

---

---

# ANNUAL FINANCIAL REPORT CLAIBORNE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



**ANNUAL FINANCIAL REPORT**  
**CLAIBORNE COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2010**

*DEPARTMENT OF AUDIT*  
*JUSTIN P. WILSON*  
*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.tn.gov/comptroller](http://www.tn.gov/comptroller)

---



---

## CLAIBORNE COUNTY, TENNESSEE TABLE OF CONTENTS

---



---

|  | Exhibit | Page(s) |
|--|---------|---------|
| Audit Highlights   |         | 6-7     |
| <u>INTRODUCTORY SECTION</u>  |         | 8       |
| Claiborne County Officials   |         | 9       |
| <u>FINANCIAL SECTION</u>   |         | 10      |
| Independent Auditor's Report   |         | 11-13   |
| BASIC FINANCIAL STATEMENTS:  |         | 14      |
| Government-wide Financial Statements:  |         |         |
| Statement of Net Assets  | A       | 15-16   |
| Statement of Activities  | B       | 17-18   |
| Fund Financial Statements:   |         |         |
| Governmental Funds:  |         |         |
| Balance Sheet  | C-1     | 19-20   |
| Reconciliation of the Balance Sheet of Governmental Funds to<br>the Statement of Net Assets  | C-2     | 21      |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances   | C-3     | 22-23   |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances of Governmental Funds to<br>the Statement of Activities | C-4     | 24      |
| Fiduciary Funds:   |         |         |
| Statement of Fiduciary Assets and Liabilities  | D       | 25      |
| Notes to the Financial Statements  |         | 26-61   |
| REQUIRED SUPPLEMENTARY INFORMATION:  |         | 62      |
| Schedules of Revenues, Expenditures, and Changes in Fund<br>Balances – Actual (Budgetary Basis) and Budget:  |         |         |
| General Fund   | E-1     | 63-66   |
| Solid Waste/Sanitation Fund  | E-2     | 67      |
| Highway/Public Works Fund  | E-3     | 68      |
| Schedule of Funding Progress – Pension Plan – Primary<br>Government and Discretely Presented Claiborne County<br>School Department                 | E-4     | 69      |
| Schedule of Funding Progress – Other Postemployment<br>Benefits Plan – Discretely Presented Claiborne County<br>School Department                  | E-5     | 70      |
| Notes to the Required Supplementary Information  |         | 71      |

|   | Exhibit | Page(s) |
|---|---------|---------|
| COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:   |         | 72      |
| Nonmajor Governmental Funds:  |         | 73      |
| Combining Balance Sheet   | F-1     | 74      |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances   | F-2     | 75      |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:  |         |         |
| Drug Control Fund   | F-3     | 76      |
| Major Governmental Fund:  |         | 77      |
| Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:  |         |         |
| General Debt Service Fund   | G       | 78      |
| Fiduciary Funds:  |         | 79      |
| Combining Statement of Fiduciary Assets and Liabilities – All Agency Funds  | H-1     | 80      |
| Combining Statement of Changes in Assets and Liabilities – All Agency Funds   | H-2     | 81-82   |
| Component Unit:   |         |         |
| Discretely Presented Claiborne County School Department:  |         | 83      |
| Statement of Activities   | I-1     | 84      |
| Balance Sheet – Governmental Funds  | I-2     | 85      |
| Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets  | I-3     | 86      |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds  | I-4     | 87      |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities    | I-5     | 88      |
| General Purpose School Fund   | I-6     | 89-90   |
| School Federal Projects Fund  | I-7     | 91      |
| Central Cafeteria Fund  | I-8     | 92      |
| Proprietary Fund:   |         |         |
| Statement of Net Assets   | I-9     | 93      |
| Statement of Revenues, Expenses, and Changes in Net Assets  | I-10    | 94      |
| Statement of Cash Flows   | I-11    | 95      |
| Miscellaneous Schedules:  |         | 96      |
| Schedule of Changes in Long-term Notes, Other Loans, and Bonds – Primary Government and Discretely Presented Claiborne County School Department | J-1     | 97-98   |
| Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Claiborne County School Department                | J-2     | 99-100  |
| Schedule of Transfers   | J-3     | 101     |
| Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Claiborne County School Department | J-4     | 102     |

|   | Exhibit | Page(s) |
|---|---------|---------|
| Schedule of Detailed Revenues – All Governmental Fund Types   | J-5     | 103-107 |
| Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Claiborne County School Department   | J-6     | 108-109 |
| Schedule of Detailed Expenditures – All Governmental Fund Types   | J-7     | 110-130 |
| Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Claiborne County School Department   | J-8     | 131-144 |
| Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balance – City Agency Fund  | J-9     | 145     |
| <br><u>SINGLE AUDIT SECTION</u>   |         | <br>146 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u> |         | 147-148 |
| Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>   |         | 149-151 |
| Schedule of Expenditures of Federal Awards and State Grants   |         | 152-153 |
| Schedule of Audit Findings Not Corrected  |         | 154     |
| Schedule of Findings and Questioned Costs   |         | 155-158 |
| Auditee Reporting Responsibilities  |         | 159     |

***Audit Highlights***  
Annual Financial Report  
Claiborne County, Tennessee  
For the Year Ended June 30, 2010

***Scope***

We have audited the basic financial statements of Claiborne County, Tennessee, as of and for the year ended June 30, 2010.

***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include three components units whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

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

***Findings and Best Practice***

The following is a summary of the audit findings and best practice:

**OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ A review of the No Child Left Behind Title II-A expenditures by the State Department of Education revealed unallowable costs totaling \$24,536.95.

---

**OTHER FINDING**

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

## **BEST PRACTICE**

Claiborne County does not have an Audit Committee. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks.

---

---

# INTRODUCTORY SECTION

---

---

Claiborne County Officials  
June 30, 2010

---

**Officials**

Joe Tyler Duncan, County Mayor  
Mike Sharp, Road Superintendent  
Eddie Shoffner, Director of Schools  
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  
Michael Tuten, Director of Finance

**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          |                   |

**Board of Education**

|                     |                     |
|---------------------|---------------------|
| Sam Owens, Chairman | Michelle Huddleston |
| Cindy Debusk        | Dot Patterson       |
| Bobby Drummonds     | Dave Chesney        |
| Dr. Roy Ellis       |                     |

**Financial Management Committee**

|                                     |                 |
|-------------------------------------|-----------------|
| Joe Tyler Duncan, County Mayor      | Glen Bowling    |
| Mike Sharp, Road Superintendent     | Bill Brooks     |
| Eddie Shoffner, Director of Schools | Danny Longworth |
|                                     | Barry Thomas    |

---

---

## FINANCIAL SECTION

---

---



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

**INDEPENDENT AUDITOR'S REPORT**

October 22, 2010

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Claiborne County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Claiborne County's basic financial statements as listed in the table of contents. 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 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.

The financial statements of the Claiborne County Emergency Communications District, Claiborne County Hospital and Nursing Home, and Claiborne County Industrial Development Board, component units requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the Claiborne County Emergency Communications District, Claiborne County

Hospital and Nursing Home, and Claiborne County Industrial Development Board, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Claiborne County Emergency Communications District, Claiborne County Hospital and Nursing Home, and Claiborne County Industrial Development Board, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Claiborne County, Tennessee, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Claiborne County, Tennessee, as of June 30, 2010, and the respective changes in financial position 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 October 22, 2010, 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 the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

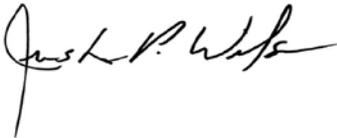
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 63 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting

for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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, combining and individual fund financial statements of the Claiborne County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Claiborne County School Department (a discretely presented component unit), 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, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke extending downwards from the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

---

---

# BASIC FINANCIAL STATEMENTS

---

---

Exhibit A

Claiborne County, Tennessee  
Statement of Net Assets  
June 30, 2010

|  | <u>Primary<br/>Government<br/>Governmental<br/>Activities</u> | <u>Component<br/>Unit<br/>Claiborne<br/>County<br/>School<br/>Department</u> |
|--|---|--|
| <u>ASSETS</u>  |   |  |
| Cash   | \$ 99,661   | \$ 502,695   |
| Equity in Pooled Cash and Investments                              | 6,730,230   | 8,765,844  |
| Accounts Receivable  | 100,559   | 918  |
| Due from Other Governments   | 602,530   | 1,336,243  |
| Property Taxes Receivable  | 7,131,507   | 6,905,110  |
| Allowance for Uncollectible Property Taxes                         | (673,537)   | (652,742)  |
| Unamortized Debt Issuance Cost                                     | 636,203   | 0  |
| Capital Assets:  |   |  |
| Assets Not Depreciated:  |   |  |
| Land   | 586,500   | 1,170,900  |
| Assets Net of Accumulated Depreciation:                            |   |  |
| Buildings and Improvements   | 10,553,906  | 33,275,774   |
| Other Capital Assets   | 823,180   | 1,228,605  |
| Infrastructure - Roads, Streets, and Bridges                       | 19,107,156  | 0  |
| Total Assets   | <u>\$ 45,697,895</u>  | <u>\$ 52,533,347</u>   |
| <u>LIABILITIES</u>   |   |  |
| Accounts Payable   | \$ 139,559  | \$ 544,563   |
| Accrued Payroll  | 6,590   | 0  |
| Contracts Payable  | 13,220  | 0  |
| Retainage Payable  | 4,381   | 0  |
| Due to Component Units   | 1,000,000   | 0  |
| Accrued Interest Payable   | 480,617   | 0  |
| Payroll Deductions Payable   | 318   | 0  |
| Due to State of Tennessee  | 48,094  | 0  |
| Derivative - Interest Rate Swap                                    | 2,550,710   | 0  |
| Deferred Revenue - Property Taxes                                  | 6,279,042   | 6,079,406  |
| Other Current Liabilities  | 22,968  | 0  |
| Noncurrent Liabilities:  |   |  |
| Due Within One Year  | 2,111,893   | 158,708  |
| Due in More Than One Year (net of deferred amount<br>on refunding) | 57,598,450  | 560,382  |
| Total Liabilities  | <u>\$ 70,255,842</u>  | <u>\$ 7,343,059</u>  |

(Continued)

Claiborne County, Tennessee  
Statement of Net Assets (Cont.)

|   | Primary<br>Government<br><u>Governmental</u><br><u>Activities</u> | <u>Component</u><br><u>Unit</u><br>Claiborne<br>County<br>School<br>Department |
|---|---|--|
| <u>NET ASSETS</u>                               |   |  |
| Invested in Capital Assets, Net of Related Debt | \$ 23,314,751   | \$ 35,029,172  |
| Restricted for:                                 |   |  |
| Solid Waste/Sanitation                          | 450,037   | 0  |
| Drug Control                                    | 120,880   | 0  |
| Highways  | 360,387   | 0  |
| Debt Service                                    | 477,134   | 0  |
| Alcohol and Drug Treatment                      | 100,912   | 0  |
| Sex Offender Registration                       | 15,105  | 0  |
| Data Processing for Constitutional Offices      | 82,520  | 0  |
| State and Federal Assistance Programs           | 0   | 990,896  |
| Capital Projects                                | 0   | 4,938,911  |
| Unrestricted                                    | <u>(49,479,673)</u>   | <u>4,231,309</u>   |
| Total Net Assets (Deficit)                      | <u>\$ (24,557,947)</u>  | <u>\$ 45,190,288</u>   |

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

Claiborne County, Tennessee  
Statement of Activities  
For the Year Ended June 30, 2010

Exhibit B

| Functions/Programs                          | Net (Expense) Revenue and<br>Changes in Net Assets |                         |  |  |                                     |  |
|---|--|-------------------------|--|--|-------------------------------------|--|
|   | Program Revenues                                   |                         |  | Primary<br>Government                  |                                     | Component<br>Unit<br>Claiborne<br>County<br>School<br>Department |
|   | Expenses   | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Total<br>Governmental<br>Activities |  |
| Primary Government:                         |  |                         |  |  |                                     |  |
| Governmental Activities:                    |  |                         |  |  |                                     |  |
| General Government                          | \$ 1,081,067                                       | \$ 135,852              | \$ 19,524                                | \$ 0                                   | \$ (925,691)                        | \$ 0   |
| Finance                                     | 819,187  | 589,147                 | 11,301                                   | 0                                      | (218,739)                           | 0  |
| Administration of Justice                   | 713,167  | 804,149                 | 0  | 0                                      | 90,982                              | 0  |
| Public Safety                               | 4,427,354  | 1,080,775               | 97,974                                   | 0                                      | (3,248,605)                         | 0  |
| Public Health and Welfare                   | 3,555,155  | 290,831                 | 441,500                                  | 0                                      | (2,822,824)                         | 0  |
| Social, Cultural, and Recreational Services | 264,399  | 0                       | 0  | 0                                      | (264,399)                           | 0  |
| Agriculture and Natural Resources           | 128,352  | 0                       | 0  | 0                                      | (128,352)                           | 0  |
| Other Operations                            | 1,013,766  | 0                       | 144,491                                  | 0                                      | (869,275)                           | 0  |
| Highways                                    | 2,307,740  | 0                       | 1,704,821                                | 183,811                                | (419,108)                           | 0  |
| Education                                   | 4,931,657  | 0                       | 0  | 0                                      | (4,931,657)                         | 0  |
| Debt Service:                               |  |                         |  |  |                                     |  |
| Interest                                    | 2,157,677  | 0                       | 0  | 0                                      | (2,157,677)                         | 0  |
| Other Debt Service                          | 295,178  | 0                       | 0  | 0                                      | (295,178)                           | 0  |
| <b>Total Primary Government</b>             | <b>\$ 21,694,699</b>                               | <b>\$ 2,900,754</b>     | <b>\$ 2,419,611</b>                      | <b>\$ 183,811</b>                      | <b>\$ (16,190,523)</b>              | <b>\$ 0</b>  |
| Component Unit:                             |  |                         |  |  |                                     |  |
| Claiborne County School Department          | \$ 40,067,017                                      | \$ 1,843,078            | \$ 5,731,178                             | \$ 4,931,656                           | \$ 0                                | \$ (27,561,105)  |
| <b>Total Component Unit</b>                 | <b>\$ 40,067,017</b>                               | <b>\$ 1,843,078</b>     | <b>\$ 5,731,178</b>                      | <b>\$ 4,931,656</b>                    | <b>\$ 0</b>                         | <b>\$ (27,561,105)</b>   |

(Continued)

Exhibit B

Claiborne County, Tennessee  
Statement of Activities (Cont.)

| Functions/Programs   | Program Revenues |                         |  |  |                 | Net (Expense) Revenue and<br>Changes in Net Assets |               |
|--|------------------|-------------------------|--|--|-----------------|--|---------------|
|  | Expenses         | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Total           | Primary  | Component     |
|  |                  |                         |  |  |                 | Government   | Unit          |
|  |                  |                         |  |  |                 | Claiborne  | School        |
|  |                  |                         |  |  | County          | Department   |               |
| General Revenues:  |                  |                         |  |  |                 |  |               |
| Taxes:   |                  |                         |  |  |                 |  |               |
| Property Taxes Levied for General Purposes                   |                  |                         |  |  | \$ 4,852,024    | \$   | 5,978,876     |
| Property Taxes Levied for Solid Waste                        |                  |                         |  |  | 921,431         |  | 0             |
| Property Taxes Levied for Highways                           |                  |                         |  |  | 48,629          |  | 0             |
| Property Taxes Levied for Debt Service                       |                  |                         |  |  | 290,977         |  | 0             |
| Wheel Tax  |                  |                         |  |  | 729,280         |  | 0             |
| Hotel/Motel Tax  |                  |                         |  |  | 26,613          |  | 0             |
| General Litigation Tax                                       |                  |                         |  |  | 127,380         |  | 0             |
| Other Litigation Tax   |                  |                         |  |  | 26,837          |  | 0             |
| Mineral Severance Tax  |                  |                         |  |  | 41,287          |  | 0             |
| Wholesale Beer Tax   |                  |                         |  |  | 97,397          |  | 0             |
| Coal Severance Tax   |                  |                         |  |  | 167,783         |  | 167,783       |
| Local Option Sales Taxes                                     |                  |                         |  |  | 0               |  | 2,177,998     |
| Other Taxes  |                  |                         |  |  | 55,464          |  | 0             |
| Grants and Contributions Not Restricted to Specific Programs |                  |                         |  |  | 2,173,668       |  | 26,309,486    |
| Unrestricted Investment Income                               |                  |                         |  |  | 250,215         |  | 10,996        |
| Interest and Investment Earnings (Losses) - Derivatives      |                  |                         |  |  | (803,182)       |  | 0             |
| Miscellaneous  |                  |                         |  |  | 12,263          |  | 174,984       |
| Total General Revenues                                       |                  |                         |  |  | \$ 9,018,066    | \$   | \$ 34,820,123 |
| Change in Net Assets   |                  |                         |  |  |                 | \$   | \$ 7,259,018  |
| Net Assets (Deficit), July 1, 2009                           |                  |                         |  |  | (7,172,457)     |  | 37,931,270    |
| Restatement of Derivative - Interest Rate Swap               |                  |                         |  |  | (15,528,625)    |  | 0             |
| Restatement of Long-term Debt                                |                  |                         |  |  | (1,705,365)     |  | 0             |
|  |                  |                         |  |  | (151,500)       |  | 0             |
| Net Assets (Deficit), June 30, 2010                          |                  |                         |  |  | \$ (24,557,947) | \$   | \$ 45,190,288 |

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

Exhibit C-1

Claiborne County, Tennessee  
 Balance Sheet  
 Governmental Funds  
 June 30, 2010

|  | Major Funds  |                          |                        |                      | Nonmajor Funds           |               | Total Governmental Funds |
|--|--------------|--------------------------|------------------------|----------------------|--------------------------|---------------|--------------------------|
|  | General      | Solid Waste / Sanitation | Highway / Public Works | General Debt Service | Other Governmental Funds |               |                          |
| Cash                                       | \$ 0         | \$ 400                   | \$ 0                   | \$ 0                 | \$ 0                     | \$ 99,261     | \$ 99,661                |
| Equity in Pooled Cash and Investments      | 4,104,006    | 450,467                  | 37,590                 | 1,949,245            | 188,922                  |               | 6,730,230                |
| Accounts Receivable                        | 63,603       | 36,956                   | 0                      | 0                    | 0                        | 0             | 100,559                  |
| Due from Other Governments                 | 228,054      | 5,129                    | 369,347                | 0                    | 0                        | 0             | 602,530                  |
| Due from Other Funds                       | 55,008       | 0                        | 0                      | 0                    | 0                        | 0             | 55,008                   |
| Property Taxes Receivable                  | 5,659,926    | 1,075,386                | 56,599                 | 339,596              | 0                        | 0             | 7,131,507                |
| Allowance for Uncollectible Property Taxes | (535,034)    | (101,656)                | (4,745)                | (32,102)             | 0                        | 0             | (673,537)                |
| Total Assets                               | \$ 9,575,563 | \$ 1,466,682             | \$ 458,791             | \$ 2,256,739         | \$ 288,183               | \$ 14,045,958 |                          |

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

Total Assets

LIABILITIES AND FUND BALANCES

|  |              |              |            |              |      |      |              |
|--|--------------|--------------|------------|--------------|------|------|--------------|
| Liabilities                                  | \$ 59,785    | \$ 52,716    | \$ 27,058  | \$ 0         | \$ 0 | \$ 0 | \$ 139,559   |
| Accounts Payable                             | 0            | 0            | 6,590      | 0            | 0    | 0    | 6,590        |
| Accrued Payroll                              | 0            | 0            | 318        | 0            | 0    | 0    | 318          |
| Payroll Deductions Payable                   | 13,220       | 0            | 0          | 0            | 0    | 0    | 13,220       |
| Contracts Payable                            | 4,381        | 0            | 0          | 0            | 0    | 0    | 4,381        |
| Retainage Payable                            | 0            | 0            | 55,008     | 0            | 0    | 0    | 55,008       |
| Due to Other Funds                           | 0            | 0            | 0          | 1,000,000    | 0    | 0    | 1,000,000    |
| Due to Component Units                       | 0            | 0            | 0          | 0            | 0    | 0    | 0            |
| Due to State of Tennessee                    | 39,210       | 4,521        | 4,363      | 0            | 0    | 0    | 48,094       |
| Other Current Liabilities                    | 0            | 0            | 22,968     | 0            | 0    | 0    | 22,968       |
| Deferred Revenue - Current Property Taxes    | 4,983,120    | 946,793      | 50,141     | 298,988      | 0    | 0    | 6,279,042    |
| Deferred Revenue - Delinquent Property Taxes | 127,530      | 24,231       | 1,592      | 7,652        | 0    | 0    | 161,005      |
| Other Deferred Revenues                      | 22,485       | 0            | 161,819    | 0            | 0    | 0    | 184,304      |
| Total Liabilities                            | \$ 5,249,731 | \$ 1,028,261 | \$ 329,857 | \$ 1,306,640 | \$ 0 | \$ 0 | \$ 7,914,489 |

Fund Balances

Reserved for Encumbrances  
 Reserved for Alcohol and Drug Treatment  
 Reserved for Sexual Offender Registration

|   |           |           |      |      |      |        |            |
|---|-----------|-----------|------|------|------|--------|------------|
| Reserved for Encumbrances                 | \$ 29,416 | \$ 92,122 | \$ 0 | \$ 0 | \$ 0 | \$ 500 | \$ 122,038 |
| Reserved for Alcohol and Drug Treatment   | 100,912   | 0         | 0    | 0    | 0    | 0      | 100,912    |
| Reserved for Sexual Offender Registration | 15,105    | 0         | 0    | 0    | 0    | 0      | 15,105     |

(Continued)

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

|    | Major Funds  |                          |                        |                      | Nonmajor Funds           |      | Total Governmental Funds |
|----|--------------|--------------------------|------------------------|----------------------|--------------------------|------|--------------------------|
|    | General      | Solid Waste / Sanitation | Highway / Public Works | General Debt Service | Other Governmental Funds |      |                          |
| \$ | 16,732       | 0                        | 0                      | 0                    | 0                        | 0    | 16,732                   |
|    | 9,872        | 0                        | 0                      | 0                    | 0                        | 0    | 9,872                    |
|    | 20,528       | 0                        | 0                      | 0                    | 0                        | 0    | 20,528                   |
|    | 4,991        | 0                        | 0                      | 0                    | 0                        | 0    | 4,991                    |
|    | 30,397       | 0                        | 0                      | 0                    | 0                        | 0    | 30,397                   |
|    | 4,097,879    | 0                        | 0                      | 0                    | 0                        | 0    | 4,097,879                |
|    | 0            | 346,299                  | 128,934                | 0                    | 219,641                  | 0    | 694,874                  |
|    | 0            | 0                        | 0                      | 950,099              | 0                        | 0    | 950,099                  |
|    | 0            | 0                        | 0                      | 0                    | 68,042                   | 0    | 68,042                   |
|    | \$ 4,325,832 | \$ 438,421               | \$ 128,934             | \$ 950,099           | \$ 288,183               | \$ 0 | \$ 6,131,469             |
|    | \$ 9,575,563 | \$ 1,466,682             | \$ 458,791             | \$ 2,256,739         | \$ 288,183               | \$ 0 | \$ 14,045,958            |

LIABILITIES AND FUND BALANCES (Cont.)

|   |
|---|
| <u>Fund Balances (Cont.)</u>                              |
| Reserved for Computer System - Register                   |
| Reserved for Automation Purposes - Circuit Court          |
| Reserved for Automation Purposes - General Sessions Court |
| Reserved for Automation Purposes - Chancery Court         |
| Reserved for Automation Purposes - Sheriff                |
| Unreserved, Reported In:                                  |
| General Fund  |
| Special Revenue Funds                                     |
| Debt Service Funds  |
| Capital Projects Funds                                    |
| Total Fund Balances                                       |

Total Liabilities and Fund Balances

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  
June 30, 2010

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)  |                    | \$ 6,131,469           |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.  |                    |                        |
| Add: land   | \$ 586,500         |                        |
| Add: infrastructure net of accumulated depreciation   | 19,107,156         |                        |
| Add: buildings and improvements net of accumulated depreciation   | 10,553,906         |                        |
| Add: other capital assets net of accumulated depreciation   | <u>823,180</u>     | 31,070,742             |
| (2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.         |                    |                        |
| Less: notes payable   | \$ (298,360)       |                        |
| Less: other loans payable   | (5,300,768)        |                        |
| Less: bonds payable   | (52,615,000)       |                        |
| Add: deferred amount on refunding   | 1,077,257          |                        |
| Add: deferred charges - debt issuance costs   | 636,203            |                        |
| Less: compensated absences payable  | (144,226)          |                        |
| Less: landfill closure/postclosure care costs   | (1,308,342)        |                        |
| Less: accrued interest on bonds, notes, and other loans   | (480,617)          |                        |
| Less: other deferred revenue - premium on debt  | (1,151,654)        |                        |
| Add: unamortized discount on debt   | 30,750             |                        |
| Less: fair market value of swap agreement   | <u>(2,550,710)</u> | (62,105,467)           |
| (3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds. |                    | <u>345,309</u>         |
| Net assets (deficit) of governmental activities (Exhibit A)   |                    | <u>\$ (24,557,947)</u> |

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

Exhibit C-3

Clairborne County, Tennessee  
Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2010

|  | Major Funds         |                          |                        |                       |                        | Nonmajor Funds     |                       | Total Governmental Funds |
|--|---------------------|--------------------------|------------------------|-----------------------|------------------------|--------------------|-----------------------|--------------------------|
|  | General             | Solid Waste / Sanitation | Highway / Public Works | General Debt Service  | Other Capital Projects | Other              | Governmental Funds    |                          |
| <u>Revenues</u>  |                     |                          |                        |                       |                        |                    |                       |                          |
| Local Taxes  | \$ 5,474,686        | \$ 971,805               | \$ 311,344             | \$ 1,036,165          | \$ 0                   | \$ 42,608          | \$ 7,836,608          |                          |
| Licenses and Permits                                     | 11,248              | 0                        | 0                      | 0                     | 0                      | 0                  | 11,248                |                          |
| Fines, Forfeitures, and Penalties                        | 165,842             | 0                        | 0                      | 0                     | 0                      | 69,970             | 235,812               |                          |
| Charges for Current Services                             | 69,618              | 278,723                  | 0                      | 0                     | 0                      | 503,073            | 851,414               |                          |
| Other Local Revenues                                     | 279,150             | 42,373                   | 1,958                  | 1,413,322             | 0                      | 0                  | 1,736,803             |                          |
| Fees Received from County Officials                      | 727,326             | 0                        | 0                      | 0                     | 0                      | 0                  | 727,326               |                          |
| State of Tennessee                                       | 1,728,505           | 105,705                  | 1,880,153              | 21,183                | 0                      | 125,864            | 3,861,410             |                          |
| Federal Government                                       | 313,228             | 0                        | 0                      | 0                     | 0                      | 0                  | 313,228               |                          |
| Other Governments and Citizens Groups                    | 3,273               | 0                        | 0                      | 0                     | 0                      | 0                  | 3,273                 |                          |
| <u>Total Revenues</u>                                    | <u>\$ 8,772,876</u> | <u>\$ 1,398,606</u>      | <u>\$ 2,193,455</u>    | <u>\$ 2,470,670</u>   | <u>\$ 0</u>            | <u>\$ 741,515</u>  | <u>\$ 15,577,122</u>  |                          |
| <u>Expenditures</u>                                      |                     |                          |                        |                       |                        |                    |                       |                          |
| Current:   |                     |                          |                        |                       |                        |                    |                       |                          |
| General Government                                       | \$ 800,114          | 0                        | 0                      | 0                     | 0                      | 111,182            | 911,296               |                          |
| Finance  | 461,484             | 0                        | 0                      | 0                     | 0                      | 359,781            | 821,265               |                          |
| Administration of Justice                                | 675,387             | 0                        | 0                      | 0                     | 0                      | 36,894             | 712,281               |                          |
| Public Safety  | 4,393,812           | 0                        | 0                      | 0                     | 0                      | 83,663             | 4,477,475             |                          |
| Public Health and Welfare                                | 609,106             | 1,305,910                | 0                      | 1,665,000             | 0                      | 0                  | 3,580,016             |                          |
| Social, Cultural, and Recreational Services              | 138,535             | 0                        | 0                      | 0                     | 0                      | 0                  | 138,535               |                          |
| Agriculture and Natural Resources                        | 128,352             | 0                        | 0                      | 0                     | 0                      | 0                  | 128,352               |                          |
| Other Operations   | 979,452             | 0                        | 0                      | 6,204                 | 0                      | 28,110             | 1,013,766             |                          |
| Highways   | 0                   | 0                        | 1,593,538              | 0                     | 0                      | 0                  | 1,593,538             |                          |
| Debt Service:  |                     |                          |                        |                       |                        |                    |                       |                          |
| Principal on Debt  | 0                   | 25,000                   | 0                      | 1,870,768             | 0                      | 0                  | 1,895,768             |                          |
| Interest on Debt   | 0                   | 0                        | 0                      | 1,607,880             | 0                      | 0                  | 1,607,880             |                          |
| Other Debt Service                                       | 0                   | 0                        | 0                      | 491,739               | 81,823                 | 0                  | 573,562               |                          |
| Capital Projects   | 0                   | 0                        | 0                      | 0                     | 4,931,657              | 217,302            | 5,148,959             |                          |
| <u>Total Expenditures</u>                                | <u>\$ 8,186,242</u> | <u>\$ 1,330,910</u>      | <u>\$ 1,593,538</u>    | <u>\$ 5,641,591</u>   | <u>\$ 5,013,480</u>    | <u>\$ 836,932</u>  | <u>\$ 22,602,693</u>  |                          |
| <u>Excess (Deficiency) of Revenues Over Expenditures</u> | <u>\$ 586,634</u>   | <u>\$ 67,696</u>         | <u>\$ 599,917</u>      | <u>\$ (3,170,921)</u> | <u>\$ (5,013,480)</u>  | <u>\$ (95,417)</u> | <u>\$ (7,025,571)</u> |                          |

(Continued)

Exhibit C-3

Clairborne 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 | Other Capital Projects | Other          | Governmental Funds |                          |
| <u>Other Financing Sources (Uses)</u>       |              |                          |                        |                      |                        |                |                    |                          |
| Bonds Issued                                | \$ 0         | \$ 0                     | \$ 0                   | \$ 985,000           | \$ 5,010,000           | \$ 0           | \$ 0               | \$ 5,995,000             |
| Refunding Debt Issued                       | 0            | 0                        | 0                      | 42,135,000           | 0                      | 0              | 0                  | 42,135,000               |
| Premiums on Debt Issued                     | 0            | 0                        | 0                      | 1,110,128            | 3,480                  | 0              | 0                  | 1,113,608                |
| Other Loans Issued                          | 0            | 0                        | 0                      | 0                    | 0                      | 0              | 66,889             | 66,889                   |
| Insurance Recovery                          | 30,563       | 0                        | 0                      | 0                    | 0                      | 0              | 0                  | 30,563                   |
| Transfers In                                | 0            | 0                        | 0                      | 1,188,650            | 0                      | 0              | 90,000             | 1,278,650                |
| Transfers Out                               | (590,000)    | (68,896)                 | (619,754)              | 0                    | 0                      | 0              | 0                  | (1,278,650)              |
| Discounts on Debt Issued                    | 0            | 0                        | 0                      | (30,750)             | 0                      | 0              | 0                  | (30,750)                 |
| Payments to Refunded Debt Escrow Agent      | 0            | 0                        | 0                      | (42,047,407)         | 0                      | 0              | 0                  | (42,047,407)             |
| <u>Total Other Financing Sources (Uses)</u> | \$ (559,437) | \$ (68,896)              | \$ (619,754)           | \$ 3,340,621         | \$ 5,013,480           | \$ 156,889     | \$ 0               | \$ 7,262,903             |
| Net Change in Fund Balances                 | \$ 27,197    | \$ (1,200)               | \$ (19,837)            | \$ 169,700           | \$ 0                   | \$ 0           | \$ 61,472          | \$ 237,332               |
| Fund Balance, July 1, 2009                  | 4,298,635    | 439,621                  | 148,771                | 780,399              | 0                      | 0              | 226,711            | 5,894,137                |
| Fund Balance, June 30, 2010                 | \$ 4,325,832 | \$ 438,421               | \$ 128,934             | \$ 950,099           | \$ 0                   | \$ 0           | \$ 288,183         | \$ 6,131,469             |

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  
For the Year Ended June 30, 2010

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)  |                    | \$ 237,332            |
|   |                    |                       |
| (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   | \$ 442,348         |                       |
| Less: current year depreciation expense   | <u>(1,166,140)</u> | (723,792)             |
|   |                    |                       |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                    |                       |
| Add: deferred delinquent property taxes and other deferred June 30, 2010  | \$ 345,309         |                       |
| Less: deferred delinquent property taxes and other deferred June 30, 2009   | <u>(597,007)</u>   | (251,698)             |
|   |                    |                       |
| (3) The issuance of long-term debt (e.g., bonds, notes, 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. Also governmental funds report the effect of issuance costs, premium, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items: |                    |                       |
| Less: other loan proceeds   | \$ (66,889)        |                       |
| Less: bond proceeds   | (5,995,000)        |                       |
| Less: refunding bond proceeds   | (42,135,000)       |                       |
| Less: change in premium on debt issuances   | (1,010,764)        |                       |
| Add: debt refunded  | 40,800,001         |                       |
| Add: change in discount on debt issuances   | 30,750             |                       |
| Add: change in deferred debt issuance costs   | 175,540            |                       |
| Add: principal payments on bonds  | 145,000            |                       |
| Add: principal payments on notes  | 236,942            |                       |
| Add: principal payments on other loans  | 1,453,827          |                       |
| Add: change in deferred amount on refunding debt  | <u>1,031,874</u>   | (5,333,719)           |
|   |                    |                       |
| (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.   |                    |                       |
| Change in accrued interest payable  | \$ (292,103)       |                       |
| Change in compensated absences payable  | (15,663)           |                       |
| Change in landfill closure/postclosure care costs   | <u>52,531</u>      | (255,235)             |
|   |                    |                       |
| (5) The interest rate swap agreement is classified as an investment derivative; therefore, the following reflect changes in net assets for governmental activities.   |                    |                       |
| Less: interest expense  | \$ (42,163)        |                       |
| Less: interest and investment loss  | <u>(803,182)</u>   | (845,345)             |
|   |                    |                       |
| Change in net assets of governmental activities (Exhibit B)   |                    | <u>\$ (7,172,457)</u> |

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

Exhibit D

Claiborne County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

|                                       | <u>Agency<br/>Funds</u> |
|---------------------------------------|-------------------------|
| <u>ASSETS</u>                         |                         |
| Cash                                  | \$ 1,023,959            |
| Equity in Pooled Cash and Investments | 79,969                  |
| Due from Other Governments            | 254,590                 |
| Notes Receivable - Current            | 1,000                   |
| Notes Receivable - Long-term          | <u>3,000</u>            |
| Total Assets                          | <u>\$ 1,362,518</u>     |
| <u>LIABILITIES</u>                    |                         |
| Due to Other Taxing Units             | \$ 254,590              |
| Due to Litigants, Heirs, and Others   | 1,023,959               |
| Other Current Liabilities             | <u>83,969</u>           |
| Total Liabilities                     | <u>\$ 1,362,518</u>     |

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

**CLAIBORNE COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

**Discretely Presented Component Units** – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The 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 financial statements of the Claiborne County Hospital and Nursing Home were not available from other auditors in time for inclusion in this report.

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 financial statements of the Claiborne County Industrial Development

Board were not available from other auditors in time for inclusion in this report.

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 financial statements of the Claiborne County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Claiborne County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Claiborne County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Claiborne County Hospital and Nursing Home, Claiborne County Industrial Development Board, and Claiborne County Emergency Communications District were not available from other auditors in time for inclusion, as previously mentioned. Complete financial statements of these organizations can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

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

**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 primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant

extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Claiborne County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Claiborne County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Claiborne County issues most debt for the discretely presented Claiborne County School Department and for the Claiborne County Hospital and Nursing Home. The county contributed net debt issues of \$1,650,000 and \$4,931,656 to the Claiborne County Hospital and Nursing Home and the School Department, respectively, during the year ended June 30, 2010.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. The School Department's internal service fund is reported with the governmental activities in the government-wide financial statements. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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/expenses.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Claiborne County has no proprietary funds. The discretely presented Claiborne County School Department reports one proprietary fund, an internal service fund.

Separate financial statements are provided for governmental funds, proprietary 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. The internal service fund and the fiduciary funds are reported in single columns by fund type.

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 business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Proprietary funds and fiduciary funds financial statements are reported using the economic resources measurement focus (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 accounts 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.

**Other Capital Projects Fund** – This fund accounts for debt issued by Claiborne County that is subsequently contributed to the discretely presented Claiborne County School Department for construction and renovation 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.

The discretely presented Claiborne County School Department reports the following major governmental funds:

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

**School Federal Projects Fund** – This fund accounts for restricted federal revenues, which must be expended on specific education programs.

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

**Capital Projects Fund** – The Education Capital Projects Fund is used to account for building construction and renovations for the School Department.

Additionally, the Claiborne County School Department reports the following fund type:

**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 one proprietary fund, an internal service fund, used to account for the employees’ health and life insurance. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenues of the internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses, excess-risk insurance premiums, and employee medical claims.

When both restricted and unrestricted resources are available for use, it is the government’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 the purpose of the Statement of Cash Flows for the discretely presented School Department’s internal service fund, cash consists of demand deposits.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loans associations; repurchase agreements; the State Treasurer’s Investment Pool; bonds of any state or political subdivision rated A or

higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all 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, Solid Waste/Sanitation, and the School Department's Education Capital Projects 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**

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 5.21 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. Contract and retainage payables in the General Fund represent amounts not paid to the contractor pending settlement of lawsuit and counter suit filed in regard to the judicial complex construction project. The funds are being held by the county trustee as Equity in Pooled Cash and Investments in the General Fund. For additional details on this retainage and contract, see Note V.D.

### **3. Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| <u>Assets</u>                 | <u>Years</u>  |
|-------------------------------|---------------|
| Buildings and Improvements    | 40            |
| Other Capital Assets          | 5-10          |
| Infrastructure:               |               |
| Roads (based on surface type) | 30, 40, or 50 |
| Bridges                       | 40            |

**4. Compensated Absences**

**Primary Government**

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.

**Discretely Presented Claiborne County School Department**

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 applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, other postemployment benefits, and landfill closure/postclosure care costs, are recognized to the extent that the liabilities have matured (come due for payment) each period.

**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, 2010, Claiborne County had \$43,292,818 in outstanding debt for capital purposes for the discretely presented Claiborne County School Department and \$6,190,000 for the Claiborne County Hospital and Nursing Home. This debt is a liability of Claiborne County, but the capital assets acquired are reported in the financial statements of the School Department and the Hospital and Nursing Home. Therefore, Claiborne County has incurred liabilities significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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.

**7. Prior-period Adjustments**

Long term liabilities were restated from the prior year because of the omission of a capital outlay note totaling \$151,500 at July 1, 2009.

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010. This is further discussed in Note V.B. To implement the provisions of this statement required restating liabilities of the prior year by \$1,705,365 to recognize the negative fair value of an interest rate swap agreement. That agreement is discussed in Note IV.C.

**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**

**Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

**Discretely Presented Claiborne County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

**B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances with the government-wide Statement of Activities**

**Primary Government**

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

## **Discretely Presented Claiborne County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

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

#### **A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the 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 County Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, 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. Fund Deficit**

The School Department's Education Capital Projects Fund had a fund deficit of \$778,066 at June 30, 2010. This deficit resulted from the unperformed portions of construction contracts of \$5,716,977 being reserved as encumbrances on the financial statements of this report. A majority of the contracts have been funded through debt issued and contributed by the primary government. Management expects to adjust contract amounts in the subsequent year to adhere to available funding.

#### IV. 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 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; deposits at state and federal chartered banks and savings and loans associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make

investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2010.

**B. Notes Receivable**

Notes receivables totaling \$4,000 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 \$3,000.

**C. Derivative Instruments**

**Primary Government**

At June 30, 2010, Claiborne County had the following derivative instruments outstanding:

| Instrument | Type                         | Objective                             | Original Notional Amount | Effective Date | Maturity Date | Terms                                     |
|------------|------------------------------|---------------------------------------|--------------------------|----------------|---------------|---|
| \$18M Swap | Pay fixed Interest rate swap | Variable to synthetic fixed rate swap | \$ 18,000,000            | 3-1-07         | 6-1-28        | Pay 3.467% receive 59% of LIBOR plus .35% |

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

| Type | <u>Changes in Fair Value</u> |        | <u>Fair Value at June 30, 2010</u> |        | 6-30-10 Notional |
|------|------------------------------|--------|------------------------------------|--------|------------------|
|      | Classification               | Amount | Classification                     | Amount | Amount           |

**Governmental Activities**

Investment drivative:

Pay-fixed interest rate swap:

|            |                                  |             |      |               |              |
|------------|----------------------------------|-------------|------|---------------|--------------|
| \$18M Swap | Interest and Investment Earnings | \$(803,182) | Debt | \$(2,550,710) | \$18,000,000 |
|------------|----------------------------------|-------------|------|---------------|--------------|

The swap initially hedged Series IV-J-1 variable-rate bonds. However, in March of 2009, the variable-rate bonds were refunded and became part of Series V-J-1 fixed-rate bonds. During the current year, the Series V-J-1 bonds were refunded by other long-term fixed rate bonds. As of the end of the period, there is no hedgeable item associated with the swap and therefore the swap is classified as an investment derivative.

**Derivative Swap Agreement Detail**

**\$18M Swap:**

Under its loan agreement, the Public Building Authority of Sevier County Tennessee 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. The series IV-J-1 loan agreement has since been refunded with the issuance of a fixed rate loan agreement and that fixed rate loan agreement has also been refunded by fixed rate bonds.

**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. The interest rate swap agreement is based on the same amortization schedule as the original principal of the Series IV-J-1 Bonds as issued on March 21, 2002. The bonds and the related swap agreement mature on June 1, 2028, As of June 30, 2010, 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>-0.555</u>       |
| Net interest rate swap payments    |              | <u><u>2.912</u></u> |

**Fair value.** As of June 30, 2010, the swap had a negative fair value of \$2,550,710. The negative fair value of the swap may be countered by reductions in total interest payments required under the subsequent fixed rate bond issuance. 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, 2010, the county was not exposed to credit risk because the swap had a negative fair value. However, if 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. To mitigate the potential for credit risk, the swap counterparty, Depfa Bank PLC, is currently rated A3 by Moody's Investor Service. If the Depfa Bank PLC's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

**Basis risk.** Since the county has issued fixed rate bonds and eliminated all of variable rate obligations as of March 2010, the basis risks have been eliminated.

**Termination risk.** The derivate contract uses the International Swap Dealers Associations 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 county 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 county for a payment equal to the swap's fair value.

**Swap payments and associated debt.** As of June 30, 2010, net swap payments, if held until final contract maturity, assuming current interest rates remain the same, for their term were as follows. As LIBOR rates vary, net swap payments will vary.

| Year Ending<br>June 30 | Net Interest<br>Rate Swap<br>Payment |
|------------------------|--------------------------------------|
| 2011                   | \$ 524,160                           |
| 2012                   | 524,160                              |
| 2013                   | 524,160                              |
| 2014                   | 522,704                              |
| 2015                   | 520,665                              |
| 2016-2020              | 2,544,506                            |
| 2021-2028              | <u>2,098,948</u>                     |
| Total                  | <u>\$ 7,259,303</u>                  |

**D. Capital Assets**

Capital assets activity for the year ended June 30, 2010, was as follows:

**Primary Government**

**Governmental Activities:**

|  | Balance<br>7-1-09    | Increases           | Balance<br>6-30-10   |
|--|----------------------|---------------------|----------------------|
| Capital Assets Not<br>Depreciated:             |                      |                     |                      |
| Land   | \$ 586,500           | \$ 0                | \$ 586,500           |
| Total Capital Assets<br>Not Depreciated        | <u>\$ 586,500</u>    | <u>\$ 0</u>         | <u>\$ 586,500</u>    |
| Capital Assets Depreciated:                    |                      |                     |                      |
| Buildings and<br>Improvements                  | \$ 12,683,423        | \$ 139,827          | \$ 12,823,250        |
| Roads and Bridges                              | 25,004,830           | 0                   | 25,004,830           |
| Other Capital Assets                           | 3,062,848            | 302,521             | 3,365,369            |
| Total Capital Assets<br>Depreciated            | <u>\$ 40,751,101</u> | <u>\$ 442,348</u>   | <u>\$ 41,193,449</u> |
| Less Accumulated<br>Depreciation For:          |                      |                     |                      |
| Buildings and<br>Improvements                  | \$ 1,958,370         | \$ 310,974          | \$ 2,269,344         |
| Roads and Bridges                              | 5,301,642            | 596,032             | 5,897,674            |
| Other Capital Assets                           | 2,283,055            | 259,134             | 2,542,189            |
| Total Accumulated<br>Depreciation              | <u>\$ 9,543,067</u>  | <u>\$ 1,166,140</u> | <u>\$ 10,709,207</u> |
| Total Capital Assets<br>Depreciated, Net       | <u>\$ 31,208,034</u> | <u>\$ (723,792)</u> | <u>\$ 30,484,242</u> |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 31,794,534</u> | <u>\$ (723,792)</u> | <u>\$ 31,070,742</u> |

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

**Governmental Activities:**

|   |                     |
|---|---------------------|
| General Government                                      | \$ 309,832          |
| Public Safety   | 120,242             |
| Public Health and Welfare                               | 113,302             |
| Highways/Public Works                                   | <u>622,764</u>      |
| Total Depreciation Expense -<br>Governmental Activities | <u>\$ 1,166,140</u> |

**Discretely Presented Claiborne County School Department**

**Governmental Activities:**

|  | Balance<br>7-1-09    | Increases           | Decreases           | Balance<br>6-30-10   |
|--|----------------------|---------------------|---------------------|----------------------|
| Capital Assets Not<br>Depreciated:                     |                      |                     |                     |                      |
| Land   | \$ 1,125,900         | \$ 45,000           | \$ 0                | \$ 1,170,900         |
| Construction in<br>Progress                            | 71,292               | 86,524              | (157,816)           | 0                    |
| <b>Total Capital Assets<br/>Not Depreciated</b>        | <b>\$ 1,197,192</b>  | <b>\$ 131,524</b>   | <b>\$ (157,816)</b> | <b>\$ 1,170,900</b>  |
| Capital Assets<br>Depreciated:                         |                      |                     |                     |                      |
| Buildings and<br>Improvements                          | \$ 44,307,259        | \$ 860,276          | \$ 0                | \$ 45,167,535        |
| Other Capital Assets                                   | 2,607,740            | 222,104             | 0                   | 2,829,844            |
| <b>Total Capital Assets<br/>Depreciated</b>            | <b>\$ 46,914,999</b> | <b>\$ 1,082,380</b> | <b>\$ 0</b>         | <b>\$ 47,997,379</b> |
| Less Accumulated<br>Depreciated For:                   |                      |                     |                     |                      |
| Buildings and<br>Improvements                          | \$ 10,798,874        | \$ 1,092,887        | \$ 0                | \$ 11,891,761        |
| Other Capital Assets                                   | 1,410,168            | 191,071             | 0                   | 1,601,239            |
| <b>Total Accumulated<br/>Depreciation</b>              | <b>\$ 12,209,042</b> | <b>\$ 1,283,958</b> | <b>\$ 0</b>         | <b>\$ 13,493,000</b> |
| <b>Total Capital Assets<br/>Depreciated, Net</b>       | <b>\$ 34,705,957</b> | <b>\$ (201,578)</b> | <b>\$ 0</b>         | <b>\$ 34,504,379</b> |
| <b>Governmental Activities<br/>Capital Assets, Net</b> | <b>\$ 35,903,149</b> | <b>\$ (70,054)</b>  | <b>\$ (157,816)</b> | <b>\$ 35,675,279</b> |

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

**Governmental Activities:**

|   |                            |
|---|----------------------------|
| Instruction   | \$ 1,062,441               |
| Support Services  | <u>221,517</u>             |
| <b>Total Depreciation Expense -<br/>Governmental Activities</b> | <b><u>\$ 1,283,958</u></b> |

**E. Construction Commitments**

At June 30, 2010, the discretely presented School Department had uncompleted construction contracts of approximately \$5,700,000 for the renovation and improvements of various school facilities. The majority of funding has been provided by the issuance of bonds during the year. Management has applied for future funding through grants and awards but has not received approval of the awards as of the date of the report. See Note III.B.

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

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from Other Funds:**

| <u>Receivable Fund</u> | <u>Payable Fund</u>  | <u>Amount</u> |
|------------------------|----------------------|---------------|
| General                | Highway/Public Works | \$ 55,008     |

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

**Due to/from Component Units:**

| <u>Receivable Fund</u>   | <u>Payable Fund</u>                              | <u>Amount</u> |
|--|--|---------------|
| Discretely Presented Claiborne<br>County Hospital and Nursing Home | Primary Government:<br>General Debt Service Fund | \$ 1,000,000  |

This amount represents debt proceeds issued by the county on behalf of the Claiborne County Hospital and Nursing Home but not remitted as of June 30, 2010.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2010, consisted of the following amounts:

| Transfers Out               | Transfers In              |                               |
|-----------------------------|---------------------------|-------------------------------|
|                             | General Debt Service Fund | Nonmajor Governmental Fund(s) |
| General Fund                | \$ 500,000                | \$ 90,000                     |
| Solid Waste/Sanitation Fund | 68,896                    | 0                             |
| Highway/Public Works Fund   | 619,754                   | 0                             |
| Total                       | <u>\$ 1,188,650</u>       | <u>\$ 90,000</u>              |

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

**G. Long-term Debt**

**Primary Government**

**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 and other loans have been issued to refund other general obligation bonds and loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 20 years for bonds, up to three years for notes, and up to 20 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, 2010, 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, 2010, are as follows:

| Type                        | Interest Rate | Original Amount of Issue | Balance 6-30-10 |
|-----------------------------|---------------|--------------------------|-----------------|
| Capital Outlay Notes        | 0 to 4.38 %   | \$ 741,750               | \$ 298,360      |
| Other Loans - Variable Rate | Variable      | 2,244,297                | 300,768         |
| Other Loans - Fixed Rate    | 3.25 to 4.65  | 6,225,000                | 5,000,000       |
| General Obligation Bonds    | 2 to 4.125    | 5,995,000                | 5,995,000       |
| Refunding Bonds             | 1 to 5.3      | 46,620,000               | 46,620,000      |

Included in amounts outstanding are various general obligation debts Claiborne County has issued for the benefit of the Claiborne County School Department and the Claiborne County Hospital and Nursing Home component units. The School Department and the Hospital and Nursing Home contribute funds annually to the county to apply toward the retirement of debt. During the year, the School Department contributed \$1,124,026, and the Hospital and Nursing Home contributed \$219,239 to the county's General Debt Service Fund for retirement of those general obligation debt issues.

Claiborne County has entered into 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, 2010.

| Description | Original Amount of Loan Agreement | Outstanding Principal 6-30-10 | Interest Type | Interest Rates 6-30-10 | Other Fees on Variable Rate Debt |
|-------------|-----------------------------------|-------------------------------|---------------|------------------------|----------------------------------|
|-------------|-----------------------------------|-------------------------------|---------------|------------------------|----------------------------------|

Montgomery County  
Public Building Authority

|  |              |            |          |       |       |
|--|--------------|------------|----------|-------|-------|
| Various Construction and Renovations Loan - 2001 | \$ 1,000,000 | \$ 134,000 | Variable | .28 % | .15 % |
| Various Construction and Renovations Loan - 2002 | 1,244,297    | 166,768    | Variable | .28   | .15   |

Blount County  
Public Building Authority

|                                  |           |                     |       |              |     |
|----------------------------------|-----------|---------------------|-------|--------------|-----|
| Jail Construction Program - 2004 | 6,225,000 | <u>5,000,000</u>    | Fixed | 3.25 to 4.65 | N/A |
|                                  |           | <u>\$ 5,300,768</u> |       |              |     |

The interest rates for the Montgomery County PBA loans are tax-exempt variable rates determined by the remarketing agent daily or weekly depending on the particular program.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2010, 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, 2010.

| Year Ending<br>June 30 | Notes      |           |            |
|------------------------|------------|-----------|------------|
|                        | Principal  | Interest  | Total      |
| 2011                   | \$ 246,020 | \$ 11,180 | \$ 257,200 |
| 2012                   | 52,340     | 1,932     | 54,272     |
| Total                  | \$ 298,360 | \$ 13,112 | \$ 311,472 |

| Year Ending<br>June 30 | Bonds         |               |               |
|------------------------|---------------|---------------|---------------|
|                        | Principal     | Interest      | Total         |
| 2011                   | \$ 1,090,000  | \$ 2,046,638  | \$ 3,136,638  |
| 2012                   | 2,155,000     | 2,009,102     | 4,164,102     |
| 2013                   | 2,530,000     | 1,949,292     | 4,479,292     |
| 2014                   | 2,520,000     | 1,879,067     | 4,399,067     |
| 2015                   | 2,545,000     | 1,807,518     | 4,352,518     |
| 2016-2020              | 12,160,000    | 7,527,524     | 19,687,524    |
| 2021-2025              | 13,580,000    | 5,024,354     | 18,604,354    |
| 2026-2030              | 16,035,000    | 1,996,455     | 18,031,455    |
| Total                  | \$ 52,615,000 | \$ 24,239,950 | \$ 76,854,950 |

| Year Ending<br>June 30 | Other Loans  |              |            | Total        |
|------------------------|--------------|--------------|------------|--------------|
|                        | Principal    | Interest     | Other Fees |              |
| 2011                   | \$ 575,768   | \$ 214,053   | \$ 2,951   | \$ 792,772   |
| 2012                   | 275,000      | 196,006      | 2,363      | 473,369      |
| 2013                   | 300,000      | 186,381      | 2,225      | 488,606      |
| 2014                   | 300,000      | 175,131      | 2,075      | 477,206      |
| 2015                   | 325,000      | 163,881      | 1,925      | 490,806      |
| 2016-2020              | 1,775,000    | 619,909      | 7,101      | 2,402,010    |
| 2021-2024              | 1,750,000    | 204,374      | 2,251      | 1,956,625    |
| Total                  | \$ 5,300,768 | \$ 1,759,735 | \$ 20,891  | \$ 7,081,394 |

There is \$950,099 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,758, based on the

2000 federal census. Debt per capita, including bonds, notes, and other loans totaled \$1,946, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

|                             | Bonds                | Notes             | Other<br>Loans      |
|-----------------------------|----------------------|-------------------|---------------------|
| Balance, July 1, 2009       | \$ 5,255,001         | \$ 535,302 (1)    | \$ 46,862,706       |
| Additions                   | 48,130,000           | 0                 | 66,889              |
| Refundings                  | (625,001)            | 0                 | (40,175,000)        |
| Deductions                  | (145,000)            | (236,942)         | (1,453,827)         |
| Balance, June 30, 2010      | <u>\$ 52,615,000</u> | <u>\$ 298,360</u> | <u>\$ 5,300,768</u> |
| Balance Due Within One Year | <u>\$ 1,090,000</u>  | <u>\$ 246,020</u> | <u>\$ 575,768</u>   |

|                             | Compensated<br>Absences | Landfill<br>Closure/<br>Postclosure<br>Care Costs |
|-----------------------------|-------------------------|---|
| Balance, July 1, 2009       | \$ 128,563              | \$ 1,360,872                                      |
| Additions                   | 112,760                 | 0   |
| Deductions                  | (97,097)                | (52,531)  |
| Balance, June 30, 2010      | <u>\$ 144,226</u>       | <u>\$ 1,308,341</u>                               |
| Balance Due Within One Year | <u>\$ 131,245</u>       | <u>\$ 68,860</u>                                  |

(1) This balance has been increased by \$151,500 over the amount previously reported due to the omission of a note in the prior year.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

|   |                      |
|---|----------------------|
| Total Noncurrent Liabilities, June 30, 2010                       | \$ 59,666,695        |
| Less: Balance Due Within One Year                                 | (2,111,893)          |
| Add: Unamortized Premium on Debt                                  | 1,151,654            |
| Less: Deferred Discount on Debt                                   | (30,750)             |
| Less: Deferred Amount on Refunding                                | <u>(1,077,256)</u>   |
| Noncurrent Liabilities - Due in<br>More Than One Year - Exhibit A | <u>\$ 57,598,450</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.

Advance Refunding

During the year, Claiborne County refunded several PBA loan agreements and general obligation bonds with other general obligation refunding bonds. The county issued \$42,135,000 in refunding bonds to provide funds to place in an irrevocable trust to generate resources for all future debt service payments of the refunded debt until the refunded debt could be called and retired. The following general obligation debt of the county was refunded:

| Description                                    | Amount        | Call Date |
|--|---------------|-----------|
| Montgomery County PBA Variable Rate Loans:     |               |           |
| 2-1-02 School                                  | \$ 11,604,000 | 6-1-10    |
| 10-19-05 Highway                               | 3,426,000     | 7-1-10    |
| Sevier County PBA Fixed Rate Loan Agreements:  |               |           |
| 3-5-09 Refunding - Judicial Complex            | 3,045,000     | 12-1-10   |
| 3-5-09 Hospital Revenue and General Obligation | 2,980,000     | 12-1-10   |
| 3-5-09 Refunding - Schools                     | 18,090,000    | 12-1-11   |
| 3-5-09 Hospital Revenue and General Obligation | 1,030,000     | 12-1-13   |
| Refunding Bond 3-1-98                          | 625,001       | 4-30-10   |

The refunding was performed primarily to restructure principal maturities on many of the issues. The refunded Sevier County PBA loans had been issued with one to four year maturities, with the intention to refinance to longer maturities prior to balloon payments coming due. The county did not determine the economic gain or loss on the refunding due to the variable rate debt instruments involved.

In addition to the debt issues reflected above, the county also refunded \$665,000 of debt for which it was contingently liable and that had been reflected as a liability of the discretely presented Claiborne County Hospital and Nursing Home. Since that debt was refunded with the county's general obligation debt, the refunding debt is reflected as a long-term liability of the county. The county expects the Hospital and Nursing Home to provide funds to the county to retire the debt.

**Discretely Presented Claiborne County School Department**

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 of the School Department were issued for original terms up

to 15 years. 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, 2010, will be retired from the General Purpose School Fund.

Other loans outstanding as of June 30, 2010, are as follows:

| Type        | Interest<br>Rate | Amount<br>of Issue | Balance<br>6-30-10 |
|-------------|------------------|--------------------|--------------------|
| Other Loans | 0 to 7.69 %      | \$ 1,408,141       | \$ 646,106         |

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

The annual requirements to amortize all other loans outstanding as of June 30, 2010, are presented in the following table:

| Year Ending<br>June 30 | Other Loans |            |            |
|------------------------|-------------|------------|------------|
|                        | Principal   | Interest   | Total      |
| 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     |
| 2016-2020              | 134,406     | 46,659     | 181,065    |
| 2021-2022              | 61,076      | 5,094      | 66,170     |
| Total                  | \$ 646,106  | \$ 141,195 | \$ 787,301 |

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

| Governmental Activities     | Other          |                            |
|-----------------------------|----------------|----------------------------|
|                             | Other<br>Loans | Postemployment<br>Benefits |
| Balance, July 1, 2009       | \$ 808,654     | \$ 56,525                  |
| Additions                   | 0              | 564,176                    |
| Deductions                  | (162,548)      | (547,718)                  |
| Balance, June 30, 2010      | \$ 646,106     | \$ 72,983                  |
| Balance Due Within One Year | \$ 158,708     | \$ 0                       |

Analysis of Noncurrent Liabilities Presented on Exhibit A:

|   |    |                  |
|---|----|------------------|
| Total Noncurrent Liabilities, June 30, 2010                       | \$ | 719,090          |
| Less: Balance Due Within One Year                                 |    | <u>(158,708)</u> |
| Noncurrent Liabilities - Due in<br>More Than One Year - Exhibit A | \$ | <u>560,382</u>   |

In addition to the debt reflected above, the School Department provides funding to Claiborne County, the primary government, for the retirement of school debt issued by the primary government. During the year, the School Department contributed \$1,124,026 to the county's General Debt Service Fund to be applied toward school-related debt.

**H. Pledges of Future Revenue**

Wheel Tax Revenue Pledged

As part of the resolutions authorizing the issuance of certain debt for a judicial complex, Claiborne County pledged the revenue generated by a previously imposed wheel tax. This debt was also guaranteed as general obligation debt of the county in the event the wheel tax revenue is insufficient to meet the debt service requirements. The amount of wheel tax allocated to the General Debt Service Fund for the current year was \$729,280. The related debt has since been refunded as part of a larger issue and the debt requirements related to the wheel tax pledge have not been tracked by management.

**I. On-Behalf Payments – Discretely Presented 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, 2010, were \$2,436 and \$7,713, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

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. Retirees are not allowed to participate in the county's health insurance program. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Discretely Presented Claiborne County School Department

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 \$80,000 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 \$1,000,000 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, 2010, the reserve for catastrophic losses totaled \$293,371. 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<br>Fiscal-Year<br>Liability | Current-Year<br>Claims and<br>Estimates | Payments       | Balance at<br>Fiscal<br>Year-end |
|-----------|--|---|----------------|----------------------------------|
| 2008-2009 | \$ 300,065                               | \$ 2,846,925                            | \$ (2,938,017) | \$ 208,973                       |
| 2009-2010 | 208,973                                  | 3,417,747                               | (3,417,396)    | 209,324                          |

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. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement no. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substances; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Claiborne County and the Claiborne County School Department had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Claiborne County and the School Department may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosures of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investments tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Claiborne County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e. effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Note IV.C., Derivative Instruments, describes derivative transactions of Claiborne County as of and for the year ended June 30, 2010.

**C. Subsequent Events**

On August 18, 2010, Mayor-elect Jack Daniels was appointed to fill the vacancy created by the death of Mayor Joe Tyler Duncan.

On September 7, 2010, the Claiborne County Board of Education terminated Eddie Shoffner's contract as the director of schools. Connie Holdway was appointed as interim director of schools.

**D. Contingent Liabilities**

In the prior year, it was reported that Claiborne County was contingently liable for Hospital Revenue and Tax Bonds, Series 1997, and two interest-free Rural Economic Development loans for the Claiborne County Hospital and Nursing. During the current year, Claiborne County refunded these Hospital and Nursing Home debts with general obligation debt, which is reflected as liabilities of the county.

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. In addition, during the prior-year management obtained a construction contract totaling \$255,400 for other ADA improvements, including the renovation of the courthouse by the addition of an elevator. Management believes that the above projects bring the county into compliance with the ADA requirements.

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 and reflected as Contracts Payable and Retainage Payable on the financial statements of the General Fund. All parties are continuing to negotiate at this time, and a court date has not been set as of the date of this report.

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**

Claiborne County has an active permit on file with the state Department of Environment and Conservation for a sanitary landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Claiborne County closed its sanitary landfill in 1998. The \$1,308,341 reported as postclosure care liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. Actual costs 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, 2010, and does not have any equity interest in the joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

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

**G. Jointly Governed Organizations**

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

**H. Retirement Commitments**

**Plan Description**

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

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

**Funding Policy**

Claiborne County requires employees to contribute five percent of their earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2010, was 4.65 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

**Annual Pension Cost**

For the year ended June 30, 2010, Claiborne County’s annual pension cost of \$1,027,818 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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, 2007, was six years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

**Trend Information**

| Fiscal Year Ended | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|-------------------|---------------------------|-------------------------------|------------------------|
| 6-30-10           | \$1,027,818               | 100%                          | \$0                    |
| 6-30-09           | 1,043,556                 | 100                           | 0                      |
| 6-30-08           | 1,062,225                 | 100                           | 0                      |

## **Funded Status and Funding Progress**

As of July 1, 2009, the most recent actuarial valuation date, the plan was 83.78 percent funded. The actuarial accrued liability for benefits was \$39.41 million, and the actuarial value of assets was \$33.02 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$6.39 million. The covered payroll (annual payroll of active employees covered by the plan) was \$20.03 million, and the ratio of the UAAL to the covered payroll was 31.91 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial 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.

## **SCHOOL TEACHERS**

### **Plan Description**

The Claiborne County School Department contributes to the State Employees, Teachers, and Higher Education Employees Pension Plan (SETHEEPP), a cost-sharing multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits to plan members and their beneficiaries. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members who are at least 55 years of age or have 25 years of service. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the plan on or after July 1, 1979, are vested after five years of service. Members joining prior to July 1, 1979, are vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Cost of living adjustments (COLA) are 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.tn.gov/treasury/tcrs/Schools](http://www.tn.gov/treasury/tcrs/Schools).

### **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 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, 2010, 2009, and 2008, were \$1,193,058, \$1,208,863, and \$1,191,441, respectively, equal to the required contributions for each year.

## **I. Other Postemployment Benefits (OPEB)**

### **Discretely Presented Claiborne County School Department**

#### **Plan Description**

The Claiborne County School Department participates in a self-insured postemployment benefits plan. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by the Board of Education.

#### **Funding Policy**

The premium requirements of plan members are established and may be amended through contract provisions by the Board of Education. The plan is self-insured and financed on a pay-as-you-go basis. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The School Department develops its own contribution policy in terms of subsidizing active employees or retired employees' premiums. 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 service for those with a minimum of 20 years of service but less than 30.

| <u>Annual OPEB Cost and Net OPEB Obligation</u> | <u>Education<br/>Plan</u>   |
|---|-----------------------------|
| ARC   | \$ 566,849                  |
| Interest on the NPO                             | 1,696                       |
| Adjustment to the ARC                           | (4,369)                     |
| Annual OPEB cost                                | <u>\$ 564,176</u>           |
| Amount of contribution                          | <u>(547,718)</u>            |
| Increase/decrease in NPO                        | \$ 16,458                   |
| Net OPEB obligation, 7-1-09                     | <u>56,525</u>               |
| <br>Net OPEB obligation, 6-30-10                | <br><u><u>\$ 72,983</u></u> |

| Fiscal<br>Year<br>Ended* | Plan      | Annual<br>OPEB<br>Cost | Percentage<br>of Annual<br>OPEB Cost<br>Contributed | Net OPEB<br>Obligation<br>at Year End |
|--------------------------|-----------|------------------------|---|---------------------------------------|
| 6-30-09                  | Education | \$ 604,243             | 91 %  | \$ 56,525                             |
| 6-30-10                  | "         | 564,176                | 97  | 72,983                                |

\*Data only available for two years.

| <u>Funded Status and Funding Progress</u>   | <u>Education<br/>Plan</u> |
|---|---------------------------|
| Actuarial valuation date                    | 7-1-08                    |
| Actuarial accrued liability (AAL)           | \$ 6,784,208              |
| Actuarial value of plan assets              | \$ 0                      |
| Unfunded actuarial accrued liability (UAAL) | \$ 6,784,208              |
| Actuarial value of assets as a % of the AAL | 0%                        |
| Covered payroll (active plan members)       | \$ 16,813,816             |
| UAAL as a % of covered payroll              | 40%                       |

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a three percent discount rate and an annual healthcare cost trend rate of ten percent initially, reduced by decrements to an ultimate rate of five percent after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis over a 16-year period beginning with June 30, 2009.

#### **J. Office of Central Accounting, Budgeting, and Purchasing**

On August 17, 2009, Claiborne County adopted the County Financial Management System of 1981, which provides for a central system of accounting, budgeting, and purchasing administered by a director of finance under oversight by the County Financial Management Committee, which is composed of the county major, road superintendent, director of schools, and four county commissioners.

#### **K. Purchasing Law**

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Claiborne County. All purchase orders are issued by the Finance Department. Purchases exceeding \$10,000 are required to be competitively bid.

---

---

**REQUIRED SUPPLEMENTARY  
INFORMATION**

---

---

Exhibit E-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, 2010

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2009 | Add:<br>Encumbrances<br>6/30/2010 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|                                       |                           |                                   |                                   |   | Original         | Final        |  |
| <u>Revenues</u>                       |                           |                                   |                                   |   |                  |              |  |
| Local Taxes                           | \$ 5,474,686              | \$ 0                              | \$ 0                              | \$ 5,474,686  | \$ 5,235,050     | \$ 5,235,050 | \$ 239,636   |
| Licenses and Permits                  | 11,248                    | 0                                 | 0                                 | 11,248  | 14,300           | 14,300       | (3,052)  |
| Fines, Forfeitures, and Penalties     | 165,842                   | 0                                 | 0                                 | 165,842   | 114,400          | 118,696      | 47,146   |
| Charges for Current Services          | 69,618                    | 0                                 | 0                                 | 69,618  | 37,900           | 39,400       | 30,218   |
| Other Local Revenues                  | 279,150                   | 0                                 | 0                                 | 279,150   | 224,159          | 226,090      | 53,060   |
| Fees Received from County Officials   | 727,326                   | 0                                 | 0                                 | 727,326   | 1,123,300        | 763,300      | (35,974)   |
| State of Tennessee                    | 1,728,505                 | 0                                 | 0                                 | 1,728,505   | 1,677,717        | 2,100,238    | (371,733)  |
| Federal Government                    | 313,228                   | 0                                 | 0                                 | 313,228   | 140,000          | 178,828      | 134,400  |
| Other Governments and Citizens Groups | 3,273                     | 0                                 | 0                                 | 3,273   | 5,000            | 5,000        | (1,727)  |
| Total Revenues                        | \$ 8,772,876              | \$ 0                              | \$ 0                              | \$ 8,772,876  | \$ 8,571,826     | \$ 8,680,902 | \$ 91,974  |

|                              |           |         |      |           |           |           |          |
|------------------------------|-----------|---------|------|-----------|-----------|-----------|----------|
| <u>Expenditures</u>          |           |         |      |           |           |           |          |
| <u>General Government</u>    |           |         |      |           |           |           |          |
| County Commission            | \$ 83,510 | \$ 0    | \$ 0 | \$ 83,510 | \$ 79,820 | \$ 87,876 | \$ 4,366 |
| Board of Equalization        | 4,423     | 0       | 0    | 4,423     | 5,200     | 5,200     | 777      |
| Beer Board                   | 300       | 0       | 0    | 300       | 1,200     | 1,200     | 900      |
| Budget and Finance Committee | 13,568    | 0       | 0    | 13,568    | 11,015    | 13,680    | 112      |
| County Mayor/Executive       | 199,157   | (56)    | 0    | 199,101   | 195,748   | 211,513   | 12,412   |
| County Attorney              | 42,505    | 0       | 0    | 42,505    | 49,507    | 49,547    | 7,042    |
| Election Commission          | 138,786   | (1,300) | 820  | 138,306   | 155,955   | 157,765   | 19,459   |
| Register of Deeds            | 48,500    | 0       | 0    | 48,500    | 171,318   | 60,869    | 12,369   |
| Development                  | 13,639    | 0       | 0    | 13,639    | 14,000    | 14,000    | 361      |
| County Buildings             | 243,444   | (5,082) | 0    | 238,362   | 249,079   | 292,589   | 54,227   |
| Preservation of Records      | 12,282    | 0       | 0    | 12,282    | 5,000     | 13,545    | 1,263    |

(Continued)

Exhibit E-1

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2009 | Add:<br>Encumbrances<br>6/30/2010 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |           | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|-----------|--|
|  |                           |                                   |                                   |   | Original         | Final     |  |
| <u>Finance</u>                                 |                           |                                   |                                   |   |                  |           |  |
| Accounting and Budgeting                       | \$ 56,084                 | \$ 0                              | \$ 0                              | \$ 56,084   | \$ 56,195        | \$ 56,460 | \$ 376   |
| Property Assessor's Office                     | 190,935                   | (7)                               | 859                               | 191,787   | 193,435          | 194,255   | 2,468  |
| Reappraisal Program                            | 73,850                    | 0                                 | 985                               | 74,835  | 75,198           | 75,848    | 1,013  |
| County Trustee's Office                        | 65,282                    | 0                                 | 0                                 | 65,282  | 218,044          | 68,862    | 3,580  |
| County Clerk's Office                          | 75,333                    | (261)                             | 0                                 | 75,072  | 308,819          | 81,179    | 6,107  |
| <u>Administration of Justice</u>               |                           |                                   |                                   |   |                  |           |  |
| Circuit Court                                  | 263,335                   | (2,425)                           | 350                               | 261,260   | 294,655          | 297,605   | 36,345   |
| General Sessions Court                         | 140,400                   | 0                                 | 0                                 | 140,400   | 141,294          | 141,584   | 1,184  |
| Chancery Court                                 | 216,144                   | (45)                              | 0                                 | 216,099   | 218,915          | 224,861   | 8,762  |
| District Attorney General                      | 26,048                    | 0                                 | 0                                 | 26,048  | 39,278           | 39,498    | 13,450   |
| Office of Public Defender                      | 29,460                    | 0                                 | 0                                 | 29,460  | 29,460           | 29,460    | 0  |
| <u>Public Safety</u>                           |                           |                                   |                                   |   |                  |           |  |
| Sheriff's Department                           | 1,848,983                 | (1,728)                           | 600                               | 1,847,855   | 2,037,530        | 2,080,388 | 232,533  |
| Administration of the Sexual Offender Registry | 2,400                     | 0                                 | 0                                 | 2,400   | 1,000            | 2,350     | (50)   |
| Workhouse                                      | 2,241,903                 | 0                                 | 1,184                             | 2,243,087   | 2,346,709        | 2,403,615 | 160,528  |
| Juvenile Services                              | 47,259                    | 0                                 | 0                                 | 47,259  | 58,405           | 58,675    | 11,416   |
| Fire Prevention and Control                    | 96,479                    | 0                                 | 0                                 | 96,479  | 112,000          | 112,000   | 15,521   |
| Civil Defense                                  | 88,961                    | (1)                               | 10,878                            | 99,838  | 174,077          | 174,152   | 74,314   |
| Rescue Squad                                   | 15,000                    | 0                                 | 0                                 | 15,000  | 15,000           | 15,000    | 0  |
| Other Emergency Management                     | 15,227                    | 0                                 | 0                                 | 15,227  | 15,227           | 15,227    | 0  |
| County Coroner/Medical Examiner                | 37,600                    | 0                                 | 0                                 | 37,600  | 25,000           | 37,400    | (200)  |
| <u>Public Health and Welfare</u>               |                           |                                   |                                   |   |                  |           |  |
| Local Health Center                            | 120,707                   | (1,711)                           | 1,134                             | 120,130   | 132,177          | 132,777   | 12,647   |
| Rabies and Animal Control                      | 10,000                    | 0                                 | 0                                 | 10,000  | 10,000           | 10,000    | 0  |

(Continued)

Exhibit E-1

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

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2009 | Add:<br>Encumbrances<br>6/30/2010 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts    |                     | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|---------------------|---------------------|--|
|  |                           |                                   |                                   |   | Original            | Final               |  |
| <u>Expenditures (Cont.)</u>                        |                           |                                   |                                   |   |                     |                     |  |
| <u>Public Health and Welfare (Cont.)</u>           |                           |                                   |                                   |   |                     |                     |  |
| Ambulance/Emergency Medical Services               | \$ 260,000                | \$ 0                              | \$ 0                              | \$ 260,000  | \$ 260,000          | \$ 260,000          | \$ 0   |
| Other Local Health Services                        | 177,210                   | 0                                 | 9,246                             | 186,456   | 206,629             | 294,200             | 107,744  |
| Sanitation Education/Information                   | 41,189                    | (490)                             | 3,360                             | 44,059  | 44,140              | 44,815              | 756  |
| <u>Social, Cultural, and Recreational Services</u> |                           |                                   |                                   |   |                     |                     |  |
| Adult Activities                                   | 5,000                     | 0                                 | 0                                 | 5,000   | 5,000               | 5,000               | 0  |
| Senior Citizens Assistance                         | 44,070                    | (70)                              | 0                                 | 44,000  | 46,365              | 46,365              | 2,365  |
| Libraries  | 89,465                    | 0                                 | 0                                 | 89,465  | 91,116              | 91,266              | 1,801  |
| <u>Agriculture and Natural Resources</u>           |                           |                                   |                                   |   |                     |                     |  |
| Agriculture Extension Service                      | 87,953                    | (81)                              | 0                                 | 87,872  | 93,222              | 93,222              | 5,350  |
| Forest Service                                     | 2,000                     | 0                                 | 0                                 | 2,000   | 2,000               | 2,000               | 0  |
| Soil Conservation                                  | 38,399                    | 0                                 | 0                                 | 38,399  | 38,670              | 39,070              | 671  |
| <u>Other Operations</u>                            |                           |                                   |                                   |   |                     |                     |  |
| Industrial Development                             | 12,800                    | 0                                 | 0                                 | 12,800  | 12,800              | 12,800              | 0  |
| Housing and Urban Development                      | 172,246                   | 0                                 | 0                                 | 172,246   | 0                   | 326,000             | 153,754  |
| Other Economic and Community Development           | 42,942                    | (3)                               | 0                                 | 42,939  | 42,708              | 43,007              | 68   |
| Veterans' Services                                 | 10,563                    | 0                                 | 0                                 | 10,563  | 11,933              | 11,993              | 1,430  |
| Other Charges                                      | 623,242                   | 0                                 | 0                                 | 623,242   | 745,007             | 766,525             | 143,283  |
| Employee Benefits                                  | 39,780                    | 0                                 | 0                                 | 39,780  | 265,000             | 42,005              | 2,225  |
| ARRA Grant # 1                                     | 38,829                    | 0                                 | 0                                 | 38,829  | 0                   | 38,829              | 0  |
| ARRA Grant # 2                                     | 3,950                     | 0                                 | 0                                 | 3,950   | 0                   | 3,950               | 0  |
| Miscellaneous                                      | 35,100                    | 0                                 | 0                                 | 35,100  | 40,000              | 40,000              | 4,900  |
| <b>Total Expenditures</b>                          | <b>\$ 8,186,242</b>       | <b>\$ (13,260)</b>                | <b>\$ 29,416</b>                  | <b>\$ 8,202,398</b>   | <b>\$ 9,344,850</b> | <b>\$ 9,320,027</b> | <b>\$ 1,117,629</b>  |
| <u>Excess (Deficiency) of Revenues</u>             |                           |                                   |                                   |   |                     |                     |  |
| <b>Over Expenditures</b>                           | <b>\$ 586,634</b>         | <b>\$ 13,260</b>                  | <b>\$ (29,416)</b>                | <b>\$ 570,478</b>   | <b>\$ (773,024)</b> | <b>\$ (639,125)</b> | <b>\$ 1,209,603</b>  |

(Continued)

Exhibit E-1

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

|                                       | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2009 | Add:<br>Encumbrances<br>6/30/2010 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |                | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|---------------------------------------|---------------------------|-----------------------------------|-----------------------------------|---|------------------|----------------|--|
|                                       |                           |                                   |                                   |   | Original         | Final          |  |
| <u>Other Financing Sources (Uses)</u> |                           |                                   |                                   |   |                  |                |  |
| Insurance Recovery                    | \$ 30,563                 | \$ 0                              | \$ 0                              | \$ 30,563   | \$ 23,350        | \$ 70,115      | \$ (39,552)  |
| Transfers In                          | 0                         | 0                                 | 0                                 | 0   | 913              | 0              | 0  |
| Transfers Out                         | (590,000)                 | 0                                 | 0                                 | (590,000)   | (500,000)        | (677,637)      | 87,637   |
| Total Other Financing Sources (Uses)  | \$ (559,437)              | \$ 0                              | \$ 0                              | \$ (559,437)  | \$ (475,737)     | \$ (607,522)   | \$ 48,085  |
| Net Change in Fund Balance            | \$ 27,197                 | \$ 13,260                         | \$ (29,416)                       | \$ 11,041   | \$ (1,248,761)   | \$ (1,246,647) | \$ 1,257,688   |
| Fund Balance, July 1, 2009            | 4,298,635                 | (13,260)                          | 0                                 | 4,285,375   | 2,737,177        | 2,737,177      | 1,548,198  |
| Fund Balance, June 30, 2010           | \$ 4,325,832              | \$ 0                              | \$ (29,416)                       | \$ 4,296,416  | \$ 1,488,416     | \$ 1,490,530   | \$ 2,805,886   |

Exhibit E-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, 2010

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2009 | Add:<br>Encumbrances<br>6/30/2010 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |                                   |   | Original         | Final        |  |
| <u>Revenues</u>  |                           |                                   |                                   |   |                  |              |  |
| Local Taxes  | \$ 971,805                | \$ 0                              | \$ 0                              | \$ 971,805  | \$ 928,850       | \$ 928,850   | \$ 42,955  |
| Charges for Current Services                             | 278,723                   | 0                                 | 0                                 | 278,723   | 300,000          | 300,000      | (21,277)   |
| Other Local Revenues                                     | 42,373                    | 0                                 | 0                                 | 42,373  | 25,000           | 25,000       | 17,373   |
| State of Tennessee                                       | 105,705                   | 0                                 | 0                                 | 105,705   | 0                | 116,000      | (10,295)   |
| Total Revenues   | \$ 1,398,606              | \$ 0                              | \$ 0                              | \$ 1,398,606  | \$ 1,253,850     | \$ 1,369,850 | \$ 28,756  |
| <u>Expenditures</u>                                      |                           |                                   |                                   |   |                  |              |  |
| <u>Public Health and Welfare</u>                         |                           |                                   |                                   |   |                  |              |  |
| Waste Pickup   | \$ 1,305,910              | (11,924)                          | \$ 92,122                         | \$ 1,386,108  | \$ 1,420,138     | \$ 1,476,242 | \$ 90,134  |
| Principal on Debt  | 25,000                    | 0                                 | 0                                 | 25,000  | 0                | 25,000       | 0  |
| General Government                                       | \$ 1,330,910              | (11,924)                          | \$ 92,122                         | \$ 1,411,108  | \$ 1,420,138     | \$ 1,501,242 | \$ 90,134  |
| Total Expenditures                                       | \$ 67,696                 | \$ 11,924                         | \$ (92,122)                       | \$ (12,502)   | \$ (166,288)     | \$ (131,392) | \$ 118,890   |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ 0                      | \$ 0                              | \$ 0                              | \$ 0  | \$ 0             | \$ 87,637    | \$ (87,637)  |
| <u>Other Financing Sources (Uses)</u>                    |                           |                                   |                                   |   |                  |              |  |
| Transfers In   | (68,896)                  | 0                                 | 0                                 | (68,896)  | 0                | (68,896)     | 0  |
| Transfers Out  | (68,896)                  | 0                                 | 0                                 | (68,896)  | 0                | 18,741       | (87,637)   |
| Total Other Financing Sources (Uses)                     | \$ (1,200)                | \$ 11,924                         | \$ (92,122)                       | \$ (81,398)   | \$ (166,288)     | \$ (112,651) | \$ 31,253  |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2009 | 439,621                   | (11,924)                          | 0                                 | 427,697   | 379,961          | 379,961      | 47,736   |
| Fund Balance, June 30, 2010                              | \$ 438,421                | \$ 0                              | \$ (92,122)                       | \$ 346,299  | \$ 213,673       | \$ 267,310   | \$ 78,989  |

## Exhibit E-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, 2010

|  | Actual              | Budgeted Amounts    |                     | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------|---------------------|---------------------|--|
|  |                     | Original            | Final               |  |
| <u>Revenues</u>                                      |                     |                     |                     |  |
| Local Taxes  | \$ 311,344          | \$ 347,010          | \$ 347,010          | \$ (35,666)  |
| Other Local Revenues                                 | 1,958               | 3,200               | 3,200               | (1,242)  |
| State of Tennessee                                   | 1,880,153           | 1,955,500           | 1,955,500           | (75,347)   |
| Total Revenues                                       | <u>\$ 2,193,455</u> | <u>\$ 2,305,710</u> | <u>\$ 2,305,710</u> | <u>\$ (112,255)</u>  |
| <u>Expenditures</u>                                  |                     |                     |                     |  |
| <u>Highways</u>                                      |                     |                     |                     |  |
| Administration                                       | \$ 155,763          | \$ 131,980          | \$ 165,809          | \$ 10,046  |
| Highway and Bridge Maintenance                       | 887,915             | 652,000             | 914,095             | 26,180   |
| Operation and Maintenance of Equipment               | 208,387             | 237,200             | 225,600             | 17,213   |
| Other Charges  | 112,674             | 112,600             | 112,600             | (74)   |
| Employee Benefits                                    | 48,799              | 164,300             | 48,799              | 0  |
| Capital Outlay                                       | 180,000             | 214,000             | 183,500             | 3,500  |
| Total Expenditures                                   | <u>\$ 1,593,538</u> | <u>\$ 1,512,080</u> | <u>\$ 1,650,403</u> | <u>\$ 56,865</u>   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 599,917</u>   | <u>\$ 793,630</u>   | <u>\$ 655,307</u>   | <u>\$ (55,390)</u>   |
| <u>Other Financing Sources (Uses)</u>                |                     |                     |                     |  |
| Transfers Out  | \$ (619,754)        | \$ (790,000)        | \$ (635,002)        | \$ 15,248  |
| Total Other Financing Sources (Uses)                 | <u>\$ (619,754)</u> | <u>\$ (790,000)</u> | <u>\$ (635,002)</u> | <u>\$ 15,248</u>   |
| Net Change in Fund Balance                           | \$ (19,837)         | \$ 3,630            | \$ 20,305           | \$ (40,142)  |
| Fund Balance, July 1, 2009                           | 148,771             | 427,555             | 427,555             | (278,784)  |
| Fund Balance, June 30, 2010                          | <u>\$ 128,934</u>   | <u>\$ 431,185</u>   | <u>\$ 447,860</u>   | <u>\$ (318,926)</u>  |

Exhibit E-4

Claiborne County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Claiborne County School Department  
June 30, 2010

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Plan<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(UAAL)<br>(b)-(a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|--------------------------------|--|--|--------------------------------------|--------------------------|---------------------------|---|
| 7-1-09                         | \$ 33,022                                      | \$ 39,415  | \$ 6,393                             | 83.78 %                  | \$ 20,032                 | 31.91 %   |
| 7-1-07                         | 30,865   | 34,320   | 3,455                                | 89.93                    | 16,933                    | 20.4  |

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 went into effect during the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-5

Claiborne County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Discretely Presented Claiborne County School Department  
June 30, 2010

(Dollar amounts in thousands)

| Plan                | Actuarial<br>Valuation<br>Date* | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial<br>Accrued<br>Liability<br>(AAL)<br>(b) | Unfunded<br>AAL<br>(UAAAL)<br>(b)-(a) | Funded<br>Ratio<br>(a/b) | Covered<br>Payroll<br>(c) | UAAAL as a<br>Percentage<br>of Covered<br>Payroll<br>((b-a)/c) |
|---------------------|---------------------------------|--|---|---------------------------------------|--------------------------|---------------------------|--|
| Self-Insured Health | 7-1-08                          | \$ 0                                   | \$ 6,784  | \$ 6,784                              | 0%                       | \$ 16,854                 | 40%  |

\* Data for three actuarial valuations will be presented when available.

**CLAIBORNE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

**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 County Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, 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.

---

---

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

---

---

# Nonmajor Governmental Funds

## Special Revenue Funds

---

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

---

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

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

## Capital Projects Funds

---

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

---

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

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

Exhibit F-1

Claiborne County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

|                                       | <u>Special Revenue Funds</u> |                                |                          | Total      | <u>Capital Projects Fund</u> |                             | Total Nonmajor Governmental Funds |
|---------------------------------------|------------------------------|--------------------------------|--------------------------|------------|------------------------------|-----------------------------|-----------------------------------|
|                                       | Drug Control                 | Constitutional Officers - Fees | Highway Capital Projects |            | Capital Projects             | Nonmajor Governmental Funds |                                   |
| Cash                                  | \$ 0                         | \$ 99,261                      | \$ 0                     | \$ 99,261  | \$ 0                         | \$ 0                        | \$ 99,261                         |
| Equity in Pooled Cash and Investments | 120,880                      | 0                              | 68,042                   | 120,880    | 68,042                       |                             | 188,922                           |
| Total Assets                          | \$ 120,880                   | \$ 99,261                      | \$ 68,042                | \$ 220,141 | \$ 68,042                    | \$                          | \$ 288,183                        |
| <u>FUND BALANCES</u>                  |                              |                                |                          |            |                              |                             |                                   |
| Reserved for Encumbrances             | \$ 500                       | \$ 0                           | \$ 0                     | \$ 500     | \$ 0                         | \$ 0                        | \$ 500                            |
| Unreserved                            | 120,380                      | 99,261                         | 68,042                   | 219,641    | 68,042                       |                             | 287,683                           |
| Total Fund Balances                   | \$ 120,880                   | \$ 99,261                      | \$ 68,042                | \$ 220,141 | \$ 68,042                    | \$                          | \$ 288,183                        |

Exhibit F-2

Claiborne County, Tennessee  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2010

|  | Special Revenue Funds |   |            | Capital Projects Funds                          |                                |             | Total<br>Nonmajor<br>Governmental<br>Funds |
|--|-----------------------|---|------------|---|--------------------------------|-------------|--|
|  | Drug<br>Control       | Constituti-<br>onal<br>Officers -<br>Fees | Total      | Community<br>Development/<br>Industrial<br>Park | Highway<br>Capital<br>Projects | Total       |  |
| <u>Revenues</u>                                      |                       |   |            |   |                                |             |  |
| Local Taxes  | \$ 0                  | \$ 14,498                                 | \$ 14,498  | \$ 28,110                                       | \$ 0                           | \$ 28,110   | \$ 42,608                                  |
| Fines, Forfeitures, and Penalties                    | 69,970                | 0   | 69,970     | 0   | 0                              | 0           | 69,970                                     |
| Charges for Current Services                         | 0                     | 503,073                                   | 503,073    | 0   | 0                              | 0           | 503,073                                    |
| State of Tennessee                                   | 0                     | 0   | 0          | 125,864   | 0                              | 125,864     | 125,864                                    |
| Total Revenues                                       | \$ 69,970             | \$ 517,571                                | \$ 587,541 | \$ 153,974                                      | \$ 0                           | \$ 153,974  | \$ 741,515                                 |
| <u>Expenditures</u>                                  |                       |   |            |   |                                |             |  |
| Current:   |                       |   |            |   |                                |             |  |
| General Government                                   | \$ 0                  | \$ 111,182                                | \$ 111,182 | \$ 0  | \$ 0                           | \$ 0        | \$ 111,182                                 |
| Finance  | 0                     | 359,781                                   | 359,781    | 0   | 0                              | 0           | 359,781                                    |
| Administration of Justice                            | 0                     | 36,894                                    | 36,894     | 0   | 0                              | 0           | 36,894                                     |
| Public Safety  | 83,663                | 0   | 83,663     | 0   | 0                              | 0           | 83,663                                     |
| Other Operations                                     | 0                     | 0   | 0          | 28,110  | 0                              | 28,110      | 28,110                                     |
| Capital Projects                                     | 0                     | 0   | 0          | 125,864   | 91,438                         | 217,302     | 217,302                                    |
| Total Expenditures                                   | \$ 83,663             | \$ 507,857                                | \$ 591,520 | \$ 153,974                                      | \$ 91,438                      | \$ 245,412  | \$ 836,932                                 |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (13,693)           | \$ 9,714                                  | \$ (3,979) | \$ 0  | \$ (91,438)                    | \$ (91,438) | \$ (95,417)                                |
| <u>Other Financing Sources (Uses)</u>                |                       |   |            |   |                                |             |  |
| Other Loans Issued                                   | \$ 0                  | \$ 0                                      | \$ 0       | \$ 0  | \$ 66,889                      | \$ 66,889   | \$ 66,889                                  |
| Transfers In   | 0                     | 0   | 0          | 0   | 90,000                         | 90,000      | 90,000                                     |
| Total Other Financing Sources (Uses)                 | \$ 0                  | \$ 0                                      | \$ 0       | \$ 0  | \$ 156,889                     | \$ 156,889  | \$ 156,889                                 |
| Net Change in Fund Balances                          | \$ (13,693)           | \$ 9,714                                  | \$ (3,979) | \$ 0  | \$ 65,451                      | \$ 65,451   | \$ 61,472                                  |
| Fund Balance, July 1, 2009                           | 134,573               | 89,547                                    | 224,120    | 0   | 2,591                          | 2,591       | 226,711                                    |
| Fund Balance, June 30, 2010                          | \$ 120,880            | \$ 99,261                                 | \$ 220,141 | \$ 0  | \$ 68,042                      | \$ 68,042   | \$ 288,183                                 |

Exhibit F-3

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Drug Control Fund  
For the Year Ended June 30, 2010

|  | Actual<br>(GAAP<br>Basis) | Less:<br>Encumbrances<br>7/1/2009 | Add:<br>Encumbrances<br>6/30/2010 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |             | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|-----------------------------------|---|------------------|-------------|--|
|  |                           |                                   |                                   |   | Original         | Final       |  |
| <u>Revenues</u>  |                           |                                   |                                   |   |                  |             |  |
| Fines, Forfeitures, and Penalties                        | \$ 69,970 \$              | 0 \$                              | 0 \$                              | 69,970 \$   | 53,000 \$        | 53,000 \$   | 16,970   |
| Total Revenues   | \$ 69,970 \$              | 0 \$                              | 0 \$                              | 69,970 \$   | 53,000 \$        | 53,000 \$   | 16,970   |
| <u>Expenditures</u>                                      |                           |                                   |                                   |   |                  |             |  |
| <u>Public Safety</u>                                     |                           |                                   |                                   |   |                  |             |  |
| Drug Enforcement   | \$ 83,663 \$              | (3,137) \$                        | 500 \$                            | 81,026 \$   | 90,100 \$        | 90,100 \$   | 9,074  |
| Total Expenditures                                       | \$ 83,663 \$              | (3,137) \$                        | 500 \$                            | 81,026 \$   | 90,100 \$        | 90,100 \$   | 9,074  |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ (13,693) \$            | 3,137 \$                          | (500) \$                          | (11,056) \$   | (37,100) \$      | (37,100) \$ | 26,044   |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2009 | \$ (13,693) \$            | 3,137 \$                          | (500) \$                          | (11,056) \$   | (37,100) \$      | (37,100) \$ | 26,044   |
|  | 134,573                   | (3,137)                           | 0                                 | 131,436   | 63,250           | 63,250      | 68,186   |
| Fund Balance, June 30, 2010                              | \$ 120,880 \$             | 0 \$                              | (500) \$                          | 120,380 \$  | 26,150 \$        | 26,150 \$   | 94,230   |

# **Major Governmental Fund**

## **General Debt Service Fund**

---

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

---

Exhibit G

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, 2010

|  | Actual                | Budgeted Amounts    |                       | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|-----------------------|---------------------|-----------------------|--|
|  |                       | Original            | Final                 |  |
| <u>Revenues</u>                                      |                       |                     |                       |  |
| Local Taxes  | \$ 1,036,165          | \$ 1,018,225        | \$ 1,018,225          | \$ 17,940  |
| Other Local Revenues                                 | 1,413,322             | 252,786             | 1,376,812             | 36,510   |
| State of Tennessee                                   | 21,183                | 10,000              | 10,000                | 11,183   |
| Total Revenues                                       | <u>\$ 2,470,670</u>   | <u>\$ 1,281,011</u> | <u>\$ 2,405,037</u>   | <u>\$ 65,633</u>   |
| <u>Expenditures</u>                                  |                       |                     |                       |  |
| <u>Public Health and Welfare</u>                     |                       |                     |                       |  |
| Other Public Health and Welfare                      | \$ 1,665,000          | \$ 0                | \$ 1,665,000          | \$ 0   |
| <u>Other Operations</u>                              |                       |                     |                       |  |
| Other Charges  | 6,204                 | 0                   | 10,000                | 3,796  |
| <u>Principal on Debt</u>                             |                       |                     |                       |  |
| General Government                                   | 1,147,359             | 647,351             | 1,147,351             | (8)  |
| Highways and Streets                                 | 574,773               | 574,773             | 574,773               | 0  |
| Education  | 148,636               | 148,623             | 148,623               | (13)   |
| <u>Interest on Debt</u>                              |                       |                     |                       |  |
| General Government                                   | 424,103               | 452,858             | 452,858               | 28,755   |
| Highways and Streets                                 | 45,454                | 205,920             | 205,920               | 160,466  |
| Education  | 1,138,323             | 14,433              | 1,138,159             | (164)  |
| <u>Other Debt Service</u>                            |                       |                     |                       |  |
| General Government                                   | 491,439               | 25,000              | 501,970               | 10,531   |
| Highways and Streets                                 | 0                     | 14,000              | 14,000                | 14,000   |
| Education  | 300                   | 0                   | 300                   | 0  |
| Total Expenditures                                   | <u>\$ 5,641,591</u>   | <u>\$ 2,082,958</u> | <u>\$ 5,858,954</u>   | <u>\$ 217,363</u>  |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ (3,170,921)</u> | <u>\$ (801,947)</u> | <u>\$ (3,453,917)</u> | <u>\$ 282,996</u>  |
| <u>Other Financing Sources (Uses)</u>                |                       |                     |                       |  |
| Bonds Issued   | \$ 985,000            | \$ 0                | \$ 985,000            | \$ 0   |
| Refunding Debt Issued                                | 42,135,000            | 0                   | 42,135,000            | 0  |
| Premiums on Debt Issued                              | 1,110,128             | 0                   | 1,110,128             | 0  |
| Transfers In   | 1,188,650             | 1,343,989           | 1,343,989             | (155,339)  |
| Discounts on Debt Issued                             | (30,750)              | 0                   | (30,750)              | 0  |
| Payments to Refunded Debt Escrow Agent               | (42,047,407)          | 0                   | (42,047,407)          | 0  |
| Total Other Financing Sources (Uses)                 | <u>\$ 3,340,621</u>   | <u>\$ 1,343,989</u> | <u>\$ 3,495,960</u>   | <u>\$ (155,339)</u>  |
| Net Change in Fund Balance                           | \$ 169,700            | \$ 542,042          | \$ 42,043             | \$ 127,657   |
| Fund Balance, July 1, 2009                           | <u>780,399</u>        | <u>824,168</u>      | <u>824,168</u>        | <u>(43,769)</u>  |
| Fund Balance, June 30, 2010                          | <u>\$ 950,099</u>     | <u>\$ 1,366,210</u> | <u>\$ 866,211</u>     | <u>\$ 83,888</u>   |

# Fiduciary Funds

---

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

---

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk; circuit, 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.

Exhibit H-1

Claiborne County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

|                                       | <u>Agency Funds</u>      |   |                  |                     |
|---------------------------------------|--------------------------|---|------------------|---------------------|
|                                       | Cities -<br>Sales<br>Tax | Constitu-<br>tional<br>Officers -<br>Agency | Other<br>Agency  | Total               |
| <u>ASSETS</u>                         |                          |   |                  |                     |
| Cash                                  | \$ 0                     | \$ 1,023,959                                | \$ 0             | \$ 1,023,959        |
| Equity in Pooled Cash and Investments | 0                        | 0   | 79,969           | 79,969              |
| Due from Other Governments            | 254,590                  | 0   | 0                | 254,590             |
| Notes Receivable - Current            | 0                        | 0   | 1,000            | 1,000               |
| Notes Receivable - Long-term          | 0                        | 0   | 3,000            | 3,000               |
| Total Assets                          | <u>\$ 254,590</u>        | <u>\$ 1,023,959</u>                         | <u>\$ 83,969</u> | <u>\$ 1,362,518</u> |
| <u>LIABILITIES</u>                    |                          |   |                  |                     |
| Due to Other Taxing Units             | \$ 254,590               | \$ 0  | \$ 0             | \$ 254,590          |
| Due to Litigants, Heirs, and Others   | 0                        | 1,023,959                                   | 0                | 1,023,959           |
| Other Current Liabilities             | 0                        | 0   | 83,969           | 83,969              |
| Total Liabilities                     | <u>\$ 254,590</u>        | <u>\$ 1,023,959</u>                         | <u>\$ 83,969</u> | <u>\$ 1,362,518</u> |

Exhibit H-2

Claiborne County, Tennessee  
Combining Statement of Changes in Assets and  
Liabilities - All Agency Funds  
For the Year Ended June 30, 2010

|  | Beginning<br>Balance | Additions           | Deductions          | Ending<br>Balance   |
|--|----------------------|---------------------|---------------------|---------------------|
| <u>Cities - Sales Tax Fund</u>               |                      |                     |                     |                     |
| <u>Assets</u>                                |                      |                     |                     |                     |
| Equity in Pooled Cash and Investments        | \$ 0                 | \$ 1,571,592        | \$ 1,571,592        | \$ 0                |
| Due from Other Governments                   | 276,288              | 254,590             | 276,288             | 254,590             |
| <b>Total Assets</b>                          | <b>\$ 276,288</b>    | <b>\$ 1,826,182</b> | <b>\$ 1,847,880</b> | <b>\$ 254,590</b>   |
| <u>Liabilities</u>                           |                      |                     |                     |                     |
| Due to Other Taxing Units                    | \$ 276,288           | \$ 1,826,182        | \$ 1,847,880        | \$ 254,590          |
| <b>Total Liabilities</b>                     | <b>\$ 276,288</b>    | <b>\$ 1,826,182</b> | <b>\$ 1,847,880</b> | <b>\$ 254,590</b>   |
| <u>Constitutional Officers - Agency Fund</u> |                      |                     |                     |                     |
| <u>Assets</u>                                |                      |                     |                     |                     |
| Cash   | \$ 1,073,605         | \$ 7,168,057        | \$ 7,217,703        | \$ 1,023,959        |
| <b>Total Assets</b>                          | <b>\$ 1,073,605</b>  | <b>\$ 7,168,057</b> | <b>\$ 7,217,703</b> | <b>\$ 1,023,959</b> |
| <u>Liabilities</u>                           |                      |                     |                     |                     |
| Due to Litigants, Heirs, and Others          | \$ 1,073,605         | \$ 7,168,057        | \$ 7,217,703        | \$ 1,023,959        |
| <b>Total Liabilities</b>                     | <b>\$ 1,073,605</b>  | <b>\$ 7,168,057</b> | <b>\$ 7,217,703</b> | <b>\$ 1,023,959</b> |
| <u>Other Agency Fund</u>                     |                      |                     |                     |                     |
| <u>Assets</u>                                |                      |                     |                     |                     |
| Equity in Pooled Cash and Investments        | \$ 261,342           | \$ 1,205,513        | \$ 1,386,886        | \$ 79,969           |
| Accounts Receivable                          | 3,675                | 0                   | 3,675               | 0                   |
| Notes Receivable - Current                   | 1,000                | 1,000               | 1,000               | 1,000               |
| Notes Receivable - Long-term                 | 4,000                | 3,000               | 4,000               | 3,000               |
| <b>Total Assets</b>                          | <b>\$ 270,017</b>    | <b>\$ 1,209,513</b> | <b>\$ 1,395,561</b> | <b>\$ 83,969</b>    |
| <u>Liabilities</u>                           |                      |                     |                     |                     |
| Other Current Liabilities                    | \$ 270,017           | \$ 1,209,513        | \$ 1,395,561        | \$ 83,969           |
| <b>Total Liabilities</b>                     | <b>\$ 270,017</b>    | <b>\$ 1,209,513</b> | <b>\$ 1,395,561</b> | <b>\$ 83,969</b>    |

(Continued)

## Exhibit H-2

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

|                                       | Beginning<br>Balance | Additions            | Deductions           | Ending<br>Balance   |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------|
| <u>Totals - All Agency Funds</u>      |                      |                      |                      |                     |
| <u>Assets</u>                         |                      |                      |                      |                     |
| Cash                                  | \$ 1,073,605         | \$ 7,168,057         | \$ 7,217,703         | \$ 1,023,959        |
| Equity in Pooled Cash and Investments | 261,342              | 2,777,105            | 2,958,478            | 79,969              |
| Accounts Receivable                   | 3,675                | 0                    | 3,675                | 0                   |
| Due from Other Governments            | 276,288              | 254,590              | 276,288              | 254,590             |
| Notes Receivable - Current            | 1,000                | 1,000                | 1,000                | 1,000               |
| Notes Receivable - Long-term          | 4,000                | 3,000                | 4,000                | 3,000               |
| Total Assets                          | <u>\$ 1,619,910</u>  | <u>\$ 10,203,752</u> | <u>\$ 10,461,144</u> | <u>\$ 1,362,518</u> |
| <u>Liabilities</u>                    |                      |                      |                      |                     |
| Due to Other Taxing Units             | \$ 276,288           | \$ 1,826,182         | \$ 1,847,880         | \$ 254,590          |
| Due to Litigants, Heirs, and Others   | 1,073,605            | 7,168,057            | 7,217,703            | 1,023,959           |
| Other Current Liabilities             | 270,017              | 1,209,513            | 1,395,561            | 83,969              |
| Total Liabilities                     | <u>\$ 1,619,910</u>  | <u>\$ 10,203,752</u> | <u>\$ 10,461,144</u> | <u>\$ 1,362,518</u> |

# Claiborne County School Department

---

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

---

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Employee Insurance Fund – The Employee Insurance Fund is used to account for transactions pertaining to the School Department's self-insured group medical plan.

Exhibit I-1

Claiborne County, Tennessee  
Statement of Activities  
Discretely Presented Claiborne County School Department  
For the Year Ended June 30, 2010

| Functions/Programs  | Program Revenues |                      |                                    | Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|
|   | Expenses         | Charges for Services | Operating Grants and Contributions |                                  |   |
| Governmental Activities:                                      |                  |                      |                                    |                                  |   |
| Instruction   | \$ 23,110,108    | \$ 0                 | \$ 2,938,939                       | \$ 0                             | \$ (20,171,169)   |
| Support Services  | 12,400,788       | 0                    | 0                                  | 4,931,656                        | (7,469,132)   |
| Operation of Non-Instructional Services                       | 4,556,121        | 1,843,078            | 2,792,239                          | 0                                | 79,196  |
| Total Governmental Activities                                 | \$ 40,067,017    | \$ 1,843,078         | \$ 5,731,178                       | \$ 4,931,656                     | \$ (27,561,105)   |
| General Revenues:   |                  |                      |                                    |                                  |   |
| Taxes:  |                  |                      |                                    |                                  |   |
| Property Taxes Levied for General Purposes                    |                  |                      |                                    |                                  | \$ 5,978,876  |
| Local Option Sales Taxes                                      |                  |                      |                                    |                                  | 2,177,998   |
| Coal Severance Tax  |                  |                      |                                    |                                  | 167,783   |
| Grants and Contributions Not Restricted for Specific Programs |                  |                      |                                    |                                  | 26,309,486  |
| Unrestricted Investment Income                                |                  |                      |                                    |                                  | 10,996  |
| Miscellaneous   |                  |                      |                                    |                                  | 174,984   |
| Total General Revenues  |                  |                      |                                    |                                  | \$ 34,820,123   |
| Change in Net Assets  |                  |                      |                                    |                                  | \$ 7,259,018  |
| Net Assets, July 1, 2009                                      |                  |                      |                                    |                                  | 37,931,270  |
| Net Assets, June 30, 2010                                     |                  |                      |                                    |                                  | \$ 45,190,288   |

Exhibit I-2

Claiborne County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Claiborne County School Department  
 June 30, 2010

|   | Major Funds                  |                               |                      |                                  | Total<br>Govern-<br>mental<br>Funds |
|---|------------------------------|-------------------------------|----------------------|----------------------------------|-------------------------------------|
|   | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Education<br>Capital<br>Projects |                                     |
| <u>ASSETS</u>   |                              |                               |                      |                                  |                                     |
| Equity in Pooled Cash and Investments                   | \$ 2,862,496                 | \$ 32,534                     | \$ 931,903           | \$ 4,938,911                     | \$ 8,765,844                        |
| Accounts Receivable                                     | 0                            | 0                             | 918                  | 0                                | 918                                 |
| Due from Other Governments                              | 1,250,767                    | 85,476                        | 0                    | 0                                | 1,336,243                           |
| Property Taxes Receivable                               | 6,905,110                    | 0                             | 0                    | 0                                | 6,905,110                           |
| Allowance for Uncollectible Property Taxes              | (652,742)                    | 0                             | 0                    | 0                                | (652,742)                           |
| <b>Total Assets</b>                                     | <b>\$ 10,365,631</b>         | <b>\$ 118,010</b>             | <b>\$ 932,821</b>    | <b>\$ 4,938,911</b>              | <b>\$ 16,355,373</b>                |
| <u>LIABILITIES AND FUND BALANCES</u>                    |                              |                               |                      |                                  |                                     |
| <u>Liabilities</u>                                      |                              |                               |                      |                                  |                                     |
| Accounts Payable  | \$ 258,976                   | \$ 38,735                     | \$ 37,528            | \$ 0                             | \$ 335,239                          |
| Deferred Revenue - Current Property Taxes               | 6,079,407                    | 0                             | 0                    | 0                                | 6,079,407                           |
| Deferred Revenue - Delinquent Property Taxes            | 155,586                      | 0                             | 0                    | 0                                | 155,586                             |
| Other Deferred Revenues                                 | 180,637                      | 0                             | 0                    | 0                                | 180,637                             |
| <b>Total Liabilities</b>                                | <b>\$ 6,674,606</b>          | <b>\$ 38,735</b>              | <b>\$ 37,528</b>     | <b>\$ 0</b>                      | <b>\$ 6,750,869</b>                 |
| <u>Fund Balances</u>                                    |                              |                               |                      |                                  |                                     |
| Reserved for Encumbrances                               | \$ 0                         | \$ 0                          | \$ 164,110           | \$ 5,716,977                     | \$ 5,881,087                        |
| Reserved for Career Ladder Program                      | 2,713                        | 0                             | 0                    | 0                                | 2,713                               |
| Reserved for Basic Education Program                    | 13,615                       | 0                             | 0                    | 0                                | 13,615                              |
| Reserved for Title I Grants to Local Education Agencies | 0                            | 34,038                        | 0                    | 0                                | 34,038                              |
| Reserved for Special Education - Grants to States       | 0                            | 11,864                        | 0                    | 0                                | 11,864                              |
| Other Federal Reserves                                  | 0                            | 33,373                        | 0                    | 0                                | 33,373                              |
| Unreserved, Reported In:                                |                              |                               |                      |                                  |                                     |
| General Fund  | 3,674,697                    | 0                             | 0                    | 0                                | 3,674,697                           |
| Special Revenue Funds                                   | 0                            | 0                             | 731,183              | 0                                | 731,183                             |
| Capital Projects Funds (Deficit)                        | 0                            | 0                             | 0                    | (778,066)                        | (778,066)                           |
| <b>Total Fund Balances</b>                              | <b>\$ 3,691,025</b>          | <b>\$ 79,275</b>              | <b>\$ 895,293</b>    | <b>\$ 4,938,911</b>              | <b>\$ 9,604,504</b>                 |
| <b>Total Liabilities and Fund Balances</b>              | <b>\$ 10,365,631</b>         | <b>\$ 118,010</b>             | <b>\$ 932,821</b>    | <b>\$ 4,938,911</b>              | <b>\$ 16,355,373</b>                |

Exhibit I-3

Claiborne County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Claiborne County School Department  
June 30, 2010

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

|   |                  |                      |
|---|------------------|----------------------|
| Total fund balances - balance sheet - governmental funds (Exhibit I-2)  |                  | \$ 9,604,504         |
| (1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.  |                  |                      |
| Add: land   | \$ 1,170,900     |                      |
| Add: buildings and improvements net of accumulated depreciation   | 33,275,774       |                      |
| Add: other capital assets net of accumulated depreciation   | <u>1,228,605</u> | 35,675,279           |
| (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. |                  | 293,371              |
| (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   | \$ (646,106)     |                      |
| Less: other postemployment benefits liability   | <u>(72,983)</u>  | (719,089)            |
| (4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.   |                  | <u>336,223</u>       |
| Net assets of governmental activities (Exhibit A)   |                  | <u>\$ 45,190,288</u> |

Exhibit I-4

Claiborne County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Claiborne County School Department  
For the Year Ended June 30, 2010

|  | Major Funds                  |                               |                      |                                  | Total<br>Governmental<br>Funds |
|--|------------------------------|-------------------------------|----------------------|----------------------------------|--------------------------------|
|  | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Education<br>Capital<br>Projects |                                |
| <u>Revenues</u>                                      |                              |                               |                      |                                  |                                |
| Local Taxes  | \$ 8,584,916                 | \$ 0                          | \$ 0                 | \$ 0                             | \$ 8,584,916                   |
| Licenses and Permits                                 | 2,451                        | 0                             | 0                    | 0                                | 2,451                          |
| Charges for Current Services                         | 80,277                       | 0                             | 1,536,711            | 0                                | 1,616,988                      |
| Other Local Revenues                                 | 241,704                      | 0                             | 1,053                | 10,423                           | 253,180                        |
| State of Tennessee                                   | 25,065,976                   | 0                             | 25,215               | 0                                | 25,091,191                     |
| Federal Government                                   | 273,959                      | 4,993,734                     | 1,619,989            | 0                                | 6,887,682                      |
| Other Governments and Citizens Groups                | 217,890                      | 0                             | 0                    | 4,931,656                        | 5,149,546                      |
| Total Revenues                                       | <u>\$ 34,467,173</u>         | <u>\$ 4,993,734</u>           | <u>\$ 3,182,968</u>  | <u>\$ 4,942,079</u>              | <u>\$ 47,585,954</u>           |
| <u>Expenditures</u>                                  |                              |                               |                      |                                  |                                |
| Current:   |                              |                               |                      |                                  |                                |
| Instruction  | \$ 19,103,015                | \$ 3,743,383                  | \$ 0                 | \$ 0                             | \$ 22,846,398                  |
| Support Services                                     | 10,312,355                   | 750,977                       | 0                    | 0                                | 11,063,332                     |
| Operation of Non-Instructional Services              | 1,838,077                    | 525,753                       | 2,287,675            | 0                                | 4,651,505                      |
| Capital Outlay                                       | 249,786                      | 0                             | 0                    | 0                                | 249,786                        |
| Debt Service:  |                              |                               |                      |                                  |                                |
| Principal on Debt                                    | 162,547                      | 0                             | 0                    | 0                                | 162,547                        |
| Interest on Debt                                     | 29,091                       | 0                             | 0                    | 0                                | 29,091                         |
| Other Debt Service                                   | 1,124,026                    | 0                             | 0                    | 0                                | 1,124,026                      |
| Capital Projects                                     | 0                            | 0                             | 0                    | 35,756                           | 35,756                         |
| Total Expenditures                                   | <u>\$ 32,818,897</u>         | <u>\$ 5,020,113</u>           | <u>\$ 2,287,675</u>  | <u>\$ 35,756</u>                 | <u>\$ 40,162,441</u>           |
| Excess (Deficiency) of Revenues<br>Over Expenditures | <u>\$ 1,648,276</u>          | <u>\$ (26,379)</u>            | <u>\$ 895,293</u>    | <u>\$ 4,906,323</u>              | <u>\$ 7,423,513</u>            |
| Net Change in Fund Balances                          | \$ 1,648,276                 | \$ (26,379)                   | \$ 895,293           | \$ 4,906,323                     | \$ 7,423,513                   |
| Fund Balance, July 1, 2009                           | 2,042,749                    | 105,654                       | 0                    | 32,588                           | 2,180,991                      |
| Fund Balance, June 30, 2010                          | <u>\$ 3,691,025</u>          | <u>\$ 79,275</u>              | <u>\$ 895,293</u>    | <u>\$ 4,938,911</u>              | <u>\$ 9,604,504</u>            |

Exhibit I-5

Claiborne County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Claiborne County School Department  
For the Year Ended June 30, 2010

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

|   |                    |                     |
|---|--------------------|---------------------|
| Net change in fund balances - total governmental funds (Exhibit I-4)  |                    | \$ 7,423,513        |
| (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   | \$ 1,056,088       |                     |
| Less: current year depreciation expense   | <u>(1,283,958)</u> | (227,870)           |
| (2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                    |                     |
| Add: deferred delinquent property taxes and other deferred June 30, 2010  | \$ 336,223         |                     |
| Less: deferred delinquent property taxes and other deferred June 30, 2009   | <u>(596,483)</u>   | (260,260)           |
| (3) The issuance of long-term debt (e.g., other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. |                    |                     |
| Add: principal payments on other loans  |                    | 162,548             |
| (4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.   |                    |                     |
| Change in other postemployment benefits liability   |                    | (16,458)            |
| (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>177,545</u>      |
| Change in net assets of governmental activities (Exhibit B)   |                    | <u>\$ 7,259,018</u> |

Exhibit I-6

Claiborne County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Discretely Presented Claiborne County School Department  
 General Purpose School Fund  
 For the Year Ended June 30, 2010

|  | Actual        | Budgeted Amounts |               | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------|------------------|---------------|--|
|  |               | Original         | Final         |  |
| <u>Revenues</u>                                |               |                  |               |  |
| Local Taxes                                    | \$ 8,584,916  | \$ 8,693,801     | \$ 8,693,800  | \$ (108,884)   |
| Licenses and Permits                           | 2,451         | 2,550            | 2,550         | (99)   |
| Charges for Current Services                   | 80,277        | 250,000          | 250,000       | (169,723)  |
| Other Local Revenues                           | 241,704       | 184,600          | 243,941       | (2,237)  |
| State of Tennessee                             | 25,065,976    | 24,734,304       | 25,098,242    | (32,266)   |
| Federal Government                             | 273,959       | 453,889          | 322,811       | (48,852)   |
| Other Governments and Citizens Groups          | 217,890       | 0                | 233,445       | (15,555)   |
| Total Revenues                                 | \$ 34,467,173 | \$ 34,319,144    | \$ 34,844,789 | \$ (377,616)   |
| <u>Expenditures</u>                            |               |                  |               |  |
| <u>Instruction</u>                             |               |                  |               |  |
| Regular Instruction Program                    | \$ 15,192,184 | \$ 14,641,546    | \$ 15,206,428 | \$ 14,244  |
| Special Education Program                      | 2,658,294     | 2,509,465        | 2,674,971     | 16,677   |
| Vocational Education Program                   | 1,152,207     | 1,097,268        | 1,152,234     | 27   |
| Adult Education Program                        | 100,330       | 144,209          | 146,097       | 45,767   |
| <u>Support Services</u>                        |               |                  |               |  |
| Attendance                                     | 93,137        | 75,658           | 94,159        | 1,022  |
| Health Services                                | 136,923       | 95,291           | 137,291       | 368  |
| Other Student Support                          | 195,246       | 219,324          | 195,263       | 17   |
| Regular Instruction Program                    | 838,343       | 917,494          | 842,494       | 4,151  |
| Alternative Instruction Program                | 835,271       | 854,976          | 836,475       | 1,204  |
| Special Education Program                      | 252,157       | 343,916          | 252,532       | 375  |
| Vocational Education Program                   | 100,907       | 101,123          | 101,123       | 216  |
| Adult Programs                                 | 90,806        | 93,800           | 91,912        | 1,106  |
| Other Programs                                 | 10,149        | 0                | 10,149        | 0  |
| Board of Education                             | 1,060,940     | 1,061,198        | 1,061,198     | 258  |
| Director of Schools                            | 332,618       | 332,848          | 332,848       | 230  |
| Office of the Principal                        | 1,074,431     | 1,074,712        | 1,074,712     | 281  |
| Fiscal Services                                | 161,691       | 162,103          | 162,103       | 412  |
| Operation of Plant                             | 2,509,431     | 2,746,965        | 2,569,443     | 60,012   |
| Maintenance of Plant                           | 741,156       | 712,750          | 862,733       | 121,577  |
| Transportation                                 | 1,745,398     | 1,767,956        | 1,790,802     | 45,404   |
| Central and Other                              | 133,751       | 129,000          | 135,143       | 1,392  |
| <u>Operation of Non-Instructional Services</u> |               |                  |               |  |
| Community Services                             | 765,084       | 667,350          | 919,370       | 154,286  |
| Early Childhood Education                      | 1,072,993     | 1,073,841        | 1,073,839     | 846  |
| <u>Capital Outlay</u>                          |               |                  |               |  |
| Regular Capital Outlay                         | 249,786       | 314,620          | 278,142       | 28,356   |
| <u>Principal on Debt</u>                       |               |                  |               |  |
| Education                                      | 162,547       | 1,241,547        | 162,547       | 0  |
| <u>Interest on Debt</u>                        |               |                  |               |  |
| Education                                      | 29,091        | 1,938,184        | 29,092        | 1  |

(Continued)

Exhibit I-6

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

|  | Actual        | Budgeted Amounts |               | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------|------------------|---------------|--|
|  |               | Original         | Final         |  |
| <u>Expenditures (Cont.)</u>                          |               |                  |               |  |
| <u>Other Debt Service</u>                            |               |                  |               |  |
| Education  | \$ 1,124,026  | \$ 2,000         | \$ 2,690,092  | \$ 1,566,066   |
| Total Expenditures                                   | \$ 32,818,897 | \$ 34,319,144    | \$ 34,883,192 | \$ 2,064,295   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ 1,648,276  | \$ 0             | \$ (38,403)   | \$ 1,686,679   |
| Net Change in Fund Balance                           | \$ 1,648,276  | \$ 0             | \$ (38,403)   | \$ 1,686,679   |
| Fund Balance, July 1, 2009                           | 2,042,749     | 0                | 1,112,603     | 930,146  |
| Fund Balance, June 30, 2010                          | \$ 3,691,025  | \$ 0             | \$ 1,074,200  | \$ 2,616,825   |

Exhibit I-7

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Claiborne County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2010

|  | Actual       | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|--------------|------------------|--------------|--|
|  |              | Original         | Final        |  |
| <u>Revenues</u>                                      |              |                  |              |  |
| Federal Government                                   | \$ 4,993,734 | \$ 6,283,448     | \$ 6,933,094 | \$ (1,939,360)   |
| Total Revenues                                       | \$ 4,993,734 | \$ 6,283,448     | \$ 6,933,094 | \$ (1,939,360)   |
| <u>Expenditures</u>                                  |              |                  |              |  |
| <u>Instruction</u>                                   |              |                  |              |  |
| Regular Instruction Program                          | \$ 1,989,837 | \$ 2,135,763     | \$ 2,275,581 | \$ 285,744   |
| Special Education Program                            | 1,675,807    | 1,974,465        | 2,452,156    | 776,349  |
| Vocational Education Program                         | 77,739       | 73,869           | 77,880       | 141  |
| <u>Support Services</u>                              |              |                  |              |  |
| Health Services                                      | 1,308        | 3,000            | 3,000        | 1,692  |
| Other Student Support                                | 296,567      | 791,343          | 824,958      | 528,391  |
| Regular Instruction Program                          | 227,609      | 481,868          | 532,343      | 304,734  |
| Special Education Program                            | 45,813       | 163,092          | 164,269      | 118,456  |
| Vocational Education Program                         | 3,896        | 3,900            | 3,900        | 4  |
| Transportation                                       | 175,784      | 176,984          | 176,984      | 1,200  |
| <u>Operation of Non-Instructional Services</u>       |              |                  |              |  |
| Community Services                                   | 525,753      | 477,680          | 527,680      | 1,927  |
| Total Expenditures                                   | \$ 5,020,113 | \$ 6,281,964     | \$ 7,038,751 | \$ 2,018,638   |
| Excess (Deficiency) of Revenues<br>Over Expenditures | \$ (26,379)  | \$ 1,484         | \$ (105,657) | \$ 79,278  |
| <u>Other Financing Sources (Uses)</u>                |              |                  |              |  |
| Transfers Out  | \$ 0         | \$ (1,484)       | \$ 0         | \$ 0   |
| Total Other Financing Sources (Uses)                 | \$ 0         | \$ (1,484)       | \$ 0         | \$ 0   |
| Net Change in Fund Balance                           | \$ (26,379)  | \$ 0             | \$ (105,657) | \$ 79,278  |
| Fund Balance, July 1, 2009                           | 105,654      | 105,657          | 105,657      | (3)  |
| Fund Balance, June 30, 2010                          | \$ 79,275    | \$ 105,657       | \$ 0         | \$ 79,275  |

Exhibit I-8

Claiborne County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Claiborne County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2010

|  | Actual<br>(GAAP<br>Basis) | Add:<br>Encumbrances<br>6/30/2010 | Actual<br>Revenues/<br>Expenditures<br>(Budgetary<br>Basis) | Budgeted Amounts |              | Variance<br>with Final<br>Budget -<br>Positive<br>(Negative) |
|--|---------------------------|-----------------------------------|---|------------------|--------------|--|
|  |                           |                                   |   | Original         | Final        |  |
| <u>Revenues</u>  |                           |                                   |   |                  |              |  |
| Charges for Current Services                             | \$ 1,536,711              | \$ 0                              | \$ 1,536,711  | \$ 838,500       | \$ 838,500   | \$ 698,211   |
| Other Local Revenues                                     | 1,053                     | 0                                 | 1,053   | 4,000            | 4,000        | (2,947)  |
| State of Tennessee                                       | 25,215                    | 0                                 | 25,215  | 26,000           | 26,000       | (785)  |
| Federal Government                                       | 1,619,989                 | 0                                 | 1,619,989   | 1,775,000        | 1,537,000    | 82,989   |
| Total Revenues   | \$ 3,182,968              | \$ 0                              | \$ 3,182,968  | \$ 2,643,500     | \$ 2,405,500 | \$ 777,468   |
| <u>Expenditures</u>                                      |                           |                                   |   |                  |              |  |
| <u>Operation of Non-Instructional Services</u>           |                           |                                   |   |                  |              |  |
| Food Service   | \$ 2,287,675              | \$ 164,110                        | \$ 2,451,785  | \$ 2,643,500     | \$ 2,670,500 | \$ 218,715   |
| Total Expenditures                                       | \$ 2,287,675              | \$ 164,110                        | \$ 2,451,785  | \$ 2,643,500     | \$ 2,670,500 | \$ 218,715   |
| Excess (Deficiency) of Revenues<br>Over Expenditures     | \$ 895,293                | \$ (164,110)                      | \$ 731,183  | \$ 0             | \$ (265,000) | \$ 996,183   |
| Net Change in Fund Balance<br>Fund Balance, July 1, 2009 | \$ 895,293                | \$ (164,110)                      | \$ 731,183  | \$ 0             | \$ (265,000) | \$ 996,183   |
|  | 0                         | 0                                 | 0   | 265,000          | 265,000      | (265,000)  |
| Fund Balance, June 30, 2010                              | \$ 895,293                | \$ (164,110)                      | \$ 731,183  | \$ 265,000       | \$ 0         | \$ 731,183   |

Exhibit I-9

Claiborne County, Tennessee  
Statement of Net Assets  
Discretely Presented Claiborne County School Department  
Proprietary Fund  
June 30, 2010

Governmental  
 Activities -  
 Internal  
 Service Fund  


---

 Employee  
 Insurance -  
 Health  


---

ASSETS

Current Assets:

|              |                   |
|--------------|-------------------|
| Cash in Bank | \$ 502,695        |
| Total Assets | <u>\$ 502,695</u> |

LIABILITIES

Current Liabilities:

|                   |                   |
|-------------------|-------------------|
| Accounts Payable  | \$ 209,324        |
| Total Liabilities | <u>\$ 209,324</u> |

NET ASSETS

|              |                          |
|--------------|--------------------------|
| Unrestricted | <u><u>\$ 293,371</u></u> |
|--------------|--------------------------|

Exhibit I-10

Claiborne County, Tennessee  
Statement of Revenues, Expenses, and Changes  
in Net Assets  
Discretely Presented Claiborne County School Department  
Proprietary Fund  
For the Year Ended June 30, 2010

|   | Governmental<br>Activities -<br>Internal<br>Service Fund<br>Employee<br>Insurance -<br>Health |
|---|---|
| <u>Operating Revenues</u>                 |   |
| <u>Charges for Current Services</u>       |   |
| Self-Insurance Premiums/Contributions     | \$ 4,100,612  |
| Total Operating Revenues                  | <u>\$ 4,100,612</u>   |
| <u>Operating Expenses</u>                 |   |
| Handling Charges and Administrative Costs | \$ 168,634  |
| Excess Risk Insurance                     | 337,026   |
| Medical Claims                            | 3,417,747   |
| Total Operating Expenses                  | <u>\$ 3,923,407</u>   |
| Operating Income (Loss)                   | <u>\$ 177,205</u>   |
| <u>Nonoperating Revenues (Expenses)</u>   |   |
| Investment Income                         | \$ 340  |
| Total Nonoperating Revenues (Expenses)    | <u>\$ 340</u>   |
| Changes in Net Assets                     | \$ 177,545  |
| Net Assets, July 1, 2009                  | <u>115,826</u>  |
| Net Assets, June 30, 2010                 | <u><u>\$ 293,371</u></u>  |

Exhibit I-11

Claiborne County, Tennessee  
Statement of Cash Flows  
Discretely Presented Claiborne County School Department  
Proprietary Fund  
For the Year Ended June 30, 2010

|   | Governmental<br>Activities -<br>Internal<br>Service Fund |
|---|--|
|   | Employee<br>Insurance -<br>Health                        |
| <u>Cash Flows from Operating Activities</u>   |  |
| Receipts for Self-Insurance Premiums  | \$ 4,100,612   |
| Payments for Excess Risk Insurance  | (337,026)  |
| Payments for Medical Claims   | (3,417,396)  |
| Payments for Administrative Costs   | (168,634)  |
| Net Cash Provided By (Used In) Operating Activities   | <u>\$ 177,556</u>  |
| <u>Cash Flows from Investment Activities</u>  |  |
| Interest on Investments   | \$ 340   |
| Net Cash Provided By (Used In) Investing Activities   | <u>\$ 340</u>  |
| Net Increase (Decrease) in Cash   | \$ 177,896   |
| Cash, July 1, 2009  | <u>324,799</u>   |
| Cash, June 30, 2010   | <u><u>\$ 502,695</u></u>                                 |
| <u>Reconciliation of Operating Income to Net Cash Provided By (Used In)</u>                                     |  |
| <u>Operating Activities</u>   |  |
| Operating Income (Loss)   | \$ 177,205   |
| Adjustments to Reconcile Net Operating Income (Loss)<br>to Net Cash Provided By (Used In) Operating Activities: |  |
| Changes in Assets and Liabilities:  |  |
| Increase (Decrease) in Accounts Payable   | <u>351</u>   |
| Net Cash Provided By (Used In) Operating Activities   | <u><u>\$ 177,556</u></u>                                 |

---

---

## MISCELLANEOUS SCHEDULES

---

---

Exhibit J-1

Claiborne County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
Primary Government and Discretely Presented Claiborne County School Department  
For the Year Ended June 30, 2010

| Description of Indebtedness                         | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Adjusted Outstanding 7-1-09 | Issued During Period | Paid and/or Matured During Period | Debt Refunded | Outstanding 6-30-10 |
|---|--------------------------|---------------|---------------|--------------------|-----------------------------|----------------------|-----------------------------------|---------------|---------------------|
|   |                          |               |               |                    |                             |                      |                                   |               |                     |
| <b>PRIMARY GOVERNMENT</b>                           |                          |               |               |                    |                             |                      |                                   |               |                     |
| <b>NOTES PAYABLE</b>                                |                          |               |               |                    |                             |                      |                                   |               |                     |
| <u>Payable through General Debt Service Fund</u>    |                          |               |               |                    |                             |                      |                                   |               |                     |
| Capital Outlay - Sanitation Truck and Buses         | \$ 490,250               | 4.38 %        | 12-12-07      | 12-26-10           | \$ 333,802                  | 0                    | \$ 163,260                        | 0             | \$ 170,542          |
| Capital Outlay - Buses                              | 151,500                  | 3.69          | 8-1-08        | 8-1-11             | (1) 151,500                 | 0                    | 48,682                            | 0             | 102,818             |
| Total Payable through General Debt Service Fund     |                          |               |               |                    | \$ 485,302                  | 0                    | \$ 211,942                        | 0             | \$ 273,360          |
| <u>Payable through Solid Waste/Sanitation Fund</u>  |                          |               |               |                    |                             |                      |                                   |               |                     |
| Capital Outlay - Land                               | 100,000                  | 0             | 8-20-07       | 9-1-10             | \$ 50,000                   | 0                    | \$ 25,000                         | 0             | \$ 25,000           |
| Total Payable through Solid Waste/Sanitation Fund   |                          |               |               |                    | \$ 50,000                   | 0                    | \$ 25,000                         | 0             | \$ 25,000           |
| Total Notes Payable                                 |                          |               |               |                    | \$ 535,302                  | 0                    | \$ 236,942                        | 0             | \$ 298,360          |
| <b>OTHER LOANS PAYABLE</b>                          |                          |               |               |                    |                             |                      |                                   |               |                     |
| <u>Payable through General Debt Service Fund</u>    |                          |               |               |                    |                             |                      |                                   |               |                     |
| <u>Montgomery County Public Building Authority:</u> |                          |               |               |                    |                             |                      |                                   |               |                     |
| Various Construction Projects                       | 1,000,000                | Variable      | 10-2-01       | 5-25-11            | \$ 262,000                  | 0                    | \$ 128,000                        | 0             | \$ 134,000          |
| Schools   | 1,244,297                | Variable      | 5-23-02       | 5-25-11            | 325,595                     | 0                    | 158,827                           | 0             | 166,768             |
| Highway Paving Projects                             | 18,000,000               | Variable      | 2-1-02        | 5-25-15            | 11,604,000                  | 0                    | 0                                 | 11,604,000    | 0                   |
| Sevier County Public Building Authority:            | 5,000,000                | Variable      | 10-19-05      | 5-25-17            | 3,776,111                   | 66,889               | 417,000                           | 3,426,000     | 0                   |
| Refunding - Judicial Complex                        | 3,545,000                | 4.2           | 3-5-09        | 12-1-10            | 3,545,000                   | 0                    | 500,000                           | 3,045,000     | 0                   |
| Hospital Revenue and General Obligation             | 2,980,000                | 4.2           | 3-5-09        | 12-1-10            | 2,980,000                   | 0                    | 0                                 | 2,980,000     | 0                   |
| Refunding - Schools                                 | 18,090,000               | 3.25 to 4     | 3-5-09        | 12-1-11            | 18,090,000                  | 0                    | 0                                 | 18,090,000    | 0                   |
| Hospital Revenue and General Obligation             | 1,030,000                | 4.7           | 3-5-09        | 12-1-13            | 1,030,000                   | 0                    | 0                                 | 1,030,000     | 0                   |
| Blount County Public Building Authority:            | 6,225,000                | 3.25 to 4.65  | 9-2-04        | 6-1-24             | 5,250,000                   | 0                    | 250,000                           | 0             | 5,000,000           |
| Judicial Complex                                    |                          |               |               |                    |                             |                      |                                   |               |                     |
| Total Other Loans Payable                           |                          |               |               |                    | \$ 46,862,706               | \$ 66,889            | \$ 1,453,827                      | \$ 40,175,000 | \$ 5,300,768        |

(1) This note was omitted from the prior-year's report.

(Continued)

Claiborne County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
Primary Government and Discretely Presented Claiborne County School Department (Cont.)

| Description of Indebtedness   | Original Amount of Issue | Interest Rate | Date of Issue | Last Maturity Date | Outstanding 7-1-09 | Issued During Period | Paid and/or Matured During Period | Debt Refunded | Outstanding 6-30-10 |
|---|--------------------------|---------------|---------------|--------------------|--------------------|----------------------|-----------------------------------|---------------|---------------------|
|   |                          |               |               |                    |                    |                      |                                   |               |                     |
| <u>PRIMARY GOVERNMENT (CONT.)</u>   |                          |               |               |                    |                    |                      |                                   |               |                     |
| <u>BONDS PAYABLE</u>  |                          |               |               |                    |                    |                      |                                   |               |                     |
| <u>Payable through General Debt Service Fund</u>  |                          |               |               |                    |                    |                      |                                   |               |                     |
| Refunding Series 1998 - County, Hospital and Nursing Home School Refunding Bonds, Series 2007 | \$ 2,140,000             | 3.8 to 4.9    | 3-1-1998      | 3-1-15             | \$ 770,001         | \$ 0                 | \$ 145,000                        | \$ 625,001    | \$ 0                |
| School Refunding Bonds, Series 2009   | 4,485,000                | 4             | 12-19-07      | 5-1-21             | 4,485,000          | 0                    | 0                                 | 0             | 4,485,000           |
| School Refunding Bonds, Series 2010   | 2,425,000                | 2 to 3.15     | 11-12-09      | 4-1-18             | 0                  | 2,425,000            | 0                                 | 0             | 2,425,000           |
| Refunding Judicial and Series 1998, Series 2010A  | 5,010,000                | 1 to 5.3      | 5-12-10       | 6-1-25             | 0                  | 5,010,000            | 0                                 | 0             | 5,010,000           |
| Refunding Highway, Series 2010A   | 3,370,000                | 2.5 to 4.125  | 3-30-10       | 4-1-30             | 0                  | 3,370,000            | 0                                 | 0             | 3,370,000           |
| Refunding Schools, Series 2010A   | 3,235,000                | 2.5 to 4.125  | 3-30-10       | 4-1-30             | 0                  | 3,235,000            | 0                                 | 0             | 3,235,000           |
| Refunding Hospital, Series 2010A (2)  | 27,900,000               | 2.5 to 4.125  | 3-30-10       | 4-1-30             | 0                  | 27,900,000           | 0                                 | 0             | 27,900,000          |
| General Obligation and Hospital Revenue, Series 2010A   | 4,130,000                | 2.5 to 4.125  | 3-30-10       | 4-1-30             | 0                  | 4,130,000            | 0                                 | 0             | 4,130,000           |
| Refunding Series 2010B - Hospital   | 985,000                  | 2.5 to 4.125  | 3-30-10       | 4-1-30             | 0                  | 985,000              | 0                                 | 0             | 985,000             |
|   | 1,075,000                | 3.9           | 3-30-10       | 4-1-20             | 0                  | 1,075,000            | 0                                 | 0             | 1,075,000           |
| Total Bonds Payable   |                          |               |               |                    | \$ 5,255,001       | \$ 48,130,000        | \$ 145,000                        | \$ 625,001    | \$ 52,615,000       |
| <u>DISCRETELY PRESENTED CLAIBORNE COUNTY SCHOOL DEPARTMENT</u>                                |                          |               |               |                    |                    |                      |                                   |               |                     |
| <u>OTHER LOANS PAYABLE</u>  |                          |               |               |                    |                    |                      |                                   |               |                     |
| <u>Payable Through General Purpose School Fund</u>  |                          |               |               |                    |                    |                      |                                   |               |                     |
| <u>Powell Valley Electric Cooperative:</u>  |                          |               |               |                    |                    |                      |                                   |               |                     |
| Ball Field Lighting Project at Schools  | 70,000                   | 7.69          | 8-31-03       | 1-31-11            | \$ 17,936          | \$ 0                 | \$ 11,327                         | \$ 0          | \$ 6,609            |
| HVAC System at Claiborne County High School   | 70,000                   | 7.69          | 9-1-03        | 2-28-11            | 18,845             | 0                    | 11,254                            | 0             | 7,591               |
| HVAC System at Cumberland Gap High School   | 202,409                  | 0             | 12-11-03      | 12-11-13           | 253,125            | 0                    | 56,250                            | 0             | 196,875             |
| Ball Field Lighting Project at Schools  | 70,000                   | 7.69          | 3-1-04        | 8-31-11            | 113,855            | 0                    | 25,301                            | 0             | 88,554              |
| Ball Field Lighting Project at Schools  | 210,000                  | 7.69          | 4-1-04        | 9-30-11            | 75,123             | 0                    | 32,281                            | 0             | 42,842              |
| Ball Field Lighting Project at Schools  | 147,722                  | 7             | 5-1-07        | 4-30-22            | 134,463            | 0                    | 6,734                             | 0             | 127,729             |
| Ball Field Lighting Project at Schools  | 188,010                  | 7             | 5-1-07        | 4-30-22            | 171,135            | 0                    | 8,571                             | 0             | 162,564             |
| Total Other Loans Payable   |                          |               |               |                    | \$ 808,654         | \$ 0                 | \$ 162,548                        | \$ 0          | \$ 646,106          |

(2) Includes amounts that refunded \$665,000 of Hospital and Nursing Home debt, which had been reported as a liability of that discretely presented component unit. The refunding debt is a general obligation of the county.

Exhibit J-2

Claiborne County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented  
Claiborne County School Department

PRIMARY GOVERNMENT

| Year<br>Ending<br>June 30 | Notes      |           |            |
|---------------------------|------------|-----------|------------|
|                           | Principal  | Interest  | Total      |
| 2011                      | \$ 246,020 | \$ 11,180 | \$ 257,200 |
| 2012                      | 52,340     | 1,932     | 54,272     |
| Total                     | \$ 298,360 | \$ 13,112 | \$ 311,472 |

| Year<br>Ending<br>June 30 | Other Loans  |              |            | Total        |
|---------------------------|--------------|--------------|------------|--------------|
|                           | Principal    | Interest     | Other Fees |              |
| 2011                      | \$ 575,768   | \$ 214,053   | \$ 2,951   | \$ 792,772   |
| 2012                      | 275,000      | 196,006      | 2,363      | 473,369      |
| 2013                      | 300,000      | 186,381      | 2,225      | 488,606      |
| 2014                      | 300,000      | 175,131      | 2,075      | 477,206      |
| 2015                      | 325,000      | 163,881      | 1,925      | 490,806      |
| 2016                      | 325,000      | 151,531      | 1,763      | 478,294      |
| 2017                      | 350,000      | 138,532      | 1,600      | 490,132      |
| 2018                      | 350,000      | 124,532      | 1,425      | 475,957      |
| 2019                      | 375,000      | 110,532      | 1,250      | 486,782      |
| 2020                      | 375,000      | 94,782       | 1,063      | 470,845      |
| 2021                      | 400,000      | 78,844       | 875        | 479,719      |
| 2022                      | 425,000      | 61,344       | 675        | 487,019      |
| 2023                      | 450,000      | 42,218       | 463        | 492,681      |
| 2024                      | 475,000      | 21,968       | 238        | 497,206      |
| Total                     | \$ 5,300,768 | \$ 1,759,735 | \$ 20,891  | \$ 7,081,394 |

| Year<br>Ending<br>June 30 | Bonds        |              |              |
|---------------------------|--------------|--------------|--------------|
|                           | Principal    | Interest     | Total        |
| 2011                      | \$ 1,090,000 | \$ 2,046,638 | \$ 3,136,638 |
| 2012                      | 2,155,000    | 2,009,102    | 4,164,102    |
| 2013                      | 2,530,000    | 1,949,292    | 4,479,292    |
| 2014                      | 2,520,000    | 1,879,067    | 4,399,067    |
| 2015                      | 2,545,000    | 1,807,518    | 4,352,518    |
| 2016                      | 2,570,000    | 1,714,492    | 4,284,492    |

(Continued)

Exhibit J-2

Claiborne County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented  
Claiborne County School Department (Cont.)

PRIMARY GOVERNMENT (Cont.)

| Year<br>Ending<br>June 30 | Bonds (Cont.) |               |               |
|---------------------------|---------------|---------------|---------------|
|                           | Principal     | Interest      | Total         |
| 2017                      | \$ 2,705,000  | \$ 1,618,190  | \$ 4,323,190  |
| 2018                      | 2,260,000     | 1,495,624     | 3,755,624     |
| 2019                      | 2,270,000     | 1,393,172     | 3,663,172     |
| 2020                      | 2,355,000     | 1,306,046     | 3,661,046     |
| 2021                      | 2,350,000     | 1,210,968     | 3,560,968     |
| 2022                      | 2,520,000     | 1,115,443     | 3,635,443     |
| 2023                      | 2,625,000     | 1,010,819     | 3,635,819     |
| 2024                      | 2,740,000     | 901,093       | 3,641,093     |
| 2025                      | 3,345,000     | 786,031       | 4,131,031     |
| 2026                      | 2,960,000     | 645,731       | 3,605,731     |
| 2027                      | 3,075,000     | 527,331       | 3,602,331     |
| 2028                      | 3,205,000     | 404,331       | 3,609,331     |
| 2029                      | 3,330,000     | 276,131       | 3,606,131     |
| 2030                      | 3,465,000     | 142,931       | 3,607,931     |
| Total                     | \$ 52,615,000 | \$ 24,239,950 | \$ 76,854,950 |

DISCRETELY PRESENTED CLAIBORNE  
COUNTY SCHOOL DEPARTMENT

| Year<br>Ending<br>June 30 | Other Loans |            |            |
|---------------------------|-------------|------------|------------|
|                           | Principal   | Interest   | Total      |
| 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                     | \$ 646,106  | \$ 141,195 | \$ 787,301 |

Exhibit J-3

Claiborne County, Tennessee  
Schedule of Transfers  
For the Year Ended June 30, 2010

| <u>From Fund</u>       | <u>To Fund</u>           | <u>Purpose</u>   | <u>Amount</u>       |
|------------------------|--------------------------|------------------|---------------------|
| Solid Waste/Sanitation | General Debt Service     | Debt retirement  | \$ 68,896           |
| Highway/Public Works   | General Debt Service     | "                | 619,754             |
| General                | Highway Capital Projects | Highway projects | 90,000              |
| General                | General Debt Service     | Debt retirement  | 500,000             |
| Total Transfers        |                          |                  | <u>\$ 1,278,650</u> |

Claiborne County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Claiborne County School Department  
For the Year Ended June 30, 2010

| Official   | Authorization for Salary   | Salary Paid During Period | Bond      | Surety                                      |
|--|--|---------------------------|-----------|---|
| County Mayor   | Section 8-24-102, TCA  | \$ 83,321                 | \$ 50,000 | Ohio Casualty Insurance Company             |
| Road Superintendent                                  | Section 8-24-102, TCA  | 67,927                    | 100,000   | "   |
| Director of Schools                                  | State Board of Education and Claiborne County Board of Education | 99,464 (1)                | 25,000    | Western Surety Company                      |
| Trustee  | Section 8-24-102, TCA  | 61,751                    | 1,751,000 | "   |
| Assessor of Property                                 | Section 8-24-102, TCA  | 61,751                    | 10,000    | "   |
| County Clerk   | Section 8-24-102, TCA  | 61,751                    | 50,000    | "   |
| Circuit, General Sessions, and Juvenile Courts Clerk | Section 8-24-102, TCA  | 61,751                    | 50,000    | "   |
| Clerk and Master                                     | Section 8-24-102, TCA  | 61,751 (3)                | 50,000    | "   |
| Register   | Section 8-24-102, TCA  | 61,751                    | 25,000    | "   |
| Sheriff  | Section 8-24-102, TCA, and County Commission                     | 78,527 (2)                | 25,000    | Ohio Casualty Insurance Company             |
| Director of Finance                                  | Board of County Commissioners                                    | 46,000                    | 50,000    | Western Surety Company                      |
| Employee Blanket Bonds:                              |  |                           |           |   |
| Public Employee Dishonesty - County Departments      |  |                           | 150,000   | Local Government Property and Casualty Fund |
| Public Employee Dishonesty - School Departments      |  |                           | 150,000   | Indiana Insurance Company                   |

(1) Includes chief executive officer training supplement of \$3,000 and secretary to the board supplement of \$1,500.  
(2) Includes supplement of \$10,000 for serving as workhouse superintendent and \$600 for a law enforcement training supplement.  
(3) Does not include special commissioner fees of \$22,135.

Exhibit J-5

Claiborne County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2010

|  | Special Revenue Funds |                          |              |                                |                        |                   |               |          |                                  |                  | Total |
|--|-----------------------|--------------------------|--------------|--------------------------------|------------------------|-------------------|---------------|----------|----------------------------------|------------------|-------|
|  | General               | Solid Waste / Sanitation | Drug Control | Constitutional Officers - Fees | Highway / Public Works | Debt Service Fund |               |          | Capital Projects Fund            |                  |       |
|  |                       |                          |              |                                |                        | General           | Debt          | Service  | Community Development/Industrial | Park             |       |
| <b>\$</b>  | <b>4,623,274</b>      | <b>878,422</b>           | <b>0</b>     | <b>0</b>                       | <b>46,211</b>          | <b>277,396</b>    | <b>0</b>      | <b>0</b> | <b>0</b>                         | <b>5,825,303</b> |       |
| County Property Taxes                            | 235,694               | 47,082                   | 0            | 0                              | 2,357                  | 14,868            | 0             | 0        | 0                                | 300,001          |       |
| Trustee's Collections - Prior Year               | 137,873               | 26,196                   | 0            | 14,498                         | 1,347                  | 8,272             | 0             | 0        | 0                                | 188,186          |       |
| Circuit/Clerk & Master Collections - Prior Years | 41,713                | 7,926                    | 0            | 0                              | 408                    | 2,503             | 0             | 0        | 0                                | 52,550           |       |
| Interest and Penalty                             | 797                   | 151                      | 0            | 0                              | 8                      | 48                | 0             | 0        | 0                                | 1,004            |       |
| Payments in-Lieu-of Taxes - T.V.A.               | 12,047                | 2,289                    | 0            | 0                              | 120                    | 723               | 0             | 0        | 0                                | 15,179           |       |
| Payments in-Lieu-of Taxes - Local Utilities      | 51,280                | 9,739                    | 0            | 0                              | 513                    | 3,075             | 0             | 0        | 0                                | 64,607           |       |
| Payments in-Lieu-of Taxes - Other                |                       |                          |              |                                |                        |                   |               |          |                                  |                  |       |
| County Local Option Taxes                        |                       |                          |              |                                |                        |                   |               |          |                                  |                  |       |
| Hotel/Motel Tax                                  | 0                     | 0                        | 0            | 0                              | 0                      | 0                 | 28,110        | 0        | 0                                | 28,110           |       |
| Wheel Tax  | 0                     | 0                        | 0            | 0                              | 0                      | 729,280           | 0             | 0        | 0                                | 729,280          |       |
| Litigation Tax - General                         | 127,380               | 0                        | 0            | 0                              | 0                      | 0                 | 0             | 0        | 0                                | 127,380          |       |
| Litigation Tax - Special Purpose                 | 14                    | 0                        | 0            | 0                              | 0                      | 0                 | 0             | 0        | 0                                | 14               |       |
| Litigation Tax - Jail, Workhouse, or Courthouse  | 26,823                | 0                        | 0            | 0                              | 0                      | 0                 | 0             | 0        | 0                                | 26,823           |       |
| Mineral Severance Tax                            | 0                     | 0                        | 0            | 0                              | 41,287                 | 0                 | 0             | 0        | 0                                | 41,287           |       |
| Statutory Local Taxes                            |                       |                          |              |                                |                        |                   |               |          |                                  |                  |       |
| Bank Excise Tax                                  | 117,815               | 0                        | 0            | 0                              | 0                      | 0                 | 0             | 0        | 0                                | 117,815          |       |
| Wholesale Beer Tax                               | 97,397                | 0                        | 0            | 0                              | 0                      | 0                 | 0             | 0        | 0                                | 97,397           |       |
| Beer Privilege Tax                               | 974                   | 0                        | 0            | 0                              | 0                      | 0                 | 0             | 0        | 0                                | 974              |       |
| Coal Severance Tax                               | 0                     | 0                        | 0            | 0                              | 167,783                | 0                 | 0             | 0        | 0                                | 167,783          |       |
| Interstate Telecommunications Tax                | 1,605                 | 0                        | 0            | 0                              | 0                      | 0                 | 0             | 0        | 0                                | 1,605            |       |
| Other Statutory Local Taxes                      | 0                     | 0                        | 0            | 0                              | 51,310                 | 0                 | 0             | 0        | 0                                | 51,310           |       |
| <b>Total Local Taxes</b>                         | <b>5,474,686</b>      | <b>971,805</b>           | <b>0</b>     | <b>14,498</b>                  | <b>311,344</b>         | <b>1,036,165</b>  | <b>28,110</b> | <b>0</b> | <b>0</b>                         | <b>7,836,608</b> |       |

| Licenses and Permits              |               |          |          |          |          |          |          |          |          |               |
|-----------------------------------|---------------|----------|----------|----------|----------|----------|----------|----------|----------|---------------|
| Permits                           |               |          |          |          |          |          |          |          |          |               |
| Beer Permits                      | 238           | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 238           |
| Building Permits                  | 11,010        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 0        | 11,010        |
| <b>Total Licenses and Permits</b> | <b>11,248</b> | <b>0</b> | <b>11,248</b> |

(Continued)

Exhibit J-5

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

|  | Special Revenue Funds |                          |                  |                                |                        |                   |              |                       |              |  | Total             |
|--|-----------------------|--------------------------|------------------|--------------------------------|------------------------|-------------------|--------------|-----------------------|--------------|--|-------------------|
|  | General               | Solid Waste / Sanitation | Drug Control     | Constitutional Officers - Fees | Highway / Public Works | Debt Service Fund |              | Capital Projects Fund |              | Community Development/ Industrial Park |                   |
|  |                       |                          |                  |                                |                        | General           | Debt Service | General               | Debt Service |  |                   |
| <b>Fines, Forfeitures, and Penalties</b>       |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| <u>Circuit Court</u>                           |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| Fines  | 48,238                | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 48,238            |
| Officers Costs                                 | 59,437                | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 59,437            |
| Drug Control Fines                             | 0                     | 0                        | 21,379           | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 21,379            |
| Jail Fees                                      | 23,583                | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 23,583            |
| DUI Treatment Fines                            | 7,444                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 7,444             |
| Data Entry Fee - Circuit Court                 | 5,683                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 5,683             |
| Courtroom Security Fee                         | 221                   | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 221               |
| <u>General Sessions Court</u>                  |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| Game and Fish Fines                            | 482                   | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 482               |
| Drug Control Fines                             | 0                     | 0                        | 11,935           | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 11,935            |
| Courtroom Security Fee                         | 1,541                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 1,541             |
| <u>Juvenile Court</u>                          |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| Fines  | 6,405                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 6,405             |
| Officers Costs                                 | 3,480                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 3,480             |
| Data Entry Fee - Juvenile Court                | 342                   | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 342               |
| <u>Chancery Court</u>                          |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| Officers Costs                                 | 6,404                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 6,404             |
| Data Entry Fee - Chancery Court                | 2,582                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 2,582             |
| <b>Other Fines, Forfeitures, and Penalties</b> |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| Proceeds from Confiscated Property             | 0                     | 0                        | 36,656           | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 36,656            |
| <b>Total Fines, Forfeitures, and Penalties</b> | <b>\$ 165,842</b>     | <b>\$ 0</b>              | <b>\$ 69,970</b> | <b>\$ 0</b>                    | <b>\$ 0</b>            | <b>\$ 0</b>       | <b>\$ 0</b>  | <b>\$ 0</b>           | <b>\$ 0</b>  | <b>\$ 0</b>                            | <b>\$ 235,812</b> |
| <b>Charges for Current Services</b>            |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| <u>General Service Charges</u>                 |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| Tipping Fees                                   | 0                     | 0                        | 278,723          | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 278,723           |
| <u>Fees</u>                                    |                       |                          |                  |                                |                        |                   |              |                       |              |  |                   |
| Copy Fees                                      | 754                   | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 754               |
| Telephone Commissions                          | 49,032                | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 49,032            |
| Vending Machine Collections                    | 1,068                 | 0                        | 0                | 0                              | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 1,068             |
| Constitutional Officers' Fees and Commissions  | 0                     | 0                        | 0                | 480,937                        | 0                      | 0                 | 0            | 0                     | 0            | 0                                      | 480,937           |

(Continued)



Exhibit J-5

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

|  | Special Revenue Funds |                          |              |                                |                        |                   |      |                       |                         |  | Total        |
|--|-----------------------|--------------------------|--------------|--------------------------------|------------------------|-------------------|------|-----------------------|-------------------------|--|--------------|
|  | General               | Solid Waste / Sanitation | Drug Control | Constitutional Officers - Fees | Highway / Public Works | Debt Service Fund |      | Capital Projects Fund |                         | Community Development/ Industrial Park |              |
|  |                       |                          |              |                                |                        | General           | Debt | General               | Development/ Industrial |  |              |
| <u>Fees Received from County Officials (Cont.)</u> |                       |                          |              |                                |                        |                   |      |                       |                         |  |              |
| <u>Fees in-Lieu-of Salary (Cont.)</u>              |                       |                          |              |                                |                        |                   |      |                       |                         |  |              |
| Trustee  | \$ 1                  | \$ 0                     | \$ 0         | \$ 0                           | \$ 0                   | \$ 0              | \$ 0 | \$ 0                  | \$ 0                    | \$ 0                                   | \$ 1         |
| Total Fees Received from County Officials          | \$ 727,326            | \$ 0                     | \$ 0         | \$ 0                           | \$ 0                   | \$ 0              | \$ 0 | \$ 0                  | \$ 0                    | \$ 0                                   | \$ 727,326   |
| <u>State of Tennessee</u>                          |                       |                          |              |                                |                        |                   |      |                       |                         |  |              |
| <u>General Government Grants</u>                   |                       |                          |              |                                |                        |                   |      |                       |                         |  |              |
| Other General Government Grants                    | \$ 0                  | \$ 13,627                | \$ 0         | \$ 0                           | \$ 0                   | \$ 0              | \$ 0 | \$ 0                  | \$ 0                    | \$ 0                                   | \$ 13,627    |
| <u>Public Safety Grants</u>                        |                       |                          |              |                                |                        |                   |      |                       |                         |  |              |
| Law Enforcement Training Programs                  | 15,600                | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 15,600       |
| Health and Welfare Grants                          | 153,250               | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 153,250      |
| <u>Public Works Grants</u>                         |                       |                          |              |                                |                        |                   |      |                       |                         |  |              |
| State Aid Program                                  | 0                     | 0                        | 0            | 0                              | 183,811                | 0                 | 0    | 0                     | 0                       | 0                                      | 183,811      |
| Litter Program                                     | 39,595                | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 39,595       |
| <u>Other State Revenues</u>                        |                       |                          |              |                                |                        |                   |      |                       |                         |  |              |
| Income Tax   | 18,709                | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 18,709       |
| Beer Tax   | 9,582                 | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 9,582        |
| Alcoholic Beverage Tax                             | 37,335                | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 37,335       |
| Mixed Drink Tax                                    | 1,937                 | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 1,937        |
| State Revenue Sharing - T.V.A.                     | 353,042               | 67,078                   | 0            | 0                              | 3,530                  | 21,183            | 0    | 0                     | 0                       | 0                                      | 444,833      |
| Contracted Prisoner Boarding                       | 1,062,846             | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 1,062,846    |
| Gasoline and Motor Fuel Tax                        | 0                     | 0                        | 0            | 0                              | 1,668,830              | 0                 | 0    | 0                     | 0                       | 0                                      | 1,668,830    |
| Petroleum Special Tax                              | 0                     | 0                        | 0            | 0                              | 23,982                 | 0                 | 0    | 0                     | 0                       | 0                                      | 23,982       |
| Reappraisal Program Reimbursement                  | 11,301                | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 11,301       |
| Registrar's Salary Supplement                      | 16,380                | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 16,380       |
| State Shared Sales Tax - Cities                    | 3,928                 | 0                        | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 0                                      | 3,928        |
| Other State Grants                                 | 5,000                 | 25,000                   | 0            | 0                              | 0                      | 0                 | 0    | 0                     | 0                       | 125,864                                | 155,864      |
| Total State of Tennessee                           | \$ 1,728,505          | \$ 105,705               | \$ 0         | \$ 0                           | \$ 1,880,153           | \$ 21,183         | \$ 0 | \$ 0                  | \$ 0                    | \$ 125,864                             | \$ 3,861,410 |

(Continued)

Exhibit J-5

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

|  | Special Revenue Funds |                          |              |                                |                        | Debt Service Fund | Capital Projects Fund | Total         |
|--|-----------------------|--------------------------|--------------|--------------------------------|------------------------|-------------------|-----------------------|---------------|
|  | General               | Solid Waste / Sanitation | Drug Control | Constitutional Officers - Fees | Highway / Public Works |                   |                       |               |
| <u>Federal Government</u>                    |                       |                          |              |                                |                        |                   |                       |               |
| <u>Federal Through State</u>                 |                       |                          |              |                                |                        |                   |                       |               |
| Homeland Security Grants                     | \$ 88,998             | \$ 0                     | \$ 0         | \$ 0                           | \$ 0                   | \$ 0              | \$ 0                  | \$ 88,998     |
| ARRA Grant # 1                               | 38,829                | 0                        | 0            | 0                              | 0                      | 0                 | 0                     | 38,829        |
| ARRA Grant # 2                               | 3,950                 | 0                        | 0            | 0                              | 0                      | 0                 | 0                     | 3,950         |
| Other Federal through State                  | 174,252               | 0                        | 0            | 0                              | 0                      | 0                 | 0                     | 174,252       |
| <u>Direct Federal Revenue</u>                | 7,199                 | 0                        | 0            | 0                              | 0                      | 0                 | 0                     | 7,199         |
| Other Direct Federal Revenue                 |                       |                          |              |                                |                        |                   |                       |               |
| Total Federal Government                     | \$ 313,228            | \$ 0                     | \$ 0         | \$ 0                           | \$ 0                   | \$ 0              | \$ 0                  | \$ 313,228    |
| <u>Other Governments and Citizens Groups</u> |                       |                          |              |                                |                        |                   |                       |               |
| <u>Other Governments</u>                     |                       |                          |              |                                |                        |                   |                       |               |
| Contributions                                | \$ 129                | \$ 0                     | \$ 0         | \$ 0                           | \$ 0                   | \$ 0              | \$ 0                  | \$ 129        |
| Contracted Services                          | 3,144                 | 0                        | 0            | 0                              | 0                      | 0                 | 0                     | 3,144         |
| Total Other Governments and Citizens Groups  | \$ 3,273              | \$ 0                     | \$ 0         | \$ 0                           | \$ 0                   | \$ 0              | \$ 0                  | \$ 3,273      |
| Total  | \$ 8,772,876          | \$ 1,398,606             | \$ 69,970    | \$ 517,571                     | \$ 2,193,455           | \$ 2,470,670      | \$ 153,974            | \$ 15,577,122 |

Exhibit J-6

Claiborne County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Claiborne County School Department  
For the Year Ended June 30, 2010

|  | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Education<br>Capital<br>Projects | Total               |
|--|------------------------------|-------------------------------|----------------------|----------------------------------|---------------------|
| <u>Local Taxes</u>                               |                              |                               |                      |                                  |                     |
| <u>County Property Taxes</u>                     |                              |                               |                      |                                  |                     |
| Current Property Tax                             | \$ 5,627,120                 | \$ 0                          | \$ 0                 | \$ 0                             | \$ 5,627,120        |
| Trustee's Collections - Prior Year               | 300,814                      | 0                             | 0                    | 0                                | 300,814             |
| Circuit/Clerk & Master Collections - Prior Years | 168,205                      | 0                             | 0                    | 0                                | 168,205             |
| Interest and Penalty                             | 49,787                       | 0                             | 0                    | 0                                | 49,787              |
| Payments in-Lieu-of Taxes - T.V.A.               | 972                          | 0                             | 0                    | 0                                | 972                 |
| Payments in-Lieu-of Taxes - Local Utilities      | 14,697                       | 0                             | 0                    | 0                                | 14,697              |
| Payments in-Lieu-of Taxes - Other                | 62,535                       | 0                             | 0                    | 0                                | 62,535              |
| <u>County Local Option Taxes</u>                 |                              |                               |                      |                                  |                     |
| Local Option Sales Tax                           | 2,190,411                    | 0                             | 0                    | 0                                | 2,190,411           |
| <u>Statutory Local Taxes</u>                     |                              |                               |                      |                                  |                     |
| Coal Severance Tax                               | 167,783                      | 0                             | 0                    | 0                                | 167,783             |
| Interstate Telecommunications Tax                | 2,592                        | 0                             | 0                    | 0                                | 2,592               |
| <b>Total Local Taxes</b>                         | <b>\$ 8,584,916</b>          | <b>\$ 0</b>                   | <b>\$ 0</b>          | <b>\$ 0</b>                      | <b>\$ 8,584,916</b> |
| <u>Licenses and Permits</u>                      |                              |                               |                      |                                  |                     |
| <u>Licenses</u>                                  |                              |                               |                      |                                  |                     |
| Marriage Licenses                                | \$ 2,451                     | \$ 0                          | \$ 0                 | \$ 0                             | \$ 2,451            |
| <b>Total Licenses and Permits</b>                | <b>\$ 2,451</b>              | <b>\$ 0</b>                   | <b>\$ 0</b>          | <b>\$ 0</b>                      | <b>\$ 2,451</b>     |
| <u>Charges for Current Services</u>              |                              |                               |                      |                                  |                     |
| <u>Education Charges</u>                         |                              |                               |                      |                                  |                     |
| Tuition - Other                                  | \$ 66,031                    | \$ 0                          | \$ 0                 | \$ 0                             | \$ 66,031           |
| Lunch Payments - Children                        | 0                            | 0                             | 377,935              | 0                                | 377,935             |
| Lunch Payments - Adults                          | 0                            | 0                             | 82,582               | 0                                | 82,582              |
| Income from Breakfast                            | 0                            | 0                             | 86,104               | 0                                | 86,104              |
| A la carte Sales                                 | 14,246                       | 0                             | 37,732               | 0                                | 51,978              |
| Receipts from Individual Schools                 | 0                            | 0                             | 832,913              | 0                                | 832,913             |
| <u>Other Charges for Services</u>                |                              |                               |                      |                                  |                     |
| Other Charges for Services                       | 0                            | 0                             | 119,445              | 0                                | 119,445             |
| <b>Total Charges for Current Services</b>        | <b>\$ 80,277</b>             | <b>\$ 0</b>                   | <b>\$ 1,536,711</b>  | <b>\$ 0</b>                      | <b>\$ 1,616,988</b> |
| <u>Other Local Revenues</u>                      |                              |                               |                      |                                  |                     |
| <u>Recurring Items</u>                           |                              |                               |                      |                                  |                     |
| Investment Income                                | \$ 0                         | \$ 0                          | \$ 233               | \$ 10,423                        | \$ 10,656           |
| Lease/Rentals                                    | 8,200                        | 0                             | 0                    | 0                                | 8,200               |
| Retirees' Insurance Payments                     | 171,844                      | 0                             | 0                    | 0                                | 171,844             |
| Miscellaneous Refunds                            | 2,320                        | 0                             | 820                  | 0                                | 3,140               |
| <u>Nonrecurring Items</u>                        |                              |                               |                      |                                  |                     |
| Contributions and Gifts                          | 1,000                        | 0                             | 0                    | 0                                | 1,000               |
| <u>Other Local Revenues</u>                      |                              |                               |                      |                                  |                     |
| Other Local Revenues                             | 58,340                       | 0                             | 0                    | 0                                | 58,340              |
| <b>Total Other Local Revenues</b>                | <b>\$ 241,704</b>            | <b>\$ 0</b>                   | <b>\$ 1,053</b>      | <b>\$ 10,423</b>                 | <b>\$ 253,180</b>   |
| <u>State of Tennessee</u>                        |                              |                               |                      |                                  |                     |
| <u>General Government Grants</u>                 |                              |                               |                      |                                  |                     |
| On-Behalf Contributions for OPEB                 | \$ 10,149                    | \$ 0                          | \$ 0                 | \$ 0                             | \$ 10,149           |
| <u>State Education Funds</u>                     |                              |                               |                      |                                  |                     |
| Basic Education Program                          | 21,917,806                   | 0                             | 0                    | 0                                | 21,917,806          |

(Continued)

Exhibit J-6

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

|   | General<br>Purpose<br>School | School<br>Federal<br>Projects | Central<br>Cafeteria | Education<br>Capital<br>Projects | Total         |
|---|------------------------------|-------------------------------|----------------------|----------------------------------|---------------|
| <u>State of Tennessee (Cont.)</u>                 |                              |                               |                      |                                  |               |
| <u>State Education Funds (Cont.)</u>              |                              |                               |                      |                                  |               |
| Basic Education Program - ARRA                    | \$ 861,700                   | \$ 0                          | \$ 0                 | \$ 0                             | \$ 861,700    |
| Early Childhood Education                         | 1,072,993                    | 0                             | 0                    | 0                                | 1,072,993     |
| School Food Service                               | 0                            | 0                             | 25,215               | 0                                | 25,215        |
| Driver Education                                  | 16,603                       | 0                             | 0                    | 0                                | 16,603        |
| Other State Education Funds                       | 177,871                      | 0                             | 0                    | 0                                | 177,871       |
| Coordinated School Health - ARRA                  | 94,981                       | 0                             | 0                    | 0                                | 94,981        |
| Internet Connectivity - ARRA                      | 13,383                       | 0                             | 0                    | 0                                | 13,383        |
| Family Resource Centers - ARRA                    | 33,280                       | 0                             | 0                    | 0                                | 33,280        |
| Statewide Student Management System (SSMS) - ARRA | 11,760                       | 0                             | 0                    | 0                                | 11,760        |
| Career Ladder Program                             | 268,798                      | 0                             | 0                    | 0                                | 268,798       |
| Career Ladder - Extended Contract - ARRA          | 84,071                       | 0                             | 0                    | 0                                | 84,071        |
| <u>Other State Revenues</u>                       |                              |                               |                      |                                  |               |
| State Revenue Sharing - T.V.A.                    | 430,711                      | 0                             | 0                    | 0                                | 430,711       |
| Other State Grants                                | 45,495                       | 0                             | 0                    | 0                                | 45,495        |
| Safe Schools - ARRA                               | 26,375                       | 0                             | 0                    | 0                                | 26,375        |
| Total State of Tennessee                          | \$ 25,065,976                | \$ 0                          | \$ 25,215            | \$ 0                             | \$ 25,091,191 |
| <u>Federal Government</u>                         |                              |                               |                      |                                  |               |
| <u>Federal Through State</u>                      |                              |                               |                      |                                  |               |
| USDA School Lunch Program                         | \$ 0                         | \$ 0                          | \$ 1,208,418         | \$ 0                             | \$ 1,208,418  |
| Breakfast   | 0                            | 0                             | 377,261              | 0                                | 377,261       |
| USDA - Other                                      | 0                            | 0                             | 23,141               | 0                                | 23,141        |
| USDA Food Service Equipment Grant - ARRA          | 0                            | 0                             | 11,169               | 0                                | 11,169        |
| Adult Education State Grant Program               | 101,395                      | 0                             | 0                    | 0                                | 101,395       |
| Vocational Education - Basic Grants to States     | 0                            | 110,071                       | 0                    | 0                                | 110,071       |
| Title I Grants to Local Education Agencies        | 0                            | 2,023,825                     | 0                    | 0                                | 2,023,825     |
| Special Education - Grants to States              | 57,971                       | 1,784,843                     | 0                    | 0                                | 1,842,814     |
| Special Education Preschool Grants                | 0                            | 61,603                        | 0                    | 0                                | 61,603        |
| Safe and Drug-free Schools - State Grants         | 0                            | 374,964                       | 0                    | 0                                | 374,964       |
| Rural Education                                   | 0                            | 117,671                       | 0                    | 0                                | 117,671       |
| Eisenhower Professional Development State Grants  | 0                            | 312,818                       | 0                    | 0                                | 312,818       |
| Other Federal through State                       | 114,593                      | 207,939                       | 0                    | 0                                | 322,532       |
| Total Federal Government                          | \$ 273,959                   | \$ 4,993,734                  | \$ 1,619,989         | \$ 0                             | \$ 6,887,682  |
| <u>Other Governments and Citizens Groups</u>      |                              |                               |                      |                                  |               |
| <u>Other Governments</u>                          |                              |                               |                      |                                  |               |
| Contributions                                     | \$ 0                         | \$ 0                          | \$ 0                 | \$ 4,931,656                     | \$ 4,931,656  |
| Contracted Services                               | 217,890                      | 0                             | 0                    | 0                                | 217,890       |
| Total Other Governments and Citizens Groups       | \$ 217,890                   | \$ 0                          | \$ 0                 | \$ 4,931,656                     | \$ 5,149,546  |
| Total   | \$ 34,467,173                | \$ 4,993,734                  | \$ 3,182,968         | \$ 4,942,079                     | \$ 47,585,954 |

Exhibit J-7

Claiborne County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

|                                    |    |        |           |
|------------------------------------|----|--------|-----------|
| Board and Committee Members Fees   | \$ | 65,625 |           |
| Social Security                    |    | 4,069  |           |
| State Retirement                   |    | 1,605  |           |
| Employer Medicare                  |    | 952    |           |
| Audit Services                     |    | 8,959  |           |
| Contracts with Government Agencies |    | 600    |           |
| Dues and Memberships               |    | 1,700  |           |
| Total County Commission            |    |        | \$ 83,510 |

Board of Equalization

|                                  |    |       |       |
|----------------------------------|----|-------|-------|
| Board and Committee Members Fees | \$ | 4,300 |       |
| Travel                           |    | 123   |       |
| Total Board of Equalization      |    |       | 4,423 |

Beer Board

|                                  |    |     |     |
|----------------------------------|----|-----|-----|
| Board and Committee Members Fees | \$ | 300 |     |
| Total Beer Board                 |    |     | 300 |

Budget and Finance Committee

|                                    |    |        |        |
|------------------------------------|----|--------|--------|
| Board and Committee Members Fees   | \$ | 12,250 |        |
| Social Security                    |    | 759    |        |
| State Retirement                   |    | 343    |        |
| Medical Insurance                  |    | 24     |        |
| Unemployment Compensation          |    | 14     |        |
| Employer Medicare                  |    | 178    |        |
| Total Budget and Finance Committee |    |        | 13,568 |

County Mayor/Executive

|  |    |        |  |
|--|----|--------|--|
| County Official/Administrative Officer | \$ | 83,321 |  |
| Assistant(s)                           |    | 33,356 |  |
| Secretary(ies)                         |    | 25,142 |  |
| Social Security                        |    | 8,754  |  |
| State Retirement                       |    | 2,720  |  |
| Medical Insurance                      |    | 3,887  |  |
| Unemployment Compensation              |    | 361    |  |
| Employer Medicare                      |    | 2,047  |  |
| Communication                          |    | 13,382 |  |
| Dues and Memberships                   |    | 1,500  |  |
| Operating Lease Payments               |    | 6,135  |  |
| Maintenance Agreements                 |    | 9,158  |  |

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

|                                    |    |       |            |
|------------------------------------|----|-------|------------|
| Travel                             | \$ | 1,785 |            |
| Office Supplies                    |    | 5,625 |            |
| Premiums on Corporate Surety Bonds |    | 289   |            |
| Office Equipment                   |    | 1,695 |            |
| Total County Mayor/Executive       |    |       | \$ 199,157 |

County Attorney

|  |    |        |        |
|--|----|--------|--------|
| County Official/Administrative Officer | \$ | 29,494 |        |
| Clerical Personnel                     |    | 5,000  |        |
| Social Security                        |    | 1,792  |        |
| State Retirement                       |    | 1,372  |        |
| Medical Insurance                      |    | 3,617  |        |
| Unemployment Compensation              |    | 162    |        |
| Employer Medicare                      |    | 419    |        |
| Dues and Memberships                   |    | 649    |        |
| Total County Attorney                  |    |        | 42,505 |

Election Commission

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 55,576 |         |
| Clerical Personnel                     |    | 25,635 |         |
| Other Salaries and Wages               |    | 448    |         |
| Election Commission                    |    | 5,150  |         |
| In-Service Training                    |    | 9,013  |         |
| Social Security                        |    | 5,276  |         |
| State Retirement                       |    | 3,777  |         |
| Medical Insurance                      |    | 4,439  |         |
| Unemployment Compensation              |    | 148    |         |
| Employer Medicare                      |    | 1,234  |         |
| Communication                          |    | 4,858  |         |
| Operating Lease Payments               |    | 2,094  |         |
| Other Contracted Services              |    | 14,094 |         |
| Office Supplies                        |    | 3,329  |         |
| Office Equipment                       |    | 1,878  |         |
| Other Equipment                        |    | 1,837  |         |
| Total Election Commission              |    |        | 138,786 |

Register of Deeds

|                   |    |        |  |
|-------------------|----|--------|--|
| Social Security   | \$ | 6,625  |  |
| State Retirement  |    | 5,170  |  |
| Medical Insurance |    | 13,298 |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds (Cont.)

|  |    |       |           |
|--|----|-------|-----------|
| Unemployment Compensation                          | \$ | 268   |           |
| Employer Medicare                                  |    | 1,549 |           |
| Communication                                      |    | 3,042 |           |
| Dues and Memberships                               |    | 578   |           |
| Operating Lease Payments                           |    | 2,431 |           |
| Maintenance and Repair Services - Office Equipment |    | 8,509 |           |
| Office Supplies                                    |    | 3,805 |           |
| Premiums on Corporate Surety Bonds                 |    | 75    |           |
| Office Equipment                                   |    | 3,150 |           |
| Total Register of Deeds                            |    |       | \$ 48,500 |

Development

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

County Buildings

|   |    |        |         |
|---|----|--------|---------|
| Custodial Personnel                         | \$ | 31,159 |         |
| Maintenance Personnel                       |    | 17,015 |         |
| Social Security                             |    | 2,859  |         |
| State Retirement                            |    | 1,549  |         |
| Medical Insurance                           |    | 10,793 |         |
| Unemployment Compensation                   |    | 586    |         |
| Employer Medicare                           |    | 669    |         |
| Communication                               |    | 4,196  |         |
| Maintenance and Repair Services - Buildings |    | 64,769 |         |
| Maintenance and Repair Services - Vehicles  |    | 4,091  |         |
| Postal Charges                              |    | 27,659 |         |
| Rentals                                     |    | 1,940  |         |
| Custodial Supplies                          |    | 4,296  |         |
| Electricity                                 |    | 47,209 |         |
| Office Supplies                             |    | 16,253 |         |
| Utilities                                   |    | 2,864  |         |
| Water and Sewer                             |    | 3,628  |         |
| Other Supplies and Materials                |    | 897    |         |
| Other Charges                               |    | 1,012  |         |
| Total County Buildings                      |    |        | 243,444 |

Preservation of Records

|                     |    |       |  |
|---------------------|----|-------|--|
| Part-time Personnel | \$ | 2,405 |  |
| Social Security     |    | 149   |  |

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records (Cont.)

|                               |    |       |           |
|-------------------------------|----|-------|-----------|
| Unemployment Compensation     | \$ | 43    |           |
| Employer Medicare             |    | 35    |           |
| Communication                 |    | 2,049 |           |
| Operating Lease Payments      |    | 1,784 |           |
| Office Supplies               |    | 780   |           |
| Office Equipment              |    | 5,037 |           |
| Total Preservation of Records |    |       | \$ 12,282 |

Finance

Accounting and Budgeting

|                                |    |        |        |
|--------------------------------|----|--------|--------|
| Supervisor/Director            | \$ | 46,000 |        |
| Social Security                |    | 2,744  |        |
| State Retirement               |    | 2,139  |        |
| Medical Insurance              |    | 4,433  |        |
| Unemployment Compensation      |    | 126    |        |
| Employer Medicare              |    | 642    |        |
| Total Accounting and Budgeting |    |        | 56,084 |

Property Assessor's Office

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 61,751 |         |
| Secretary(ies)                         |    | 28,483 |         |
| Clerical Personnel                     |    | 22,518 |         |
| Other Salaries and Wages               |    | 20,312 |         |
| In-Service Training                    |    | 1,180  |         |
| Social Security                        |    | 7,886  |         |
| State Retirement                       |    | 6,188  |         |
| Medical Insurance                      |    | 13,337 |         |
| Unemployment Compensation              |    | 435    |         |
| Employer Medicare                      |    | 1,844  |         |
| Audit Services                         |    | 14,670 |         |
| Communication                          |    | 3,567  |         |
| Dues and Memberships                   |    | 1,510  |         |
| Operating Lease Payments               |    | 120    |         |
| Travel                                 |    | 1,590  |         |
| Office Supplies                        |    | 2,168  |         |
| Other Supplies and Materials           |    | 2,299  |         |
| Premiums on Corporate Surety Bonds     |    | 100    |         |
| Office Equipment                       |    | 977    |         |
| Total Property Assessor's Office       |    |        | 190,935 |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Reappraisal Program

|                           |    |        |           |
|---------------------------|----|--------|-----------|
| Assistant(s)              | \$ | 26,059 |           |
| Laborers                  |    | 20,997 |           |
| In-Service Training       |    | 1,949  |           |
| Social Security           |    | 2,706  |           |
| State Retirement          |    | 2,188  |           |
| Medical Insurance         |    | 8,867  |           |
| Unemployment Compensation |    | 283    |           |
| Employer Medicare         |    | 633    |           |
| Communication             |    | 1,200  |           |
| Data Processing Services  |    | 4,401  |           |
| Operating Lease Payments  |    | 1,497  |           |
| Travel                    |    | 2,741  |           |
| Office Equipment          |    | 329    |           |
| Total Reappraisal Program |    |        | \$ 73,850 |

County Trustee's Office

|   |    |        |        |
|---|----|--------|--------|
| Social Security                           | \$ | 9,327  |        |
| State Retirement                          |    | 7,173  |        |
| Medical Insurance                         |    | 13,397 |        |
| Unemployment Compensation                 |    | 653    |        |
| Employer Medicare                         |    | 2,181  |        |
| Communication                             |    | 4,098  |        |
| Data Processing Services                  |    | 11,930 |        |
| Dues and Memberships                      |    | 603    |        |
| Operating Lease Payments                  |    | 1,638  |        |
| Legal Notices, Recording, and Court Costs |    | 570    |        |
| Maintenance Agreements                    |    | 9,230  |        |
| Office Supplies                           |    | 2,176  |        |
| Premiums on Corporate Surety Bonds        |    | 2,306  |        |
| Total County Trustee's Office             |    |        | 65,282 |

County Clerk's Office

|                           |    |        |  |
|---------------------------|----|--------|--|
| Social Security           | \$ | 13,155 |  |
| State Retirement          |    | 10,223 |  |
| Medical Insurance         |    | 22,351 |  |
| Unemployment Compensation |    | 1,092  |  |
| Employer Medicare         |    | 3,077  |  |
| Communication             |    | 5,992  |  |
| Dues and Memberships      |    | 468    |  |
| Operating Lease Payments  |    | 1,853  |  |

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

|                                    |    |        |           |
|------------------------------------|----|--------|-----------|
| Maintenance Agreements             | \$ | 15,733 |           |
| Office Supplies                    |    | 1,275  |           |
| Premiums on Corporate Surety Bonds |    | 114    |           |
| Total County Clerk's Office        |    |        | \$ 75,333 |

Administration of Justice

Circuit Court

|  |    |        |         |
|--|----|--------|---------|
| County Official/Administrative Officer | \$ | 61,751 |         |
| Deputy(ies)                            |    | 19,259 |         |
| Secretary(ies)                         |    | 28,482 |         |
| Clerical Personnel                     |    | 77,679 |         |
| Jury and Witness Expense               |    | 13,813 |         |
| Social Security                        |    | 11,337 |         |
| State Retirement                       |    | 7,741  |         |
| Medical Insurance                      |    | 15,448 |         |
| Unemployment Compensation              |    | 930    |         |
| Employer Medicare                      |    | 2,652  |         |
| Communication                          |    | 3,671  |         |
| Dues and Memberships                   |    | 678    |         |
| Operating Lease Payments               |    | 5,970  |         |
| Maintenance Agreements                 |    | 734    |         |
| Postal Charges                         |    | 7,270  |         |
| Office Supplies                        |    | 5,806  |         |
| Premiums on Corporate Surety Bonds     |    | 114    |         |
| Total Circuit Court                    |    |        | 263,335 |

General Sessions Court

|                              |    |        |         |
|------------------------------|----|--------|---------|
| Judge(s)                     | \$ | 94,891 |         |
| Secretary(ies)               |    | 22,931 |         |
| Social Security              |    | 7,260  |         |
| State Retirement             |    | 5,479  |         |
| Medical Insurance            |    | 4,470  |         |
| Unemployment Compensation    |    | 145    |         |
| Employer Medicare            |    | 1,698  |         |
| Communication                |    | 1,564  |         |
| Travel                       |    | 175    |         |
| Office Supplies              |    | 603    |         |
| Periodicals                  |    | 684    |         |
| Office Equipment             |    | 500    |         |
| Total General Sessions Court |    |        | 140,400 |

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

|  |    |        |            |
|--|----|--------|------------|
| County Official/Administrative Officer | \$ | 61,751 |            |
| Assistant(s)                           |    | 25,893 |            |
| Secretary(ies)                         |    | 28,995 |            |
| Clerical Personnel                     |    | 43,546 |            |
| Social Security                        |    | 9,626  |            |
| State Retirement                       |    | 5,105  |            |
| Medical Insurance                      |    | 14,148 |            |
| Unemployment Compensation              |    | 720    |            |
| Employer Medicare                      |    | 2,251  |            |
| Communication                          |    | 4,260  |            |
| Dues and Memberships                   |    | 936    |            |
| Operating Lease Payments               |    | 2,154  |            |
| Maintenance Agreements                 |    | 9,323  |            |
| Office Supplies                        |    | 1,682  |            |
| Premiums on Corporate Surety Bonds     |    | 114    |            |
| Office Equipment                       |    | 5,640  |            |
| Total Chancery Court                   |    |        | \$ 216,144 |

District Attorney General

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Secretary(ies)                  | \$ | 23,322 |        |
| Social Security                 |    | 1,446  |        |
| State Retirement                |    | 651    |        |
| Unemployment Compensation       |    | 291    |        |
| Employer Medicare               |    | 338    |        |
| Total District Attorney General |    |        | 26,048 |

Office of Public Defender

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Contributions                   | \$ | 29,460 |        |
| Total Office of Public Defender |    |        | 29,460 |

Public Safety

Sheriff's Department

|  |    |         |  |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 67,927  |  |
| Assistant(s)                           |    | 26,082  |  |
| Deputy(ies)                            |    | 824,853 |  |
| Investigator(s)                        |    | 29,952  |  |
| Lieutenant(s)                          |    | 15,997  |  |
| Salary Supplements                     |    | 15,600  |  |
| Secretary(ies)                         |    | 23,754  |  |
| School Resource Officer                |    | 70,022  |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

|   |    |         |              |
|---|----|---------|--------------|
| Social Security                             | \$ | 65,259  |              |
| State Retirement                            |    | 40,133  |              |
| Medical Insurance                           |    | 110,891 |              |
| Unemployment Compensation                   |    | 6,551   |              |
| Employer Medicare                           |    | 15,262  |              |
| Communication                               |    | 32,872  |              |
| Dues and Memberships                        |    | 100     |              |
| Operating Lease Payments                    |    | 3,881   |              |
| Maintenance and Repair Services - Buildings |    | 6,226   |              |
| Maintenance and Repair Services - Equipment |    | 141     |              |
| Maintenance and Repair Services - Vehicles  |    | 61,595  |              |
| Travel                                      |    | 7,693   |              |
| Tuition                                     |    | 8,216   |              |
| Other Contracted Services                   |    | 1,600   |              |
| Gasoline                                    |    | 160,654 |              |
| Law Enforcement Supplies                    |    | 6,357   |              |
| Office Supplies                             |    | 10,427  |              |
| Tires and Tubes                             |    | 8,826   |              |
| Uniforms                                    |    | 14,571  |              |
| Other Supplies and Materials                |    | 5,245   |              |
| Premiums on Corporate Surety Bonds          |    | 75      |              |
| Communication Equipment                     |    | 11,657  |              |
| Law Enforcement Equipment                   |    | 2,016   |              |
| Motor Vehicles                              |    | 194,548 |              |
| Total Sheriff's Department                  |    |         | \$ 1,848,983 |

Administration of the Sexual Offender Registry

|  |    |       |       |
|--|----|-------|-------|
| Other Contracted Services                            | \$ | 2,400 |       |
| Total Administration of the Sexual Offender Registry |    |       | 2,400 |

Workhouse

|  |    |         |  |
|--|----|---------|--|
| County Official/Administrative Officer | \$ | 10,000  |  |
| Supervisor/Director                    |    | 36,705  |  |
| Medical Personnel                      |    | 28,800  |  |
| Guards                                 |    | 930,490 |  |
| Maintenance Personnel                  |    | 30,888  |  |
| Other Salaries and Wages               |    | 60,214  |  |
| Social Security                        |    | 66,377  |  |
| State Retirement                       |    | 38,344  |  |
| Medical Insurance                      |    | 114,404 |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

|   |    |         |              |
|---|----|---------|--------------|
| Unemployment Compensation                   | \$ | 8,653   |              |
| Employer Medicare                           |    | 15,592  |              |
| Communication                               |    | 19,122  |              |
| Operating Lease Payments                    |    | 2,534   |              |
| Maintenance and Repair Services - Buildings |    | 22,728  |              |
| Medical and Dental Services                 |    | 123,452 |              |
| Travel                                      |    | 3,550   |              |
| Tuition                                     |    | 700     |              |
| Other Contracted Services                   |    | 48,000  |              |
| Custodial Supplies                          |    | 53,925  |              |
| Drugs and Medical Supplies                  |    | 81,661  |              |
| Electricity                                 |    | 90,226  |              |
| Food Supplies                               |    | 312,962 |              |
| Natural Gas                                 |    | 30,822  |              |
| Office Supplies                             |    | 10,419  |              |
| Uniforms                                    |    | 9,705   |              |
| Water and Sewer                             |    | 28,096  |              |
| Other Supplies and Materials                |    | 38,210  |              |
| Other Charges                               |    | 25,324  |              |
| Total Workhouse                             |    |         | \$ 2,241,903 |

Juvenile Services

|                              |    |        |        |
|------------------------------|----|--------|--------|
| Social Workers               | \$ | 34,000 |        |
| Social Security              |    | 2,051  |        |
| State Retirement             |    | 1,581  |        |
| Medical Insurance            |    | 4,433  |        |
| Unemployment Compensation    |    | 126    |        |
| Employer Medicare            |    | 480    |        |
| Communication                |    | 1,308  |        |
| Other Contracted Services    |    | 3,080  |        |
| Other Supplies and Materials |    | 200    |        |
| Total Juvenile Services      |    |        | 47,259 |

Fire Prevention and Control

|                                   |    |        |        |
|-----------------------------------|----|--------|--------|
| Contributions                     | \$ | 96,479 |        |
| Total Fire Prevention and Control |    |        | 96,479 |

Civil Defense

|                     |    |        |  |
|---------------------|----|--------|--|
| Supervisor/Director | \$ | 28,000 |  |
| Social Security     |    | 1,736  |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

|  |    |        |           |
|--|----|--------|-----------|
| State Retirement                           | \$ | 1,302  |           |
| Medical Insurance                          |    | 53     |           |
| Unemployment Compensation                  |    | 126    |           |
| Employer Medicare                          |    | 406    |           |
| Communication                              |    | 2,481  |           |
| Dues and Memberships                       |    | 251    |           |
| Maintenance and Repair Services - Vehicles |    | 1,525  |           |
| Travel                                     |    | 1,134  |           |
| Other Contracted Services                  |    | 1,328  |           |
| Gasoline                                   |    | 1,604  |           |
| Office Supplies                            |    | 1,015  |           |
| Other Equipment                            |    | 48,000 |           |
| Total Civil Defense                        |    |        | \$ 88,961 |

Rescue Squad

|                    |    |        |        |
|--------------------|----|--------|--------|
| Contributions      | \$ | 15,000 |        |
| Total Rescue Squad |    |        | 15,000 |

Other Emergency Management

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

County Coroner/Medical Examiner

|                                       |    |        |        |
|---------------------------------------|----|--------|--------|
| Other Per Diem and Fees               | \$ | 37,600 |        |
| Total County Coroner/Medical Examiner |    |        | 37,600 |

Public Health and Welfare

Local Health Center

|   |    |        |  |
|---|----|--------|--|
| Clerical Personnel                          | \$ | 20,892 |  |
| Custodial Personnel                         |    | 10,362 |  |
| Social Security                             |    | 1,863  |  |
| State Retirement                            |    | 971    |  |
| Medical Insurance                           |    | 488    |  |
| Unemployment Compensation                   |    | 340    |  |
| Employer Medicare                           |    | 436    |  |
| Communication                               |    | 8,120  |  |
| Contracts with Government Agencies          |    | 36,055 |  |
| Contracts with Private Agencies             |    | 5,685  |  |
| Operating Lease Payments                    |    | 2,347  |  |
| Maintenance and Repair Services - Buildings |    | 10,465 |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

|                           |    |        |            |
|---------------------------|----|--------|------------|
| Postal Charges            | \$ | 4,497  |            |
| Travel                    |    | 117    |            |
| Other Contracted Services |    | 374    |            |
| Custodial Supplies        |    | 2,233  |            |
| Office Supplies           |    | 2,876  |            |
| Utilities                 |    | 12,488 |            |
| Office Equipment          |    | 98     |            |
| Total Local Health Center |    |        | \$ 120,707 |

Rabies and Animal Control

|                                 |    |        |        |
|---------------------------------|----|--------|--------|
| Contributions                   | \$ | 10,000 |        |
| Total Rabies and Animal Control |    |        | 10,000 |

Ambulance/Emergency Medical Services

|  |    |         |         |
|--|----|---------|---------|
| Contributions                              | \$ | 165,000 |         |
| Motor Vehicles                             |    | 95,000  |         |
| Total Ambulance/Emergency Medical Services |    |         | 260,000 |

Other Local Health Services

|                                   |    |         |         |
|-----------------------------------|----|---------|---------|
| Medical Personnel                 | \$ | 138,792 |         |
| Overtime Pay                      |    | 45      |         |
| Social Security                   |    | 8,612   |         |
| State Retirement                  |    | 4,514   |         |
| Medical Insurance                 |    | 14,626  |         |
| Unemployment Compensation         |    | 1,090   |         |
| Employer Medicare                 |    | 2,014   |         |
| Travel                            |    | 3,646   |         |
| Other Contracted Services         |    | 3,712   |         |
| Other Supplies and Materials      |    | 159     |         |
| Total Other Local Health Services |    |         | 177,210 |

Sanitation Education/Information

|  |    |        |  |
|--|----|--------|--|
| Laborers                                   | \$ | 21,630 |  |
| Clerical Personnel                         |    | 4,800  |  |
| Social Security                            |    | 1,581  |  |
| State Retirement                           |    | 1,229  |  |
| Medical Insurance                          |    | 406    |  |
| Unemployment Compensation                  |    | 199    |  |
| Employer Medicare                          |    | 370    |  |
| Maintenance and Repair Services - Vehicles |    | 1,621  |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Education/Information (Cont.)

|  |    |       |           |
|--|----|-------|-----------|
| Gasoline                               | \$ | 5,455 |           |
| Instructional Supplies and Materials   |    | 3,298 |           |
| Other Supplies and Materials           |    | 600   |           |
| Total Sanitation Education/Information |    |       | \$ 41,189 |

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

|   |    |        |        |
|---|----|--------|--------|
| Laborers                                    | \$ | 3,875  |        |
| Communication                               |    | 3,507  |        |
| Contracts with Other Public Agencies        |    | 14,000 |        |
| Contributions                               |    | 10,000 |        |
| Maintenance and Repair Services - Buildings |    | 1,716  |        |
| Printing, Stationery, and Forms             |    | 134    |        |
| Other Contracted Services                   |    | 350    |        |
| Electricity                                 |    | 6,070  |        |
| Gasoline                                    |    | 2,581  |        |
| Water and Sewer                             |    | 655    |        |
| Office Equipment                            |    | 1,182  |        |
| Total Senior Citizens Assistance            |    |        | 44,070 |

Libraries

|                           |    |        |        |
|---------------------------|----|--------|--------|
| Clerical Personnel        | \$ | 45,493 |        |
| Part-time Personnel       |    | 9,675  |        |
| Social Security           |    | 3,269  |        |
| State Retirement          |    | 2,080  |        |
| Medical Insurance         |    | 8,867  |        |
| Unemployment Compensation |    | 769    |        |
| Employer Medicare         |    | 764    |        |
| Contributions             |    | 18,548 |        |
| Total Libraries           |    |        | 89,465 |

Agriculture and Natural Resources

Agriculture Extension Service

|                                      |    |        |  |
|--------------------------------------|----|--------|--|
| Communication                        | \$ | 4,033  |  |
| Contracts with Other Public Agencies |    | 80,106 |  |
| Dues and Memberships                 |    | 600    |  |

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

|                                     |    |       |           |
|-------------------------------------|----|-------|-----------|
| Travel                              | \$ | 628   |           |
| Other Charges                       |    | 888   |           |
| Office Equipment                    |    | 1,698 |           |
| Total Agriculture Extension Service |    |       | \$ 87,953 |

Forest Service

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

Soil Conservation

|                           |    |        |        |
|---------------------------|----|--------|--------|
| Secretary(ies)            | \$ | 20,000 |        |
| Social Security           |    | 1,191  |        |
| State Retirement          |    | 930    |        |
| Medical Insurance         |    | 3,582  |        |
| Unemployment Compensation |    | 317    |        |
| Employer Medicare         |    | 279    |        |
| Contributions             |    | 12,100 |        |
| Total Soil Conservation   |    |        | 38,399 |

Other Operations

Industrial Development

|                                      |    |        |        |
|--------------------------------------|----|--------|--------|
| Contracts with Other Public Agencies | \$ | 12,800 |        |
| Total Industrial Development         |    |        | 12,800 |

Housing and Urban Development

|                                     |    |         |         |
|-------------------------------------|----|---------|---------|
| Office Equipment                    | \$ | 139,883 |         |
| Other Construction                  |    | 32,363  |         |
| Total Housing and Urban Development |    |         | 172,246 |

Other Economic and Community Development

|  |    |        |        |
|--|----|--------|--------|
| Assistant(s)                                   | \$ | 26,016 |        |
| Social Security                                |    | 1,568  |        |
| State Retirement                               |    | 1,210  |        |
| Medical Insurance                              |    | 4,433  |        |
| Unemployment Compensation                      |    | 126    |        |
| Employer Medicare                              |    | 367    |        |
| Communication                                  |    | 2,361  |        |
| Travel   |    | 6,343  |        |
| Other Charges                                  |    | 518    |        |
| Total Other Economic and Community Development |    |        | 42,942 |

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

|  |    |       |           |
|--|----|-------|-----------|
| County Official/Administrative Officer | \$ | 8,042 |           |
| Social Security                        |    | 499   |           |
| Unemployment Compensation              |    | 142   |           |
| Employer Medicare                      |    | 117   |           |
| Travel                                 |    | 797   |           |
| Office Supplies                        |    | 966   |           |
| Total Veterans' Services               |    |       | \$ 10,563 |

Other Charges

|   |    |         |         |
|---|----|---------|---------|
| Contributions                             | \$ | 81,674  |         |
| Dues and Memberships                      |    | 1,596   |         |
| Legal Services                            |    | 17,685  |         |
| Legal Notices, Recording, and Court Costs |    | 1,657   |         |
| Office Supplies                           |    | 108     |         |
| Trustee's Commission                      |    | 113,690 |         |
| Vehicle and Equipment Insurance           |    | 201,960 |         |
| Workers' Compensation Insurance           |    | 185,383 |         |
| Liability Claims                          |    | 10,239  |         |
| Other Charges                             |    | 9,250   |         |
| Total Other Charges                       |    |         | 623,242 |

Employee Benefits

|                           |    |        |        |
|---------------------------|----|--------|--------|
| Medical Insurance         | \$ | 31,860 |        |
| Unemployment Compensation |    | 7,920  |        |
| Total Employee Benefits   |    |        | 39,780 |

ARRA Grant # 1

|                           |    |        |        |
|---------------------------|----|--------|--------|
| Law Enforcement Equipment | \$ | 38,829 |        |
| Total ARRA Grant # 1      |    |        | 38,829 |

ARRA Grant # 2

|                      |    |       |       |
|----------------------|----|-------|-------|
| Other Equipment      | \$ | 3,950 |       |
| Total ARRA Grant # 2 |    |       | 3,950 |

Miscellaneous

|                     |    |        |        |
|---------------------|----|--------|--------|
| Tax Relief Program  | \$ | 35,100 |        |
| Total Miscellaneous |    |        | 35,100 |

Total General Fund \$ 8,186,242

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

|  |    |         |              |
|--|----|---------|--------------|
| Foremen                                    | \$ | 37,538  |              |
| Equipment Operators                        |    | 44,297  |              |
| Truck Drivers                              |    | 44,973  |              |
| Secretary(ies)                             |    | 25,895  |              |
| Attendants                                 |    | 244,989 |              |
| Board and Committee Members Fees           |    | 6,625   |              |
| Social Security                            |    | 24,778  |              |
| State Retirement                           |    | 16,101  |              |
| Medical Insurance                          |    | 56,827  |              |
| Unemployment Compensation                  |    | 3,227   |              |
| Employer Medicare                          |    | 5,731   |              |
| Communication                              |    | 10,120  |              |
| Contracts with Private Agencies            |    | 469,128 |              |
| Engineering Services                       |    | 5,500   |              |
| Evaluation and Testing                     |    | 9,295   |              |
| Operating Lease Payments                   |    | 8,400   |              |
| Maintenance and Repair Services - Vehicles |    | 22,396  |              |
| Postal Charges                             |    | 264     |              |
| Travel                                     |    | 826     |              |
| Permits                                    |    | 1,250   |              |
| Other Contracted Services                  |    | 9,507   |              |
| Crushed Stone                              |    | 5,209   |              |
| Diesel Fuel                                |    | 44,511  |              |
| Electricity                                |    | 11,766  |              |
| Fertilizer, Lime, and Seed                 |    | 1,751   |              |
| Gasoline                                   |    | 1,727   |              |
| Lubricants                                 |    | 1,397   |              |
| Office Supplies                            |    | 4,187   |              |
| Tires and Tubes                            |    | 5,310   |              |
| Water and Sewer                            |    | 403     |              |
| Other Supplies and Materials               |    | 3,661   |              |
| Trustee's Commission                       |    | 22,788  |              |
| Vehicle and Equipment Insurance            |    | 19,526  |              |
| Workers' Compensation Insurance            |    | 28,993  |              |
| Site Development                           |    | 87,014  |              |
| Other Equipment                            |    | 20,000  |              |
| Total Waste Pickup                         |    |         | \$ 1,305,910 |

(Continued)

Exhibit J-7

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

Solid Waste/Sanitation Fund (Cont.)

Principal on Debt

General Government

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

Total Solid Waste/Sanitation Fund \$ 1,330,910

Drug Control Fund

Public Safety

Drug Enforcement

|   |          |           |
|---|----------|-----------|
| Communication                               | \$ 2,200 |           |
| Confidential Drug Enforcement Payments      | 20,000   |           |
| Maintenance and Repair Services - Equipment | 2,208    |           |
| Maintenance and Repair Services - Vehicles  | 1,500    |           |
| Travel                                      | 2,055    |           |
| Tuition                                     | 1,250    |           |
| Law Enforcement Supplies                    | 1,974    |           |
| Other Supplies and Materials                | 9,617    |           |
| Trustee's Commission                        | 694      |           |
| Law Enforcement Equipment                   | 4,315    |           |
| Motor Vehicles                              | 37,850   |           |
| Total Drug Enforcement                      |          | \$ 83,663 |

Total Drug Control Fund 83,663

Constitutional Officers - Fees Fund

General Government

Register of Deeds

|   |            |            |
|---|------------|------------|
| Constitutional Officers' Operating Expenses | \$ 111,182 |            |
| Total Register of Deeds                     |            | \$ 111,182 |

Finance

County Trustee's Office

|   |            |         |
|---|------------|---------|
| Constitutional Officers' Operating Expenses | \$ 154,669 |         |
| Total County Trustee's Office               |            | 154,669 |

County Clerk's Office

|   |            |         |
|---|------------|---------|
| Constitutional Officers' Operating Expenses | \$ 205,112 |         |
| Total County Clerk's Office                 |            | 205,112 |

(Continued)

Exhibit J-7

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Chancery Court

|   |    |               |                  |
|---|----|---------------|------------------|
| Special Commissioner Fees/Special Master Fees | \$ | 22,136        |                  |
| Constitutional Officers' Operating Expenses   |    | <u>14,758</u> |                  |
| Total Chancery Court                          |    |               | <u>\$ 36,894</u> |

Total Constitutional Officers - Fees Fund \$ 507,857

Highway/Public Works Fund

Highways

Administration

|   |    |              |                   |
|---|----|--------------|-------------------|
| County Official/Administrative Officer    | \$ | 67,927       |                   |
| Accountants/Bookkeepers                   |    | 28,487       |                   |
| Secretary(ies)                            |    | 23,920       |                   |
| Social Security                           |    | 8,891        |                   |
| State Retirement                          |    | 5,474        |                   |
| Life Insurance                            |    | 218          |                   |
| Medical Insurance                         |    | 8,620        |                   |
| Disability Insurance                      |    | 582          |                   |
| Unemployment Compensation                 |    | 1,126        |                   |
| Data Processing Services                  |    | 4,132        |                   |
| Dues and Memberships                      |    | 2,788        |                   |
| Legal Services                            |    | 451          |                   |
| Legal Notices, Recording, and Court Costs |    | 119          |                   |
| Postal Charges                            |    | 264          |                   |
| Travel                                    |    | 530          |                   |
| Office Supplies                           |    | <u>2,234</u> |                   |
| Total Administration                      |    |              | <u>\$ 155,763</u> |

Highway and Bridge Maintenance

|                           |    |         |
|---------------------------|----|---------|
| Laborers                  | \$ | 420,284 |
| Social Security           |    | 30,642  |
| State Retirement          |    | 16,199  |
| Life Insurance            |    | 1,313   |
| Medical Insurance         |    | 67,940  |
| Disability Insurance      |    | 3,568   |
| Unemployment Compensation |    | 5,699   |
| Other Contracted Services |    | 36,537  |
| Asphalt - Hot Mix         |    | 72,692  |
| Crushed Stone             |    | 212,555 |
| Pipe - Metal              |    | 15,004  |
| Road Signs                |    | 1,362   |

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

|                                      |    |              |            |
|--------------------------------------|----|--------------|------------|
| Wood Products                        | \$ | 1,167        |            |
| Other Supplies and Materials         |    | <u>2,953</u> |            |
| Total Highway and Bridge Maintenance |    |              | \$ 887,915 |

Operation and Maintenance of Equipment

|  |    |              |         |
|--|----|--------------|---------|
| Mechanic(s)                                  | \$ | 34,000       |         |
| Social Security                              |    | 2,780        |         |
| State Retirement                             |    | 1,732        |         |
| Life Insurance                               |    | 110          |         |
| Disability Insurance                         |    | 306          |         |
| Unemployment Compensation                    |    | 963          |         |
| Rentals                                      |    | 7,600        |         |
| Diesel Fuel                                  |    | 48,268       |         |
| Equipment and Machinery Parts                |    | 69,922       |         |
| Garage Supplies                              |    | 545          |         |
| Gasoline                                     |    | 28,805       |         |
| Lubricants                                   |    | 7,086        |         |
| Tires and Tubes                              |    | 5,270        |         |
| Other Supplies and Materials                 |    | <u>1,000</u> |         |
| Total Operation and Maintenance of Equipment |    |              | 208,387 |

Other Charges

|                                 |    |               |         |
|---------------------------------|----|---------------|---------|
| Communication                   | \$ | 6,507         |         |
| Electricity                     |    | 4,690         |         |
| Water and Sewer                 |    | 573           |         |
| Building and Contents Insurance |    | 1,270         |         |
| Liability Insurance             |    | 28,050        |         |
| Trustee's Commission            |    | 20,428        |         |
| Vehicle and Equipment Insurance |    | 28,188        |         |
| Other Charges                   |    | <u>22,968</u> |         |
| Total Other Charges             |    |               | 112,674 |

Employee Benefits

|                                 |    |               |        |
|---------------------------------|----|---------------|--------|
| Workers' Compensation Insurance | \$ | <u>48,799</u> |        |
| Total Employee Benefits         |    |               | 48,799 |

Capital Outlay

|                      |    |                |                |
|----------------------|----|----------------|----------------|
| State Aid Projects   | \$ | <u>180,000</u> |                |
| Total Capital Outlay |    |                | <u>180,000</u> |

Total Highway/Public Works Fund \$ 1,593,538

(Continued)

Exhibit J-7

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

General Debt Service Fund

Public Health and Welfare

Other Public Health and Welfare

|                                       |              |              |
|---------------------------------------|--------------|--------------|
| Contributions                         | \$ 1,665,000 |              |
| Total Other Public Health and Welfare |              | \$ 1,665,000 |

Other Operations

Other Charges

|                      |          |       |
|----------------------|----------|-------|
| Trustee's Commission | \$ 6,204 |       |
| Total Other Charges  |          | 6,204 |

Principal on Debt

General Government

|                          |            |           |
|--------------------------|------------|-----------|
| Principal on Bonds       | \$ 205,000 |           |
| Principal on Notes       | 63,305     |           |
| Principal on Other Loans | 879,054    |           |
| Total General Government |            | 1,147,359 |

Highways and Streets

|                            |            |         |
|----------------------------|------------|---------|
| Principal on Other Loans   | \$ 574,773 |         |
| Total Highways and Streets |            | 574,773 |

Education

|                    |            |         |
|--------------------|------------|---------|
| Principal on Notes | \$ 148,636 |         |
| Total Education    |            | 148,636 |

Interest on Debt

General Government

|                          |           |         |
|--------------------------|-----------|---------|
| Interest on Bonds        | \$ 71,925 |         |
| Interest on Notes        | 5,704     |         |
| Interest on Other Loans  | 346,474   |         |
| Total General Government |           | 424,103 |

Highways and Streets

|                            |           |        |
|----------------------------|-----------|--------|
| Interest on Other Loans    | \$ 45,454 |        |
| Total Highways and Streets |           | 45,454 |

Education

|                         |            |           |
|-------------------------|------------|-----------|
| Interest on Bonds       | \$ 202,683 |           |
| Interest on Notes       | 14,597     |           |
| Interest on Other Loans | 921,043    |           |
| Total Education         |            | 1,138,323 |

(Continued)

Exhibit J-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

|                             |            |            |
|-----------------------------|------------|------------|
| Underwriter's Discount      | \$ 222,107 |            |
| Other Debt Issuance Charges | 144,233    |            |
| Other Debt Service          | 125,099    |            |
| Total General Government    |            | \$ 491,439 |

Education

|                    |        |     |
|--------------------|--------|-----|
| Other Debt Service | \$ 300 |     |
| Total Education    |        | 300 |

Total General Debt Service Fund \$ 5,641,591

Community Development/Industrial Park Fund

Other Operations

Industrial Development

|                              |           |           |
|------------------------------|-----------|-----------|
| Contributions                | \$ 27,829 |           |
| Trustee's Commission         | 281       |           |
| Total Industrial Development |           | \$ 28,110 |

Capital Projects

Other General Government Projects

|   |          |         |
|---|----------|---------|
| Trustee's Commission                    | \$ 1,259 |         |
| Other Construction                      | 124,605  |         |
| Total Other General Government Projects |          | 125,864 |

Total Community Development/Industrial Park Fund 153,974

Highway Capital Projects Fund

Capital Projects

Highway and Street Capital Projects

|   |           |           |
|---|-----------|-----------|
| Other Contracted Services                 | \$ 15,717 |           |
| Asphalt - Hot Mix                         | 75,721    |           |
| Total Highway and Street Capital Projects |           | \$ 91,438 |

Total Highway Capital Projects Fund 91,438

Other Capital Projects Fund

Other Debt Service

Education

|                             |           |           |
|-----------------------------|-----------|-----------|
| Underwriter's Discount      | \$ 29,407 |           |
| Other Debt Issuance Charges | 52,416    |           |
| Total Education             |           | \$ 81,823 |

(Continued)

Exhibit J-7

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

|   |                     |                             |
|---|---------------------|-----------------------------|
| <u>Other Capital Projects Fund (Cont.)</u>    |                     |                             |
| <u>Capital Projects</u>                       |                     |                             |
| <u>Education Capital Projects</u>             |                     |                             |
| Contributions                                 | <u>\$ 4,931,657</u> |                             |
| Total Education Capital Projects              |                     | <u>\$ 4,931,657</u>         |
| Total Other Capital Projects Fund             |                     | <u>\$ 5,013,480</u>         |
| Total Governmental Funds - Primary Government |                     | <u><u>\$ 22,602,693</u></u> |

Exhibit J-8

Claiborne County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Claiborne County School Department  
For the Year Ended June 30, 2010

General Purpose School Fund

Instruction

Regular Instruction Program

|                                      |               |               |
|--------------------------------------|---------------|---------------|
| Teachers                             | \$ 10,031,112 |               |
| Career Ladder Program                | 156,077       |               |
| Career Ladder Extended Contracts     | 73,710        |               |
| Educational Assistants               | 565,951       |               |
| Other Salaries and Wages             | 10,000        |               |
| Certified Substitute Teachers        | 235,700       |               |
| Social Security                      | 649,026       |               |
| State Retirement                     | 680,162       |               |
| Life Insurance                       | 31,963        |               |
| Medical Insurance                    | 1,911,850     |               |
| Dental Insurance                     | 34,647        |               |
| Unemployment Compensation            | 8,126         |               |
| Employer Medicare                    | 152,219       |               |
| Instructional Supplies and Materials | 108,971       |               |
| Textbooks                            | 401,764       |               |
| Other Supplies and Materials         | 7,060         |               |
| Regular Instruction Equipment        | 133,846       |               |
| Total Regular Instruction Program    |               | \$ 15,192,184 |

Special Education Program

|   |              |
|---|--------------|
| Teachers                                    | \$ 1,543,902 |
| Career Ladder Program                       | 26,576       |
| Homebound Teachers                          | 5,320        |
| Educational Assistants                      | 88,543       |
| Speech Pathologist                          | 121,660      |
| Other Salaries and Wages                    | 166,281      |
| Certified Substitute Teachers               | 23,912       |
| Social Security                             | 117,145      |
| State Retirement                            | 123,747      |
| Life Insurance                              | 5,863        |
| Medical Insurance                           | 216,728      |
| Dental Insurance                            | 6,563        |
| Unemployment Compensation                   | 1,483        |
| Employer Medicare                           | 27,397       |
| Contracts with Private Agencies             | 63,363       |
| Maintenance and Repair Services - Equipment | 14,538       |
| Tuition                                     | 4,292        |
| Instructional Supplies and Materials        | 2,784        |
| Textbooks                                   | 2,310        |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

|                                 |    |        |              |
|---------------------------------|----|--------|--------------|
| Other Supplies and Materials    | \$ | 13,472 |              |
| Other Charges                   |    | 13,932 |              |
| Special Education Equipment     |    | 68,483 |              |
| Total Special Education Program |    |        | \$ 2,658,294 |

Vocational Education Program

|                                      |    |         |           |
|--------------------------------------|----|---------|-----------|
| Teachers                             | \$ | 855,778 |           |
| Career Ladder Program                |    | 12,720  |           |
| Certified Substitute Teachers        |    | 25,336  |           |
| Social Security                      |    | 52,352  |           |
| State Retirement                     |    | 53,911  |           |
| Life Insurance                       |    | 2,640   |           |
| Medical Insurance                    |    | 111,200 |           |
| Dental Insurance                     |    | 2,775   |           |
| Unemployment Compensation            |    | 621     |           |
| Employer Medicare                    |    | 12,636  |           |
| Instructional Supplies and Materials |    | 11,838  |           |
| Other Charges                        |    | 6,179   |           |
| Vocational Instruction Equipment     |    | 4,221   |           |
| Total Vocational Education Program   |    |         | 1,152,207 |

Adult Education Program

|                                      |    |        |         |
|--------------------------------------|----|--------|---------|
| Teachers                             | \$ | 59,806 |         |
| Career Ladder Program                |    | 1,000  |         |
| Other Salaries and Wages             |    | 20,004 |         |
| Social Security                      |    | 4,364  |         |
| State Retirement                     |    | 4,162  |         |
| Life Insurance                       |    | 231    |         |
| Medical Insurance                    |    | 7,980  |         |
| Dental Insurance                     |    | 265    |         |
| Unemployment Compensation            |    | 91     |         |
| Employer Medicare                    |    | 1,105  |         |
| Instructional Supplies and Materials |    | 1,322  |         |
| Total Adult Education Program        |    |        | 100,330 |

Support Services

Attendance

|                       |    |        |  |
|-----------------------|----|--------|--|
| Supervisor/Director   | \$ | 55,554 |  |
| Career Ladder Program |    | 1,000  |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

|                              |    |        |           |
|------------------------------|----|--------|-----------|
| Clerical Personnel           | \$ | 18,600 |           |
| Social Security              |    | 4,375  |           |
| State Retirement             |    | 4,496  |           |
| Life Insurance               |    | 132    |           |
| Medical Insurance            |    | 5,700  |           |
| Dental Insurance             |    | 151    |           |
| Unemployment Compensation    |    | 58     |           |
| Employer Medicare            |    | 1,023  |           |
| Travel                       |    | 1,287  |           |
| Other Supplies and Materials |    | 761    |           |
| Total Attendance             |    |        | \$ 93,137 |

Health Services

|                           |    |        |         |
|---------------------------|----|--------|---------|
| Medical Personnel         | \$ | 34,877 |         |
| Social Security           |    | 2,154  |         |
| State Retirement          |    | 2,239  |         |
| Life Insurance            |    | 132    |         |
| Medical Insurance         |    | 3,696  |         |
| Dental Insurance          |    | 50     |         |
| Unemployment Compensation |    | 25     |         |
| Employer Medicare         |    | 504    |         |
| Travel                    |    | 136    |         |
| Other Contracted Services |    | 93,110 |         |
| Total Health Services     |    |        | 136,923 |

Other Student Support

|                              |    |        |         |
|------------------------------|----|--------|---------|
| Career Ladder Program        | \$ | 1,000  |         |
| Guidance Personnel           |    | 82,604 |         |
| Social Security              |    | 4,898  |         |
| State Retirement             |    | 5,367  |         |
| Life Insurance               |    | 264    |         |
| Medical Insurance            |    | 10,000 |         |
| Dental Insurance             |    | 303    |         |
| Unemployment Compensation    |    | 50     |         |
| Employer Medicare            |    | 1,146  |         |
| Evaluation and Testing       |    | 23,055 |         |
| Travel                       |    | 4,100  |         |
| Other Contracted Services    |    | 61,219 |         |
| Other Supplies and Materials |    | 1,240  |         |
| Total Other Student Support  |    |        | 195,246 |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program

|                                   |    |         |            |
|-----------------------------------|----|---------|------------|
| Supervisor/Director               | \$ | 136,849 |            |
| Career Ladder Program             |    | 11,733  |            |
| Librarians                        |    | 383,139 |            |
| Other Salaries and Wages          |    | 54,083  |            |
| Social Security                   |    | 32,093  |            |
| State Retirement                  |    | 34,664  |            |
| Life Insurance                    |    | 1,528   |            |
| Medical Insurance                 |    | 61,202  |            |
| Dental Insurance                  |    | 1,740   |            |
| Unemployment Compensation         |    | 307     |            |
| Employer Medicare                 |    | 7,999   |            |
| Travel                            |    | 2,563   |            |
| Other Contracted Services         |    | 6,551   |            |
| Library Books/Media               |    | 59,985  |            |
| Other Supplies and Materials      |    | 4,674   |            |
| In Service/Staff Development      |    | 34,352  |            |
| Other Charges                     |    | 4,881   |            |
| Total Regular Instruction Program |    |         | \$ 838,343 |

Alternative Instruction Program

|                                       |    |         |         |
|---------------------------------------|----|---------|---------|
| Other Salaries and Wages              | \$ | 665,484 |         |
| Social Security                       |    | 39,396  |         |
| State Retirement                      |    | 42,724  |         |
| Life Insurance                        |    | 1,673   |         |
| Medical Insurance                     |    | 73,669  |         |
| Dental Insurance                      |    | 2,141   |         |
| Unemployment Compensation             |    | 381     |         |
| Employer Medicare                     |    | 9,214   |         |
| Other Supplies and Materials          |    | 589     |         |
| Total Alternative Instruction Program |    |         | 835,271 |

Special Education Program

|                          |    |        |  |
|--------------------------|----|--------|--|
| Supervisor/Director      | \$ | 64,224 |  |
| Career Ladder Program    |    | 3,000  |  |
| Psychological Personnel  |    | 67,354 |  |
| Secretary(ies)           |    | 20,589 |  |
| Other Salaries and Wages |    | 1,567  |  |
| Social Security          |    | 9,081  |  |
| State Retirement         |    | 9,593  |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

|   |    |        |            |
|---|----|--------|------------|
| Life Insurance                              | \$ | 374    |            |
| Medical Insurance                           |    | 14,879 |            |
| Dental Insurance                            |    | 429    |            |
| Unemployment Compensation                   |    | 118    |            |
| Employer Medicare                           |    | 2,124  |            |
| Maintenance and Repair Services - Equipment |    | 2,868  |            |
| Travel                                      |    | 35,195 |            |
| Other Contracted Services                   |    | 246    |            |
| Other Supplies and Materials                |    | 14     |            |
| In Service/Staff Development                |    | 16,608 |            |
| Other Charges                               |    | 3,894  |            |
| Total Special Education Program             |    |        | \$ 252,157 |

Vocational Education Program

|                                    |    |        |         |
|------------------------------------|----|--------|---------|
| Supervisor/Director                | \$ | 64,224 |         |
| Career Ladder Program              |    | 1,000  |         |
| Clerical Personnel                 |    | 18,500 |         |
| Social Security                    |    | 4,942  |         |
| State Retirement                   |    | 5,048  |         |
| Life Insurance                     |    | 132    |         |
| Medical Insurance                  |    | 3,696  |         |
| Dental Insurance                   |    | 151    |         |
| Unemployment Compensation          |    | 58     |         |
| Employer Medicare                  |    | 1,156  |         |
| Other Charges                      |    | 2,000  |         |
| Total Vocational Education Program |    |        | 100,907 |

Adult Programs

|                           |    |        |        |
|---------------------------|----|--------|--------|
| Supervisor/Director       | \$ | 63,045 |        |
| Career Ladder Program     |    | 1,833  |        |
| Other Salaries and Wages  |    | 8,479  |        |
| Social Security           |    | 4,183  |        |
| State Retirement          |    | 4,559  |        |
| Life Insurance            |    | 121    |        |
| Medical Insurance         |    | 5,225  |        |
| Dental Insurance          |    | 139    |        |
| Unemployment Compensation |    | 56     |        |
| Employer Medicare         |    | 978    |        |
| Travel                    |    | 2,188  |        |
| Total Adult Programs      |    |        | 90,806 |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs

|                            |           |           |
|----------------------------|-----------|-----------|
| On-Behalf Payments to OPEB | \$ 10,149 |           |
| Total Other Programs       |           | \$ 10,149 |

Board of Education

|                                    |          |           |
|------------------------------------|----------|-----------|
| Secretary to Board                 | \$ 1,500 |           |
| Board and Committee Members Fees   | 10,325   |           |
| Social Security                    | 641      |           |
| State Retirement                   | 524      |           |
| Life Insurance                     | 794      |           |
| Dental Insurance                   | 1,013    |           |
| Unemployment Compensation          | 32       |           |
| Employer Medicare                  | 167      |           |
| Audit Services                     | 15,600   |           |
| Dues and Memberships               | 13,694   |           |
| Legal Services                     | 40,072   |           |
| Travel                             | 7,539    |           |
| Other Contracted Services          | 1,202    |           |
| Liability Insurance                | 165,281  |           |
| Premiums on Corporate Surety Bonds | 200      |           |
| Trustee's Commission               | 205,927  |           |
| Workers' Compensation Insurance    | 124,608  |           |
| Other Charges                      | 471,821  |           |
| Total Board of Education           |          | 1,060,940 |

Director of Schools

|  |           |
|--|-----------|
| County Official/Administrative Officer | \$ 94,964 |
| Career Ladder Program                  | 3,000     |
| Secretary(ies)                         | 45,371    |
| Other Salaries and Wages               | 59,394    |
| Social Security                        | 11,846    |
| State Retirement                       | 11,773    |
| Life Insurance                         | 262       |
| Medical Insurance                      | 7,335     |
| Dental Insurance                       | 301       |
| Unemployment Compensation              | 147       |
| Employer Medicare                      | 2,893     |
| Communication                          | 67,770    |
| Dues and Memberships                   | 2,910     |
| Postal Charges                         | 2,025     |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

|                              |    |       |            |
|------------------------------|----|-------|------------|
| Travel                       | \$ | 5,810 |            |
| Other Contracted Services    |    | 6,805 |            |
| Office Supplies              |    | 3,817 |            |
| In Service/Staff Development |    | 3,400 |            |
| Other Charges                |    | 1,730 |            |
| Administration Equipment     |    | 1,065 |            |
| Total Director of Schools    |    |       | \$ 332,618 |

Office of the Principal

|                               |    |         |           |
|-------------------------------|----|---------|-----------|
| Principals                    | \$ | 721,482 |           |
| Career Ladder Program         |    | 17,266  |           |
| Assistant Principals          |    | 126,667 |           |
| Social Security               |    | 46,394  |           |
| State Retirement              |    | 53,335  |           |
| Life Insurance                |    | 1,724   |           |
| Medical Insurance             |    | 93,347  |           |
| Dental Insurance              |    | 1,851   |           |
| Unemployment Compensation     |    | 370     |           |
| Employer Medicare             |    | 11,995  |           |
| Total Office of the Principal |    |         | 1,074,431 |

Fiscal Services

|                              |    |        |         |
|------------------------------|----|--------|---------|
| Supervisor/Director          | \$ | 62,215 |         |
| Accountants/Bookkeepers      |    | 64,739 |         |
| Social Security              |    | 7,167  |         |
| State Retirement             |    | 7,004  |         |
| Life Insurance               |    | 132    |         |
| Medical Insurance            |    | 5,700  |         |
| Dental Insurance             |    | 187    |         |
| Unemployment Compensation    |    | 74     |         |
| Employer Medicare            |    | 1,676  |         |
| Data Processing Services     |    | 1,454  |         |
| Travel                       |    | 471    |         |
| Other Contracted Services    |    | 7,778  |         |
| Data Processing Supplies     |    | 1,323  |         |
| Office Supplies              |    | 438    |         |
| Other Supplies and Materials |    | 333    |         |
| Other Charges                |    | 1,000  |         |
| Total Fiscal Services        |    |        | 161,691 |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant

|                           |    |           |              |
|---------------------------|----|-----------|--------------|
| Custodial Personnel       | \$ | 419,012   |              |
| Social Security           |    | 25,259    |              |
| State Retirement          |    | 18,469    |              |
| Unemployment Compensation |    | 1,043     |              |
| Employer Medicare         |    | 6,014     |              |
| Disposal Fees             |    | 68,288    |              |
| Other Contracted Services |    | 11,663    |              |
| Custodial Supplies        |    | 107,598   |              |
| Electricity               |    | 1,169,264 |              |
| Fuel Oil                  |    | 16,851    |              |
| Natural Gas               |    | 68,701    |              |
| Water and Sewer           |    | 136,425   |              |
| Plant Operation Equipment |    | 460,844   |              |
| Total Operation of Plant  |    |           | \$ 2,509,431 |

Maintenance of Plant

|   |    |         |         |
|---|----|---------|---------|
| Supervisor/Director                         | \$ | 24,427  |         |
| Maintenance Personnel                       |    | 374,793 |         |
| Social Security                             |    | 22,287  |         |
| State Retirement                            |    | 16,809  |         |
| Unemployment Compensation                   |    | 638     |         |
| Employer Medicare                           |    | 5,742   |         |
| Maintenance and Repair Services - Buildings |    | 125,769 |         |
| Maintenance and Repair Services - Equipment |    | 169,912 |         |
| Other Charges                               |    | 779     |         |
| Total Maintenance of Plant                  |    |         | 741,156 |

Transportation

|                               |    |         |  |
|-------------------------------|----|---------|--|
| Supervisor/Director           | \$ | 24,427  |  |
| Mechanic(s)                   |    | 52,162  |  |
| Bus Drivers                   |    | 437,183 |  |
| Other Salaries and Wages      |    | 21,115  |  |
| Social Security               |    | 34,448  |  |
| State Retirement              |    | 25,267  |  |
| Life Insurance                |    | 49,715  |  |
| Medical Insurance             |    | 363,456 |  |
| Unemployment Compensation     |    | 881     |  |
| Employer Medicare             |    | 8,056   |  |
| Contracts with Vehicle Owners |    | 442,898 |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

|                           |    |         |              |
|---------------------------|----|---------|--------------|
| Other Contracted Services | \$ | 27,596  |              |
| Garage Supplies           |    | 1,351   |              |
| Gasoline                  |    | 142,667 |              |
| Tires and Tubes           |    | 9,614   |              |
| Vehicle Parts             |    | 55,090  |              |
| Other Charges             |    | 3,152   |              |
| Transportation Equipment  |    | 46,320  |              |
| Total Transportation      |    |         | \$ 1,745,398 |

Central and Other

|                           |    |         |         |
|---------------------------|----|---------|---------|
| Other Contracted Services | \$ | 105,721 |         |
| Data Processing Supplies  |    | 26,876  |         |
| Data Processing Equipment |    | 1,154   |         |
| Total Central and Other   |    |         | 133,751 |

Operation of Non-Instructional Services

Community Services

|                              |    |         |         |
|------------------------------|----|---------|---------|
| Other Salaries and Wages     | \$ | 484,692 |         |
| Social Security              |    | 28,919  |         |
| State Retirement             |    | 21,856  |         |
| Life Insurance               |    | 473     |         |
| Medical Insurance            |    | 27,361  |         |
| Dental Insurance             |    | 454     |         |
| Unemployment Compensation    |    | 713     |         |
| Employer Medicare            |    | 6,879   |         |
| Travel                       |    | 30,707  |         |
| Other Contracted Services    |    | 8,945   |         |
| Other Supplies and Materials |    | 67,680  |         |
| Other Charges                |    | 56,943  |         |
| Other Equipment              |    | 29,462  |         |
| Total Community Services     |    |         | 765,084 |

Early Childhood Education

|                          |    |         |  |
|--------------------------|----|---------|--|
| Other Salaries and Wages | \$ | 665,480 |  |
| Social Security          |    | 39,089  |  |
| State Retirement         |    | 38,586  |  |
| Life Insurance           |    | 1,760   |  |
| Medical Insurance        |    | 74,100  |  |
| Dental Insurance         |    | 1,942   |  |

(Continued)

Exhibit J-8

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Early Childhood Education (Cont.)

|                                 |    |         |              |
|---------------------------------|----|---------|--------------|
| Unemployment Compensation       | \$ | 738     |              |
| Employer Medicare               |    | 9,234   |              |
| Travel                          |    | 17,817  |              |
| Other Supplies and Materials    |    | 178,963 |              |
| Other Charges                   |    | 20,354  |              |
| Other Equipment                 |    | 24,930  |              |
| Total Early Childhood Education |    |         | \$ 1,072,993 |

Capital Outlay

Regular Capital Outlay

|                              |    |        |         |
|------------------------------|----|--------|---------|
| Other Contracted Services    | \$ | 86,524 |         |
| Building Improvements        |    | 90,255 |         |
| Land                         |    | 45,000 |         |
| Site Development             |    | 21,700 |         |
| Other Capital Outlay         |    | 6,307  |         |
| Total Regular Capital Outlay |    |        | 249,786 |

Principal on Debt

Education

|                          |    |         |         |
|--------------------------|----|---------|---------|
| Principal on Other Loans | \$ | 162,547 |         |
| Total Education          |    |         | 162,547 |

Interest on Debt

Education

|                         |    |        |        |
|-------------------------|----|--------|--------|
| Interest on Other Loans | \$ | 29,091 |        |
| Total Education         |    |        | 29,091 |

Other Debt Service

Education

|   |    |           |           |
|---|----|-----------|-----------|
| Debt Service Contribution to Primary Government | \$ | 1,124,026 |           |
| Total Education                                 |    |           | 1,124,026 |

Total General Purpose School Fund \$ 32,818,897

School Federal Projects Fund

Instruction

Regular Instruction Program

|                        |    |           |  |
|------------------------|----|-----------|--|
| Teachers               | \$ | 1,197,549 |  |
| Educational Assistants |    | 336,872   |  |

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

|                                      |    |         |              |
|--------------------------------------|----|---------|--------------|
| Other Salaries and Wages             | \$ | 17,920  |              |
| Certified Substitute Teachers        |    | 22,274  |              |
| Social Security                      |    | 94,100  |              |
| State Retirement                     |    | 93,429  |              |
| Life Insurance                       |    | 4,092   |              |
| Medical Insurance                    |    | 134,449 |              |
| Dental Insurance                     |    | 4,125   |              |
| Unemployment Compensation            |    | 1,713   |              |
| Employer Medicare                    |    | 22,007  |              |
| Instructional Supplies and Materials |    | 18,791  |              |
| Other Supplies and Materials         |    | 5,444   |              |
| Other Charges                        |    | 4,292   |              |
| Regular Instruction Equipment        |    | 32,780  |              |
| Total Regular Instruction Program    |    |         | \$ 1,989,837 |

Special Education Program

|                                      |    |         |           |
|--------------------------------------|----|---------|-----------|
| Teachers                             | \$ | 510,237 |           |
| Educational Assistants               |    | 699,135 |           |
| Social Security                      |    | 70,101  |           |
| State Retirement                     |    | 64,074  |           |
| Life Insurance                       |    | 1,881   |           |
| Medical Insurance                    |    | 52,056  |           |
| Dental Insurance                     |    | 1,841   |           |
| Unemployment Compensation            |    | 2,191   |           |
| Employer Medicare                    |    | 17,297  |           |
| Contracts with Private Agencies      |    | 111,305 |           |
| Instructional Supplies and Materials |    | 117,051 |           |
| Special Education Equipment          |    | 28,638  |           |
| Total Special Education Program      |    |         | 1,675,807 |

Vocational Education Program

|                                      |    |        |  |
|--------------------------------------|----|--------|--|
| Other Salaries and Wages             | \$ | 6,320  |  |
| Social Security                      |    | 392    |  |
| State Retirement                     |    | 284    |  |
| Unemployment Compensation            |    | 3      |  |
| Employer Medicare                    |    | 92     |  |
| Other Contracted Services            |    | 6,992  |  |
| Instructional Supplies and Materials |    | 30,550 |  |
| Other Charges                        |    | 6,232  |  |

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Vocational Instruction Equipment   | \$ 26,874 |           |
| Total Vocational Education Program |           | \$ 77,739 |

Support Services

Health Services

|                              |          |       |
|------------------------------|----------|-------|
| Other Supplies and Materials | \$ 1,308 |       |
| Total Health Services        |          | 1,308 |

Other Student Support

|                              |           |         |
|------------------------------|-----------|---------|
| Other Salaries and Wages     | \$ 71,720 |         |
| Social Security              | 4,822     |         |
| State Retirement             | 4,659     |         |
| Life Insurance               | 95        |         |
| Medical Insurance            | 4,085     |         |
| Dental Insurance             | 108       |         |
| Unemployment Compensation    | 49        |         |
| Employer Medicare            | 1,128     |         |
| Travel                       | 20,667    |         |
| Other Supplies and Materials | 36        |         |
| In Service/Staff Development | 28,998    |         |
| Other Charges                | 75,785    |         |
| Other Equipment              | 84,415    |         |
| Total Other Student Support  |           | 296,567 |

Regular Instruction Program

|                                   |           |         |
|-----------------------------------|-----------|---------|
| Supervisor/Director               | \$ 94,168 |         |
| Secretary(ies)                    | 22,738    |         |
| Clerical Personnel                | 11,750    |         |
| Social Security                   | 4,951     |         |
| State Retirement                  | 3,665     |         |
| Life Insurance                    | 44        |         |
| Medical Insurance                 | 4,620     |         |
| Dental Insurance                  | 151       |         |
| Unemployment Compensation         | 108       |         |
| Employer Medicare                 | 1,825     |         |
| Travel                            | 18,846    |         |
| Other Supplies and Materials      | 28,638    |         |
| In Service/Staff Development      | 36,105    |         |
| Total Regular Instruction Program |           | 227,609 |

(Continued)

Exhibit J-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Special Education Program

|                                 |    |        |           |
|---------------------------------|----|--------|-----------|
| Travel                          | \$ | 3,655  |           |
| Other Supplies and Materials    |    | 3,096  |           |
| In Service/Staff Development    |    | 16,300 |           |
| Other Charges                   |    | 877    |           |
| Other Equipment                 |    | 21,885 |           |
| Total Special Education Program |    |        | \$ 45,813 |

Vocational Education Program

|                                    |    |       |       |
|------------------------------------|----|-------|-------|
| Travel                             | \$ | 2,708 |       |
| Other Supplies and Materials       |    | 398   |       |
| In Service/Staff Development       |    | 491   |       |
| Other Charges                      |    | 299   |       |
| Total Vocational Education Program |    |       | 3,896 |

Transportation

|                          |    |         |         |
|--------------------------|----|---------|---------|
| Transportation Equipment | \$ | 175,784 |         |
| Total Transportation     |    |         | 175,784 |

Operation of Non-Instructional Services

Community Services

|                              |    |         |                |
|------------------------------|----|---------|----------------|
| Other Salaries and Wages     | \$ | 372,946 |                |
| Social Security              |    | 23,163  |                |
| State Retirement             |    | 21,897  |                |
| Life Insurance               |    | 330     |                |
| Medical Insurance            |    | 9,240   |                |
| Dental Insurance             |    | 378     |                |
| Unemployment Compensation    |    | 297     |                |
| Employer Medicare            |    | 5,417   |                |
| Travel                       |    | 7,545   |                |
| Other Supplies and Materials |    | 63,630  |                |
| Other Charges                |    | 20,910  |                |
| Total Community Services     |    |         | <u>525,753</u> |

Total School Federal Projects Fund \$ 5,020,113

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

|                     |    |        |  |
|---------------------|----|--------|--|
| Supervisor/Director | \$ | 49,813 |  |
|---------------------|----|--------|--|

(Continued)

Exhibit J-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

|   |    |         |              |
|---|----|---------|--------------|
| Accountants/Bookkeepers                     | \$ | 40,440  |              |
| Cafeteria Personnel                         |    | 829,771 |              |
| Other Salaries and Wages                    |    | 13,500  |              |
| Social Security                             |    | 56,279  |              |
| State Retirement                            |    | 40,098  |              |
| Life Insurance                              |    | 132     |              |
| Medical Insurance                           |    | 3,696   |              |
| Dental Insurance                            |    | 214     |              |
| Unemployment Compensation                   |    | 2,160   |              |
| Employer Medicare                           |    | 13,315  |              |
| Communication                               |    | 7,383   |              |
| Maintenance and Repair Services - Equipment |    | 23,503  |              |
| Postal Charges                              |    | 748     |              |
| Travel                                      |    | 4,893   |              |
| Other Contracted Services                   |    | 20,134  |              |
| Food Preparation Supplies                   |    | 53,995  |              |
| Food Supplies                               |    | 956,643 |              |
| Office Supplies                             |    | 16,633  |              |
| Uniforms                                    |    | 6,376   |              |
| Other Supplies and Materials                |    | 20,804  |              |
| In Service/Staff Development                |    | 462     |              |
| Other Charges                               |    | 17,454  |              |
| Food Service Equipment                      |    | 109,229 |              |
| Total Food Service                          |    |         | \$ 2,287,675 |

Total Central Cafeteria Fund \$ 2,287,675

Education Capital Projects Fund

Capital Projects

Education Capital Projects

|                                  |    |        |           |
|----------------------------------|----|--------|-----------|
| Building Improvements            | \$ | 20,788 |           |
| Site Development                 |    | 14,968 |           |
| Total Education Capital Projects |    |        | \$ 35,756 |

Total Education Capital Projects Fund 35,756

Total Governmental Funds - Claiborne County School Department \$ 40,162,441

Exhibit J-9

Claiborne County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balance - City Agency Fund  
For the Year Ended June 30, 2010

|  | Cities -<br>Sales Tax<br>Fund |
|--|-------------------------------|
| <hr/>  |                               |
| <u>Cash Receipts</u>   |                               |
| Local Option Sales Tax   | \$ 1,571,592                  |
| Total Cash Receipts  | <u>\$ 1,571,592</u>           |
| <br><u>Cash Disbursements</u>                                  |                               |
| Remittance of Revenues Collected                               | \$ 1,555,876                  |
| Trustee's Commission   | 15,716                        |
| Total Cash Disbursements                                       | <u>\$ 1,571,592</u>           |
| <br>Excess of Cash Receipts Over<br>(Under) Cash Disbursements | <br>\$ 0                      |
| Cash Balance, July 1, 2009                                     | <u>0</u>                      |
| <br>Cash Balance, June 30, 2010                                | <br><u><u>\$ 0</u></u>        |

---

---

## **SINGLE AUDIT SECTION**

---

---



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

October 22, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Claiborne County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Claiborne County's basic financial statements and have issued our report thereon dated October 22, 2010. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Claiborne County Emergency Communications District, Claiborne County Hospital and Nursing Home, and Claiborne County Industrial Development Board, which were not available from other auditors as of the date of this report. 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 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Claiborne County's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency in internal control over financial reporting: 10.02. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

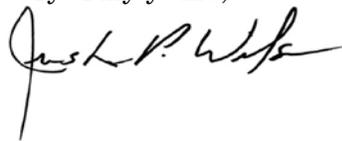
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and is described in the accompanying Schedule of Findings and Questioned Costs as item 10.01.

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

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

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/yu



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

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

October 22, 2010

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Claiborne County 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 its major federal programs for the year ended June 30, 2010. Claiborne County'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 its major federal programs is the responsibility of Claiborne County's management. Our responsibility is to express an opinion on Claiborne County'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 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 of Claiborne County's compliance with those requirements.

In our opinion, Claiborne County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance involving the No Child Left Behind Title II-A (CFDA No. 84.367), a nonmajor federal program, which is required to be reported in accordance with OMB Circular A-133, and is described in the Schedule of Findings and Questioned Costs as items 10.01 and 10.03.

#### Internal Control Over Compliance

The management of Claiborne County 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Claiborne County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

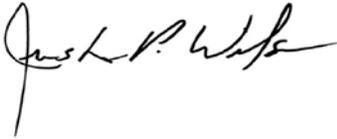
#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Claiborne County as of and for the year ended June 30, 2010, and have issued our report thereon dated October 22, 2010. Our report on the aggregate discretely presented component units was qualified due not including the financial statements of the Claiborne County Emergency Communications District, Claiborne County Hospital and Nursing Home, and Claiborne County Industrial Development Board, which were not available from other auditors as of the date of this report. Our audit was performed for the

purpose of forming our opinions on the financial statements that collectively comprise Claiborne County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Yours very truly,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a prominent vertical stroke on the left side.

Justin P. Wilson  
Comptroller of the Treasury

JPW/yu

Claiborne County, Tennessee  
 Schedule of Expenditures of Federal Awards and State Grants (1)  
 For the Fiscal Year Ended June 30, 2010

| Federal/Pass-through Agency/State Grantor Program Title  | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Expenditures   |
|--|---------------------------|--|----------------|
| U.S. Department of Agriculture:  |                           |  |                |
| Passed-through State Department of Agriculture:  |                           |  |                |
| National School Lunch Program (Commodities - Noncash Assistance)   | 10.555                    | N/A  | \$ 123,159 (3) |
| Passed-through State Department of Education:  |                           |  |                |
| Child Nutrition Cluster:   |                           |  |                |
| School Breakfast Program   | 10.553                    | N/A  | 377,261        |
| National School Lunch Program  | 10.555                    | N/A  | 1,208,418 (3)  |
| Summer Food Service Program for Children   | 10.559                    | N/A  | 23,141         |
| Passed-through State Department of Human Services:   |                           |  |                |
| Child and Adult Care Food Program  | 10.558                    | (2)  | 14,598         |
| Child Nutrition Discretionary Grants   | 10.579                    | N/A  | 11,169         |
| Total U.S. Department of Agriculture   |                           |  | \$ 1,757,746   |
| U.S. Department of Housing and Urban Development:  |                           |  |                |
| Passed-through State Housing Development Agency:   |                           |  |                |
| Community Development Block Grants/State's Program   | 14.228                    | N/A  | \$ 139,827     |
| Home Investment Partnerships Program   | 14.239                    | N/A  | 34,425         |
| Total U.S. Department of Housing and Urban Development   |                           |  | \$ 174,252     |
| Bureau of Land Management, Department of Interior:   |                           |  |                |
| Direct Program:  |                           |  |                |
| Payments in-Lieu-of Taxes  | 15.226                    | N/A  | \$ 18,340      |
| Total Bureau of Land Management, Department of Interior  |                           |  | \$ 18,340      |
| U.S. Department of Justice:  |                           |  |                |
| Direct Program:  |                           |  |                |
| Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/<br>Grants to States and Territories | 16.803                    | N/A  | \$ 42,779      |
| Total U.S. Department of Justice   |                           |  | \$ 42,779      |
| U.S. Department of Education:  |                           |  |                |
| Passed-through State Department of Education:  |                           |  |                |
| Title I Grants to Local Educational Agencies   | 84.010                    | N/A  | \$ 1,507,356   |
| Title I Grants to Local Educational Agencies, Recovery Act   | 84.389                    | N/A  | 508,337        |
| Special Education Cluster:   |                           |  |                |
| Special Education - Grants to States   | 84.027                    | N/A  | 1,134,226      |
| Special Education - Grants to States, Recovery Act   | 84.391                    | N/A  | 764,461        |
| Special Education - Preschool Grants   | 84.173                    | N/A  | 34,801         |
| Special Education - Preschool Grants, Recovery Act   | 84.392                    | N/A  | 21,885         |
| Career and Technical Education - Basic Grants to States  | 84.048                    | N/A  | 110,071        |
| Safe and Drug-free Schools and Communities - State Grants  | 84.186                    | (2)  | 26,787         |
| Even Start - State Educational Agencies  | 84.213                    | (2)  | 99,995         |
| Twenty-first Century Community Learning Centers  | 84.287                    | (2)  | 348,963        |
| Education Technology State Grants  | 84.318                    | (2)  | 15,788         |
| Education Technology State Grants, Recovery Act  | 84.386                    | (2)  | 30,606         |
| Reading First State Grants   | 84.357                    | (2)  | 176,790        |
| Rural Education  | 84.358                    | N/A  | 116,055        |
| Improving Teacher Quality State Grants   | 84.367                    | N/A  | 281,958        |
| Stabilization Cluster:   |                           |  |                |
| State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act                                    | 84.394                    | N/A  | 861,700        |
| State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act                                       | 84.397                    | N/A  | 263,850        |
| Passed-through State Department of Labor and Workforce Development:  |                           |  |                |
| Adult Education - Basic Grants to States   | 84.002                    | (2)  | 101,395        |
| Total U.S. Department of Education   |                           |  | \$ 6,405,024   |

(Continued)

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

| Federal/Pass-through Agency/State Grantor Program Title  | Federal<br>CFDA<br>Number | Pass-through<br>Entity Identifying<br>Number | Expenditures        |
|--|---------------------------|--|---------------------|
| U.S. Department of Homeland Security:<br>Passed-through State Department of the Military:<br>Homeland Security Cluster:<br>Homeland Security Grant Program | 97.067                    | (2)  | \$ 88,998           |
| Total U.S. Department of Homeland Security   |                           |  | <u>\$ 88,998</u>    |
| Total Expenditures of Federal Awards   |                           |  | <u>\$ 8,487,139</u> |

| <u>State Grants</u>  |     | <u>Contract Number</u> |                     |
|--|-----|------------------------|---------------------|
| Lottery for Education: Preschool - State Department of Education   | N/A | (2)                    | \$ 1,072,993        |
| Lottery for Education: After School Programs - State Department of Education                             | N/A | (2)                    | 164,250             |
| Litter Grant - State Department of Transportation  | N/A | (2)                    | 39,595              |
| Reappraisal Grant - State Comptroller of the Treasury  | N/A | (2)                    | 11,301              |
| Recycling Grant - State Department of Environment and Conservation                                       | N/A | (2)                    | 25,000              |
| Driver's Education - State Department of Education   | N/A | (2)                    | 16,603              |
| High Schools That Work - State Department of Education   | N/A | (2)                    | 10,435              |
| Child Care Assistance - State Department of Human Services   | N/A | (2)                    | 45,495              |
| FastTrack Infrastructure Development Program - State Department of Economic<br>and Community Development | N/A | (2)                    | 125,864             |
| Health Department Grants - State Department of Health Services   | N/A | (2)                    | <u>153,250</u>      |
| Total State Grants   |     |                        | <u>\$ 1,664,786</u> |

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.  
 (2) Information not available.  
 (3) Total for CFDA No. 10.555 is \$1,331,577.

Claiborne County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2010

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below is a finding from the Annual Financial Report for Claiborne County, Tennessee, for the year ended June 30, 2009, which has not been corrected.

**OTHER FINDING**

| <u>Finding<br/>Number</u> | <u>Page<br/>Number</u> | <u>Subject</u>  |
|---------------------------|------------------------|---|
| 09.01                     | 182                    | Duties were not segregated adequately in the Offices of County Clerk; Circuit, General Sessions, and Juvenile Courts Clerk; Clerk and Master; Register; and Sheriff |

---

---

**CLAIBORNE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2010**

---

---

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Claiborne County disclosed one significant deficiency in internal control. This deficiency was not considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements.
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 one finding that is 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); the Special Education Cluster: Special Education – Grants to States, Special Education – Grants to States, Recovery Act, Special Education – Preschool Grants, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.391, 84.173, and 84.392); and the Stabilization Cluster: State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act, and State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397); Twenty-first Century Community Learning Centers (CFDA No. 84.287); and Title I Grants to Local Educational Agencies and Title I Grants to Local Educational Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389) 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 did not qualify as a low-risk auditee.

## **PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS**

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

### **OFFICE OF DIRECTOR OF SCHOOLS**

**FINDING 10.01**      **A REVIEW OF NO CHILD LEFT BEHIND TITLE II-A EXPENDITURES BY THE STATE DEPARTMENT OF EDUCATION REVEALED UNALLOWABLE COSTS TOTALING \$24,536.95**  
(Noncompliance Under Government Auditing Standards and OMB Circular A-133)

On April 5, 2010, the School Department was notified by the State Department of Education (SDOE) that a review of No Child Left Behind Title II-A expenditures revealed unallowable costs totaling \$24,536.95. The SDOE requested the School Department either repay this amount or provide local funds to cover the unallowable costs. During June 2010, the School Department reimbursed the SDOE \$12,241.95 from the Title II-A funds on hand and provided local funds of \$12,295 from the General Purpose School Fund. This deficiency occurred because management made errors in determining what costs were allowable.

### **RECOMMENDATION**

Management should review allowable costs guidance under federal cost principles and Education General Administrative Regulations to ensure that errors in determining allowable costs are minimized.

---

### **OTHER FINDING AND RECOMMENDATION**

**FINDING 10.02**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF 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 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 management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that

increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

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

---

**BEST PRACTICE**

The Division of County Audit strongly believes that the item noted below is a best practice that should be adopted by the governing body as a means of significantly improving accountability and the quality of services provided to the citizens of Claiborne County.

**AN AUDIT COMMITTEE HAS NOT BEEN ESTABLISHED**

Claiborne County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and would be responsible for monitoring management's plans to address various risks.

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

| Federal Agency  | Finding Number | Federal CFDA Number | Criteria  | Explanation   | Amount Questioned |
|---|----------------|---------------------|---|---|-------------------|
| U.S. Department of Education:<br>Passed-through State Department of Education:<br>Improving Teacher Quality State Grants (Title II-A) | 10.03          | 84.367              | <u>Circular A-133, Compliance Supplement</u><br>Part 3.A. | Noncompliance - See Finding 10.01 - The review of the Title II-A expenditures by the State Department of Education revealed unallowable items totaling \$24,537 | \$ 24,537         |

**CLAIBORNE COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2010**

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

**Director of Schools – Corrective Action Plan for Current-Year's Findings**

**FINDINGS 10.01 and 10.03**

Contact person: Dr. C. Eddie Shoffner

Corrective action taken: Claiborne County has reimbursed the Title II-A Federal Funds to the State of Tennessee totaling \$12,241.95. Additionally, General Purpose School Funds of \$12,295 have been used to reimburse the Title II-A program at the county level. These checks were paid in June 2010, and accompanying letters were submitted to Dr. Robert W. Greene, Deputy Director of Education, State of Tennessee. After these corrective actions were taken, the previously frozen Title II-A funds were released by the State of Tennessee. Therefore, we consider this corrective action effective and complete.

Anticipated completion date: June 2010