370	0	15,689	919	4,593	0	86,261
Interest and Penalty	15,521	5,653	0	0	279	1,464	0	22,917
Payments in Lieu of Taxes - T.V.A.	492	186	0	0	9	46	0	733
Payments in Lieu of Taxes - Local Utilities	5,804	2,190	0	0	110	548	0	8,652
Payments in Lieu of Taxes - Other	1,244	469	0	0	23	117	0	1,853
<u>County Local Option Taxes</u>								
Hotel/Motel Tax	0	0	0	0	0	0	37,137	37,137
Wheel Tax	360,000	0	0	0	0	366,858	0	726,858
Litigation Tax - General	60,856	0	0	0	0	0	0	60,856
Litigation Tax - Special Purpose	10	0	0	0	0	0	0	10
Litigation Tax - Jail, Workhouse, or Courthouse	22,224	0	0	0	0	0	0	22,224
Mineral Severance Tax	0	0	0	0	74,073	0	0	74,073
<u>Statutory Local Taxes</u>								
Bank Excise Tax	189,842	0	0	0	0	0	0	189,842
Wholesale Beer Tax	110,971	0	0	0	0	0	0	110,971
Coal Severance Tax	0	0	0	0	204,481	0	0	204,481
Interstate Telecommunications Tax	3,608	0	0	0	0	0	0	3,608
Other Statutory Local Taxes	0	0	0	0	24,457	0	0	24,457
Total Local Taxes	\$ 2,679,009	\$ 728,867	\$ 0	\$ 15,689	\$ 339,440	\$ 549,073	\$ 37,137	\$ 4,349,215
<u>Licenses and Permits</u>								
<u>Permits</u>								
Beer Permits	\$ 1,441	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,441
Building Permits	20,620	0	0	0	0	0	0	20,620
Total Licenses and Permits	\$ 22,061	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,061
<u>Fines, Forfeitures and Penalties</u>								
<u>Circuit Court</u>								
Fines	\$ 11,653	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,653
Officers Costs	5,306	0	0	0	0	0	0	5,306

(Continued)

Exhibit H-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>Fines, Forfeitures and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Drug Control Fines	\$ 0	\$ 0	\$ 9,348	\$ 0	\$ 0	\$ 0	\$ 0	9,348
Jail Fees	142	0	0	0	0	0	0	142
Judicial Commissioner Fees	139	0	0	0	0	0	0	139
DUI Treatment Fines	3,100	0	0	0	0	0	0	3,100
Data Entry Fee - Circuit Court	604	0	0	0	0	0	0	604
<u>General Sessions Court</u>								
Fines	15,015	0	0	0	0	0	0	15,015
Officers Costs	39,209	0	0	0	0	0	0	39,209
Game and Fish Fines	297	0	0	0	0	0	0	297
Drug Control Fines	0	0	18,715	0	0	0	0	18,715
Jail Fees	16,016	0	0	0	0	0	0	16,016
DUI Treatment Fines	5,500	0	0	0	0	0	0	5,500
Data Entry Fee - General Sessions Court	4,037	0	0	0	0	0	0	4,037
<u>Juvenile Court</u>								
Fines	4,807	0	0	0	0	0	0	4,807
<u>Chancery Court</u>								
Officers Costs	6,321	0	0	0	0	0	0	6,321
Data Entry Fee - Chancery Court	1,334	0	0	0	0	0	0	1,334
<u>Judicial District Drug Program</u>								
Drug Task Force Forfeitures and Seizures	0	0	19,435	0	0	0	0	19,435
Total Fines, Forfeitures and Penalties	\$ 113,480	\$ 0	\$ 47,498	\$ 0	\$ 0	\$ 0	\$ 0	160,978
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Tipping Fees	\$ 0	\$ 287,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	287,720
<u>Fees</u>								
Telephone Commissions	3,140	0	0	0	0	0	0	3,140
Vending Machine Collections	1,532	0	0	0	0	0	0	1,532
Constitutional Officers' Fees and Commissions	0	0	0	453,782	0	0	0	453,782
Data Processing Fee - Register	11,946	0	0	0	0	0	0	11,946
Data Processing Fee - Sheriff	4,509	0	0	0	0	0	0	4,509
Sexual Offender Registration Fee	840	0	0	0	0	0	0	840
Total Charges for Current Services	\$ 21,967	\$ 287,720	\$ 0	\$ 453,782	\$ 0	\$ 0	\$ 0	763,469

(Continued)

Exhibit H-5

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

	General	Special Revenue Funds				Debt Service Fund	Capital Projects Fund	Total
		Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works			
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 208,078	\$ 25,066	\$ 0	\$ 4,582	\$ 0	\$ 2,888	\$ 0	\$ 240,614
Lease/Rentals	0	0	0	0	1,200	0	0	1,200
Sale of Recycled Materials	0	2,394	0	0	0	0	0	2,394
Miscellaneous Refunds	30,672	36	0	0	0	0	0	30,708
<u>Nonrecurring Items</u>								
Insurance Recovery	0	0	0	0	2,410	0	0	2,410
Sale of Equipment	0	10,420	0	0	22,375	0	0	32,795
Contributions & Gifts	2,870	0	0	0	0	1,758,578	0	1,761,448
<u>Other Local Revenues</u>								
Other Local Revenues	82	0	0	0	0	207,105	0	207,187
Total Other Local Revenues	\$ 241,702	\$ 37,916	\$ 0	\$ 4,582	\$ 25,985	\$ 1,968,571	\$ 0	\$ 2,278,756
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 75,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 75,000
Register	66,000	0	0	0	0	0	0	66,000
Trustee	164,986	0	0	0	0	0	0	164,986
<u>Fees In Lieu of Salary</u>								
Circuit Court Clerk	54,173	0	0	0	0	0	0	54,173
General Sessions Court Clerk	77,752	0	0	0	0	0	0	77,752
Clerk and Master	72,738	0	0	0	0	0	0	72,738
Sheriff	6,887	0	0	0	0	0	0	6,887
Total Fees Received from County Officials	\$ 517,536	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 517,536
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Other General Government Grants	0	10,002	0	0	0	0	0	10,002
<u>Public Works Grants</u>								
State Aid Program	0	0	0	0	119,229	0	0	119,229
Litter Program	31,731	0	0	0	0	0	0	31,731

(Continued)

Exhibit H-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	
<u>State of Tennessee (Cont.)</u>								
<u>Other State Revenues</u>								
Income Tax	\$ 20,804	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	20,804
Beer Tax	16,778	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	36,197	0	0	0	0	0	0	36,197
Mixed Drink Tax	3,699	0	0	0	0	0	0	3,699
State Revenue Sharing - T.V.A.	135,267	51,044	0	0	2,552	12,761	0	201,624
Contracted Prisoner Boarding	46,702	0	0	0	0	0	0	46,702
Gasoline and Motor Fuel Tax	0	0	0	0	1,698,980	0	0	1,698,980
Petroleum Special Tax	0	0	0	0	24,022	0	0	24,022
Reappraisal Program Reimbursement	13,261	0	0	0	0	0	0	13,261
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380
Other State Grants	1,699	0	12,296	0	0	0	0	13,995
Other State Revenues	124,775	0	0	0	0	0	0	124,775
<b>Total State of Tennessee</b>	<b>\$ 456,293</b>	<b>\$ 61,046</b>	<b>\$ 12,296</b>	<b>\$ 0</b>	<b>\$ 1,844,783</b>	<b>\$ 12,761</b>	<b>\$ 0</b>	<b>\$ 2,387,179</b>
<u>Federal Government</u>								
<u>Federal Through State</u>								
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	300,873	\$ 300,873
Disaster Relief	0	0	0	0	4,141	0	0	4,141
Homeland Security Grants	133,555	0	0	0	0	0	0	133,555
Law Enforcement Grants	113,007	0	0	0	0	0	0	113,007
Other Federal through State	4,836	0	0	0	0	0	137,130	141,966
<u>Direct Federal Revenue</u>								
Other Direct Federal Revenue	1,162	0	0	0	0	0	0	1,162
<b>Total Federal Government</b>	<b>\$ 252,560</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 4,141</b>	<b>\$ 0</b>	<b>\$ 438,003</b>	<b>\$ 694,704</b>
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contracted Services	\$ 28,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 28,144
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 28,144</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 28,144</b>
<b>Total</b>	<b>\$ 4,332,752</b>	<b>\$ 1,115,549</b>	<b>\$ 59,794</b>	<b>\$ 474,053</b>	<b>\$ 2,214,349</b>	<b>\$ 2,530,405</b>	<b>\$ 475,140</b>	<b>\$ 11,202,042</b>

Exhibit H-6

Claiborne County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	27,887	
Audit Services		11,751	
Contributions		40	
Dues and Memberships		1,500	
Travel		166	
Total County Commission			\$ 41,344

Board of Equalization

Board and Committee Members Fees	\$	2,000	
Travel		245	
Total Board of Equalization			2,245

Beer Board

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

Budget and Finance Committee

Board and Committee Members Fees	\$	11,100	
Total Budget and Finance Committee			11,100

County Mayor

County Official/Administrative Officer	\$	70,523	
Assistant(s)		27,205	
Secretary(s)		20,481	
Clerical Personnel		6,475	
Communication		5,280	
Dues and Memberships		1,500	
Operating Lease Payments		3,418	
Maintenance Agreements		2,222	
Travel		2,820	
Premiums on Corporate Surety Bonds		125	
Total County Mayor			140,049

County Attorney

County Official/Administrative Officer	\$	32,621	
Clerical Personnel		4,000	
Dues and Memberships		100	
Travel		400	
Office Equipment		500	
Total County Attorney			37,621

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	46,519	
Clerical Personnel		19,177	
Other Salaries & Wages		8,322	
Election Commission		8,325	
Election Workers		29,553	
In-Service Training		6,875	
Communication		3,910	
Operating Lease Payments		1,547	
Rentals		8,100	
Other Contracted Services		7,424	
Office Supplies		2,321	
Other Equipment		504	
Total Election Commission			\$ 142,577

Register of Deeds

Communication	\$	2,988	
Dues and Memberships		759	
Operating Lease Payments		3,785	
Maintenance & Repair Services- Office Equipment		14,770	
Premiums on Corporate Surety Bonds		102	
Total Register of Deeds			22,404

Development

Contracts with Other Public Agencies	\$	10,389	
Total Development			10,389

Planning

Clerical Personnel	\$	11,640	
Travel		2,037	
Other Contracted Services		17,600	
Other Charges		550	
Total Planning			31,827

County Buildings

Custodial Personnel	\$	17,755	
Maintenance Personnel		16,661	
Other Salaries & Wages		2,600	
Communication		5,821	
Maintenance & Repair Services- Buildings		7,939	
Postal Charges		20,374	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Rentals	\$	11,640	
Other Contracted Services		42,726	
Custodial Supplies		2,010	
Electricity		45,287	
Office Supplies		139	
Utilities		4,811	
Water and Sewer		7,021	
Other Supplies and Materials		3,526	
Other Charges		2,070	
Total County Buildings			\$ 190,380

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Secretary(s)		23,778	
Clerical Personnel		21,959	
Other Salaries & Wages		17,325	
In-Service Training		1,117	
Audit Services		6,500	
Communication		3,082	
Dues and Memberships		1,325	
Travel		1,469	
Other Supplies and Materials		455	
Premiums on Corporate Surety Bonds		100	
Total Property Assessor's Office			129,079

Reappraisal Program

Assistant(s)	\$	25,793	
Laborers		20,474	
In-Service Training		470	
Communication		1,633	
Data Processing Services		4,117	
Operating Lease Payments		1,926	
Travel		1,435	
Total Reappraisal Program			55,848

County Trustee's Office

Communication	\$	3,084	
Data Processing Services		11,350	
Dues and Memberships		894	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Operating Lease Payments	\$	1,311	
Legal Notices, Recording and Court Costs		4,818	
Maintenance Agreements		5,315	
Travel		81	
Office Supplies		214	
Premiums on Corporate Surety Bonds		3,445	
Total County Trustee's Office			\$ 30,512

County Clerk's Office

Communication	\$	8,940	
Dues and Memberships		759	
Operating Lease Payments		3,622	
Maintenance Agreements		8,658	
Premiums on Corporate Surety Bonds		125	
Total County Clerk's Office			22,104

Other Finance

Purchasing Personnel	\$	2,600	
Clerical Personnel		2,200	
Other Contracted Services		780	
Office Supplies		36,285	
Office Equipment		19,224	
Total Other Finance			61,089

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		17,187	
Secretary(s)		25,703	
Clerical Personnel		25,211	
Part-time Personnel		6,856	
Jury and Witness Fees		19,174	
Communication		3,057	
Dues and Memberships		759	
Operating Lease Payments		3,338	
Maintenance Agreements		7,136	
Postal Charges		4,441	
Premiums on Corporate Surety Bonds		125	
Total Circuit Court			164,956

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	76,569	
Secretary(s)		22,712	
Communication		1,832	
Travel		349	
Periodicals		1,129	
Total General Sessions Court			\$ 102,591

Chancery Court

County Official/Administrative Officer	\$	51,969	
Assistant(s)		25,859	
Secretary(s)		27,959	
Clerical Personnel		41,327	
Communication		4,521	
Dues and Memberships		849	
Operating Lease Payments		1,550	
Maintenance Agreements		956	
Travel		127	
Premiums on Corporate Surety Bonds		250	
Total Chancery Court			155,367

District Attorney General

Contributions	\$	13,190	
Total District Attorney General			13,190

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,165	
Assistant(s)		28,459	
Deputy(ies)		634,078	
Investigator(s)		26,317	
Lieutenant(s)		16,857	
Youth Service Officer(s)		7,836	
Salary Supplements		14,005	
Secretary(s)		21,025	
School Resource Officer		105,409	
Overtime Pay		3,527	
Communication		23,055	
Dues and Memberships		3,015	
Operating Lease Payments		1,545	
Maintenance & Repair Services- Equipment		2,181	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Maintenance & Repair Services- Vehicles	\$	40,606	
Travel		4,208	
Tuition		20,907	
Other Contracted Services		26	
Gasoline		86,913	
Law Enforcement Supplies		2,761	
Tires and Tubes		7,029	
Uniforms		9,573	
Other Supplies and Materials		10,354	
Premiums on Corporate Surety Bonds		102	
Communication Equipment		5,544	
Law Enforcement Equipment		1,380	
Motor Vehicles		105,499	
Total Sheriff's Department			\$ 1,249,376

Workhouse

Deputy(ies)	\$	28,830	
Guards		164,217	
Other Salaries & Wages		12,827	
Maintenance & Repair Services- Buildings		1,893	
Medical and Dental Services		14,388	
Other Contracted Services		24,000	
Custodial Supplies		2,976	
Drugs and Medical Supplies		7,976	
Food Supplies		56,907	
Uniforms		1,292	
Other Supplies and Materials		7,866	
Total Workhouse			323,172

Juvenile Services

County Official/Administrative Officer	\$	1,265	
Social Workers		14,277	
Attendants		2,272	
Communication		1,706	
Other Contracted Services		631	
Total Juvenile Services			20,151

Fire Prevention and Control

Contributions	\$	67,000	
Total Fire Prevention and Control			67,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Communication	\$	2,232	
Maintenance & Repair Services- Vehicles		7,881	
Travel		2,669	
Other Contracted Services		11,807	
Other Supplies and Materials		29,634	
Other Charges		<u>8,698</u>	
Total Civil Defense			\$ 62,921

Rescue Squad

Contributions	\$	<u>8,000</u>	
Total Rescue Squad			8,000

Other Emergency Management

Contributions	\$	<u>14,500</u>	
Total Other Emergency Management			14,500

County Coroner/Medical Examiner

Other Per Diem & Fees	\$	<u>38,850</u>	
Total County Coroner/Medical Examiner			38,850

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	14,144	
Custodial Personnel		6,633	
Communication		5,158	
Contracts with Government Agencies		36,055	
Contracts with Private Agencies		868	
Operating Lease Payments		2,475	
Maintenance & Repair Services- Buildings		11,564	
Postal Charges		1,026	
Other Contracted Services		300	
Custodial Supplies		2,220	
Office Supplies		25	
Utilities		2,820	
Office Equipment		<u>1,150</u>	
Total Local Health Center			84,438

Rabies and Animal Control

Contributions	\$	<u>5,000</u>	
Total Rabies and Animal Control			5,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services

Contributions	\$ 80,000	
Total Ambulance/Emergency Medical Services		\$ 80,000

Other Local Health Services

Clerical Personnel	\$ 115,832	
Travel	3,880	
Total Other Local Health Services		119,712

General Welfare Assistance

Contributions	\$ 720	
Total General Welfare Assistance		720

Sanitation Education/Information

Laborers	\$ 20,359	
Clerical Personnel	4,800	
Educational Assistants	9,283	
Communication	491	
Contributions	1,361	
Maintenance & Repair Services- Vehicles	795	
Gasoline	3,460	
Instructional Supplies and Materials	1,965	
Uniforms	336	
Other Charges	599	
Total Sanitation Education/Information		43,449

Social, Cultural and Recreational Services

Adult Activities

Contributions	\$ 10,000	
Total Adult Activities		10,000

Senior Citizens Assistance

Communication	\$ 2,702	
Contracts with Other Public Agencies	6,000	
Contributions	3,750	
Other Contracted Services	480	
Electricity	6,846	
Water and Sewer	459	
Total Senior Citizens Assistance		20,237

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Social, Cultural and Recreational Services (Cont.)

Libraries

Contributions	\$ 60,000	
Total Libraries		\$ 60,000

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$ 3,651	
Contracts with Other Public Agencies	53,586	
Other Charges	2,147	
Office Equipment	394	
Total Agriculture Extension Service		59,778

Forest Service

Contributions	\$ 2,000	
Total Forest Service		2,000

Soil Conservation

Contributions	\$ 20,000	
Total Soil Conservation		20,000

Other Operations

Industrial Development

Contributions	\$ 20,000	
Total Industrial Development		20,000

Other Economic and Community Development

Assistant(s)	\$ 21,521	
Communication	334	
Travel	4,434	
Office Supplies	2,000	
Other Charges	768	
Office Equipment	1,500	
Total Other Economic and Community Development		30,557

Veterans' Services

County Official/Administrative Officer	\$ 8,200	
Assistant(s)	854	
Advertising	181	
Communication	1,931	
Contributions	2,500	
Dues and Memberships	25	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Travel	\$ 590	
Total Veterans' Services		\$ 14,281

Other Charges

Contributions	\$ 39,330	
Dues and Memberships	1,649	
Legal Notices, Recording and Court Costs	2,699	
Liability Insurance	55,545	
Refunds	860	
Trustee's Commission	57,360	
Vehicle and Equipment Insurance	114,345	
Workers' Compensation Insurance	84,927	
Liability Claims	41,176	
Other Charges	<u>3,424</u>	
Total Other Charges		401,315

Employee Benefits

Social Security	\$ 208,142	
State Retirement	64,245	
Unemployment Compensation	<u>12,593</u>	
Total Employee Benefits		<u>284,980</u>

Total General Fund		\$ 4,405,609
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Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Foremen	\$ 31,109
Equipment Operators	53,201
Truck Drivers	39,654
Secretary(s)	22,897
Attendants	189,059
Board and Committee Members Fees	3,675
Social Security	26,533
State Retirement	9,320
Unemployment Compensation	2,147
Communication	9,756
Contracts with Private Agencies	426,147
Engineering Services	869
Evaluation and Testing	8,000

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Operating Lease Payments	\$	11,672	
Maintenance & Repair Services- Vehicles		24,106	
Postal Charges		296	
Permits		1,022	
Other Contracted Services		9,630	
Crushed Stone		3,540	
Diesel Fuel		16,484	
Electricity		4,590	
Fertilizer, Lime and Seed		1,000	
Gasoline		2,621	
Lubricants		1,057	
Office Supplies		2,267	
Tires and Tubes		7,960	
Water and Sewer		343	
Other Supplies and Materials		2,845	
Building and Contents Insurance		6,500	
Liability Insurance		6,290	
Trustee's Commission		18,415	
Vehicle and Equipment Insurance		12,598	
Workers' Compensation Insurance		35,821	
Site Development		16,831	
Other Equipment		32,795	
Total Waste Pickup			\$ 1,041,050

Interest

General Government

Interest on Notes	\$	2,888	
Total General Government			<u>2,888</u>

Total Solid Waste/Sanitation Fund \$ 1,043,938

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	45	
Confidential Drug Enforcement Payments		13,500	
Travel		884	
Tuition		800	
Veterinary Services		852	
Animal Food and Supplies		400	

(Continued)

Exhibit H-6

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Instructional Supplies and Materials	\$	1,814	
Law Enforcement Supplies		160	
Other Supplies and Materials		1,866	
Trustee's Commission		524	
Law Enforcement Equipment		21,716	
Motor Vehicles		30,800	
Total Drug Enforcement			\$ 73,361

Total Drug Control Fund \$ 73,361

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	90,027	
Total Register of Deeds			\$ 90,027

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	140,909	
Total County Trustee's Office			140,909

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	225,442	
Total County Clerk's Office			225,442

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$	33,415	
Total Chancery Court			33,415

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$	113	
Total Sheriff's Department			113

Total Constitutional Officers - Fees Fund 489,906

(Continued)

Exhibit H-6

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	57,165	
Accountants/Bookkeepers		23,518	
Secretary(s)		19,760	
Data Processing Services		4,659	
Dues and Memberships		2,108	
Legal Services		500	
Legal Notices, Recording and Court Costs		1,550	
Postal Charges		296	
Travel		450	
Office Supplies		1,592	
Total Administration			\$ 111,598

Highway and Bridge Maintenance

Laborers	\$	502,014	
Other Contracted Services		20,978	
Asphalt - Hot Mix		104,201	
Concrete		122	
Crushed Stone		250,641	
Fertilizer, Lime and Seed		2,049	
Pipe - Metal		30,225	
Road Signs		4,867	
Wood Products		2,072	
Other Supplies and Materials		4,000	
Total Highway and Bridge Maintenance			921,169

Operation and Maintenance of Equipment

Mechanic(s)	\$	63,835	
Rentals		6,000	
Diesel Fuel		57,517	
Electricity		280	
Equipment and Machinery Parts		102,231	
Garage Supplies		690	
Gasoline		21,062	
Lubricants		4,290	
Tires and Tubes		9,327	
Other Supplies and Materials		947	
Total Operation and Maintenance of Equipment			266,179

Other Charges

Communication	\$	7,759	
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(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Electricity	\$	5,085	
Water and Sewer		716	
Building and Contents Insurance		1,784	
Liability Insurance		35,661	
Premiums on Corporate Surety Bonds		279	
Trustee's Commission		20,729	
Vehicle and Equipment Insurance		49,295	
Total Other Charges			\$ 121,308

Employee Benefits

Social Security	\$	50,921	
State Retirement		16,716	
Medical Insurance		154,722	
Disability Insurance		3,941	
Unemployment Compensation		7,880	
Workers' Compensation Insurance		88,721	
Total Employee Benefits			322,901

Capital Outlay

Highway Construction	\$	2,673	
Highway Equipment		1,500	
Motor Vehicles		8,610	
Office Equipment		50	
Site Development		400	
State Aid Projects		152,961	
Total Capital Outlay			166,194

Total Highway/Public Works Fund \$ 1,909,349

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$	3,756	
Total Other Charges			\$ 3,756

Principal

General Government

Principal on Bonds	\$	250,000	
Principal on Notes		5,103	
Principal on Other Loans Payable		107,567	
Total General Government			362,670

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Principal (Cont.)

Highways and Streets

Principal on Other Loans Payable	\$ 116,878	
Total Highways and Streets		\$ 116,878

Education

Principal on Bonds	\$ 675,000	
Principal on Other Loans Payable	200,000	
Total Education		875,000

Interest

General Government

Interest on Bonds	\$ 129,065	
Interest on Notes	640	
Interest on Other Loans Payable	222,292	
Total General Government		351,997

Highways and Streets

Interest on Other Loans Payable	\$ 19,203	
Total Highways and Streets		19,203

Education

Interest on Bonds	\$ 87,519	
Interest on Other Loans Payable	795,577	
Total Education		883,096

Other Debt Service

General Government

Other Debt Service	\$ 5,304	
Total General Government		5,304

Highways and Streets

Other Debt Service	\$ 3,948	
Total Highways and Streets		3,948

Education

Other Debt Service	\$ 482	
Total Education		482

Total General Debt Service Fund		\$ 2,622,334
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(Continued)

Exhibit H-6

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

<u>General Capital Projects Fund</u>		
<u>Other Debt Service</u>		
<u>General Government</u>		
Other Debt Issuance Charges	\$ 205,630	
Total General Government		\$ 205,630
 <u>Capital Projects</u>		
<u>Administration of Justice Projects</u>		
Architects	\$ 105,546	
Consultants	33,325	
Building Construction	4,581,826	
Land	170,000	
Total Administration of Justice Projects		<u>4,890,697</u>
Total General Capital Projects Fund		\$ 5,096,327
 <u>Community Development/Industrial Park Fund</u>		
<u>Other Operations</u>		
<u>Industrial Development</u>		
Contributions	\$ 37,137	
Total Industrial Development		\$ 37,137
 <u>Capital Projects</u>		
<u>Other General Government Projects</u>		
Other Construction	\$ 438,003	
Total Other General Government Projects		<u>438,003</u>
Total Community Development/Industrial Park Fund		<u>475,140</u>
Total Governmental Funds - Primary Government		<u>\$ 16,115,964</u>

Exhibit H-7

Claiborne County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,344,823
Total Cash Receipts	<u>\$ 1,344,823</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,331,375
Trustee's Commission	13,448
Total Cash Disbursements	<u>\$ 1,344,823</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2004	<u>0</u>
 Cash Balance, June 30, 2005	 <u><u>\$ 0</u></u>

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## STATISTICAL SECTION

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Table 1

Claiborne County, Tennessee  
Uncollected Taxes Filed in Chancery Court  
June 30, 2005

<u>Year</u>	<u>Amount</u>
1995	\$ 10,271
1996	10,417
1997	9,647
1998	6,504
1999	31,024
2000	30,288
2001	72,659
2002	90,473
2003	140,067
2004 (Personal Property Taxes)	<u>24,137</u>
Total	<u>\$ 425,487</u>

Table 2

Claiborne County, Tennessee  
Tax Rates and Assessments  
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.62	\$ 0.62	\$ 0.51	\$ 0.55	\$ 0.65	\$ 0.65	\$ 0.65	\$ 0.53	\$ 0.53	0.53
Solid Waste/Sanitation	0.37	0.37	0.30	0.30	0.24	0.24	0.24	0.20	0.20	0.20
Highway/Public Works	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
General Purpose School	2.05	2.05	1.68	1.68	1.64	1.64	1.64	1.34	1.34	1.34
General Debt Service	0.13	0.13	0.10	0.06	0.06	0.06	0.06	0.05	0.05	0.05
<b>Total Tax Rate</b>	<b>\$ 3.18</b>	<b>\$ 3.18</b>	<b>\$ 2.60</b>	<b>\$ 2.13</b>	<b>\$ 2.13</b>	<b>2.13</b>				
<u>Assessed Valuation</u>										
Real and Personal	\$ 161,469,676	\$ 166,061,780	\$ 209,723,838	\$ 221,501,803	\$ 233,533,447	\$ 247,304,562	\$ 254,538,280	\$ 318,434,412	\$ 328,337,599	\$ 333,665,583
Public Utilities	18,132,787	17,905,471	20,201,503	21,470,115	20,591,083	21,558,069	19,578,012	23,624,414	24,426,492	23,447,385
<b>Total Assessed Valuation</b>	<b>\$ 179,602,463</b>	<b>\$ 183,967,251</b>	<b>\$ 229,925,341</b>	<b>\$ 242,971,918</b>	<b>\$ 254,124,530</b>	<b>\$ 268,862,631</b>	<b>\$ 274,116,292</b>	<b>\$ 342,058,826</b>	<b>\$ 352,764,091</b>	<b>\$ 357,112,968</b>

**ANNUAL FINANCIAL REPORT**  
**CLAIBORNE COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*F. CLIFFORD TUCKER, CPA*  
*Audit Manager*

*LESTER TACKETT, CPA, CGFM*  
*Auditor 4*

*LESLIE LANDRETH*  
*DOUG SANDIDGE, CISA*  
*State Auditors*

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

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**CLAIBORNE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE  
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# ***Audit Highlights***

Annual Financial Report  
Claiborne County School Department  
For the Year Ended June 30, 2005

## ***Scope***

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Claiborne County School Department as of and for the year ended June 30, 2005.

## ***Results***

Our report on the Claiborne County School Department's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in six findings and recommendations, which we have reviewed with Claiborne County School Department's management. Detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **CLAIBORNE COUNTY SCHOOL DEPARTMENT**

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

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### **DIRECTOR OF SCHOOLS**

- ◆ Deficiencies were noted in the administration of the School Federal Projects Fund.
- ◆ Liabilities for unpaid claims were not recorded accurately in the Employee Insurance-Health Fund.
- ◆ The School Department did not document the calculation of compensation for the school bus contracts.

## **DIRECTOR OF SCHOOLS (CONT.)**

- ◆ The General Purpose School and School Federal Projects Funds beginning fund balances and reserves varied materially from the estimated fund balances and reserves presented to the County Commission. Also, expenditures exceeded appropriations at the major category level of control (the legal level of control) in the General Purpose School and School Federal Project Funds.
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## **OTHER FINDING**

- ◆ County officials had not adopted a central system of accounting, budgeting, and purchasing.

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# INTRODUCTORY SECTION

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Claiborne County School Officials  
June 30, 2005

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Official:

Donald Dobbs, Director of Schools

Board of Education:

Bobby Williams, Chairperson  
Bobby Drummonds  
Dr. Roy C. Ellis  
Michelle Huddleston

Sam Owens  
Eddie Shoffner  
Elizabeth Wilmoth

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## FINANCIAL SECTION

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

September 23, 2005

Claiborne County Director of Schools and  
Board of Education  
Claiborne County, Tennessee

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Claiborne County School Department, a component unit of Claiborne County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 30, which collectively comprise a portion of the Claiborne County School Department's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Claiborne County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported

in government-wide financial statements for the School Department's governmental activities are not reasonably determinable.

As described in Note I, the Claiborne County School Department has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county school departments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Claiborne County School Department as of June 30, 2005, or the changes in its financial position or its cash flows, where applicable, for the year then ended.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Claiborne County School Department as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated September 23, 2005, on our consideration of the Claiborne County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., the Claiborne County School Department has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the School Department's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 33 through 38 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Claiborne County School Department's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the printed name and title.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Claiborne County, Tennessee  
Balance Sheet - Governmental Funds  
 Claiborne County School Department  
June 30, 2005

	Major Funds		Nonmajor	Total Govern- mental Funds
	General Purpose School	School Federal Projects	Fund Education Capital Projects	
<u>ASSETS</u>				
Cash	\$ 23,451	\$ 0	\$ 0	\$ 23,451
Equity in Pooled Cash and Investments	2,099,847	0	2,849	2,102,696
Accounts Receivable	14,900	0	0	14,900
Due from Other Governments	1,278,764	842,356	0	2,121,120
Due from Other Funds	107,293	98,250	0	205,543
Property Taxes Receivable	5,151,069	0	0	5,151,069
Allowance for Uncollectible Property Taxes	(286,535)	0	0	(286,535)
<b>Total Assets</b>	<b>\$ 8,388,789</b>	<b>\$ 940,606</b>	<b>\$ 2,849</b>	<b>\$ 9,332,244</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 494,564	\$ 219,403	\$ 0	\$ 713,967
Accrued Payroll	0	16,268	0	16,268
Payroll Deductions Payable	0	25,244	0	25,244
Cash Overdraft	0	11,288	0	11,288
Due to Other Funds	210,772	107,293	0	318,065
Due to State of Tennessee	0	1,053	0	1,053
Deferred Revenue - Current Property Taxes	4,642,712	0	0	4,642,712
Deferred Revenue - Delinquent Property Taxes	198,364	0	0	198,364
Other Deferred Revenues	724,501	385,349	0	1,109,850
<b>Total Liabilities</b>	<b>\$ 6,270,913</b>	<b>\$ 765,898</b>	<b>\$ 0</b>	<b>\$ 7,036,811</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 173,212	\$ 0	\$ 0	\$ 173,212
Reserved for Career Ladder Program	20,684	0	0	20,684
Reserved for Title I Grants to Local Education Agencies	0	197,023	0	197,023
Reserved for Innovative Education Program Strategies	0	12,377	0	12,377
Reserved for Special Education - Grants to States	0	15,421	0	15,421
Other Federal Reserves	0	335,235	0	335,235
Unreserved, Reported In:				
General Fund	1,923,980	0	0	1,923,980
Special Revenue Funds (Deficit)	0	(385,348)	0	(385,348)
Capital Projects Funds	0	0	2,849	2,849
<b>Total Fund Balances</b>	<b>\$ 2,117,876</b>	<b>\$ 174,708</b>	<b>\$ 2,849</b>	<b>\$ 2,295,433</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,388,789</b>	<b>\$ 940,606</b>	<b>\$ 2,849</b>	<b>\$ 9,332,244</b>

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

Exhibit B

Claiborne County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Claiborne County School Department  
For the Year Ended June 30, 2005

	Major Funds		Nonmajor	Total Governmental Funds
	General Purpose School	School Federal Projects	Education Capital Projects	
<u>Revenues</u>				
Local Taxes	\$ 7,091,338	\$ 0	\$ 0	\$ 7,091,338
Licenses and Permits	3,150	0	0	3,150
Charges for Current Services	183,815	0	0	183,815
Other Local Revenues	217,967	0	18,388	236,355
State of Tennessee	20,450,840	15,821	0	20,466,661
Federal Government	2,566,656	5,404,115	0	7,970,771
Other Governments and Citizens Groups	5,132	0	0	5,132
Total Revenues	<u>\$ 30,518,898</u>	<u>\$ 5,419,936</u>	<u>\$ 18,388</u>	<u>\$ 35,957,222</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 18,385,065	\$ 2,752,211	\$ 0	\$ 21,137,276
Support Services	8,240,312	381,035	0	8,621,347
Operation of Non-Instructional Services	2,963,693	1,739,861	0	4,703,554
Capital Outlay	212,871	0	0	212,871
Debt Service:				
Principal	73,876	0	0	73,876
Other Debt Service	1,758,578	0	0	1,758,578
Capital Projects	0	0	300,590	300,590
Total Expenditures	<u>\$ 31,634,395</u>	<u>\$ 4,873,107</u>	<u>\$ 300,590</u>	<u>\$ 36,808,092</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,115,497)</u>	<u>\$ 546,829</u>	<u>\$ (282,202)</u>	<u>\$ (850,870)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 93,859	\$ 0	\$ 93,859
Transfers Out	(93,859)	0	0	(93,859)
Total Other Financing Sources (Uses)	<u>\$ (93,859)</u>	<u>\$ 93,859</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	<u>\$ (1,209,356)</u>	<u>\$ 640,688</u>	<u>\$ (282,202)</u>	<u>\$ (850,870)</u>
Fund Balance, July 1, 2004	<u>3,327,232</u>	<u>(465,980)</u>	<u>285,051</u>	<u>3,146,303</u>
Fund Balance, June 30, 2005	<u>\$ 2,117,876</u>	<u>\$ 174,708</u>	<u>\$ 2,849</u>	<u>\$ 2,295,433</u>

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

Exhibit C-1

Claiborne County, Tennessee  
Statement of Net Assets  
Internal Service Fund  
Claiborne County School Department  
June 30, 2005

	Governmental Activities
	<u>Employee Insurance- Health</u>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 221,451
Due from Other Funds	<u>112,522</u>
Total Assets	<u>\$ 333,973</u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 333,973
Total Liabilities	<u>\$ 333,973</u>
<u>NET ASSETS</u>	
	<u><u>\$ 0</u></u>

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

Exhibit C-2

Claiborne County, Tennessee  
Statement of Revenues, Expenses, and Changes  
in Net Assets  
Internal Service Fund  
Claiborne County School Department  
For the Year Ended June 30, 2005

	Governmental Activities
	Employee Insurance - Health
	<hr/>
<u>Operating Revenues:</u>	
<u>Charges for Current Services:</u>	
Self Insurance Premiums/Contributions	\$ 3,554,606
Total Operating Revenues	<u>\$ 3,554,606</u>
 <u>Operating Expenses:</u>	
Handling Charges and Administrative Costs	\$ 89,748
Life Insurance	11,581
Excess Risk Insurance	297,527
Medical Claims	3,156,330
Total Operating Expenses	<u>\$ 3,555,186</u>
Operating Income (Loss)	<u>\$ (580)</u>
 <u>Nonoperating Revenues (Expenses):</u>	
Investment Income	\$ 580
Total Nonoperating Revenues (Expenses)	<u>\$ 580</u>
 Changes in Net Assets	\$ 0
Net Assets, July 1, 2004	<u>0</u>
 Net Assets, June 30, 2005	<u><u>\$ 0</u></u>

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

Exhibit C-3

Claiborne County, Tennessee  
Statement of Cash Flows  
Internal Service Fund  
Claiborne County School Department  
For the Year Ended June 30, 2005

	Governmental Activities
	Employee Insurance - Health
<u>Cash Flows from Operating Activities</u>	
Receipts for Self-insurance Premiums	\$ 3,500,898
Payments for Life Insurance	(11,581)
Payments for Excess Risk Insurance	(297,527)
Payments for Medical Claims	(3,222,077)
Payments for Administrative Costs	(89,748)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (120,035)</u>
<u>Cash Flows from Investment Activities</u>	
Interest on Investments	\$ 580
Net Cash Provided By (Used In) Investing Activities	<u>\$ 580</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (119,455)
Cash and Cash Equivalents, July 1, 2004	<u>340,906</u>
Cash and Cash Equivalents, June 30, 2005	<u><u>\$ 221,451</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided</u> <u>(Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (580)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Changes in Assets and Liabilities:	
(Increase) Decrease in Due from Other Funds	(53,708)
Increase (Decrease) in Accounts Payable	(65,747)
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (120,035)</u></u>

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

**CLAIBORNE COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2005**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Claiborne County School Department's financial statements are not 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 School Department has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. The School Department has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused the School Department's auditor to issue an adverse opinion on the School Department's financial statements.

Although the School Department's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of the School Department:

**A. Reporting Entity**

The School Department operates the public school system in the county, and the voters of Claiborne County elect its seven-member board. The School Department is a component unit of Claiborne County, the primary government. The School Department is fiscally dependent on Claiborne County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Claiborne County Commission's

approval. The School Department's taxes are levied under the taxing authority of Claiborne County and are included as part of Claiborne County's total tax levy.

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. The School Department reports one proprietary fund, an internal service fund. The School Department has no enterprise or fiduciary funds to report.

Separate financial statements are provided for governmental funds and proprietary 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 internal service fund is 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 School Department 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. The School Department considers grant 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.

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. State-shared excise taxes 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 School Department receives cash.

Proprietary fund financial statements are reported using the economic resources 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. Grants and similar

items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School Department reports the following major governmental funds:

**General Purpose School Fund** - This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

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

Additionally, the School Department reports the following fund types:

**Internal Service Fund** - The Employee Insurance - Health Fund, accounts for transactions pertaining to the School Department's self-insured group medical and life insurance plans. Premiums charged to the operating funds and employee payroll deductions are placed in this fund for the payment of claims of covered employees.

**Capital Projects Fund** - The Education Capital Projects Fund is used to account for debt that is issued by Claiborne County that is subsequently contributed to the School Department for school construction and renovation.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The School Department has the above noted internal service fund used to account for the employees' health insurance program. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the School Department's internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses and employee medical claims.

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

C. **Assets, Liabilities, and Equity**

1. **Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on hand, demand deposits, and cash equivalents. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less.

State statutes authorize counties (Claiborne County, the School Department's primary 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; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The Claiborne County trustee maintains a cash and internal investment pool that is used by all Claiborne County and Claiborne County School Department funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the Education Capital Projects Fund and to the primary government's General Fund and Solid Waste/Sanitation Fund. Claiborne County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

## **2. Receivables and Payables**

Outstanding balances between funds are reported as due to/from other funds.

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.98 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 deferred revenue as of June 30.

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

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

**3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; they report capital outlays as expenditures upon acquisition. The School Department does not maintain capital assets records as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted the School Department does not present government-wide statements.

**4. Compensated Absences**

Vacation benefits for employees of the School Department do not vest or accumulate and must be used within the year or they are lost. Therefore, no accrual is required. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual.

**5. Long-term Obligations**

Only the matured portion (the portion that has come due for payment) of long-term indebtedness is recognized as a liability and expenditure in the governmental fund financial statements.

## **6. Net Assets and Fund Equity**

In the proprietary funds, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

## **II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Fund Deficit**

The School Federal Projects Fund, a major special revenue fund, had a fund deficit of \$385,348 at June 30, 2005. This deficit resulted primarily from the School Department's failure to file requests with the state for reimbursement of grant expenditures in a timely manner. Since the reimbursement requests were not filed timely, the revenue from the state was not received during the department's revenue recognition period and therefore has been treated as deferred revenue rather than current revenue in the financial statements of this report.

### **B. Cash Overdraft**

The School Federal Projects Fund had a cash overdraft of \$11,288 at June 30, 2005. This cash overdraft resulted from issuing warrants that exceeded cash on deposit with the county trustee.

### **C. Expenditures Exceeded Appropriations**

Expenditures and other uses exceeded appropriations in the Transfers Out (\$93,859) major appropriation category of the General Purpose School Fund. This was the result of the recognition of a transfer to the School Federal Projects fund to provide funds to close completed projects. In addition, expenditures exceeded appropriations in the Other Student Support major appropriation category (\$11,988) of the School Federal Projects Fund. Such

overexpenditures are a violation of state law. These overexpenditures were funded by available fund balances.

**D. The Actual Fund Balances and Reserves Varied From the Estimated Beginning Fund Balances and Reserves by Material Amounts**

The actual fund balance and reserves in the General Purpose School Fund was \$3,227,091 at July 1, 2004; however, the estimated fund balance and reserves reflected in the School Department's budget was \$807,647. Therefore, the actual fund balance and reserves was \$2,419,444 more than the estimated fund balance and reserves presented to the County Commission during the budget approval process.

The actual fund balance and reserves in the School Federal Projects Fund was a deficit (\$465,980) at July 1, 2004; however, the estimated fund balance and reserves reflected in the School Department's budget was \$280,591. Therefore, the actual fund balance and reserves was (\$746,571) less than the estimated fund balance and reserves presented to the County Commission during the budget approval process.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits**

Claiborne County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of Claiborne County and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

**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 the 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.

**B. Interfund Receivables and Payables**

The composition of interfund balances as of June 30, 2005, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	School Federal Projects	\$ 107,293
School Federal Projects	General Purpose School	98,250
Employee Insurance - Health	General Purpose School	112,522

Of the amount payable from the School Federal Projects Fund, \$60,000 represents an interfund borrowing further discussed in Note III. D.

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u>
	School Federal Projects Fund
General Purpose School Fund	<u>\$ 93,859</u>
Total	<u><u>\$ 93,859</u></u>

The General Purpose School Fund made a one time transfer to provide supplemental funding to the School Federal Projects Fund to close completed federal programs which were not fully funded by the federal government.

**D. Long-term Debt**

Since the School Department is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but the School Department is not presenting government-wide financial statements.

Other Loans

Other loans outstanding were issued for original terms up to 10 years and are noninterest bearing. Repayment terms are generally structured with equal amounts of principal maturing over the term of the debt. All other loans included in long-term debt as of June 30, 2005, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2005 are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
Other Loans	0 %	\$ 1,206,476	\$ 1,103,871

This debt consists of loans issued for ball field lighting and geothermal systems at two high schools. These loans were issued through Powell Valley Electric Cooperative and are noninterest bearing with no additional fees.

The annual requirements to amortize all other loans outstanding as of June 30, 2005, are presented in the following table:

<u>Loans Payable</u>	
Year Ending June 30	Principal
2006	\$ 155,426
2007	155,427
2008	155,426
2009	155,427
2010	155,426
2011-2013	<u>326,739</u>
Total	<u>\$ 1,103,871</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Other Loans</u>
Balance, July 1, 2004	\$ 1,177,747
Deductions	<u>(73,876)</u>
Balance, June 30, 2005	<u>\$ 1,103,871</u>
Balance Due Within One Year	<u>\$ 155,426</u>

In addition to the debt reflected above, the Claiborne County Primary Government has issued its general obligation debt to provide funding for School Department capital projects. Although that debt is reflected as a liability of the primary government, the School Department makes annual contributions to the primary government's General Debt Service Fund to be applied toward the retirement of that debt. During the year, the School Department contributed \$1,758,578 to the county's General Debt Service Fund to be applied toward school-related debt during the year.

**E. Short-term Debt**

As discussed in the annual financial report for the 2003-2004 year, the School Department issued revenue anticipation notes of \$685,100 in the form of an interfund loan from the General Purpose School Fund, which was not paid back in the fiscal year ended June 30, 2004, as required by state statues. Of these notes, \$60,000 was not retired prior to June 30, 2005, and therefore has been reflected as interfund receivables and payables in the financial statements of this report. These notes were as follows:

<u>Fund</u>	<u>Balance 7-1-04</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6-30-05</u>
School Federal Projects	\$ 685,100	\$ 0	\$ (625,100)	\$ 60,000
Total	<u>\$ 685,100</u>	<u>\$ 0</u>	<u>\$ (625,100)</u>	<u>\$ 60,000</u>

**IV. OTHER INFORMATION**

**A. Risk Management**

The School Department has chosen to establish the Employee Insurance – Health Fund for risks associated with the School Department's self-insured group medical plan. The Employee Insurance – Health Fund is accounted for

as an internal service fund where assets are set aside for claim settlements. The plan is administered by an independent company. The board is self-insured up to a limit of \$50,000 for a claimant in a single year. The School Department has obtained a stop/loss commercial insurance policy to cover claims beyond this liability up to an additional \$950,000 per claimant. Group life and accident insurance premiums paid to a private insurance company are also recorded in this fund.

All full-time certified employees, and certain other employees, of the School Department are eligible to participate. A premium charge is allocated for each covered employee. As of June 30, 2005, there was no reserve for catastrophe losses. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The Employee Insurance – Health Fund establishes claims liabilities based on estimates of claims that have been incurred but not reported. Claims liabilities include specific, incremental claim adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal-year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2003-2004	\$ 358,811	\$ 2,744,785	\$ 2,703,876	\$ 399,720
2004-2005	399,720	3,156,330	3,222,077	333,973

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The School Department pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

**B. Accounting Change**

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk,

including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

**C. Contingent Liabilities**

There are several pending lawsuits in which the School Department is involved. Based on a letter from the School Department's attorney, management believes that any claims resulting from such litigation would not materially affect the School Department's financial statements.

**D. Retirement Commitments**

**Plan Description**

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

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

Since the Claiborne County School Department participates in Claiborne County's plan, retirement information for the Claiborne County School

Department is not available separately from the retirement information provided for the county. Complete disclosure for the county's participation in the TCRS is described in footnote IV. I. of the Annual Financial Report of Claiborne County, Tennessee.

## SCHOOL TEACHERS

### **Plan Description**

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.treasury.state.tn.us](http://www.treasury.state.tn.us). Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Claiborne County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Claiborne County School Department is established and may be amended by

the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$941,481, \$543,466, and \$515,349, respectively, equal to the required contributions for each year.

**E. Other Post-employment Benefits**

In addition to the retirement commitments described above, the School Department provides full post-retirement health care benefits, in accordance with contract provisions, to all employees in the School Department who retire with a minimum of 30 years service to the School Department. Partial post-retirement health care benefits are provided for employees with less than 30 years, but at least 20 years service. Currently, 53 retirees meet these eligibility requirements. The School Department recognizes expenditures for post-employment benefits as premiums are paid by the School Department to the department's self-insurance fund. During the year, expenditures of \$161,103 were recognized for post-employment health care.

**F. Purchasing Law**

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids be solicited through newspaper advertisement on all purchases estimated to exceed \$5,000.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit D-1

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Claiborne County School Department  
General Purpose School Fund  
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,091,338	\$ 0	\$ 0	\$ 7,091,338	\$ 6,939,688	\$ 6,939,688	\$ 151,650
Licenses and Permits	3,150	0	0	3,150	4,605	4,605	(1,455)
Charges for Current Services	183,815	0	0	183,815	1,132,221	159,368	24,447
Other Local Revenues	217,967	0	0	217,967	134,359	190,767	27,200
State of Tennessee	20,450,840	0	0	20,450,840	20,193,851	21,338,658	(887,818)
Federal Government	2,566,656	0	0	2,566,656	1,718,146	3,465,911	(899,255)
Other Governments and Citizens Groups	5,132	0	0	5,132	0	0	5,132
Total Revenues	\$ 30,518,898	\$ 0	\$ 0	\$ 30,518,898	\$ 30,122,870	\$ 32,098,997	\$ (1,580,099)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 13,471,083	\$ 0	\$ 0	\$ 13,471,083	\$ 13,074,221	\$ 13,665,073	\$ 193,990
Alternative Instruction Program	504,928	0	0	504,928	525,236	529,455	24,527
Special Education Program	3,082,291	0	0	3,082,291	2,974,028	3,131,868	49,577
Vocational Education Program	1,206,507	0	0	1,206,507	1,215,944	1,228,600	22,093
Adult Education Program	120,256	0	0	120,256	129,656	129,656	9,400
<u>Support Services</u>							
Attendance	141,516	0	0	141,516	138,857	141,957	441
Health Services	115,271	0	0	115,271	130,976	130,976	15,705
Other Student Support	559,806	0	0	559,806	554,900	583,701	23,895
Regular Instruction Program	820,681	(400)	0	820,281	821,082	849,356	29,075
Special Education Program	288,471	0	0	288,471	280,405	288,605	134
Vocational Education Program	87,450	0	0	87,450	92,255	92,255	4,805
Adult Programs	120,593	0	0	120,593	133,108	133,108	12,515
Board of Education	742,135	0	0	742,135	722,263	767,163	25,028
Director of Schools	238,372	0	0	238,372	243,793	260,177	21,805

(Continued)

Exhibit D-1

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Claiborne County School Department  
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,164,492	\$ 0	\$ 0	\$ 1,164,492	\$ 1,116,658	\$ 1,165,096	\$ 604
Fiscal Services	128,828	0	0	128,828	133,192	133,192	4,364
Operation of Plant	1,765,489	0	0	1,765,489	1,882,068	1,838,692	73,203
Maintenance of Plant	624,588	0	0	624,588	542,832	625,033	445
Transportation	1,409,305	(99,741)	0	1,309,564	1,254,417	1,412,027	102,463
Central and Other	33,315	0	0	33,315	40,589	40,589	7,274
<u>Operation of Non-Instructional Services</u>							
Food Service	1,414,296	0	0	1,414,296	2,116,697	1,440,934	26,638
Community Services	1,549,397	0	173,212	1,722,609	803,770	2,241,685	519,076
<u>Capital Outlay</u>							
Regular Capital Outlay	212,871	0	0	212,871	239,193	239,193	26,322
<u>Principal</u>							
Education	73,876	0	0	73,876	0	73,876	0
<u>Other Debt Service</u>							
Education	1,758,578	0	0	1,758,578	1,683,019	1,764,377	5,799
Total Expenditures	\$ 31,634,395	\$ (100,141)	\$ 173,212	\$ 31,707,466	\$ 30,849,159	\$ 32,906,644	\$ 1,199,178
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (1,115,497)	\$ 100,141	\$ (173,212)	\$ (1,188,568)	\$ (726,289)	\$ (807,647)	\$ (380,921)
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (93,859)	\$ 0	\$ 0	\$ (93,859)	\$ 0	\$ 0	\$ (93,859)
Total Other Financing Sources (Uses)	\$ (93,859)	\$ 0	\$ 0	\$ (93,859)	\$ 0	\$ 0	\$ (93,859)

(Continued)

Exhibit D-1

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Claiborne County School Department  
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (1,209,356)	\$ 100,141	\$ (173,212)	\$ (1,282,427)	\$ (726,289)	\$ (807,647)	\$ (474,780)
Fund Balance, July 1, 2004	3,327,232	(100,141)	0	3,227,091	726,289	807,647	2,419,444
Fund Balance, June 30, 2005	\$ 2,117,876	\$ 0	\$ (173,212)	\$ 1,944,664	\$ 0	\$ 0	\$ 1,944,664

Exhibit D-2

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Claiborne County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
State of Tennessee	\$ 15,821	\$ 0	\$ 0	\$ 15,821
Federal Government	5,404,115	3,514,854	5,449,099	(44,984)
<b>Total Revenues</b>	<b>\$ 5,419,936</b>	<b>\$ 3,514,854</b>	<b>\$ 5,449,099</b>	<b>\$ (29,163)</b>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,614,158	\$ 1,699,430	\$ 1,926,643	\$ 312,485
Special Education Program	1,027,682	1,028,670	1,041,263	13,581
Vocational Education Program	110,371	110,856	110,856	485
<u>Support Services</u>				
Health Services	2,299	3,000	3,000	701
Other Student Support	73,097	61,109	61,109	(11,988)
Regular Instruction Program	254,240	404,270	417,483	163,243
Special Education Program	26,708	26,906	27,872	1,164
Vocational Education Program	24,691	24,780	24,780	89
<u>Operation of Non-Instructional Services</u>				
Community Services	1,739,861	355,858	2,116,684	376,823
<b>Total Expenditures</b>	<b>\$ 4,873,107</b>	<b>\$ 3,714,879</b>	<b>\$ 5,729,690</b>	<b>\$ 856,583</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 546,829	\$ (200,025)	\$ (280,591)	\$ 827,420
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 93,859	\$ 0	\$ 0	\$ 93,859
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 93,859</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 93,859</b>
Net Change in Fund Balance	\$ 640,688	\$ (200,025)	\$ (280,591)	\$ 921,279
Fund Balance, July 1, 2004	(465,980)	200,025	280,591	(746,571)
<b>Fund Balance, June 30, 2005</b>	<b>\$ 174,708</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 174,708</b>

**CLAIBORNE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2005**

**A. BUDGETARY INFORMATION**

Annual budgets are adopted for all governmental funds except for Education Capital Projects. 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 Claiborne 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 State 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 Purpose School Fund major categories: Regular Instruction, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Claiborne County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of the budgetary statements.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Transfers Out (\$93,859) major appropriation category of the General Purpose School Fund. This overexpenditure resulted from the recognition of a transfer to the School Federal Projects fund to provide funds to close completed projects. In addition, expenditures exceeded appropriations in the Other Student Support (\$11,988) major appropriation category of the School Federal Projects Fund. Such overexpenditures are a violation of state law. These overexpenditures were funded by available fund balances.

**C. THE ACTUAL FUND BALANCES AND RESERVES VARIED FROM THE ESTIMATED BEGINNING FUND BALANCES AND RESERVES BY MATERIAL AMOUNTS**

The actual fund balance and reserves in the General Purpose School Fund was \$3,227,091 at July 1, 2004; however, the estimated fund balance and reserves reflected in the School Department's budget was \$807,647. Therefore, the actual fund balance and reserves was \$2,419,444 more than the estimated fund balance

and reserves presented to the County Commission during the budget approval process.

Also, the actual fund balance and reserves in the School Federal Projects Fund was a deficit (\$465,980) at July 1, 2004; however, the estimated fund balance and reserves reflected in the School Department's budget was \$280,591. Therefore, the actual fund balance and reserves was (\$746,571) less than the estimated fund balance and reserves presented to the County Commission during the budget approval process.

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## MISCELLANEOUS SCHEDULES

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Exhibit E-1

Claiborne County, Tennessee  
Schedule of Changes in Long-term Other Loans  
Claiborne County School Department  
For the Year Ended June 30, 2005

Description	Original Amount	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured Period	Outstanding 6-30-05
<u>OTHER LOANS PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Powell Valley Electric Cooperative:							
Ballfield Lighting Project at High Schools	\$ 554,067	0%	7-1-03	11-1-11	\$ 525,338	\$ 73,876	\$ 451,462
HVAC System at Claiborne County High School	450,000	0	12-11-03	12-11-13	450,000	0	450,000
HVAC System at Cumberland Gap High School	202,409	0	12-11-03	12-11-13	202,409	0	202,409
Total Other Loans Payable					<u>\$ 1,177,747</u>	<u>\$ 73,876</u>	<u>\$ 1,103,871</u>

Exhibit E-2

Claiborne County, Tennessee  
Schedule of Transfers - All Funds  
Claiborne County School Department  
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General Purpose School	School Federal Projects Fund	To provide funds for operations	<u>\$ 93,859</u>
			<u><u>\$ 93,859</u></u>

Exhibit E-3

Claiborne County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Official  
Claiborne County School Department  
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 88,480 (1) \$	50,000	Western Surety Company Casualty Fund
School Department Public Employees Dishonesty			150,000	Tennessee School Board Risk Management Trust

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

Exhibit E-4

Claiborne County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Claiborne County School Department  
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,470,043	\$ 0	\$ 0	\$ 4,470,043
Trustee's Collections - Prior Year	231,967	0	0	231,967
Circuit/Clerk & Master Collections - Prior Years	123,102	0	0	123,102
Interest and Penalty	37,626	0	0	37,626
Payments in Lieu of Taxes - T.V.A.	1,243	0	0	1,243
Payments in Lieu of Taxes - Local Utilities	14,673	0	0	14,673
Payments in Lieu of Taxes - Other	3,146	0	0	3,146
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,000,160	0	0	2,000,160
<u>Statutory Local Taxes</u>				
Coal Severance Tax	204,480	0	0	204,480
Interstate Telecommunications Tax	4,898	0	0	4,898
Total Local Taxes	\$ 7,091,338	\$ 0	\$ 0	\$ 7,091,338
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 3,150	\$ 0	\$ 0	\$ 3,150
Total Licenses and Permits	\$ 3,150	\$ 0	\$ 0	\$ 3,150
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 171,088	\$ 0	\$ 0	\$ 171,088
School Based Health Services - FFS	1,463	0	0	1,463
Receipts from Individual Schools	11,264	0	0	11,264
Total Charges for Current Services	\$ 183,815	\$ 0	\$ 0	\$ 183,815
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 9,388	\$ 9,388
Retirees' Insurance Payments	136,671	0	0	136,671
Miscellaneous Refunds	9,631	0	9,000	18,631
<u>Nonrecurring Items</u>				
Insurance Recovery	17,132	0	0	17,132
Sale of Equipment	7,265	0	0	7,265
<u>Other Local Revenues</u>				
Other Local Revenues	47,268	0	0	47,268
Total Other Local Revenues	\$ 217,967	\$ 0	\$ 18,388	\$ 236,355
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 19,140,828	\$ 0	\$ 0	\$ 19,140,828
School Food Service	27,581	0	0	27,581
Driver Education	13,115	0	0	13,115
Other State Education Funds	289,332	15,821	0	305,153
Career Ladder Program	377,697	0	0	377,697
Career Ladder - Extended Contract	135,708	0	0	135,708
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	341,996	0	0	341,996

(Continued)

Exhibit E-4

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

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues (Cont.)</u>				
Other State Grants	\$ 124,583	\$ 0	\$ 0	\$ 124,583
Total State of Tennessee	\$ 20,450,840	\$ 15,821	\$ 0	\$ 20,466,661
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 983,885	\$ 0	\$ 0	\$ 983,885
Breakfast	366,006	0	0	366,006
USDA - Other	26,095	0	0	26,095
Adult Education State Grant Program	131,294	0	0	131,294
Vocational Education - Basic Grants to States	0	137,055	0	137,055
Other Vocational	18,488	0	0	18,488
Title I Grants to Local Education Agencies	0	1,611,941	0	1,611,941
Innovative Education Program Strategies	0	184,600	0	184,600
Special Education - Grants to States	46,697	1,028,336	0	1,075,033
Special Education Preschool Grants	0	39,833	0	39,833
Eisenhower Professional Development State Grants	0	446,172	0	446,172
Other Federal through State	391,815	1,956,178	0	2,347,993
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	602,376	0	0	602,376
Total Federal Government	\$ 2,566,656	\$ 5,404,115	\$ 0	\$ 7,970,771
<u>Other Governments and Citizens Groups</u>				
<u>Other</u>				
Other	\$ 5,132	\$ 0	\$ 0	\$ 5,132
Total Other Governments and Citizens Groups	\$ 5,132	\$ 0	\$ 0	\$ 5,132
Total	\$ 30,518,898	\$ 5,419,936	\$ 18,388	\$ 35,957,222

Exhibit E-5

Claiborne County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Claiborne County School Department  
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,200,920	
Career Ladder Program	210,344	
Career Ladder Extended Contracts	48,500	
Educational Assistants	298,777	
Certified Substitute Teachers	118,541	
Social Security	579,973	
State Retirement	527,474	
Life Insurance	35,258	
Medical Insurance	1,758,056	
Unemployment Compensation	6,081	
Employer Medicare	135,651	
Tuition	6,876	
Other Contracted Services	4,500	
Instructional Supplies and Materials	107,177	
Textbooks	260,178	
Other Supplies and Materials	7,132	
Other Charges	812	
Regular Instruction Equipment	164,833	
Total Regular Instruction Program		\$ 13,471,083

Alternative Instruction Program

Teachers	\$ 343,157	
Career Ladder Program	9,333	
Other Salaries & Wages	15,909	
Social Security	21,911	
State Retirement	19,652	
Life Insurance	1,282	
Medical Insurance	52,612	
Unemployment Compensation	228	
Employer Medicare	5,125	
Instructional Supplies and Materials	800	
Other Supplies and Materials	1,718	
Other Charges	33,201	
Total Alternative Instruction Program		504,928

Special Education Program

Teachers	\$ 1,896,814
Career Ladder Program	30,349
Career Ladder Extended Contracts	4,000

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Homebound Teachers	\$	45,604	
Educational Assistants		68,414	
Other Salaries & Wages		136,875	
Certified Substitute Teachers		19,991	
Social Security		131,517	
State Retirement		117,995	
Life Insurance		8,014	
Medical Insurance		326,829	
Unemployment Compensation		1,317	
Employer Medicare		30,760	
Contracts with Private Agencies		129,360	
Maintenance & Repair Services- Equipment		2,051	
Instructional Supplies and Materials		28,683	
Textbooks		3,990	
Other Supplies and Materials		15,286	
Other Charges		36,945	
Special Education Equipment		47,497	
Total Special Education Program			\$ 3,082,291

Vocational Education Program

Teachers	\$	889,704	
Career Ladder Program		16,083	
Career Ladder Extended Contracts		2,200	
Certified Substitute Teachers		16,640	
Social Security		54,612	
State Retirement		48,303	
Life Insurance		3,332	
Medical Insurance		135,933	
Unemployment Compensation		513	
Employer Medicare		12,770	
Instructional Supplies and Materials		18,016	
Other Supplies and Materials		516	
Other Charges		7,191	
Vocational Instruction Equipment		694	
Total Vocational Education Program			1,206,507

Adult Education Program

Teachers	\$	84,231
Other Salaries & Wages		11,508

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program (Cont.)

Social Security	\$	5,771	
State Retirement		3,439	
Employer Medicare		1,350	
Instructional Supplies and Materials		<u>13,957</u>	
Total Adult Education Program			\$ 120,256

Support Services

Attendance

Supervisor/Director	\$	61,180	
Career Ladder Program		2,000	
Other Salaries & Wages		50,174	
Social Security		6,931	
State Retirement		6,234	
Life Insurance		285	
Medical Insurance		11,163	
Unemployment Compensation		36	
Employer Medicare		1,621	
Travel		<u>1,892</u>	
Total Attendance			141,516

Health Services

Medical Personnel	\$	33,324	
Social Security		2,031	
State Retirement		1,833	
Life Insurance		142	
Medical Insurance		8,838	
Unemployment Compensation		36	
Employer Medicare		475	
Other Contracted Services		<u>68,592</u>	
Total Health Services			115,271

Other Student Support

Career Ladder Program	\$	12,000	
Guidance Personnel		408,868	
Career Ladder Extended Contracts		8,000	
Social Security		25,668	
State Retirement		23,427	
Life Insurance		1,493	
Medical Insurance		64,365	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Unemployment Compensation	\$	232	
Employer Medicare		6,003	
Evaluation and Testing		8,930	
Travel		195	
Other Supplies and Materials		625	
Total Other Student Support			\$ 559,806

Regular Instruction Program

Supervisor/Director	\$	176,824	
Career Ladder Program		16,416	
Career Ladder Extended Contracts		8,000	
Librarians		376,607	
Other Salaries & Wages		19,695	
Social Security		34,282	
State Retirement		31,114	
Life Insurance		1,722	
Medical Insurance		78,422	
Unemployment Compensation		258	
Employer Medicare		8,017	
Travel		4,800	
Other Contracted Services		400	
Library Books/Media		57,459	
Other Supplies and Materials		2,837	
In Service/Staff Development		2,828	
Other Charges		1,000	
Total Regular Instruction Program			820,681

Special Education Program

Supervisor/Director	\$	61,166	
Career Ladder Program		2,083	
Psychological Personnel		85,148	
Secretary(s)		18,901	
Other Salaries & Wages		37,388	
Social Security		12,045	
State Retirement		9,837	
Life Insurance		432	
Medical Insurance		14,700	
Unemployment Compensation		120	
Employer Medicare		2,817	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Maintenance & Repair Services- Equipment	\$	2,616	
Travel		31,057	
Other Contracted Services		1,159	
In Service/Staff Development		3,415	
Other Charges		5,587	
Total Special Education Program			\$ 288,471

Vocational Education Program

Supervisor/Director	\$	55,387	
Career Ladder Program		917	
Clerical Personnel		15,192	
Social Security		4,208	
State Retirement		3,554	
Life Insurance		132	
Medical Insurance		5,062	
Unemployment Compensation		36	
Employer Medicare		984	
Other Charges		1,273	
Other Equipment		705	
Total Vocational Education Program			87,450

Adult Programs

Supervisor/Director	\$	60,880	
Clerical Personnel		1,376	
Other Salaries & Wages		42,600	
Social Security		6,723	
Employer Medicare		1,572	
Travel		6,439	
In Service/Staff Development		1,003	
Total Adult Programs			120,593

Board of Education

Board and Committee Members Fees	\$	9,850	
Social Security		702	
State Retirement		955	
Life Insurance		992	
Medical Insurance		34,559	
Unemployment Compensation		23	
Employer Medicare		164	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Audit Services	\$	9,400	
Dues and Memberships		9,350	
Legal Services		5,462	
Travel		3,098	
Other Contracted Services		1,900	
Liability Insurance		24,460	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		187,170	
Workers' Compensation Insurance		155,434	
Other Charges		298,266	
Total Board of Education			\$ 742,135

Director of Schools

County Official/Administrative Officer	\$	88,480	
Secretary(s)		4,921	
Other Salaries & Wages		46,035	
Social Security		8,165	
State Retirement		7,418	
Life Insurance		279	
Medical Insurance		11,408	
Unemployment Compensation		41	
Employer Medicare		1,910	
Communication		43,778	
Dues and Memberships		1,914	
Postal Charges		3,072	
Travel		1,828	
Other Contracted Services		9,940	
Office Supplies		1,568	
Other Charges		7,615	
Total Director of Schools			238,372

Office of the Principal

Principals	\$	671,970	
Career Ladder Program		22,916	
Career Ladder Extended Contracts		52,000	
Assistant Principals		226,093	
Social Security		58,856	
State Retirement		53,393	
Life Insurance		2,276	

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Medical Insurance	\$	62,934	
Unemployment Compensation		288	
Employer Medicare		13,766	
Total Office of the Principal			\$ 1,164,492

Fiscal Services

Supervisor/Director	\$	59,980	
Accountants/Bookkeepers		42,015	
Social Security		5,499	
State Retirement		4,564	
Life Insurance		142	
Medical Insurance		6,008	
Unemployment Compensation		53	
Employer Medicare		1,286	
Data Processing Services		1,359	
Travel		1,488	
Other Contracted Services		3,700	
Data Processing Supplies		1,996	
Office Supplies		458	
Administration Equipment		280	
Total Fiscal Services			128,828

Operation of Plant

Secretary(s)	\$	10,759	
Custodial Personnel		346,766	
Other Salaries & Wages		18,978	
Social Security		23,282	
State Retirement		10,368	
Unemployment Compensation		749	
Employer Medicare		5,445	
Maintenance & Repair Services- Equipment		50	
Disposal Fees		66,579	
Other Contracted Services		12,533	
Custodial Supplies		89,449	
Electricity		931,120	
Fuel Oil		39,374	
Natural Gas		50,059	
Water and Sewer		93,741	
Building and Contents Insurance		66,237	
Total Operation of Plant			1,765,489

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant

Supervisor/Director	\$	21,893	
Other Salaries & Wages		326,105	
Social Security		21,225	
State Retirement		11,330	
Life Insurance		109	
Medical Insurance		4,667	
Unemployment Compensation		392	
Employer Medicare		4,964	
Maintenance & Repair Services- Buildings		102,369	
Maintenance & Repair Services- Equipment		125,176	
Other Charges		6,358	
Total Maintenance of Plant			\$ 624,588

Transportation

Supervisor/Director	\$	30,000	
Mechanic(s)		47,134	
Bus Drivers		367,138	
Other Salaries & Wages		21,996	
Social Security		30,002	
State Retirement		14,119	
Unemployment Compensation		647	
Employer Medicare		7,017	
Contracts with Vehicle Owners		533,540	
Other Contracted Services		1,924	
Garage Supplies		1,280	
Gasoline		99,535	
Tires and Tubes		11,876	
Vehicle Parts		29,490	
Other Supplies and Materials		30	
Vehicle and Equipment Insurance		13,917	
Other Charges		3,309	
Transportation Equipment		196,351	
Total Transportation			1,409,305

Central and Other

Other Contracted Services	\$	17,149	
Data Processing Equipment		16,166	
Total Central and Other			33,315

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	20,578	
Other Salaries & Wages		11,225	
Social Security		1,201	
State Retirement		1,958	
Unemployment Compensation		100	
Employer Medicare		281	
Payments to Schools - Breakfast		366,006	
Payments to Schools - Lunch		983,885	
Payments to Schools - Other		26,095	
Travel		2,031	
Other Contracted Services		458	
Other Supplies and Materials		478	
Total Food Service			\$ 1,414,296

Community Services

Supervisor/Director	\$	48,758	
Other Salaries & Wages		621,074	
Social Security		40,663	
State Retirement		25,332	
Life Insurance		1,352	
Medical Insurance		39,399	
Unemployment Compensation		812	
Employer Medicare		9,510	
Travel		38,739	
Other Contracted Services		11,792	
Other Supplies and Materials		173,267	
Other Charges		170,628	
Other Equipment		368,071	
Total Community Services			1,549,397

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	154,282	
Site Development		31,982	
Other Capital Outlay		26,607	
Total Regular Capital Outlay			212,871

(Continued)

Exhibit E-5

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

General Purpose School Fund (Cont.)

Principal

Education

Principal on Other Loans Payable	\$ 73,876	
Total Education		\$ 73,876

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,758,578	
Total Education		<u>1,758,578</u>

Total General Purpose School Fund		\$ 31,634,395
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 811,060	
Educational Assistants	336,744	
Certified Substitute Teachers	15,868	
Social Security	68,757	
State Retirement	47,504	
Life Insurance	3,374	
Medical Insurance	81,257	
Unemployment Compensation	993	
Employer Medicare	16,050	
Other Contracted Services	4,859	
Instructional Supplies and Materials	26,942	
In Service/Staff Development	33,056	
Other Charges	27,221	
Regular Instruction Equipment	<u>140,473</u>	
Total Regular Instruction Program		\$ 1,614,158

Special Education Program

Educational Assistants	\$ 595,756	
Social Security	39,868	
State Retirement	7,473	
Unemployment Compensation	1,654	
Employer Medicare	9,325	
Other Fringe Benefits	71	
Contracts with Private Agencies	325,614	
Instructional Supplies and Materials	36,371	
Other Charges	<u>11,550</u>	
Total Special Education Program		1,027,682

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Other Contracted Services	\$	8,256	
Instructional Supplies and Materials		37,000	
Other Charges		14,450	
Vocational Instruction Equipment		<u>50,665</u>	
Total Vocational Education Program			\$ 110,371

Support Services

Health Services

Other Contracted Services	\$	1,499	
Drugs and Medical Supplies		<u>800</u>	
Total Health Services			2,299

Other Student Support

Other Salaries & Wages	\$	59,862	
Social Security		3,456	
State Retirement		3,055	
Life Insurance		156	
Medical Insurance		4,024	
Unemployment Compensation		38	
Employer Medicare		808	
Other Supplies and Materials		198	
Other Charges		<u>1,500</u>	
Total Other Student Support			73,097

Regular Instruction Program

Supervisor/Director	\$	118,993	
Clerical Personnel		17,347	
In-Service Training		15,004	
Social Security		8,409	
State Retirement		4,036	
Life Insurance		280	
Medical Insurance		7,039	
Unemployment Compensation		36	
Employer Medicare		1,968	
Travel		10,819	
Other Supplies and Materials		12,553	
In Service/Staff Development		55,849	
Other Charges		<u>1,907</u>	
Total Regular Instruction Program			254,240

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	15,366	
Social Security		875	
State Retirement		772	
Life Insurance		130	
Medical Insurance		2,260	
Unemployment Compensation		49	
Employer Medicare		205	
Other Fringe Benefits		114	
Travel		1,527	
Other Contracted Services		100	
Other Supplies and Materials		1,564	
In Service/Staff Development		500	
Other Charges		3,246	
Total Special Education Program			\$ 26,708

Vocational Education Program

Other Salaries & Wages	\$	3,000	
Social Security		180	
State Retirement		90	
Unemployment Compensation		30	
Travel		19,000	
In Service/Staff Development		1,000	
Other Charges		480	
Other Equipment		911	
Total Vocational Education Program			24,691

Operation of Non-Instructional Services

Community Services

Teachers	\$	19,198	
Other Salaries & Wages		666,310	
Certified Substitute Teachers		2,928	
Social Security		31,631	
State Retirement		17,941	
Medical Insurance		39	
Unemployment Compensation		194	
Employer Medicare		9,806	
Other Fringe Benefits		4,788	
Travel		55,416	
Other Contracted Services		80,368	

(Continued)

Exhibit E-5

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

School Federal Projects Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Instructional Supplies and Materials	\$	54,386	
Other Supplies and Materials		536,895	
In Service/Staff Development		7,886	
Other Charges		83,393	
Regular Instruction Equipment		81,665	
Other Equipment		87,017	
Total Community Services			\$ 1,739,861

Total School Federal Projects Fund \$ 4,873,107

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Construction	\$	225,557	
Building Improvements		153	
Site Development		68,427	
Other Capital Outlay		6,453	
Total Education Capital Projects			\$ 300,590

Total Education Capital Projects Fund 300,590

Total Governmental Funds - Claiborne County School Department \$ 36,808,092

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**SINGLE AUDIT SECTION**

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**SINGLE AUDIT REPORT**  
**CLAIBORNE COUNTY, TENNESSEE**  
**AND**  
**CLAIBORNE COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2005**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
*RICHARD V. NORMENT*  
*Assistant to the Comptroller*

*ARTHUR L. ALEXANDER*  
*Director*

*F. CLIFFORD TUCKER, CPA*  
*Audit Manager*

*LESTER TACKETT, CPA, CGFM*  
*Auditor 4*

*PHILIP TOBY*  
*LESLIE LANDRETH*  
*DOUG SANDIDGE, CISA*  
*State Auditors*

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

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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

September 23, 2005

Claiborne County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Claiborne County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education

We have audited the financial statements of each major fund and the aggregate remaining fund information of Claiborne County, Tennessee, and the Claiborne County School Department, as of and for the year ended June 30, 2005, which collectively comprise a portion of Claiborne County's and Claiborne County School Department's basic financial statements and have issued our reports thereon dated September 23, 2005. Our reports on the financial statements of Claiborne County, Tennessee, and the Claiborne County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Claiborne County's and the Claiborne County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting

and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Claiborne County's and the Claiborne County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05.02, 05.03, 05.04, 05.05, 05.06(C,D), 05.07, 05.08(A,B,C,D,E), 05.09, 05.10(A,B,C,D), 05.11, 05.12, 05.13(A,B), 05.14, and 05.15.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 05.06(C), 05.10(A,B,C,D), 05.11, and 05.13(A,B) to be material weaknesses.

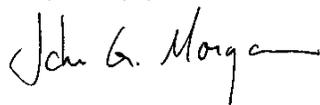
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne County's and the Claiborne County School Department's statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 05.01, 05.06(A,B), 05.08(F), 05.10(E), and 05.13(C).

We also noted certain matters that we reported to the management of Claiborne County and the Claiborne County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
PHONE (615) 401-7841

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

September 23, 2005

Claiborne County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education  
Claiborne County, Tennessee

To the County Mayor, Board of County Commissioners,  
Director of Schools, and Board of Education

Compliance

We have audited the compliance of Claiborne County and the Claiborne County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Claiborne County and the Claiborne County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Claiborne County's and the Claiborne County School Department's management. Our responsibility is to express opinions on Claiborne County's and the Claiborne County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing 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 Claiborne County's and the Claiborne County School

Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Claiborne County's and the Claiborne County School Department's compliance with those requirements.

In our opinion, Claiborne County and the Claiborne County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of Claiborne County and the Claiborne County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Claiborne County's and the Claiborne County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Claiborne County, Tennessee, and the Claiborne County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated September 23, 2005. Our reports on the financial statements of Claiborne County, Tennessee, and the Claiborne County School Department express adverse opinions because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/rd

Claiborne County, Tennessee, and the Claiborne County School Department  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Fiscal Year Ended June 30, 2005

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Programs:			
Distance Learning and Telemedicine Loans & Grants	10.855	N/A	\$ 254,760
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	140,835
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	366,006
National School Lunch Program	10.555	(2)	983,885
Summer Food Service Program for Children	10.559	(2)	26,095
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	32,277
Total U.S. Department of Agriculture			<u>\$ 1,803,858</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/States Program	14.228	GG-03-10412-00	\$ 300,873
HOME Investment Partnerships Program	14.239	HM-0345	137,130
Total U.S. Department of Housing and Urban Development			<u>\$ 438,003</u>
U.S. Department of Justice:			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,836
Public Safety Partnership and Community Policing Grants	16.710	N/A	113,007
Total U.S. Department of Justice			<u>\$ 117,843</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 120,000
Total U.S. Department of Labor			<u>\$ 120,000</u>
National Science Foundation:			
Passed through Appalachian Collaborative Center for Learning, Assessment and Instruction in Mathematics:			
Education and Human Resources	47.076	(2)	\$ 6,167
Total National Science Foundation			<u>\$ 6,167</u>
Federal Emergency Management Agency:			
Passed-through State Department of Military:			
Emergency Management - State and Local Assistance	83.534	Z-02-010473-00	\$ 4,141
Total Federal Emergency Management Agency			<u>\$ 4,141</u>

(Continued)

Claiborne County, Tennessee, and the Claiborne County School Department  
Schedule of Expenditures of Federal Awards and State Grants (Cont.) (1)

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Direct Programs:			
Early Reading First	84.359	N/A	\$ 586,300
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-04-025611-01	131,294 (3)
Adult Education - State Grant Program	84.002	Z-05-22206-00	4,123 (3)
Title I Grants to Local Educational Agencies	84.010	N/A	1,509,863
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,062,933
Special Education - Preschool Grants	84.173	N/A	37,628
Vocational Education - Basic Grants to States	84.048	N/A	153,550
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	35,515
Even Start - State Educational Agencies	84.213	Z-05-020457-00	119,831
21st Century Community Learning Centers	84.287	Z-05-0201716-00	464,373
State Grants for Innovative Programs	84.298	N/A	20,389
Education Technology State Grants	84.318	(2)	42,457 (4)
Education Technology State Grants	84.318	Z-03-015001-00	50,656 (4)
Comprehensive School Reform Demonstration	84.332	Z-04-018585-00	190,269
Reading Excellence	84.338	(6)	205,261
Reading First State Grants	84.357	GG-04-11036-00	631,937
Rural Education	84.358	N/A	141,842
Improving Teacher Quality State Grants	84.367	N/A	281,940
Total U.S. Department of Education			<u>\$ 5,670,161</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
Job Opportunities and Basic Skills Training	93.561	Z-05-022299-00	\$ 50,028
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-020799-00	74,881
Total U.S. Department of Health and Human Services			<u>\$ 124,909</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-03-019263-00	\$ 8,432 (5)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020079-00	85,282 (5)
State Domestic Preparedness Equipment Support Program	97.004	Z-03-017734-00	39,841 (5)
Total U.S. Department of Homeland Security			<u>\$ 133,555</u>
Total Expenditures of Federal Awards			<u>\$ 8,418,637</u>

(Continued)

Claiborne County, Tennessee, and the Claiborne County School Department  
Schedule of Expenditures of Federal Awards and State Grants (Cont.) (1)

<u>Federal/Pass-Through Agency/State Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>
<u>State Grants</u>			
Early Childhood Education - State Department of Education	N/A	N/A	\$ 132,656
Family Resource Centers - State Department of Education	N/A	N/A	10,153
Families First - State Department of Education	N/A	N/A	22,224
Adult Basic Education - State Department of Education	N/A	N/A	34,900
Juvenile Services Program - Tennessee Children's Services Commission	N/A	N/A	9,000
Litter Grant - State Department of Transportation	N/A	N/A	31,731
Waste Tire Grant - State Department of Transportation	N/A	N/A	10,002
Archive Grant - State Archives	N/A	N/A	1,699
Reappraisal Grant - State Comptroller of the Treasury	N/A	N/A	<u>13,261</u>
Total State Grants			<u>\$ 265,626</u>

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. 84.002 Adult Basic Education Program, is \$135,417.

(4) - Total for CFDA No. 84.318, Education Technology State Grants, is \$93,113.

(5) - Total for CFDA No. 97.004 State Domestic Preparedness Equipment Support Program, is \$133,555.

(6) - Pass-through numbers Z-03-011034-00/, Z-03-011035-00/, Z-03-011036-00/, Z-03-011037-00/,  
Z-03-013083-00, and Z-03-013084-00.

Claiborne County and the Claiborne County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2005

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 Claiborne County, Tennessee, and the Claiborne County School Department for the year ended June 30, 2004, which have not been corrected.

**CLAIBORNE COUNTY AND CLAIBORNE COUNTY SCHOOL DEPARTMENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	15	Cash on deposit with the trustee was not reconciled with the General Fund

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.03	15	Deficiencies were noted in the administration of the School Federal Projects Fund
04.04	16	The operations of the employee insurance program had deficiencies
04.05	17	The School Department did not document how compensation included in school bus contracts was determined

## OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.06	18	A central system of accounting, budgeting, and purchasing had not been adopted
04.07	18	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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**CLAIBORNE COUNTY, TENNESSEE, AND THE  
CLAIBORNE COUNTY SCHOOL DEPARTMENT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2005**

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

1. Adverse opinions were issued on the financial statements of Claiborne County and the Claiborne County School Department.
2. The audit of the financial statements of Claiborne County and the Claiborne County School Department disclosed reportable conditions in internal control. Of these conditions, one was considered to be material weaknesses for Claiborne County, and three were considered to be material weaknesses for the Claiborne County School Department.
3. The audit disclosed one instance of noncompliance that is material to the financial statements of both Claiborne County and the Claiborne County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program, the National School Lunch Program, and the Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Community Development Block Grants/States Program (CFDA 14.228); Title I Grants to Local Educational Agencies (CFDA No. 84.010); the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173); Reading First State Grant (CFDA No. 84.357); and Early Reading First (CFDA No. 84.359) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Claiborne County and the Claiborne County School Department did not qualify as low-risk auditees.

## 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. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### CLAIBORNE COUNTY AND CLAIBORNE COUNTY SCHOOL DEPARTMENT

FINDING 05.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**  
(Material Noncompliance Under Government Auditing Standards)

Claiborne County and the Claiborne County School Department did not identify and determine the historical value of their capital assets and the related depreciation amounts of these assets. Therefore, Claiborne County and the Claiborne County School Department were unable to provide the information necessary to prepare government-wide financial statements for all of their activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Claiborne County’s and the Claiborne County School Department’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued adverse opinions on their financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Claiborne County’s and the Claiborne County School Department’s financial statements are presented in compliance with these requirements.

### RECOMMENDATION

Claiborne County and the Claiborne County School Department should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for their capital assets. These records should document the historical costs of their capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

**OFFICE OF COUNTY MAYOR**

**FINDING 05.02      CASH ON DEPOSIT WITH THE TRUSTEE WAS NOT ACCURATELY RECONCILED WITH THE GENERAL AND THE GENERAL CAPITAL PROJECTS FUNDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The general ledgers' cash with trustee accounts for the General and General Capital Projects Funds were not accurately reconciled with the county trustee's report monthly. The following deficiencies were noted as a result of our review:

- A.     The General Fund's reconciliation of the general ledger's cash with trustee account with the county trustee's report failed to reconcile by approximately \$38,000 at June 30, 2005. Our review of the listing of outstanding warrants discovered that approximately \$24,500 of voided payroll warrants from December 2004 were included in the outstanding warrant listing. Removing these voided warrants from the outstanding listing reduced the unidentified balance to approximately \$13,500.
  
- B.     The General Capital Projects Fund's listing of outstanding warrants at June 30, 2005, erroneously included approximately \$81,300 of warrants that had been paid by the county trustee in June 2005.

The failure to accurately reconcile each fund's general ledger's cash with trustee account with the trustee's monthly report is an internal control weakness which could result in posting errors not being discovered and corrected in a timely manner.

**RECOMMENDATION**

The office should accurately reconcile the general ledgers' cash balances of the various funds with the trustee's cash balances monthly, and any posting errors discovered should be corrected promptly. Listings of month-end outstanding warrants should be accurately compiled.

---

**FINDING 05.03      THE COUNTY MAYOR MADE PAYMENTS FOR PERSONAL ADVERTISEMENTS WITH COUNTY FUNDS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

On June 20, 2005, the Claiborne County Commission instructed the county mayor to reimburse Claiborne County a total of \$1,170 for disbursements made to various organizations for advertisements that the County Commission determined to be of a personal nature. On October 11, 2005, the county mayor reimbursed the county for these disbursements.

RECOMMENDATION

The county mayor should ensure that all disbursements of county funds are authorized expenses for the benefit of the Claiborne County.

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FINDING 05.04      **DEFICIENCIES EXISTED WITH PAYMENTS MADE TO THE AMERICANS WITH DISABILITIES ACT (ADA) COORDINATOR**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our review of payments made to the ADA coordinator revealed the following deficiencies:

- A.      Salary paid to the ADA coordinator was coded to three different salary accounts and one contracted services account. The portion charged to the contracted services account was not channeled through the county’s payroll system but was paid using vendor warrants; therefore, applicable payroll taxes were not reported and paid. Furthermore, time records were not on file to support the hours worked by the ADA coordinator.
  
- B.      The gross salary paid to the ADA coordinator exceeded the compensation specified in a one paragraph salary agreement dated December 31, 2004, that the county mayor originally presented to auditors. The county mayor subsequently presented auditors with a second agreement also dated December 31, 2004, which specified amounts of compensation different from the first agreement. Neither of these salary agreements was approved by the County Commission. In June 2005, the County Commission abolished the position of ADA coordinator.

RECOMMENDATION

Employees’ compensation should be charged to the appropriate salary account processed through the county’s payroll system. Time records should be maintained on all employees, signed by the employee, and approved by the employee’s supervisor. All salaries should be approved by County Commission and paid through the county’s budgetary process.

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FINDING 05.05      **OTHER DEFICIENCIES EXISTED WITH PAYMENTS MADE TO INDIVIDUALS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination noted the following other deficiencies with payments made to individuals:

- A. Monthly payments of \$65 were made to an individual purportedly for assistance in distributing supplies to various offices. This same individual also received six payments totaling \$3,600 between March and June 2005 for assistance in maintaining the courthouse. No records were maintained to document the type of work performed or the hours worked by this individual.
- B. Beginning September 2004, an individual was paid \$1,000 per month by vendor warrant purportedly to oversee certain occupational safety and health concerns. Timesheets filed to support these payments reflected from 51 to 278 hours worked per month, while the compensation paid remained constant at \$1,000 per month. There was no formal agreement regarding the compensation or work to be performed, and the county had not filed Form 1099 with the Internal Revenue Service to report these payments.
- C. Two individuals, including the one discussed in item (B) above, each received payments by vendor warrants in the amount of \$960 which were charged to a travel expense account. Documentation filed to support these payments indicated that the payments were for hourly compensation for attending training sessions, rather than reimbursements for travel expenses.
- D. Other individuals' salaries were charged to multiple expenditure accounts without any documentation to support the allocation between the accounts. These individuals included employees of the County Mayor's Office and a cook at the jail.
- E. When the clerk and master retired during the year, an error by the County Mayor's Office resulted in the official being overpaid by \$1,872. The former clerk and master reimbursed the county when auditors brought this to his attention.

### RECOMMENDATION

Adequate payroll records should be maintained to document payroll paid to all employees, and contracts should be maintained for payments made for contracted services. Those contracts should specify the work to be performed and the basis for all compensation. Also, Form 1099 should be filed in compliance with Internal Revenue Service regulations for applicable non-employee compensation. Payments to individuals should be charged to the account that most appropriately reflects the true nature of the expenditures. The office should take care to accurately calculate and process payrolls.

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FINDING 05.06

**THE OFFICE HAD DEFICIENCIES IN BUDGET OPERATIONS**  
(A. and B. Noncompliance Under Government Auditing Standards;  
C. Internal Control – Material Weakness Under Government Auditing Standards); D. Internal Control – Reportable Condition Under Government Auditing Standards)

Our review revealed the following deficiencies in budgetary operations of the various funds:

- A. General Fund total expenditures exceeded total appropriations approved by the County Commission by \$42,109. Also, General Fund expenditures exceeded appropriations in 16 of 45 major appropriation categories (the legal level of control) by amounts ranging from \$20 to \$32,850. A review of these major categories revealed that several expenditures had materially exceeded appropriations as early as November 2004. Management did not attempt to adjust spending or solicit budget amendments from the County Commission. Additionally, as of June 30, 2005, a local vendor had not been paid for office supplies and other items purchased between March and June 2005; therefore, the county has reflected a current liability of \$13,623 for these items in the General Fund. The County Commission denied a budget amendment requested by the county mayor for these purchases; therefore, this liability was a contributing factor in expenditures exceeding appropriations in certain major categories.
- B. General Debt Service Fund total expenditures exceeded total appropriations approved by the County Commission by \$96,156. This primarily resulted from failure to solicit budget amendments for the required variable rate interest payments on the public building authority loan issued during the period for the construction of the jail.
- Section 5-9-401, Tennessee Code Annotated, states that “All funds ... including, but not limited to, taxes, county aid funds, federal funds and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”
- C. The following funds actual fund balances at July 1, 2004, varied from the estimated fund balances presented to the County Commission during the budget process by material amounts:

Fund	Actual Fund Balance	Estimated Fund Balance	Variance
General	\$ 527,826	\$ 808,326	\$ (280,500)
Solid Waste/Sanitation	(41,923)	112,338	(154,261)
General Debt Service	1,191,860	869,717	322,143

- D. The county's 2005 budget had several deficiencies. Estimated transfers from other funds (General Debt Service Fund \$250,540) did not balance with estimated transfers to other funds (Solid Waste/Sanitation Fund \$38,000 plus the Highway/Public Works Fund \$144,000) in the county's budget. Also, wheel-tax revenues were significantly overestimated.

**RECOMMENDATION**

Expenditures should be held within appropriations approved by the County Commission. Estimates of beginning fund balances, fund transfers, and revenues should be made on a more realistic basis to provide county officials with accurate information to base funding decisions.

**FINDING 05.07      DEFICIENCIES WERE NOTED IN PROCEDURES AND CONTROLS RELATING TO CONTRACTS**  
 (Internal Control – Reportable Condition Under Government Auditing Standards)

Our review disclosed the following deficiencies in contracts and documentation for the work:

- A. On April 14, 2005, the office prepaid \$3,000 on a \$4,000 contract for general maintenance and repairs for courthouse plumbing. The contract consisted of a two paragraph document that did not address pertinent issues such as rates, when work was expected to be completed, type of documents that were to be provided, when documentation was expected to be filed, and who was to authorize/approve the work. An additional warrant totaling \$685 was issued to the vendor on June 30, 2005. Subsequent to June 30, 2005, a third warrant totaling \$315 was issued that was supported by a one-page summary of tasks performed by date.
- B. On June 6, 2005, the same vendor noted above was awarded the bid (\$29,129) for certain Americans with Disabilities Act (ADA) renovations to the public restrooms in the courthouse. The County Mayor's Office did not have a contract on file to support the bid award. The county mayor advised auditors that the vendor was paid \$10,452 prior to June 30 to provide cash flow so the

vendor could obtain the parts needed to bring the restrooms into ADA compliance, and he also advised that the advance payment was discussed with the County Commission. However, as of the date of our report, the vendor has not submitted any documentation of the parts purchased or of the work started and completed. It should be noted that one restroom has been closed for renovation but there was no evidence of any work being performed.

## RECOMMENDATION

The office should not pay for goods and/or services that have not been received. Payments should be made only for documented work performed and supplies purchased. Formal contracts should be obtained to fully document the responsibilities of each party.

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## FINDING 05.08      **THE OFFICE HAD PURCHASING DEFICIENCIES** (A., B., C., D., and E. Internal Control – Reportable Conditions Under Government Auditing Standards); F. Noncompliance Under Government Auditing Standards)

Our review of purchasing disclosed the following deficiencies:

- A. In several instances, purchase orders were not issued. Purchase orders are necessary to control who has purchasing authority and to document purchasing commitments. Also, in some instances purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase. Furthermore, our examination of purchase orders disclosed that descriptions of purchases did not always agree with the items actually purchased or invoiced. Accurate descriptions of items on purchase orders are necessary to identify the items to purchase.
- B. Some expenditure accounts and fund numbers reflected on purchase orders did not always agree with the accounts and/or funds that the transactions were actually posted to in the accounting records.
- C. The County Mayor's Office did not always preaudit the purchase orders to determine that the proposed expenditure accounts had unencumbered balances available.
- D. The vendor providing postage to certain departments of the county was occasionally paid the minimum amount due on the billings which resulted in approximately \$385 in additional finance charges.
- E. A vendor offered a discount in the amount of \$1,106 on a billing if paid by a specific date and \$697 if paid by a second date. The county paid the vendor by the second date; however, the county failed to take the allowable discount.

- F. Competitive bids were not solicited for metal detection equipment and civil defense communication equipment. Purchasing procedures for the County Mayor's Office are governed by the County Purchasing Law of 1983, Section 5-14-201 through 5-14-206, Tennessee Code Annotated, as amended, which provides for purchases exceeding \$5,000 to be made after public advertisement and solicitation of competitive bids.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases and should be issued prior to all purchases. Descriptions of items on purchase orders should agree with the items invoiced. Fund and account numbers on purchase orders should agree with the fund and account numbers charged in the accounting records. Also, the balance of available appropriations should be reviewed before purchase orders are approved. Vendors should be paid on a timely basis to avoid finance charges and loss of allowable discounts. Competitive bids should be solicited for all purchases estimated to exceed \$5,000 as required by state statute.

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FINDING 05.09      **WRITTEN GUIDELINES GOVERNING THE USE OF COUNTY-OWNED EQUIPMENT MAINTAINED AWAY FROM COUNTY FACILITIES HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The county provided the county mayor and the secretary to the Budget Committee with computer equipment to perform county work from their homes. However, the County Commission had not adopted written guidelines governing the use of county-owned equipment maintained away from county facilities.

RECOMMENDATION

The County Commission should adopt written guidelines governing the use of county-owned equipment maintained away from county facilities. These guidelines should identify those who are entitled to maintain county-owned equipment away from county facilities and the purposes for which the equipment can be used.

## OFFICE OF DIRECTOR OF SCHOOLS

### FINDING 05.10      **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF THE SCHOOL FEDERAL PROJECTS FUND** (A., B., C., and D. Internal Control – Material Weaknesses Under Government Auditing Standards; E. Noncompliance Under Government Auditing Standards)

Our audit revealed the following deficiencies in the School Federal Projects Fund:

- A. The School Federal Projects Fund had a fund deficit of \$385,348 at June 30, 2005. This deficit resulted from the School Department's failure to request reimbursement of various grant expenditures in a timely manner; therefore, receivables of \$385,348 were not received within the department's 60-day revenue recognition period and have been deferred in the financial statements of this report.
- B. Management determined that expenditures of \$67,094 and \$26,765 from two grants accounted for in the School Federal Projects Fund would be disallowed because requests for reimbursement were not filed within the period of availability and because expenditures exceeded the amounts awarded. Since these amounts will not be received from the federal government, management has reflected these amounts as due from the General Purpose School Fund in the financial statements of this report.
- C. The School Federal Projects Fund had a cash overdraft of \$11,288 at June 30, 2005. This overdraft occurred because warrants were issued that exceeded cash on deposit with the county trustee. This cash overdraft was liquidated subsequent to June 30, 2005.
- D. The School Federal Projects Fund had accounts payable exceeding \$219,000 at June 30, 2005; however, as a result of cash flow problems, the School Department did not have sufficient cash to pay these liabilities.
- E. As noted in the previous year's audit report, the School Federal Projects Fund borrowed revenue anticipation notes totaling \$685,100 from the General Purpose School Fund. Due to a lack of available cash, the School Federal Projects Fund could not repay this loan by June 30, 2004, as required by Section 9-21-408, Tennessee Code Annotated. At June 30, 2005, \$60,000 of this prior year loan had not been repaid. A liability – Due to Other Funds – is reflected in the financial statements of the School Federal Projects Fund for the amount due the General Purpose School Fund.

### RECOMMENDATION

School Department personnel should monitor cash needs of the various programs in the School Federal Projects Fund to minimize the time between fund disbursements and the requests for grant reimbursements, and grant expenditures should not exceed amounts awarded. Also, management should not issue warrants in excess of cash on deposit with

the county trustee, and accounts payable should be paid in a timely manner. Furthermore, the outstanding loan from the General Purpose School Fund should be liquidated, and steps should be taken to ensure that future loans are repaid by June 30 in the year issued as required by state statute.

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**FINDING 05.11      LIABILITIES FOR UNPAID CLAIMS WERE NOT RECORDED ACCURATELY IN THE EMPLOYEE INSURANCE – HEALTH FUND**  
(Internal Control – Material Weakness Under Government Auditing Standards)

Liabilities for unpaid claims were not recorded accurately in the Employee Insurance – Health Fund, internal service fund. We have provided management with audit adjustments for their approval and posting in order to properly reflect these liabilities (\$333,973) in the financial statements. Management also made necessary adjustments to amounts due from the General Purpose School Fund to the Employee Insurance – Health Fund to liquidate these liabilities.

**RECOMMENDATION**

Management should ensure that liabilities for unpaid claims are reflected accurately in the accounting records.

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**FINDING 05.12      THE SCHOOL DEPARTMENT DID NOT DOCUMENT THE CALCULATION OF COMPENSATION INCLUDED IN SCHOOL BUS CONTRACTS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The School Department did not maintain any documentation to support the calculation of compensation paid to school bus contractors. Although changes in route mileage were adjusted based on a standard mileage rate, there did not appear to be any standard rate used to determine the original contract amount. We were informed that the original contract amounts were negotiated for each route at the time a new contractor was hired and that percentage raises were given to all contractors upon renewal of their routes. Without documentation of how the contract amounts are determined, the School Department cannot ensure that the amounts paid are reasonable, equitable, and competitive.

RECOMMENDATION

The School Department should document the calculation of how compensation for each school bus route is determined to ensure that amounts are reasonable, equitable, and competitive.

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FINDING 05.13      **THE DEPARTMENT HAD DEFICIENCIES IN BUDGET OPERATIONS**

(A. and B. Internal Control – Material Weaknesses Under Government Auditing Standards; C. Noncompliance Under Government Auditing Standards)

Our audit revealed the following deficiencies in the budgetary process:

- A.     The General Purpose School Fund’s actual fund balance and reserves at July 1, 2004, was \$3,227,091; however, the estimated fund balance and reserves reflected in the county’s budget at July 1, 2004, was \$807,647. Therefore, the actual fund balance and reserves was \$2,419,444 more than the estimated fund balance and reserves presented to the County Commission.
  
- B.     The School Federal Projects Fund’s actual fund balance and reserves at July 1, 2004, was a deficit of \$465,980; however, the estimated fund balance and reserves reflected in the county’s budget at July 1, 2004, was \$280,591. Therefore, the actual fund balance and reserves was \$746,571 less than the estimated fund balance and reserves presented to the County Commission.
  
- C.     Expenditures exceeded appropriations at the major appropriation category level of control (the legal level of control) in the Transfers Out (\$93,859) major category of the General Purpose School Fund and the Other Student Support (\$11,988) major category of the School Federal Projects Fund.

RECOMMENDATION

The estimated beginning fund balances and reserves should be made on a more realistic basis to provide county officials with accurate information to base funding decisions. Expenditures should be held within appropriations approved by the County Commission.

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## **OTHER FINDINGS AND RECOMMENDATIONS**

**FINDING 05.14      A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

County officials had not adopted a central system of accounting, budgeting, and purchasing covering all county departments. Establishing a central system would significantly improve internal controls over the accounting, budgeting, and purchasing processes.

### **RECOMMENDATION**

County officials should consider adopting the County Financial Management System of 1981 or a private act which would provide for a central system of accounting, budgeting, and purchasing covering all county departments.

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**FINDING 05.15      DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. The officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader's attention in this report.

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

There were no findings and questioned costs for federal awards.

**CLAIBORNE COUNTY, TENNESSEE  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2005**

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