

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2008



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ANNUAL FINANCIAL REPORT
CLAIBORNE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

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

BRYAN BURKLIN, CPA, CGFM
Audit Manager

LESTER TACKETT, CPA, CGFM
Auditor 4

ANDREW WAY, CPA
MARK FAWVER
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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Audit Highlights

Annual Financial Report
Claiborne County, Tennessee
For the Year Ended June 30, 2008

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, 2008.

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 eight findings and recommendations, which we have reviewed with Claiborne County management. Detailed findings, recommendations, and management's response 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 does not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF COUNTY MAYOR

- ◆ Several funds required material audit adjustments for proper financial statement presentation.
 - ◆ The office had deficiencies in purchasing procedures.
 - ◆ Deficiencies were noted regarding accrued leave records.
-

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

- ◆ A cash shortage of \$28,232.76 existed on November 25, 2008.
-

OTHER FINDINGS

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

INTRODUCTORY SECTION

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Claiborne County Officials
June 30, 2008

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, General Sessions, and Juvenile Courts Clerk
Frances Cardwell, Clerk and Master
Kimberly Harmon-Reece, Register
David Ray, Sheriff

Board of County Commissioners

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

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

January 12, 2009

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, 2008, as shown on pages 23 through 51, 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, 2008, 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, 2008, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

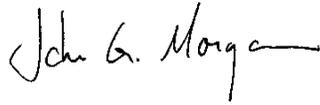
In accordance with Government Auditing Standards, we have also issued our report dated January 12, 2009, on our consideration of Claiborne County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Claiborne County has adopted Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and GASB Statement No. 50, Pension Disclosures.

The budgetary comparison and pension information on pages 55 through 61 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,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

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BASIC FINANCIAL STATEMENTS

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Exhibit A

Clairborne County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other	Governmental	
\$	0	400	0	0	0	0	100,581	\$ 100,981
Cash	3,372,369	498,617	37,291	1,072,072	3,012	144,984	5,128,345	5,128,345
Equity in Pooled Cash and Investments	49,459	33,439	0	6,106	242,147	0	331,151	331,151
Accounts Receivable	154,220	27,350	340,837	0	0	0	522,407	522,407
Due from Other Governments	117,390	0	0	161,510	0	0	278,900	278,900
Due from Other Funds	5,735,364	1,089,719	57,354	344,122	0	0	7,226,559	7,226,559
Property Taxes Receivable	(309,777)	(58,858)	(3,097)	(18,586)	0	0	(390,318)	(390,318)
Allowance for Uncollectible Property Taxes	11,440	0	0	0	0	0	11,440	11,440
Prepaid Items								
Total Assets	\$ 9,130,465	\$ 1,590,667	\$ 432,385	\$ 1,565,224	\$ 245,159	\$ 245,565	\$ 13,209,465	\$ 13,209,465

ASSETS

Cash
Equity in Pooled Cash and Investments
Accounts Receivable
Due from Other Governments
Due from Other Funds
Property Taxes Receivable
Allowance for Uncollectible Property Taxes
Prepaid Items

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities

\$ 108,835	\$ 44,864	\$ 20,591	\$ 0	\$ 242,350	\$ 9,645	\$ 426,285
47,943	4,651	1,554	0	0	0	54,148
0	0	0	0	0	13,220	13,220
0	0	0	0	0	4,381	4,381
0	35,191	82,199	0	0	0	117,390
5,169,731	982,249	51,698	310,184	0	0	6,513,862
227,595	43,242	2,276	13,656	0	0	286,769
41,106	0	144,975	0	0	0	186,081
\$ 5,595,210	\$ 1,110,197	\$ 303,293	\$ 323,840	\$ 242,350	\$ 27,246	\$ 7,602,136

Fund Balances

Reserved for Encumbrances
Reserved for Purchase of Electronic Fingerprint Imaging System
Reserved for Alcohol and Drug Treatment
Reserved for Sexual Offender Registration
Reserved for Computer System - Register
Reserved for Automation Purposes - Circuit Court
Reserved for Automation Purposes - General Sessions Court

(Continued)

Exhibit A

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other	Governmental Funds	
\$ 8,508	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	8,508
24,068	0	0	0	0	0	0	24,068
11,440	0	0	0	0	0	0	11,440
3,321,030	0	0	0	0	0	0	3,321,030
0	468,612	129,092	0	0	133,387	0	731,091
0	0	0	1,241,384	0	0	0	1,241,384
0	0	0	0	2,809	(4,357)	0	(1,548)
\$ 3,535,255	\$ 480,470	\$ 129,092	\$ 1,241,384	\$ 2,809	\$ (4,357)	\$ 218,319	\$ 5,607,329
\$ 9,130,465	\$ 1,590,667	\$ 432,385	\$ 1,565,224	\$ 245,159	\$ 245,565	\$ 13,209,465	

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)
Reserved for Automation Purposes - Chancery Court
Reserved for Automation Purposes - Sheriff
Reserved for Loan Program
Unreserved, Reported In:
General Fund
Special Revenue Funds
Debt Service Funds
Capital Projects Funds (Deficit)
Total Fund Balances

Total Liabilities and Fund Balances

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

Exhibit B

Claiborne County, Tennessee
 Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2008

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other	Governmental Funds	
Revenues								
Local Taxes	\$ 5,233,117	\$ 928,114	\$ 294,709	\$ 1,030,750	\$ 0	\$ 51,517	\$ 7,538,207	
Licenses and Permits	18,472	0	0	0	0	0	18,472	
Fines, Forfeitures, and Penalties	137,643	0	0	0	0	63,237	200,880	
Charges for Current Services	41,990	341,000	0	0	0	441,626	824,616	
Other Local Revenues	333,088	38,233	17,678	2,810,946	0	357	3,200,302	
Fees Received from County Officials	833,046	0	0	0	0	0	833,046	
State of Tennessee	1,201,292	93,292	1,953,293	17,531	0	0	3,265,408	
Federal Government	187,852	0	0	0	0	0	187,852	
Other Governments and Citizens Groups	67,342	0	0	0	0	0	67,342	
Total Revenues	\$ 8,053,842	\$ 1,400,639	\$ 2,265,680	\$ 3,859,227	\$ 0	\$ 556,737	\$ 16,136,125	
Expenditures								
Current:								
General Government	\$ 816,484	\$ 0	\$ 0	\$ 0	\$ 0	\$ 108,383	\$ 924,867	
Finance	413,949	0	0	0	0	374,530	788,479	
Administration of Justice	610,783	0	0	0	0	25,058	635,841	
Public Safety	3,903,205	0	0	0	0	88,086	3,991,291	
Public Health and Welfare	644,791	1,535,745	0	0	0	0	2,180,536	
Social, Cultural, and Recreational Services	117,979	0	0	0	0	0	117,979	
Agriculture and Natural Resources	98,867	0	0	0	0	0	98,867	
Other Operations	646,769	0	0	6,129	0	34,816	687,714	
Highways	0	0	1,671,602	0	0	0	1,671,602	
Support Services	0	0	0	0	0	300,000	300,000	
Debt Service:								
Principal on Debt	0	25,000	0	2,260,634	0	0	2,285,634	
Interest on Debt	0	0	0	2,200,210	0	0	2,200,210	
Other Debt Service	0	0	0	120,746	0	250	120,996	
Capital Projects	0	0	0	0	1,059,251	2,942	1,062,193	
Total Expenditures	\$ 7,252,827	\$ 1,560,745	\$ 1,671,602	\$ 4,587,719	\$ 1,059,251	\$ 934,065	\$ 17,066,209	
Excess (Deficiency) of Revenues Over Expenditures	\$ 801,015	\$ (160,106)	\$ 594,078	\$ (728,492)	\$ (1,059,251)	\$ (377,328)	\$ (930,084)	

(Continued)

Exhibit B

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

	Major Funds					Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Highway Capital Projects	Other	Governmental Funds	
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 0	\$ 290,000	\$ 0	\$ 0	\$ 0	\$ 300,250	\$ 590,250	
Refunding Debt Issued	0	0	0	4,485,000	0	0	4,485,000	
Premiums on Debt Issued	0	0	0	15,637	0	0	15,637	
Other Loans Issued	0	0	0	0	1,208,538	0	1,208,538	
Transfers In	0	0	0	655,781	0	0	655,781	
Transfers Out	0	0	(655,781)	0	0	0	(655,781)	
Payments to Refunded Debt Escrow Agent	0	0	0	(4,381,000)	0	0	(4,381,000)	
<u>Total Other Financing Sources (Uses)</u>	\$ 0	\$ 290,000	\$ (655,781)	\$ 775,418	\$ 1,208,538	\$ 300,250	\$ 1,918,425	
Net Change in Fund Balances	\$ 801,015	\$ 129,894	\$ (61,703)	\$ 46,926	\$ 149,287	\$ (77,078)	\$ 988,341	
Fund Balance, July 1, 2007	2,734,240	350,576	190,795	1,194,458	(146,478)	295,397	4,618,988	
Fund Balance, June 30, 2008	\$ 3,535,255	\$ 480,470	\$ 129,092	\$ 1,241,384	\$ 2,809	\$ 218,319	\$ 5,607,329	

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, 2008

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,167,538
Equity in Pooled Cash and Investments	411,233
Accounts Receivable	3,642
Due from Other Governments	280,015
Notes Receivable - Current	1,000
Notes Receivable - Long-term	<u>5,000</u>
Total Assets	<u>\$ 1,868,428</u>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 161,510
Due to Other Taxing Units	280,015
Due to Litigants, Heirs, and Others	1,167,538
Other Current Liabilities	<u>259,365</u>
Total Liabilities	<u>\$ 1,868,428</u>

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

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CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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, the Claiborne County Industrial Development Board, 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, the Claiborne County Industrial Development Board, and the Claiborne County Emergency Communications District's financial statements are published as separate reports. 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 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, and the School Department's Education Capital Projects 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

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 3.03 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 primary government's nonmajor governmental funds represents amounts withheld, but not yet deposited into the escrow account, 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 Note IV.D.

3. **Prepaid Items**

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in the fund financial statements.

4. **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.

5. **Compensated Absences**

It is the county's policy to permit employees to accumulate earned but unused vacation, compensatory, and sick leave 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 amounts have matured, for example, as a result of employee resignations and retirements.

6. **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.

7. 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, 2008, 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 GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

B. Subsequent Cash Shortage

Subsequent to June 30, 2008, a cash shortage of \$28,232.76 was discovered in the Office of Circuit, General Sessions, and Juvenile Courts Clerk. This shortage is discussed in the Schedule of Findings and Questioned Costs presented in the Single Audit Report section.

C. Fund Deficit

The General Capital Projects Fund had a deficit in unreserved fund balance of \$4,357 at June 30, 2008. This deficit resulted from expenditures related to construction and other costs of the justice center exceeding available funding. Management intends to liquidate the deficit by transferring funds from the General Fund.

D. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Budget and Finance Committee major appropriation category (the legal level of control) of the General Fund by \$2,452. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance 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 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 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, 2008.

B. Notes Receivable

Notes receivables in the Other Agency Fund represent amounts due to the Claiborne County Industrial Development Board from the Town of Cumberland Gap. The amount of the notes that is not expected to be collected within one year is \$5,000.

C. 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.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2008, is as follows:

Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Highway/Public Works	\$ 82,199
General	Solid Waste/Sanitation	35,191
General Debt Service	Agency	161,510

The amounts due to the General Fund from the Highway/Public Works and the Solid Waste/Sanitation funds primarily represent property and liability insurance premiums applicable to each department. The amount due to the General Debt Service Fund from the Agency Funds is to correct an error in the allocation of revenues.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2008, consisted of the following amount:

<u>Transfer Out</u>	<u>Transfer In</u>
	General Debt Service Fund
Highway/Public Works Fund	\$ 655,781

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

E. 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 three 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 and other loans included in long-term debt as of June 30, 2008, will be retired from the General Debt Service Fund. Notes payable will be retired from the General Debt Service and Solid Waste/Sanitation funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
County Hospital and Nursing			
Home Refunding	3.8 to 4.9 %	\$ 2,140,000	\$ 910,001
School Refunding Bonds	4	4,485,000	4,485,000
Capital Outlay Notes	0 to 4.38	590,250	565,250
Other Loans - Swapped	6.660	18,000,000	18,000,000
Other Loans - Variable Rate	variable	29,319,297	21,263,050
Other Loans - Fixed Rate	4.272	6,225,000	5,500,000

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 \$2,607,435, and the Hospital and Nursing Home contributed \$203,511 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.D.

Claiborne County has entered into various loan agreements with Public Building Authorities (PBAs) to finance various capital projects for the county and the School Department. Under the loan agreements, the PBAs made amounts available for loan to Claiborne County on an as-needed basis. The following table summarizes loan agreements outstanding at June 30, 2008.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-08	Interest Type	Interest Rates 6-30-08	Other Fees on Variable Rate Debt
<u>Montgomery County Public Building Authority</u>					
School Construction					
Loan Program - 2001	\$ 18,000,000	\$ 12,644,000	Variable	1.55 %	0.35
Various Construction and Renovations Loan - 2001	1,000,000	383,000	Variable	1.55	0.6
Various Construction and Renovations Loan - 2002	1,244,297	476,859	Variable	1.55	0.54
Highway Paving Projects Loan - 2005 (1), (2)	5,000,000	3,684,191	Variable	2.5	0.38
<u>Sevier County Public Building Authority</u>					
School Construction					
Loan Program - 2002	18,000,000	18,000,000	Synthetic Fixed by Swap	6.6	0.39
Jail Construction Program - 2004	4,075,000	4,075,000	Variable	5	0.39
<u>Blount County Public Building Authority</u>					
Jail Construction Program - 2004	6,225,000	<u>5,500,000</u>	Fixed	4.272	N/A
		<u>\$ 44,763,050</u>			

- (1) As of June 30, 2007, \$559,809 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 (PBA) loans are tax-exempt variable rates determined by the remarketing agent daily or weekly depending on the particular program. The variable rate for the Sevier County PBA 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 loans from the Sevier County PBA is a function of the Bond Market Association Index with the rates changing daily or weekly.

In addition to the various debt reflected above, the county authorized, but has not issued, an additional \$13,465,000 of general obligation refunding bonds to provide funding for the early retirement of the \$12,644,000 Montgomery County PBA loans (School Construction Loan Program – 2001).

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2008, including interest payments and other loan fees, are presented in the following tables. 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, 2008.

Year Ending June 30	Notes		
	Principal	Interest	Total
2009	\$ 181,161	\$ 21,809	\$ 202,970
2010	188,505	14,466	202,971
2011	195,584	7,386	202,970
Total	<u>\$ 565,250</u>	<u>\$ 43,661</u>	<u>\$ 608,911</u>

Year Ending June 30	Bonds		
	Principal	Interest	Total
2009	\$ 140,000	\$ 221,765	\$ 361,765
2010	145,000	215,535	360,535
2011	150,000	209,010	359,010
2012	155,000	202,110	357,110
2013	100,000	194,825	294,825
2014-2018	220,001	913,310	1,133,311
2019-2021	4,485,000	375,400	4,860,400
Total	<u>\$ 5,395,001</u>	<u>\$ 2,331,955</u>	<u>\$ 7,726,956</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2009	\$ 1,963,264	\$ 1,915,046	\$ 151,969	\$ 4,030,279
2010	2,032,827	1,876,555	145,138	4,054,520
2011	2,129,768	1,836,835	138,026	4,104,629
2012	1,888,000	1,794,338	130,615	3,812,953
2013	1,974,000	1,755,427	124,697	3,854,124
2014-2018	10,395,191	8,084,458	525,726	19,005,375
2019-2023	6,995,000	6,937,630	411,405	14,344,035
2024-2028	15,460,000	3,542,548	224,606	19,227,154
2029-2031	1,925,000	196,250	15,309	2,136,559
Total	<u>\$ 44,763,050</u>	<u>\$ 27,939,087</u>	<u>\$ 1,867,491</u>	<u>\$ 74,569,628</u>

There is \$1,241,384 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$181, based on the 2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,699, 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 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 Index™ (the "BMA"). The bonds and the related swap agreement mature on June 1, 2028. As of June 30, 2008, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.467 %
Variable payment from counterparty		<u>-1.807</u>
Net interest rate swap payments		1.660
Variable-rate bond interest payments		<u>5.000</u>
Synthetic interest rate on bonds		<u><u>6.660</u></u>

Fair value. As of June 30, 2008, the swap had a negative fair value of \$700,740. 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, 2008, 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, which was rated "AA" by Standard and Poor's and "Aa3" by Moody's Investor Service as of June 30, 2008. 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, 2008, 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.

Year Ending June 30	Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2009	\$ 0	\$ 900,000	\$ 298,746	\$ 1,198,746
2010	0	900,000	298,746	1,198,746
2011	0	900,000	298,746	1,198,746
2012	0	900,000	298,746	1,198,746
2013	0	900,000	298,746	1,198,746
2014-2018	495,000	4,463,250	1,481,531	6,439,781
2019-2023	4,670,000	4,186,750	1,389,750	10,246,500
2024-2028	12,835,000	2,012,750	668,112	15,515,862
Total	\$ 18,000,000	\$ 15,162,750	\$ 5,033,123	\$ 38,195,873

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Bonds	Notes	Other Loans
Balance, July 1, 2007	\$ 1,915,000	\$ 5,573	\$ 49,130,573
Additions	4,485,000	590,250	1,208,538
Deductions	(1,004,999)	(30,573)	(1,195,061)
Refunded	0	0	(4,381,000)
Balance, June 30, 2008	<u>\$ 5,395,001</u>	<u>\$ 565,250</u>	<u>\$ 44,763,050</u>
Balance Due Within One Year	<u>\$ 140,000</u>	<u>\$ 181,161</u>	<u>\$ 1,963,264</u>

	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2007	\$ 116,923	\$ 1,358,739
Additions	30,414	0
Deductions	0	(29,762)
Balance, June 30, 2008	<u>\$ 147,337</u>	<u>\$ 1,328,977</u>
Balance Due Within One Year	<u>\$ 29,467</u>	<u>\$ 64,702</u>

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

Current Refunding

During the year, Claiborne County issued \$4,485,000 of fixed rate general obligation bonds to provide resources for the current refunding of a portion (\$4,381,000) of a variable rate other loan agreement. The purpose of this transaction was to reduce the county's exposure to interest rate volatility in the insured bond market. The county's financial advisors were not able to determine the cumulative savings or economic gain from the refunding transactions due to the variable rate debt instruments involved.

IV. OTHER INFORMATION

A. Risk Management

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

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to Claiborne County. GASB Statement No. 48 had no effect on the financial statements of Claiborne County for the year ended June 30, 2008, since the county has not pledged any of its future revenues. However, it is reasonably expected that Claiborne County may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other post employment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires Claiborne County to provide additional and more detailed pension plan note disclosures than in previous years.

C. Subsequent Event

On August 5, 2008, Claiborne County issued a \$150,000 capital outlay note for two school buses.

D. Contingent Liabilities

Claiborne County is contingently liable for the Hospital Revenue and Tax Bonds, Series 1997, which are reflected as liabilities of the discretely presented Claiborne County Hospital and Nursing Home. As of June 30, 2008, future principal requirements were \$785,000 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 (\$55,000) and interest (\$41,140) 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 were issued during the current year and are to be paid over a term of ten years. As of June 30, 2008, the balances of the loans were \$348,000 and \$740,000, respectively.

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. Management has obtained a construction contract totaling \$255,400 (executed subsequent to June 30, 2008) for other ADA improvements, including the renovation of the courthouse by the addition of an elevator. This contract was funded by fund balance in the General Fund.

During the 2006-07 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 \$17,601, 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.

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 \$1,328,977 reflected as landfill postclosure care costs at June 30, 2008, represents the estimated postclosure care cost for the next 19 years. The postclosure care cost is based on what it would cost to perform all postclosure care in 2008. 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, 2008, 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, 2008, was 5.05 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, 2008, Claiborne County's annual pension cost of \$1,062,225 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the

July 1, 2005, 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, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-08	\$1,062,225	100%	\$0
6-30-07	941,374	100	0
6-30-06	531,511	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 89.93 percent funded. The actuarial accrued liability for benefits was \$34.32 million, and the actuarial value of assets was \$30.86 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.46 million. The covered payroll (annual payroll of active employees covered by the plan) was \$16.93 million, and the ratio of the UAAL to the covered payroll was 20.40 percent.

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the Actuarial Accrued Liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

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.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit D-1

Claiborne County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2008

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,233,117	\$ 0	\$ 0	\$ 5,233,117	\$ 5,060,988	\$ 5,060,988	\$ 172,129
Licenses and Permits	18,472	0	0	18,472	14,100	14,100	4,372
Fines, Forfeitures, and Penalties	137,643	0	0	137,643	130,050	130,050	7,593
Charges for Current Services	41,990	0	0	41,990	34,500	34,500	7,490
Other Local Revenues	333,088	0	0	333,088	301,000	304,942	28,146
Fees Received from County Officials	833,046	0	0	833,046	1,056,300	701,300	131,746
State of Tennessee	1,201,292	0	0	1,201,292	1,373,880	1,347,555	(146,263)
Federal Government	187,852	0	0	187,852	25,000	215,335	(27,483)
Other Governments and Citizens Groups	67,342	0	0	67,342	3,144	65,844	1,498
Total Revenues	\$ 8,053,842	\$ 0	\$ 0	\$ 8,053,842	\$ 7,998,962	\$ 7,874,614	\$ 179,228
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 81,506	\$ 0	\$ 0	\$ 81,506	\$ 74,800	\$ 82,070	\$ 564
Board of Equalization	2,809	0	0	2,809	2,800	3,350	541
Beer Board	700	0	0	700	700	700	0
Budget and Finance Committee	13,620	0	0	13,620	10,000	11,168	(2,452)
County Mayor/Executive	193,113	0	0	193,113	164,902	224,145	31,032
County Attorney	44,476	0	0	44,476	40,357	44,813	337
Election Commission	161,687	0	1,000	162,687	159,615	176,378	13,691
Register of Deeds	42,283	0	0	42,283	135,119	53,089	10,806
Development	13,639	0	0	13,639	12,889	15,278	1,639
County Buildings	257,651	(180)	5,826	263,297	454,881	512,240	248,943
Preservation of Records	5,000	0	0	5,000	5,000	10,000	5,000
<u>Finance</u>							
Accounting and Budgeting	38,262	0	0	38,262	50,000	53,313	15,051
Property Assessor's Office	186,893	0	378	187,271	161,272	200,871	13,600

(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:		Add: 6/30/2008 Encumbrances	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		7/1/2007 Encumbrances				Original	Final	
<u>Expenditures (Cont.)</u>								
<u>Finance (Cont.)</u>								
Reappraisal Program	\$ 62,780	\$ 0	\$ 0	\$ 62,780	\$ 60,558	\$ 66,558	\$ 3,778	
County Trustee's Office	56,737	0	0	56,737	186,719	62,827	6,090	
County Clerk's Office	69,277	0	0	69,277	244,767	78,472	9,195	
<u>Administration of Justice</u>								
Circuit Court	235,836	0	0	235,836	234,241	254,044	18,208	
Circuit Court Clerk	9,701	0	0	9,701	0	18,559	8,858	
General Sessions Court	128,293	0	0	128,293	117,898	131,804	3,511	
General Sessions Court Clerk	4,850	0	0	4,850	0	9,280	4,430	
Chancery Court	205,761	0	0	205,761	182,349	213,829	8,068	
District Attorney General	26,342	0	0	26,342	35,403	38,325	11,983	
<u>Public Safety</u>								
Sheriff's Department	1,766,753	0	7,360	1,774,113	1,743,178	2,038,774	264,661	
Workhouse	1,801,988	0	6,755	1,808,743	1,965,676	2,080,051	271,308	
Juvenile Services	17,424	0	0	17,424	30,200	32,977	15,553	
Fire Prevention and Control	97,670	0	0	97,670	108,000	119,500	21,830	
Civil Defense	169,393	0	12,587	181,980	246,500	250,523	68,543	
Rescue Squad	12,000	0	0	12,000	12,000	12,000	0	
Other Emergency Management	15,227	0	0	15,227	15,227	15,227	0	
County Coroner/Medical Examiner	22,750	0	0	22,750	25,000	25,000	2,250	
<u>Public Health and Welfare</u>								
Local Health Center	119,867	0	0	119,867	120,545	135,904	16,037	
Rabies and Animal Control	67,671	0	0	67,671	5,000	67,700	29	
Ambulance/Emergency Medical Services	225,000	0	0	225,000	225,000	225,000	0	
Other Local Health Services	158,881	0	0	158,881	196,400	210,879	51,998	
Sanitation Education/Information	46,695	(112)	0	46,583	37,600	48,120	1,537	
Convenience Centers	26,677	0	0	26,677	0	51,037	24,360	

(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 7/1/2007	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	\$ 5,000	\$ 0	\$ 0	\$ 5,000	\$ 5,000	\$ 0	
Senior Citizens Assistance	39,852	0	100	39,952	42,400	8,948	
Libraries	73,127	0	0	73,127	71,825	131	
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	68,867	0	0	68,867	71,955	3,088	
Forest Service	0	0	0	0	2,000	2,000	
Soil Conservation	30,000	0	0	30,000	31,371	1,371	
<u>Other Operations</u>							
Industrial Development	69,257	(49,257)	0	20,000	20,000	127,100	
Other Economic and Community Development	37,260	(260)	0	37,000	34,516	865	
Veterans' Services	16,023	0	0	16,023	17,850	2,503	
Other Charges	524,229	0	0	524,229	603,400	135,994	
Employee Benefits	0	0	0	0	843,000	0	
Total Expenditures	\$ 7,252,827	\$ (49,809)	\$ 34,006	\$ 7,237,024	\$ 8,807,913	\$ 8,670,003	\$ 1,432,979
<u>Excess (Deficiency) of Revenues</u> <u>Over Expenditures</u>	\$ 801,015	\$ 49,809	\$ (34,006)	\$ 816,818	\$ (808,951)	\$ (795,389)	\$ 1,612,207
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 801,015	\$ 49,809	\$ (34,006)	\$ 816,818	\$ (808,951)	\$ (795,389)	\$ 1,612,207
	2,734,240	(49,809)	0	2,684,431	1,879,091	1,879,091	805,340
Fund Balance, June 30, 2008	\$ 3,535,255	\$ 0	\$ (34,006)	\$ 3,501,249	\$ 1,070,140	\$ 1,083,702	\$ 2,417,547

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, 2008

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2008	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 928,114	\$ 0	\$ 928,114	\$ 906,959	\$ 906,959	\$ 21,155
Charges for Current Services	341,000	0	341,000	300,000	300,000	41,000
Other Local Revenues	38,233	0	38,233	39,000	39,000	(767)
State of Tennessee	93,292	0	93,292	11,000	36,000	57,292
Total Revenues	\$ 1,400,639	\$ 0	\$ 1,400,639	\$ 1,256,959	\$ 1,281,959	\$ 118,680
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Waste Pickup	\$ 1,535,745	\$ 11,858	\$ 1,547,603	\$ 1,406,905	\$ 1,588,605	\$ 41,002
<u>Principal on Debt</u>						
General Government	25,000	0	25,000	0	25,000	0
Total Expenditures	\$ 1,560,745	\$ 11,858	\$ 1,572,603	\$ 1,406,905	\$ 1,613,605	\$ 41,002
Excess (Deficiency) of Revenues Over Expenditures	\$ (160,106)	\$ (11,858)	\$ (171,964)	\$ (149,946)	\$ (331,646)	\$ 159,682
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 290,000	\$ 0	\$ 290,000	\$ 190,000	\$ 290,000	\$ 0
Total Other Financing Sources (Uses)	\$ 290,000	\$ 0	\$ 290,000	\$ 190,000	\$ 290,000	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2007	\$ 129,894	\$ (11,858)	\$ 118,036	\$ 40,054	\$ (41,646)	\$ 159,682
	350,576	0	350,576	190,626	190,626	159,950
Fund Balance, June 30, 2008	\$ 480,470	\$ (11,858)	\$ 468,612	\$ 230,680	\$ 148,980	\$ 319,632

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 294,709	\$ 403,597	\$ 395,686	\$ (100,977)
Other Local Revenues	17,678	2,200	2,200	15,478
State of Tennessee	1,953,293	1,912,426	1,912,426	40,867
Total Revenues	<u>\$ 2,265,680</u>	<u>\$ 2,318,223</u>	<u>\$ 2,310,312</u>	<u>\$ (44,632)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 124,018	\$ 123,998	\$ 125,148	\$ 1,130
Highway and Bridge Maintenance	733,087	676,000	753,100	20,013
Operation and Maintenance of Equipment	236,498	253,000	272,000	35,502
Other Charges	109,126	120,550	109,427	301
Employee Benefits	284,781	334,900	294,150	9,369
Capital Outlay	184,092	255,500	194,000	9,908
Total Expenditures	<u>\$ 1,671,602</u>	<u>\$ 1,763,948</u>	<u>\$ 1,747,825</u>	<u>\$ 76,223</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 594,078</u>	<u>\$ 554,275</u>	<u>\$ 562,487</u>	<u>\$ 31,591</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	<u>\$ (655,781)</u>	<u>\$ (700,000)</u>	<u>\$ (665,000)</u>	<u>\$ 9,219</u>
Total Other Financing Sources (Uses)	<u>\$ (655,781)</u>	<u>\$ (700,000)</u>	<u>\$ (665,000)</u>	<u>\$ 9,219</u>
Net Change in Fund Balance	\$ (61,703)	\$ (145,725)	\$ (102,513)	\$ 40,810
Fund Balance, July 1, 2007	<u>190,795</u>	<u>291,184</u>	<u>291,184</u>	<u>(100,389)</u>
Fund Balance, June 30, 2008	<u>\$ 129,092</u>	<u>\$ 145,459</u>	<u>\$ 188,671</u>	<u>\$ (59,579)</u>

Exhibit D-4

Claiborne County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2008

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-07	\$ 30,865	\$ 34,320	\$ 3,455	89.93 %	\$ 16,933	20.40 %

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during the year; therefore, only the most current year is presented.

CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008

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 Budget and Finance Committee major appropriation category (the legal level of control) of the General Fund by \$2,452. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance and greater than anticipated revenues.

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

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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.

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Exhibit E-1

Claiborne County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2008

	Special Revenue Funds		Capital Projects Fund		Total Nonmajor Governmental Funds
	Drug Control	Constitutional Officers - Fees	Total	General Capital Projects	
Cash	\$ 0	\$ 100,581	\$ 100,581	\$ 0	\$ 100,581
Equity in Pooled Cash and Investments	131,740	0	131,740	13,244	144,984
Total Assets	\$ 131,740	\$ 100,581	\$ 232,321	\$ 13,244	\$ 245,565
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 9,645	\$ 0	\$ 9,645	\$ 0	\$ 9,645
Contracts Payable	0	0	0	13,220	13,220
Retainage Payable	0	0	0	4,381	4,381
Total Liabilities	\$ 9,645	\$ 0	\$ 9,645	\$ 17,601	\$ 27,246
<u>Fund Balances</u>					
Reserved for Purchase of Electronic Fingerprint Imaging System	\$ 89,289	\$ 0	\$ 89,289	\$ 0	\$ 89,289
Unreserved (Deficit)	32,806	100,581	133,387	(4,357)	129,030
Total Fund Balances	\$ 122,095	\$ 100,581	\$ 222,676	\$ (4,357)	\$ 218,319
Total Liabilities and Fund Balances	\$ 131,740	\$ 100,581	\$ 232,321	\$ 13,244	\$ 245,565

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, 2008

	Special Revenue Funds			Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	Constiti- tional Officers - Fees	Total	General Capital Projects	Community/ Development/ Industrial Park	Total	
Revenues							
Local Taxes	\$ 0	\$ 16,701	\$ 16,701	\$ 0	\$ 34,816	\$ 34,816	\$ 51,517
Fines, Forfeitures, and Penalties	63,237	0	63,237	0	0	0	63,237
Charges for Current Services	0	441,626	441,626	0	0	0	441,626
Other Local Revenues	0	357	357	0	0	0	357
Total Revenues	\$ 63,237	\$ 458,684	\$ 521,921	\$ 0	\$ 34,816	\$ 34,816	\$ 556,737
Expenditures							
Current:							
General Government	\$ 0	\$ 108,383	\$ 108,383	\$ 0	\$ 0	\$ 0	\$ 108,383
Finance	0	374,530	374,530	0	0	0	374,530
Administration of Justice	0	25,058	25,058	0	0	0	25,058
Public Safety	88,086	0	88,086	0	0	0	88,086
Other Operations	0	0	0	0	34,816	34,816	34,816
Support Services	0	0	0	300,000	0	300,000	300,000
Debt Service:							
Other Debt Service	0	0	0	250	0	250	250
Capital Projects	0	0	0	2,942	0	2,942	2,942
Total Expenditures	\$ 88,086	\$ 507,971	\$ 596,057	\$ 303,192	\$ 34,816	\$ 338,008	\$ 934,065
Excess (Deficiency) of Revenues Over Expenditures	\$ (24,849)	\$ (49,287)	\$ (74,136)	\$ (303,192)	\$ 0	\$ (303,192)	\$ (377,328)
Other Financing Sources (Uses)							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 300,250	\$ 0	\$ 300,250	\$ 300,250
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 300,250	\$ 0	\$ 300,250	\$ 300,250
Net Change in Fund Balances Fund Balance, July 1, 2007	\$ (24,849)	\$ (49,287)	\$ (74,136)	\$ (2,942)	\$ 0	\$ (2,942)	\$ (77,078)
	146,944	149,868	296,812	(1,415)	0	(1,415)	295,397
Fund Balance, June 30, 2008	\$ 122,095	\$ 100,581	\$ 222,676	\$ (4,357)	\$ 0	\$ (4,357)	\$ 218,319

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 63,237	\$ 47,000	\$ 63,500	\$ (263)
Total Revenues	<u>\$ 63,237</u>	<u>\$ 47,000</u>	<u>\$ 63,500</u>	<u>\$ (263)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 88,086	\$ 70,100	\$ 98,600	\$ 10,514
Total Expenditures	<u>\$ 88,086</u>	<u>\$ 70,100</u>	<u>\$ 98,600</u>	<u>\$ 10,514</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (24,849)</u>	<u>\$ (23,100)</u>	<u>\$ (35,100)</u>	<u>\$ 10,251</u>
Net Change in Fund Balance	\$ (24,849)	\$ (23,100)	\$ (35,100)	\$ 10,251
Fund Balance, July 1, 2007	<u>146,944</u>	<u>155,160</u>	<u>155,160</u>	<u>(8,216)</u>
Fund Balance, June 30, 2008	<u>\$ 122,095</u>	<u>\$ 132,060</u>	<u>\$ 120,060</u>	<u>\$ 2,035</u>

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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.

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Exhibit F

Claiborne County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,030,750	\$ 1,026,390	\$ 1,026,390	\$ 4,360
Other Local Revenues	2,810,946	245,932	2,853,367	(42,421)
State of Tennessee	17,531	10,000	10,000	7,531
Total Revenues	<u>\$ 3,859,227</u>	<u>\$ 1,282,322</u>	<u>\$ 3,889,757</u>	<u>\$ (30,530)</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 6,129	\$ 0	\$ 10,000	\$ 3,871
<u>Principal on Debt</u>				
General Government	657,569	657,575	657,575	6
Highways and Streets	528,065	528,065	528,065	0
Education	1,075,000	0	1,075,000	0
<u>Interest on Debt</u>				
General Government	531,835	551,995	551,995	20,160
Highways and Streets	136,422	171,935	171,935	35,513
Education	1,531,953	0	1,531,953	0
<u>Other Debt Service</u>				
General Government	627	25,000	15,000	14,373
Education	120,119	0	120,119	0
Total Expenditures	<u>\$ 4,587,719</u>	<u>\$ 1,934,570</u>	<u>\$ 4,661,642</u>	<u>\$ 73,923</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (728,492)</u>	<u>\$ (652,248)</u>	<u>\$ (771,885)</u>	<u>\$ 43,393</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 4,485,000	\$ 0	\$ 4,485,000	\$ 0
Premiums on Debt Issued	15,637	0	14,637	1,000
Transfers In	655,781	700,000	700,000	(44,219)
Payments to Refunded Debt Escrow Agent	(4,381,000)	0	(4,381,000)	0
Total Other Financing Sources (Uses)	<u>\$ 775,418</u>	<u>\$ 700,000</u>	<u>\$ 818,637</u>	<u>\$ (43,219)</u>
Net Change in Fund Balance	\$ 46,926	\$ 47,752	\$ 46,752	\$ 174
Fund Balance, July 1, 2007	<u>1,194,458</u>	<u>858,941</u>	<u>858,941</u>	<u>335,517</u>
Fund Balance, June 30, 2008	<u>\$ 1,241,384</u>	<u>\$ 906,693</u>	<u>\$ 905,693</u>	<u>\$ 335,691</u>

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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, general sessions, and juvenile 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.

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Exhibit G-1

Claiborne County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2008

	Agency Funds			
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,167,538	\$ 0	\$ 1,167,538
Equity in Pooled Cash and Investments	0	0	411,233	411,233
Accounts Receivable	0	0	3,642	3,642
Due from Other Governments	280,015	0	0	280,015
Notes Receivable - Current	0	0	1,000	1,000
Notes Receivable - Long-term	0	0	5,000	5,000
Total Assets	<u>\$ 280,015</u>	<u>\$ 1,167,538</u>	<u>\$ 420,875</u>	<u>\$ 1,868,428</u>
<u>LIABILITIES</u>				
Due to Other Funds	\$ 0	\$ 0	\$ 161,510	\$ 161,510
Due to Other Taxing Units	280,015	0	0	280,015
Due to Litigants, Heirs, and Others	0	1,167,538	0	1,167,538
Other Current Liabilities	0	0	259,365	259,365
Total Liabilities	<u>\$ 280,015</u>	<u>\$ 1,167,538</u>	<u>\$ 420,875</u>	<u>\$ 1,868,428</u>

Exhibit G-2

Claiborne County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,560,335	\$ 1,560,335	\$ 0
Due from Other Governments	277,849	280,015	277,849	280,015
Total Assets	\$ 277,849	\$ 1,840,350	\$ 1,838,184	\$ 280,015
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 277,849	\$ 1,840,350	\$ 1,838,184	\$ 280,015
Total Liabilities	\$ 277,849	\$ 1,840,350	\$ 1,838,184	\$ 280,015
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,057,927	\$ 6,070,195	\$ 5,960,584	\$ 1,167,538
Total Assets	\$ 1,057,927	\$ 6,070,195	\$ 5,960,584	\$ 1,167,538
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,057,927	\$ 6,070,195	\$ 5,960,584	\$ 1,167,538
Total Liabilities	\$ 1,057,927	\$ 6,070,195	\$ 5,960,584	\$ 1,167,538
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 289,285	\$ 1,174,183	\$ 1,052,235	\$ 411,233
Accounts Receivable	4,842	3,642	4,842	3,642
Notes Receivable - Current	1,000	1,000	1,000	1,000
Notes Receivable - Long-term	6,000	0	1,000	5,000
Total Assets	\$ 301,127	\$ 1,178,825	\$ 1,059,077	\$ 420,875
<u>Liabilities</u>				
Accounts Payable	\$ 2,230	\$ 0	\$ 2,230	\$ 0
Due to Other Funds	0	161,510	0	161,510
Other Current Liabilities	298,897	1,017,315	1,056,847	259,365
Total Liabilities	\$ 301,127	\$ 1,178,825	\$ 1,059,077	\$ 420,875

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,057,927	\$ 6,070,195	\$ 5,960,584	\$ 1,167,538
Equity in Pooled Cash and Investments	289,285	2,734,518	2,612,570	411,233
Accounts Receivable	4,842	3,642	4,842	3,642
Due from Other Governments	277,849	280,015	277,849	280,015
Notes Receivable - Current	1,000	1,000	1,000	1,000
Notes Receivable - Long-term	6,000	0	1,000	5,000
Total Assets	<u>\$ 1,636,903</u>	<u>\$ 9,089,370</u>	<u>\$ 8,857,845</u>	<u>\$ 1,868,428</u>
<u>Liabilities</u>				
Accounts Payable	\$ 2,230	\$ 0	\$ 2,230	\$ 0
Due to Other Funds	0	161,510	0	161,510
Due to Other Taxing Units	277,849	1,840,350	1,838,184	280,015
Due to Litigants, Heirs, and Others	1,057,927	6,070,195	5,960,584	1,167,538
Other Current Liabilities	298,897	1,017,315	1,056,847	259,365
Total Liabilities	<u>\$ 1,636,903</u>	<u>\$ 9,089,370</u>	<u>\$ 8,857,845</u>	<u>\$ 1,868,428</u>

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MISCELLANEOUS SCHEDULES

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Exhibit H-1

Claiborne County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-07	Issued During Period	Paid and/or Matured During Period	Outstanding Debt Refunded 6-30-08
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Capital Outlay - Energy Efficiency	\$ 35,785	3 %	8-28-00	10-15-07	\$ 5,573	\$ 0	\$ 5,573	\$ 0
Capital Outlay - Sanitation Truck	190,250	4.38	12-12-07	12-26-10	0	190,250	0	190,250
Capital Outlay - Buses	300,000	4.38	12-12-07	12-26-10	0	300,000	0	300,000
Total Payable through General Debt Service Fund					\$ 5,573	\$ 490,250	\$ 5,573	\$ 0
<u>Payable through Solid Waste/Sanitation Fund</u>								
Capital Outlay - Land	100,000	0	8-20-07	9-1-10	\$ 0	\$ 100,000	\$ 25,000	\$ 75,000
Total Payable through Solid Waste/Sanitation Fund					\$ 0	\$ 100,000	\$ 25,000	\$ 75,000
Total Notes Payable					\$ 5,573	\$ 590,250	\$ 30,573	\$ 565,250
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Montgomery County Public Building Authority:								
Various construction projects	1,000,000	Variable	10-2-01	5-25-11	\$ 499,000	\$ 0	\$ 116,000	\$ 0
Various construction projects	1,244,297	Variable	5-23-02	5-25-11	620,920	0	144,061	0
Schools	18,000,000	Variable	2-1-02	5-25-21	17,325,000	0	300,000	4,381,000
Highway paving projects	(2)	Variable (3)	10-19-05	5-25-17	2,860,653	1,208,538	385,000	0
Sevier County Public Building Authority:								
Schools	18,000,000	6.6 (1)	3-21-02	6-1-28	18,000,000	0	0	18,000,000
Judicial Complex	4,075,000	Variable	10-21-04	6-1-31	4,075,000	0	0	4,075,000
Blount County Public Building Authority:								
Judicial Complex	6,225,000	4.272	9-2-04	6-1-24	5,750,000	0	250,000	0
Total Other Loans Payable					\$ 49,130,573	\$ 1,208,538	\$ 1,195,061	\$ 4,381,000
								\$ 44,763,050
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Refunding Series 1998 - County, Hospital and Nursing Home	2,140,000	3.8 to 4.9	3-1-1998	3-1-15	\$ 1,140,000	\$ 0	\$ 229,999	\$ 0
School Refunding Bonds, Series 2003	3,540,000	3 to 3.125	3-31-03	3-1-08	775,000	0	775,000	0
School Refunding Bonds, Series 2007	4,485,000	4	12-19-07	5-1-21	0	4,485,000	0	4,485,000
Total Bonds Payable					\$ 1,915,000	\$ 4,485,000	\$ 1,004,999	\$ 0
								\$ 5,395,001

(1) This amount was swapped to a synthetic fixed rate by execution of a swap agreement.

(2) The amount available under this loan agreement is \$5,000,000, of which \$559,809 had not been drawn as of June 30, 2008.

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

Exhibit H-2

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

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2009	\$ 181,161	\$ 21,809	\$ 202,970
2010	188,505	14,466	202,971
2011	195,584	7,386	202,970
Total	\$ 565,250	\$ 43,661	\$ 608,911

Year Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2009	\$ 1,963,264	\$ 1,915,046	\$ 151,969	\$ 4,030,279
2010	2,032,827	1,876,555	145,138	4,054,520
2011	2,129,768	1,836,835	138,026	4,104,629
2012	1,888,000	1,794,338	130,615	3,812,953
2013	1,974,000	1,755,427	124,697	3,854,124
2014	2,088,000	1,713,775	118,547	3,920,322
2015	2,199,000	1,667,650	111,972	3,978,622
2016	2,288,191	1,617,901	105,071	4,011,163
2017	1,871,000	1,564,510	97,842	3,533,352
2018	1,949,000	1,520,622	92,294	3,561,916
2019	855,000	1,474,262	86,462	2,415,724
2020	585,000	1,441,982	84,523	2,111,505
2021	645,000	1,412,184	83,516	2,140,700
2022	2,375,000	1,378,514	82,361	3,835,875
2023	2,535,000	1,230,688	74,543	3,840,231
2024	2,705,000	1,072,828	66,187	3,844,015
2025	2,885,000	903,680	57,252	3,845,932
2026	3,080,000	721,270	46,001	3,847,271
2027	3,285,000	526,390	33,989	3,845,379
2028	3,505,000	318,380	21,177	3,844,557
2029	600,000	96,250	7,508	703,758
2030	650,000	66,250	5,168	721,418
2031	675,000	33,750	2,633	711,383
Total	\$ 44,763,050	\$ 27,939,087	\$ 1,867,491	\$ 74,569,628

(Continued)

Exhibit H-2

Claiborne County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2009	\$ 140,000	\$ 221,765	\$ 361,765
2010	145,000	215,535	360,535
2011	150,000	209,010	359,010
2012	155,000	202,110	357,110
2013	100,000	194,825	294,825
2014	105,000	190,075	295,075
2015	115,001	185,035	300,036
2016	0	179,400	179,400
2017	0	179,400	179,400
2018	0	179,400	179,400
2019	1,235,000	179,400	1,414,400
2020	1,600,000	130,000	1,730,000
2021	1,650,000	66,000	1,716,000
Total	<u>\$ 5,395,001</u>	<u>\$ 2,331,955</u>	<u>\$ 7,726,956</u>

Exhibit H-3

Claiborne County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2008

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
Highway/Public Works	General Debt Service	Debt retirement	\$ 655,781
Total Transfers			<u>\$ 655,781</u>

Exhibit H-4

Claiborne County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA	\$ 79,436	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, TCA	64,760	100,000	"
Trustee	Section 8-24-102, TCA	58,872	1,056,000	"
Assessor of Property	Section 8-24-102, TCA	58,872	10,000	"
County Clerk	Section 8-24-102, TCA	58,872	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	58,872	50,000	"
Clerk and Master	Section 8-24-102, TCA	58,872	50,000	"
Register	Section 8-24-102, TCA	58,872	25,000	"
Sheriff	Section 8-24-102, TCA, and County Commission	75,360 (1)	25,000	Ohio Casualty Insurance Company
Employee Blanket Bonds:				
County Employees Public Employee Dishonesty			150,000	Local Government Property and Casualty Fund

(1) Includes supplement of \$10,000 for serving as workhouse superintendent and \$600 law enforcement training supplement.

Exhibit H-5

Clairborne County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2008

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	Debt Service Fund					Community Development/ Industrial Park
						General	Debt Service				
<u>Local Taxes</u>											
<u>County Property Taxes</u>											
Current Property Tax	\$ 4,507,877	\$ 856,497	\$ 0	\$ 0	\$ 45,079	\$ 270,473	\$ 0	\$ 5,679,926			
Trustee's Collections - Prior Year	205,443	39,350	0	0	1,901	13,831	0	260,525			
Circuit/Clerk & Master Collections - Prior Years	131,997	25,109	0	16,701	1,338	7,683	0	182,828			
Interest and Penalty	32,876	6,294	0	0	306	2,198	0	41,674			
Payments in-Lieu-of Taxes - T.V.A.	805	153	0	0	8	48	0	1,014			
Payments in-Lieu-of Taxes - Local Utilities	0	0	0	0	0	662	0	662			
Payments in-Lieu-of Taxes - Other	3,741	711	0	0	37	224	0	4,713			
<u>County Local Option Taxes</u>											
Hotel/Motel Tax	0	0	0	0	0	0	34,816	34,816			
Wheel Tax	0	0	0	0	0	735,631	0	735,631			
Litigation Tax - General	81,105	0	0	0	0	0	0	81,105			
Litigation Tax - Special Purpose	19	0	0	0	0	0	0	19			
Litigation Tax - Jail, Workhouse, or Courthouse	29,662	0	0	0	0	0	0	29,662			
Mineral Severance Tax	0	0	0	0	59,570	0	0	59,570			
<u>Statutory Local Taxes</u>											
Bank Excise Tax	135,931	0	0	0	0	0	0	135,931			
Wholesale Beer Tax	100,840	0	0	0	0	0	0	100,840			
Coal Severance Tax	0	0	0	0	155,857	0	0	155,857			
Interstate Telecommunications Tax	2,821	0	0	0	0	0	0	2,821			
Other Statutory Local Taxes	0	0	0	0	30,613	0	0	30,613			
Total Local Taxes	\$ 5,233,117	\$ 928,114	\$ 0	\$ 16,701	\$ 294,709	\$ 1,030,750	\$ 34,816	\$ 7,538,207			
<u>Licenses and Permits</u>											
<u>Permits</u>											
Beer Permits	\$ 32	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32			
Building Permits	18,440	0	0	0	0	0	0	18,440			
Total Licenses and Permits	\$ 18,472	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,472			
<u>Fines, Forfeitures, and Penalties</u>											
<u>Circuit Court</u>											
Fines	\$ 22,920	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 22,920			
Officers Costs	36,423	0	0	0	0	0	0	36,423			

(Continued)

Exhibit H-5

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total	
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works	Debt Service Fund					Community Development/ Industrial Park
						General	Debt Service				
<u>Fines, Forfeitures, and Penalties (Cont.)</u>											
<u>Circuit Court (Cont.)</u>											
Drug Control Fines	\$ 0	\$ 0	17,468	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	17,468	
Jail Fees	12,326	0	0	0	0	0	0	0	0	12,326	
Judicial Commissioner Fees	147	0	0	0	0	0	0	0	0	147	
DUI Treatment Fines	6,476	0	0	0	0	0	0	0	0	6,476	
Data Entry Fee - Circuit Court	4,287	0	0	0	0	0	0	0	0	4,287	
Courtroom Security Fee	1,134	0	0	0	0	0	0	0	0	1,134	
<u>General Sessions Court</u>											
Fines	5,798	0	0	0	0	0	0	0	0	5,798	
Officers Costs	16,750	0	0	0	0	0	0	0	0	16,750	
Game and Fish Fines	603	0	0	0	0	0	0	0	0	603	
Drug Control Fines	0	0	29,269	0	0	0	0	0	0	29,269	
Jail Fees	7,685	0	0	0	0	0	0	0	0	7,685	
DUI Treatment Fines	2,620	0	0	0	0	0	0	0	0	2,620	
Data Entry Fee - General Sessions Court	1,990	0	0	0	0	0	0	0	0	1,990	
Courtroom Security Fee	458	0	0	0	0	0	0	0	0	458	
<u>Juvenile Court</u>											
Fines	3,983	0	0	0	0	0	0	0	0	3,983	
Officers Costs	2,826	0	0	0	0	0	0	0	0	2,826	
Data Entry Fee - Juvenile Court	350	0	0	0	0	0	0	0	0	350	
<u>Chancery Court</u>											
Officers Costs	7,643	0	0	0	0	0	0	0	0	7,643	
Data Entry Fee - Chancery Court	2,941	0	0	0	0	0	0	0	0	2,941	
Courtroom Security Fee	283	0	0	0	0	0	0	0	0	283	
<u>Other Fines, Forfeitures, and Penalties</u>											
Proceeds from Confiscated Property	0	0	16,500	0	0	0	0	0	0	16,500	
Total Fines, Forfeitures, and Penalties	\$ 137,643	\$ 0	\$ 63,237	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 200,880	
<u>Charges for Current Services</u>											
General Service Charges	\$ 0	\$ 341,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 341,000	
Tipping Fees											
Fees	17,867	0	0	0	0	0	0	0	0	17,867	
Telephone Commissions											

(Continued)

Exhibit H-5

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

	Special Revenue Funds										Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/Industrial Park			Total			
							Development	Industrial	Park				
<u>Charges for Current Services (Cont.)</u>													
<u>Fees (Cont.)</u>													
Vending Machine Collections	\$ 1,629	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,629
Constitutional Officers' Fees and Commissions	0	0	0	433,626	0	0	0	0	0	0	0	0	433,626
Special Commissioner Fees/Special Master Fees	0	0	0	8,000	0	0	0	0	0	0	0	0	8,000
Data Processing Fee - Register	13,224	0	0	0	0	0	0	0	0	0	0	0	13,224
Data Processing Fee - Sheriff	6,220	0	0	0	0	0	0	0	0	0	0	0	6,220
Sexual Offender Registration Fees - Sheriff	3,050	0	0	0	0	0	0	0	0	0	0	0	3,050
Total Charges for Current Services	\$ 41,990	\$ 341,000	\$ 0	\$ 441,626	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 824,616
<u>Other Local Revenues</u>													
<u>Recurring Items</u>													
Investment Income	\$ 246,021	\$ 31,866	\$ 0	\$ 357	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 278,244
Lease/Rentals	0	0	0	0	1,200	0	0	0	0	0	0	0	1,200
Sale of Materials and Supplies	757	0	0	0	0	0	0	0	0	0	0	0	757
Sale of Recycled Materials	0	6,307	0	0	0	0	0	0	0	0	0	0	6,307
Miscellaneous Refunds	76,363	60	0	0	16,478	0	0	0	0	0	0	0	92,901
<u>Nonrecurring Items</u>													
Damages Recovered from Individuals	1,577	0	0	0	0	0	0	0	0	0	0	0	1,577
Contributions and Gifts	8,185	0	0	0	0	0	0	2,607,435	0	0	0	0	2,615,620
<u>Other Local Revenues</u>													
Other Local Revenues	185	0	0	0	0	0	0	203,511	0	0	0	0	203,696
Total Other Local Revenues	\$ 333,088	\$ 38,233	\$ 0	\$ 357	\$ 17,678	\$ 2,810,946	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,200,302
<u>Fees Received from County Officials</u>													
<u>Excess Fees</u>													
County Clerk	\$ 82,657	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,657
Register	56,669	0	0	0	0	0	0	0	0	0	0	0	56,669
Trustee	241,000	0	0	0	0	0	0	0	0	0	0	0	241,000
<u>Fees in-Lieu-of Salary</u>													
Circuit Court Clerk	101,900	0	0	0	0	0	0	0	0	0	0	0	101,900
General Sessions Court Clerk	174,726	0	0	0	0	0	0	0	0	0	0	0	174,726
Clerk and Master	152,620	0	0	0	0	0	0	0	0	0	0	0	152,620
Juvenile Court Clerk	14,850	0	0	0	0	0	0	0	0	0	0	0	14,850

(Continued)

Exhibit H-5

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

	General	Special Revenue Funds					Debt Service Fund	Capital Projects Fund	Total
		Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees in-Lieu-of-Salary (Cont.)</u>									
Sheriff	\$ 8,624	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,624	
Total Fees Received from County Officials	\$ 833,046	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 833,046	
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 7,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,050	
Other General Government Grants	1,773	37,776	0	0	0	0	0	39,549	
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	26,400	0	0	0	0	0	0	26,400	
<u>Public Works Grants</u>									
State Aid Program	0	0	0	173,795	0	0	0	173,795	
Litter Program	30,439	0	0	0	0	0	0	30,439	
<u>Other State Revenues</u>									
Income Tax	51,455	0	0	0	0	0	0	51,455	
Beer Tax	19,312	0	0	0	0	0	0	19,312	
Alcoholic Beverage Tax	46,621	0	0	0	0	0	0	46,621	
Mixed Drink Tax	2,121	0	0	0	0	0	0	2,121	
State Revenue Sharing - T.V.A.	292,191	55,516	0	2,922	17,531	0	0	368,160	
Contracted Prisoner Boarding	481,744	0	0	0	0	0	0	481,744	
Gasoline and Motor Fuel Tax	0	0	0	1,752,594	0	0	0	1,752,594	
Petroleum Special Tax	0	0	0	23,982	0	0	0	23,982	
Reappraisal Program Reimbursement	13,744	0	0	0	0	0	0	13,744	
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	16,380	
Other State Grants	211,509	0	0	0	0	0	0	211,509	
Other State Revenues	553	0	0	0	0	0	0	553	
Total State of Tennessee	\$ 1,201,292	\$ 93,292	\$ 0	\$ 1,953,293	\$ 17,531	\$ 0	\$ 0	\$ 3,265,408	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Homeland Security Grants	\$ 62,524	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,524	
Other Federal through State	115,695	0	0	0	0	0	0	115,695	

(Continued)

Exhibit H-5

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service			
<u>Federal Government (Cont.)</u>									
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	\$ 9,633	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,633
Total Federal Government	\$ 187,852	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 187,852
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 62,671	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,671
Contracted Services	4,671	0	0	0	0	0	0	0	4,671
Total Other Governments and Citizens Groups	\$ 67,342	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,342
<u>Total</u>	\$ 8,053,842	\$ 1,400,639	\$ 63,237	\$ 458,684	\$ 2,265,680	\$ 3,859,227	\$ 34,816	\$ 16,136,125	

Exhibit H-6

Claiborne County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2008

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	65,250	
Social Security		4,100	
State Retirement		1,865	
Unemployment Compensation		873	
Employer Medicare		959	
Audit Services		6,759	
Dues and Memberships		1,700	
Total County Commission			\$ 81,506

Board of Equalization

Board and Committee Members Fees	\$	2,650	
Travel		159	
Total Board of Equalization			2,809

Beer Board

Board and Committee Members Fees	\$	700	
Total Beer Board			700

Budget and Finance Committee

Board and Committee Members Fees	\$	12,375	
Social Security		711	
State Retirement		326	
Unemployment Compensation		42	
Employer Medicare		166	
Total Budget and Finance Committee			13,620

County Mayor/Executive

County Official/Administrative Officer	\$	79,436	
Assistant(s)		31,331	
Secretary(ies)		25,635	
Social Security		8,429	
State Retirement		2,877	
Medical Insurance		24,252	
Unemployment Compensation		585	
Employer Medicare		1,971	
Communication		5,585	
Dues and Memberships		1,500	
Operating Lease Payments		2,558	
Maintenance Agreements		287	
Travel		1,471	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Office Supplies	\$	4,692	
Premiums on Corporate Surety Bonds		114	
Office Equipment		2,390	
Total County Mayor/Executive			\$ 193,113

County Attorney

County Official/Administrative Officer	\$	34,857	
Clerical Personnel		5,000	
Social Security		2,139	
State Retirement		1,760	
Unemployment Compensation		220	
Employer Medicare		500	
Total County Attorney			44,476

Election Commission

County Official/Administrative Officer	\$	54,998	
Clerical Personnel		25,635	
Other Salaries and Wages		160	
Election Commission		5,625	
Election Workers		18,275	
In-Service Training		9,030	
Social Security		5,857	
State Retirement		4,072	
Unemployment Compensation		748	
Employer Medicare		1,370	
Communication		5,762	
Operating Lease Payments		2,248	
Other Contracted Services		15,245	
Office Supplies		10,139	
Office Equipment		1,623	
Other Equipment		900	
Total Election Commission			161,687

Register of Deeds

Social Security	\$	6,558	
State Retirement		5,469	
Medical Insurance		7,275	
Unemployment Compensation		577	
Employer Medicare		1,534	
Communication		2,466	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

Dues and Memberships	\$	549	
Operating Lease Payments		2,837	
Maintenance and Repair Services - Office Equipment		10,646	
Office Supplies		4,297	
Premiums on Corporate Surety Bonds		75	
Total Register of Deeds			\$ 42,283

Development

Contracts with Other Public Agencies	\$	13,639	
Total Development			13,639

County Buildings

Custodial Personnel	\$	29,081	
Maintenance Personnel		20,320	
Social Security		2,922	
State Retirement		2,395	
Unemployment Compensation		523	
Employer Medicare		683	
Communication		4,018	
Engineering Services		1,570	
Maintenance and Repair Services - Buildings		67,783	
Maintenance and Repair Services - Vehicles		2,527	
Postal Charges		35,198	
Rentals		1,680	
Custodial Supplies		4,568	
Electricity		36,810	
Gasoline		1,439	
Office Supplies		11,207	
Utilities		8,149	
Water and Sewer		7,558	
Other Supplies and Materials		1,095	
Other Charges		1,848	
Other Construction		16,277	
Total County Buildings			257,651

Preservation of Records

Other Supplies and Materials	\$	5,000	
Total Preservation of Records			5,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Supervisor/Director	\$	34,677	
Social Security		2,099	
State Retirement		715	
Unemployment Compensation		280	
Employer Medicare		491	
Total Accounting and Budgeting			\$ 38,262

Property Assessor's Office

County Official/Administrative Officer	\$	58,872	
Secretary(ies)		28,484	
Clerical Personnel		22,518	
Other Salaries and Wages		20,312	
In-Service Training		570	
Social Security		7,811	
State Retirement		6,574	
Medical Insurance		12,126	
Unemployment Compensation		766	
Employer Medicare		1,827	
Audit Services		15,690	
Communication		3,915	
Dues and Memberships		1,510	
Operating Lease Payments		90	
Travel		2,408	
Office Supplies		1,957	
Other Supplies and Materials		1,388	
Premiums on Corporate Surety Bonds		75	
Total Property Assessor's Office			186,893

Reappraisal Program

Assistant(s)	\$	26,059	
Laborers		20,997	
Social Security		2,801	
State Retirement		2,376	
Unemployment Compensation		389	
Employer Medicare		655	
Communication		900	
Data Processing Services		4,312	
Operating Lease Payments		1,875	
Travel		1,416	
Office Supplies		1,000	
Total Reappraisal Program			62,780

(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

Social Security	\$	9,227	
State Retirement		7,692	
Medical Insurance		4,850	
Unemployment Compensation		738	
Employer Medicare		2,158	
Communication		3,518	
Data Processing Services		11,924	
Dues and Memberships		574	
Operating Lease Payments		1,266	
Legal Notices, Recording, and Court Costs		2,768	
Maintenance Agreements		7,078	
Travel		84	
Office Supplies		2,330	
Premiums on Corporate Surety Bonds		2,306	
Office Equipment		224	
Total County Trustee's Office			\$ 56,737

County Clerk's Office

Social Security	\$	13,099	
State Retirement		10,966	
Medical Insurance		12,126	
Unemployment Compensation		1,530	
Employer Medicare		3,063	
Communication		6,652	
Dues and Memberships		439	
Operating Lease Payments		3,359	
Maintenance Agreements		16,013	
Office Supplies		1,916	
Premiums on Corporate Surety Bonds		114	
Total County Clerk's Office			69,277

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,872
Deputy(ies)		19,260
Secretary(ies)		28,483
Clerical Personnel		53,144
Part-time Personnel		6,811
Jury and Witness Fees		14,113
Social Security		10,135

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

State Retirement	\$	7,013	
Unemployment Compensation		1,219	
Employer Medicare		2,370	
Communication		4,125	
Dues and Memberships		439	
Operating Lease Payments		7,603	
Maintenance Agreements		10,460	
Postal Charges		5,251	
Office Supplies		6,538	
Total Circuit Court			\$ 235,836

Circuit Court Clerk

Medical Insurance	\$	9,701	
Total Circuit Court Clerk			9,701

General Sessions Court

Judge(s)	\$	90,467	
Secretary(ies)		20,472	
Social Security		6,829	
State Retirement		5,548	
Unemployment Compensation		424	
Employer Medicare		1,597	
Communication		1,704	
Office Supplies		498	
Periodicals		623	
Office Equipment		131	
Total General Sessions Court			128,293

General Sessions Court Clerk

Medical Insurance	\$	4,850	
Total General Sessions Court Clerk			4,850

Chancery Court

County Official/Administrative Officer	\$	58,872	
Assistant(s)		25,894	
Secretary(ies)		28,995	
Clerical Personnel		43,546	
Social Security		9,624	
State Retirement		5,418	
Medical Insurance		7,275	

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Unemployment Compensation	\$	1,301	
Employer Medicare		2,251	
Communication		4,594	
Dues and Memberships		529	
Operating Lease Payments		1,847	
Maintenance Agreements		9,442	
Travel		681	
Office Supplies		4,451	
Premiums on Corporate Surety Bonds		114	
Office Equipment		927	
Total Chancery Court			\$ 205,761

District Attorney General

Secretary(ies)	\$	22,403	
Social Security		1,389	
State Retirement		1,131	
Unemployment Compensation		192	
Employer Medicare		325	
Contributions		902	
Total District Attorney General			26,342

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,760	
Assistant(s)		24,740	
Deputy(ies)		739,109	
Investigator(s)		29,918	
Lieutenant(s)		14,236	
Salary Supplements		12,600	
Secretary(ies)		21,302	
School Resource Officer		71,323	
Social Security		60,003	
State Retirement		40,775	
Medical Insurance		91,664	
Unemployment Compensation		9,029	
Employer Medicare		14,033	
Communication		25,446	
Dues and Memberships		1,500	
Operating Lease Payments		4,460	
Maintenance and Repair Services - Buildings		4,260	

(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 - Equipment	\$	125	
Maintenance and Repair Services - Vehicles		36,344	
Travel		5,823	
Tuition		7,463	
Other Contracted Services		1,600	
Gasoline		149,656	
Law Enforcement Supplies		4,596	
Office Supplies		18,718	
Tires and Tubes		7,583	
Uniforms		15,861	
Other Supplies and Materials		11,058	
Premiums on Corporate Surety Bonds		75	
Communication Equipment		11,573	
Law Enforcement Equipment		9,595	
Motor Vehicles		<u>257,525</u>	
Total Sheriff's Department	\$		1,766,753

Workhouse

County Official/Administrative Officer	\$	10,000
Supervisor/Director		28,173
Medical Personnel		13,768
Guards		839,770
Maintenance Personnel		30,854
Other Salaries and Wages		55,628
Social Security		60,208
State Retirement		36,404
Unemployment Compensation		10,168
Employer Medicare		14,082
Communication		14,622
Operating Lease Payments		2,073
Maintenance and Repair Services - Buildings		27,101
Medical and Dental Services		98,507
Travel		1,752
Tuition		1,055
Other Contracted Services		48,000
Custodial Supplies		50,040
Drugs and Medical Supplies		60,343
Electricity		74,738
Food Supplies		182,673
Natural Gas		22,216

(Continued)

Exhibit H-6

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Workhouse (Cont.)</u>		
Office Supplies	\$ 9,765	
Uniforms	13,273	
Water and Sewer	36,536	
Other Supplies and Materials	40,181	
Other Charges	20,058	
Total Workhouse		\$ 1,801,988
<u>Juvenile Services</u>		
Social Workers	\$ 13,800	
Attendants	745	
Social Security	856	
Unemployment Compensation	170	
Employer Medicare	200	
Communication	1,528	
Travel	125	
Total Juvenile Services		17,424
<u>Fire Prevention and Control</u>		
Contributions	\$ 97,670	
Total Fire Prevention and Control		97,670
<u>Civil Defense</u>		
Supervisor/Director	\$ 28,000	
Social Security	1,736	
State Retirement	1,414	
Unemployment Compensation	280	
Employer Medicare	406	
Communication	2,572	
Dues and Memberships	280	
Maintenance and Repair Services - Vehicles	1,522	
Travel	988	
Other Contracted Services	323	
Gasoline	1,995	
Office Supplies	877	
Other Equipment	129,000	
Total Civil Defense		169,393
<u>Rescue Squad</u>		
Contributions	\$ 12,000	
Total Rescue Squad		12,000

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Contributions	\$ 15,227	
Total Other Emergency Management		\$ 15,227

County Coroner/Medical Examiner

Other Per Diem and Fees	\$ 22,750	
Total County Coroner/Medical Examiner		22,750

Public Health and Welfare

Local Health Center

Clerical Personnel	\$ 12,891	
Custodial Personnel	8,000	
Social Security	990	
State Retirement	139	
Medical Insurance	7,275	
Unemployment Compensation	242	
Employer Medicare	232	
Communication	8,823	
Contracts with Government Agencies	36,055	
Contracts with Private Agencies	4,158	
Operating Lease Payments	2,773	
Maintenance and Repair Services - Buildings	12,474	
Postal Charges	4,003	
Other Contracted Services	338	
Custodial Supplies	2,486	
Office Supplies	5,484	
Utilities	11,644	
Office Equipment	1,860	
Total Local Health Center		119,867

Rabies and Animal Control

Contributions	\$ 67,671	
Total Rabies and Animal Control		67,671

Ambulance/Emergency Medical Services

Contributions	\$ 165,000	
Motor Vehicles	60,000	
Total Ambulance/Emergency Medical Services		225,000

Other Local Health Services

Medical Personnel	\$ 139,084	
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(Continued)

Exhibit H-6

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Social Security	\$	8,472	
State Retirement		3,724	
Unemployment Compensation		1,342	
Employer Medicare		1,981	
Travel		4,278	
Total Other Local Health Services			\$ 158,881

Sanitation Education/Information

Laborers	\$	21,630	
Clerical Personnel		4,800	
Social Security		1,591	
State Retirement		1,335	
Unemployment Compensation		219	
Employer Medicare		372	
Communication		554	
Maintenance and Repair Services - Vehicles		1,497	
Gasoline		5,298	
Instructional Supplies and Materials		2,389	
Uniforms		350	
Other Charges		6,660	
Total Sanitation Education/Information			46,695

Convenience Centers

Medical Insurance	\$	26,677	
Total Convenience Centers			26,677

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	5,000	
Total Adult Activities			5,000

Senior Citizens Assistance

Laborers	\$	4,200	
Communication		3,783	
Contracts with Other Public Agencies		7,000	
Contributions		10,000	
Maintenance and Repair Services - Buildings		6,057	
Printing, Stationery, and Forms		461	
Electricity		6,043	
Water and Sewer		258	

(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 (Cont.)

Food Service Equipment	\$	1,676	
Office Equipment		374	
Total Senior Citizens Assistance			\$ 39,852

Libraries

State Retirement	\$	1,302	
Contributions		71,825	
Total Libraries			73,127

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	4,208	
Contracts with Other Public Agencies		61,532	
Dues and Memberships		575	
Other Charges		388	
Office Equipment		2,164	
Total Agriculture Extension Service			68,867

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		49,257	
Total Industrial Development			69,257

Other Economic and Community Development

Assistant(s)	\$	26,016	
Social Security		1,591	
State Retirement		1,314	
Unemployment Compensation		200	
Employer Medicare		372	
Communication		1,995	
Travel		4,579	
Other Charges		1,193	
Total Other Economic and Community Development			37,260

(Continued)

Exhibit H-6

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

County Official/Administrative Officer	\$	8,200	
Social Security		508	
Unemployment Compensation		143	
Employer Medicare		119	
Communication		2,141	
Contributions		2,500	
Dues and Memberships		50	
Travel		979	
Office Supplies		1,383	
Total Veterans' Services			\$ 16,023

Other Charges

Contributions	\$	56,752	
Dues and Memberships		1,596	
Legal Services		26,643	
Legal Notices, Recording, and Court Costs		2,421	
Office Supplies		762	
Liability Insurance		176	
Trustee's Commission		111,928	
Vehicle and Equipment Insurance		164,676	
Workers' Compensation Insurance		147,198	
Liability Claims		4,440	
Other Charges		7,637	
Total Other Charges			524,229

Total General Fund \$ 7,252,827

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Foremen	\$	37,538	
Equipment Operators		57,693	
Truck Drivers		44,849	
Secretary(ies)		25,895	
Attendants		204,033	
Board and Committee Members Fees		3,900	
Social Security		22,894	
State Retirement		17,344	
Unemployment Compensation		4,520	
Employer Medicare		5,354	

(Continued)

Exhibit H-6

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Communication	\$	9,940	
Contracts with Private Agencies		508,787	
Engineering Services		2,816	
Evaluation and Testing		11,295	
Operating Lease Payments		8,389	
Maintenance and Repair Services - Vehicles		31,583	
Postal Charges		193	
Printing, Stationery, and Forms		16	
Permits		1,175	
Other Contracted Services		8,454	
Crushed Stone		2,259	
Diesel Fuel		35,090	
Electricity		9,333	
Fertilizer, Lime, and Seed		1,000	
Gasoline		4,353	
Lubricants		2,427	
Office Supplies		2,155	
Tires and Tubes		5,560	
Water and Sewer		372	
Other Supplies and Materials		2,359	
Trustee's Commission		22,592	
Vehicle and Equipment Insurance		20,826	
Workers' Compensation Insurance		31,883	
Land		150,000	
Site Development		13,166	
Other Equipment		225,702	
Total Waste Pickup			\$ 1,535,745

Principal on Debt

General Government

Principal on Notes	\$	25,000	
Total General Government			25,000

Total Solid Waste/Sanitation Fund \$ 1,560,745

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	23,500	
Travel		836	

(Continued)

Exhibit H-6

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Tuition	\$	800	
Law Enforcement Supplies		1,800	
Other Supplies and Materials		1,405	
Trustee's Commission		589	
Law Enforcement Equipment		12,156	
Motor Vehicles		47,000	
Total Drug Enforcement			\$ 88,086

Total Drug Control Fund \$ 88,086

Constitutional Officers - Fees Fund

General Government

Register of Deeds

Constitutional Officers' Operating Expenses	\$	108,383	
Total Register of Deeds			\$ 108,383

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	153,802	
Total County Trustee's Office			153,802

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	220,728	
Total County Clerk's Office			220,728

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	8,000	
Constitutional Officers' Operating Expenses		17,058	
Total Chancery Court			25,058

Total Constitutional Officers - Fees Fund 507,971

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	64,760	
Accountants/Bookkeepers		26,478	
Secretary(ies)		21,840	
Data Processing Services		4,973	

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Dues and Memberships	\$	2,788	
Legal Services		386	
Legal Notices, Recording, and Court Costs		25	
Postal Charges		248	
Travel		280	
Office Supplies		2,240	
Total Administration			\$ 124,018

Highway and Bridge Maintenance

Laborers	\$	482,670	
Other Contracted Services		25,753	
Asphalt - Hot Mix		43,111	
Crushed Stone		159,046	
Pipe - Metal		17,968	
Road Signs		1,821	
Wood Products		712	
Other Supplies and Materials		2,006	
Total Highway and Bridge Maintenance			733,087

Operation and Maintenance of Equipment

Mechanic(s)	\$	36,438	
Rentals		6,250	
Diesel Fuel		83,237	
Equipment and Machinery Parts		59,770	
Garage Supplies		717	
Gasoline		38,033	
Lubricants		5,114	
Tires and Tubes		6,060	
Other Supplies and Materials		879	
Total Operation and Maintenance of Equipment			236,498

Other Charges

Communication	\$	7,403	
Electricity		4,480	
Water and Sewer		673	
Building and Contents Insurance		1,936	
Liability Insurance		34,541	
Premiums on Corporate Surety Bonds		228	
Trustee's Commission		21,340	
Vehicle and Equipment Insurance		38,525	
Total Other Charges			109,126

(Continued)

Exhibit H-6

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	47,841	
State Retirement		29,349	
Medical Insurance		123,055	
Disability Insurance		4,762	
Unemployment Compensation		5,425	
Workers' Compensation Insurance		74,349	
Total Employee Benefits			\$ 284,781

Capital Outlay

Bridge Construction	\$	992	
Highway Equipment		6,100	
State Aid Projects		177,000	
Total Capital Outlay			184,092

Total Highway/Public Works Fund \$ 1,671,602

General Debt Service Fund

Other Operations

Other Charges

Trustee's Commission	\$	6,129	
Total Other Charges			\$ 6,129

Principal on Debt

General Government

Principal on Bonds	\$	285,000	
Principal on Notes		5,573	
Principal on Other Loans		366,996	
Total General Government			657,569

Highways and Streets

Principal on Other Loans	\$	528,065	
Total Highways and Streets			528,065

Education

Principal on Bonds	\$	775,000	
Principal on Other Loans		300,000	
Total Education			1,075,000

(Continued)

Exhibit H-6

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Bonds	\$	93,510	
Interest on Notes		227	
Interest on Other Loans		438,098	
Total General Government			\$ 531,835

Highways and Streets

Interest on Other Loans	\$	136,422	
Total Highways and Streets			136,422

Education

Interest on Bonds	\$	89,999	
Interest on Other Loans		1,441,954	
Total Education			1,531,953

Other Debt Service

General Government

Other Debt Service	\$	627	
Total General Government			627

Education

Underwriter's Discount	\$	44,850	
Other Debt Issuance Charges		74,787	
Other Debt Service		482	
Total Education			120,119

Total General Debt Service Fund \$ 4,587,719

General Capital Projects Fund

Support Services

Transportation

Contributions	\$	300,000	
Total Transportation			\$ 300,000

Other Debt Service

General Government

Other Debt Issuance Charges	\$	250	
Total General Government			250

(Continued)

Exhibit H-6

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

General Capital Projects Fund (Cont.)

Capital Projects

Administration of Justice Projects

Building Construction	\$ 2,942	
Total Administration of Justice Projects		\$ 2,942

Total General Capital Projects Fund		\$ 303,192
-------------------------------------	--	------------

Community Development/Industrial Park Fund

Other Operations

Industrial Development

Contributions	\$ 34,816	
Total Industrial Development		\$ 34,816

Total Community Development/Industrial Park Fund		34,816
--	--	--------

Highway Capital Projects Fund

Capital Projects

Highway and Street Capital Projects

Other Contracted Services	\$ 171,160	
Asphalt - Hot Mix	888,091	
Total Highway and Street Capital Projects		\$ 1,059,251

Total Highway Capital Projects Fund		<u>1,059,251</u>
-------------------------------------	--	------------------

Total Governmental Funds - Primary Government		<u>\$ 17,066,209</u>
---	--	----------------------

Exhibit H-7

Claiborne County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balance - City Agency Fund
For the Year Ended June 30, 2008

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,560,335
Total Cash Receipts	<u>\$ 1,560,335</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,544,732
Trustee's Commission	15,603
Total Cash Disbursements	<u>\$ 1,560,335</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2007	<u>0</u>
 Cash Balance, June 30, 2008	 <u><u>\$ 0</u></u>

ANNUAL FINANCIAL REPORT
CLAIBORNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2008

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

BRYAN BURKLIN, CPA, CGFM
Audit Manager

LESTER TACKETT, CPA, CGFM
Auditor 4

MICHAEL JARREAU, CFE
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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

Annual Financial Report
Claiborne County School Department
For the Year Ended June 30, 2008

Scope

We have audited the basic financial statements of the Claiborne County School Department as of and for the year ended June 30, 2008.

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 are 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.

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INTRODUCTORY SECTION

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Claiborne County School Officials
June 30, 2008

Official

Eddie Shoffner, Director of Schools

Board of Education

Sam Owens, Chairman
Cindy Debusk
Bobby Drummonds
Dr. Roy Ellis

Michelle Huddleston
Dot Patterson
Elizabeth Wilmoth

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FINANCIAL SECTION

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

January 12, 2009

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, the 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, 2008, 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, the major fund, and the aggregate remaining fund information of the Claiborne County School Department as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated, January 12, 2009, on our consideration of the Claiborne County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

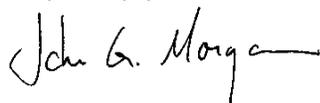
As described in Note V.B., the Claiborne County School Department has adopted the provisions on Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and GASB Statement No. 50, Pension Disclosures.

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 159 through 161 is not a required part of the basic financial statements but it does 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 the Claiborne County School Department's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, 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 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/sb

BASIC FINANCIAL STATEMENTS

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Exhibit A

Claiborne County, Tennessee
Statement of Net Assets
Claiborne County School Department
June 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 424,500
Equity in Pooled Cash and Investments	799,404
Due from Other Governments	1,335,062
Property Taxes Receivable	6,997,145
Allowance for Uncollectible Property Taxes	(377,929)
Capital Assets Not Depreciated:	
Land	1,125,900
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	34,335,889
Other Capital Assets	1,228,591
Total Assets	<u>\$ 45,868,562</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 496,682
Deferred Revenue - Current Year Property Taxes	6,307,071
Noncurrent Liabilities:	
Due Within One Year	156,792
Due in More than One Year	808,654
Total Liabilities	<u>\$ 7,769,199</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 35,724,934
Restricted for:	
State and Federal Financial Assistance Programs	122,648
Unrestricted	<u>2,251,781</u>
Total Net Assets	<u>\$ 38,099,363</u>

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

Exhibit B

Claiborne County, Tennessee
Statement of Activities
Claiborne County School Department
For the Year Ended June 30, 2008

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 23,578,363	\$ 0	\$ 2,996,110	\$ (20,582,253)
Support Services	10,520,440	0	417,851	(10,102,589)
Operation of Non-Instructional Services	5,316,125	140,824	3,545,998	(1,629,303)
Debt Service	2,647,336	0	0	(2,647,336)
Total School Department	\$ 42,062,264	\$ 140,824	\$ 6,959,959	\$ (34,961,481)
General Revenues:				
Taxes:				
Property Taxes Levied for Education Purposes			\$	\$ 6,040,015
Sales Taxes				2,194,602
Coal Severance Tax				155,857
Other Taxes				4,538
Grants and Contributions Not Restricted to Specific Programs				25,459,422
Unrestricted Investment Income				13,006
Miscellaneous				241,621
Total General Revenues			\$	\$ 34,109,061
Change in Net Assets			\$	\$ (852,420)
Net Assets, July 1, 2007				39,235,175
Restatement of Net Assets (Long-term Liability)				(283,392)
Net Assets, June 30, 2008				\$ 38,099,363

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, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	<u>Total</u>
	General Purpose School	Other Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 711,058	\$ 88,346	\$ 799,404
Due from Other Governments	1,285,814	49,248	1,335,062
Property Taxes Receivable	6,997,145	0	6,997,145
Allowance for Uncollectible Property Taxes	(377,929)	0	(377,929)
Total Assets	<u>\$ 8,616,088</u>	<u>\$ 137,594</u>	<u>\$ 8,753,682</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 195,233	\$ 1,384	\$ 196,617
Deferred Revenue - Current Property Taxes	6,307,071	0	6,307,071
Deferred Revenue - Delinquent Property Taxes	277,667	0	277,667
Other Deferred Revenues	209,092	0	209,092
Total Liabilities	<u>\$ 6,989,063</u>	<u>\$ 1,384</u>	<u>\$ 6,990,447</u>
<u>Fund Balances</u>			
Reserved for Career Ladder Program	\$ 10,490	\$ 0	\$ 10,490
Reserved for Title I Grants to Local Education Agencies	0	13,268	13,268
Reserved for Innovative Education Program Strategies	0	2,164	2,164
Reserved for Special Education - Grants to States	0	88,468	88,468
Other Federal Reserves	0	8,258	8,258
Unreserved, Reported In:			
General Fund	1,616,535	0	1,616,535
Capital Projects Funds	0	24,052	24,052
Total Fund Balances	<u>\$ 1,627,025</u>	<u>\$ 136,210</u>	<u>\$ 1,763,235</u>
Total Liabilities and Fund Balances	<u>\$ 8,616,088</u>	<u>\$ 137,594</u>	<u>\$ 8,753,682</u>

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, 2008

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)		\$	1,763,235
(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		34,335,889	
Add: other capital assets net of accumulated depreciation		<u>1,228,591</u>	36,690,380
(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.			124,435
(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			(965,446)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>486,759</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>38,099,363</u></u>

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

Exhibit C-3

Claiborne County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Claiborne County School Department
For the Year Ended June 30, 2008

	<u>Major Fund</u>	<u>Nonmajor</u> <u>Funds</u>	
	General Purpose School	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>			
Local Taxes	\$ 8,324,096	\$ 0	\$ 8,324,096
Licenses and Permits	2,531	0	2,531
Charges for Current Services	140,824	0	140,824
Other Local Revenues	308,817	12,384	321,201
State of Tennessee	25,304,729	0	25,304,729
Federal Government	2,623,221	4,111,888	6,735,109
Other Governments and Citizens Groups	300,000	0	300,000
Total Revenues	<u>\$ 37,004,218</u>	<u>\$ 4,124,272</u>	<u>\$ 41,128,490</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 19,596,571	\$ 2,662,571	\$ 22,259,142
Support Services	9,822,621	403,145	10,225,766
Operation of Non-Instructional Services	4,315,422	997,073	5,312,495
Capital Outlay	482,309	0	482,309
Debt Service:			
Principal on Debt	151,738	0	151,738
Interest on Debt	39,901	0	39,901
Other Debt Service	2,607,435	0	2,607,435
Capital Projects	0	251	251
Total Expenditures	<u>\$ 37,015,997</u>	<u>\$ 4,063,040</u>	<u>\$ 41,079,037</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,779)</u>	<u>\$ 61,232</u>	<u>\$ 49,453</u>
Net Change in Fund Balances	\$ (11,779)	\$ 61,232	\$ 49,453
Fund Balance, July 1, 2007	1,638,804	74,978	1,713,782
Fund Balance, June 30, 2008	<u>\$ 1,627,025</u>	<u>\$ 136,210</u>	<u>\$ 1,763,235</u>

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, 2008

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)	\$	49,453
(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	\$	630,600
Less: current year depreciation expense		<u>(1,255,182)</u>
		(624,582)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: capital assets contribution to primary government		(449,889)
(3) 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, 2008	\$	486,759
Less: deferred delinquent property taxes and other deferred June 30, 2007		<u>(406,027)</u>
		80,732
(4) 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		151,738
(5) Internal service funds are used by management to charge the cost of employee health benefits to individual funds. The net revenue (expense) of certain activities of the internal service fund is reported with governmental activities in the statement of activities.		<u>(59,872)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u>(852,420)</u>

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, 2008

	Governmental Activities - Internal Service Fund
	<u>Employee Insurance - Health</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 424,500
Total Assets	<u>\$ 424,500</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	<u>\$ 300,065</u>
Total Liabilities	<u>\$ 300,065</u>
<u>NET ASSETS</u>	
Unrestricted	<u><u>\$ 124,435</u></u>

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, 2008

	Governmental Activities - Internal Service Fund <hr/> Employee Insurance - Health <hr/>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 3,264,032
Total Operating Revenues	<u>\$ 3,264,032</u>
<u>Operating Expenses</u>	
Handling Charges and Administrative Costs	\$ 159,261
Excess Risk Insurance	337,665
Medical Claims	2,795,600
Other Charges	32,000
Total Operating Expenses	<u>\$ 3,324,526</u>
Operating Income (Loss)	<u>\$ (60,494)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 622
Total Nonoperating Revenues (Expenses)	<u>\$ 622</u>
Changes in Net Assets	\$ (59,872)
Net Assets, July 1, 2007	<u>184,307</u>
Net Assets, June 30, 2008	<u><u>\$ 124,435</u></u>

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, 2008

	Governmental Activities - Internal Service Fund Employee Insurance - Health
<u>Cash Flows from Operating Activities</u>	
Receipts for Self-Insurance Premiums	\$ 3,264,032
Payments for Excess Risk Insurance	(337,665)
Payments for Other Supplies and Materials	(32,000)
Payments for Medical Claims	(2,752,582)
Payments for Administrative Costs	(159,261)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (17,476)</u>
<u>Cash Flows from Investment Activities</u>	
Interest on Investments	\$ 622
Net Cash Provided By (Used In) Investing Activities	<u>\$ 622</u>
Net Increase (Decrease) in Cash	\$ (16,854)
Cash, July 1, 2007	<u>441,354</u>
Cash, June 30, 2008	<u><u>\$ 424,500</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used In)</u>	
<u>Operating Activities</u>	
Operating Income (Loss)	\$ (60,494)
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	<u>43,018</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (17,476)</u></u>

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

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CLAIBORNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

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 fund:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It accounts for all financial resources of the School Department, except those required to be accounted for in another fund.

Additionally, the School Department reports the following fund types:

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovation.

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.

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.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 and life insurance program. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the School Department's internal service fund is charges for services. Operating expenses for the internal service fund include administrative expenses, excess-risk insurance premium, 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 and Solid Waste/Sanitation funds. 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 3.03 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 materially add to the value of the asset or extend assets' lives are not capitalized.

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

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

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

4. Compensated Absences

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

5. Long-term Obligations

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

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

6. Net Assets and Fund Equity

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

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

As of June 30, 2008, Claiborne County had \$35,429,000 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 \$254,268 of the unreserved fund balance in the General Purpose School Fund for the school aged child care program.

7. Prior-period Adjustments

The balance of the long-term liabilities (other loans) of the School Department was restated (a net of \$283,392) due to various errors in the amortization schedules utilized in the prior periods (decrease of \$50,163) and the omission of two loan agreements (totaling \$333,555) issued during the previous period.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting 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, if any, between the budgetary basis and the GAAP basis is presented on the face of each budgetary schedule.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Claiborne County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of Claiborne County and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected 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, 2008.

B. Capital Assets

Capital assets activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

	Balance 7-1-07	Increases	Decrease	Balance 6-30-08
Capital Assets Not Depreciated:				
Land	\$ 1,125,900	\$ 0	\$ 0	\$ 1,125,900
Total Capital Assets Not Depreciated	<u>\$ 1,125,900</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,125,900</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 45,106,955	\$ 330,640	\$ 806,045	\$ 44,631,550
Other Capital Assets	2,268,242	299,960	0	2,568,202
Total Capital Assets Depreciated	<u>\$ 47,375,197</u>	<u>\$ 630,600</u>	<u>\$ 806,045</u>	<u>\$ 47,199,752</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,566,713	\$ 1,085,104	\$ 356,156	\$ 10,295,661
Other Capital Assets	1,169,533	170,078	0	1,339,611
Total Accumulated Depreciation	<u>\$ 10,736,246</u>	<u>\$ 1,255,182</u>	<u>\$ 356,156</u>	<u>\$ 11,635,272</u>
Total Capital Assets Depreciated, Net	<u>\$ 36,638,951</u>	<u>\$ (624,582)</u>	<u>\$ 449,889</u>	<u>\$ 35,564,480</u>
Governmental Activities Capital Assets, Net	<u>\$ 37,764,851</u>	<u>\$ (624,582)</u>	<u>\$ 449,889</u>	<u>\$ 36,690,380</u>

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

Governmental Activities:

Instruction	\$ 1,051,488
Support Services	<u>203,694</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,255,182</u>

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 15 years and interest rates range from zero to 7.693 percent. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All other loans included in long-term debt as of June 30, 2008, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2008, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-08
Other Loans	0 to 7.693 %	\$ 1,408,141	\$ 965,446

These loans were issued for ball field lighting and geothermal systems at two high schools through the Powell Valley Electric Cooperative.

The annual requirements to amortize all other loans outstanding as of June 30, 2008, are presented in the following table:

Year Ending June 30	Other Loans		
	Principal	Interest	Total
2009	\$ 156,792	\$ 34,846	\$ 191,638
2010	162,548	29,090	191,638
2011	158,708	22,880	181,588
2012	108,787	18,725	127,512
2013	100,421	17,343	117,764
2014-2018	157,672	64,169	221,841
2019-2022	<u>120,518</u>	<u>18,078</u>	<u>138,596</u>
Total	<u>\$ 965,446</u>	<u>\$ 205,131</u>	<u>\$ 1,170,577</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	<u>Other Loans</u>
Balance, July 1, 2007	\$ 1,117,184
Additions	0
Deductions	<u>(151,738)</u>
Balance, June 30, 2008	<u>\$ 965,446</u>
Balance Due Within One Year	<u>\$ 156,792</u>

Compensated absences will be paid from the employing funds, primarily the General Purpose School Fund.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2008	\$ 965,446
Less: Balance Due Within One Year	<u>(156,792)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 808,654</u>

In addition to the debt reflected above, the School Department provides funding to Claiborne County, the primary government, for the retirement of the school refunding bonds and general obligation debt. During the year, the School Department contributed \$2,607,435 to the county's General Debt Service Fund to be applied toward school-related debt.

D. On-Behalf Payments – Claiborne County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Claiborne County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2008, were \$2,333 and \$8,250, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

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, 2008, the reserve for catastrophic losses totaled \$124,435. 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
2006-2007	\$ 190,452	\$ 2,846,726	\$ (2,780,131)	\$ 257,047
2007-2008	257,047	2,795,600	(2,752,582)	300,065

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. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues; and Statement No. 50, Pension Disclosures became effective for the year ended June 30, 2008.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions are sales or collateralized borrowings and provides guidance on how to account for sales or pledges of receivables or future revenues. This statement provides additional guidance for sales of receivables and future revenues within the same reporting entity. This statement also requires governments to disclose in the notes to the financial statements the nature of any receivables or future revenues that have been pledged or sold. Tennessee state statutes do not currently allow counties to sell or pledge receivables or sell future revenue streams. Therefore, those provisions of GASB Statement No. 48 that pertain to the sale or pledge receivables or sale of future revenue will not apply to the School Department. GASB Statement No. 48 had no effect on the financial statements of the School Department for the year ended June 30, 2008, since the School Department has not pledged any of its future revenues. However, it is reasonably expected that the School Department may pledge a future revenue stream toward the payment of debt in subsequent years.

GASB Statement No. 50 amends previous guidance concerning pension information. This statement closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and enhances the information disclosed in the notes to the financial statements or presented as required supplementary information for pension plans. This statement requires the School Department to provide additional and more detailed pension plan note disclosures than in previous years.

C. Contingent Liabilities

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

School Teachers

Plan Description

The School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a costsharing 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2008, was 6.24 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2008, 2007, and 2006, were \$1,191,441, \$1,138,656, and \$995,326, respectively, equal to the required contributions for each year.

E. Other Postemployment Benefits (OPEB)

In addition to the retirement commitments described above, the School Department provides full postretirement health care benefits through its self-insurance program, in accordance with contract provisions, to all employees who retire with a minimum of 30 years service with the School Department. Partial postemployment health care benefits are provided for employees with less than 30 years, but have at least 20 years service. Currently, 75 retirees meet these eligibility requirements. The School Department pays 100 percent of single coverage for retirees with a minimum of 30 years of service and a reduced percentage, depending on years of services for those with a minimum of 20 years of service but less than 30. The School Department recognizes expenditures for postemployment benefits as it pays premiums to the department's self-insurance fund. During the year, expenditures of \$243,924 were recognized for postemployment 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.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

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Exhibit E

Claiborne County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Claiborne County School Department
General Purpose School Fund
For the Year Ended June 30, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 8,324,096	\$ 8,362,705	\$ 8,362,706	\$ (38,610)
Licenses and Permits	2,531	2,550	2,550	(19)
Charges for Current Services	140,824	1,441,350	369,801	(228,977)
Other Local Revenues	308,817	240,819	307,914	903
State of Tennessee	25,304,729	24,599,399	25,542,595	(237,866)
Federal Government	2,623,221	2,952,181	2,825,804	(202,583)
Other Governments and Citizens Groups	300,000	0	300,000	0
Total Revenues	<u>\$ 37,004,218</u>	<u>\$ 37,599,004</u>	<u>\$ 37,711,370</u>	<u>\$ (707,152)</u>
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 15,097,156	\$ 15,573,721	\$ 15,259,947	\$ 162,791
Special Education Program	3,247,843	3,344,115	3,268,107	20,264
Vocational Education Program	1,157,198	1,181,015	1,181,015	23,817
Adult Education Program	94,374	74,152	94,494	120
<u>Support Services</u>				
Attendance	67,001	81,742	81,742	14,741
Health Services	88,399	134,892	95,852	7,453
Other Student Support	199,118	125,016	202,016	2,898
Regular Instruction Program	889,584	896,321	896,321	6,737
Alternative Instruction Program	890,398	897,422	897,422	7,024
Special Education Program	304,184	328,420	328,420	24,236
Vocational Education Program	99,150	99,725	99,725	575
Adult Programs	102,399	103,032	103,032	633
Other Programs	10,583	0	10,583	0
Board of Education	931,519	908,145	933,145	1,626
Director of Schools	280,829	281,016	281,016	187
Office of the Principal	1,077,496	1,082,453	1,082,453	4,957
Fiscal Services	153,402	158,232	158,232	4,830
Operation of Plant	2,037,259	2,003,483	2,074,483	37,224
Maintenance of Plant	709,877	755,649	877,190	167,313
Transportation	1,858,889	1,263,622	2,161,007	302,118
Central and Other	122,534	88,428	128,255	5,721
<u>Operation of Non-Instructional Services</u>				
Food Service	1,595,584	2,660,697	1,720,422	124,838
Community Services	1,688,430	1,748,476	1,981,207	292,777
Early Childhood Education	1,031,408	750,120	1,031,412	4
<u>Capital Outlay</u>				
Regular Capital Outlay	482,309	353,747	483,747	1,438
<u>Principal on Debt</u>				
Education	151,738	1,266,644	151,743	5

(Continued)

Exhibit E

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Interest on Debt</u>				
Education	\$ 39,901	\$ 1,437,219	\$ 39,901	\$ 0
<u>Other Debt Service</u>				
Education	2,607,435	1,500	2,637,719	30,284
Total Expenditures	<u>\$ 37,015,997</u>	<u>\$ 37,599,004</u>	<u>\$ 38,260,608</u>	<u>\$ 1,244,611</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (11,779)</u>	<u>\$ 0</u>	<u>\$ (549,238)</u>	<u>\$ 537,459</u>
Net Change in Fund Balance	\$ (11,779)	\$ 0	\$ (549,238)	\$ 537,459
Fund Balance, July 1, 2007	<u>1,638,804</u>	<u>945,962</u>	<u>945,962</u>	<u>692,842</u>
Fund Balance, June 30, 2008	<u>\$ 1,627,025</u>	<u>\$ 945,962</u>	<u>\$ 396,724</u>	<u>\$ 1,230,301</u>

**CLAIBORNE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2008**

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.

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

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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.

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

Capital Projects Funds

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for general capital expenditures of the School Department.

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Exhibit F-1

Claiborne County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Claiborne County School Department
June 30, 2008

	Special Revenue Fund <hr/> School Federal Projects	Capital Projects Fund <hr/> Education Capital Projects	Total Nonmajor Governmental Funds
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 64,294	\$ 24,052	\$ 88,346
Due from Other Governments	49,248	0	49,248
	<hr/>		
Total Assets	\$ 113,542	\$ 24,052	\$ 137,594
<hr/>			
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 1,384	\$ 0	\$ 1,384
Total Liabilities	\$ 1,384	\$ 0	\$ 1,384
<hr/>			
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 13,268	\$ 0	\$ 13,268
Reserved for Innovative Education Program Strategies	2,164	0	2,164
Reserved for Special Education - Grants to States	88,468	0	88,468
Other Federal Reserves	8,258	0	8,258
Unreserved	0	24,052	24,052
Total Fund Balances	\$ 112,158	\$ 24,052	\$ 136,210
<hr/>			
Total Liabilities and Fund Balances	\$ 113,542	\$ 24,052	\$ 137,594
<hr/>			

Exhibit F-2

Claiborne County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Claiborne County School Department
For the Year Ended June 30, 2008

	Special Revenue Fund <u>School Federal Projects</u>	Capital Projects Fund <u>Education Capital Projects</u>	Total Nonmajor Governmental Funds
<u>Revenues</u>			
Other Local Revenues	\$ 0	\$ 12,384	\$ 12,384
Federal Government	4,111,888	0	4,111,888
Total Revenues	<u>\$ 4,111,888</u>	<u>\$ 12,384</u>	<u>\$ 4,124,272</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,662,571	\$ 0	\$ 2,662,571
Support Services	403,145	0	403,145
Operation of Non-Instructional Services	997,073	0	997,073
Capital Projects	0	251	251
Total Expenditures	<u>\$ 4,062,789</u>	<u>\$ 251</u>	<u>\$ 4,063,040</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 49,099</u>	<u>\$ 12,133</u>	<u>\$ 61,232</u>
Net Change in Fund Balances	\$ 49,099	\$ 12,133	\$ 61,232
Fund Balance, July 1, 2007	<u>63,059</u>	<u>11,919</u>	<u>74,978</u>
Fund Balance, June 30, 2008	<u>\$ 112,158</u>	<u>\$ 24,052</u>	<u>\$ 136,210</u>

Exhibit F-3

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, 2008

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,111,888	\$ 3,481,747	\$ 4,518,853	\$ (406,965)
Total Revenues	\$ 4,111,888	\$ 3,481,747	\$ 4,518,853	\$ (406,965)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,516,914	\$ 1,438,235	\$ 1,608,109	\$ 91,195
Special Education Program	1,058,884	1,077,116	1,343,900	285,016
Vocational Education Program	86,773	80,240	86,985	212
<u>Support Services</u>				
Other Student Support	89,776	93,552	93,552	3,776
Regular Instruction Program	302,010	368,928	432,326	130,316
Special Education Program	6,053	7,350	7,938	1,885
Vocational Education Program	5,306	5,326	5,326	20
<u>Operation of Non-Instructional Services</u>				
Community Services	997,073	411,000	1,003,777	6,704
Total Expenditures	\$ 4,062,789	\$ 3,481,747	\$ 4,581,913	\$ 519,124
Excess (Deficiency) of Revenues Over Expenditures	\$ 49,099	\$ 0	\$ (63,060)	\$ 112,159
Net Change in Fund Balance	\$ 49,099	\$ 0	\$ (63,060)	\$ 112,159
Fund Balance, July 1, 2007	63,059	63,060	63,060	(1)
Fund Balance, June 30, 2008	\$ 112,158	\$ 63,060	\$ 0	\$ 112,158

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MISCELLANEOUS SCHEDULES

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Exhibit G-1

Claiborne County, Tennessee
 Schedule of Changes in Long-term Other Loans
 Claiborne County School Department
 For the Year Ended June 30, 2008

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding Restated (1) 7-1-07	Paid and/or Matured	
						During Period	Outstanding 6-30-08
OTHER LOANS PAYABLE							
<u>Payable through General Purpose School Fund</u>							
<u>Powell Valley Electric Cooperative</u>							
Ball field Lighting Project at Schools	\$ 70,000	7.69 %	8-1-03	1-31-11	\$ 38,184	\$ 9,750	\$ 28,434
Ball field Lighting Project at Schools	70,000	7.69	9-1-03	2-28-11	38,964	9,688	29,276
HVAC System at Claiborne County High School	450,000	0	12-11-03	12-11-13	365,625	56,250	309,375
HVAC System at Cumberland Gap High School	202,409	0	12-11-03	12-11-13	164,457	25,301	139,156
Ball field Lighting Project at Schools	70,000	7.69	3-1-04	8-31-11	43,540	9,329	34,211
Ball field Lighting Project at Schools	210,000	7.69	4-1-04	9-30-11	132,859	27,811	105,048
Ball field Lighting Project at Schools	147,722	7	5-1-07	4-30-22	146,764	5,988	140,776
Ball field Lighting Project at Schools	188,010	7	5-1-07	4-30-22	186,791	7,621	179,170
Total Other Loans Payable					\$ 1,117,184	\$ 151,738	\$ 965,446

(1) The two loans issued 5-1-07 were not reflected as debt in the prior year and the debt, which now reflects interest of 7.69 percent was previously reflected as non-interest bearing debt. The outstanding 7-1-07 amounts have been restated to correctly reflect the loan balances.

Exhibit G-2

Claiborne County, Tennessee
Schedule of Long-term Debt Requirements by Year
Claiborne County School Department

Year Ending June 30	Other Loan Principal	Other Loan Interest	Total Other Loan Requirements
2009	\$ 156,792	\$ 34,846	\$ 191,638
2010	162,548	29,090	191,638
2011	158,708	22,880	181,588
2012	108,787	18,725	127,512
2013	100,421	17,343	117,764
2014	61,011	15,978	76,989
2015	21,697	14,516	36,213
2016	23,266	12,947	36,213
2017	24,947	11,266	36,213
2018	26,751	9,462	36,213
2019	28,684	7,529	36,213
2020	30,758	5,455	36,213
2021	32,981	3,232	36,213
2022	28,095	1,862	29,957
Total	<u>\$ 965,446</u>	<u>\$ 205,131</u>	<u>\$ 1,170,577</u>

Exhibit G-3

Claiborne County, Tennessee
Schedule of Salary and Official Bond of Principal Official
Claiborne County School Department
For the Year Ended June 30, 2008

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 99,764 (1)	\$ 25,000	Western Surety Company
Employee Blanket Bonds				
School Department Public Employees Dishonesty			150,000	Indiana Insurance Company

(1) Includes chief executive officer training supplement of \$3,000 and secretary to the board supplement of \$1,500.

Exhibit G-4

Claiborne County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Claiborne County School Department
For the Year Ended June 30, 2008

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 5,534,088	\$ 0	\$ 0	\$ 5,534,088
Trustee's Collections - Prior Year	216,827	0	0	216,827
Circuit/Clerk & Master Collections - Prior Years	161,226	0	0	161,226
Interest and Penalty	40,208	0	0	40,208
Payments in-Lieu-of Taxes - T.V.A.	982	0	0	982
Payments in-Lieu-of Taxes - Other	18,015	0	0	18,015
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,192,708	0	0	2,192,708
<u>Statutory Local Taxes</u>				
Coal Severance Tax	155,857	0	0	155,857
Interstate Telecommunications Tax	4,185	0	0	4,185
Total Local Taxes	\$ 8,324,096	\$ 0	\$ 0	\$ 8,324,096
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 2,531	\$ 0	\$ 0	\$ 2,531
Total Licenses and Permits	\$ 2,531	\$ 0	\$ 0	\$ 2,531
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Other	\$ 140,824	\$ 0	\$ 0	\$ 140,824
Total Charges for Current Services	\$ 140,824	\$ 0	\$ 0	\$ 140,824
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 0	\$ 0	\$ 12,384	\$ 12,384
Lease/Rentals	4,030	0	0	4,030
Retirees' Insurance Payments	154,216	0	0	154,216
Miscellaneous Refunds	41,032	0	0	41,032
<u>Nonrecurring Items</u>				
Sale of Property	42,343	0	0	42,343
Contributions and Gifts	567	0	0	567
<u>Other Local Revenues</u>				
Other Local Revenues	66,629	0	0	66,629
Total Other Local Revenues	\$ 308,817	\$ 0	\$ 12,384	\$ 321,201
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-Behalf Contributions for OPEB	\$ 10,583	\$ 0	\$ 0	\$ 10,583
<u>State Education Funds</u>				
Basic Education Program	22,807,299	0	0	22,807,299
Early Childhood Education	1,031,408	0	0	1,031,408
School Food Service	26,366	0	0	26,366
Driver Education	7,280	0	0	7,280
Other State Education Funds	387,140	0	0	387,140
Career Ladder Program	305,306	0	0	305,306
Career Ladder - Extended Contract	135,596	0	0	135,596

(Continued)

Exhibit G-4

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

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>				
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	\$ 356,473	\$ 0	\$ 0	\$ 356,473
Other State Grants	205,348	0	0	205,348
Other State Revenues	31,930	0	0	31,930
Total State of Tennessee	\$ 25,304,729	\$ 0	\$ 0	\$ 25,304,729
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 1,073,360	\$ 0	\$ 0	\$ 1,073,360
Breakfast	387,038	0	0	387,038
USDA - Other	22,868	0	0	22,868
Adult Education State Grant Program	150,030	0	0	150,030
Vocational Education - Basic Grants to States	0	137,522	0	137,522
Title I Grants to Local Education Agencies	0	1,232,130	0	1,232,130
Innovative Education Program Strategies	0	10,584	0	10,584
Special Education - Grants to States	53,991	1,113,090	0	1,167,081
Special Education Preschool Grants	0	30,717	0	30,717
Safe and Drug-Free Schools - State Grants	0	520,179	0	520,179
Rural Education	0	131,383	0	131,383
Eisenhower Professional Development State Grants	0	460,244	0	460,244
Job Training Partnership Act	114,375	0	0	114,375
Other Federal through State	104,394	476,039	0	580,433
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	717,165	0	0	717,165
Total Federal Government	\$ 2,623,221	\$ 4,111,888	\$ 0	\$ 6,735,109
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 300,000	\$ 0	\$ 0	\$ 300,000
Total Other Governments and Citizens Groups	\$ 300,000	\$ 0	\$ 0	\$ 300,000
Total	\$ 37,004,218	\$ 4,111,888	\$ 12,384	\$ 41,128,490

Exhibit G-5

Claiborne County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Claiborne County School Department
For the Year Ended June 30, 2008

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 10,550,934	
Career Ladder Program	180,951	
Career Ladder Extended Contracts	119,320	
Educational Assistants	454,310	
Certified Substitute Teachers	198,529	
Social Security	674,749	
State Retirement	689,277	
Life Insurance	40,324	
Medical Insurance	1,366,080	
Dental Insurance	37,044	
Unemployment Compensation	6,724	
Employer Medicare	158,803	
Tuition	980	
Other Contracted Services	10,948	
Instructional Supplies and Materials	107,871	
Textbooks	325,247	
Other Supplies and Materials	9,840	
Other Charges	2,068	
Regular Instruction Equipment	163,157	
Total Regular Instruction Program		\$ 15,097,156

Special Education Program

Teachers	\$ 1,969,848
Career Ladder Program	25,957
Homebound Teachers	9,100
Educational Assistants	61,399
Speech Pathologist	87,635
Other Salaries and Wages	162,849
Certified Substitute Teachers	35,639
Social Security	140,659
State Retirement	144,191
Life Insurance	8,827
Medical Insurance	294,235
Dental Insurance	8,240
Unemployment Compensation	1,361
Employer Medicare	32,896
Contracts with Private Agencies	81,158
Maintenance and Repair Services - Equipment	30,435
Tuition	2,737

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$	27,978	
Textbooks		4,290	
Other Supplies and Materials		27,653	
Other Charges		23,528	
Special Education Equipment		67,228	
Total Special Education Program			\$ 3,247,843

Vocational Education Program

Teachers	\$	857,444	
Career Ladder Program		12,720	
Certified Substitute Teachers		17,242	
Social Security		51,860	
State Retirement		51,894	
Life Insurance		3,106	
Medical Insurance		114,975	
Dental Insurance		2,874	
Unemployment Compensation		467	
Employer Medicare		12,495	
Instructional Supplies and Materials		16,785	
Other Supplies and Materials		294	
Other Charges		13,617	
Vocational Instruction Equipment		1,425	
Total Vocational Education Program			1,157,198

Adult Education Program

Teachers	\$	67,735	
Other Salaries and Wages		14,670	
Social Security		5,082	
State Retirement		4,015	
Unemployment Compensation		102	
Employer Medicare		1,189	
Instructional Supplies and Materials		1,581	
Total Adult Education Program			94,374

Support Services

Attendance

Supervisor/Director	\$	50,046	
Career Ladder Program		1,000	
Social Security		2,943	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

State Retirement	\$	3,185	
Life Insurance		128	
Medical Insurance		4,750	
Dental Insurance		126	
Unemployment Compensation		19	
Employer Medicare		688	
Travel		1,685	
Other Supplies and Materials		2,431	
Total Attendance			\$ 67,001

Health Services

Medical Personnel	\$	33,793	
Social Security		2,095	
State Retirement		2,109	
Life Insurance		141	
Medical Insurance		5,000	
Unemployment Compensation		38	
Employer Medicare		490	
Travel		292	
Other Contracted Services		44,441	
Total Health Services			88,399

Other Student Support

Career Ladder Program	\$	6,833	
Guidance Personnel		77,840	
Social Security		4,901	
State Retirement		5,273	
Life Insurance		326	
Medical Insurance		10,221	
Dental Insurance		320	
Unemployment Compensation		40	
Employer Medicare		1,146	
Evaluation and Testing		9,643	
Travel		5,383	
Other Contracted Services		75,150	
Other Supplies and Materials		2,042	
Total Other Student Support			199,118

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

Supervisor/Director	\$	232,759	
Career Ladder Program		15,916	
Librarians		391,373	
Other Salaries and Wages		20,482	
Social Security		37,015	
State Retirement		38,629	
Life Insurance		1,793	
Medical Insurance		60,585	
Dental Insurance		1,792	
Unemployment Compensation		301	
Employer Medicare		9,102	
Travel		565	
Other Contracted Services		4,000	
Library Books/Media		58,014	
Other Supplies and Materials		172	
In Service/Staff Development		17,059	
Other Charges		27	
Total Regular Instruction Program			\$ 889,584

Alternative Instruction Program

Other Salaries and Wages	\$	683,820	
Social Security		40,394	
State Retirement		42,667	
Life Insurance		2,421	
Medical Insurance		106,500	
Dental Insurance		2,164	
Unemployment Compensation		295	
Employer Medicare		9,454	
Travel		1,572	
Other Supplies and Materials		1,111	
Total Alternative Instruction Program			890,398

Special Education Program

Supervisor/Director	\$	64,412
Career Ladder Program		2,000
Psychological Personnel		82,561
Secretary(ies)		19,997
Other Salaries and Wages		46,191
Social Security		12,597

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

State Retirement	\$	12,465	
Life Insurance		460	
Medical Insurance		15,503	
Dental Insurance		454	
Unemployment Compensation		123	
Employer Medicare		2,946	
Maintenance and Repair Services - Equipment		1,399	
Travel		26,823	
Other Supplies and Materials		275	
In Service/Staff Development		12,251	
Other Charges		3,727	
Total Special Education Program			\$ 304,184

Vocational Education Program

Supervisor/Director	\$	64,224	
Career Ladder Program		1,000	
Clerical Personnel		17,493	
Social Security		4,849	
State Retirement		4,972	
Life Insurance		152	
Medical Insurance		5,000	
Dental Insurance		151	
Unemployment Compensation		38	
Employer Medicare		1,134	
Other Supplies and Materials		137	
Total Vocational Education Program			99,150

Adult Programs

Supervisor/Director	\$	64,224	
Career Ladder Program		2,000	
Other Salaries and Wages		8,058	
Social Security		5,011	
State Retirement		4,569	
Life Insurance		288	
Medical Insurance		16,272	
Dental Insurance		303	
Unemployment Compensation		43	
Employer Medicare		1,171	
Travel		460	
Total Adult Programs			102,399

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

On-Behalf Payments to OPEB	\$ 10,583	
Total Other Programs		\$ 10,583

Board of Education

Secretary to Board	\$ 1,500	
Board and Committee Members Fees	10,950	
Social Security	760	
State Retirement	593	
Life Insurance	1,062	
Medical Insurance	35,032	
Dental Insurance	909	
Unemployment Compensation	26	
Employer Medicare	178	
Audit Services	13,725	
Dues and Memberships	15,166	
Legal Services	49,194	
Travel	3,211	
Other Contracted Services	1,791	
Liability Insurance	118,423	
Premiums on Corporate Surety Bonds	100	
Trustee's Commission	200,001	
Workers' Compensation Insurance	131,164	
Other Charges	<u>347,734</u>	
Total Board of Education		931,519

Director of Schools

County Official/Administrative Officer	\$ 95,264
Career Ladder Program	3,000
Secretary(ies)	16,301
Other Salaries and Wages	51,834
Social Security	10,295
State Retirement	9,943
Life Insurance	302
Medical Insurance	7,360
Dental Insurance	302
Unemployment Compensation	96
Employer Medicare	2,397
Communication	65,119
Postal Charges	4,431

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Travel	\$	3,222	
Other Contracted Services		6,370	
Office Supplies		3,033	
Other Charges		1,560	
Total Director of Schools			\$ 280,829

Office of the Principal

Principals	\$	715,947	
Career Ladder Program		19,999	
Assistant Principals		146,455	
Social Security		52,575	
State Retirement		55,062	
Life Insurance		2,038	
Medical Insurance		70,966	
Dental Insurance		1,901	
Unemployment Compensation		257	
Employer Medicare		12,296	
Total Office of the Principal			1,077,496

Fiscal Services

Supervisor/Director	\$	63,299	
Accountants/Bookkeepers		57,555	
Social Security		6,557	
State Retirement		6,878	
Life Insurance		152	
Medical Insurance		5,700	
Dental Insurance		151	
Unemployment Compensation		56	
Employer Medicare		1,534	
Data Processing Services		1,314	
Travel		372	
Other Contracted Services		7,289	
Data Processing Supplies		1,615	
Office Supplies		583	
Other Supplies and Materials		347	
Total Fiscal Services			153,402

Operation of Plant

Secretary(ies)	\$	9,663	
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(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Custodial Personnel	\$	405,551	
Other Salaries and Wages		18,497	
Social Security		26,600	
State Retirement		20,205	
Unemployment Compensation		838	
Employer Medicare		6,283	
Disposal Fees		68,336	
Other Contracted Services		13,000	
Custodial Supplies		86,656	
Electricity		1,119,032	
Fuel Oil		37,033	
Natural Gas		106,808	
Water and Sewer		118,757	
Total Operation of Plant			\$ 2,037,259

Maintenance of Plant

Other Salaries and Wages	\$	385,429	
Social Security		22,571	
State Retirement		19,128	
Life Insurance		144	
Medical Insurance		4,412	
Dental Insurance		144	
Unemployment Compensation		396	
Employer Medicare		5,545	
Maintenance and Repair Services - Buildings		161,634	
Maintenance and Repair Services - Equipment		102,978	
Other Charges		7,496	
Total Maintenance of Plant			709,877

Transportation

Supervisor/Director	\$	32,753	
Mechanic(s)		50,876	
Bus Drivers		375,082	
Other Salaries and Wages		19,083	
Social Security		31,407	
State Retirement		24,937	
Medical Insurance		261,001	
Unemployment Compensation		645	
Employer Medicare		7,345	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Contracts with Vehicle Owners	\$	516,145	
Other Contracted Services		4,143	
Garage Supplies		415	
Gasoline		169,139	
Tires and Tubes		8,988	
Vehicle Parts		54,624	
Other Charges		2,524	
Transportation Equipment		299,782	
Total Transportation			\$ 1,858,889

Central and Other

Other Contracted Services	\$	115,653	
Data Processing Equipment		6,881	
Total Central and Other			122,534

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	25,230	
Cafeteria Personnel		78,100	
Life Insurance		141	
Medical Insurance		3,388	
Dental Insurance		139	
Communication		196	
Payments to Schools - Breakfast		387,038	
Payments to Schools - Lunch		1,073,360	
Payments to Schools - Other		22,868	
Travel		1,896	
Other Contracted Services		1,921	
Other Supplies and Materials		1,307	
Total Food Service			1,595,584

Community Services

Other Salaries and Wages	\$	843,781	
Social Security		50,416	
State Retirement		45,304	
Life Insurance		1,686	
Medical Insurance		46,577	
Dental Insurance		1,647	
Unemployment Compensation		662	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Employer Medicare	\$	11,824	
Travel		55,505	
Other Contracted Services		11,665	
Other Supplies and Materials		344,989	
Other Charges		223,608	
Other Equipment		50,766	
Total Community Services			\$ 1,688,430

Early Childhood Education

Other Salaries and Wages	\$	611,015	
Social Security		36,514	
State Retirement		35,876	
Life Insurance		2,013	
Medical Insurance		58,994	
Dental Insurance		1,970	
Unemployment Compensation		514	
Employer Medicare		8,540	
Travel		14,727	
Other Contracted Services		48,000	
Other Supplies and Materials		102,725	
Other Charges		64,369	
Other Equipment		46,151	
Total Early Childhood Education			1,031,408

Capital Outlay

Regular Capital Outlay

Engineering Services	\$	2,500	
Building Construction		301,376	
Building Improvements		155,867	
Other Capital Outlay		22,566	
Total Regular Capital Outlay			482,309

Principal on Debt

Education

Principal on Other Loans	\$	151,738	
Total Education			151,738

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Other Loans	\$ 39,901	
Total Education		\$ 39,901

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 2,607,435	
Total Education		<u>2,607,435</u>

Total General Purpose School Fund \$ 37,015,997

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 619,881	
Educational Assistants	331,781	
Other Salaries and Wages	39,969	
Certified Substitute Teachers	19,073	
Social Security	60,469	
State Retirement	56,750	
Life Insurance	2,440	
Medical Insurance	63,341	
Dental Insurance	2,245	
Unemployment Compensation	975	
Employer Medicare	14,170	
Other Fringe Benefits	300	
Instructional Supplies and Materials	21,664	
Other Supplies and Materials	27,629	
Other Charges	9,282	
Regular Instruction Equipment	<u>246,945</u>	
Total Regular Instruction Program		\$ 1,516,914

Special Education Program

Educational Assistants	\$ 605,975
Social Security	36,994
State Retirement	29,648
Unemployment Compensation	1,109
Employer Medicare	8,651
Contracts with Private Agencies	187,098
Instructional Supplies and Materials	177,859

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Charges	\$ 11,550	
Total Special Education Program		\$ 1,058,884

Vocational Education Program

Other Contracted Services	\$ 9,835	
Instructional Supplies and Materials	23,799	
Other Charges	13,565	
Vocational Instruction Equipment	39,574	
Total Vocational Education Program		86,773

Support Services

Other Student Support

Other Salaries and Wages	\$ 54,869	
Social Security	3,119	
State Retirement	3,351	
Life Insurance	153	
Medical Insurance	5,700	
Dental Insurance	151	
Unemployment Compensation	23	
Employer Medicare	729	
Travel	20,000	
Other Supplies and Materials	1,057	
Other Charges	624	
Total Other Student Support		89,776

Regular Instruction Program

Supervisor/Director	\$ 129,048
Secretary(ies)	24,237
Other Salaries and Wages	3,176
Social Security	9,514
State Retirement	9,437
Life Insurance	295
Medical Insurance	12,168
Dental Insurance	303
Unemployment Compensation	60
Employer Medicare	2,225
Other Fringe Benefits	8
Travel	5,204
Other Supplies and Materials	22,068

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$ 82,559	
Other Charges	1,708	
Total Regular Instruction Program	<u> </u>	\$ 302,010

Special Education Program

Travel	\$ 2,557	
Other Supplies and Materials	986	
Other Charges	2,510	
Total Special Education Program	<u> </u>	6,053

Vocational Education Program

Other Salaries and Wages	\$ 3,128	
Social Security	194	
State Retirement	192	
Employer Medicare	45	
Travel	997	
Other Equipment	750	
Total Vocational Education Program	<u> </u>	5,306

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$ 521,466	
Certified Substitute Teachers	708	
Social Security	31,603	
State Retirement	29,804	
Life Insurance	462	
Medical Insurance	11,088	
Dental Insurance	454	
Unemployment Compensation	294	
Employer Medicare	7,486	
Travel	26,426	
Other Contracted Services	10,970	
Instructional Supplies and Materials	67,776	
Other Supplies and Materials	233,875	
Other Charges	52,695	
Other Equipment	1,966	
Total Community Services	<u> </u>	<u>997,073</u>

Total School Federal Projects Fund \$ 4,062,789

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Site Development	\$ 251	
Total Education Capital Projects	<u> </u>	<u>251</u>

Total Education Capital Projects Fund 251

Total Governmental Funds - Claiborne County School Department \$ 41,079,037

SINGLE AUDIT REPORT
CLAIBORNE COUNTY, TENNESSEE
AND
CLAIBORNE COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2008

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

BRYAN BURKLIN, CPA, CGFM
Audit Manager

LESTER TACKETT, CPA, CGFM
Auditor 4

ANDREW WAY, CPA
MICHAEL JARREAU, CFE
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

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

January 12, 2009

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, the major fund, and the aggregate remaining fund information of the Claiborne County School Department as of and for the year ended June 30, 2008, which collectively comprise a portion of Claiborne County's and the Claiborne County School Department's basic financial statements and have issued our reports thereon dated January 12, 2009. 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 is 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: 08.02, 08.03, 08.04, 08.05, and 08.07.

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 08.02 and 08.03 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 08.01 and 08.06.

We consider item 08.08 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.

Claiborne County's response to the findings identified in our audit is discussed in the accompanying Schedule of Finding and Questioned Costs. We did not audit Claiborne County's response and accordingly, we express no opinion on it.

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,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
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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

January 12, 2009

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, 2008. Claiborne County's and the Claiborne County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Claiborne County's and the Claiborne County School Department's management. Our responsibility is to express opinions on Claiborne County's and the Claiborne County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the 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, 2008.

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 each major fund and the aggregate remaining fund information of Claiborne County, Tennessee, and the governmental activities, the major fund, and the aggregate remaining fund information of the Claiborne County School

Department as of and for the year ended June 30, 2008, and have issued our reports thereon dated January 12, 2009. 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.

Claiborne County's response to the findings identified in our audit is discussed in the accompanying Schedule of Finding and Questioned Costs. We did not audit Claiborne County's response and accordingly, we express no opinion on it.

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/sb

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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, 2008

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:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 123,739 (4)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	387,038
National School Lunch Program	10.555	N/A	1,073,360 (4)
Summer Food Service Program for Children	10.559	N/A	22,868
Passed-through State Department of Human Services:			
Child and Adult Care Food Program	10.558	(2)	24,397
Total U.S. Department of Agriculture			<u>\$ 1,631,402</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 114,375
Total U.S. Department of Labor			<u>\$ 114,375</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	(2)	\$ 115,360
Total U.S. Department of Transportation			<u>\$ 115,360</u>
U.S. Department of Education:			
Direct Programs:			
Early Reading First	84.359	N/A	\$ 717,165
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	1,228,370
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,084,924
Special Education - Preschool Grants	84.173	N/A	34,005
Vocational Education - Basic Grants to States	84.048	N/A	137,522
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	27,168
Even Start - State Educational Agencies	84.213	(2)	79,997
Twenty-First Century Community Learning Centers	84.287	(2)	496,089
State Grants for Innovative Programs	84.298	N/A	8,420
Education Technology State Grants	84.318	(2)	13,058
Reading First State Grants	84.357	GG-04-11036-00	476,039
Rural Education	84.358	N/A	130,072
Improving Teacher Quality State Grants	84.367	N/A	481,113
Passed-through State Department of Labor and Workforce Development:			
Adult Education - State Grant Program	84.002	Z-07-033681-00	140,875
Total U.S. Department of Education			<u>\$ 5,054,817</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
Homeland Security Cluster:			
Homeland Security Grant Program	97.067	(3)	\$ 62,524
Total U.S. Department of Homeland Security			<u>\$ 62,524</u>
Total Expenditures of Federal Awards			<u>\$ 6,978,478</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Family Resource Centers - State Department of Education	N/A	(2)	\$ 33,300
Lottery for Education: Preschool - State Department of Education	N/A	(2)	1,031,408
Lottery for Education: After School Programs - State Department of Education	N/A	(2)	306,584
Health Department Programs - State Department of Health	N/A	(2)	139,808
Tobacco Use Prevention and Cessation Grant	N/A	(2)	15,789
AOC Grant - State Administrative Office of the Courts	N/A	(2)	28,944
Community Enhancement Grants - Tennessee Secretary of State	N/A	(2)	17,500
Juvenile Services Program - State Children's Services Commission	N/A	(2)	7,050
Litter Grant - State Department of Transportation	N/A	(2)	30,439
Reappraisal Grant - State Comptroller of the Treasury	N/A	(2)	<u>13,744</u>
Total State Grants			<u>\$ 1,624,566</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) Information not available.

(3) Z-05-025142-01: \$39,123; GG-04-22675-00: \$23,401.

(4) Total for CFDA No. 10.555 is \$1,197,099.

Claiborne County, Tennessee, and the Claiborne County School Department
Schedule of Audit Findings Not Corrected
June 30, 2008

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, 2007, which have not been corrected.

CLAIBORNE COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICE OF COUNTY MAYOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.05(A)	17	The office had purchasing deficiencies
07.06	18	Deficiencies were noted regarding accrued leave records

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
07.09	20	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff
07.10	21	A central system of accounting, budgeting, and purchasing had not been adopted

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2008

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. Two of these deficiencies were considered to be material weaknesses. 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 two 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); Reading First State Grants (CFDA No. 84.357); and the Early Reading First Grants (CFDA No. 84.359) 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. The written response of the road superintendent is included in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

CLAIBORNE COUNTY

FINDING 08.01 **GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**
(Material Noncompliance Under Government Auditing Standards)

The Offices of County Mayor and Road Superintendent contracted with a vendor to assist them in identifying and determining the historical costs of their capital assets and the related depreciation amounts of these assets. However, information for capital assets in the County Mayor's Office was not completed and presented to us. Capital assets information for the Office of Road Superintendent was presented to us on December 19, 2008; however, this was too late for inclusion in the financial statements of this report. This information will be subsequently evaluated. 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. Section 9-3-404, Tennessee Code Annotated (TCA), provides penalties and restrictions for failure to implement GASB Statement No. 34 by June 30, 2008. These penalties and restrictions include the following:

- A. "The local government shall not be eligible for economic and community development grants funded by the state and administered by the department of economic and community development as mutually agreed upon by the comptroller and the commissioner of economic and community development, and bank excise tax and hall income tax revenues that are collected and distributed by the state shall be reduced to an amount agreed upon by the comptroller and the commissioner of revenue, but not to exceed five percent (5%) of the total amount due the local government in any fiscal year, until the local government is in compliance with accounting and financial reporting standards required by GASB." The comptroller and the commissioner of economic and community development have agreed to deny the county's eligibility for new economic and community development grants, and the comptroller and the commissioner of revenue have agreed to withhold two percent of the county's excise tax and hall income tax until the county complies with GASB Statement. No. 34. The county was notified by letter of these penalties and restrictions.

- B. “If a county highway department fails to comply, the comptroller and the commissioner of revenue shall agree on an amount whereby the funds that the county highway fund would otherwise receive from state gasoline tax proceeds as allocated pursuant to Section 67-3-901 shall be reduced. After such amount is agreed upon, the department of revenue shall make the reductions from the monthly allocations of gasoline tax proceeds to the county. The amounts so reduced shall be held in reserve by the department of revenue and allocated to the county upon the county becoming compliant as determined by the comptroller.” The comptroller and the commissioner of revenue have agreed to withhold two percent of the county’s monthly gasoline tax until the county complies with GASB Statement No. 34. The county was notified by letter of this penalty and restriction.
- C. “The comptroller shall provide the local government with a list of professional firms available to assist in implementation of the work plan.” In accordance with this statute, we provided the county with a listing of professional firms by letter.
- D. “In those county governments that fail to implement accounting and financial reporting standards required by GASB on or after the required implementation date of June 30, 2008, the comptroller shall review and evaluate the county’s financial management system and make a recommendation to the county legislative body on how to improve the financial management system to facilitate compliance with accounting and financial reporting standards. The county legislative body shall act upon the recommendation of the comptroller within ninety (90) days of notification.” Our recommendations for improvements to the county’s financial management system are included in the recommendations to this finding.

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.

Claiborne County should provide the necessary funds, personnel, and commitment to implement provisions of GASB Statement No. 34. The county should hire one of the recommended professional firms to assist in the implementation of GASB Statement

No. 34. To improve the financial management of the county's funds, the county should consider adopting a system of central accounting and employ accounting personnel with sufficient knowledge of current generally accepted accounting principles.

MANAGEMENT'S RESPONSE – ROAD SUPERINTENDENT

The Claiborne County Highway Department has contracted with an accounting firm that has assessed our capital assets. We have recently received a schedule and compilation of these assets. This schedule was presented to the auditors on December 19, 2008.

It is our position that the Claiborne County Highway Department has fulfilled their requirement for GASB compliance. However, we understand that this does not include the remainder of the entire county government and their standing in regards to their capital assets and GASB requirements.

We are asking that our department not be penalized due to the noncompliance concerning the GASB issue where the remainder of the county government is concerned. The Claiborne County Highway Department strives to fulfill their obligations to the citizens of our county, despite the economic hardship of the present status of the financial markets.

We do appreciate all of the assistance from the State of Tennessee that we have received in the past, and will appreciate any further assistance that you may deem beneficial to the Claiborne County Highway Department.

AUDITOR'S COMMENT

As stated in the finding, the capital assets information for the Office of Road Superintendent was received too late for inclusion in the financial statements of this report. That information will be subsequently evaluated for compliance with capital assets requirements of GASB Statement No. 34.

FINDING 08.02 CLAIBORNE COUNTY DOES NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Claiborne County's financial statements be the product of a financial reporting system that offers reasonable assurance management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the county's external auditors, to assist Claiborne County in preparing its financial statements and notes as a matter of convenience as long as the county has the skills needed to prepare its financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare

GAAP financial statements and disclosures. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Claiborne County should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

OFFICE OF COUNTY MAYOR

FINDING 08.03 **SEVERAL FUNDS REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted accounting principles require Claiborne County to have adequate internal controls over the maintenance of its accounting records. At June 30, 2008, various general ledger account balances in several funds were not materially correct, and audit adjustments were required for the financial statements to be materially correct at year-end. Therefore, the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. Although it is permissible for us, as the external auditors, to assist the county in preparing its financial statements, it is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Claiborne County should have appropriate processes in place to ensure that its general ledgers are materially correct.

FINDING 08.04 THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES
(Internal Control – Significant Deficiencies Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies. These deficiencies can be attributed to the failure of management to correct audit findings noted in prior audit reports.

- A. Purchase orders were not issued for some applicable purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments.
- B. In some instances, purchase orders were issued after the purchases were made. This practice defeats the purpose of the purchase order and makes it an approval of payment rather than an approval of the purchase.

RECOMMENDATION

Purchase orders should be issued for all applicable purchases before purchases are made.

FINDING 08.05 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. These deficiencies can be attributed to the failure of management to correct audit findings noted in prior audit reports.

- A. Various county offices and departments provided leave records to the County Mayor’s Office subsequent to June 30, 2008. In some instances, these records reflected only the leave balances at June 30, without reflecting the amounts of leave earned and used. Accounting standards require Claiborne County to account for the dollar value of leave earned and used, as well as balances of accrued leave at year-end.
- B. 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 records indicated they had accrued balances exceeding these limits.

RECOMMENDATION

The Claiborne County Mayor's Office should maintain accrued leave information for all county offices and departments of the general county government. These records should reflect the dollar value of the leave at the beginning of the year, the amounts earned and used, and the value of the leave at year-end. Officials should ensure that each department complies with the maximum leave accrual limits provided by the county's personnel policy.

OFFICE OF CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK

FINDING 08.06 **A CASH SHORTAGE OF \$28,232.76 EXISTED ON NOVEMBER 25, 2008**
(Material Noncompliance Under Government Auditing Standards)

When reconciling bank statements with cash control records for October 2008, the clerk discovered that eight deposits from September 29, 2008, through October 31, 2008, totaling \$20,576.43, had been posted to the cash control records but were not deposited into the office bank accounts. The clerk then notified our office and the Tennessee Bureau of Investigation (TBI) of these discrepancies. On November 17, 2008, we performed a cash count in each court and began reviewing collection and deposit records of the office. Our examination revealed that as of November 25, 2008, nine deposits were missing, and one receipt for cash had been inappropriately voided resulting in a cash shortage of \$28,232.76. The following table details the cash shortage:

Collection	Court			Total
	Juvenile	General	Circuit	
9-29-08	\$ 0.00	\$ 0.00	\$ 3,829.50	\$ 3,829.50 (1)
10-3-08	249.00	0.00	0.00	249.00 (1)
10-7-08	0.00	0.00	1,397.00	1,397.00 (1)
10-14-08	0.00	0.00	1,840.00	1,840.00 (1)
10-23-08	0.00	2,796.02	0.00	2,796.02 (1)
10-27-08	0.00	6,095.41	0.00	6,095.41 (1)
10-30-08	0.00	0.00	2,239.50	2,239.50 (1)
10-31-08	0.00	0.00	2,130.00	2,130.00 (1)
11-10-08	0.00	0.00	7,514.06	7,514.06 (1)
11-25-08	0.00	0.00	142.27	142.27 (2)
Total	\$ 249.00	\$ 8,891.43	\$ 19,092.33	\$ 28,232.76
Funds Recovered by the TBI				<u>(4,279.82)</u>
Unliquidated Cash Shortage				<u>\$ 23,952.94</u>

(1) This amount represents an entire day's collections.

(2) This amount represents a receipt inappropriately voided.

As a result of the TBI's investigation, an employee of the office subsequently turned over certain items to the agent. These items included deposit slips for the missing deposits and checks and money orders totaling \$4,279.82, which reduced the cash shortage to \$23,952.94. Beginning September 2008, this employee was responsible for preparing deposits for the courts. This individual's employment was terminated on November 26, 2008. The TBI is continuing its investigation of this shortage.

RECOMMENDATION

County officials should take steps to liquidate the remaining cash shortage totaling \$23,952.94.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 08.07 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE; COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE 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, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of managements' decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions.

RECOMMENDATION

The officials should segregate duties to the extent possible using available resources.

FINDING 08.08 **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, 2008**

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