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

SINGLE AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2007

ANNUAL FINANCIAL REPORT

CLAIBORNE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
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This financial report is available at www.comptroller.state.tn.us

CLAIBORNE COUNTY, TENNESSEE
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Audit Highlights

Annual Financial Report
Claiborne County, Tennessee
For the Year Ended June 30, 2007

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, 2007.

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 (GASB) Statement No. 34.

Our audit resulted in ten findings and recommendations, which we have reviewed with Claiborne County management. Detailed findings and recommendations are included in the Single Audit 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.
- Claiborne County has not completed the steps set forth in the implementation plan for GASB Statement No. 34 filed with the Comptroller of the Treasury.

OFFICE OF COUNTY MAYOR

- Deficiencies were noted in the maintenance of accounting records.
- Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by $69,046. Expenditures and encumbrances exceeded appropriations in several major appropriation categories (the legal level of control) of the General Fund.
- The office had purchasing deficiencies.
- Deficiencies were noted regarding accrued leave records.
- Deficiencies were noted in the purchase of land for a convenience center.
- The General Capital Projects Fund had a deficit of $1,415 at June 30, 2007.

OTHER FINDINGS

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

INTRODUCTORY SECTION

Claiborne County Officials
June 30, 2007

Officials

Joe Tyler Duncan, 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
David Ray, Sheriff

Board of County Commissioners

David Mundy, Chairperson
Mike Campbell, Co-Chairperson
Jerry Arnwine
Rosemary Barnett
Glen Bowling
Bill Brooks
Jerry Brooks
Kenneth Clark
Mitchell Cosby
Tom Daugherty
Dennis Estes
Dennis Graves
James Hatmaker
Juanita Honeycutt
Bill Keck
Danny Longworth
Steve Mason
James McAnally
Dean Neal
Shawn Peters
Barry Thomas

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

March 18, 2008

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, 2007, 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, 2007, 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, 2007, 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 March 18, 2008, 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.

The budgetary comparison and pension information on pages 45 through 51 are not required parts of the basic financial statements but they do provide 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,

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Claiborne County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS							
Cash	$ 0	$ 400	$ 0	$ 0	$ 0	$ 145,701	$ 146,101
Equity in Pooled Cash and Investments	2,748,833	399,494	61,224	1,157,594	3,012	171,755	4,541,912
Accounts Receivable	42,866	33,286	0	0	506,096	0	582,248
Due from Other Governments	68,437	0	356,602	0	0	4,167	429,206
Due from Other Funds	74,377	0	0	35,819	0	0	110,196
Property Taxes Receivable	5,199,056	988,350	51,732	314,471	0	0	6,553,609
Allowance for Uncollectible Property Taxes	(275,047)	(52,485)	(2,640)	(17,582)	0	0	(347,754)
Total Assets	$ 7,858,522	$ 1,369,045	$ 466,918	$ 1,490,302	$ 509,108	$ 321,623	$ 12,015,518
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts Payable	$ 81,206	$ 45,977	$ 2,680	$ 0	$ 655,586	$ 0	$ 785,449
Payroll Deductions Payable	33,449	3,735	661	0	0	0	37,845
Contracts Payable	72,000	0	0	0	0	21,845	93,845
Retainage Payable	0	0	0	0	0	4,381	4,381
Due to Other Funds	0	35,819	74,377	0	0	0	110,196
Deferred Revenue - Current Property Taxes	4,753,485	903,162	47,535	285,209	0	0	5,989,391
Deferred Revenue - Delinquent Property Taxes	155,262	29,776	1,418	10,635	0	0	197,091
Other Deferred Revenues	28,880	0	149,452	0	0	0	178,332
Total Liabilities	$ 5,124,282	$ 1,018,469	$ 276,123	$ 295,844	$ 655,586	$ 26,226	$ 7,396,530
Fund Balances							
Reserved for Encumbrances	$ 52,362	$ 0	$ 0	$ 0	$ 0	$ 0	$ 52,362
Reserved for Purchase of Electronic Fingerprint Imaging System	0	0	0	0	0	79,942	79,942
Reserved for Alcohol and Drug Treatment	75,586	0	0	0	0	0	75,586
Reserved for Sexual Offender Registration	4,705	0	0	0	0	0	4,705
Reserved for Computer System - Register	15,255	0	0	0	0	0	15,255
Reserved for Automation Purposes - Circuit Court	1,259	0	0	0	0	0	1,259
Reserved for Automation Purposes - General Sessions Court	18,399	0	0	0	0	0	18,399

(Continued)

Exhibit A

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

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)							
Fund Balances (Cont.)							
Reserved for Automation Purposes - Chancery Court	$ 5,567	$ 0	$ 0	$ 0	$ 0	$ 0	$ 5,567
Reserved for Automation Purposes - Sheriff	17,847	0	0	0	0	0	17,847
Unreserved, Reported In:							
General Fund	2,543,260	0	0	0	0	0	2,543,260
Special Revenue Funds	0	350,576	190,795	0	0	216,870	758,241
Debt Service Funds	0	0	0	1,194,458	0	0	1,194,458
Capital Projects Funds (Deficit)	0	0	0	0	(146,478)	(1,415)	(147,893)
Total Fund Balances	$ 2,734,240	$ 350,576	$ 190,795	$ 1,194,458	$ (146,478)	$ 295,397	$ 4,618,988
Total Liabilities and Fund Balances	$ 7,858,522	$ 1,369,045	$ 466,918	$ 1,490,302	$ 509,108	$ 321,623	$ 12,015,518

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, 2007

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Revenues							
Local Taxes	$ 4,718,699	$ 802,839	$ 312,950	$ 1,011,469	$ 0	$ 43,888	$ 6,889,845
Licenses and Permits	18,873	0	0	0	0	0	18,873
Fines, Forfeitures, and Penalties	139,290	0	0	0	0	55,340	194,630
Charges for Current Services	32,821	344,300	0	0	0	482,706	859,827
Other Local Revenues	408,325	55,561	1,984	2,698,108	0	7,924	3,171,902
Fees Received from County Officials	753,092	0	0	0	0	0	753,092
State of Tennessee	822,796	59,097	1,921,611	17,713	0	177,375	2,998,592
Federal Government	212,103	0	15,474	0	0	0	227,577
Other Governments and Citizens Groups	27,144	0	0	0	0	0	27,144
Total Revenues	$ 7,133,143	$ 1,261,797	$ 2,252,019	$ 3,727,290	$ 0	$ 767,233	$ 15,141,482
Expenditures							
Current:							
General Government	$ 667,291	$ 0	$ 0	$ 0	$ 0	$ 105,298	$ 772,589
Finance	270,259	0	0	0	0	348,081	618,340
Administration of Justice	531,232	0	0	0	0	30,598	561,830
Public Safety	3,041,491	0	0	0	0	36,861	3,078,352
Public Health and Welfare	349,591	1,071,003	0	0	0	0	1,420,594
Social, Cultural, and Recreational Services	104,935	0	0	0	0	0	104,935
Agriculture and Natural Resources	97,450	0	0	0	0	0	97,450
Other Operations	1,100,361	0	0	6,598	0	27,890	1,134,849
Highways	0	0	1,848,200	0	0	0	1,848,200
Debt Service:							
Principal on Debt	0	42,900	0	2,133,614	0	0	2,176,514
Interest on Debt	0	959	0	2,087,225	0	0	2,088,184
Other Debt Service	0	0	0	76,302	0	0	76,302
Capital Projects	0	0	0	0	1,744,411	229,534	1,973,945
Total Expenditures	$ 6,162,610	$ 1,114,862	$ 1,848,200	$ 4,303,739	$ 1,744,411	$ 778,262	$ 15,952,084
Excess (Deficiency) of Revenues Over Expenditures	$ 970,533	$ 146,935	$ 403,819	$ (576,449)	$ (1,744,411)	$ (11,029)	$ (810,602)
Other Financing Sources (Uses)							
Other Loans Issued	$ 0	$ 0	$ 0	$ 0	$ 1,637,281	$ 0	$ 1,637,281
Transfers In	0	0	0	620,209	0	0	620,209

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses) (Cont.)							
Transfers Out	$ 0	$ 0	$ (620,209)	$ 0	$ 0	$ 0	$ (620,209)
Total Other Financing Sources (Uses)	$ 0	$ 0	$ (620,209)	$ 620,209	$ 1,637,281	$ 0	$ 1,637,281
Net Change in Fund Balances	$ 970,533	$ 146,935	$ (216,390)	$ 43,760	$ (107,130)	$ (11,029)	$ 826,679
Fund Balance, July 1, 2006	1,763,707	203,641	407,185	1,150,698	(39,348)	306,426	3,792,309
Fund Balance, June 30, 2007	$ 2,734,240	$ 350,576	$ 190,795	$ 1,194,458	$ (146,478)	$ 295,397	$ 4,618,988

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, 2007

	Agency Funds
ASSETS	
Cash	$ 1,057,927
Equity in Pooled Cash and Investments	289,285
Accounts Receivable	4,842
Due from Other Governments	277,849
Notes Receivable - Current	1,000
Notes Receivable - Long-term	6,000
Total Assets	$ 1,636,903
LIABILITIES	
Accounts Payable	$ 2,230
Due to Other Taxing Units	277,849
Due to Litigants, Heirs, and Others	1,057,927
Other Current Liabilities	298,897
Total Liabilities	$ 1,636,903

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, 2007

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 No. 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 No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 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, the 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. Audited financial statements of the Claiborne County Industrial Development Board were not yet available for the 2006-07 year. Complete financial statements of the Claiborne County Hospital and Nursing Home, the Claiborne County Emergency Communications District, and 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 25 East
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's 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.

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

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, General Debt Service 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 and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections 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 3.02 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.

Retainage payable in the General Capital Projects Fund represents amounts withheld from payments made on the judicial complex construction contract pending completion of the project. This amount is held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds. For additional details on this retainage and contract, see the Contingent Liabilities footnote IV.C.

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, 2007, management has designated $321,482 of the General Fund's balance for expected

Americans with Disabilities Act 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 principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund) which is not budgeted, and the capital projects funds, which adopt 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 Deficits

The Highway Capital Projects Fund had a deficit in unreserved fund balance of $146,478 at June 30, 2007. This deficit resulted from the recognition of liabilities ($655,586) related to ongoing paving projects. This deficit was liquidated with other loan proceeds received subsequent to June 30, 2007.

The General Capital Projects Fund had a deficit in unreserved fund balance of $1,415 at June 30, 2007. This deficit resulted from expenditures related to construction and other costs of the justice center exceeding available funding.

C. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by $69,046.

Expenditures exceeded appropriations approved by the County Commission in several major appropriation categories (the legal level of control) in the following funds:

Fund/Major Category	Amount Overspent
General:	
Development	$ 12,889
Rescue Squad	4,000
Industrial Development	120,200
Other Charges	69,422
Highway/Public Works:	
Operation and Maintenance of Equipment	73
Capital Outlay	796
Transfers Out	309

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances and greater than anticipated revenues.

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, 2007.

B. Other Current Liabilities

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

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Highway/Public Works	$ 74,377
General Debt Service	Solid Waste/Sanitation	35,819

The amount due to the General Fund from the Highway/Public Works Fund represents property and liability insurance premiums applicable to the Highway Department.

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, with the final payment to be received during the fiscal year ending June 30, 2007. Management expects this liability to be liquidated during the 2007-08 year.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

	Transfers In
Transfers Out	General Debt Service Fund
Highway/Public Works Fund	$ 620,209

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

D. 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, 2007, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
County Hospital and Nursing Home Refunding	3.8 to 4.9 %	$ 2,140,000	$ 1,140,000
School Refunding	3 to 3.125	3,540,000	775,000
Capital Outlay Notes	3	35,785	5,573
Other Loans - Swapped	3.788	18,000,000	18,000,000
Other Loans - Variable Rate	variable	29,319,297	25,380,573
Other Loans - Fixed Rate	4.272	6,225,000	5,750,000

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 $2,490,476 and the Hospital and Nursing Home contributed $201,709 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 as discussed in Note IV.C.

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, 2007.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Interest Rates 6-30-07	Other Fees on Variable Rate Debt
Montgomery County Public Building Authority					
School Construction Loan Program - 2001	$ 18,000,000	$ 17,325,000	Variable	3.89 %	0.486 %
Various Construction and Renovations Loan - 2001	1,000,000	499,000	Variable	3.89	0.684
Various Construction and Renovations Loan - 2002	1,244,297	620,920	Variable	3.89	0.644
Highway Paving Projects Loan - 2005 (1), (2)	5,000,000	2,860,653	Variable	3.87	0.521
Sevier County Public Building Authority					
School Construction Loan Program - 2002	18,000,000	18,000,000	Synthetic Fixed by Swap	3.788	0.434
Jail Construction Program - 2004	4,075,000	4,075,000	Variable	3.81	0.423
Blount County Public Building Authority					
Jail Construction Program - 2004	6,225,000	5,750,000	Fixed	4.272	N/A
		$ 49,130,573			

(1) As of June 30, 2007, $1,768,347 remains available for draws under this loan agreement.
(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 variable rate Sevier County Public Building Authority Series IV-J-1, $18,000,000 loan is repayable at a tax-exempt synthetic fixed rate obtained through the execution of a swap agreement. The interest rate on the remaining variable rate loan from the Sevier County Public Building Authority is a function 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, 2007, including interest payments and other loan fees, 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, 2007.

Year Ending June 30	Bonds Principal	Bonds Interest	Notes Principal	Notes Interest
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	155,000	22,710	0	0
2013-2015	320,000	31,735	0	0
Total	$ 1,915,000	$ 239,147	$ 5,573	$ 167

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Total
2008	$ 1,195,061	$ 1,898,653	$ 201,764	$ 3,295,478
2009	1,963,264	1,854,468	196,579	4,014,311
2010	2,032,827	1,779,777	187,634	4,000,238
2011	2,129,768	1,702,383	178,320	4,010,471
2012	1,888,000	1,620,695	168,626	3,677,321
2013-2017	9,211,653	7,016,267	726,161	16,954,081
2018-2022	10,790,000	5,147,938	536,867	16,474,805
2023-2027	14,490,000	2,772,907	306,218	17,569,125
2028-2031	5,430,000	356,425	39,880	5,826,305
Total	$ 49,130,573	$ 24,149,513	$ 2,542,049	$ 75,822,135

There is $1,194,458 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $64, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled $1,710, based on the 2000 federal census.

Swap Agreement

Under its loan agreement, the Sevier County Public Building Authority, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-J-1.

Objective of the interest rate swap. To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its $18 million Series IV-J-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.467 percent and receives a variable payment computed as 59 percent of the one-month London Interbank Offered Rate (LIBOR) plus .35 percent. The swap has a notional amount of $18 million and the associated variable-rate bond has an $18 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-J-1 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal lndex™ (BMA). The bonds and the related swap agreement mature on June 1, 2028. As of June 30, 2007, rates were as follows:

	Terms	Rates
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.467 %
Variable payment from counterparty		-3.489
Net interest rate swap payments		-0.022
Variable-rate bond interest payments		3.810
Synthetic interest rate on bonds		3.788

Fair value. As of June 30, 2007, the swap had a negative fair value of ($443,067). The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2007, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. To mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, that was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk should BMA increase to above 59 percent of LIBOR plus .35 percent, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59 percent of LIBOR plus .35 percent, then the synthetic rate on the bonds will decrease.

Termination risk. The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

	Variable Rate Bonds			
Year Ending June 30	Principal	Interest	Net Interest Rate Swap Payment	Total
2008	$ 0	$ 685,800	$ (3,924)	$ 681,876
2009	0	685,800	(3,924)	681,876
2010	0	685,800	(3,924)	681,876
2011	0	685,800	(3,924)	681,876
2012	0	685,800	(3,924)	681,876
2013-2017	345,000	3,414,141	(19,535)	3,739,606
2018-2022	2,735,000	3,294,507	(18,850)	6,010,657
2023-2027	11,990,000	1,990,535	(11,389)	13,969,146
2028	2,930,000	111,633	(639)	3,040,994
Total	$ 18,000,000	$ 12,239,816	$ (70,033)	$ 30,169,783

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Bonds	Notes	Other Loans
Balance, July 1, 2006	$ 2,875,000	$ 10,987	$ 48,611,492
Additions	0	0	1,637,281
Deductions	(960,000)	(5,414)	(1,118,200)
Balance, June 30, 2007	$ 1,915,000	$ 5,573	$ 49,130,573
Balance Due Within One Year	$ 1,005,000	$ 5,573	$ 1,195,061

	Capital Leases	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	$ 42,900	$ 101,066	$ 1,381,982
Additions	0	73,413	0
Deductions	(42,900)	(57,556)	(23,243)
Balance, June 30, 2007	$ 0	$ 116,923	$ 1,358,739
Balance Due Within One Year	$ 0	$ 23,385	$ 62,817

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.

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 was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, 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 did not provide health insurance coverage for employees. As discussed in footnote IV.B. the county adopted a health insurance program for other departments and offices subsequent to June 30, 2007.

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. Subsequent Events

Subsequent to June 30, 2007, the county entered into a contract with an architect to design an elevator for the courthouse to comply with the Americans with Disabilities Act requirements.

The county purchased a parcel of land for $150,000 on August 20, 2007. This land had previously been rented by the county for use as a convenience center site. The county paid $50,000 and issued a note for the remaining $100,000. The note is interest free and required an initial payment of $25,000 with three equal annual installments.

The county issued a capital outlay note ($300,000) on December 27, 2007, to purchase four buses for the Claiborne County School Department. The county has also agreed to provide funding for the purchase of two more buses during the 2008-09 year. In exchange, the School Department has agreed to transfer three School Department buildings to the county.

The county hired an accounting manager in October 2007.

On November 17, 2007, the county approved the issuance of up to $8,450,000 in General Obligation Refunding and Improvement Bonds. The county issued $4,485,000 of this amount to refund a portion of the loans issued through the Montgomery County Public Building Authority. The remaining portion of the authorized debt has not been issued as of the date of this report.

In December 2007, the county issued a capital outlay note for $190,000 for the purchase of sanitation equipment.

The county began providing health insurance for non-highway employees effective February 1, 2008, through a commercial policy. Claiborne County and participating employees will share in the cost of monthly premiums.

As of the date of this report, the county has drawn $894,306 of the remaining balance from the Public Building Authority loan for road paving projects. This includes funds to liquidate the previously noted fund deficit in the Highway Capital Projects Fund discussed in note II.B.

C. 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, 2007, future principal requirements were $840,000 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 ($43,390) was funded by the Claiborne County Hospital and Nursing Home and channeled through the General Debt Service Fund. In October 2006, the County Commission voted to guarantee two interest free Rural Economic Development loans for the Claiborne County Hospital and Nursing Home totaling $360,000 and $750,000. These loans have not been issued as of the date of this report.

In the footnotes to the prior year financial statements, it was noted that Claiborne County was also contingently liable for a long-term, interest-free note that was a liability of the Claiborne County Industrial Development Board totaling $220,833. This note was retired during the year.

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 constructed a new judicial complex, which was completed during the 2006-07 fiscal year. Also, management has designated $321,482 of the unreserved General Fund balance at June 30, 2007, toward other ADA improvements, including a planned elevator at the courthouse.

During the year, Claiborne County filed suit against the construction company, the construction company's bonding company(ies), the architect, and the individual who provided oversight of the County Jail and Justice Center project. This lawsuit is seeking monetary damages up to $2,000,000 in connection with the design, construction, and oversight of the project. The construction company has filed an answer, along with a counterclaim and third-party complaints against two separate sub-contractors. The counterclaim requested the court to award $17,600, which is being held by the county.

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.

D. Changes in Administration

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

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 $1,358,739 reflected as landfill postclosure care costs at June 30, 2007, represents the estimated postclosure care cost for the next 20 years. The postclosure care cost is based on what it would cost to perform all postclosure care in 2007. 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, 2007, 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

Employees

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 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, 2007, was 5.09 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, 2007, Claiborne County's annual pension cost of $941,374 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 Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	$941,374	100%	$0
6-30-06	531,511	100	0
6-30-05	515,676	100	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). These acts provide for purchases exceeding $10,000, (excluding emergency purchases) 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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 4,718,699	$ 0	$ 0	$ 4,718,699	$ 4,497,358	$ 4,497,358	$ 221,341
Licenses and Permits	18,873	0	0	18,873	20,500	20,500	(1,627)
Fines, Forfeitures, and Penalties	139,290	0	0	139,290	119,850	124,160	15,130
Charges for Current Services	32,821	0	0	32,821	20,700	19,600	13,221
Other Local Revenues	408,325	0	0	408,325	232,000	248,983	159,342
Fees Received from County Officials	753,092	0	0	753,092	896,000	416,000	337,092
State of Tennessee	822,796	0	0	822,796	595,865	855,585	(32,789)
Federal Government	212,103	0	0	212,103	1,000	201,000	11,103
Other Governments and Citizens Groups	27,144	0	0	27,144	23,600	47,600	(20,456)
Total Revenues	$ 7,133,143	$ 0	$ 0	$ 7,133,143	$ 6,406,873	$ 6,430,786	$ 702,357
Expenditures							
General Government							
County Commission	$ 34,435	$ 0	$ 0	$ 34,435	$ 35,300	$ 36,800	$ 2,365
Board of Equalization	2,259	0	0	2,259	3,000	3,000	741
Beer Board	350	0	0	350	700	700	350
Budget and Finance Committee	2,200	0	0	2,200	10,000	10,000	7,800
County Mayor/Executive	181,264	0	0	181,264	149,861	182,696	1,432
County Attorney	37,841	0	0	37,841	37,841	37,841	0
Election Commission	161,907	(6,305)	0	155,602	192,828	195,528	39,926
Register of Deeds	22,467	0	0	22,467	129,983	24,421	1,954
Development	12,889	0	0	12,889	0	0	(12,889)
County Buildings	198,100	(9,668)	180	188,612	396,270	447,902	259,290
Preservation of Records	13,579	(1,111)	2,303	14,771	18,200	23,200	8,429
Finance							
Property Assessor's Office	152,018	(1,496)	0	150,522	155,273	155,273	4,751
Reappraisal Program	62,906	0	0	62,906	62,828	69,946	7,040

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance (Cont.)							
County Trustee's Office	$ 32,016	$ (675)	$ 0	$ 31,341	$ 177,942	$ 32,653	$ 1,312
County Clerk's Office	23,319	0	0	23,319	229,704	23,955	636
Administration of Justice							
Circuit Court	220,227	(500)	0	219,727	206,651	224,382	4,655
General Sessions Court	114,716	0	0	114,716	115,667	115,667	951
Chancery Court	172,324	0	0	172,324	170,794	175,604	3,280
District Attorney General	23,965	0	0	23,965	34,750	34,750	10,785
Public Safety							
Sheriff's Department	1,294,307	(13,898)	0	1,280,409	1,427,127	1,544,212	263,803
Workhouse	1,426,420	(10,179)	0	1,416,241	1,823,491	1,813,491	397,250
Juvenile Services	19,191	0	0	19,191	21,900	21,900	2,709
Fire Prevention and Control	83,000	0	0	83,000	88,000	90,000	7,000
Civil Defense	168,296	0	250	168,546	10,502	395,931	227,385
Rescue Squad	12,000	0	0	12,000	8,000	8,000	(4,000)
Other Emergency Management	15,227	0	0	15,227	15,227	15,227	0
County Coroner/Medical Examiner	23,050	0	0	23,050	25,000	25,000	1,950
Public Health and Welfare							
Local Health Center	100,632	0	0	100,632	119,791	119,791	19,159
Rabies and Animal Control	5,000	0	0	5,000	5,000	5,000	0
Ambulance/Emergency Medical Services	80,000	0	0	80,000	80,000	80,000	0
Other Local Health Services	131,960	0	0	131,960	204,960	204,960	73,000
General Welfare Assistance	0	0	0	0	910	910	910
Sanitation Education/Information	31,999	(500)	112	31,611	34,160	36,560	4,949
Social, Cultural, and Recreational Services							
Adult Activities	5,000	0	0	5,000	5,000	5,000	0
Senior Citizens Assistance	39,935	0	0	39,935	32,400	42,400	2,465

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Social, Cultural, and Recreational Services (Cont.)							
Libraries	$ 60,000	$ 0	$ 0	$ 60,000	$ 60,000	$ 60,000	$ 0
Agriculture and Natural Resources							
Agriculture Extension Service	65,450	0	0	65,450	66,619	66,619	1,169
Forest Service	2,000	0	0	2,000	2,000	2,000	0
Soil Conservation	30,000	0	0	30,000	30,748	30,748	748
Other Operations							
Industrial Development	114,943	0	49,257	164,200	20,000	44,000	(120,200)
Other Economic and Community Development	34,403	0	260	34,663	33,858	35,610	947
Veterans' Services	19,356	0	0	19,356	21,050	21,050	1,694
Other Charges	534,897	0	0	534,897	437,511	465,475	(69,422)
Employee Benefits	396,762	0	0	396,762	442,000	448,683	51,921
Total Expenditures	$ 6,162,610	$ (44,332)	$ 52,362	$ 6,170,640	$ 7,142,846	$ 7,376,885	$ 1,206,245
Excess (Deficiency) of Revenues Over Expenditures	$ 970,533	$ 44,332	$ (52,362)	$ 962,503	$ (735,973)	$ (946,099)	$ 1,908,602
Net Change in Fund Balance	$ 970,533	$ 44,332	$ (52,362)	$ 962,503	$ (735,973)	$ (946,099)	$ 1,908,602
Fund Balance, July 1, 2006	1,763,707	(44,332)	0	1,719,375	1,664,453	1,664,453	54,922
Fund Balance, June 30, 2007	$ 2,734,240	$ 0	$ (52,362)	$ 2,681,878	$ 928,480	$ 718,354	$ 1,963,524

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 802,839	$ 0	$ 802,839	$ 802,086	$ 802,086	$ 753
Charges for Current Services	344,300	0	344,300	280,000	280,000	64,300
Other Local Revenues	55,561	0	55,561	34,000	34,000	21,561
State of Tennessee	59,097	0	59,097	11,000	11,000	48,097
Total Revenues	$ 1,261,797	$ 0	$ 1,261,797	$ 1,127,086	$ 1,127,086	$ 134,711
Expenditures						
Public Health and Welfare						
Waste Pickup	$ 1,071,003	$ (3,644)	$ 1,067,359	$ 1,124,536	$ 1,147,557	$ 80,198
Principal on Debt						
General Government	42,900	0	42,900	0	42,900	0
Interest on Debt						
General Government	959	0	959	2,500	2,500	1,541
Total Expenditures	$ 1,114,862	$ (3,644)	$ 1,111,218	$ 1,127,036	$ 1,192,957	$ 81,739
Excess (Deficiency) of Revenues Over Expenditures	$ 146,935	$ 3,644	$ 150,579	$ 50	$ (65,871)	$ 216,450
Net Change in Fund Balance	$ 146,935	$ 3,644	$ 150,579	$ 50	$ (65,871)	$ 216,450
Fund Balance, July 1, 2006	203,641	(3,644)	199,997	172,492	172,492	27,505
Fund Balance, June 30, 2007	$ 350,576	$ 0	$ 350,576	$ 172,542	$ 106,621	$ 243,955

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, 2007

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 312,950	$ 394,326	$ 394,326	$ (81,376)
Other Local Revenues	1,984	2,200	2,200	(216)
State of Tennessee	1,921,611	1,912,305	1,912,305	9,306
Federal Government	15,474	0	15,474	0
Total Revenues	$ 2,252,019	$ 2,308,831	$ 2,324,305	$ (72,286)
Expenditures				
Highways				
Administration	$ 118,422	$ 120,663	$ 120,663	$ 2,241
Highway and Bridge Maintenance	734,579	627,000	740,300	5,721
Operation and Maintenance of Equipment	322,673	251,500	322,600	(73)
Other Charges	112,268	120,600	121,300	9,032
Employee Benefits	314,762	324,000	324,000	9,238
Capital Outlay	245,496	290,500	244,700	(796)
Total Expenditures	$ 1,848,200	$ 1,734,263	$ 1,873,563	$ 25,363
Excess (Deficiency) of Revenues Over Expenditures	$ 403,819	$ 574,568	$ 450,742	$ (46,923)
Other Financing Sources (Uses)				
Transfers Out	$ (620,209)	$ (573,100)	$ (619,900)	$ (309)
Total Other Financing Sources (Uses)	$ (620,209)	$ (573,100)	$ (619,900)	$ (309)
Net Change in Fund Balance	$ (216,390)	$ 1,468	$ (169,158)	$ (47,232)
Fund Balance, July 1, 2006	407,185	359,081	359,081	48,104
Fund Balance, June 30, 2007	$ 190,795	$ 360,549	$ 189,923	$ 872

Exhibit D-4

Claiborne County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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

CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

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

Expenditures exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

Fund/Major Appropriation Category		Amount Overspent
General:		
Development	$	12,889
Rescue Squad		4,000
Industrial Development		120,200
Other Charges		69,422
Highway/Public Works:		
Operation and Maintenance of Equipment		73
Capital Outlay		796
Transfers Out		309

Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances and greater than anticipated revenues.

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.

General Capital Projects Fund – The General Capital Projects Fund is used to account for construction of the county justice center.

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.

Exhibit E-1

Claiborne County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds			Capital Projects Fund	
	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Total Nonmajor Governmental Funds
ASSETS					
Cash	$ 0	$ 145,701	$ 145,701	$ 0	$ 145,701
Equity in Pooled Cash and Investments	146,944	0	146,944	24,811	171,755
Due from Other Governments	0	4,167	4,167	0	4,167
Total Assets	$ 146,944	$ 149,868	$ 296,812	$ 24,811	$ 321,623
LIABILITIES AND FUND BALANCES					
Liabilities					
Contracts Payable	$ 0	$ 0	$ 0	$ 21,845	$ 21,845
Retainage Payable	0	0	0	4,381	4,381
Total Liabilities	$ 0	$ 0	$ 0	$ 26,226	$ 26,226
Fund Balances					
Reserved for Purchase of Electronic Fingerprint Imaging System	$ 79,942	$ 0	$ 79,942	$ 0	$ 79,942
Unreserved (Deficit)	67,002	149,868	216,870	(1,415)	215,455
Total Fund Balances	$ 146,944	$ 149,868	$ 296,812	$ (1,415)	$ 295,397
Total Liabilities and Fund Balances	$ 146,944	$ 149,868	$ 296,812	$ 24,811	$ 321,623

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, 2007

	Special Revenue Funds			Capital Projects Funds			
	Drug Control	Constitu - tional Officers - Fees	Total	General Capital Projects	Community Development/ Industrial Park	Total	Total Nonmajor Governmental Funds
Revenues							
Local Taxes	$ 0	$ 15,998	$ 15,998	$ 0	$ 27,890	$ 27,890	$ 43,888
Fines, Forfeitures, and Penalties	55,340	0	55,340	0	0	0	55,340
Charges for Current Services	0	482,706	482,706	0	0	0	482,706
Other Local Revenues	345	7,579	7,924	0	0	0	7,924
State of Tennessee	1,500	0	1,500	0	175,875	175,875	177,375
Total Revenues	$ 57,185	$ 506,283	$ 563,468	$ 0	$ 203,765	$ 203,765	$ 767,233
Expenditures							
Current:							
General Government	$ 0	$ 105,298	$ 105,298	$ 0	$ 0	$ 0	$ 105,298
Finance	0	348,081	348,081	0	0	0	348,081
Administration of Justice	0	30,598	30,598	0	0	0	30,598
Public Safety	36,851	10	36,861	0	0	0	36,861
Other Operations	0	0	0	0	27,890	27,890	27,890
Capital Projects	0	0	0	53,659	175,875	229,534	229,534
Total Expenditures	$ 36,851	$ 483,987	$ 520,838	$ 53,659	$ 203,765	$ 257,424	$ 778,262
Excess (Deficiency) of Revenues Over Expenditures	$ 20,334	$ 22,296	$ 42,630	$ (53,659)	$ 0	$ (53,659)	$ (11,029)
Net Change in Fund Balances	$ 20,334	$ 22,296	$ 42,630	$ (53,659)	$ 0	$ (53,659)	$ (11,029)
Fund Balance, July 1, 2006	126,610	127,572	254,182	52,244	0	52,244	306,426
Fund Balance, June 30, 2007	$ 146,944	$ 149,868	$ 296,812	$ (1,415)	$ 0	$ (1,415)	$ 295,397

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, 2007

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 55,340	$ 34,500	$ 34,500	$ 20,840
Other Local Revenues	345	0	0	345
State of Tennessee	1,500	0	0	1,500
Total Revenues	$ 57,185	$ 34,500	$ 34,500	$ 22,685
Expenditures				
Public Safety				
Drug Enforcement	$ 36,851	$ 48,500	$ 60,500	$ 23,649
Total Expenditures	$ 36,851	$ 48,500	$ 60,500	$ 23,649
Excess (Deficiency) of Revenues Over Expenditures	$ 20,334	$ (14,000)	$ (26,000)	$ 46,334
Net Change in Fund Balance	$ 20,334	$ (14,000)	$ (26,000)	$ 46,334
Fund Balance, July 1, 2006	126,610	140,406	140,406	(13,796)
Fund Balance, June 30, 2007	$ 146,944	$ 126,406	$ 114,406	$ 32,538

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 long-term 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, 2007

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,011,469	$ 1,020,123	$ 1,020,123	$ (8,654)
Other Local Revenues	2,698,108	50,000	2,550,000	148,108
State of Tennessee	17,713	0	0	17,713
Total Revenues	$ 3,727,290	$ 1,070,123	$ 3,570,123	$ 157,167
Expenditures				
Other Operations				
Other Charges	$ 6,598	$ 0	$ 15,000	$ 8,402
Principal on Debt				
General Government	648,924	648,924	648,924	0
Highways and Streets	499,690	507,061	499,690	0
Education	985,000	0	985,000	0
Interest on Debt				
General Government	532,398	478,669	477,665	(54,733)
Highways and Streets	107,745	66,039	74,414	(33,331)
Education	1,447,082	0	1,455,000	7,918
Other Debt Service				
General Government	4,134	20,000	5,000	866
Highways and Streets	13,774	14,000	14,000	226
Education	58,394	0	60,000	1,606
Total Expenditures	$ 4,303,739	$ 1,734,693	$ 4,234,693	$ (69,046)
Excess (Deficiency) of Revenues Over Expenditures	$ (576,449)	$ (664,570)	$ (664,570)	$ 88,121
Other Financing Sources (Uses)				
Transfers In	$ 620,209	$ 666,490	$ 666,490	$ (46,281)
Total Other Financing Sources (Uses)	$ 620,209	$ 666,490	$ 666,490	$ (46,281)
Net Change in Fund Balance	$ 43,760	$ 1,920	$ 1,920	$ 41,840
Fund Balance, July 1, 2006	1,150,698	1,143,301	1,143,301	7,397
Fund Balance, June 30, 2007	$ 1,194,458	$ 1,145,221	$ 1,145,221	$ 49,237

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, 2007

	Agency Funds			
	Cities - Sales Tax	Constitu - tional Officers - Agency	Other Agency	Total
ASSETS				
Cash	$ 0	$ 1,057,927	$ 0	$ 1,057,927
Equity in Pooled Cash and Investments	0	0	289,285	289,285
Accounts Receivable	0	0	4,842	4,842
Due from Other Governments	277,849	0	0	277,849
Notes Receivable - Current	0	0	1,000	1,000
Notes Receivable - Long-term	0	0	6,000	6,000
Total Assets	$ 277,849	$ 1,057,927	$ 301,127	$ 1,636,903
LIABILITIES				
Accounts Payable	$ 0	$ 0	$ 2,230	$ 2,230
Due to Other Taxing Units	277,849	0	0	277,849
Due to Litigants, Heirs, and Others	0	1,057,927	0	1,057,927
Other Current Liabilities	0	0	298,897	298,897
Total Liabilities	$ 277,849	$ 1,057,927	$ 301,127	$ 1,636,903

Exhibit G-2

Claiborne County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 1,509,393	$ 1,509,393	$ 0
Due from Other Governments	268,206	277,849	268,206	277,849
Total Assets	$ 268,206	$ 1,787,242	$ 1,777,599	$ 277,849
Liabilities				
Due to Other Taxing Units	$ 268,206	$ 1,787,242	$ 1,777,599	$ 277,849
Total Liabilities	$ 268,206	$ 1,787,242	$ 1,777,599	$ 277,849
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 1,056,597	$ 5,978,029	$ 5,976,699	$ 1,057,927
Total Assets	$ 1,056,597	$ 5,978,029	$ 5,976,699	$ 1,057,927
Liabilities				
Due to Litigants, Heirs, and Others	$ 1,056,597	$ 5,978,029	$ 5,976,699	$ 1,057,927
Total Liabilities	$ 1,056,597	$ 5,978,029	$ 5,976,699	$ 1,057,927
Other Agency Fund				
Assets				
Equity in Pooled Cash and Investments	$ 450,961	$ 340,411	$ 502,087	$ 289,285
Accounts Receivable	2,560	4,842	2,560	4,842
Due from Other Governments	16,077	0	16,077	0
Notes Receivable - Current	1,000	1,000	1,000	1,000
Notes Receivable - Long-term	7,000	0	1,000	6,000
Total Assets	$ 477,598	$ 346,253	$ 522,724	$ 301,127
Liabilities				
Accounts Payable	$ 1,705	$ 2,230	$ 1,705	$ 2,230
Other Current Liabilities	475,893	344,023	521,019	298,897
Total Liabilities	$ 477,598	$ 346,253	$ 522,724	$ 301,127
Totals - All Agency Funds				
Assets				
Cash	$ 1,056,597	$ 5,978,029	$ 5,976,699	$ 1,057,927
Equity in Pooled Cash and Investments	450,961	1,849,804	2,011,480	289,285
Accounts Receivable	2,560	4,842	2,560	4,842
Due from Other Governments	284,283	277,849	284,283	277,849
Notes Receivable - Current	1,000	1,000	1,000	1,000
Notes Receivable - Long-term	7,000	0	1,000	6,000
Total Assets	$ 1,802,401	$ 8,111,524	$ 8,277,022	$ 1,636,903

(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
Totals - All Agency Funds (Cont.)				
Liabilities				
Accounts Payable	$ 1,705	$ 2,230	$ 1,705	$ 2,230
Due to Other Taxing Units	268,206	1,787,242	1,777,599	277,849
Due to Litigants, Heirs, and Others	1,056,597	5,978,029	5,976,699	1,057,927
Other Current Liabilities	475,893	344,023	521,019	298,897
Total Liabilities	$ 1,802,401	$ 8,111,524	$ 8,277,022	$ 1,636,903

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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
NOTES PAYABLE								
Payable through General Debt Service Fund								
Capital Outlay - Energy Efficiency	$ 35,785	3 %	8-28-00	10-15-07	$ 10,987	$ 0	$ 5,414	$ 5,573
Total Notes Payable					$ 10,987	$ 0	$ 5,414	$ 5,573
OTHER LOANS PAYABLE								
Payable through General Debt Service Fund								
Montgomery County Public Building Authority	1,000,000	Variable	10-2-01	5-25-11	$ 609,000	$ 0	$ 110,000	$ 499,000
Montgomery County Public Building Authority	1,244,297	Variable	5-23-02	5-25-11	758,120	0	137,200	620,920
Montgomery County Public Building Authority - School	18,000,000	Variable	2-1-02	5-25-21	17,575,000	0	250,000	17,325,000
Sevier County Public Building Authority - School	18,000,000	3.788 (1)	3-21-02	6-1-28	18,000,000	0	0	18,000,000
Blount County Public Building Authority - Judicial Complex	6,225,000	4.272	9-2-04	6-1-24	6,000,000	0	250,000	5,750,000
Sevier County Public Building Authority - Judicial Complex	4,075,000	Variable	10-21-04	6-1-31	4,075,000	0	0	4,075,000
Montgomery County Public Building Authority	(2)	Variable (3)	10-19-05	5-25-17	1,594,372	1,637,281	371,000	2,860,653
Total Other Loans Payable					$ 48,611,492	$ 1,637,281	$ 1,118,200	$ 49,130,573
CAPITAL LEASES PAYABLE								
Payable through Solid Waste/Sanitation Fund								
Sanitation Equipment	62,900	4.95	12-30-05	4-30-07	$ 42,900	$ 0	$ 42,900	$ 0
Total Capital Leases Payable					$ 42,900	$ 0	$ 42,900	$ 0
BONDS PAYABLE								
Payable through General Debt Service Fund								
Refunding Series 1998 - County, Hospital and Nursing Home	2,140,000	3.8 to 4.9	3-1-1998	3-1-15	$ 1,365,000	$ 0	$ 225,000	$ 1,140,000
School Refunding Bonds, Series 2003	3,540,000	3 to 3.125	3-31-03	3-1-08	1,510,000	0	735,000	775,000
Total Bonds Payable					$ 2,875,000	$ 0	$ 960,000	$ 1,915,000

(1) This issue was swapped to a synthetic fixed rate by execution of a swap agreement.
(2) Total amount available under this loan agreement is $5,000,000, of which $1,768,347 had not been drawn at June 30, 2007.
(3) 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
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	$ 1,915,000	$ 239,147	$ 2,154,147

Exhibit H-3

Claiborne County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2007

From Fund	To Fund	Purpose	Amount
Highway/Public Works	General Debt Service	Funds for retirement of debt	$ 620,209
Total Transfers			$ 620,209

Exhibit H-4

Claiborne County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Virgil Herrell (7-1-06 through 8-31-06)	Section 8-24-102, TCA	$ 12,609	$ 50,000	Liberty Mutual Insurance Company
Joe Tyler Duncan (9-1-06 through 6-30-07)	Section 8-24-102, TCA	62,707	50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, TCA	61,675	100,000	"
Trustee	Section 8-24-102, TCA	56,069	1,056,000	"
Assessor of Property	Section 8-24-102, TCA	56,069	10,000	"
County Clerk	Section 8-24-102, TCA	56,069	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	56,069	50,000	"
Clerk and Master	Section 8-24-102, TCA, and Chancery Court Judge	69,985 (1)	50,000	"
Register	Section 8-24-102, TCA	56,069	25,000	"
Sheriff:				
Harry Shultz (7-1-06 through 8-31-06)	Section 8-24-102, TCA, and County Commission	11,946 (2)	25,000	Liberty Mutual Insurance Company
David Ray (9-1-06 through 6-30-07)	Section 8-24-102, TCA, and County Commission	59,401 (3)	25,000	Ohio Casualty Insurance Company
Employee Blanket Bonds:				
County Employees Public Employee Dishonesty			150,000	Local Government Property and Casualty Fund

(1) Includes special commissioner fees of $13,916.
(2) Includes additional compensation of $1,666 provided by the County Commission for serving as workhouse superintendent.
(3) Includes additional compensation of $8,001 provided by the County Commission for serving as workhouse superintendent.

Exhibit H-5

Claiborne County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2007

		Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Local Taxes								
County Property Taxes								
Current Property Tax	$ 3,903,048	$ 748,530	$ 0	$ 0	$ 35,505	$ 267,332	$ 0	$ 4,954,415
Trustee's Collections - Prior Year	243,979	20,904	0	0	2,485	0	0	267,368
Circuit/Clerk & Master Collections - Prior Years	109,443	24,048	0	15,998	918	5,480	0	155,887
Interest and Penalty	29,062	6,048	0	0	277	347	0	35,734
Payments in-Lieu-of Taxes - T.V.A.	789	167	0	0	8	0	0	964
Payments in-Lieu-of Taxes - Local Utilities	10,366	1,988	0	0	95	710	0	13,159
Payments in-Lieu-of Taxes - Other	6,016	1,154	0	0	55	413	0	7,638
County Local Option Taxes								
Hotel/Motel Tax	0	0	0	0	0	0	27,890	27,890
Wheel Tax	0	0	0	0	0	737,187	0	737,187
Litigation Tax - General	129,552	0	0	0	0	0	0	129,552
Litigation Tax - Special Purpose	19	0	0	0	0	0	0	19
Litigation Tax - Jail, Workhouse, or Courthouse	28,423	0	0	0	0	0	0	28,423
Mineral Severance Tax	0	0	0	0	69,264	0	0	69,264
Statutory Local Taxes								
Bank Excise Tax	156,322	0	0	0	0	0	0	156,322
Wholesale Beer Tax	98,565	0	0	0	0	0	0	98,565
Coal Severance Tax	0	0	0	0	179,707	0	0	179,707
Interstate Telecommunications Tax	3,115	0	0	0	0	0	0	3,115
Other Statutory Local Taxes	0	0	0	0	24,636	0	0	24,636
Total Local Taxes	$ 4,718,699	$ 802,839	$ 0	$ 15,998	$ 312,950	$ 1,011,469	$ 27,890	$ 6,889,845
Licenses and Permits								
Permits								
Beer Permits	$ 288	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 288
Building Permits	18,585	0	0	0	0	0	0	18,585
Total Licenses and Permits	$ 18,873	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 18,873
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	$ 13,447	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 13,447
Officers Costs	5,369	0	0	0	0	0	0	5,369

(Continued)

Exhibit H-5

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

		Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Fines, Forfeitures, and Penalties (Cont.)								
Circuit Court (Cont.)								
Drug Control Fines	$ 295	$ 0	$ 19,110	$ 0	$ 0	$ 0	$ 0	$ 19,405
Jail Fees	328	0	0	0	0	0	0	328
Judicial Commissioner Fees	951	0	0	0	0	0	0	951
DUI Treatment Fines	2,500	0	0	0	0	0	0	2,500
Data Entry Fee - Circuit Court	620	0	0	0	0	0	0	620
General Sessions Court								
Fines	22,752	0	0	0	0	0	0	22,752
Officers Costs	44,436	0	0	0	0	0	0	44,436
Game and Fish Fines	511	0	0	0	0	0	0	511
Drug Control Fines	1,993	0	31,730	0	0	0	0	33,723
Jail Fees	17,285	0	0	0	0	0	0	17,285
DUI Treatment Fines	7,616	0	0	0	0	0	0	7,616
Data Entry Fee - General Sessions Court	5,624	0	0	0	0	0	0	5,624
Courtroom Security Fee	84	0	0	0	0	0	0	84
Juvenile Court								
Fines	2,308	0	0	0	0	0	0	2,308
Officers Costs	2,283	0	0	0	0	0	0	2,283
Data Entry Fee - Juvenile Court	218	0	0	0	0	0	0	218
Chancery Court								
Officers Costs	7,860	0	0	0	0	0	0	7,860
Data Entry Fee - Chancery Court	2,802	0	0	0	0	0	0	2,802
Courtroom Security Fee	8	0	0	0	0	0	0	8
Judicial District Drug Program								
Drug Task Force Forfeitures and Seizures	0	0	4,500	0	0	0	0	4,500
Total Fines, Forfeitures, and Penalties	$ 139,290	$ 0	$ 55,340	$ 0	$ 0	$ 0	$ 0	$ 194,630
Charges for Current Services								
General Service Charges								
Tipping Fees	$ 0	$ 344,300	$ 0	$ 0	$ 0	$ 0	$ 0	$ 344,300
Fees								
Telephone Commissions	7,846	0	0	0	0	0	0	7,846
Vending Machine Collections	2,187	0	0	0	0	0	0	2,187

(Continued)

Exhibit H-5

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

	General	Special Revenue Funds: Solid Waste / Sanitation	Special Revenue Funds: Drug Control	Special Revenue Funds: Constitu - tional Officers - Fees	Special Revenue Funds: Highway / Public Works	Debt Service Fund: General Debt Service	Capital Projects Fund: Community Development/ Industrial Park	Total
Charges for Current Services (Cont.)								
Fees (Cont.)								
Constitutional Officers' Fees and Commissions	$ 0	$ 0	$ 0	$ 482,706	$ 0	$ 0	$ 0	$ 482,706
Data Processing Fee - Register	13,226	0	0	0	0	0	0	13,226
Data Processing Fee - Sheriff	6,837	0	0	0	0	0	0	6,837
Sexual Offender Registration Fees - Sheriff	2,725	0	0	0	0	0	0	2,725
Total Charges for Current Services	$ 32,821	$ 344,300	$ 0	$ 482,706	$ 0	$ 0	$ 0	$ 859,827
Other Local Revenues								
Recurring Items								
Investment Income	$ 368,602	$ 50,443	$ 0	$ 7,579	$ 0	$ 5,923	$ 0	$ 432,547
Lease/Rentals	0	0	0	0	1,200	0	0	1,200
Sale of Recycled Materials	0	5,012	0	0	0	0	0	5,012
Commodity Rebates	72	0	0	0	0	0	0	72
Miscellaneous Refunds	14,709	106	345	0	784	0	0	15,944
Nonrecurring Items								
Sale of Equipment	500	0	0	0	0	0	0	500
Sale of Property	20,992	0	0	0	0	0	0	20,992
Contributions and Gifts	2,744	0	0	0	0	2,490,476	0	2,493,220
Other Local Revenues								
Other Local Revenues	706	0	0	0	0	201,709	0	202,415
Total Other Local Revenues	$ 408,325	$ 55,561	$ 345	$ 7,579	$ 1,984	$ 2,698,108	$ 0	$ 3,171,902
Fees Received from County Officials								
Excess Fees								
County Clerk	$ 83,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 83,000
Register	47,500	0	0	0	0	0	0	47,500
Trustee	200,000	0	0	0	0	0	0	200,000
Fees-In-Lieu of Salary								
Circuit Court Clerk	100,989	0	0	0	0	0	0	100,989
General Sessions Court Clerk	159,032	0	0	0	0	0	0	159,032
Clerk and Master	143,636	0	0	0	0	0	0	143,636
Juvenile Court Clerk	11,373	0	0	0	0	0	0	11,373
Sheriff	7,562	0	0	0	0	0	0	7,562
Total Fees Received from County Officials	$ 753,092	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 753,092

(Continued)

Exhibit H-5

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

		Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
State of Tennessee								
General Government Grants								
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,000
Other General Government Grants	0	9,501	0	0	0	0	0	9,501
Public Safety Grants								
Law Enforcement Training Programs	12,449	0	0	0	0	0	0	12,449
Other Public Safety Grants	66,592	0	0	0	0	0	0	66,592
Public Works Grants								
State Aid Program	0	0	0	0	171,935	0	0	171,935
Litter Program	17,272	0	0	0	0	0	0	17,272
Other State Revenues								
Income Tax	26,512	0	0	0	0	0	0	26,512
Beer Tax	18,753	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	44,018	0	0	0	0	0	0	44,018
Mixed Drink Tax	1,455	0	0	0	0	0	0	1,455
State Revenue Sharing - T.V.A.	258,608	49,596	0	0	2,362	17,713	0	328,279
Contracted Prisoner Boarding	185,203	0	0	0	0	0	0	185,203
Gasoline and Motor Fuel Tax	0	0	0	0	1,723,292	0	0	1,723,292
Petroleum Special Tax	0	0	0	0	24,022	0	0	24,022
Reappraisal Program Reimbursement	13,570	0	0	0	0	0	0	13,570
Registrar's Salary Supplement	12,285	0	0	0	0	0	0	12,285
Other State Grants	5,000	0	0	0	0	0	175,875	180,875
Other State Revenues	152,079	0	1,500	0	0	0	0	153,579
Total State of Tennessee	$ 822,796	$ 59,097	$ 1,500	$ 0	$ 1,921,611	$ 17,713	$ 175,875	$ 2,998,592
Federal Government								
Federal Through State								
Disaster Relief	$ 0	$ 0	$ 0	$ 0	$ 15,474	$ 0	$ 0	$ 15,474
Homeland Security Grants	205,437	0	0	0	0	0	0	205,437
Other Federal through State	2,700	0	0	0	0	0	0	2,700
Direct Federal Revenue								
Other Direct Federal Revenue	3,966	0	0	0	0	0	0	3,966
Total Federal Government	$ 212,103	$ 0	$ 0	$ 0	$ 15,474	$ 0	$ 0	$ 227,577

(Continued)

Exhibit H-5

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

		Special Revenue Funds				Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Other Governments and Citizens Groups								
Other Governments								
Contributions	$ 24,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 24,000
Contracted Services	3,144	0	0	0	0	0	0	3,144
Total Other Governments and Citizens Groups	$ 27,144	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 27,144
Total	$ 7,133,143	$ 1,261,797	$ 57,185	$ 506,283	$ 2,252,019	$ 3,727,290	$ 203,765	$ 15,141,482

Exhibit H-6

Claiborne County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund				
General Government				
County Commission				
Board and Committee Members Fees	$	26,000		
Audit Services		6,735		
Dues and Memberships		1,700		
Total County Commission			$	34,435
Board of Equalization				
Board and Committee Members Fees	$	2,150		
Travel		109		
Total Board of Equalization				2,259
Beer Board				
Board and Committee Members Fees	$	350		
Total Beer Board				350
Budget and Finance Committee				
Board and Committee Members Fees	$	2,200		
Total Budget and Finance Committee				2,200
County Mayor/Executive				
County Official/Administrative Officer	$	75,316		
Assistant(s)		30,418		
Secretary(ies)		23,600		
Communication		6,574		
Dues and Memberships		1,500		
Operating Lease Payments		3,060		
Maintenance Agreements		3,135		
Travel		1,687		
Office Supplies		3,563		
Premiums on Corporate Surety Bonds		114		
Data Processing Equipment		31,179		
Office Equipment		1,118		
Total County Mayor/Executive				181,264
County Attorney				
County Official/Administrative Officer	$	33,841		
Clerical Personnel		4,000		
Total County Attorney				37,841
Election Commission				
County Official/Administrative Officer	$	48,593		

(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	$ 20,568	
Election Commission	8,250	
Election Workers	45,126	
In-Service Training	6,519	
Communication	5,676	
Operating Lease Payments	1,422	
Maintenance and Repair Services - Buildings	421	
Other Contracted Services	9,434	
Office Supplies	13,238	
Office Equipment	1,515	
Other Equipment	1,145	
Total Election Commission		$ 161,907
Register of Deeds		
Communication	$ 2,784	
Dues and Memberships	521	
Operating Lease Payments	3,023	
Maintenance and Repair Services - Office Equipment	13,274	
Office Supplies	2,790	
Premiums on Corporate Surety Bonds	75	
Total Register of Deeds		22,467
Development		
Contracts with Other Public Agencies	$ 12,889	
Total Development		12,889
County Buildings		
Custodial Personnel	$ 25,074	
Maintenance Personnel	17,328	
Communication	3,880	
Maintenance and Repair Services - Buildings	26,736	
Maintenance and Repair Services - Vehicles	669	
Postal Charges	26,151	
Rentals	1,640	
Custodial Supplies	4,050	
Electricity	42,599	
Office Supplies	7,473	
Utilities	12,677	
Water and Sewer	3,679	
Other Supplies and Materials	1,795	

(Continued)

Exhibit H-6

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

General Fund (Cont.)				
General Government (Cont.)				
County Buildings (Cont.)				
Other Charges	$	4,830		
Other Construction		19,519		
Total County Buildings			$	198,100
Preservation of Records				
Travel	$	450		
Office Supplies		1,007		
Other Charges		83		
Data Processing Equipment		6,362		
Office Equipment		5,677		
Total Preservation of Records				13,579
Finance				
Property Assessor's Office				
County Official/Administrative Officer	$	56,069		
Secretary(ies)		27,653		
Clerical Personnel		21,862		
Other Salaries and Wages		19,720		
In-Service Training		973		
Audit Services		16,500		
Communication		3,574		
Dues and Memberships		1,592		
Operating Lease Payments		284		
Travel		2,067		
Office Supplies		676		
Premiums on Corporate Surety Bonds		75		
Office Equipment		973		
Total Property Assessor's Office				152,018
Reappraisal Program				
Assistant(s)	$	25,300		
Laborers		20,385		
In-Service Training		310		
Communication		1,820		
Data Processing Services		4,217		
Operating Lease Payments		1,285		
Postal Charges		6,000		
Travel		1,765		
Office Supplies		406		
Office Equipment		1,418		
Total Reappraisal Program				62,906

(Continued)

Exhibit H-6

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

General Fund (Cont.)				
Finance (Cont.)				
County Trustee's Office				
Communication	$	3,589		
Data Processing Services		11,667		
Dues and Memberships		421		
Operating Lease Payments		1,353		
Legal Notices, Recording, and Court Costs		2,159		
Maintenance Agreements		6,978		
Office Supplies		1,827		
Premiums on Corporate Surety Bonds		2,306		
Office Equipment		1,716		
Total County Trustee's Office			$	32,016
County Clerk's Office				
Communication	$	6,479		
Dues and Memberships		411		
Operating Lease Payments		2,261		
Maintenance Agreements		12,766		
Office Supplies		1,288		
Premiums on Corporate Surety Bonds		114		
Total County Clerk's Office				23,319
Administration of Justice				
Circuit Court				
County Official/Administrative Officer	$	56,069		
Deputy(ies)		18,698		
Secretary(ies)		27,653		
Clerical Personnel		55,314		
Part-time Personnel		3,147		
Jury and Witness Fees		22,448		
Communication		3,978		
Dues and Memberships		411		
Operating Lease Payments		8,135		
Maintenance Agreements		10,631		
Postal Charges		6,172		
Office Supplies		7,457		
Premiums on Corporate Surety Bonds		114		
Total Circuit Court				220,227
General Sessions Court				
Judge(s)	$	89,599		
Secretary(ies)		22,263		

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
General Sessions Court (Cont.)		
Communication	$ 1,646	
Travel	175	
Office Supplies	464	
Periodicals	314	
Office Equipment	255	
Total General Sessions Court		$ 114,716
Chancery Court		
County Official/Administrative Officer	$ 56,069	
Assistant(s)	21,259	
Secretary(ies)	27,424	
Clerical Personnel	42,278	
Communication	4,953	
Dues and Memberships	411	
Operating Lease Payments	1,557	
Maintenance Agreements	8,815	
Office Supplies	4,992	
Premiums on Corporate Surety Bonds	136	
Office Equipment	4,430	
Total Chancery Court		172,324
District Attorney General		
Secretary(ies)	$ 21,750	
Contributions	2,215	
Total District Attorney General		23,965
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 71,347	
Assistant(s)	23,635	
Deputy(ies)	682,889	
Investigator(s)	28,970	
Lieutenant(s)	13,045	
Salary Supplements	12,600	
Secretary(ies)	17,672	
School Resource Officer	40,311	
Overtime Pay	463	
Communication	24,796	
Dues and Memberships	1,500	
Operating Lease Payments	2,777	

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Public Safety (Cont.)		
Sheriff's Department (Cont.)		
Maintenance and Repair Services - Buildings	$ 6,285	
Maintenance and Repair Services - Equipment	257	
Maintenance and Repair Services - Vehicles	42,934	
Travel	6,310	
Tuition	7,595	
Other Contracted Services	1,224	
Gasoline	107,182	
Law Enforcement Supplies	4,375	
Office Supplies	11,156	
Tires and Tubes	10,200	
Uniforms	11,982	
Other Supplies and Materials	75,941	
Premiums on Corporate Surety Bonds	75	
Communication Equipment	9,208	
Law Enforcement Equipment	2,565	
Motor Vehicles	77,013	
Total Sheriff's Department		$ 1,294,307
Workhouse		
Supervisor/Director	$ 24,666	
Guards	750,013	
Maintenance Personnel	30,256	
Other Salaries and Wages	46,731	
Communication	17,234	
Operating Lease Payments	1,144	
Maintenance and Repair Services - Buildings	10,155	
Medical and Dental Services	94,367	
Travel	3,423	
Tuition	390	
Other Contracted Services	48,000	
Custodial Supplies	35,917	
Drugs and Medical Supplies	61,805	
Electricity	71,617	
Food Supplies	119,581	
Natural Gas	27,901	
Office Supplies	9,513	
Uniforms	11,030	
Water and Sewer	21,257	
Other Supplies and Materials	28,831	
Other Charges	12,589	
Total Workhouse		1,426,420

(Continued)

Exhibit H-6

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

General Fund (Cont.)				
Public Safety (Cont.)				
Juvenile Services				
Social Workers	$	13,800		
Attendants		230		
Communication		1,395		
Travel		891		
Other Contracted Services		2,875		
Total Juvenile Services			$	19,191
Fire Prevention and Control				
Contributions	$	83,000		
Total Fire Prevention and Control				83,000
Civil Defense				
Communication	$	5,090		
Dues and Memberships		35		
Maintenance and Repair Services - Vehicles		74		
Travel		154		
Gasoline		1,324		
Office Supplies		9		
Other Supplies and Materials		155,094		
Other Charges		6,516		
Total Civil Defense				168,296
Rescue Squad				
Contributions	$	12,000		
Total Rescue Squad				12,000
Other Emergency Management				
Contributions	$	15,227		
Total Other Emergency Management				15,227
County Coroner/Medical Examiner				
Other Per Diem and Fees	$	23,050		
Total County Coroner/Medical Examiner				23,050
Public Health and Welfare				
Local Health Center				
Clerical Personnel	$	16,283		
Custodial Personnel		8,353		
Communication		7,195		
Contracts with Government Agencies		36,055		

(Continued)

Exhibit H-6

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

General Fund (Cont.)		
Public Health and Welfare (Cont.)		
Local Health Center (Cont.)		
Contracts with Private Agencies	$ 1,324	
Operating Lease Payments	2,554	
Maintenance and Repair Services - Buildings	10,206	
Postal Charges	1,342	
Other Contracted Services	157	
Custodial Supplies	2,230	
Office Supplies	4,769	
Utilities	9,418	
Office Equipment	746	
Total Local Health Center		$ 100,632
Rabies and Animal Control		
Contributions	$ 5,000	
Total Rabies and Animal Control		5,000
Ambulance/Emergency Medical Services		
Contributions	$ 80,000	
Total Ambulance/Emergency Medical Services		80,000
Other Local Health Services		
Clerical Personnel	$ 125,475	
Travel	6,465	
Other Charges	20	
Total Other Local Health Services		131,960
Sanitation Education/Information		
Laborers	$ 21,000	
Clerical Personnel	2,400	
Communication	545	
Contributions	105	
Maintenance and Repair Services - Vehicles	1,262	
Gasoline	4,307	
Instructional Supplies and Materials	299	
Other Charges	2,081	
Total Sanitation Education/Information		31,999
Social, Cultural, and Recreational Services		
Adult Activities		
Contributions	$ 5,000	
Total Adult Activities		5,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)				
Social, Cultural, and Recreational Services (Cont.)				
Senior Citizens Assistance				
Laborers	$	4,200		
Communication		4,161		
Contracts with Other Public Agencies		7,000		
Contributions		10,000		
Maintenance and Repair Services - Buildings		7,863		
Electricity		6,128		
Water and Sewer		204		
Other Charges		379		
Total Senior Citizens Assistance			$	39,935
Libraries				
Contributions	$	60,000		
Total Libraries				60,000
Agriculture and Natural Resources				
Agriculture Extension Service				
Communication	$	3,581		
Contracts with Other Public Agencies		58,604		
Dues and Memberships		510		
Other Charges		1,014		
Office Equipment		1,741		
Total Agriculture Extension Service				65,450
Forest Service				
Contributions	$	2,000		
Total Forest Service				2,000
Soil Conservation				
Secretary(ies)	$	20,000		
Contributions		10,000		
Total Soil Conservation				30,000
Other Operations				
Industrial Development				
Contracts with Other Public Agencies	$	20,000		
Other Contracted Services		94,943		
Total Industrial Development				114,943
Other Economic and Community Development				
Assistant(s)	$	26,610		

(Continued)

Exhibit H-6

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

General Fund (Cont.)			
Other Operations (Cont.)			
Other Economic and Community Development (Cont.)			
Communication	$ 1,709		
Travel	4,188		
Office Supplies	990		
Other Charges	906		
Total Other Economic and Community Development		$ 34,403	
Veterans' Services			
County Official/Administrative Officer	$ 7,887		
Assistant(s)	4,412		
Communication	1,951		
Contributions	2,500		
Dues and Memberships	25		
Travel	1,708		
Office Supplies	873		
Total Veterans' Services		19,356	
Other Charges			
Contributions	$ 36,752		
Dues and Memberships	1,696		
Legal Notices, Recording, and Court Costs	32,230		
Liability Insurance	1,243		
Refunds	746		
Trustee's Commission	99,932		
Vehicle and Equipment Insurance	193,572		
Workers' Compensation Insurance	138,934		
Liability Claims	9,476		
Other Charges	20,316		
Total Other Charges		534,897	
Employee Benefits			
Social Security	$ 253,016		
State Retirement	114,281		
Unemployment Compensation	29,465		
Total Employee Benefits		396,762	
Total General Fund			$ 6,162,610

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund		
Public Health and Welfare		
Waste Pickup		
Foremen	$ 36,444	
Equipment Operators	56,217	
Truck Drivers	42,878	
Secretary(ies)	25,139	
Attendants	192,557	
Board and Committee Members Fees	3,750	
Social Security	27,262	
State Retirement	14,911	
Unemployment Compensation	2,618	
Communication	9,815	
Contracts with Private Agencies	468,624	
Engineering Services	3,192	
Evaluation and Testing	10,000	
Operating Lease Payments	15,000	
Maintenance and Repair Services - Vehicles	22,315	
Postal Charges	156	
Permits	1,075	
Other Contracted Services	11,693	
Crushed Stone	2,248	
Diesel Fuel	32,901	
Electricity	8,918	
Fertilizer, Lime, and Seed	996	
Gasoline	3,914	
Lubricants	2,518	
Office Supplies	1,963	
Tires and Tubes	8,178	
Water and Sewer	363	
Other Supplies and Materials	3,195	
Trustee's Commission	20,190	
Vehicle and Equipment Insurance	20,765	
Workers' Compensation Insurance	7,747	
Site Development	13,461	
Total Waste Pickup		$ 1,071,003
Principal on Debt		
General Government		
Principal on Capital Leases	$ 42,900	
Total General Government		42,900

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)			
Interest on Debt			
General Government			
Interest on Notes	$ 959		
Total General Government		$ 959	
Total Solid Waste/Sanitation Fund			$ 1,114,862
Drug Control Fund			
Public Safety			
Drug Enforcement			
Confidential Drug Enforcement Payments	$ 20,000		
Tuition	1,250		
Law Enforcement Supplies	1,671		
Other Supplies and Materials	1,108		
Trustee's Commission	626		
Law Enforcement Equipment	2,896		
Motor Vehicles	9,300		
Total Drug Enforcement		$ 36,851	
Total Drug Control Fund			36,851
Constitutional Officers - Fees Fund			
General Government			
Register of Deeds			
Constitutional Officers' Operating Expenses	$ 105,298		
Total Register of Deeds		$ 105,298	
Administration of Justice			
General Sessions Court			
Constitutional Officers' Operating Expenses	$ 8		
Total General Sessions Court		8	
Finance			
County Trustee's Office			
Constitutional Officers' Operating Expenses	$ 147,680		
Total County Trustee's Office		147,680	
County Clerk's Office			
Constitutional Officers' Operating Expenses	$ 200,401		
Total County Clerk's Office		200,401	

(Continued)

Exhibit H-6

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

Constitutional Officers - Fees Fund (Cont.)			
Administration of Justice			
Chancery Court			
Constitutional Officers' Operating Expenses	$ 30,590		
Total Chancery Court		$ 30,590	
Public Safety			
Sheriff's Department			
Constitutional Officers' Operating Expenses	$ 10		
Total Sheriff's Department		10	
Total Constitutional Officers - Fees Fund			$ 483,987
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 61,675		
Accountants/Bookkeepers	24,958		
Secretary(ies)	21,200		
Data Processing Services	4,746		
Dues and Memberships	2,788		
Legal Services	464		
Legal Notices, Recording, and Court Costs	176		
Postal Charges	314		
Travel	475		
Office Supplies	1,626		
Total Administration		$ 118,422	
Highway and Bridge Maintenance			
Laborers	$ 481,114		
Other Contracted Services	32,051		
Asphalt - Hot Mix	49,158		
Crushed Stone	142,463		
Pipe - Metal	21,667		
Road Signs	2,280		
Wood Products	3,883		
Other Supplies and Materials	1,963		
Total Highway and Bridge Maintenance		734,579	
Operation and Maintenance of Equipment			
Mechanic(s)	$ 75,338		
Rentals	6,350		
Diesel Fuel	81,048		

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Operation and Maintenance of Equipment (Cont.)			
Equipment and Machinery Parts	$ 103,784		
Garage Supplies	980		
Gasoline	32,417		
Lubricants	6,531		
Tires and Tubes	14,081		
Other Supplies and Materials	2,144		
Total Operation and Maintenance of Equipment		$ 322,673	
Other Charges			
Communication	$ 7,938		
Electricity	4,998		
Water and Sewer	995		
Building and Contents Insurance	1,800		
Liability Insurance	35,990		
Premiums on Corporate Surety Bonds	228		
Trustee's Commission	21,095		
Vehicle and Equipment Insurance	39,224		
Total Other Charges		112,268	
Employee Benefits			
Social Security	$ 50,709		
State Retirement	28,760		
Medical Insurance	158,698		
Disability Insurance	4,827		
Unemployment Compensation	5,765		
Workers' Compensation Insurance	66,003		
Total Employee Benefits		314,762	
Capital Outlay			
Bridge Construction	$ 10,812		
Highway Equipment	13,824		
Maintenance Equipment	1,360		
State Aid Projects	219,500		
Total Capital Outlay		245,496	
Total Highway/Public Works Fund			$ 1,848,200

(Continued)

Exhibit H-6

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

General Debt Service Fund		
Other Operations		
Other Charges		
Trustee's Commission	$ 6,598	
Total Other Charges		$ 6,598
Principal on Debt		
General Government		
Principal on Bonds	$ 275,000	
Principal on Notes	5,414	
Principal on Other Loans	368,510	
Total General Government		648,924
Highways and Streets		
Principal on Other Loans	$ 499,690	
Total Highways and Streets		499,690
Education		
Principal on Bonds	$ 735,000	
Principal on Other Loans	250,000	
Total Education		985,000
Interest on Debt		
General Government		
Interest on Bonds	$ 105,435	
Interest on Notes	330	
Interest on Other Loans	426,633	
Total General Government		532,398
Highways and Streets		
Interest on Other Loans	$ 107,745	
Total Highways and Streets		107,745
Education		
Interest on Bonds	$ 46,269	
Interest on Other Loans	1,400,813	
Total Education		1,447,082
Other Debt Service		
General Government		
Other Debt Service	$ 4,134	
Total General Government		4,134

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)			
Other Debt Service (Cont.)			
Highways and Streets			
Other Debt Service	$ 13,774		
Total Highways and Streets		$ 13,774	
Education			
Other Debt Service	$ 58,394		
Total Education		58,394	
Total General Debt Service Fund			$ 4,303,739
General Capital Projects Fund			
Capital Projects			
Administration of Justice Projects			
Building Construction	$ 53,659		
Total Administration of Justice Projects		$ 53,659	
Total General Capital Projects Fund			53,659
Community Development/Industrial Park Fund			
Other Operations			
Industrial Development			
Contributions	$ 27,890		
Total Industrial Development		$ 27,890	
Capital Projects			
Other General Government Projects			
Other Construction	$ 175,875		
Total Other General Government Projects		175,875	
Total Community Development/Industrial Park Fund			203,765
Highway Capital Projects Fund			
Capital Projects			
Highway and Street Capital Projects			
Other Contracted Services	$ 321,993		
Asphalt - Hot Mix	1,418,408		
Crushed Stone	4,010		
Total Highway and Street Capital Projects		$ 1,744,411	
Total Highway Capital Projects Fund			1,744,411
Total Governmental Funds - Primary Government			$ 15,952,084

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, 2007

	Cities - Sales Tax Fund
Cash Receipts	
Local Option Sales Tax	$ 1,509,393
Total Cash Receipts	$ 1,509,393
Cash Disbursements	
Remittance of Revenues Collected	$ 1,494,299
Trustee's Commission	15,094
Total Cash Disbursements	$ 1,509,393
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0
Cash Balance, July 1, 2006	0
Cash Balance, June 30, 2007	$ 0

ANNUAL FINANCIAL REPORT

CLAIBORNE COUNTY SCHOOL DEPARTMENT

A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

LESTER TACKETT, CPA, CGFM
Auditor 4

JOEY BARNARD, CGFM, CFE
PHILIP TOBY, CFE
DOUG SANDIDGE, CISA, CFE
State Auditors

This financial report is available at www.comptroller.state.tn.us

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

Annual Financial Report
Claiborne County School Department
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of the Claiborne County School Department as of and for the year ended June 30, 2007.

Results

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

Our audit resulted in one finding and recommendation, which we have reviewed with Claiborne County School Department management. The detailed finding and recommendation is included in the Single Audit Report.

Finding

The following is a summary of the audit finding:

OTHER FINDING

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

INTRODUCTORY SECTION

Claiborne County School Officials
June 30, 2007

Official

Donald Dobbs, Director of Schools

Board of Education

Michelle Huddleston, Chairperson
Cindy Debusk
Bobby Drummonds
Dr. Roy Ellis
Sam Owens
Dot Patterson
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

March 18, 2008

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, 2007, 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, 2007, 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 March 18, 2008, 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.

The budgetary comparison information on pages 41 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Claiborne County School Department's basic financial statements. The introductory section and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The miscellaneous schedules have been subjected to the auditing procedures applied 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

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Claiborne County, Tennessee
Statement of Net Assets
Claiborne County School Department
June 30, 2007

		Governmental Activities
ASSETS		
Cash	$	468,942
Equity in Pooled Cash and Investments		1,047,070
Due from Other Governments		1,042,746
Property Taxes Receivable		6,343,963
Allowance for Uncollectible Property Taxes		(336,032)
Capital Assets Not Depreciated:		
Land		1,125,900
Assets Net of Accumulated Depreciation:		
Buildings and Improvements		35,540,242
Other Capital Assets		1,098,709
Total Assets	$	46,331,540
LIABILITIES		
Accounts Payable	$	463,320
Deferred Revenue - Current Year Property Taxes		5,799,253
Noncurrent Liabilities:		
Due Within One Year		155,427
Due in More than One Year		678,365
Total Liabilities	$	7,096,365
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	$	36,931,059
Restricted for:		
State and Federal Financial Assistance Programs		76,971
Unrestricted		2,227,145
Total Net Assets	$	39,235,175

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, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental Activities:				
Instruction	$ 23,111,714	$ 0	$ 2,316,205	$ (20,795,509)
Support Services	8,988,817	155	81,372	(8,907,290)
Operation of Non-Instructional Services	4,527,474	133,143	4,535,352	141,021
Debt Service	2,490,476	0	0	(2,490,476)
Total School Department	$ 39,118,481	$ 133,298	$ 6,932,929	$ (32,052,254)
General Revenues:				
Taxes:				
Property Taxes Levied for Education Purposes				$ 5,256,527
Sales Taxes				2,202,483
Other Taxes				184,314
Grants and Contributions Not Restricted to Specific Programs				23,475,845
Unrestricted Investment Income				17,676
Miscellaneous				179,865
Insurance Recovery				29,261
Total General Revenues				$ 31,345,971
Change in Net Assets				$ (706,283)
Net Assets, July 1, 2006				39,941,458
Net Assets, June 30, 2007				$ 39,235,175

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, 2007

	Major Funds		Nonmajor Fund	
	General Purpose School	School Federal Projects	Education Capital Projects Fund	Total Govern-mental Funds
ASSETS				
Cash	$ 27,588	$ 0	$ 0	$ 27,588
Equity in Pooled Cash and Investments	1,008,062	27,089	11,919	1,047,070
Due from Other Governments	944,715	98,031	0	1,042,746
Property Taxes Receivable	6,343,963	0	0	6,343,963
Allowance for Uncollectible Property Taxes	(336,032)	0	0	(336,032)
Total Assets	$ 7,988,296	$ 125,120	$ 11,919	$ 8,125,335
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 144,212	$ 62,061	$ 0	$ 206,273
Deferred Revenue - Current Property Taxes	5,799,253	0	0	5,799,253
Deferred Revenue - Delinquent Property Taxes	190,001	0	0	190,001
Other Deferred Revenues	216,026	0	0	216,026
Total Liabilities	$ 6,349,492	$ 62,061	$ 0	$ 6,411,553
Fund Balances				
Reserved for Career Ladder Program	$ 13,912	$ 0	$ 0	$ 13,912
Reserved for Title I Grants to Local Education Agencies	0	9,508	0	9,508
Reserved for Special Education - Grants to States	0	9,598	0	9,598
Other Federal Reserves	0	43,953	0	43,953
Unreserved, Reported In:				
General Fund	1,624,892	0	0	1,624,892
Capital Projects Funds	0	0	11,919	11,919
Total Fund Balances	$ 1,638,804	$ 63,059	$ 11,919	$ 1,713,782
Total Liabilities and Fund Balances	$ 7,988,296	$ 125,120	$ 11,919	$ 8,125,335

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, 2007

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)		$ 1,713,782
(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	35,540,242	
Add: other capital assets net of accumulated depreciation	1,098,709	37,764,851
(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.		184,307
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: other loans payable		(833,792)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		406,027
Net assets of governmental activities (Exhibit A)		$ 39,235,175

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, 2007

	Major Funds		Nonmajor Fund	
	General Purpose School	School Federal Projects	Education Capital Projects Fund	Total Governmental Funds
Revenues				
Local Taxes	$ 7,670,996	$ 0	$ 0	$ 7,670,996
Licenses and Permits	3,017	0	0	3,017
Charges for Current Services	133,298	0	0	133,298
Other Local Revenues	251,345	0	17,239	268,584
State of Tennessee	23,795,817	0	0	23,795,817
Federal Government	2,563,296	3,965,244	0	6,528,540
Total Revenues	$ 34,417,769	$ 3,965,244	$ 17,239	$ 38,400,252
Expenditures				
Current:				
Instruction	$ 19,391,628	$ 2,609,419	$ 0	$ 22,001,047
Support Services	8,606,969	406,827	0	9,013,796
Operation of Non-Instructional Services	3,631,135	900,074	0	4,531,209
Capital Outlay	397,528	0	0	397,528
Debt Service:				
Principal on Debt	155,427	0	0	155,427
Other Debt Service	2,490,476	0	0	2,490,476
Capital Projects	0	0	16,221	16,221
Total Expenditures	$ 34,673,163	$ 3,916,320	$ 16,221	$ 38,605,704
Excess (Deficiency) of Revenues Over Expenditures	$ (255,394)	$ 48,924	$ 1,018	$ (205,452)
Other Financing Sources (Uses)				
Insurance Recovery	$ 42,402	$ 0	$ 0	$ 42,402
Total Other Financing Sources (Uses)	$ 42,402	$ 0	$ 0	$ 42,402
Net Change in Fund Balances	$ (212,992)	$ 48,924	$ 1,018	$ (163,050)
Fund Balance, July 1, 2006	1,851,796	14,135	10,901	1,876,832
Fund Balance, June 30, 2007	$ 1,638,804	$ 63,059	$ 11,919	$ 1,713,782

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, 2007

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)		$ (163,050)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 497,272	
Less: current year depreciation expense	(1,243,291)	(746,019)
(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, 2007	$ 406,027	
Less: deferred delinquent property taxes and other deferred June 30, 2006	(436,920)	(30,893)
(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 payments on other loans		155,427
(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.		78,252
Change in net assets of governmental activities (Exhibit B)		$ (706,283)

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

Exhibit D-1

Claiborne County, Tennessee
Statement of Net Assets
Proprietary Fund
Claiborne County School Department
June 30, 2007

	Governmental Activities - Internal Service Fund
	Employee Insurance - Health
ASSETS	
Current Assets:	
Cash	$ 441,354
Total Assets	$ 441,354
LIABILITIES	
Current Liabilities:	
Accounts Payable	$ 257,047
Total Liabilities	$ 257,047
NET ASSETS	
Unrestricted	$ 184,307

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
Proprietary Fund
Claiborne County School Department
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
	Employee Insurance - Health
Operating Revenues	
Charges for Current Services	
Self-Insurance Premiums/Contributions	$ 3,425,702
Total Operating Revenues	$ 3,425,702
Operating Expenses	
Handling Charges and Administrative Costs	$ 178,387
Excess Risk Insurance	322,774
Medical Claims	2,846,726
Total Operating Expenses	$ 3,347,887
Operating Income (Loss)	$ 77,815
Nonoperating Revenues (Expenses)	
Investment Income	$ 437
Total Nonoperating Revenues (Expenses)	$ 437
Changes in Net Assets	$ 78,252
Net Assets, July 1, 2006	106,055
Net Assets, June 30, 2007	$ 184,307

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

Exhibit D-3

Claiborne County, Tennessee
Statement of Cash Flows
Proprietary Fund
Claiborne County School Department
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
	Employee Insurance - Health
Cash Flows from Operating Activities	
Receipts for Self-Insurance Premiums	$ 3,425,702
Payments for Excess Risk Insurance	(322,774)
Payments for Medical Claims	(2,780,131)
Payments for Administrative Costs	(178,387)
Net Cash Provided By (Used In) Operating Activities	$ 144,410
Cash Flows from Investment Activities	
Interest on Investments	$ 437
Net Cash Provided By (Used In) Investing Activities	$ 437
Net Increase (Decrease) in Cash	$ 144,847
Cash, July 1, 2006	296,507
Cash, June 30, 2007	$ 441,354
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	$ 77,815
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	66,595
Net Cash Provided By (Used In) Operating Activities	$ 144,410

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

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 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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the 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 only one proprietary fund, an internal service fund. It 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The School Department has the above noted internal service fund 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 3.02 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:

Assets	Years
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, 2007, Claiborne County had $36,100,000 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. Therefore, 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 $268,413 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

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (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 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. Actual Revenues and Expenditures of the General Purpose School Fund Varied Significantly from Estimated Amounts

General Purpose School Fund estimated revenues in the Federal Government budgetary category exceeded actual revenues by $1,140,176, and appropriations in the Community Services major appropriation category exceeded expenditures by $1,013,496. These large variances were due to a budgeted Early Reading Grant, which did not materialize during the year. Management obtained an extension of time to carry the grant program over to the 2007-08 year.

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 on the balance sheets or statements of net assets represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; 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, 2007.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Balance 7-1-06	Increases	Balance 6-30-07
Capital Assets Not Depreciated:			
Land	$ 1,125,900	$ 0	$ 1,125,900
Total Capital Assets Not Depreciated	$ 1,125,900	$ 0	$ 1,125,900
Capital Assets Depreciated:			
Buildings and Improvements	$ 44,824,908	$ 282,047	$ 45,106,955
Other Capital Assets	2,053,017	215,225	2,268,242
Total Capital Assets Depreciated	$ 46,877,925	$ 497,272	$ 47,375,197
Less Accumulated Depreciation For:			
Buildings and Improvements	$ 8,485,135	$ 1,081,578	$ 9,566,713
Other Capital Assets	1,007,820	161,713	1,169,533
Total Accumulated Depreciation	$ 9,492,955	$ 1,243,291	$ 10,736,246
Total Capital Assets Depreciated, Net	$ 37,384,970	$ (746,019)	$ 36,638,951
Governmental Activities Capital Assets, Net	$ 38,510,870	$ (746,019)	$ 37,764,851

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

Governmental Activities:

Instruction	$ 1,043,396
Support Services	199,895
Total Depreciation Expense - Governmental Activities	$ 1,243,291

C. Long-term Debt

Other Loans

Claiborne County issues other loans for the School Department to provide funds for the acquisition and construction of major capital facilities. 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, 2007, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2007 are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Other Loans	0 %	$ 1,206,476	$ 833,792

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, 2007, are presented in the following table:

Year Ending June 30	Other Loans Principal
2008	$ 155,427
2009	155,427
2010	155,427
2011	155,427
2012	89,760
2013-2014	122,324
Total	$ 833,792

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Other Loans
Balance, July 1, 2006	$ 989,219
Deductions	(155,427)
Balance, June 30, 2007	$ 833,792
Balance Due Within One Year	$ 155,427

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	$ 833,792
Less: Balance Due Within One Year	(155,427)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 678,365

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 $2,490,476 to the county's General Debt Service Fund to be applied toward school-related debt.

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, 2007, the reserve for catastrophic losses totaled $184,307. 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
2005-2006	$ 333,973	$ 2,896,897	$ (3,040,418)	$ 190,452
2006-2007	190,452	2,846,726	(2,780,131)	257,047

The School Department is exposed to various risks related to general liability, property, casualty, and workers' compensation. 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.

B. Subsequent Event

Director of Schools, Donald Dobbs, resigned June 30, 2007, and was succeeded by Dr. Eddie Shoffner effective July 1, 2007.

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

Employees

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 http://www.treasury.state.tn.us/tcrs/PS/.

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

School Teachers

Plan Description

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

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

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, 2007, was 6.13 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, 2007, 2006, and 2005, were $1,138,656, $995,326, and $941,481, 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 with 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, 60 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 $202,920 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 exceeding $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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 7,670,996	$ 0	$ 7,670,996	$ 7,609,208	$ 7,609,208	$ 61,788
Licenses and Permits	3,017	0	3,017	4,605	4,605	(1,588)
Charges for Current Services	133,298	0	133,298	1,221,058	179,856	(46,558)
Other Local Revenues	251,345	0	251,345	172,695	255,532	(4,187)
State of Tennessee	23,795,817	0	23,795,817	23,083,419	23,685,279	110,538
Federal Government	2,563,296	0	2,563,296	3,683,129	3,703,472	(1,140,176)
Total Revenues	$ 34,417,769	$ 0	$ 34,417,769	$ 35,774,114	$ 35,437,952	$ (1,020,183)
Expenditures						
Instruction						
Regular Instruction Program	$ 14,383,378	$ 0	$ 14,383,378	$ 14,547,625	$ 14,671,603	$ 288,225
Alternative Instruction Program	566,030	0	566,030	566,052	566,052	22
Special Education Program	3,224,370	0	3,224,370	3,262,799	3,262,799	38,429
Vocational Education Program	1,139,671	0	1,139,671	1,175,382	1,175,382	35,711
Student Body Education Program	4,703	0	4,703	4,703	4,703	0
Adult Education Program	73,476	0	73,476	99,721	99,721	26,245
Support Services						
Attendance	107,045	0	107,045	121,777	121,777	14,732
Health Services	127,611	0	127,611	134,773	134,773	7,162
Other Student Support	587,498	0	587,498	619,920	619,920	32,422
Regular Instruction Program	850,977	0	850,977	877,915	877,915	26,938
Special Education Program	320,996	0	320,996	322,375	322,375	1,379
Vocational Education Program	94,074	0	94,074	97,424	97,424	3,350
Adult Programs	146,330	0	146,330	152,267	152,267	5,937
Board of Education	877,846	0	877,846	991,264	880,764	2,918
Director of Schools	252,288	0	252,288	254,064	255,564	3,276
Office of the Principal	1,160,572	0	1,160,572	1,163,124	$ 1,163,124	2,552
Fiscal Services	141,248	0	141,248	144,758	144,758	3,510

(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 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)						
Support Services (Cont.)						
Operation of Plant	$ 1,856,747	$ 0	$ 1,856,747	$ 1,873,308	$ 1,857,432	$ 685
Maintenance of Plant	657,885	0	657,885	618,402	659,086	1,201
Transportation	1,397,931	0	1,397,931	1,401,491	1,401,491	3,560
Central and Other	27,921	0	27,921	46,667	30,667	2,746
Operation of Non-Instructional Services						
Food Service	1,510,348	0	1,510,348	2,638,062	1,662,004	151,656
Community Services	1,438,728	0	1,438,728	2,259,724	2,452,224	1,013,496
Early Childhood Education	682,059	0	682,059	397,003	682,062	3
Capital Outlay						
Regular Capital Outlay	397,528	(143,458)	254,070	297,483	297,483	43,413
Principal on Debt						
Education	155,427	0	155,427	1,184,552	155,428	1
Interest on Debt						
Education	0	0	0	1,291,394	0	0
Other Debt Service						
Education	2,490,476	0	2,490,476	500	2,500,253	9,777
Total Expenditures	$ 34,673,163	$ (143,458)	$ 34,529,705	$ 36,544,529	$ 36,249,051	$ 1,719,346
Excess (Deficiency) of Revenues Over Expenditures	$ (255,394)	$ 143,458	$ (111,936)	$ (770,415)	$ (811,099)	$ 699,163
Other Financing Sources (Uses)						
Insurance Recovery	$ 42,402	$ 0	$ 42,402	$ 0	$ 40,684	$ 1,718
Total Other Financing Sources (Uses)	$ 42,402	$ 0	$ 42,402	$ 0	$ 40,684	$ 1,718
Net Change in Fund Balance	$ (212,992)	$ 143,458	$ (69,534)	$ (770,415)	$ (770,415)	$ 700,881
Fund Balance, July 1, 2006	1,851,796	(143,458)	1,708,338	770,415	1,716,377	(8,039)
Fund Balance, June 30, 2007	$ 1,638,804	$ 0	$ 1,638,804	$ 0	$ 945,962	$ 692,842

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, 2007

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Federal Government	$ 3,965,244	$ 4,505,687	$ 4,547,009	$ (581,765)
Total Revenues	$ 3,965,244	$ 4,505,687	$ 4,547,009	$ (581,765)
Expenditures				
Instruction				
Regular Instruction Program	$ 1,547,788	$ 1,723,769	$ 1,745,506	$ 197,718
Special Education Program	972,515	1,239,301	1,239,301	266,786
Vocational Education Program	89,116	89,127	89,127	11
Support Services				
Health Services	2,065	3,000	3,000	935
Other Student Support	90,457	90,385	90,830	373
Regular Instruction Program	281,771	432,778	453,136	171,365
Special Education Program	26,319	26,906	26,906	587
Vocational Education Program	6,215	6,326	6,326	111
Operation of Non-Instructional Services				
Community Services	900,074	908,231	907,013	6,939
Total Expenditures	$ 3,916,320	$ 4,519,823	$ 4,561,145	$ 644,825
Excess (Deficiency) of Revenues Over Expenditures	$ 48,924	$ (14,136)	$ (14,136)	$ 63,060
Net Change in Fund Balance	$ 48,924	$ (14,136)	$ (14,136)	$ 63,060
Fund Balance, July 1, 2006	14,135	14,136	14,136	(1)
Fund Balance, June 30, 2007	$ 63,059	$ 0	$ 0	$ 63,059

CLAIBORNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

A. 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.

B. Actual Revenue and Expenditures of the General Purpose School Fund Varied Significantly from Estimated Amounts

General Purpose School Fund estimated revenues in the Federal Government budgetary category exceeded actual revenues by $1,140,176, and appropriations in the Community Services major appropriation category exceeded expenditures by $1,013,496. These large variances were due to a budgeted Early Reading Grant which did not materialize during the year. Management obtained an extension of time to carry the grant program over to the 2007-08 year.

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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
OTHER LOANS PAYABLE							
Payable through General Purpose School Fund							
Powell Valley Electric Cooperative							
Ball field Lighting Project at High Schools	$ 554,067	0 %	7-1-03	11-1-11	$ 377,586	$ 73,876	$ 303,710
HVAC System at Claiborne County High School	450,000	0	12-11-03	12-11-13	421,875	56,250	365,625
HVAC System at Cumberland Gap High School	202,409	0	12-11-03	12-11-13	189,758	25,301	164,457
Total Other Loans Payable					$ 989,219	$ 155,427	$ 833,792

Exhibit F-2

Claiborne County, Tennessee
Schedule of Salary and Official Bond of Principal Official
Claiborne County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	$ 91,945 (1)	$ 50,000	Western Surety Company
Employee Blanket Bonds				
School Department Public Employees Dishonesty			150,000	Indiana Insurance Company

(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, 2007

	General Purpose School	School Federal Projects	Education Capital Projects	Total
Local Taxes				
County Property Taxes				
Current Property Tax	$ 4,756,192	$ 0	$ 0	$ 4,756,192
Trustee's Collections - Prior Year	334,118	0	0	334,118
Circuit/Clerk & Master Collections - Prior Years	135,708	0	0	135,708
Interest and Penalty	37,116	0	0	37,116
Payments in-Lieu-of Taxes - T.V.A.	1,017	0	0	1,017
Payments in-Lieu-of Taxes - Local Utilities	12,685	0	0	12,685
Payments in-Lieu-of Taxes - Other	7,363	0	0	7,363
County Local Option Taxes				
Local Option Sales Tax	2,202,483	0	0	2,202,483
Statutory Local Taxes				
Coal Severance Tax	179,707	0	0	179,707
Interstate Telecommunications Tax	4,607	0	0	4,607
Total Local Taxes	$ 7,670,996	$ 0	$ 0	$ 7,670,996
Licenses and Permits				
Licenses				
Marriage Licenses	$ 3,017	$ 0	$ 0	$ 3,017
Total Licenses and Permits	$ 3,017	$ 0	$ 0	$ 3,017
Charges for Current Services				
Education Charges				
Tuition - Out-of-State Systems	$ 5,295	$ 0	$ 0	$ 5,295
Tuition - Other	127,848	0	0	127,848
Receipts from Individual Schools	155	0	0	155
Total Charges for Current Services	$ 133,298	$ 0	$ 0	$ 133,298
Other Local Revenues				
Recurring Items				
Investment Income	$ 0	$ 0	$ 17,239	$ 17,239
Lease/Rentals	4,400	0	0	4,400
Retirees' Insurance Payments	143,880	0	0	143,880
Miscellaneous Refunds	31,585	0	0	31,585
Other Local Revenues				
Other Local Revenues	71,480	0	0	71,480
Total Other Local Revenues	$ 251,345	$ 0	$ 17,239	$ 268,584
State of Tennessee				
State Education Funds				
Basic Education Program	$ 21,596,129	$ 0	$ 0	$ 21,596,129
School Food Service	27,670	0	0	27,670
Driver Education	19,199	0	0	19,199
Other State Education Funds	1,203,767	0	0	1,203,767
Career Ladder Program	339,386	0	0	339,386
Career Ladder - Extended Contract	135,596	0	0	135,596
Other State Revenues				
State Revenue Sharing - T.V.A.	316,470	0	0	316,470
Other State Grants	78,101	0	0	78,101
Other State Revenues	79,499	0	0	79,499
Total State of Tennessee	$ 23,795,817	$ 0	$ 0	$ 23,795,817

(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
Federal Government				
Federal Through State				
USDA School Lunch Program	$ 1,036,532	$ 0	$ 0	$ 1,036,532
Breakfast	368,485	0	0	368,485
USDA - Other	25,016	0	0	25,016
Adult Education State Grant Program	132,540	0	0	132,540
Vocational Education - Basic Grants to States	0	119,831	0	119,831
Title I Grants to Local Education Agencies	0	1,375,185	0	1,375,185
Innovative Education Program Strategies	0	163,979	0	163,979
Special Education - Grants to States	84,631	969,800	0	1,054,431
Special Education Preschool Grants	0	38,632	0	38,632
Eisenhower Professional Development State Grants	0	365,787	0	365,787
Job Training Partnership Act	114,459	0	0	114,459
Other Federal through State	155,605	932,030	0	1,087,635
Direct Federal Revenue				
Other Direct Federal Revenue	646,028	0	0	646,028
Total Federal Government	$ 2,563,296	$ 3,965,244	$ 0	$ 6,528,540
Total	$ 34,417,769	$ 3,965,244	$ 17,239	$ 38,400,252

Exhibit F-4

Claiborne County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Claiborne County School Department
For the Year Ended June 30, 2007

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 10,072,449	
Career Ladder Program	185,493	
Career Ladder Extended Contracts	89,200	
Educational Assistants	407,398	
Certified Substitute Teachers	177,545	
Social Security	645,329	
State Retirement	641,431	
Life Insurance	35,276	
Medical Insurance	1,388,814	
Dental Insurance	36,132	
Unemployment Compensation	6,368	
Employer Medicare	150,896	
Tuition	3,070	
Instructional Supplies and Materials	107,924	
Textbooks	250,383	
Other Charges	1,116	
Regular Instruction Equipment	184,554	
Total Regular Instruction Program		$ 14,383,378
Alternative Instruction Program		
Teachers	$ 388,630	
Career Ladder Program	10,000	
Other Salaries & Wages	15,936	
Social Security	24,046	
State Retirement	25,143	
Life Insurance	1,394	
Medical Insurance	49,504	
Dental Insurance	1,466	
Unemployment Compensation	220	
Employer Medicare	5,624	
Instructional Supplies and Materials	1,000	
Other Supplies and Materials	1,850	
Other Charges	41,217	
Total Alternative Instruction Program		566,030
Special Education Program		
Teachers	$ 2,092,133	
Career Ladder Program	29,999	
Homebound Teachers	4,060	

(Continued)

Exhibit F-4

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.)		
Educational Assistants	$ 71,747	
Other Salaries & Wages	117,610	
Certified Substitute Teachers	35,287	
Social Security	140,107	
State Retirement	140,900	
Life Insurance	8,184	
Medical Insurance	288,241	
Dental Insurance	8,647	
Unemployment Compensation	1,384	
Employer Medicare	32,767	
Contracts with Private Agencies	77,532	
Maintenance & Repair Services - Equipment	5,274	
Tuition	1,489	
Instructional Supplies and Materials	57,014	
Textbooks	8,774	
Other Supplies and Materials	12,879	
Other Charges	22,422	
Special Education Equipment	67,920	
Total Special Education Program		$ 3,224,370
Vocational Education Program		
Teachers	$ 851,484	
Career Ladder Program	12,720	
Certified Substitute Teachers	17,790	
Social Security	52,642	
State Retirement	50,339	
Life Insurance	2,863	
Medical Insurance	104,699	
Dental Insurance	2,964	
Unemployment Compensation	511	
Employer Medicare	12,312	
Instructional Supplies and Materials	13,732	
Other Supplies and Materials	12,496	
Other Charges	5,063	
Vocational Instruction Equipment	56	
Total Vocational Education Program		1,139,671
Student Body Education Program		
Other Salaries & Wages	$ 3,711	

(Continued)

Exhibit F-4

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 (Cont.)				
Social Security	$	230		
State Retirement		228		
Life Insurance		12		
Medical Insurance		308		
Dental Insurance		13		
Employer Medicare		54		
Other Supplies and Materials		147		
Total Student Body Education Program			$	4,703
Adult Education Program				
Teachers	$	53,595		
Other Salaries & Wages		10,082		
Social Security		3,818		
State Retirement		2,752		
Unemployment Compensation		67		
Employer Medicare		893		
Instructional Supplies and Materials		2,269		
Total Adult Education Program				73,476
Support Services				
Attendance				
Supervisor/Director	$	63,120		
Career Ladder Program		1,500		
Other Salaries & Wages		23,639		
Social Security		5,421		
State Retirement		3,931		
Life Insurance		144		
Medical Insurance		3,696		
Dental Insurance		303		
Unemployment Compensation		38		
Employer Medicare		1,268		
Travel		3,985		
Total Attendance				107,045
Health Services				
Medical Personnel	$	34,439		
Social Security		2,080		
State Retirement		2,111		
Life Insurance		144		

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Health Services (Cont.)		
Medical Insurance	$ 3,696	
Dental Insurance	151	
Unemployment Compensation	19	
Employer Medicare	486	
Travel	1,707	
Other Contracted Services	82,778	
Total Health Services		$ 127,611
Other Student Support		
Career Ladder Program	$ 8,000	
Guidance Personnel	436,483	
Social Security	26,160	
State Retirement	27,259	
Life Insurance	1,500	
Medical Insurance	65,427	
Dental Insurance	1,580	
Unemployment Compensation	205	
Employer Medicare	6,118	
Evaluation and Testing	9,109	
Travel	2,144	
Other Supplies and Materials	3,513	
Total Other Student Support		587,498
Regular Instruction Program		
Supervisor/Director	$ 192,576	
Career Ladder Program	16,499	
Librarians	396,436	
Other Salaries & Wages	17,990	
Social Security	36,428	
State Retirement	36,701	
Life Insurance	1,665	
Medical Insurance	67,344	
Dental Insurance	1,913	
Unemployment Compensation	262	
Employer Medicare	8,519	
Travel	2,414	
Other Contracted Services	4,500	
Library Books/Media	59,020	
In Service/Staff Development	8,710	
Total Regular Instruction Program		850,977

(Continued)

Exhibit F-4

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				
Supervisor/Director	$	63,057		
Career Ladder Program		2,000		
Psychological Personnel		87,205		
Secretary(ies)		19,365		
Other Salaries & Wages		40,760		
Social Security		12,532		
State Retirement		12,223		
Life Insurance		432		
Medical Insurance		13,092		
Dental Insurance		454		
Unemployment Compensation		119		
Employer Medicare		2,931		
Maintenance & Repair Services - Equipment		2,164		
Travel		33,691		
Other Contracted Services		780		
Other Supplies and Materials		22		
In Service/Staff Development		26,601		
Other Charges		3,568		
Total Special Education Program			$	320,996
Vocational Education Program				
Supervisor/Director	$	63,045		
Career Ladder Program		1,000		
Clerical Personnel		15,432		
Social Security		4,642		
State Retirement		4,705		
Life Insurance		144		
Medical Insurance		3,696		
Dental Insurance		151		
Unemployment Compensation		38		
Employer Medicare		1,086		
Other Charges		135		
Total Vocational Education Program				94,074
Adult Programs				
Supervisor/Director	$	62,729		
Career Ladder Program		2,750		
Clerical Personnel		2,337		
Other Salaries & Wages		41,135		

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Adult Programs (Cont.)		
Social Security	$ 6,750	
State Retirement	6,395	
Life Insurance	462	
Medical Insurance	13,583	
Dental Insurance	485	
Unemployment Compensation	50	
Employer Medicare	1,579	
Travel	6,799	
Other Charges	1,276	
Total Adult Programs		$ 146,330
Board of Education		
Board and Committee Members Fees	$ 10,200	
Social Security	715	
State Retirement	521	
Life Insurance	1,015	
Medical Insurance	19,278	
Dental Insurance	936	
Unemployment Compensation	25	
Employer Medicare	167	
Audit Services	13,200	
Dues and Memberships	9,344	
Legal Services	2,109	
Travel	2,238	
Other Contracted Services	27,542	
Liability Insurance	131,157	
Trustee's Commission	177,187	
Workers' Compensation Insurance	107,130	
Other Charges	375,082	
Total Board of Education		877,846
Director of Schools		
County Official/Administrative Officer	$ 90,945	
Career Ladder Program	1,000	
Secretary(ies)	8,818	
Other Salaries & Wages	50,387	
Social Security	8,811	
State Retirement	8,815	
Life Insurance	281	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Director of Schools (Cont.)		
Medical Insurance	$ 9,214	
Dental Insurance	300	
Unemployment Compensation	47	
Employer Medicare	2,057	
Communication	52,210	
Dues and Memberships	2,968	
Postal Charges	3,677	
Travel	3,817	
Other Contracted Services	6,571	
Office Supplies	1,594	
Other Charges	776	
Total Director of Schools		$ 252,288
Office of the Principal		
Principals	$ 695,824	
Career Ladder Program	20,999	
Assistant Principals	228,462	
Social Security	56,509	
State Retirement	57,946	
Life Insurance	2,158	
Medical Insurance	82,888	
Dental Insurance	2,275	
Unemployment Compensation	295	
Employer Medicare	13,216	
Total Office of the Principal		1,160,572
Fiscal Services		
Supervisor/Director	$ 61,919	
Accountants/Bookkeepers	48,590	
Social Security	5,884	
State Retirement	6,250	
Life Insurance	144	
Medical Insurance	5,700	
Dental Insurance	151	
Unemployment Compensation	55	
Employer Medicare	1,376	
Data Processing Services	1,286	
Travel	796	
Other Contracted Services	6,916	

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Fiscal Services (Cont.)		
Data Processing Supplies	$ 1,396	
Office Supplies	281	
Other Supplies and Materials	118	
Administration Equipment	386	
Total Fiscal Services		$ 141,248
Operation of Plant		
Secretary(ies)	$ 10,633	
Custodial Personnel	375,447	
Other Salaries & Wages	19,653	
Social Security	25,312	
State Retirement	18,801	
Unemployment Compensation	810	
Employer Medicare	5,920	
Disposal Fees	67,838	
Other Contracted Services	20,834	
Custodial Supplies	99,514	
Electricity	1,003,914	
Fuel Oil	27,934	
Natural Gas	76,507	
Water and Sewer	103,630	
Total Operation of Plant		1,856,747
Maintenance of Plant		
Other Salaries & Wages	$ 335,644	
Social Security	20,730	
State Retirement	17,138	
Life Insurance	88	
Medical Insurance	3,698	
Dental Insurance	144	
Unemployment Compensation	368	
Employer Medicare	4,848	
Maintenance & Repair Services - Buildings	129,530	
Maintenance & Repair Services - Equipment	138,606	
Other Charges	7,091	
Total Maintenance of Plant		657,885
Transportation		
Supervisor/Director	$ 36,170	

(Continued)

Exhibit F-4

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.)		
Mechanic(s)	$ 48,887	
Bus Drivers	370,932	
Other Salaries & Wages	17,877	
Social Security	30,783	
State Retirement	24,848	
Unemployment Compensation	667	
Employer Medicare	7,199	
Contracts with Vehicle Owners	493,472	
Other Contracted Services	2,270	
Garage Supplies	823	
Gasoline	118,513	
Tires and Tubes	11,753	
Vehicle Parts	38,873	
Other Charges	4,017	
Transportation Equipment	190,847	
Total Transportation		$ 1,397,931
Central and Other		
Other Contracted Services	$ 27,921	
Total Central and Other		27,921
Operation of Non-Instructional Services		
Food Service		
Accountants/Bookkeepers	$ 20,778	
Other Salaries & Wages	42,533	
Social Security	3,726	
State Retirement	2,650	
Life Insurance	144	
Medical Insurance	3,696	
Dental Insurance	151	
Unemployment Compensation	71	
Employer Medicare	943	
Communication	110	
Payments to Schools - Breakfast	368,485	
Payments to Schools - Lunch	1,036,532	
Payments to Schools - Other	25,016	
Travel	2,015	
Other Contracted Services	1,138	
Other Supplies and Materials	2,360	
Total Food Service		1,510,348

(Continued)

Exhibit F-4

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		
Supervisor/Director	$ 51,675	
Other Salaries & Wages	758,033	
Social Security	48,078	
State Retirement	42,970	
Life Insurance	2,815	
Medical Insurance	67,856	
Dental Insurance	2,344	
Unemployment Compensation	598	
Employer Medicare	11,244	
Travel	32,607	
Other Contracted Services	35,351	
Other Supplies and Materials	251,373	
Other Charges	115,099	
Other Equipment	18,685	
Total Community Services		$ 1,438,728
Early Childhood Education		
Other Salaries & Wages	$ 366,072	
Social Security	22,338	
State Retirement	20,883	
Life Insurance	1,110	
Medical Insurance	39,218	
Unemployment Compensation	320	
Employer Medicare	4,950	
Travel	6,496	
Other Supplies and Materials	92,220	
Other Charges	110,987	
Other Equipment	17,465	
Total Early Childhood Education		682,059
Capital Outlay		
Regular Capital Outlay		
Building Construction	$ 32,660	
Building Improvements	338,285	
Site Development	3,593	
Other Capital Outlay	22,990	
Total Regular Capital Outlay		397,528

(Continued)

Exhibit F-4

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

General Purpose School Fund (Cont.)			
Principal on Debt			
Education			
Principal on Other Loans	$ 155,427		
Total Education		$ 155,427	
Other Debt Service			
Education			
Debt Service Contribution to Primary Government	$ 2,490,476		
Total Education		2,490,476	
Total General Purpose School Fund			$ 34,673,163
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 766,697		
Educational Assistants	314,180		
Other Salaries & Wages	24,382		
Certified Substitute Teachers	22,245		
Social Security	67,403		
State Retirement	63,426		
Life Insurance	3,096		
Medical Insurance	97,616		
Dental Insurance	2,750		
Unemployment Compensation	1,114		
Employer Medicare	15,693		
Travel	160		
Instructional Supplies and Materials	13,813		
Other Supplies and Materials	680		
Other Charges	4,583		
Regular Instruction Equipment	149,950		
Total Regular Instruction Program		$ 1,547,788	
Special Education Program			
Educational Assistants	$ 624,870		
Social Security	38,252		
State Retirement	30,061		
Unemployment Compensation	1,199		
Employer Medicare	8,946		
Contracts with Private Agencies	166,262		
Instructional Supplies and Materials	102,925		
Total Special Education Program		972,515	

(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.)		
Instruction (Cont.)		
Vocational Education Program		
Other Contracted Services	$ 11,691	
Instructional Supplies and Materials	29,243	
Other Charges	28,799	
Vocational Instruction Equipment	19,383	
Total Vocational Education Program		$ 89,116
Support Services		
Health Services		
Drugs and Medical Supplies	$ 2,065	
Total Health Services		2,065
Other Student Support		
Other Salaries & Wages	$ 51,697	
Social Security	2,922	
State Retirement	3,169	
Life Insurance	144	
Medical Insurance	5,700	
Dental Insurance	151	
Unemployment Compensation	19	
Employer Medicare	683	
Travel	24,000	
Other Supplies and Materials	600	
Other Charges	1,372	
Total Other Student Support		90,457
Regular Instruction Program		
Supervisor/Director	$ 120,210	
Secretary(ies)	20,958	
Clerical Personnel	2,504	
Other Salaries & Wages	27,201	
Social Security	10,459	
State Retirement	9,827	
Life Insurance	419	
Medical Insurance	11,359	
Dental Insurance	291	
Unemployment Compensation	42	
Employer Medicare	2,445	
Other Fringe Benefits	24	
Travel	8,247	

(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.)		
Support Services (Cont.)		
Regular Instruction Program (Cont.)		
Other Supplies and Materials	$ 15,322	
In Service/Staff Development	50,576	
Other Charges	1,887	
Total Regular Instruction Program		$ 281,771
Special Education Program		
Supervisor/Director	$ 15,568	
Social Security	966	
State Retirement	952	
Life Insurance	108	
Medical Insurance	2,772	
Unemployment Compensation	5	
Employer Medicare	226	
Travel	1,096	
Other Supplies and Materials	324	
In Service/Staff Development	45	
Other Charges	4,257	
Total Special Education Program		26,319
Vocational Education Program		
Other Salaries & Wages	$ 3,880	
Social Security	241	
State Retirement	237	
Unemployment Compensation	57	
Travel	1,000	
Other Charges	800	
Total Vocational Education Program		6,215
Operation of Non-Instructional Services		
Community Services		
Other Salaries & Wages	$ 497,210	
Social Security	30,322	
State Retirement	27,763	
Life Insurance	432	
Medical Insurance	11,088	
Dental Insurance	454	
Unemployment Compensation	297	
Employer Medicare	6,499	
Travel	23,889	

(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.)			
Other Contracted Services	$ 11,600		
Instructional Supplies and Materials	32,670		
Other Supplies and Materials	227,956		
Other Charges	25,212		
Other Equipment	4,682		
Total Community Services		$ 900,074	
Total School Federal Projects Fund			$ 3,916,320
Education Capital Projects Fund			
Capital Projects			
Education Capital Projects			
Building Construction	$ 7,401		
Building Improvements	4,814		
Site Development	3,485		
Other Capital Outlay	521		
Total Education Capital Projects		$ 16,221	
Total Education Capital Projects Fund			16,221
Total Governmental Funds - Claiborne County School Department			$ 38,605,704

SINGLE AUDIT REPORT

CLAIBORNE COUNTY, TENNESSEE

AND

CLAIBORNE COUNTY SCHOOL DEPARTMENT

FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

LESTER TACKETT, CPA, CGFM
Auditor 4

PHILIP TOBY, CFE
JOEY BARNARD, CGFM, CFE
DOUG SANDIDGE, CISA, CFE
State Auditors

This report is available at www.comptroller.state.tn.us

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

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

March 18, 2008

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, 2007, 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 March 18, 2008. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Claiborne County's and the Claiborne County School Department's internal control over

financial reporting. Accordingly, we do not express an opinion on the effectiveness of Claiborne County's and the Claiborne County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.03, 07.05(A,B,C), 07.06, 07.08, and 07.09.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Claiborne County's and the Claiborne County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07.03(A,B,E) 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 their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01, 07.02, 07.04, 07.05(D),and 07.07.

We consider item 07.10 described in the accompanying Schedule of Findings and Questioned Costs to be a noteworthy control deficiency over financial operations. We also noted certain matters that we reported to management of Claiborne County and the Claiborne County School Department in separate communications.

This report is intended solely for the information and use of management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Claiborne County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/rd

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 18, 2008

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, 2007. Claiborne County and the Claiborne County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Claiborne County's and the Claiborne County School Department's management. Our responsibility is to express opinions on Claiborne County's and the Claiborne County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the 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, 2007.

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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Claiborne County's and the Claiborne County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

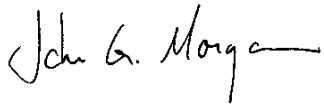
Schedule of Expenditures of Federal Awards

We have audited the financial statements of the 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, 2007, and have issued our

reports thereon dated March 18, 2008. 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 our opinions on the financial statements that collectively comprise Claiborne County's and the Claiborne County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information 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 management, the county mayor, director of schools, road superintendent, County Commission, Board of Education, others within Claiborne County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

Claiborne County, Tennessee, and the Claiborne County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Fiscal Year Ended June 30, 2007

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	$ 90,687
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	368,485
National School Lunch Program	10.555	N/A	1,036,532
Summer Food Service Program for Children	10.559	N/A	25,016
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	20,343
Total U.S. Department of Agriculture			$ 1,541,063
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	$ 114,459
Total U.S. Department of Labor			$ 114,459
U.S. Department of Education:			
Direct Programs:			
Early Reading First	84.359	N/A	$ 646,028
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,365,677
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,051,279
Special Education - Preschool Grants	84.173	N/A	32,186
Vocational Education - Basic Grants to States	84.048	N/A	119,831
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	29,401
Even Start - State Educational Agencies	84.213	(2)	75,000
Twenty-First Century Community Learning Centers	84.287	(2)	458,566
State Grants for Innovative Programs	84.298	N/A	5,214
Education Technology State Grants	84.318	(2)	23,563
Comprehensive School Reform Demonstration	84.332	(2)	994
Reading First State Grants	84.357	GG-04-11036-00	440,515
Rural Education	84.358	N/A	162,517
Improving Teacher Quality State Grants	84.367	N/A	311,208
Hurricane Recovery Act	84.938	N/A	4,702
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033681-00	141,696
Total U.S. Department of Education			$ 4,868,377
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	$ 2,700
Total U.S. Election Assistance Commission			$ 2,700
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-070-34208-00	$ 28,958
Total U.S. Department of Health and Human Services			$ 28,958

(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:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	GG-05-20783-00	$ 50,373
Homeland Security Grant Program	97.067	(3)	104,702
Disaster Grants - Public Assistance	97.036	(2)	15,474
State Homeland Security Program	97.073	Z-04-022531-00	50,362
Total U.S. Department of Homeland Security			$ 220,911
Total Expenditures of Federal Awards			$ 6,776,468

State Grants		Contract Number	
Family Resource Centers - State Department of Education	N/A	(2)	$ 33,300
Lottery for Education: Preschool - State Department of Education	N/A	(2)	682,058
Lottery for Education: After School Programs - State Department of Education	N/A	(2)	393,801
Juvenile Services Program - Tennessee Children's Services Commission	N/A	(2)	9,000
Litter Grant - State Department of Transportation	N/A	(2)	17,272
Waste Tire Grant - State Department of Transportation	N/A	(2)	9,501
Archive Grant - State Archives	N/A	(2)	5,000
Health Department Programs - State Department of Health	N/A	(2)	152,079
Fast Track Industrial Development Project - State Department of Economic and Community Development	N/A	(2)	175,875
Reappraisal Grant - State Comptroller of the Treasury	N/A	(2)	13,570
Total State Grants			$ 1,491,456

CFDA - Catalog of Federal Domestic Assistance
N/A - Not Applicable

(1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) - Information not available.
(3) - GG-05-20783-00: $39,703; GG-05-20782-00: $64,999.

Claiborne County and the Claiborne County School Department
Schedule of Audit Findings Not Corrected
June 30, 2007

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, 2006, which have not been corrected.

CLAIBORNE COUNTY

Finding Number	Page Number	Subject
06.01	12	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

Finding Number	Page Number	Subject
06.02	13	Deficiencies were noted in the maintenance of accounting records
06.04	14	Expenditures exceeded appropriations
06.05	15	The office had purchasing deficiencies

OTHER FINDINGS

Finding Number	Page Number	Subject
06.08	17	A central system of accounting, budgeting, and purchasing had not been adopted
06.09	17	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, 2007

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 disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness for Claiborne County. The audit of the financial statements of the Claiborne County School Department did not disclose any significant deficiencies in internal control.

3. The audit disclosed four 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 significant deficiencies in internal control over major programs.

5. An unqualified opinion was issued on compliance for major programs.

6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: 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); and the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.

8. A $300,000 threshold was used to distinguish between Type A and Type B federal programs.

9. 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 07.01 **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 No. 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 No. 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.

FINDING 07.02 **CLAIBORNE COUNTY HAS NOT COMPLETED THE STEPS SET FORTH IN THE IMPLEMENTATION PLAN FOR GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 34 FILED WITH THE COMPTROLLER OF THE TREASURY**

(Material Noncompliance Under Government Auditing Standards)

As noted in finding 07.01, Claiborne County has not taken the necessary steps to present its financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. To encourage local governments to comply with GASB Statement No. 34, the Tennessee General Assembly passed legislation (Sections 9-3-401 through 9-3-405, Tennessee Code Annotated), requiring local governments that were not in compliance with GASB Statement No. 34 to file an implementation plan with the Comptroller of the Treasury showing the steps and the timeline the local government would follow to implement the standard no later than June 30, 2008. An examination of the plan Claiborne County filed with the Comptroller's Office shows the county has failed to perform the steps in accordance with the timeline set forth in its plan. If Claiborne County does not comply with GASB Statement No. 34 by June 30, 2008, the statutes further provide that the state may withhold certain state funds from the county.

RECOMMENDATION

Claiborne County should take the necessary steps to ensure compliance with GASB Statement No. 34 by June 30, 2008.

OFFICE OF COUNTY MAYOR

FINDING 07.03 **DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS**

(A., B., and E. – Internal Control – Material Weakness Under Government Auditing Standards); C., D., and F. – Internal Control – Significant Deficiency Under Government Auditing Standards)

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

A. Receivables and payables at June 30, 2007, were not determined and recorded on the accounting records of the various funds as required by generally accepted accounting principles. Upon request, management prepared a listing of payables for June 30, 2007. We performed additional audit procedures to determine receivables at June 30, 2007. Audit adjustments to receivables and payables were presented to management for approval and posting to the financial records. As a result of these adjustments, the receivables and payables of the various funds are properly presented in the financial statements of this report.

B. The General Fund's reconciliation of its general ledger trustee cash account with the county trustee's report failed to reconcile by approximately $10,300 at June 30, 2007. The failure to accurately reconcile the fund's general ledger trustee cash 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.

C. 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, 2007. No attempt had been made to identify errors and to correct these balances. The failure to regularly reconcile payroll deduction accounts allows errors to remain undiscovered and uncorrected. We do not feel that these misstatements are material to the financial statements.

D. General Fund reserved fund balance accounts had not been updated for the 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 could have been charged to those reserve accounts during the year. We do not feel that the misstatements are material to the financial statements of the General Fund.

E. Monthly posting and year-end closings of the accounting records were not performed in a timely manner. Revenues from the trustee reports for April and May 2007 had not been posted until after June 30, 2007. The final year-end closing was not completed until October 2007.

F. Revenues from the June 2007 trustee's report had been posted twice to the various funds, with the exception of the General Fund. Audit adjustments were presented to and approved by management to correct these postings.

RECOMMENDATION

Receivables and payables should be properly determined and reflected on the accounting records of the various funds at June 30 each year. Office personnel should accurately reconcile the general ledger trustee cash accounts of all funds with the county trustee's reports monthly, general ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and any posting errors discovered should be promptly corrected. The office should properly determine, record, and document reservations of fund balances. The office should close its accounting records within 60 days following the end of the accounting period to provide the public with current financial information. Revenues should be accurately posted to the various funds.

FINDING 07.04 **EXPENDITURES EXCEEDED APPROPRIATIONS**
(Material Noncompliance Under Government Auditing Standards)

We noted the following deficiencies in budget operations:

A. Expenditures exceeded total appropriations approved by the County Commission in the General Debt Service Fund by $69,046. This deficiency resulted from the failure to amend the budget for increased interest related to the county's variable rate debt.

B. Expenditures and encumbrances exceeded appropriations in the following major appropriation categories (the legal level of control) of the General Fund:

Major Category	Amount Overspent
Development	$ 12,889
Rescue Squad	4,000
Industrial Development	120,200
Other Charges	69,422

The failure to properly budget revenues, expenditures, and encumbrances relating to a federal grant resulted in expenditures and encumbrances exceeding appropriations in the Industrial Development major category. The excess in Other Charges related primarily to county insurance, legal costs, and trustee's commissions.

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 07.05 **THE OFFICE HAD PURCHASING DEFICIENCIES**
(A., B, and C. – Internal Control – Significant Deficiency Under Government Auditing Standards); D. – 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 to make 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 internal controls over the purchasing process. We extended our audit procedures and determined that these disbursements were for the benefit of the county.

C. In several instances, payments to vendors were made from a statement instead of an original detailed invoice. This practice weakens internal controls over the purchasing process. We extended our audit procedures and determined that these disbursements were for the benefit of the county.

D. Subsequent to June 30, 2007, the Drug Control Fund purchased a vehicle for $12,000. Competitive bids were not solicited for the purchase. Purchasing procedures for the Office of County Mayor are governed by the County Purchasing Law of 1983, Sections 5-14-201 through 5-14-206, Tennessee Code Annotated, which provide for purchases exceeding $10,000 to be made after public advertisement and solicitation of competitive bids.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases and before purchases are made. Documentation should be obtained indicating that goods have been received and/or services have been rendered before invoices are paid. Detailed invoices should be filed to support all purchases. Competitive bids should be solicited in compliance with state statutes.

FINDING 07.06 **DEFICIENCIES WERE NOTED REGARDING ACCRUED LEAVE RECORDS**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination revealed the following deficiencies regarding accrued leave records:

A. Records documenting accrued leave balances at June 30, 2007, were not centrally filed. Each county office and department maintained leave records for their respective employees without forwarding those records to a central custodian.

B. In some instances, departmental leave records did not reflect accurate leave balances or dollar values of leave balances.

C. Claiborne County's personnel policy provides for employees to accumulate up to five vacation days that may be carried forward to the subsequent year. The

policy also allows for the accrual of up to 100 hours of compensatory time. We noted several employees whose leave balance exceeded these limits.

RECOMMENDATION

Leave records should be properly maintained and filed in a central location to enhance accurate financial statement reporting. Officials should ensure that each department complies with the maximum leave accrual limits provided by the county's personnel policies.

FINDING 07.07 **DEFICIENCIES WERE NOTED IN THE PURCHASE OF LAND FOR A CONVENIENCE CENTER**
(Material Noncompliance Under Government Auditing Standards)

Subsequent to June 30, 2007, the superintendent of the Claiborne County Sanitation Department entered into a financing agreement to purchase land for a convenience center for $150,000. The Sanitation Department had previously rented this tract of land for a fee of $400 per month. Payments to owners totaling $75,000 were made at the time of the purchase with an agreement for the department to pay the remaining $75,000 in three annual payments of $25,000 interest free.

Our examination revealed the following deficiencies pertaining to this transaction.

A. The superintendent of the Sanitation Department improperly entered into a purchase and financing agreement for the land without the approval of the County Commission, and by his signature, obligated the county without going through the budgetary process. Although minutes of the County Commission meeting held September 18, 2006, referred to a discussion regarding the purchase of the convenience center property, no resolution or motion regarding the purchase was presented for vote. Section 9-21-151, Tennessee Code Annotated (TCA), requires County Commission and state director of Local Finance approval for the issuance of notes by the county. Section 5-6-108, TCA, provides that the county mayor is the chief financial officer of the county and has the care and custody of all county property.

B. The warranty deed was recorded in the name of the Sanitation Department instead of Claiborne County.

C. Management could not provide documentation of any method used to determine the fair market value or the purchase price of the land. An appraisal was not obtained prior to entering into the purchase and financing agreement. Although the county purchased the property for $150,000, the land was appraised at only $20,000 on the county's tax records.

RECOMMENDATION

Note issues should be approved by the County Commission and state director of Local Finance as required by state statute. All purchases for land should be made by the county mayor through the General Fund and should be subject to the budgetary process. Title for land should be held in the name of the county and not the various departments. The market value of property purchased should be supported by an appraisal of the property to ensure that a fair value is paid.

FINDING 07.08 **THE GENERAL CAPITAL PROJECTS FUND HAD A DEFICIT**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The General Capital Projects Fund had a fund deficit of $1,415 at June 30, 2007. This deficit resulted from expenditures exceeding available funds.

RECOMMENDATION

County officials should take steps to liquidate the fund deficit and should monitor the financial activity of the fund to ensure that adequate funding is timely provided to prevent the recurrence of a deficit.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 07.09 **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 – Significant Deficiency Under Government Auditing Standards)

Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff. 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.

FINDING 07.10 **A CENTRAL SYSTEM OF ACCOUNTING, BUDGETING, AND PURCHASING HAD NOT BEEN ADOPTED**
(Internal Control – Control Deficiency 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.

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, 2007

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