

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

---

**SINGLE AUDIT REPORT**



**FOR THE YEAR ENDED JUNE 30, 2006**

**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, 2006**

*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*

*CLIFFORD TUCKER, CPA*  
*Audit Manager*

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

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

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

---



---

## CLAIBORNE COUNTY, TENNESSEE TABLE OF CONTENTS

---



---

	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Claiborne County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	17-18
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	19
Notes to the Financial Statements		21-42
REQUIRED SUPPLEMENTARY INFORMATION:		43
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	45-47
Solid Waste/Sanitation Fund	D-2	48
Highway/Public Works Fund	D-3	49
Notes to the Required Supplementary Information		51
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		53
Nonmajor Governmental Funds:		55
Combining Balance Sheet	E-1	57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	58
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
Drug Control Fund	E-3	59

	Exhibit	Page(s)
Major Governmental Fund:		61
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	63
Fiduciary Funds:		65
Combining Statement of Fiduciary Assets and Liabilities	G-1	67
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	68-69
Miscellaneous Schedules:		71
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds	H-1	73
Schedule of Bond and Interest Requirements by Year	H-2	74
Schedule of Transfers	H-3	75
Schedule of Salaries and Official Bonds of Principal Officials	H-4	76
Schedule of Detailed Revenues – All Governmental Fund Types	H-5	77-81
Schedule of Detailed Expenditures – All Governmental Fund Types	H-6	82-98
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund	H-7	99

# ***Audit Highlights***

Annual Financial Report  
Claiborne County, Tennessee  
For the Year Ended June 30, 2006

## ***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, 2006.

## ***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 Accounting Standards Board Statement No. 34.

Our audit resulted in eight findings and recommendations, which we have reviewed with Claiborne County 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.

---

### **OFFICE OF COUNTY MAYOR**

- ◆ Deficiencies were noted in the maintenance of accounting records.
  - ◆ The county mayor entered into a lease-purchase agreement without the County Commission's approval.
  - ◆ Expenditures exceeded appropriations approved by the County Commission at the major category level of control (the legal level of control).
  - ◆ The office had purchasing deficiencies.
-

## **OFFICE OF SHERIFF**

- ◆ The office did not adequately maintain forms and reports required by the Office of the Comptroller of the Treasury in the administration of drug control funds, and confidential drug transactions were not reflected on the cash journal.
- 

## **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.

---

---

# INTRODUCTORY SECTION

---

---

Claiborne County Officials  
June 30, 2006

---

**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 Poore
Bill Debusk	Shawn Peters
Franklin Essary	Barry Thomas
Dennis Estes	

---

---

## FINANCIAL SECTION

---

---



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

INDEPENDENT AUDITOR'S REPORT

January 9, 2007

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, 2006, as shown on pages 15 through 42, 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, 2006, 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, 2006, 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.

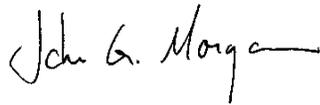
In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2007, on our consideration of Claiborne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and 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 adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The budgetary comparison information on pages 45 through 51 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, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, 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 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 black ink that reads "John G. Morgan". The signature is written in a cursive style with a long horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

Claiborne County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2006

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Governmental Funds	
<u>ASSETS</u>							
Cash	\$ 0	\$ 400	\$ 0	\$ 0	\$ 0	\$ 127,447	\$ 127,847
Equity in Pooled Cash and Investments	1,753,213	299,353	253,217	1,079,845	110,495	134,048	3,630,171
Accounts Receivable	45,182	29,808	0	0	0	24,063	99,053
Due from Other Governments	67,725	0	370,150	0	0	0	437,875
Due from Other Funds	558	0	0	71,853	0	0	72,411
Property Taxes Receivable	4,478,728	864,468	41,037	287,578	0	0	5,671,811
Allowance for Uncollectible Property Taxes	(238,796)	(48,084)	(2,236)	(8,426)	0	0	(297,542)
<b>Total Assets</b>	<b>\$ 6,106,610</b>	<b>\$ 1,145,945</b>	<b>\$ 662,168</b>	<b>\$ 1,430,850</b>	<b>\$ 110,495</b>	<b>\$ 285,558</b>	<b>\$ 9,741,626</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 83,920	\$ 53,001	\$ 61,533	\$ 1,000	\$ 53,870	\$ 70,166	\$ 323,490
Payroll Deductions Payable	4,060	3,248	504	0	0	0	7,812
Retainage Payable	0	0	0	0	4,381	0	4,381
Due to Other Funds	0	71,853	0	0	0	558	72,411
Accrued Interest Payable	0	1,062	0	0	0	0	1,062
Deferred Revenue - Current Property Taxes	4,075,624	781,626	37,221	279,152	0	0	5,173,623
Deferred Revenue - Delinquent Property Taxes	148,971	31,514	1,433	0	0	0	181,918
Other Deferred Revenues	30,328	0	154,292	0	0	0	184,620
<b>Total Liabilities</b>	<b>\$ 4,342,903</b>	<b>\$ 942,304</b>	<b>\$ 254,983</b>	<b>\$ 280,152</b>	<b>\$ 58,251</b>	<b>\$ 70,724</b>	<b>\$ 5,949,317</b>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 44,332	\$ 3,644	\$ 0	\$ 0	\$ 23,345	\$ 204,834	\$ 276,155
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	69,774	69,774
Reserved for Alcohol and Drug Treatment	65,470	0	0	0	0	0	65,470
Reserved for Sexual Offender Registration	1,980	0	0	0	0	0	1,980
Reserved for Computer System - Register	18,326	0	0	0	0	0	18,326
Reserved for Automation Purposes - Circuit Court	655	0	0	0	0	0	655
Reserved for Automation Purposes - General Sessions Court	12,774	0	0	0	0	0	12,774

(Continued)

Exhibit A

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>							
<u>Fund Balances (Cont.)</u>							
Reserved for Automation Purposes - Chancery Court	\$ 2,765	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,765
Reserved for Automation Purposes - Sheriff	11,011	0	0	0	0	0	11,011
Unreserved, Reported In:							
General Fund	1,606,394	0	0	0	0	0	1,606,394
Special Revenue Funds	0	199,997	407,185	0	0	184,408	791,590
Debt Service Funds	0	0	0	1,150,698	0	0	1,150,698
Capital Projects Funds (Deficit)	0	0	0	0	28,899	(244,182)	(215,283)
Total Fund Balances	<u>\$ 1,763,707</u>	<u>\$ 203,641</u>	<u>\$ 407,185</u>	<u>\$ 1,150,698</u>	<u>\$ 52,244</u>	<u>\$ 214,834</u>	<u>\$ 3,792,309</u>
Total Liabilities and Fund Balances	<u>\$ 6,106,610</u>	<u>\$ 1,145,945</u>	<u>\$ 662,168</u>	<u>\$ 1,430,850</u>	<u>\$ 110,495</u>	<u>\$ 285,558</u>	<u>\$ 9,741,626</u>

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, 2006

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 4,276,032	\$ 836,644	\$ 377,826	\$ 758,400	\$ 0	\$ 44,357	\$ 6,293,259
Licenses and Permits	19,595	0	0	0	0	0	19,595
Fines, Forfeitures, and Penalties	130,419	0	0	0	0	46,195	176,614
Charges for Current Services	26,922	301,843	0	0	0	473,610	802,375
Other Local Revenues	350,779	48,768	1,812	2,397,192	57,230	7,499	2,863,280
Fees Received from County Officials	643,332	0	0	0	0	0	643,332
State of Tennessee	595,108	83,553	1,946,896	0	0	137,165	2,762,722
Federal Government	307,066	0	47,909	0	0	0	354,975
Other Governments and Citizens Groups	3,144	0	0	0	0	0	3,144
<b>Total Revenues</b>	<b>\$ 6,352,397</b>	<b>\$ 1,270,808</b>	<b>\$ 2,374,443</b>	<b>\$ 3,155,592</b>	<b>\$ 57,230</b>	<b>\$ 708,826</b>	<b>\$ 13,919,296</b>
<u>Expenditures</u>							
Current:							
General Government	\$ 703,299	\$ 0	\$ 0	\$ 0	\$ 0	\$ 101,305	\$ 804,604
Finance	268,702	0	0	0	0	347,911	616,613
Administration of Justice	518,762	0	0	0	0	30,389	549,151
Public Safety	2,028,871	0	0	0	0	22,456	2,051,327
Public Health and Welfare	520,094	1,136,770	0	0	0	0	1,656,864
Social, Cultural, and Recreational Services	109,538	0	0	0	0	0	109,538
Agricultural and Natural Resources	92,514	0	0	0	0	0	92,514
Other Operations	813,785	0	0	228	0	28,472	842,485
Highways	0	0	2,004,732	0	0	0	2,004,732
Debt Service:							
Principal on Debt	0	20,000	0	1,650,927	0	0	1,670,927
Interest on Debt	0	2,985	0	1,623,820	0	0	1,626,805
Other Debt Service	0	0	0	146,713	0	47,000	193,713
Capital Projects	0	0	0	0	4,861,587	1,723,885	6,585,472
<b>Total Expenditures</b>	<b>\$ 5,055,565</b>	<b>\$ 1,159,755</b>	<b>\$ 2,004,732</b>	<b>\$ 3,421,688</b>	<b>\$ 4,861,587</b>	<b>\$ 2,301,418</b>	<b>\$ 18,804,745</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,296,832	\$ 111,053	\$ 369,711	\$ (266,096)	\$ (4,804,357)	\$ (1,592,592)	\$ (4,885,449)
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 0	\$ 62,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,900
Insurance Recovery	4,905	0	1,698	0	0	0	6,603

(Continued)

Exhibit B

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

	Major Funds					Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	General Capital Projects	Funds Other Governmental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,669,369	\$ 1,594,372	\$ 6,263,741
Transfers In	0	0	0	177,826	0	0	177,826
Transfers Out	0	0	(177,826)	0	0	0	(177,826)
Total Other Financing Sources (Uses)	\$ 4,905	\$ 62,900	\$ (176,128)	\$ 177,826	\$ 4,669,369	\$ 1,594,372	\$ 6,333,244
Net Change in Fund Balances	\$ 1,301,737	\$ 173,953	\$ 193,583	\$ (88,270)	\$ (134,988)	\$ 1,780	\$ 1,447,795
Fund Balance, July 1, 2005	461,970	29,688	213,602	1,238,968	187,232	213,054	2,344,514
Fund Balance, June 30, 2006	\$ 1,763,707	\$ 203,641	\$ 407,185	\$ 1,150,698	\$ 52,244	\$ 214,834	\$ 3,792,309

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, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,056,597
Equity in Pooled Cash and Investments	450,961
Accounts Receivable	2,560
Due from Other Governments	284,283
Notes Receivable - Current	1,000
Notes Receivable - Long-term	<u>7,000</u>
Total Assets	<u>\$ 1,802,401</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 1,705
Due to Other Taxing Units	268,206
Due to Litigants, Heirs, and Others	1,056,597
Other Current Liabilities	<u>475,893</u>
Total Liabilities	<u>\$ 1,802,401</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, 2006**

**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 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 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, 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 2005-06 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:

Administrative Offices:

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, the county does not have any 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. The fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Claiborne County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of

accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable 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, except for agency funds which have no measurement focus. 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 construction of the county justice center.

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 all 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, Solid Waste/Sanitation Fund, and the School Department's Education Capital Projects 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**

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.93 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also

defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in 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.

Most payables are disaggregated on the face of the financial statements.

### **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 earned but unused vacation, compensatory, and sick pay benefits. There is no liability for 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 and/or compensatory 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 funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**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.

Designations of fund balance represent tentative management plans that are subject to change. At June 30, 2006, management has designated \$321,482 of the General Fund's balance generated by local wheel taxes, to provide funding of expected ADA compliance renovations to county facilities.

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

**A. Budgetary Information**

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

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission

and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the 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 Claiborne County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Fund Deficit**

The Highway Capital Projects Fund had an undesignated fund deficit of \$244,182 at June 30, 2006. This undesignated fund deficit was the result of the recognition of liabilities (\$70,166) and encumbrances (\$204,834) related to ongoing paving projects. This deficit is expected to be liquidated with the receipt of loan proceeds.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$44,368.

Also, expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories of the General Fund.

<u>Fund/Major Category</u>	<u>Amount</u>
General Fund:	
Election Commission	\$ 145,258
Planning	1,708
Other Finance	9,937
Sanitation Education/Information	252

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance and greater than anticipated revenue in the General Fund and other sources (capital leases proceeds) in the Solid Waste/Sanitation Fund.

**D. Capital Lease – Issue Violations**

In December 2005, the county mayor entered into a 16-month lease-purchase agreement for sanitation equipment. The terms of the agreement require total lease payments of \$62,900 plus interest of 4.95 percent. This lease-purchase agreement was not approved by the County Commission, and the state director of Local Finance was not notified as required by state statutes. The county retired this lease-purchase in November 2006.

**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, 2006.

### **B. Construction Commitments**

At June 30, 2006, the General Fund had uncompleted construction contracts of \$9,668 related to the Americans with Disabilities Act renovations to the public restrooms in the courthouse. Funding has been provided for these future expenditures.

Additionally, at June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of \$23,345 for consultation services and construction costs related to the new judicial complex. Funding has been provided for these future expenditures.

### **C. 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. This amount is held by the county trustee as Equity in Pooled Cash and Investments in the General Capital Projects Fund at June 30, 2006.

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

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 558
General Debt Service	Solid Waste/Sanitation	71,853

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 entire amount is expected to be received in the fiscal year ending June 30, 2007.

The remaining 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, 2006, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u>
	General
	Debt
	Service
	Fund
Highway/Public Works Fund	\$ 177,826
Total	\$ 177,826

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

**E. Capital Lease**

In December 2005, Claiborne County entered into a 16-month lease-purchase agreement for sanitation equipment. The terms of the agreement require total lease payments of \$62,900 plus interest of 4.95 percent. Title to the equipment transfers to Claiborne County at the end of the lease period. The lease payments are made by the Solid Waste/Sanitation Fund. This lease-purchase agreement was not entered into in compliance with state statutes.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	\$ 43,608
Total Minimum Lease Payments	\$ 43,608
Amount Representing Interest	708
Present Value of Minimum Lease Payments	\$ 42,900

**F. 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. 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, 2006, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
County Hospital and Nursing			
Home Refunding	3.8 to 4.9 %	\$ 2,140,000	\$ 1,365,000
School Refunding	3 to 3.125	3,540,000	1,510,000
Capital Outlay Notes	3	35,785	10,987
Other Loans - Variable Rate	variable	47,319,297	42,611,492
Other Loans - Fixed Rate	4.272	6,225,000	6,000,000
Capital Leases	4.95	62,900	42,900

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 \$2,191,574 and the Hospital and Nursing Home contributed \$203,695 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, 2006.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates 6-30-06	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction					
Loan Program	\$ 18,000,000	\$ 18,000,000	Variable	3.91 %	0.43 %
Various Construction and Renovations Loan - 2001	1,000,000	609,000	Variable	3.52	0.477
Various Construction and Renovations Loan - 2002	1,244,297	758,120	Variable	3.52	0.438
Highway Paving Projects Loan - 2005 (1), (2)	5,000,000	1,594,372	Variable	3.7	0.523

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates 6-30-06	Other Fees on Variable Rate Debt
-------------	--	-------------------------------------	------------------	------------------------------	--

Sevier County Public Building Authority

School Construction					
Loan Program - 2002	\$ 18,000,000	\$ 17,575,000	Variable	3.37 %	0.437 %
Jail Construction					
Program - 2004	4,075,000	4,075,000	Variable	3.91	0.423

Blount County Public Building Authority

Jail Construction					
Program - 2004	6,225,000	<u>6,000,000</u>	Fixed	4.272	N/A
		<u>\$ 48,611,492</u>			

(1) \$3,405,628 remains available for draws under this loan agreement as of June 30, 2006.

(2) This loan carries an interest rate cap of 6.5 percent.

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, 2006, 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, 2006.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 960,000	\$ 108,314	\$ 5,414	\$ 330
2008	1,005,000	76,589	5,573	167
2009	140,000	42,368	0	0
2010	145,000	36,135	0	0
2011	150,000	29,610	0	0
2012-2015	475,000	54,445	0	0
Total	<u>\$ 2,875,000</u>	<u>\$ 347,461</u>	<u>\$ 10,987</u>	<u>\$ 497</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2007	\$ 1,118,200	\$ 1,675,445	\$ 185,980	\$ 2,979,625
2008	1,195,061	1,633,912	181,820	3,010,793
2009	1,963,264	1,589,723	177,311	3,730,298
2010	2,032,827	1,519,574	169,430	3,721,831
2011	1,716,140	1,447,006	161,228	3,324,374
2012-2016	8,005,000	6,392,842	720,881	15,118,723
2017-2021	10,286,000	4,806,602	562,973	15,655,575
2022-2026	13,580,000	2,676,086	356,908	16,612,994
2027-2031	8,715,000	373,112	77,038	9,165,150
<b>Total</b>	<b>\$ 48,611,492</b>	<b>\$ 22,114,302</b>	<b>\$ 2,593,569</b>	<b>\$ 73,319,363</b>

There is \$1,150,698 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$96, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,726, based on the 2000 federal census.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Other Loans		
	Bonds	Notes	Other Loans
Balance, July 1, 2005	\$ 3,785,000	\$ 16,247	\$ 43,033,418
Additions	0	0	6,263,741
Deductions	(910,000)	(5,260)	(685,667)
<b>Balance, June 30, 2006</b>	<b>\$ 2,875,000</b>	<b>\$ 10,987</b>	<b>\$ 48,611,492</b>
<b>Balance Due Within One Year</b>	<b>\$ 960,000</b>	<b>\$ 5,414</b>	<b>\$ 1,118,200</b>

	Landfill Closure/ Postclosure Care Costs		
	Capital Leases	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 0	\$ 96,882	\$ 1,406,815
Additions	62,900	23,560	0
Deductions	(20,000)	(19,376)	(24,833)
<b>Balance, June 30, 2006</b>	<b>\$ 42,900</b>	<b>\$ 101,066</b>	<b>\$ 1,381,982</b>
<b>Balance Due Within One Year</b>	<b>\$ 42,900</b>	<b>\$ 20,213</b>	<b>\$ 61,166</b>

Compensated absences 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.

**G. Short-term Debt**

Claiborne County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in 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, 2006, was as follows:

	Balance			Balance
	7-1-05	Issued	Redeemed	6-30-06
General	\$ 0	\$ 500,000	\$ (500,000)	\$ 0
Solid Waste Sanitation	0	200,000	(200,000)	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 Changes**

For the year ended June 30, 2006, Claiborne County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Claiborne County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Claiborne County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Claiborne County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Claiborne County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Claiborne County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Claiborne County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

In October 2006, the County Commission guaranteed two interest free Rural Economic Development loans to the Claiborne County Hospital and Nursing Home up to \$360,000 and \$750,000, respectively.

As of the date of this report, the county has drawn \$622,524 of the remaining balance from the Public Building Authority loan for road paving projects.

On August 31, 2006, Virgil Herrell left the Office of County Mayor and was succeeded by Joe Duncan, and Harry Shultz left the Office of Sheriff and was succeeded by David Ray.

**D. Contingent Liabilities**

Claiborne County is contingently liable for the Hospital Revenue and Tax Bonds, Series 1997, which are reflected as liabilities of the discretely presented Claiborne County Hospital and Nursing Home. As of June 30, 2006, future principal requirements were \$890,000 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 (\$50,000) and interest (\$45,840) 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, 2006, future principal requirements were \$220,833 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. In response to this lawsuit, Claiborne County has begun construction of a new judicial complex. Also during the year, the county expended or encumbered \$6,554 from the General Fund for other ADA improvements. In addition, management has designated \$321,482 of the

unreserved General Fund balance at June 30, 2006, toward other ADA improvements.

The county is involved in several other pending lawsuits. Management has purchased commercial insurance to provide for potential claims and judgments that may arise. The county attorney estimates 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. 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 \$1,381,982 reflected as landfill postclosure care costs at June 30, 2006, represents the estimated postclosure care cost for the next 21 years. The postclosure care cost is based on what it would cost to perform all postclosure care in 2006. Actual postclosure care cost may be higher due to inflation, changes in technology, or changes in regulations.

**F. 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, 2006, and does not have any equity interest in the joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General  
Eighth Judicial District  
P.O. Box 10  
Huntsville, TN 37756

**G. 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.

**H. 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, 2006, 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, 2006, Claiborne County’s annual pension cost of \$531,511 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, 2005, was eight years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$531,511	100%	\$0
6-30-05	515,676	100	0
6-30-04	174,591	100	0

## Schedule of Funding Progress

(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
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$27,102	\$27,102	\$0	100%	\$15,314	0%
6-30-03	25,150	25,150	0	100	13,255	0
6-30-01	23,587	23,587	0	100	12,439	0

### I. 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 (TCA), 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, TCA, 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.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,276,032	\$ 0	\$ 0	\$ 4,276,032	\$ 4,102,460	\$ 4,102,460	\$ 173,572
Licenses and Permits	19,595	0	0	19,595	21,400	21,400	(1,805)
Fines, Forfeitures, and Penalties	130,419	0	0	130,419	114,500	114,500	15,919
Charges for Current Services	26,922	0	0	26,922	19,900	19,900	7,022
Other Local Revenues	350,779	0	0	350,779	261,000	265,230	85,549
Fees Received from County Officials	643,332	0	0	643,332	553,200	553,200	90,132
State of Tennessee	595,108	0	0	595,108	645,618	646,803	(51,695)
Federal Government	307,066	0	0	307,066	311,000	311,000	(3,934)
Other Governments and Citizens Groups	3,144	0	0	3,144	760	760	2,384
<b>Total Revenues</b>	<b>\$ 6,352,397</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 6,352,397</b>	<b>\$ 6,029,838</b>	<b>\$ 6,035,253</b>	<b>\$ 317,144</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 32,085	\$ 0	\$ 0	\$ 32,085	\$ 35,100	\$ 35,185	\$ 3,100
Board of Equalization	2,196	0	0	2,196	3,000	3,000	804
Beer Board	600	0	0	600	700	700	100
Budget and Finance Committee	16,750	0	0	16,750	11,100	18,600	1,850
County Mayor/Executive	142,767	0	0	142,767	142,138	143,561	794
County Attorney	36,721	0	0	36,721	37,621	37,621	900
Election Commission	280,845	0	6,305	287,150	141,892	141,892	(145,258)
Register of Deeds	24,753	0	0	24,753	28,915	28,915	4,162
Development	12,889	0	0	12,889	13,000	13,000	111
Planning	1,708	0	0	1,708	0	0	(1,708)
County Buildings	150,587	(17,586)	9,668	142,669	492,356	492,356	349,687
Preservation of Records	1,398	0	0	1,398	2,000	3,000	1,602
<u>Finance</u>							
Property Assessor's Office	150,644	0	2,607	153,251	158,143	158,143	4,892

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
Reappraisal Program	\$ 56,828	\$ 0	\$ 0	\$ 56,828	\$ 60,305	\$ 60,305	\$ 3,477
County Trustee's Office	30,474	0	675	31,149	38,596	38,596	7,447
County Clerk's Office	20,819	0	0	20,819	26,708	26,708	5,889
Other Finance	9,937	0	0	9,937	0	0	(9,937)
<u>Administration of Justice</u>							
Circuit Court	219,589	0	500	220,089	225,932	225,932	5,843
General Sessions Court	104,879	0	0	104,879	106,889	106,889	2,010
Chancery Court	168,604	0	0	168,604	173,508	173,508	4,904
District Attorney General	25,690	0	0	25,690	29,308	29,308	3,618
<u>Public Safety</u>							
Sheriff's Department	1,146,784	(1,518)	13,898	1,159,164	1,369,783	1,374,688	215,524
Workhouse	574,298	0	10,179	584,477	527,306	950,000	365,523
Juvenile Services	18,782	0	0	18,782	24,064	24,064	5,282
Fire Prevention and Control	67,000	0	0	67,000	67,000	67,000	0
Civil Defense	179,179	0	0	179,179	380,258	380,258	201,079
Rescue Squad	8,000	0	0	8,000	8,000	8,000	0
Other Emergency Management	14,678	0	0	14,678	14,678	14,678	0
County Coroner/Medical Examiner	20,150	0	0	20,150	25,000	25,000	4,850
<u>Public Health and Welfare</u>							
Local Health Center	100,616	(640)	0	99,976	109,492	109,981	10,005
Rabies and Animal Control	5,000	0	0	5,000	5,000	5,000	0
Ambulance/Emergency Medical Services	251,000	0	0	251,000	251,000	251,000	0
Other Local Health Services	128,665	0	0	128,665	204,960	204,960	76,295
General Welfare Assistance	0	0	0	0	910	910	910
Sanitation Education/Information	34,813	0	500	35,313	32,476	35,061	(252)

(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 7/1/2005	Add: Encumbrances 6/30/2006	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</u>							
Adult Activities	\$ 10,000	\$ 0	\$ 0	\$ 10,000	\$ 10,000	\$ 10,000	\$ 0
Senior Citizens Assistance	39,538	0	0	39,538	28,025	42,125	2,587
Libraries	60,000	0	0	60,000	60,000	60,000	0
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	61,514	0	0	61,514	61,522	63,229	1,715
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	29,000	0	0	29,000	29,000	29,000	0
<u>Other Operations</u>							
Industrial Development	20,000	0	0	20,000	26,000	26,000	6,000
Other Economic and Community Development	31,863	0	0	31,863	34,038	34,038	2,175
Veterans' Services	16,542	0	0	16,542	19,345	19,345	2,803
Other Charges	442,396	(160)	0	442,236	410,621	469,804	27,568
Employee Benefits	302,984	0	0	302,984	293,000	305,900	2,916
Total Expenditures	\$ 5,055,565	\$ (19,904)	\$ 44,332	\$ 5,079,993	\$ 5,720,689	\$ 6,249,260	\$ 1,169,267
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 1,296,832	\$ 19,904	\$ (44,332)	\$ 1,272,404	\$ 309,149	\$ (214,007)	\$ 1,486,411
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 4,905	\$ 0	\$ 0	\$ 4,905	\$ 0	\$ 0	\$ 4,905
Total Other Financing Sources (Uses)	\$ 4,905	\$ 0	\$ 0	\$ 4,905	\$ 0	\$ 0	\$ 4,905
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 1,301,737	\$ 19,904	\$ (44,332)	\$ 1,277,309	\$ 309,149	\$ (214,007)	\$ 1,491,316
	461,970	(19,904)	0	442,066	464,015	464,015	(21,949)
Fund Balance, June 30, 2006	\$ 1,763,707	\$ 0	\$ (44,332)	\$ 1,719,375	\$ 773,164	\$ 250,008	\$ 1,469,367

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 836,644	\$ 0	\$ 0	\$ 836,644	\$ 813,930	\$ 813,930	\$ 22,714
Charges for Current Services	301,843	0	0	301,843	280,000	280,000	21,843
Other Local Revenues	48,768	0	0	48,768	27,000	27,000	21,768
State of Tennessee	83,553	0	0	83,553	50,000	50,000	33,553
<b>Total Revenues</b>	<b>\$ 1,270,808</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,270,808</b>	<b>\$ 1,170,930</b>	<b>\$ 1,170,930</b>	<b>\$ 99,878</b>
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Waste Pickup	\$ 1,136,770	\$ (895)	\$ 3,644	\$ 1,139,519	\$ 1,081,137	\$ 1,095,636	\$ (43,883)
<u>Principal on Debt</u>							
General Government	20,000	0	0	20,000	0	20,000	0
<u>Interest on Debt</u>							
General Government	2,985	0	0	2,985	0	2,500	(485)
<b>Total Expenditures</b>	<b>\$ 1,159,755</b>	<b>\$ (895)</b>	<b>\$ 3,644</b>	<b>\$ 1,162,504</b>	<b>\$ 1,081,137</b>	<b>\$ 1,118,136</b>	<b>\$ (44,368)</b>
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 111,053	\$ 895	\$ (3,644)	\$ 108,304	\$ 89,793	\$ 52,794	\$ 55,510
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 62,900	\$ 0	\$ 0	\$ 62,900	\$ 0	\$ 0	\$ 62,900
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 62,900</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 62,900</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 62,900</b>
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 173,953	\$ 895	\$ (3,644)	\$ 171,204	\$ 89,793	\$ 52,794	\$ 118,410
	29,688	(895)	0	28,793	29,777	29,777	(984)
<b>Fund Balance, June 30, 2006</b>	<b>\$ 203,641</b>	<b>\$ 0</b>	<b>\$ (3,644)</b>	<b>\$ 199,997</b>	<b>\$ 119,570</b>	<b>\$ 82,571</b>	<b>\$ 117,426</b>

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 377,826	\$ 348,436	\$ 375,336	\$ 2,490
Other Local Revenues	1,812	2,200	4,700	(2,888)
State of Tennessee	1,946,896	1,868,126	1,912,608	34,288
Federal Government	47,909	0	0	47,909
Total Revenues	<u>\$ 2,374,443</u>	<u>\$ 2,218,762</u>	<u>\$ 2,292,644</u>	<u>\$ 81,799</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 114,235	\$ 114,130	\$ 115,403	\$ 1,168
Highway and Bridge Maintenance	857,566	946,000	913,899	56,333
Operation and Maintenance of Equipment	326,222	255,600	332,020	5,798
Other Charges	118,143	121,250	118,800	657
Employee Benefits	307,862	319,000	322,388	14,526
Capital Outlay	280,704	282,500	283,960	3,256
Total Expenditures	<u>\$ 2,004,732</u>	<u>\$ 2,038,480</u>	<u>\$ 2,086,470</u>	<u>\$ 81,738</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 369,711</u>	<u>\$ 180,282</u>	<u>\$ 206,174</u>	<u>\$ 163,537</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,698	\$ 0	\$ 1,698	\$ 0
Transfers Out	(177,826)	(151,700)	(179,290)	1,464
Total Other Financing Sources (Uses)	<u>\$ (176,128)</u>	<u>\$ (151,700)</u>	<u>\$ (177,592)</u>	<u>\$ 1,464</u>
Net Change in Fund Balance	\$ 193,583	\$ 28,582	\$ 28,582	\$ 165,001
Fund Balance, July 1, 2005	<u>213,602</u>	<u>213,602</u>	<u>213,602</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 407,185</u>	<u>\$ 242,184</u>	<u>\$ 242,184</u>	<u>\$ 165,001</u>

**CLAIBORNE COUNTY, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 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 Claiborne County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Total expenditures exceeded total appropriations approved by the County Commission in the Solid Waste/Sanitation Fund by \$44,368.

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories of the General Fund.

<u>Major Appropriation Category</u>	<u>Amount Over Appropriations</u>
Election Commission	\$ 145,258
Planning	1,708
Other Finance	9,937
Sanitation Education/Information	252

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by capital lease proceeds in the Solid Waste/Sanitation Fund and by available fund balance or greater than anticipated revenues in the General Fund.

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

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.

---

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

---

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

---

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for county revenues and state grants that are used for industrial development purposes.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for major road construction and paving projects.

Exhibit E-1

Claiborne County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Control</u>	<u>Constitu - tional Officers - Fees</u>	<u>Total</u>	<u>Highway Capital Projects</u>	
<u>ASSETS</u>					
Cash	\$ 0	\$ 127,447	\$ 127,447	\$ 0	\$ 127,447
Equity in Pooled Cash and Investments	126,610	0	126,610	7,438	134,048
Accounts Receivable	0	683	683	23,380	24,063
<b>Total Assets</b>	<b>\$ 126,610</b>	<b>\$ 128,130</b>	<b>\$ 254,740</b>	<b>\$ 30,818</b>	<b>\$ 285,558</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 70,166	\$ 70,166
Due to Other Funds	0	558	558	0	558
<b>Total Liabilities</b>	<b>\$ 0</b>	<b>\$ 558</b>	<b>\$ 558</b>	<b>\$ 70,166</b>	<b>\$ 70,724</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 204,834	\$ 204,834
Reserved for Purchase of Electronic Fingerprint Imaging System	69,774	0	69,774	0	69,774
Unreserved (Deficit)	56,836	127,572	184,408	(244,182)	(59,774)
<b>Total Fund Balances</b>	<b>\$ 126,610</b>	<b>\$ 127,572</b>	<b>\$ 254,182</b>	<b>\$ (39,348)</b>	<b>\$ 214,834</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 126,610</b>	<b>\$ 128,130</b>	<b>\$ 254,740</b>	<b>\$ 30,818</b>	<b>\$ 285,558</b>

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, 2006

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	Highway Capital Projects	Total	
<u>Revenues</u>							
Local Taxes	\$ 0	\$ 15,885	\$ 15,885	\$ 28,472	\$ 0	\$ 28,472	\$ 44,357
Fines, Forfeitures, and Penalties	46,195	0	46,195	0	0	0	46,195
Charges for Current Services	0	473,610	473,610	0	0	0	473,610
Other Local Revenues	200	7,299	7,499	0	0	0	7,499
State of Tennessee	0	0	0	137,165	0	137,165	137,165
Total Revenues	\$ 46,395	\$ 496,794	\$ 543,189	\$ 165,637	\$ 0	\$ 165,637	\$ 708,826
<u>Expenditures</u>							
Current:							
General Government	\$ 0	\$ 101,305	\$ 101,305	\$ 0	\$ 0	\$ 0	\$ 101,305
Finance	0	347,911	347,911	0	0	0	347,911
Administration of Justice	0	30,389	30,389	0	0	0	30,389
Public Safety	22,329	127	22,456	0	0	0	22,456
Other Operations	0	0	0	28,472	0	28,472	28,472
Debt Service:							
Other Debt Service	0	0	0	0	47,000	47,000	47,000
Capital Projects	0	0	0	137,165	1,586,720	1,723,885	1,723,885
Total Expenditures	\$ 22,329	\$ 479,732	\$ 502,061	\$ 165,637	\$ 1,633,720	\$ 1,799,357	\$ 2,301,418
Excess (Deficiency) of Revenues Over Expenditures	\$ 24,066	\$ 17,062	\$ 41,128	\$ 0	\$ (1,633,720)	\$ (1,633,720)	\$ (1,592,592)
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,594,372	\$ 1,594,372	\$ 1,594,372
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,594,372	\$ 1,594,372	\$ 1,594,372
Net Change in Fund Balances	\$ 24,066	\$ 17,062	\$ 41,128	\$ 0	\$ (39,348)	\$ (39,348)	\$ 1,780
Fund Balance, July 1, 2005	102,544	110,510	213,054	0	0	0	213,054
Fund Balance, June 30, 2006	\$ 126,610	\$ 127,572	\$ 254,182	\$ 0	\$ (39,348)	\$ (39,348)	\$ 214,834

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 46,195	\$ 20,500	\$ 20,500	\$ 25,695
Other Local Revenues	200	0	0	200
Total Revenues	<u>\$ 46,395</u>	<u>\$ 20,500</u>	<u>\$ 20,500</u>	<u>\$ 25,895</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 22,329	\$ 41,000	\$ 45,030	\$ 22,701
Total Expenditures	<u>\$ 22,329</u>	<u>\$ 41,000</u>	<u>\$ 45,030</u>	<u>\$ 22,701</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 24,066</u>	<u>\$ (20,500)</u>	<u>\$ (24,530)</u>	<u>\$ 48,596</u>
Net Change in Fund Balance	\$ 24,066	\$ (20,500)	\$ (24,530)	\$ 48,596
Fund Balance, July 1, 2005	102,544	89,181	89,181	13,363
Fund Balance, June 30, 2006	<u>\$ 126,610</u>	<u>\$ 68,681</u>	<u>\$ 64,651</u>	<u>\$ 61,959</u>

# **Major Governmental Fund**

## **General Debt Service Fund**

---

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.

---

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 758,400	\$ 739,425	\$ 739,425	\$ 18,975
Other Local Revenues	2,397,192	2,448,695	2,448,695	(51,503)
State of Tennessee	0	9,900	9,900	(9,900)
Total Revenues	<u>\$ 3,155,592</u>	<u>\$ 3,198,020</u>	<u>\$ 3,198,020</u>	<u>\$ (42,428)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 228	\$ 15,000	\$ 15,000	\$ 14,772
<u>Principal on Debt</u>				
General Government	603,205	596,260	603,205	0
Highways and Streets	122,722	129,667	122,722	0
Education	925,000	925,000	925,000	0
<u>Interest on Debt</u>				
General Government	443,665	443,700	443,700	35
Highways and Streets	46,804	46,805	46,805	1
Education	1,133,351	1,165,960	1,165,477	32,126
<u>Other Debt Service</u>				
General Government	5,190	5,210	5,210	20
Highways and Streets	8,299	8,300	8,300	1
Education	133,224	133,300	133,783	559
Total Expenditures	<u>\$ 3,421,688</u>	<u>\$ 3,469,202</u>	<u>\$ 3,469,202</u>	<u>\$ 47,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (266,096)</u>	<u>\$ (271,182)</u>	<u>\$ (271,182)</u>	<u>\$ 5,086</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 177,826	\$ 173,776	\$ 173,776	\$ 4,050
Total Other Financing Sources (Uses)	<u>\$ 177,826</u>	<u>\$ 173,776</u>	<u>\$ 173,776</u>	<u>\$ 4,050</u>
Net Change in Fund Balance	\$ (88,270)	\$ (97,406)	\$ (97,406)	\$ 9,136
Fund Balance, July 1, 2005	<u>1,238,968</u>	<u>1,104,367</u>	<u>1,104,367</u>	<u>134,601</u>
Fund Balance, June 30, 2006	<u>\$ 1,150,698</u>	<u>\$ 1,006,961</u>	<u>\$ 1,006,961</u>	<u>\$ 143,737</u>

# Fiduciary Funds

---

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.

---

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, 2006

	Agency Funds				Total
	Cities - Sales Tax	Constitu - tional Officers - Agency	Other Agency		
<u>ASSETS</u>					
Cash	\$ 0	\$ 1,056,597	\$ 0	\$ 0	1,056,597
Equity in Pooled Cash and Investments	0	0	450,961		450,961
Accounts Receivable	0	0	2,560		2,560
Due from Other Governments	268,206	0	16,077		284,283
Notes Receivable - Current	0	0	1,000		1,000
Notes Receivable - Long-term	0	0	7,000		7,000
Total Assets	<u>\$ 268,206</u>	<u>\$ 1,056,597</u>	<u>\$ 477,598</u>	<u>\$ 0</u>	<u>1,802,401</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 1,705	\$ 0	1,705
Due to Other Taxing Units	268,206	0	0		268,206
Due to Litigants, Heirs, and Others	0	1,056,597	0		1,056,597
Other Current Liabilities	0	0	475,893		475,893
Total Liabilities	<u>\$ 268,206</u>	<u>\$ 1,056,597</u>	<u>\$ 477,598</u>	<u>\$ 0</u>	<u>1,802,401</u>

Exhibit G-2

Claiborne County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,456,609	\$ 1,456,609	\$ 0
Due From Other Governments	242,480	268,206	242,480	268,206
<b>Total Assets</b>	<b>\$ 242,480</b>	<b>\$ 1,724,815</b>	<b>\$ 1,699,089</b>	<b>\$ 268,206</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 242,480	\$ 1,724,815	\$ 1,699,089	\$ 268,206
<b>Total Liabilities</b>	<b>\$ 242,480</b>	<b>\$ 1,724,815</b>	<b>\$ 1,699,089</b>	<b>\$ 268,206</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 940,977	\$ 5,676,151	\$ 5,560,531	\$ 1,056,597
<b>Total Assets</b>	<b>\$ 940,977</b>	<b>\$ 5,676,151</b>	<b>\$ 5,560,531</b>	<b>\$ 1,056,597</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 940,977	\$ 5,676,151	\$ 5,560,531	\$ 1,056,597
<b>Total Liabilities</b>	<b>\$ 940,977</b>	<b>\$ 5,676,151</b>	<b>\$ 5,560,531</b>	<b>\$ 1,056,597</b>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 433,833	\$ 241,637	\$ 224,509	\$ 450,961
Accounts Receivable	7,499	2,560	7,499	2,560
Due From Other Governments	0	16,077	0	16,077
Notes Receivable - Current	0	1,000	0	1,000
Notes Receivable - Long-term	0	7,000	0	7,000
<b>Total Assets</b>	<b>\$ 441,332</b>	<b>\$ 268,274</b>	<b>\$ 232,008</b>	<b>\$ 477,598</b>
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 1,705	\$ 0	\$ 1,705
Other Current Liabilities	441,332	266,569	232,008	475,893
<b>Total Liabilities</b>	<b>\$ 441,332</b>	<b>\$ 268,274</b>	<b>\$ 232,008</b>	<b>\$ 477,598</b>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 940,977	\$ 5,676,151	\$ 5,560,531	\$ 1,056,597
Equity in Pooled Cash and Investments	433,833	1,698,246	1,681,118	450,961
Accounts Receivable	7,499	2,560	7,499	2,560
Due From Other Governments	242,480	284,283	242,480	284,283
Notes Receivable - Current	0	1,000	0	1,000
Notes Receivable - Long-term	0	7,000	0	7,000
<b>Total Assets</b>	<b>\$ 1,624,789</b>	<b>\$ 7,669,240</b>	<b>\$ 7,491,628</b>	<b>\$ 1,802,401</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 (Cont.)</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 1,705	\$ 0	\$ 1,705
Due to Other Taxing Units	242,480	1,724,815	1,699,089	268,206
Due to Litigants, Heirs, and Others	940,977	5,676,151	5,560,531	1,056,597
Other Current Liabilities	441,332	266,569	232,008	475,893
Total Liabilities	<u>\$ 1,624,789</u>	<u>\$ 7,669,240</u>	<u>\$ 7,491,628</u>	<u>\$ 1,802,401</u>

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit H-1

Claiborne County, Tennessee  
Schedule of Changes in Long-term Notes,  
Other Loans, Capital Leases, and Bonds  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate		Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Capital Outlay - Energy Efficiency	\$ 35,785	3 %		8-28-00	10-15-07	\$ 16,247	\$ 0	\$ 5,260	\$ 10,987
Total Notes Payable						\$ 16,247	\$ 0	\$ 5,260	\$ 10,987
<u>OTHER LOANS PAYABLE</u>									
<u>Payable through General Debt Service Fund</u>									
Montgomery County Public Building Authority	1,000,000	Variable		10-2-01	5-25-11	\$ 714,000	\$ 0	\$ 105,000	\$ 609,000
Montgomery County Public Building Authority	1,244,297	Variable		5-23-02	5-25-11	888,787	0	130,667	758,120
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	17,800,000	0	225,000	17,575,000
Blount County Public Building Authority - Judicial Complex	6,225,000	4.272		9-2-04	6-1-24	5,152,915	1,072,085	225,000	6,000,000
Sevier County Public Building Authority - Judicial Complex	4,075,000	Variable		10-21-04	6-1-31	477,716	3,597,284	0	4,075,000
Montgomery County Public Building Authority	(1)	Variable	(2)	10-19-05	5-25-17	0	1,594,372	0	1,594,372
Total Other Loans Payable						\$ 43,033,418	\$ 6,263,741	\$ 685,667	\$ 48,611,492
<u>CAPITAL LEASES PAYABLE</u>									
<u>Payable through Solid Waste/Sanitation Fund</u>									
Sanitation Equipment	62,900	4.95		12-30-05	4-30-07	\$ 0	\$ 62,900	\$ 20,000	\$ 42,900
Total Capital Leases Payable						\$ 0	\$ 62,900	\$ 20,000	\$ 42,900
<u>BONDS PAYABLE</u>									
<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	\$ 1,575,000	\$ 0	\$ 210,000	\$ 1,365,000
School Refunding Bonds, Series 2003	3,540,000	3 to 3.125		3-31-03	3-1-08	2,210,000	0	700,000	1,510,000
Total Bonds Payable						\$ 3,785,000	\$ 0	\$ 910,000	\$ 2,875,000

(1) Total amount available under this loan agreement is \$5,000,000, of which \$3,405,628 had not been drawn at June 30, 2006.

(2) This loan carries a variable interest rate cap of 6.5 percent.

Exhibit H-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
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>\$ 2,875,000</u>	<u>\$ 347,461</u>	<u>\$ 3,222,461</u>

Exhibit H-3

Claiborne County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2006

<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	<u>\$ 177,826</u>
Total Transfers			<u><u>\$ 177,826</u></u>

Exhibit H-4

Claiborne County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 72,925	\$ 50,000	Liberty Mutual Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	59,452	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,048	695,700	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	68,552 (1)	50,000	
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	"
Sheriff	Section 8-24-102, TCA, and County Commission	70,052 (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 \$14,504.

(2) Includes additional compensation of \$10,000 provided by the County Commission for serving as workhouse superintendent and a \$600 law enforcement training supplement.

Exhibit H-5

Claiborne County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 3,668,523	\$ 776,033	\$ 0	\$ 0	\$ 35,127	\$ 0	\$ 0	\$ 0	\$ 4,479,683
Trustee's Collections - Prior Year	86,400	32,604	0	0	1,778	8,151	0	0	128,933
Circuit/Clerk & Master Collections - Prior Years	81,658	19,387	0	15,885	903	1,202	0	0	119,035
Interest and Penalty	16,597	5,545	0	0	285	1,158	0	0	23,585
Payments in-Lieu-of Taxes - T.V.A.	787	167	0	0	8	0	0	0	962
Payments in-Lieu-of Taxes - Local Utilities	9,762	2,065	0	0	94	0	0	0	11,921
Payments in-Lieu-of Taxes - Other	3,985	843	0	0	38	0	0	0	4,866
<u>County Local Option Taxes</u>									
Hotel/Motel Tax	0	0	0	0	0	0	0	28,472	28,472
Wheel Tax	0	0	0	0	0	747,889	0	0	747,889
Litigation Tax - General	134,777	0	0	0	0	0	0	0	134,777
Litigation Tax - Special Purpose	10	0	0	0	0	0	0	0	10
Litigation Tax - Jail, Workhouse, or Courthouse	29,964	0	0	0	0	0	0	0	29,964
Mineral Severance Tax	0	0	0	0	72,759	0	0	0	72,759
<u>Statutory Local Taxes</u>									
Bank Excise Tax	137,080	0	0	0	0	0	0	0	137,080
Wholesale Beer Tax	103,002	0	0	0	0	0	0	0	103,002
Coal Severance Tax	0	0	0	0	229,894	0	0	0	229,894
Interstate Telecommunications Tax	3,487	0	0	0	0	0	0	0	3,487
Other Statutory Local Taxes	0	0	0	0	36,940	0	0	0	36,940
<b>Total Local Taxes</b>	<b>\$ 4,276,032</b>	<b>\$ 836,644</b>	<b>\$ 0</b>	<b>\$ 15,885</b>	<b>\$ 377,826</b>	<b>\$ 758,400</b>	<b>\$ 0</b>	<b>\$ 28,472</b>	<b>\$ 6,293,259</b>
<u>Licenses and Permits</u>									
<u>Permits</u>									
Beer Permits	\$ 95	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 95
Building Permits	19,500	0	0	0	0	0	0	0	19,500
<b>Total Licenses and Permits</b>	<b>\$ 19,595</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,595</b>
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 13,644	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 13,644
Officers Costs	3,712	0	0	0	0	0	0	0	3,712

(Continued)

Exhibit H-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>Circuit Court (Cont.)</u>									
Drug Control Fines	\$ 0	\$ 0	\$ 11,692	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,692
Jail Fees	171	0	0	0	0	0	0	0	171
Judicial Commissioner Fees	827	0	0	0	0	0	0	0	827
DUI Treatment Fines	2,800	0	0	0	0	0	0	0	2,800
Data Entry Fee - Circuit Court	654	0	0	0	0	0	0	0	654
<u>General Sessions Court</u>									
Fines	20,307	0	0	0	0	0	0	0	20,307
Officers Costs	40,174	0	0	0	0	0	0	0	40,174
Game and Fish Fines	540	0	0	0	0	0	0	0	540
Drug Control Fines	0	0	30,688	0	0	0	0	0	30,688
Jail Fees	16,462	0	0	0	0	0	0	0	16,462
DUI Treatment Fines	7,032	0	0	0	0	0	0	0	7,032
Data Entry Fee - General Sessions Court	6,042	0	0	0	0	0	0	0	6,042
<u>Juvenile Court</u>									
Fines	7,821	0	0	0	0	0	0	0	7,821
Officers Costs	133	0	0	0	0	0	0	0	133
Drug Control Fines	0	0	190	0	0	0	0	0	190
<u>Chancery Court</u>									
Officers Costs	7,335	0	0	0	0	0	0	0	7,335
Data Entry Fee - Chancery Court	2,765	0	0	0	0	0	0	0	2,765
<u>Judicial District Drug Program</u>									
Drug Task Force Forfeitures and Seizures	0	0	3,625	0	0	0	0	0	3,625
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 130,419</b>	<b>\$ 0</b>	<b>\$ 46,195</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 176,614</b>
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Tipping Fees	\$ 0	\$ 301,843	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 301,843
<u>Fees</u>									
Copy Fees	16	0	0	0	0	0	0	0	16
Telephone Commissions	3,471	0	0	0	0	0	0	0	3,471
Vending Machine Collections	2,363	0	0	0	0	0	0	0	2,363
Constitutional Officers' Fees and Commissions	0	0	0	473,610	0	0	0	0	473,610

(Continued)

Exhibit H-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Charges for Current Services (Cont.)</u>									
<u>Fees (Cont.)</u>									
Data Processing Fee - Register	\$ 12,380	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 12,380
Data Processing Fee - Sheriff	6,712	0	0	0	0	0	0	0	6,712
Sexual Offender Registration Fees - Sheriff	1,980	0	0	0	0	0	0	0	1,980
<b>Total Charges for Current Services</b>	<b>\$ 26,922</b>	<b>\$ 301,843</b>	<b>\$ 0</b>	<b>\$ 473,610</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 802,375</b>
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 315,849	\$ 40,874	\$ 0	\$ 7,299	\$ 0	\$ 1,923	\$ 57,230	\$ 0	\$ 423,175
Lease/Rentals	0	0	0	0	1,200	0	0	0	1,200
Sale of Recycled Materials	0	3,665	0	0	0	0	0	0	3,665
Miscellaneous Refunds	30,407	679	0	0	612	0	0	0	31,698
<u>Nonrecurring Items</u>									
Sale of Equipment	0	3,550	0	0	0	0	0	0	3,550
Damages Recovered from Individuals	50	0	0	0	0	0	0	0	50
Contributions & Gifts	4,430	0	200	0	0	2,191,574	0	0	2,196,204
<u>Other Local Revenues</u>									
Other Local Revenues	43	0	0	0	0	203,695	0	0	203,738
<b>Total Other Local Revenues</b>	<b>\$ 350,779</b>	<b>\$ 48,768</b>	<b>\$ 200</b>	<b>\$ 7,299</b>	<b>\$ 1,812</b>	<b>\$ 2,397,192</b>	<b>\$ 57,230</b>	<b>\$ 0</b>	<b>\$ 2,863,280</b>
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 85,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 85,000
Register	36,000	0	0	0	0	0	0	0	36,000
Trustee	196,700	0	0	0	0	0	0	0	196,700
<u>Fees-In-Lieu of Salary</u>									
Circuit Court Clerk	55,753	0	0	0	0	0	0	0	55,753
General Sessions Court Clerk	142,496	0	0	0	0	0	0	0	142,496
Clerk and Master	119,486	0	0	0	0	0	0	0	119,486
Juvenile Court Clerk	660	0	0	0	0	0	0	0	660
Sheriff	7,237	0	0	0	0	0	0	0	7,237
<b>Total Fees Received from County Officials</b>	<b>\$ 643,332</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 643,332</b>

(Continued)

Exhibit H-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Other General Government Grants	0	36,071	0	0	0	0	0	0	36,071
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	12,968	0	0	0	0	0	0	0	12,968
<u>Public Works Grants</u>									
State Aid Program	0	0	0	0	219,482	0	0	0	219,482
Litter Program	25,436	0	0	0	0	0	0	0	25,436
<u>Other State Revenues</u>									
Income Tax	34,950	0	0	0	0	0	0	0	34,950
Beer Tax	17,211	0	0	0	0	0	0	0	17,211
Alcoholic Beverage Tax	40,134	0	0	0	0	0	0	0	40,134
Mixed Drink Tax	3,749	0	0	0	0	0	0	0	3,749
State Revenue Sharing - T.V.A.	224,459	47,482	0	0	2,158	0	0	0	274,099
Contracted Prisoner Boarding	71,092	0	0	0	0	0	0	0	71,092
Gasoline and Motor Fuel Tax	0	0	0	0	1,701,234	0	0	0	1,701,234
Petroleum Special Tax	0	0	0	0	24,022	0	0	0	24,022
Reappraisal Program Reimbursement	13,434	0	0	0	0	0	0	0	13,434
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	11,206	0	0	0	0	0	0	137,165	148,371
Other State Revenues	115,089	0	0	0	0	0	0	0	115,089
Total State of Tennessee	\$ 595,108	\$ 83,553	\$ 0	\$ 0	\$ 1,946,896	\$ 0	\$ 0	\$ 137,165	\$ 2,762,722
<u>Federal Government</u>									
<u>Federal Through State</u>									
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 47,909	\$ 0	\$ 0	\$ 0	\$ 47,909
Homeland Security Grants	77,458	0	0	0	0	0	0	0	77,458
Other Federal through State	228,240	0	0	0	0	0	0	0	228,240
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	1,368	0	0	0	0	0	0	0	1,368
Total Federal Government	\$ 307,066	\$ 0	\$ 0	\$ 0	\$ 47,909	\$ 0	\$ 0	\$ 0	\$ 354,975

(Continued)

Exhibit H-5

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

	Special Revenue Funds					Debt Service Fund	Capital Projects Funds		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service	General Capital Projects	Community Development/ Industrial Park	
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contracted Services	\$ 3,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,144
Total Other Governments and Citizens Groups	\$ 3,144	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,144
 Total	 \$ 6,352,397	 \$ 1,270,808	 \$ 46,395	 \$ 496,794	 \$ 2,374,443	 \$ 3,155,592	 \$ 57,230	 \$ 165,637	 \$ 13,919,296

Claiborne County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	22,100	
Audit Services		8,485	
Dues and Memberships		1,500	
Total County Commission			\$ 32,085

Board of Equalization

Board and Committee Members Fees	\$	2,100	
Travel		96	
Total Board of Equalization			2,196

Beer Board

Board and Committee Members Fees	\$	600	
Total Beer Board			600

Budget and Finance Committee

Board and Committee Members Fees	\$	16,750	
Total Budget and Finance Committee			16,750

County Mayor/Executive

County Official/Administrative Officer	\$	72,925	
Assistant(s)		29,076	
Secretary(ies)		22,158	
Communication		6,626	
Dues and Memberships		1,500	
Operating Lease Payments		2,971	
Maintenance Agreements		1,331	
Postal Charges		891	
Travel		2,470	
Office Supplies		2,619	
Premiums on Corporate Surety Bonds		200	
Total County Mayor/Executive			142,767

County Attorney

County Official/Administrative Officer	\$	32,621	
Clerical Personnel		4,000	
Dues and Memberships		100	
Total County Attorney			36,721

Election Commission

County Official/Administrative Officer	\$	53,830	
--	----	--------	--

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Clerical Personnel	\$	16,718	
Other Salaries & Wages		1,843	
Election Commission		8,475	
Election Workers		275	
In-Service Training		4,809	
Communication		4,223	
Operating Lease Payments		1,762	
Maintenance & Repair Services - Buildings		391	
Rentals		6,600	
Other Contracted Services		15,873	
Office Supplies		5,246	
Office Equipment		160,800	
Total Election Commission			\$ 280,845

Register of Deeds

Communication	\$	2,620	
Dues and Memberships		110	
Operating Lease Payments		3,678	
Maintenance & Repair Services - Office Equipment		13,231	
Office Supplies		5,014	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			24,753

Development

Contracts with Other Public Agencies	\$	12,889	
Total Development			12,889

Planning

Clerical Personnel	\$	798	
Other Charges		910	
Total Planning			1,708

County Buildings

Custodial Personnel	\$	16,204	
Maintenance Personnel		17,328	
Communication		3,250	
Maintenance & Repair Services - Buildings		5,627	
Postal Charges		26,635	
Rentals		11,720	
Custodial Supplies		2,462	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Electricity	\$	37,543	
Office Supplies		4,754	
Utilities		4,876	
Water and Sewer		8,666	
Other Supplies and Materials		3,105	
Other Charges		1,863	
Other Construction		6,554	
Total County Buildings			\$ 150,587

Preservation of Records

Other Supplies and Materials	\$	1,398	
Total Preservation of Records			1,398

Finance

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Secretary(ies)		27,653	
Clerical Personnel		21,862	
Other Salaries & Wages		19,720	
In-Service Training		632	
Audit Services		15,815	
Communication		3,089	
Dues and Memberships		1,500	
Operating Lease Payments		157	
Travel		1,331	
Office Supplies		1,759	
Other Supplies and Materials		894	
Premiums on Corporate Surety Bonds		100	
Office Equipment		2,084	
Total Property Assessor's Office			150,644

Reappraisal Program

Assistant(s)	\$	25,300	
Laborers		20,385	
In-Service Training		428	
Communication		900	
Data Processing Services		4,159	
Operating Lease Payments		1,556	
Travel		1,832	
Office Supplies		768	

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program (Cont.)

Office Equipment	\$ 1,500	
Total Reappraisal Program		\$ 56,828

County Trustee's Office

Communication	\$ 2,739	
Data Processing Services	11,508	
Dues and Memberships	260	
Operating Lease Payments	1,151	
Legal Notices, Recording, and Court Costs	3,347	
Maintenance Agreements	5,524	
Travel	92	
Office Supplies	1,929	
Premiums on Corporate Surety Bonds	3,272	
Office Equipment	652	
Total County Trustee's Office		30,474

County Clerk's Office

Communication	\$ 6,634	
Operating Lease Payments	1,844	
Maintenance Agreements	7,377	
Office Supplies	2,173	
Premiums on Corporate Surety Bonds	200	
Office Equipment	2,591	
Total County Clerk's Office		20,819

Other Finance

Office Supplies	\$ 9,847	
Office Equipment	90	
Total Other Finance		9,937

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 54,048
Deputy(ies)	18,698
Secretary(ies)	27,653
Clerical Personnel	47,008
Part-time Personnel	3,721
Jury and Witness Fees	23,751
Communication	3,409
Dues and Memberships	170

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Operating Lease Payments	\$	3,515	
Maintenance Agreements		6,934	
Postal Charges		4,239	
Office Supplies		3,923	
Premiums on Corporate Surety Bonds		200	
Office Equipment		22,320	
Total Circuit Court			\$ 219,589

General Sessions Court

Judge(s)	\$	79,026	
Secretary(ies)		22,263	
Communication		1,857	
Office Supplies		402	
Periodicals		732	
Office Equipment		599	
Total General Sessions Court			104,879

Chancery Court

County Official/Administrative Officer	\$	54,048	
Assistant(s)		25,139	
Secretary(ies)		27,424	
Clerical Personnel		42,277	
Communication		4,569	
Dues and Memberships		170	
Operating Lease Payments		2,414	
Maintenance Agreements		8,020	
Travel		60	
Office Supplies		3,696	
Premiums on Corporate Surety Bonds		147	
Office Equipment		640	
Total Chancery Court			168,604

District Attorney General

Secretary(ies)	\$	20,714	
Contributions		4,976	
Total District Attorney General			25,690

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,452	
--	----	--------	--

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Assistant(s)	\$	30,137	
Deputy(ies)		665,195	
Investigator(s)		29,072	
Lieutenant(s)		4,382	
Salary Supplements		15,000	
Secretary(ies)		24,200	
School Resource Officer		97,193	
Overtime Pay		4,445	
Communication		24,624	
Dues and Memberships		1,500	
Operating Lease Payments		1,675	
Maintenance & Repair Services - Equipment		2,471	
Maintenance & Repair Services - Vehicles		37,974	
Travel		2,038	
Tuition		7,190	
Gasoline		93,087	
Law Enforcement Supplies		2,163	
Tires and Tubes		13,220	
Uniforms		11,514	
Other Supplies and Materials		5,170	
Premiums on Corporate Surety Bonds		125	
Law Enforcement Equipment		1,957	
Motor Vehicles		3,000	
Total Sheriff's Department			\$ 1,146,784

Workhouse

Deputy(ies)	\$	27,352
Guards		293,267
Maintenance Personnel		13,846
Other Salaries & Wages		20,905
Communication		3,401
Maintenance & Repair Services - Buildings		3,288
Medical and Dental Services		17,519
Travel		525
Tuition		225
Other Contracted Services		48,000
Custodial Supplies		7,766
Drugs and Medical Supplies		20,497
Electricity		16,349
Food Supplies		67,934

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Office Supplies	\$	3,727	
Uniforms		6,057	
Water and Sewer		3,427	
Other Supplies and Materials		20,213	
Total Workhouse			\$ 574,298

Juvenile Services

Social Workers	\$	13,800	
Attendants		670	
Communication		1,597	
Travel		465	
Other Contracted Services		2,250	
Total Juvenile Services			18,782

Fire Prevention and Control

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

Civil Defense

Communication	\$	2,010	
Dues and Memberships		170	
Maintenance & Repair Services - Vehicles		156	
Travel		278	
Other Contracted Services		117	
Gasoline		375	
Office Supplies		509	
Other Supplies and Materials		94,678	
Other Charges		12,646	
Motor Vehicles		29,599	
Other Equipment		38,641	
Total Civil Defense			179,179

Rescue Squad

Contributions	\$	8,000	
Total Rescue Squad			8,000

Other Emergency Management

Contributions	\$	14,678	
Total Other Emergency Management			14,678

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Other Per Diem & Fees	\$ 20,150	
Total County Coroner/Medical Examiner		\$ 20,150

Public Health and Welfare

Local Health Center

Clerical Personnel	\$ 16,345	
Custodial Personnel	8,883	
Communication	8,578	
Contracts with Government Agencies	36,055	
Contracts with Private Agencies	1,159	
Operating Lease Payments	3,083	
Maintenance & Repair Services - Buildings	6,395	
Postal Charges	1,000	
Other Contracted Services	220	
Custodial Supplies	2,038	
Office Supplies	5,339	
Utilities	9,035	
Office Equipment	2,486	
Total Local Health Center		100,616

Rabies and Animal Control

Contributions	\$ 5,000	
Total Rabies and Animal Control		5,000

Ambulance/Emergency Medical Services

Contributions	\$ 80,000	
Motor Vehicles	171,000	
Total Ambulance/Emergency Medical Services		251,000

Other Local Health Services

Clerical Personnel	\$ 123,580	
Travel	5,085	
Total Other Local Health Services		128,665

Sanitation Education/Information

Laborers	\$ 21,000	
Clerical Personnel	400	
Educational Assistants	3,959	
Communication	559	
Contributions	261	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

Maintenance & Repair Services - Vehicles	\$	1,897	
Gasoline		4,629	
Instructional Supplies and Materials		1,571	
Uniforms		212	
Other Charges		325	
Total Sanitation Education/Information			\$ 34,813

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	5,000	
Maintenance & Repair Services - Equipment		5,000	
Total Adult Activities			10,000

Senior Citizens Assistance

Laborers	\$	3,720	
Communication		4,367	
Contracts with Other Public Agencies		7,000	
Other Contracted Services		14,217	
Electricity		6,263	
Water and Sewer		201	
Other Charges		3,770	
Total Senior Citizens Assistance			39,538

Libraries

Contributions	\$	60,000	
Total Libraries			60,000

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$	3,811	
Contracts with Other Public Agencies		55,202	
Dues and Memberships		510	
Other Charges		1,740	
Office Equipment		251	
Total Agriculture Extension Service			61,514

Forest Service

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

(Continued)

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Secretary(ies)	\$	20,000	
Contributions		<u>9,000</u>	
Total Soil Conservation	\$		29,000

Other Operations

Industrial Development

Contracts with Other Public Agencies	\$	<u>20,000</u>	
Total Industrial Development			20,000

Other Economic and Community Development

Assistant(s)	\$	25,258	
Communication		700	
Travel		3,741	
Office Supplies		235	
Other Charges		<u>1,929</u>	
Total Other Economic and Community Development			31,863

Veterans' Services

County Official/Administrative Officer	\$	8,200	
Assistant(s)		2,272	
Communication		1,947	
Contributions		2,500	
Dues and Memberships		25	
Postal Charges		36	
Travel		663	
Office Supplies		740	
Uniforms		<u>159</u>	
Total Veterans' Services			16,542

Other Charges

Contributions	\$	38,877	
Dues and Memberships		1,596	
Legal Notices, Recording, and Court Costs		1,494	
Liability Insurance		146	
Refunds		108	
Trustee's Commission		89,253	
Vehicle and Equipment Insurance		213,886	
Workers' Compensation Insurance		78,994	
Liability Claims		10,201	
Other Charges		<u>7,841</u>	
Total Other Charges			442,396

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Employee Benefits

Social Security	\$	217,683	
State Retirement		67,323	
Unemployment Compensation		17,978	
Total Employee Benefits			\$ 302,984

Total General Fund \$ 5,055,565

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Foremen	\$	36,325
Equipment Operators		56,156
Truck Drivers		45,044
Secretary(ies)		25,139
Attendants		196,944
Board and Committee Members Fees		3,675
Social Security		27,743
State Retirement		9,500
Unemployment Compensation		3,382
Communication		9,741
Contracts with Private Agencies		477,659
Evaluation and Testing		4,000
Operating Lease Payments		13,200
Maintenance & Repair Services - Vehicles		18,290
Postal Charges		117
Travel		67
Permits		1,075
Other Contracted Services		6,956
Crushed Stone		3,013
Diesel Fuel		28,528
Electricity		8,452
Fertilizer, Lime, and Seed		997
Gasoline		3,027
Lubricants		1,641
Office Supplies		1,989
Tires and Tubes		7,572
Water and Sewer		386
Other Supplies and Materials		3,853
Trustee's Commission		20,101
Vehicle and Equipment Insurance		18,226

(Continued)

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.)

Workers' Compensation Insurance	\$ 38,736	
Site Development	2,336	
Other Equipment	<u>62,900</u>	
Total Waste Pickup		\$ 1,136,770

Principal on Debt

General Government

Principal on Capital Leases	\$ 20,000	
Total General Government		20,000

Interest on Debt

General Government

Interest on Notes	\$ 1,923	
Interest on Capital Leases	<u>1,062</u>	
Total General Government		<u>2,985</u>

Total Solid Waste/Sanitation Fund \$ 1,159,755

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$ 75	
Confidential Drug Enforcement Payments	8,000	
Maintenance & Repair Services - Vehicles	1,050	
Animal Food and Supplies	936	
Instructional Supplies and Materials	898	
Other Supplies and Materials	3,475	
Trustee's Commission	365	
Law Enforcement Equipment	<u>7,530</u>	
Total Drug Enforcement		<u>\$ 22,329</u>

Total Drug Control Fund 22,329

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$ 101,305	
Total Register of Deeds		\$ 101,305

(Continued)

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

Constitutional Officers - Fees Fund (Cont.)

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 142,931	
Total County Trustee's Office		\$ 142,931

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 204,980	
Total County Clerk's Office		204,980

Administration of Justice

Chancery Court

Constitutional Officers' Operating Expenses	\$ 30,389	
Total Chancery Court		30,389

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 127	
Total Sheriff's Department		<u>127</u>

Total Constitutional Officers - Fees Fund		\$ 479,732
---	--	------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 59,452	
Accountants/Bookkeepers	23,518	
Secretary(ies)	19,760	
Data Processing Services	4,637	
Dues and Memberships	2,473	
Legal Services	285	
Legal Notices, Recording, and Court Costs	479	
Postal Charges	415	
Travel	215	
Office Supplies	<u>3,001</u>	
Total Administration		\$ 114,235

Highway and Bridge Maintenance

Laborers	\$ 534,218
Other Contracted Services	38,602
Asphalt - Hot Mix	60,188
Concrete	2,135
Crushed Stone	190,994

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Fertilizer, Lime, and Seed	\$	144	
Pipe - Metal		23,927	
Road Signs		3,704	
Wood Products		618	
Other Supplies and Materials		3,036	
Total Highway and Bridge Maintenance	\$		857,566

Operation and Maintenance of Equipment

Mechanic(s)	\$	62,287	
Rentals		5,400	
Diesel Fuel		77,827	
Equipment and Machinery Parts		126,732	
Garage Supplies		1,000	
Gasoline		36,505	
Lubricants		5,246	
Tires and Tubes		10,242	
Other Supplies and Materials		983	
Total Operation and Maintenance of Equipment			326,222

Other Charges

Communication	\$	7,551	
Electricity		5,162	
Water and Sewer		620	
Building and Contents Insurance		1,800	
Liability Insurance		36,000	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		21,519	
Vehicle and Equipment Insurance		45,141	
Total Other Charges			118,143

Employee Benefits

Social Security	\$	53,417	
State Retirement		17,532	
Medical Insurance		160,849	
Disability Insurance		4,458	
Unemployment Compensation		7,340	
Workers' Compensation Insurance		64,266	
Total Employee Benefits			307,862

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Bridge Construction	\$	10,463	
Highway Construction		1,225	
Highway Equipment		57,700	
Maintenance Equipment		312	
Motor Vehicles		20,799	
Office Equipment		578	
State Aid Projects		189,627	
Total Capital Outlay			\$ 280,704

Total Highway/Public Works Fund \$ 2,004,732

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$	228	
Total Other Charges			\$ 228

Principal on Debt

General Government

Principal on Bonds	\$	260,000	
Principal on Notes		5,260	
Principal on Other Loans		337,945	
Total General Government			603,205

Highways and Streets

Principal on Other Loans	\$	122,722	
Total Highways and Streets			122,722

Education

Principal on Bonds	\$	700,000	
Principal on Other Loans		225,000	
Total Education			925,000

Interest on Debt

General Government

Interest on Bonds	\$	116,810	
Interest on Notes		484	
Interest on Other Loans		326,371	
Total General Government			443,665

(Continued)

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Highways and Streets

Interest on Other Loans	\$ 46,804	
Total Highways and Streets		\$ 46,804

Education

Interest on Bonds	\$ 67,269	
Interest on Other Loans	1,066,082	
Total Education		1,133,351

Other Debt Service

General Government

Other Debt Service	\$ 5,190	
Total General Government		5,190

Highways and Streets

Other Debt Service	\$ 8,299	
Total Highways and Streets		8,299

Education

Other Debt Service	\$ 133,224	
Total Education		133,224

Total General Debt Service Fund \$ 3,421,688

General Capital Projects Fund

Capital Projects

Administration of Justice Projects

Architects	\$ 65,051	
Building Construction	4,796,524	
Land	12	
Total Administration of Justice Projects		\$ 4,861,587

Total General Capital Projects Fund 4,861,587

Community Development/Industrial Park Fund

Other Operations

Industrial Development

Contributions	\$ 28,472	
Total Industrial Development		\$ 28,472

(Continued)

Exhibit H-6

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

Community Development/Industrial Park Fund (Cont.)

Capital Projects

Other General Government Projects

Other Construction	\$ 137,165	
Total Other General Government Projects		\$ 137,165

Total Community Development/Industrial Park Fund \$ 165,637

Highway Capital Projects Fund

Other Debt Service

Highways and Streets

Other Debt Issuance Charges	\$ 47,000	
Total Highways and Streets		\$ 47,000

Capital Projects

Highway & Street Capital Projects

Other Contracted Services	\$ 1,319,110	
Asphalt - Hot Mix	<u>267,610</u>	
Total Highway & Street Capital Projects		<u>1,586,720</u>

Total Highway Capital Projects Fund 1,633,720

Total Governmental Funds - Primary Government \$ 18,804,745

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, 2006

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,456,609
Total Cash Receipts	<u>\$ 1,456,609</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,442,043
Trustee's Commission	<u>14,566</u>
Total Cash Disbursements	<u>\$ 1,456,609</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2005	<u>0</u>
 Cash Balance, June 30, 2006	 <u><u>\$ 0</u></u>

**ANNUAL FINANCIAL REPORT**  
**CLAIBORNE COUNTY SCHOOL DEPARTMENT**  
**A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*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*

*CLIFFORD TUCKER, CPA*  
*Audit Manager*

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

*PHILIP TOBY*  
*AMY HEMBREE, CPA*  
*DOUG SANDIDGE, CISA, CFE*  
*State Auditors*

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

---



---

**CLAIBORNE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE  
TABLE OF CONTENTS**

---



---

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Claiborne County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	C-3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	18
Internal Service Fund:		
Statement of Net Assets	D-1	19
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	20
Statement of Cash Flows	D-3	21
Notes to the Financial Statements		23-39
REQUIRED SUPPLEMENTARY INFORMATION:		41
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	E-1	43-44
School Federal Projects Fund	E-2	45
Notes to the Required Supplementary Information		47

	Exhibit	Page(s)
MISCELLANEOUS SCHEDULES:		49
Schedule of Changes in Long-term Other Loans	F-1	51
Schedule of Salaries and Official Bonds of Principal Official	F-2	52
Schedule of Detailed Revenues – All Governmental Fund Types	F-3	53-54
Schedule of Detailed Expenditures – All Governmental Fund Types	F-4	55-68

# ***Audit Highlights***

Annual Financial Report  
Claiborne County School Department  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of the Claiborne County School Department as of and for the year ended June 30, 2006.

## ***Results***

Our report on the Claiborne County School Department's financial statements is unqualified.

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

## ***Findings***

The following are summaries of the audit findings:

### **DIRECTOR OF SCHOOLS**

- ◆ Liabilities for unpaid claims were not recorded accurately in the Employee Insurance-Health Fund.

---

### **OTHER FINDING**

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

---

---

# INTRODUCTORY SECTION

---

---

Claiborne County School Officials  
June 30, 2006

---

**Official**

Donald Dobbs, Director of Schools

**Board of Education**

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

Sam Owens  
Eddie Shoffner  
Elizabeth Wilmoth

---

---

## FINANCIAL SECTION

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

January 9, 2007

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, 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, 2006, which collectively comprise the Claiborne County School Department's basic financial statements as listed in the table of contents. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Claiborne County School Department as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2007, 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.

The management of the Claiborne County School Department did not prepare a management's discussion and analysis. The management's discussion and analysis section 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.

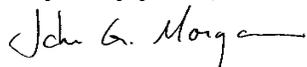
As described in Note IV.B., the Claiborne County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of June 30, 2006. For the first time, the Claiborne County School Department has presented government-wide financial statements.

Also, as described in Note IV.B., the Claiborne County School Department adopted the provisions of GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The budgetary comparison information on pages 43 through 47 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 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,



John G. Morgan  
Comptroller of the Treasury

JGM/yu

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

Claiborne County, Tennessee  
Statement of Net Assets  
Claiborne County School Department  
June 30, 2006

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash	\$ 319,663
Equity in Pooled Cash and Investments	1,216,060
Accounts Receivable	33,319
Due from Other Governments	1,097,074
Property Taxes Receivable	5,498,945
Allowance for Uncollectible Property Taxes	(299,718)
Capital Assets Not Depreciated:	
Land	1,125,900
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	36,339,773
Other Capital Assets	1,045,197
Total Assets	<u>\$ 46,376,213</u>
 <u>LIABILITIES</u>  	
Accounts Payable	\$ 445,210
Accrued Payroll	12,804
Deferred Revenue - Current Year Property Taxes	4,987,522
Noncurrent Liabilities:	
Due Within One Year	155,427
Due in More than One Year	833,792
Total Liabilities	<u>\$ 6,434,755</u>
 <u>NET ASSETS</u>  	
Invested in Capital Assets, Net of Related Debt	\$ 37,521,651
Restricted for:	
State and Federal Financial Assistance Programs	20,150
Unrestricted	<u>2,399,657</u>
Total Net Assets	<u>\$ 39,941,458</u>

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

Exhibit B

Claiborne County, Tennessee  
Statement of Activities  
Claiborne County School Department  
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenues and Changes in Net Assets
				Total Governmental Activities
Governmental Activities:				
Instruction	\$ 22,276,467	\$ 0	\$ 1,907,549	\$ (20,368,918)
Support Services	9,000,349	5,655	112,845	(8,881,849)
Operation of Non-Instructional Services	4,930,002	178,346	4,492,960	(258,696)
Debt Service	2,191,574	0	0	(2,191,574)
Total School Department	\$ 38,398,392	\$ 184,001	\$ 6,513,354	\$ (31,701,037)
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 5,097,986
Sales Taxes				2,162,093
Other Taxes				235,905
Grants and Contributions Not Restricted to Specific Programs				21,985,928
Unrestricted Investment Income				15,004
Miscellaneous				147,091
Total General Revenues				\$ 29,644,007
Change in Net Assets				\$ (2,057,030)
Net Assets, July 1, 2005				41,998,488
Net Assets, June 30, 2006				\$ 39,941,458

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

Exhibit C-1

Claiborne County, Tennessee  
Balance Sheet - Governmental Funds  
Claiborne County School Department  
June 30, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Education</u>	<u>Gov-</u>
	<u>School</u>	<u>Projects</u>	<u>Capital</u>	<u>mental</u>
			<u>Projects</u>	<u>Funds</u>
			<u>Fund</u>	
<u>ASSETS</u>				
Cash	\$ 23,156	\$ 0	\$ 0	\$ 23,156
Equity in Pooled Cash and Investments	1,194,670	10,489	10,901	1,216,060
Accounts Receivable	33,319	0	0	33,319
Due from Other Governments	832,662	264,412	0	1,097,074
Property Taxes Receivable	5,498,945	0	0	5,498,945
Allowance for Uncollectible Property Taxes	(299,718)	0	0	(299,718)
<b>Total Assets</b>	<b>\$ 7,283,034</b>	<b>\$ 274,901</b>	<b>\$ 10,901</b>	<b>\$ 7,568,836</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 6,796	\$ 247,962	\$ 0	\$ 254,758
Accrued Payroll	0	12,804	0	12,804
Deferred Revenue - Current Property Taxes	4,987,522	0	0	4,987,522
Deferred Revenue - Delinquent Property Taxes	191,944	0	0	191,944
Other Deferred Revenues	244,976	0	0	244,976
<b>Total Liabilities</b>	<b>\$ 5,431,238</b>	<b>\$ 260,766</b>	<b>\$ 0</b>	<b>\$ 5,692,004</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 143,458	\$ 0	\$ 0	\$ 143,458
Reserved for Career Ladder Program	6,015	0	0	6,015
Other Federal Reserves	0	14,135	0	14,135
Unreserved, Reported In:				
General Purpose School Fund	1,702,323	0	0	1,702,323
Capital Projects Fund	0	0	10,901	10,901
<b>Total Fund Balances</b>	<b>\$ 1,851,796</b>	<b>\$ 14,135</b>	<b>\$ 10,901</b>	<b>\$ 1,876,832</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 7,283,034</b>	<b>\$ 274,901</b>	<b>\$ 10,901</b>	<b>\$ 7,568,836</b>

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

Exhibit C-2

Claiborne County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Claiborne County School Department  
June 30, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	1,876,832
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,125,900	
Add: buildings and improvements net of accumulated depreciation		36,339,773	
Add: other capital assets net of accumulated depreciation		<u>1,045,197</u>	38,510,870
(2) Internal service funds are used by management to charge the cost of employee health insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.			106,055
(3) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			436,920
(4) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: other loans payable			<u>(989,219)</u>
Net assets of governmental activities (Exhibit A)		\$	<u>39,941,458</u>

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

Exhibit C-3

Claiborne County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Claiborne County School Department  
For the Year Ended June 30, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Education</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Capital</u>	<u>Funds</u>
			<u>Projects</u>	
			<u>Fund</u>	
<u>Revenues</u>				
Local Taxes	\$ 7,496,518	\$ 0	\$ 0	\$ 7,496,518
Licenses and Permits	3,088	0	0	3,088
Charges for Current Services	186,505	0	0	186,505
Other Local Revenues	213,653	0	14,969	228,622
State of Tennessee	21,926,470	0	0	21,926,470
Federal Government	3,235,582	4,024,441	0	7,260,023
<b>Total Revenues</b>	<b>\$ 33,061,816</b>	<b>\$ 4,024,441</b>	<b>\$ 14,969</b>	<b>\$ 37,101,226</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 18,661,790	\$ 2,634,837	\$ 0	\$ 21,296,627
Support Services	8,465,522	489,320	0	8,954,842
Operation of Non-Instructional Services	3,748,506	1,060,857	0	4,809,363
Capital Outlay	198,048	0	0	198,048
Debt Service:				
Principal on Debt	114,652	0	0	114,652
Other Debt Service	2,191,574	0	0	2,191,574
Capital Projects	0	0	6,917	6,917
<b>Total Expenditures</b>	<b>\$ 33,380,092</b>	<b>\$ 4,185,014</b>	<b>\$ 6,917</b>	<b>\$ 37,572,023</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (318,276)	\$ (160,573)	\$ 8,052	\$ (470,797)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 52,196	\$ 0	\$ 0	\$ 52,196
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 52,196</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 52,196</b>
Net Change in Fund Balances	\$ (266,080)	\$ (160,573)	\$ 8,052	\$ (418,601)
Fund Balance, July 1, 2005	2,117,876	174,708	2,849	2,295,433
<b>Fund Balance, June 30, 2006</b>	<b>\$ 1,851,796</b>	<b>\$ 14,135</b>	<b>\$ 10,901</b>	<b>\$ 1,876,832</b>

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

Exhibit C-4

Claiborne County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Claiborne County School Department  
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ (418,601)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation and the amount of losses or disposals are as follows:		
Add: capital assets purchased in the current period	\$ 151,496	
Less: current year depreciation expense	(1,138,408)	
Less: loss on disposal of capital assets	<u>(930)</u>	(987,842)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 436,920	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(1,308,214)</u>	(871,294)
(3) The issuance of long-term debt (e.g., other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Add: principal payment on other loans		114,652
(4) Internal service funds are used by management to charge the cost of employee health benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>106,055</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (2,057,030)</u>

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

Exhibit D-1

Claiborne County, Tennessee  
Statement of Net Assets  
Internal Service Fund  
Claiborne County School Department  
June 30, 2006

	Governmental Activities
	Employee Insurance - Health
	<hr/>
<u>ASSETS</u>	
Current Assets	
Cash	\$ 296,507
Total Assets	<hr/> \$ 296,507 <hr/>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 190,452
Total Liabilities	<hr/> \$ 190,452 <hr/>
<u>NET ASSETS</u>	
Unrestricted	<hr/> <hr/> \$ 106,055 <hr/> <hr/>

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

Exhibit D-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, 2006

	Governmental Activities
	Employee Insurance - Health
	<hr/>
<u>Operating Revenues:</u>	
<u>Charges for Current Services:</u>	
Self-Insurance Premiums/Contributions	\$ 3,518,799
Total Operating Revenues	<hr/> \$ 3,518,799 <hr/>
<u>Operating Expenses:</u>	
Handling Charges and Administrative Costs	\$ 203,866
Life Insurance	5,500
Excess Risk Insurance	307,016
Medical Claims	2,896,897
Total Operating Expenses	<hr/> \$ 3,413,279 <hr/>
Operating Income (Loss)	<hr/> \$ 105,520 <hr/>
<u>Nonoperating Revenues (Expenses):</u>	
Investment Income	\$ 535
Total Nonoperating Revenues (Expenses)	<hr/> \$ 535 <hr/>
Changes in Net Assets	\$ 106,055
Net Assets, July 1, 2005	<hr/> 0 <hr/>
Net Assets, June 30, 2006	<hr/> \$ 106,055 <hr/>

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

Exhibit D-3

Claiborne County, Tennessee  
Statement of Cash Flows  
Internal Service Fund  
Claiborne County School Department  
For the Year Ended June 30, 2006

	Governmental Activities
	<u>Employee Insurance - Health</u>
<u>Cash Flows from Operating Activities</u>	
Receipts for Self-insurance Premiums	\$ 3,631,321
Payments for Life Insurance	(5,500)
Payments for Excess Risk Insurance	(307,016)
Payments for Medical Claims	(3,040,418)
Payments for Administrative Costs	(203,866)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 74,521</u>
<u>Cash Flows from Investment Activities</u>	
Interest on Investments	\$ 535
Net Cash Provided By (Used In) Investing Activities	<u>\$ 535</u>
Net Increase (Decrease) in Cash	\$ 75,056
Cash, July 1, 2005	<u>221,451</u>
Cash, June 30, 2006	<u>\$ 296,507</u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 105,520
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	112,522
Increase (Decrease) in Accounts Payable	<u>(143,521)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ 74,521</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, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Claiborne County School Department's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of 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 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.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the School Department does not have any business-type activities to report.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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 building 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.

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

**1. Deposits and Investments**

For purposes of the statement of cash flows, cash includes demand deposits.

State statutes authorize 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 county trustee maintains a cash and internal investment pool that is used by all funds of Claiborne County and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. 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**

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.93 percent of total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to

liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in 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.

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the School Department as machinery and other equipment with an initial, individual cost of \$5,000 or more and an estimated useful life exceeding five years. The School Department defines all land, buildings, and vehicles as capital assets regardless of the initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	5-15

**4. Compensated Absences**

Vacation for employees of the School Department does not vest or accumulate and must be used within the year. The granting of sick leave has no guaranteed payment attached and therefore requires no accrual.

**5. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

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

**6. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2006, Claiborne County had \$37,085,000 in outstanding debt for capital purposes of the School Department. This debt is a liability of Claiborne County, but the capital assets acquired are reported in the financial statements of the School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, 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. Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$227,847 of the unreserved fund balance in the General Purpose School Fund for the school aged child care program.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

**B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principals (GAAP) for all governmental funds except the Education Capital Projects Fund, which adopts a project length budget. All annual appropriations lapse at fiscal year end.

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 Program, 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. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

#### **IV. DETAILED NOTES ON ALL FUNDS**

##### **A. Deposits and Investments**

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 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, 2006.

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,125,900	\$ 0	\$ 0	\$ 1,125,900
Total Capital Assets Not Depreciated	\$ 1,125,900	\$ 0	\$ 0	\$ 1,125,900

**Governmental Activities (Cont.):**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Depreciated:				
Buildings and Improvements	\$ 44,739,203	\$ 85,705	\$ 0	\$ 44,824,908
Other Capital Assets	2,055,224	65,791	67,998	2,053,017
<b>Total Capital Assets Depreciated</b>	<b>\$ 46,794,427</b>	<b>\$ 151,496</b>	<b>\$ 67,998</b>	<b>\$ 46,877,925</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 7,491,752	\$ 993,383	\$ 0	\$ 8,485,135
Other Capital Assets	929,863	145,025	67,068	1,007,820
<b>Total Accumulated Depreciation</b>	<b>\$ 8,421,615</b>	<b>\$ 1,138,408</b>	<b>\$ 67,068</b>	<b>\$ 9,492,955</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 38,372,812</b>	<b>\$ (986,912)</b>	<b>\$ 930</b>	<b>\$ 37,384,970</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 39,498,712</b>	<b>\$ (986,912)</b>	<b>\$ 930</b>	<b>\$ 38,510,870</b>

Depreciation expense was charged to functions of the School Department as follows:

## Governmental Activities:

Instruction	\$ 955,101
Support Services	183,307
Total Depreciation Expense - Governmental Activities	<u>\$ 1,138,408</u>

**C. Long-term Debt**Other Loans

Other loans outstanding were issued for original terms up to ten 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, 2006, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2006 are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Other Loans	0 %	\$ 1,206,476	\$ 989,219

These loans were issued for ball field lighting and geothermal systems at two high schools through the 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, 2006, are presented in the following table:

Loans Payable	
Year Ending June 30	Principal
2007	\$ 155,427
2008	155,427
2009	155,427
2010	155,427
2011	155,427
2012-2014	<u>212,084</u>
Total	<u>\$ 989,219</u>

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Other Loans
Balance, July 1, 2005	\$ 1,103,871
Deductions	<u>(114,652)</u>
Balance, June 30, 2006	<u>\$ 989,219</u>
Balance Due Within One Year	<u>\$ 155,427</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 989,219
Less: Balance Due Within One Year	<u>(155,427)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 833,792</u>

In addition to the debt reflected above, the School Department provides funding to Claiborne County, the primary government, for the retirement of the school refunding bonds and general obligation debt. During the year, the School Department contributed \$2,191,574 to the county's General Debt Service Fund to be applied toward school-related debt.

**D. 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 repaid in the fiscal year ended June 30, 2004, as required by state statutes. Of these notes, \$60,000 was still outstanding as of June 30, 2005, and was retired during the 2005-2006 fiscal year. Short-term debt activity for the year ended June 30, 2006, was as follows:

<u>Fund</u>	<u>Balance 7-1-05</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 6-30-06</u>
School Federal Projects	\$ 60,000	\$ 0	\$ (60,000)	\$ 0
Total	<u>\$ 60,000</u>	<u>\$ 0</u>	<u>\$ (60,000)</u>	<u>\$ 0</u>

**V. 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 \$75,000 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 \$925,000 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, 2006, the reserve for catastrophic losses totaled \$106,055. 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
2004-2005	\$ 399,720	\$ 3,156,330	\$ 3,222,077	\$ 333,973
2005-2006	333,973	2,896,897	3,040,418	190,452

The School Department is exposed to various risks related to general liability, property, and casualty. The School Department purchased commercial insurance for these risks. In previous years, the School Department participated in public entity risk pools for those risks. Settled claims did not exceed this commercial coverage during the year.

The School Department participates in a public entity risk pool (Tennessee School Boards Risk Management Trust) as opposed to purchasing commercial insurance for risks associated with workers' compensation risks.

**B. Accounting Changes**

For the year ended June 30, 2006, the Claiborne County School Department adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Claiborne County is not

presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Claiborne County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. The School Department was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that the School Department will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Contingent Liabilities**

There are several pending lawsuits in which the School Department is involved. The School Department's attorney estimates 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 Note IV.H. 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, 2006, 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, 2006, 2005, and 2004, were \$995,326, \$941,481, and \$543,466, 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 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 have 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 \$180,377 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 \$10,000.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit E-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,496,518	\$ 0	\$ 0	\$ 7,496,518	\$ 7,241,011	\$ 7,241,011	\$ 255,507
Licenses and Permits	3,088	0	0	3,088	4,605	4,605	(1,517)
Charges for Current Services	186,505	0	0	186,505	1,160,058	182,963	3,542
Other Local Revenues	213,653	0	0	213,653	172,695	238,466	(24,813)
State of Tennessee	21,926,470	0	0	21,926,470	21,326,076	21,816,669	109,801
Federal Government	3,235,582	0	0	3,235,582	3,123,943	3,715,290	(479,708)
Total Revenues	\$ 33,061,816	\$ 0	\$ 0	\$ 33,061,816	\$ 33,028,388	\$ 33,199,004	\$ (137,188)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 13,763,687	\$ 0	\$ 0	\$ 13,763,687	\$ 14,022,914	\$ 14,070,593	\$ 306,906
Alternative Instruction Program	494,252	0	0	494,252	452,259	500,217	5,965
Special Education Program	3,137,039	0	0	3,137,039	3,083,670	3,137,215	176
Vocational Education Program	1,128,280	0	0	1,128,280	1,199,618	1,151,660	23,380
Student Body Education Program	8,662	0	0	8,662	0	8,663	1
Adult Education Program	129,870	0	0	129,870	134,579	138,039	8,169
<u>Support Services</u>							
Attendance	141,929	0	0	141,929	143,104	143,104	1,175
Health Services	131,908	0	0	131,908	132,051	132,051	143
Other Student Support	658,511	0	0	658,511	650,247	658,899	388
Regular Instruction Program	839,276	0	0	839,276	846,858	846,858	7,582
Special Education Program	305,172	0	0	305,172	288,030	308,030	2,858
Vocational Education Program	89,620	0	0	89,620	90,463	90,463	843
Adult Programs	131,334	0	0	131,334	139,909	139,909	8,575
Board of Education	942,815	0	0	942,815	984,345	982,845	40,030
Director of Schools	242,554	0	0	242,554	248,461	249,961	7,407

(Continued)

Exhibit E-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 7/1/2005	Add: Encumbrances 6/30/2006	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	\$ 1,145,035	\$ 0	\$ 0	\$ 1,145,035	\$ 1,153,916	\$ 1,147,916	\$ 2,881
Fiscal Services	135,471	0	0	135,471	135,655	135,655	184
Operation of Plant	1,731,015	0	0	1,731,015	1,838,872	1,764,996	33,981
Maintenance of Plant	691,453	0	0	691,453	614,466	693,529	2,076
Transportation	1,244,121	0	0	1,244,121	1,269,892	1,269,892	25,771
Central and Other	35,308	0	0	35,308	44,883	44,883	9,575
<u>Operation of Non-Instructional Services</u>							
Food Service	1,559,864	0	0	1,559,864	2,336,362	1,657,292	97,428
Community Services	1,792,912	(173,212)	0	1,619,700	1,926,392	2,374,338	754,638
Early Childhood Education	395,730	0	0	395,730	130,000	395,741	11
<u>Capital Outlay</u>							
Regular Capital Outlay	198,048	0	143,458	341,506	489,193	448,417	106,911
<u>Principal on Debt</u>							
Education	114,652	0	0	114,652	0	114,652	0
<u>Other Debt Service</u>							
Education	2,191,574	0	0	2,191,574	2,065,269	2,206,544	14,970
Total Expenditures	\$ 33,380,092	\$ (173,212)	\$ 143,458	\$ 33,350,338	\$ 34,421,408	\$ 34,812,362	\$ 1,462,024
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (318,276)	\$ 173,212	\$ (143,458)	\$ (288,522)	\$ (1,393,020)	\$ (1,613,358)	\$ 1,324,836
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 52,196	\$ 0	\$ 0	\$ 52,196	\$ 0	\$ 79,063	\$ (26,867)
Total Other Financing Sources (Uses)	\$ 52,196	\$ 0	\$ 0	\$ 52,196	\$ 0	\$ 79,063	\$ (26,867)
Net Change in Fund Balance	\$ (266,080)	\$ 173,212	\$ (143,458)	\$ (236,326)	\$ (1,393,020)	\$ (1,534,295)	\$ 1,297,969
Fund Balance, July 1, 2005	2,117,876	(173,212)	0	1,944,664	1,393,020	2,602,033	(657,369)
Fund Balance, June 30, 2006	\$ 1,851,796	\$ 0	\$ (143,458)	\$ 1,708,338	\$ 0	\$ 1,067,738	\$ 640,600

Exhibit E-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,024,441	\$ 3,826,807	\$ 4,235,274	\$ (210,833)
Total Revenues	\$ 4,024,441	\$ 3,826,807	\$ 4,235,274	\$ (210,833)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,598,687	\$ 1,514,200	\$ 1,837,206	\$ 238,519
Special Education Program	896,353	1,057,757	1,084,855	188,502
Vocational Education Program	139,797	139,842	139,842	45
<u>Support Services</u>				
Health Services	2,799	3,000	3,000	201
Other Student Support	84,649	84,785	84,785	136
Regular Instruction Program	366,270	466,690	537,722	171,452
Special Education Program	27,239	26,906	27,241	2
Vocational Education Program	8,363	8,426	8,426	63
<u>Operation of Non-Instructional Services</u>				
Community Services	1,060,857	525,201	1,108,028	47,171
Total Expenditures	\$ 4,185,014	\$ 3,826,807	\$ 4,831,105	\$ 646,091
Excess (Deficiency) of Revenues Over Expenditures	\$ (160,573)	\$ 0	\$ (595,831)	\$ 435,258
Net Change in Fund Balance	\$ (160,573)	\$ 0	\$ (595,831)	\$ 435,258
Fund Balance, July 1, 2005	174,708	0	595,831	(421,123)
Fund Balance, June 30, 2006	\$ 14,135	\$ 0	\$ 0	\$ 14,135

**CLAIBORNE COUNTY SCHOOL DEPARTMENT  
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2006**

**BUDGETARY INFORMATION**

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 Program, 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. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit F-1

Claiborne County, Tennessee  
Schedule of Changes in Long-term Other Loans  
Claiborne County School Department  
For the Year Ended June 30, 2006

Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity	Outstanding 7-1-05	Paid and/or Matured Period	Outstanding 6-30-06
<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	\$ 451,462	\$ 73,876	\$ 377,586
HVAC System at Claiborne County High School	450,000	0	12-11-03	12-11-13	450,000	28,125	421,875
HVAC System at Cumberland Gap High School	202,409	0	12-11-03	12-11-13	202,409	12,651	189,758
Total Other Loans Payable					<u>\$ 1,103,871</u>	<u>\$ 114,652</u>	<u>\$ 989,219</u>

Exhibit F-2

Claiborne County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Official  
Claiborne County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 90,074 (1) \$	50,000	Western Surety Company Casualty Fund
School Department Public Employees Dishonesty			150,000	Southern States Insurance Group

(1) Includes chief executive officer training supplement of \$1,000 and secretary to the board supplement of \$1,500.

Exhibit F-3

Claiborne County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Claiborne County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 4,726,751	\$ 0	\$ 0	\$ 4,726,751
Trustee's Collections - Prior Year	218,437	0	0	218,437
Circuit/Clerk & Master Collections - Prior Years	121,011	0	0	121,011
Interest and Penalty	38,207	0	0	38,207
Payments in-Lieu-of Taxes - T.V.A.	1,014	0	0	1,014
Payments in-Lieu-of Taxes - Local Utilities	12,579	0	0	12,579
Payments in-Lieu-of Taxes - Other	5,134	0	0	5,134
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,137,896	0	0	2,137,896
<u>Statutory Local Taxes</u>				
Coal Severance Tax	229,894	0	0	229,894
Interstate Telecommunications Tax	5,595	0	0	5,595
<b>Total Local Taxes</b>	<b>\$ 7,496,518</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 7,496,518</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 3,088	\$ 0	\$ 0	\$ 3,088
<b>Total Licenses and Permits</b>	<b>\$ 3,088</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,088</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 178,346	\$ 0	\$ 0	\$ 178,346
School Based Health Services - FFS	2,504	0	0	2,504
Receipts from Individual Schools	5,655	0	0	5,655
<b>Total Charges for Current Services</b>	<b>\$ 186,505</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 186,505</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 14,469	\$ 14,469
Retirees' Insurance Payments	141,586	0	0	141,586
Miscellaneous Refunds	1,183	0	500	1,683
<u>Nonrecurring Items</u>				
Sale of Equipment	4,752	0	0	4,752
Contributions & Gifts	362	0	0	362
<u>Other Local Revenues</u>				
Other Local Revenues	65,770	0	0	65,770
<b>Total Other Local Revenues</b>	<b>\$ 213,653</b>	<b>\$ 0</b>	<b>\$ 14,969</b>	<b>\$ 228,622</b>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 20,154,440	\$ 0	\$ 0	\$ 20,154,440
School Food Service	27,734	0	0	27,734
Driver Education	11,304	0	0	11,304
Other State Education Funds	818,445	0	0	818,445
Career Ladder Program	334,167	0	0	334,167
Career Ladder - Extended Contract	135,652	0	0	135,652
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	289,207	0	0	289,207
Other State Grants	155,521	0	0	155,521
<b>Total State of Tennessee</b>	<b>\$ 21,926,470</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 21,926,470</b>

(Continued)

Exhibit F-3

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>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 1,046,468	\$ 0	\$ 0	\$ 1,046,468
Breakfast	414,794	0	0	414,794
USDA - Other	24,839	0	0	24,839
Adult Education State Grant Program	129,695	0	0	129,695
Vocational Education - Basic Grants to States	0	174,950	0	174,950
Title I Grants to Local Education Agencies	0	1,339,408	0	1,339,408
Innovative Education Program Strategies	0	186,940	0	186,940
Special Education - Grants to States	67,544	868,298	0	935,842
Special Education Preschool Grants	0	39,738	0	39,738
Eisenhower Professional Development State Grants	0	80,697	0	80,697
Other Federal through State	364,776	1,334,410	0	1,699,186
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	1,187,466	0	0	1,187,466
Total Federal Government	\$ 3,235,582	\$ 4,024,441	\$ 0	\$ 7,260,023
Total	\$ 33,061,816	\$ 4,024,441	\$ 14,969	\$ 37,101,226

Claiborne County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Claiborne County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,502,840	
Career Ladder Program	199,492	
Career Ladder Extended Contracts	75,198	
Educational Assistants	365,998	
Certified Substitute Teachers	170,554	
Social Security	606,607	
State Retirement	540,147	
Life Insurance	32,170	
Medical Insurance	1,523,084	
Dental Insurance	34,074	
Unemployment Compensation	6,516	
Employer Medicare	141,867	
Tuition	3,100	
Other Contracted Services	2,000	
Instructional Supplies and Materials	110,446	
Textbooks	361,371	
Other Supplies and Materials	270	
Other Charges	3,102	
Regular Instruction Equipment	84,851	
Total Regular Instruction Program		\$ 13,763,687

Alternative Instruction Program

Teachers	\$ 329,860	
Career Ladder Program	10,000	
Other Salaries & Wages	17,776	
Social Security	20,491	
State Retirement	18,955	
Life Insurance	1,122	
Medical Insurance	57,303	
Dental Insurance	1,171	
Unemployment Compensation	224	
Employer Medicare	4,792	
Instructional Supplies and Materials	1,000	
Other Supplies and Materials	25	
Other Charges	31,533	
Total Alternative Instruction Program		494,252

Special Education Program

Teachers	\$ 1,965,537	
----------	--------------	--

(Continued)

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.)

Career Ladder Program	\$	30,466	
Homebound Teachers		48,735	
Educational Assistants		30,481	
Other Salaries & Wages		136,591	
Certified Substitute Teachers		27,434	
Social Security		133,605	
State Retirement		120,937	
Life Insurance		7,573	
Medical Insurance		342,187	
Dental Insurance		7,870	
Unemployment Compensation		1,374	
Employer Medicare		31,246	
Contracts with Other School Systems		785	
Contracts with Private Agencies		143,720	
Maintenance & Repair Services - Equipment		2,098	
Tuition		2,469	
Instructional Supplies and Materials		24,758	
Textbooks		3,502	
Other Supplies and Materials		8,722	
Other Charges		25,132	
Special Education Equipment		41,817	
Total Special Education Program			\$ 3,137,039

Vocational Education Program

Teachers	\$	834,826	
Career Ladder Program		13,999	
Certified Substitute Teachers		19,800	
Social Security		51,841	
State Retirement		45,871	
Life Insurance		2,718	
Medical Insurance		120,263	
Dental Insurance		2,862	
Unemployment Compensation		498	
Employer Medicare		12,124	
Instructional Supplies and Materials		10,649	
Other Charges		5,111	
Vocational Instruction Equipment		7,718	
Total Vocational Education Program			1,128,280

(Continued)

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Student Body Education Program

Teachers	\$	8,662	
Total Student Body Education Program			\$ 8,662

Adult Education Program

Teachers	\$	80,423	
Other Salaries & Wages		11,280	
Social Security		5,155	
State Retirement		2,751	
Employer Medicare		1,206	
Instructional Supplies and Materials		29,055	
Total Adult Education Program			129,870

Support Services

Attendance

Supervisor/Director	\$	61,776	
Career Ladder Program		2,000	
Other Salaries & Wages		50,682	
Social Security		6,987	
State Retirement		6,295	
Life Insurance		255	
Medical Insurance		10,612	
Dental Insurance		177	
Unemployment Compensation		39	
Employer Medicare		1,634	
Travel		1,472	
Total Attendance			141,929

Health Services

Medical Personnel	\$	33,579	
Social Security		2,029	
State Retirement		1,847	
Life Insurance		128	
Medical Insurance		3,693	
Dental Insurance		126	
Unemployment Compensation		20	
Employer Medicare		474	
Travel		4,634	
Other Contracted Services		85,378	
Total Health Services			131,908

(Continued)

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

Career Ladder Program	\$	12,000	
Guidance Personnel		435,730	
Career Ladder Extended Contracts		44,658	
Social Security		28,467	
State Retirement		26,136	
Life Insurance		1,447	
Medical Insurance		88,327	
Dental Insurance		1,571	
Unemployment Compensation		236	
Employer Medicare		6,657	
Evaluation and Testing		10,116	
Travel		1,662	
Other Supplies and Materials		1,504	
Total Other Student Support			\$ 658,511

Regular Instruction Program

Supervisor/Director	\$	188,640	
Career Ladder Program		16,499	
Librarians		385,063	
Other Salaries & Wages		21,859	
Social Security		35,937	
State Retirement		32,093	
Life Insurance		1,477	
Medical Insurance		69,260	
Dental Insurance		1,678	
Unemployment Compensation		289	
Employer Medicare		8,405	
Travel		6,098	
Other Contracted Services		2,500	
Library Books/Media		57,757	
Other Supplies and Materials		687	
In Service/Staff Development		11,034	
Total Regular Instruction Program			839,276

Special Education Program

Supervisor/Director	\$	61,751
Career Ladder Program		2,000
Psychological Personnel		75,457
Secretary(ies)		19,245

(Continued)

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.)

Other Salaries & Wages	\$	49,858	
Social Security		12,020	
State Retirement		9,782	
Life Insurance		383	
Medical Insurance		19,734	
Dental Insurance		404	
Unemployment Compensation		133	
Employer Medicare		2,811	
Maintenance & Repair Services - Equipment		2,035	
Travel		31,937	
Other Contracted Services		60	
Other Supplies and Materials		2,387	
In Service/Staff Development		9,620	
Other Charges		5,555	
Total Special Education Program			\$ 305,172

Vocational Education Program

Supervisor/Director	\$	60,815	
Career Ladder Program		1,000	
Clerical Personnel		14,920	
Social Security		4,483	
State Retirement		3,822	
Life Insurance		122	
Medical Insurance		2,921	
Dental Insurance		113	
Unemployment Compensation		41	
Employer Medicare		1,048	
Other Charges		109	
Other Equipment		226	
Total Vocational Education Program			89,620

Adult Programs

Supervisor/Director	\$	58,202	
Clerical Personnel		54	
Other Salaries & Wages		55,868	
Social Security		6,829	
State Retirement		5,776	
Employer Medicare		1,597	
Travel		3,008	
Total Adult Programs			131,334

(Continued)

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

Board and Committee Members Fees	\$	10,200	
Social Security		724	
State Retirement		311	
Life Insurance		895	
Medical Insurance		43,325	
Dental Insurance		569	
Unemployment Compensation		26	
Employer Medicare		169	
Audit Services		12,000	
Dues and Memberships		12,950	
Legal Services		16,144	
Travel		2,930	
Other Contracted Services		10,235	
Liability Insurance		151,120	
Premiums on Corporate Surety Bonds		175	
Trustee's Commission		186,099	
Workers' Compensation Insurance		173,021	
Other Charges		<u>321,922</u>	
Total Board of Education	\$		942,815

Director of Schools

County Official/Administrative Officer	\$	89,074	
Career Ladder Program		1,000	
Secretary(ies)		11,354	
Other Salaries & Wages		47,814	
Social Security		8,682	
State Retirement		7,613	
Life Insurance		242	
Medical Insurance		11,955	
Dental Insurance		225	
Unemployment Compensation		57	
Employer Medicare		2,031	
Communication		41,830	
Dues and Memberships		1,974	
Postal Charges		3,099	
Travel		3,374	
Other Contracted Services		6,919	
Office Supplies		2,826	
Other Charges		<u>2,485</u>	
Total Director of Schools			242,554

(Continued)

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

Principals	\$	676,716	
Career Ladder Program		21,999	
Assistant Principals		228,141	
Social Security		56,146	
State Retirement		51,407	
Life Insurance		1,948	
Medical Insurance		93,351	
Dental Insurance		1,886	
Unemployment Compensation		310	
Employer Medicare		13,131	
Total Office of the Principal			\$ 1,145,035

Fiscal Services

Supervisor/Director	\$	60,576	
Accountants/Bookkeepers		45,075	
Social Security		5,671	
State Retirement		4,689	
Life Insurance		126	
Medical Insurance		5,380	
Dental Insurance		114	
Unemployment Compensation		57	
Employer Medicare		1,326	
Data Processing Services		1,478	
Travel		1,708	
Other Contracted Services		6,435	
Data Processing Supplies		1,888	
Office Supplies		572	
Other Supplies and Materials		376	
Total Fiscal Services			135,471

Operation of Plant

Secretary(ies)	\$	13,250	
Custodial Personnel		382,002	
Other Salaries & Wages		18,893	
Social Security		25,744	
State Retirement		11,305	
Unemployment Compensation		820	
Employer Medicare		6,021	
Maintenance & Repair Services - Equipment		400	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Disposal Fees	\$	66,488	
Other Contracted Services		16,899	
Custodial Supplies		102,292	
Electricity		912,567	
Fuel Oil		30,956	
Natural Gas		36,910	
Water and Sewer		106,468	
Total Operation of Plant			\$ 1,731,015

Maintenance of Plant

Supervisor/Director	\$	9,172	
Other Salaries & Wages		333,004	
Social Security		20,931	
State Retirement		11,347	
Life Insurance		63	
Medical Insurance		7,466	
Dental Insurance		108	
Unemployment Compensation		380	
Employer Medicare		4,895	
Maintenance & Repair Services - Buildings		114,460	
Maintenance & Repair Services - Equipment		182,835	
Other Charges		6,792	
Total Maintenance of Plant			691,453

Transportation

Supervisor/Director	\$	31,800	
Mechanic(s)		19,815	
Bus Drivers		361,604	
Other Salaries & Wages		16,727	
Social Security		27,954	
State Retirement		13,377	
Unemployment Compensation		599	
Employer Medicare		6,538	
Contracts with Vehicle Owners		531,971	
Other Contracted Services		225	
Garage Supplies		1,553	
Gasoline		123,334	
Tires and Tubes		12,392	
Vehicle Parts		33,622	

(Continued)

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Other Charges	\$ 2,810	
Transportation Equipment	59,800	
Total Transportation		\$ 1,244,121

Central and Other

Other Contracted Services	\$ 28,013	
Other Charges	3,530	
Data Processing Equipment	3,765	
Total Central and Other		35,308

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$ 20,678	
Other Salaries & Wages	38,720	
Social Security	3,091	
State Retirement	1,094	
Life Insurance	107	
Medical Insurance	3,690	
Dental Insurance	139	
Employer Medicare	723	
Communication	213	
Payments to Schools - Breakfast	414,794	
Payments to Schools - Lunch	1,046,468	
Payments to Schools - Other	24,839	
Travel	2,316	
Other Contracted Services	920	
Other Supplies and Materials	2,072	
Total Food Service		1,559,864

Community Services

Supervisor/Director	\$ 50,500	
Other Salaries & Wages	945,869	
Social Security	59,133	
State Retirement	44,010	
Life Insurance	2,892	
Medical Insurance	83,143	
Dental Insurance	2,466	
Unemployment Compensation	1,016	
Employer Medicare	13,831	

(Continued)

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 (Cont.)

Community Services (Cont.)

Travel	\$ 46,110	
Other Contracted Services	40,387	
Other Supplies and Materials	228,268	
Other Charges	75,619	
Other Equipment	199,668	
Total Community Services		\$ 1,792,912

Early Childhood Education

Other Salaries & Wages	\$ 210,801	
Social Security	12,307	
State Retirement	9,195	
Life Insurance	483	
Medical Insurance	19,173	
Dental Insurance	571	
Unemployment Compensation	237	
Employer Medicare	2,878	
Travel	438	
Other Supplies and Materials	86,191	
Other Charges	53,456	
Total Early Childhood Education		395,730

Capital Outlay

Regular Capital Outlay

Architects	\$ 11,210	
Building Improvements	136,400	
Site Development	28,305	
Other Capital Outlay	22,133	
Total Regular Capital Outlay		198,048

Principal on Debt

Education

Principal on Other Loans	\$ 114,652	
Total Education		114,652

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 2,191,574	
Total Education		2,191,574

Total General Purpose School Fund \$ 33,380,092

(Continued)

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	870,375	
Educational Assistants		324,112	
Other Salaries & Wages		4,020	
Certified Substitute Teachers		27,990	
Social Security		73,049	
State Retirement		57,004	
Life Insurance		2,875	
Medical Insurance		94,165	
Dental Insurance		3,035	
Unemployment Compensation		1,119	
Employer Medicare		17,083	
Other Fringe Benefits		50	
Travel		5,268	
Instructional Supplies and Materials		26,882	
Other Supplies and Materials		1,107	
In Service/Staff Development		6,700	
Other Charges		13,331	
Regular Instruction Equipment		<u>70,522</u>	
Total Regular Instruction Program			\$ 1,598,687

Special Education Program

Educational Assistants	\$	663,731	
Social Security		40,254	
State Retirement		18,702	
Unemployment Compensation		1,450	
Employer Medicare		9,444	
Contracts with Private Agencies		127,140	
Instructional Supplies and Materials		19,093	
Other Charges		<u>16,539</u>	
Total Special Education Program			896,353

Vocational Education Program

Other Contracted Services	\$	6,197	
Instructional Supplies and Materials		43,326	
Other Charges		31,684	
Vocational Instruction Equipment		<u>58,590</u>	
Total Vocational Education Program			139,797

(Continued)

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

School Federal Projects Fund (Cont.)

Support Services

Health Services

Other Contracted Services	\$	14	
Drugs and Medical Supplies		<u>2,785</u>	
Total Health Services	\$		2,799

Other Student Support

Other Salaries & Wages	\$	50,757	
Social Security		2,868	
State Retirement		2,792	
Life Insurance		128	
Medical Insurance		5,450	
Dental Insurance		126	
Unemployment Compensation		19	
Employer Medicare		671	
Travel		19,362	
Other Supplies and Materials		1,763	
Other Charges		<u>713</u>	
Total Other Student Support			84,649

Regular Instruction Program

Supervisor/Director	\$	118,161	
Secretary(ies)		20,524	
Clerical Personnel		1,620	
Other Salaries & Wages		24,311	
Social Security		9,900	
State Retirement		7,971	
Life Insurance		240	
Medical Insurance		7,055	
Dental Insurance		214	
Unemployment Compensation		104	
Employer Medicare		2,320	
Travel		11,014	
Other Supplies and Materials		9,280	
In Service/Staff Development		52,930	
Other Charges		1,665	
Regular Instruction Equipment		<u>98,961</u>	
Total Regular Instruction Program			366,270

(Continued)

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	\$	16,993	
Social Security		1,185	
State Retirement		1,015	
Life Insurance		102	
Medical Insurance		3,047	
Unemployment Compensation		5	
Employer Medicare		246	
Travel		2,517	
Other Contracted Services		50	
Other Supplies and Materials		1,073	
In Service/Staff Development		345	
Other Charges		661	
Total Special Education Program			\$ 27,239

Vocational Education Program

Other Salaries & Wages	\$	4,000	
Social Security		247	
State Retirement		219	
Unemployment Compensation		25	
Employer Medicare		49	
Travel		1,633	
Other Charges		2,190	
Total Vocational Education Program			8,363

Operation of Non-Instructional Services

Community Services

Other Salaries & Wages	\$	524,516	
Social Security		31,948	
State Retirement		25,011	
Life Insurance		320	
Medical Insurance		11,133	
Dental Insurance		340	
Unemployment Compensation		360	
Employer Medicare		8,109	
Other Fringe Benefits		84	
Travel		76,406	
Other Contracted Services		81,175	
Other Supplies and Materials		269,650	
Other Charges		26,129	

(Continued)

Exhibit F-4

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.)

Regular Instruction Equipment	\$	1,943	
Other Equipment		<u>3,733</u>	
Total Community Services			\$ <u>1,060,857</u>

Total School Federal Projects Fund \$ 4,185,014

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Site Development	\$	<u>6,917</u>	
Total Education Capital Projects			\$ <u>6,917</u>

Total Education Capital Projects Fund 6,917

Total Governmental Funds - Claiborne County School Department \$ 37,572,023

**SINGLE AUDIT REPORT**  
**CLAIBORNE COUNTY, TENNESSEE**  
**AND**  
**CLAIBORNE COUNTY SCHOOL DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*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*

*CLIFFORD TUCKER, CPA*  
*Audit Manager*

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

*PHILIP TOBY*  
*AMY HEMBREE, CPA*  
*DOUG SANDIDGE, CISA, CFE*  
*State Auditors*

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

---

---

## SINGLE AUDIT REPORT TABLE OF CONTENTS

---

---

	Page(s)
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	1-2
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	3-5
Schedule of Expenditures of Federal Awards and State Grants	7-8
Schedule of Audit Findings Not Corrected	9
Schedule of Findings and Questioned Costs	11-18
Auditee Reporting Responsibilities	19



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

January 9, 2007

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 governmental activities, each major fund, and the aggregate remaining fund information of the Claiborne County School Department as of and for the year ended June 30, 2006, which collectively comprise a portion of Claiborne County's and the Claiborne County School Department's basic financial statements and have issued our reports thereon dated January 9, 2007. Our report on the financial statements of Claiborne County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Claiborne County School Department was unqualified. 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 06.02, 06.05(A,B,C,D), 06.06, 06.08, and 06.09.

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 06.02 and 06.06 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 financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 06.01, 06.03, 06.04, 06.05(E), and 06.07.

We also noted certain matters that we reported to the management of Claiborne County and 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/yu



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

January 9, 2007

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, 2006. Claiborne County's 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, 2006.

#### 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.

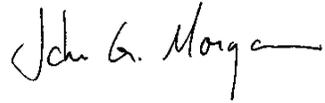
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce 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 governmental activities, each major fund, and the aggregate remaining fund information of the Claiborne County School Department as of and for the year ended June 30, 2006, and have issued our reports thereon dated January 9, 2007. Our report on the financial statements of Claiborne County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Claiborne County School Department was unqualified. 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" with a horizontal flourish at the end.

John G. Morgan  
Comptroller of the Treasury

JGM/yu

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, 2006

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 and Grants	10.855	N/A	\$ 173,212
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	124,966
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	414,794
National School Lunch Program	10.555	N/A	1,046,468
Summer Food Service Program for Children	10.559	N/A	24,839
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	25,627
Total U.S. Department of Agriculture			<u>\$ 1,809,906</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 119,439
Total U.S. Department of Labor			<u>\$ 119,439</u>
U.S. Department of Education:			
Direct Programs:			
Early Reading First	84.359	N/A	\$ 777,190
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,530,188
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	948,091
Special Education - Preschool Grants	84.173	N/A	42,909
Vocational Education - Basic Grants to States	84.048	N/A	168,670
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	33,946
Even Start - State Educational Agencies	84.213	(2)	104,000
Twenty-First Century Community Learning Centers	84.287	(2)	451,650
State Grants for Innovative Programs	84.298	N/A	70,074
Education Technology State Grants	84.318	(2)	20,083
Comprehensive School Reform Demonstration	84.332	(2)	58,712
Reading Excellence	84.338	N/A	25,244
Reading First State Grants	84.357	(2)	440,714
Rural Education	84.358	N/A	143,680
Improving Teacher Quality State Grants	84.367	N/A	318,597
Hurricane Recovery Act	84.938	N/A	8,663
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-06-027761-00	129,695
Total U.S. Department of Education			<u>\$ 5,272,106</u>
U.S. Election Assistance Commission:			
Passed-through State Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-06-032928-00	\$ 160,000
Total U.S. Election Assistance Commission			<u>\$ 160,000</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance for Needy Families	93.558	Z-06-0271690	\$ 49,154
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Z-05-020799-00	36,703
Total U.S. Department of Health and Human Services			<u>\$ 85,857</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 Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-02247-01	\$ 77,458
Disaster Grants - Public Assistance	97.036	GG-03-015832-01	47,909
Emergency Management Performance Grants	97.042	Z-05-025142-00	68,240
Total U.S. Department of Homeland Security			<u>\$ 193,607</u>
Total Expenditures of Federal Awards			<u>\$ 7,640,915</u>
<u>State Grants</u>		<u>Contract Number</u>	
Early Childhood Education - State Department of Education	N/A	(2)	\$ 129,995
Family Resource Centers - State Department of Education	N/A	(2)	53,791
Families First - State Department of Education	N/A	(2)	24,870
Lottery for Education: Preschool - State Department of Education	N/A	(2)	265,736
Lottery for Education: After School Programs - State Department of Education	N/A	(2)	319,452
Safe Schools Act - State Department of Education	N/A	(2)	21,609
Adult Basic Education - State Department of Labor and Workforce Development	N/A	(2)	34,476
Juvenile Services Program - Tennessee Children's Services Commission	N/A	(2)	9,000
Litter Grant - State Department of Transportation	N/A	(2)	25,436
Waste Tire Grant - State Department of Transportation	N/A	(2)	36,071
Archive Grant - State Archives	N/A	(2)	1,000
Child Care Assistance Program - State Department of Human Services	N/A	(2)	56,410
Health Department Programs - State Department of Health	N/A	(2)	115,089
Historical Grant - State Department of Environment and Conservation	N/A	(2)	10,206
Fast Track Industrial Development Project - State Department of Economic and Community Development	N/A	(2)	137,165
Reappraisal Grant - State Comptroller of the Treasury	N/A	(2)	<u>13,434</u>
Total State Grants			<u>\$ 1,253,740</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.

Claiborne County and the Claiborne County School Department  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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, 2005, which have not been corrected.

**CLAIBORNE COUNTY**

Finding Number	Page Number	Subject
05.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

**OFFICE OF COUNTY MAYOR**

Finding Number	Page Number	Subject
05.02	15	Cash on deposit with the trustee was not reconciled with cash in the General Fund
05.06	18	The office had deficiencies in budget operations
05.08	20	The office had purchasing deficiencies

**OFFICE OF DIRECTOR OF SCHOOLS**

Finding Number	Page Number	Subject
05.11	23	Liabilities for unpaid claims were not recorded accurately in the Employee Insurance – Health Fund

**OTHER FINDINGS**

Finding Number	Page Number	Subject
05.14	25	A central system of accounting, budgeting, and purchasing had not been adopted
05.15	25	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

---

---

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

---

---

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

1. An adverse opinion was issued on the financial statements of Claiborne County, and an unqualified opinion was issued on the financial statements of 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 a material weakness for Claiborne County, and one was considered to be a material weakness for the Claiborne County School Department.
3. The audit disclosed three instances of noncompliance that are material to the financial statements of Claiborne County and no instances of noncompliance that are material to the financial statements of 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); 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); Twenty-First Century Community Learning Centers (CFDA No. 84.287); and Improving Teacher Quality State Grants (CFDA No. 84.367) 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

FINDING 06.01      **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

(Material Noncompliance Under Government Auditing Standards)

Claiborne County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Claiborne County was unable to provide the information necessary to prepare government-wide financial statements for all of its 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 financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the county’s 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 financial statements are presented in compliance with these requirements.

### RECOMMENDATION

Claiborne County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document the historical costs of the county’s 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 06.02      **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS** (Internal Control – Material Weakness Under Government Auditing Standards)

The following deficiencies were noted in the maintenance of accounting records:

- A. The General Fund's reconciliation of its general ledger cash with trustee account with the county trustee's report failed to reconcile by approximately \$6,500 at June 30, 2006. The failure to accurately reconcile the fund's general ledger cash with trustee account with the county trustee's monthly report is an internal control weakness that could result in posting errors not being discovered and corrected in a timely manner.
- B. General Fund reserved fund balance accounts had not been updated for transactions of the current year. Audit adjustments were presented to and approved by management to reflect increases in the reserve accounts for revenues received during the current year; however, management made no attempt to determine the amount of expenditures that should have been charged to those reserve accounts during the year. We do not feel the misstatements are material to the financial statements of the General Fund.
- C. General Fund encumbrances reflected on the general ledger were not reconciled with actual outstanding purchase orders. Audit adjustments were presented to and approved by management to properly reflect the encumbrance balances.
- D. General ledger payroll liability accounts were not reconciled monthly with payroll reports and payments. Several payroll liability accounts reflected debit (overdrawn) balances at June 30, 2006. No attempt had been made to identify errors and correct these balances. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected. We do not feel these misstatements are material to the financial statements.
- E. Several expenditures were coded to accounts that did not reflect the true nature of the expenditures. Misclassifying expenditures diminishes the usefulness of the accounting records as a management tool. Management agreed to and posted our audit adjustments to correct material misclassifications noted during our examination of the financial statements.

### RECOMMENDATION

The office should accurately reconcile the general ledger cash balances of the various funds with the trustee's cash balances monthly, and any posting errors discovered should be corrected promptly. Likewise, the office should properly determine, record, and document reservations of fund balances and encumbrances. General ledger payroll liability accounts

should be reconciled monthly with payroll reports and payments, and any errors should be promptly corrected. All expenditures should be posted to accounts that accurately reflect the true nature of the expenditures.

---

**FINDING 06.03      THE COUNTY MAYOR ENTERED INTO A LEASE-PURCHASE AGREEMENT WITHOUT THE COUNTY COMMISSION'S APPROVAL**  
(Material Noncompliance Under Government Auditing Standards)

During December 2005, the county mayor entered into a lease-purchase agreement for solid waste equipment (\$62,900) without the approval of the County Commission. Section 7-51-904, Tennessee Code Annotated, (TCA), requires such contracts, leases, or lease-purchase agreements to be approved by resolution of the County Commission. Additionally, the office did not file a Report on Debt Obligations with the state director of Local Finance. Section 9-21-151, TCA, requires that within 45 days following the issuance of debt, a county must provide to the state director of Local Finance certain information, such as a brief description of the purpose or purposes for which the debt was issued and an itemized description of the costs of issuance of the debt.

**RECOMMENDATION**

Lease-purchase agreements should be approved by the County Commission, and county officials should file a Report on Debt Obligations with the state director of Local Finance for all debt issues as required by state statutes.

---

**FINDING 06.04      EXPENDITURES EXCEEDED APPROPRIATIONS**  
(Material Noncompliance Under Government Auditing Standards)

Our review revealed the following deficiencies in budgetary operations:

- A. General Fund expenditures exceeded appropriations approved by the County Commission in the Election Commission major appropriation category (the legal level of control) by \$145,258. This deficiency was due to the failure to properly budget a federal grant of \$160,000 that was channeled through the fund for the purchase of voting machines. Expenditures also exceeded appropriations in three other General Fund major categories in amounts ranging from \$252 to \$9,937.
- B. Total expenditures in the Solid Waste/Sanitation Fund exceeded total appropriations by \$44,368. This resulted from the recognition of the lease-purchase agreement noted in Finding 06.03 that was not approved by the County Commission.

Section 5-9-401, Tennessee Code Annotated, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

## RECOMMENDATION

Expenditures should be held within appropriations approved by the County Commission.

---

**FINDING 06.05      THE OFFICE HAD PURCHASING DEFICIENCIES  
(A., B., C., and D. Internal Control – Reportable Condition Under Government Auditing Standards); E. 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 for the county and to document purchasing commitments. Also, in some instances purchase orders were issued after 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.
- B. In several instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these disbursements were for the benefit of the county.
- C. Two instances were noted where invoices were not on file to support the purchases. We extended our audit procedures by obtaining copies of these invoices to support the expenditures.
- D. Several instances were noted where invoices were paid late, resulting in late fees and/or interest charges.
- E. Competitive bids were not solicited for several purchases which exceeded \$5,000. These purchases included renovations to a restroom in the courthouse and equipment for the Sheriff’s Department, Civil Defense, and the Election Commission. 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 before purchases are made. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. Invoices should be on file to support all purchases. Vendors should be paid on a timely basis to avoid late fees and interest charges. Competitive bids should be solicited for all purchases estimated to exceed \$5,000 as required by state statute.

---

## OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.06      **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 (\$190,452) in the financial statements.

## RECOMMENDATION

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

---

## OFFICE OF SHERIFF

FINDING 06.07      **DEFICIENCIES WERE NOTED IN THE ADMINISTRATION OF DRUG CONTROL FUNDS**  
(Noncompliance Under Government Auditing Standards)

The office did not adequately maintain forms and reports required by the Office of the Comptroller of the Treasury. These forms are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations. Additionally, the office did not reflect confidential drug transactions on the office cash journal. The cash journal is the official cash control record and should reflect all financial activity of the office.

RECOMMENDATION

The office should maintain drug control forms and reports as required by the Office of the Comptroller of the Treasury. All accounting transactions of the office should be reflected on the cash journal.

---

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.08      **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.

---

FINDING 06.09      **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, AND THE  
CLAIBORNE COUNTY SCHOOL DEPARTMENT  
AUDITEE REPORTING RESPONSIBILITIES  
For the Year Ended June 30, 2006**

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