
**ANNUAL FINANCIAL REPORT
CLAIBORNE COUNTY, TENNESSEE**



FOR THE YEAR ENDED JUNE 30, 2013



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FOR THE YEAR ENDED JUNE 30, 2013

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

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This financial report is available at www.comptroller.tn.gov

CLAIBORNE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Claiborne County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Claiborne County, Tennessee, as of and for the year ended June 30, 2013.

Results

Our report on the governmental activities is qualified because the financial statements did not include all liabilities and expenses of the primary government's postemployment benefit's program. Our report on the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unmodified.

Our audit resulted in six findings and recommendations, which we have reviewed with Claiborne County management. Details of these 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:

OFFICES OF COUNTY MAYOR, SHERIFF, AND FINANCE DIRECTOR

- ◆ Accrued leave balances exceeded the maximum balance provided by the county's personnel policy.

OFFICE OF FINANCE DIRECTOR

- ◆ The county failed to comply with state statutes when entering into several lease-purchase agreements.
 - ◆ The purchase of Highway Department equipment and school buses using monies from the General Fund is of questionable legality.
 - ◆ The transfer of \$125,000 from the General Fund to the Solid Waste/Sanitation Fund is of questionable legality.
 - ◆ Government-wide financial statements do not include other postemployment benefits as required by generally accepted accounting principles.
-

OFFICES OF COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER OF DEEDS; AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Claiborne County does not have an Audit Committee. The Division of Local Government 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 being responsible for monitoring management's plans to address various risks.

INTRODUCTORY SECTION

Claiborne County Officials
June 30, 2013

Officials

Jack Daniels, County Mayor
Bill Fultz, Road Superintendent
Connie Holdway, 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 of Deeds
David Ray, Sheriff
Sam Owens, Finance Director

Board of County Commissioners

David Mundy, Chairman	
Jerry Arnwine	William Jessie
Rosemary Barnett	Bill Keck
Anne Bowling	Danny Longworth
Bill Brooks	Steven Mason
Mike Campbell	James McAnally
Joan Cosby	Shawn Peters
Mitchell Cosby	Hugh Singleton
Dennis Estes	Barry Thomas
James Hatmaker	Aimee Upton
Juanita Honeycutt	Charlton Vass

Board of Education

Michelle Huddleston, Chairman	Sam Owens
Brian Bendleton	Dot Patterson
Shannon England	Bill Turner

Financial Management Committee

Jack Daniels, County Mayor	Bill Brooks
Bill Fultz, Road Superintendent	Danny Longworth
Connie Holdway, Director of Schools	David Mundy
	Barry Thomas

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Claiborne County Industrial Development Board, which represent 1.7 percent, 1.2 percent, and .7 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; the Claiborne County Hospital and Nursing Home, which represent 30.5 percent, 22.1 percent, and 39.5 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units; and the Claiborne County Emergency Communications District, which represent 1.4 percent, 1.8 percent, and 1.2 percent,

respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Claiborne County Industrial Development Board, the Claiborne County Hospital and Nursing Home, and the Claiborne County Emergency Communications District, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Solid Waste/Sanitation Fund	Unmodified
Highway/Public Works Fund	Unmodified
General Debt Service Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on Governmental Activities

As discussed in Note V.J. to the financial statements, management has not recorded a liability for other postemployment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits be actuarially determined and accrued as liabilities and expenses as employees earn the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion

In our opinion, except for the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Claiborne County, Tennessee, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Claiborne County, Tennessee, as of June 30, 2013, and the respective changes in financial position thereof and the respective budgetary comparisons for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note V.B., Claiborne County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Claiborne County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

We draw attention to Note I.D.8. to the financial statements, which describes a restatement to the beginning net position of the governmental activities of the primary government for \$548,223. This restatement was necessary due to the implementation of GASB Statement No. 65.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis and the schedule of funding progress – other postemployment benefits plan for the primary government 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 (except for governmental activities) is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress – pension plan; and schedule of funding progress - other postemployment benefits plan (discretely presented School Department) on pages 96-99 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.

Supplementary and Other Information

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 miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2014, on our consideration of Claiborne County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Claiborne County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 21, 2014

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Claiborne County, Tennessee
Statement of Net Position
June 30, 2013

	Component Units				
	Primary Governmental Activities	Claiborne County School Department	Claiborne County Industrial Development Board	Claiborne County Hospital and Nursing Home	Claiborne County Emergency Communica- tions District
<u>ASSETS</u>					
Cash	\$ 77,609	\$ 602,246	\$ 0	\$ 1,665,588	\$ 658,715
Equity in Pooled Cash and Investments	4,763,623	2,959,516	126,096	0	0
Inventories	0	0	0	544,398	0
Accounts Receivable	65,023	0	13,463	3,433,473	77,833
Allowance for Uncollectibles	(5,328)	0	0	0	0
Due from Other Governments	647,564	906,106	0	0	0
Due from Component Units	278,190	0	0	0	0
Property Taxes Receivable	6,983,650	6,867,530	0	0	0
Allowance for Uncollectible Property Taxes	(398,365)	(390,384)	0	0	0
Prepaid Expenses	0	0	0	169,141	11,039
Notes Receivable - Current	0	0	1,000	0	0
Other Assets	0	0	0	1,479,332	0
Restricted Assets:					
Restricted for Foundation	0	0	0	297,810	0
Other Restricted Assets	0	0	0	381,040	0
Notes Receivable - Long-term	0	0	1,000	0	0
Sales-type Lease Receivable	0	0	625,318	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	586,500	1,170,900	0	308,092	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	9,933,588	36,153,578	491,833	11,880,741	0
Other Capital Assets	2,246,098	1,723,143	0	2,828,526	300,495
Infrastructure - Roads, Streets, and Bridges	19,348,101	0	0	0	0
Total Assets	\$ 44,526,253	\$ 49,992,635	\$ 1,258,710	\$ 22,988,141	\$ 1,048,082
<u>DEFERRED OUTFLOW OF RESOURCES</u>					
Deferred Charge on Refunding	\$ 37,448	\$ 0	\$ 0	\$ 0	\$ 0
Total Deferred Outflow of Resources	\$ 37,448	\$ 0	\$ 0	\$ 0	\$ 0
<u>LIABILITIES</u>					
Accounts Payable	\$ 425,925	\$ 291,861	\$ 0	\$ 2,209,742	\$ 926
Accrued Payroll	98,994	0	0	567,574	15,600
Accrued Interest Payable	422,295	0	0	50,435	0
Accrued Leave - Current	0	0	0	773,233	0
Due to Primary Government	0	278,190	0	0	0
Due to State of Tennessee	952	0	0	0	0
Other Current Liabilities	0	0	0	170,511	2,062
Noncurrent Liabilities:					
Due Within One Year	3,323,710	0	0	774,226	0
Due in More Than One Year	50,549,176	50,653	578,111	5,746,470	0
Total Liabilities	\$ 54,821,052	\$ 620,704	\$ 578,111	\$ 10,292,191	\$ 18,588
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 6,340,597	\$ 6,238,331	\$ 0	\$ 0	\$ 0
Total Deferred Inflows of Resources	\$ 6,340,597	\$ 6,238,331	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit A

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

	Component Units				
	Primary Government Governmental Activities	Claiborne County School Department	Claiborne County Industrial Development Board	Claiborne County Hospital and Nursing Home	Claiborne County Emergency Communica- tions District
<u>NET POSITION</u>					
Net Investment in Capital Assets	\$ 22,254,710	\$ 39,047,621	\$ 491,833	\$ 8,877,703	\$ 300,495
Restricted for:					
General Government	31,754	0	0	0	0
Finance	68,887	0	0	0	0
Administration of Justice	37,563	0	0	0	0
Public Safety	158,389	0	0	0	0
Public Health and Welfare	413,877	0	0	297,810	0
Highways	609,784	0	0	0	0
Debt Service	423,966	0	0	0	0
Education	0	334,573	0	0	0
Capital Projects	3,172	39,433	0	0	0
Unrestricted	(40,600,050)	3,711,973	188,766	3,520,437	728,999
Total Net Position	<u>\$ (16,597,948)</u>	<u>\$ 43,133,600</u>	<u>\$ 680,599</u>	<u>\$ 12,695,950</u>	<u>\$ 1,029,494</u>

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

Exhibit B

Claiborne County, Tennessee
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Claiborne County School Department	Claiborne County Industrial Development Board	Claiborne County Hospital and Nursing Home	Claiborne County Emergency Communications District	
Primary Government:										
Governmental Activities:										
General Government	\$ 1,460,225	\$ 122,049	\$ 19,303	\$ 0	\$ (1,318,873)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,271,999	680,777	0	0	(591,222)	0	0	0	0	0
Administration of Justice	841,101	652,930	0	0	(188,171)	0	0	0	0	0
Public Safety	5,335,043	1,757,171	19,800	0	(3,558,072)	0	0	0	0	0
Public Health and Welfare	2,612,519	439,122	368,097	0	(1,805,300)	0	0	0	0	0
Social, Cultural, and Recreational Services	166,127	0	0	0	(166,127)	0	0	0	0	0
Agriculture and Natural Resources	144,673	0	0	0	(144,673)	0	0	0	0	0
Other Operations	537,018	0	0	0	(537,018)	0	0	0	0	0
Highways	1,295,974	51,500	1,911,452	41,622	708,600	0	0	0	0	0
Education	155,688	0	0	0	(155,688)	0	0	0	0	0
Debt Service:										
Interest	2,026,362	0	0	0	(2,026,362)	0	0	0	0	0
Other Debt Service	16,436	0	0	0	(16,436)	0	0	0	0	0
Total Primary Government	\$ 15,863,165	\$ 3,703,549	\$ 2,318,652	\$ 41,622	\$ (9,799,342)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Claiborne County School Department	\$ 43,452,068	\$ 774,633	\$ 5,393,416	\$ 0	\$ 0	\$ (37,284,019)	\$ 0	\$ 0	\$ 0	\$ 0
Claiborne County Industrial Development Board	678,642	0	452,290	0	0	0	(226,352)	0	0	0
Claiborne County Hospital and Nursing Home	30,103,017	28,499,931	0	0	0	0	0	(1,603,086)	0	0
Claiborne County Emergency Communications District	645,405	223,237	246,389	0	0	0	0	0	(175,779)	0
Total Component Units	\$ 74,879,132	\$ 29,497,801	\$ 6,092,095	\$ 0	\$ 0	\$ (37,284,019)	\$ (226,352)	\$ (1,603,086)	\$ (175,779)	\$ (175,779)

(Continued)

Exhibit B

Claiborne County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							
	Program Revenues			Component Units				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total	Claiborne County School Department	Claiborne County Industrial Development Board	Claiborne County Hospital and Nursing Home	Claiborne County Emergency Communications District
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes	\$	5,276,072	\$	6,347,317	\$	0	\$	0
Property Taxes Levied for Solid Waste/Sanitation		1,058,869		0		0		0
Property Taxes Levied for Highways		52,017		0		0		0
Property Taxes Levied for Debt Service		55,484		0		0		0
Property Taxes Levied for Highway Capital Projects		83,011		0		0		0
Local Option Sales Taxes		0		2,329,570		0		0
Wheel Tax		711,039		0		0		0
Coal Severance Tax		331,827		331,827		0		0
General Litigation Tax		114,599		0		0		0
Wholesale Beer Tax		57,886		0		0		0
Mineral Severance Tax		23,488		0		0		0
Hotel/Motel Tax		25,443		0		0		0
Other Taxes		119,450		2,624		0		0
Grants and Contributions Not Restricted to Specific Programs		4,782,129		26,834,659		0		366,714
Unrestricted Investment Income		55,081		4,670		15,093		87,467
Miscellaneous		173,948		503,152		12,000		24,702
Total General Revenues	\$	12,920,343	\$	36,353,819	\$	27,093	\$	87,467
Change in Net Position	\$	3,121,001	\$	(930,200)	\$	(199,259)	\$	(1,515,619)
Net Position, July 1, 2012		(19,170,726)		44,063,800		879,858		14,224,227
Restatement - see Notes I.D.8 and VII.17.		(548,223)		0		0		(12,658)
Net Position, June 30, 2013	\$	(16,597,948)	\$	43,133,600	\$	680,599	\$	12,695,950
								1,029,494

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, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
ASSETS							
Cash	\$ 0	\$ 400	\$ 0	\$ 0	\$ 0	\$ 77,209	\$ 77,609
Equity in Pooled Cash and Investments	2,887,355	680,697	348,292	713,153	134,126		4,763,623
Accounts Receivable	11,747	53,276	0	0	0	0	65,023
Allowance for Uncollectibles	0	(5,328)	0	0	0	0	(5,328)
Due from Other Governments	257,623	0	389,941	0	0	0	647,564
Due from Other Funds	136,601	0	0	131,150	0	0	267,751
Property Taxes Receivable	5,506,792	1,265,277	56,291	56,291	98,999		6,983,650
Allowance for Uncollectible Property Taxes	(317,791)	(68,794)	(3,200)	(3,200)	(5,380)		(398,365)
Total Assets	\$ 8,482,327	\$ 1,925,528	\$ 791,324	\$ 897,394	\$ 304,954	\$ 12,401,527	
LIABILITIES							
Accounts Payable	\$ 317,402	\$ 47,224	\$ 59,046	\$ 0	\$ 2,253	\$ 425,925	
Accrued Payroll	77,594	8,533	12,867	0	0	98,994	
Due to Other Funds	131,150	134,893	0	0	1,708	267,751	
Due to State of Tennessee	0	952	0	0	0	952	
Total Liabilities	\$ 526,146	\$ 191,602	\$ 71,913	\$ 0	\$ 3,961	\$ 793,622	
DEFERRED INFLOWS OF RESOURCES							
Deferred Current Property Taxes	\$ 4,991,176	\$ 1,156,648	\$ 51,133	\$ 51,133	\$ 90,507	\$ 6,340,597	
Deferred Delinquent Property Taxes	174,987	35,236	1,732	1,732	2,753	216,440	
Other Deferred/Unavailable Revenue	25,116	24,218	150,464	0	0	199,798	
Total Deferred Inflows of Resources	\$ 5,191,279	\$ 1,216,102	\$ 203,329	\$ 52,865	\$ 93,260	\$ 6,756,835	

(Continued)

Exhibit C-1

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	Governmental Funds	
<u>FUND BALANCES</u>							
Restricted:							
Restricted for General Government	\$ 36,012	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	36,012
Restricted for Finance	0	0	0	0	75,501	0	75,501
Restricted for Administration of Justice	42,301	0	0	0	0	0	42,301
Restricted for Public Safety	66,315	0	0	0	131,813	0	198,128
Restricted for Public Health and Welfare	120,719	243,282	0	0	0	0	364,001
Restricted for Highways/Public Works	0	0	458,235	0	0	0	458,235
Restricted for Debt Service	0	0	0	844,529	0	0	844,529
Restricted for Capital Projects	0	0	0	0	419	0	419
Committed:							
Committed for Public Health and Welfare	0	274,542	0	0	0	0	274,542
Committed for Highways/Public Works	0	0	57,847	0	0	0	57,847
Assigned:							
Assigned for Other Operations	736,306	0	0	0	0	0	736,306
Unassigned	1,763,249	0	0	0	0	0	1,763,249
<u>Total Fund Balances</u>	<u>\$ 2,764,902</u>	<u>\$ 517,824</u>	<u>\$ 516,082</u>	<u>\$ 844,529</u>	<u>\$ 207,733</u>	<u>\$ 0</u>	<u>\$ 4,851,070</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,482,327	\$ 1,925,528	\$ 791,324	\$ 897,394	\$ 304,954	\$ 0	\$ 12,401,527

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 Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$ 4,851,070
(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	19,348,101	
Add: buildings and improvements net of accumulated depreciation	9,933,588	
Add: other capital assets net of accumulated depreciation	<u>2,246,098</u>	32,114,287
(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	\$ (333,333)	
Less: capital leases payable	(523,439)	
Less: bonds payable	(50,355,000)	
Less: other loans payable	(278,190)	
Add: due from component unit for loans payable	278,190	
Add: deferred amount on refunding	37,448	
Less: compensated absences payable	(187,354)	
Less: landfill closure/postclosure care costs	(1,088,565)	
Less: accrued interest on bonds, notes, and other loans	(422,295)	
Less: other deferred revenue - premium on debt	<u>(1,107,005)</u>	(53,979,543)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>416,238</u>
Net position of governmental activities (Exhibit A)		<u>\$ (16,597,948)</u>

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

Exhibit C-3

Claiborne County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
Revenues							
Local Taxes	\$ 5,593,479	\$ 1,079,539	\$ 500,692	\$ 778,229	\$ 106,258	\$ 8,058,197	
Licenses and Permits	8,090	0	0	0	0	8,090	
Fines, Forfeitures, and Penalties	145,321	0	0	0	68,013	213,334	
Charges for Current Services	101,213	419,148	0	0	443,403	963,764	
Other Local Revenues	321,636	28,403	52,687	3,973,795	0	4,376,521	
Fees Received from County Officials	810,600	0	0	0	0	810,600	
State of Tennessee	2,612,444	14,807	1,747,067	0	0	4,374,318	
Federal Government	113,340	0	212,212	0	0	325,552	
Total Revenues	\$ 9,706,123	\$ 1,541,897	\$ 2,512,658	\$ 4,752,024	\$ 617,674	\$ 19,130,376	
Expenditures							
Current:							
General Government	\$ 1,149,704	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,149,704	
Finance	882,475	0	0	0	392,615	1,275,090	
Administration of Justice	799,117	0	0	0	40,676	839,793	
Public Safety	5,163,765	0	0	0	88,893	5,252,658	
Public Health and Welfare	509,790	1,552,622	0	0	0	2,062,412	
Social, Cultural, and Recreational Services	166,127	0	0	0	0	166,127	
Agriculture and Natural Resources	144,673	0	0	0	0	144,673	
Other Operations	537,018	0	0	0	0	537,018	
Highways	0	0	1,807,215	0	0	1,807,215	
Debt Service:							
Principal on Debt	54,369	0	0	3,217,088	0	3,271,457	
Interest on Debt	10,120	0	0	2,048,311	0	2,058,431	
Other Debt Service	0	0	0	574,792	0	574,792	
Capital Projects	1,577,836	0	0	0	645,632	2,223,468	
Total Expenditures	\$ 10,994,994	\$ 1,552,622	\$ 1,807,215	\$ 5,840,191	\$ 1,167,816	\$ 21,362,838	
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,288,871)	\$ (10,725)	\$ 705,443	\$ (1,088,167)	\$ (550,142)	\$ (2,232,462)	

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other	Governmental Funds	
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 577,808	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	577,808
Refunding Debt Issued	0	0	0	3,935,000	0	0	3,935,000
Premiums on Debt Issued	0	0	0	139,883	0	0	139,883
Insurance Recovery	21,014	0	0	0	0	0	21,014
Transfers In	43,738	125,000	0	554,550	0	0	723,288
Transfers Out	(125,000)	0	(598,288)	0	0	0	(723,288)
Payments to Refunded Debt Escrow Agent	0	0	0	(3,998,712)	0	0	(3,998,712)
Total Other Financing Sources (Uses)	\$ 517,560	\$ 125,000	\$ (598,288)	\$ 630,721	\$ 0	\$ 0	674,993
Net Change in Fund Balances	\$ (771,311)	\$ 114,275	\$ 107,155	\$ (457,446)	\$ (550,142)	\$ (550,142)	(1,557,469)
Fund Balance, July 1, 2012	3,536,213	403,549	408,927	1,301,975	757,875	757,875	6,408,539
Fund Balance, June 30, 2013	\$ 2,764,902	\$ 517,824	\$ 516,082	\$ 844,529	\$ 207,733	\$ 207,733	4,851,070

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, 2013

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)		\$ (1,557,469)
(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	\$ 2,825,967	
Less: current-year depreciation expense	<u>(1,337,129)</u>	1,488,838
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-in, and donations) is to decrease net position.		
Less: net book value of asset disposals		(6,966)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 416,238	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(462,027)</u>	(45,789)
(4) 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 position. Also, governmental funds report the effect of premiums, 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 net effect of these differences in the treatment of long-term debt and related items:		
Less: capital lease issued	\$ (577,808)	
Less: refunding bond proceeds	(3,935,000)	
Add: change in unamortized premium on debt issuances	(70,263)	
Add: principal payments on bonds	2,950,000	
Add: principal payments on notes	166,667	
Add: principal payments on capital leases	54,369	
Add: principal payment on other loans	100,421	
Less: principal payment on other loans contributed by School Department	(100,421)	
Add: other loans refunded	4,450,000	
Add: change in deferred amount on refunding debt	<u>37,448</u>	3,075,413
(5) 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	\$ 32,069	
Change in compensated absences payable	83,984	
Change in landfill closure/postclosure care costs	<u>50,921</u>	<u>166,974</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ 3,121,001</u>

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

Exhibit C-5

Claiborne County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,593,479	\$ 5,053,660	\$ 5,561,755	\$ 31,724
Licenses and Permits	8,090	8,000	8,000	90
Fines, Forfeitures, and Penalties	145,321	149,726	149,726	(4,405)
Charges for Current Services	101,213	102,700	102,700	(1,487)
Other Local Revenues	321,636	75,000	326,994	(5,358)
Fees Received from County Officials	810,600	1,335,000	955,125	(144,525)
State of Tennessee	2,612,444	1,835,886	2,317,729	294,715
Federal Government	113,340	58,508	58,508	54,832
Other Governments and Citizens Groups	0	8,523	8,523	(8,523)
Total Revenues	\$ 9,706,123	\$ 8,627,003	\$ 9,489,060	\$ 217,063
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 146,812	\$ 89,614	\$ 155,826	\$ 9,014
Board of Equalization	5,498	6,450	6,450	952
Beer Board	675	1,200	1,200	525
Budget and Finance Committee	27,346	30,434	30,631	3,285
County Mayor/Executive	152,662	156,392	158,454	5,792
County Attorney	53,681	55,105	55,611	1,930
Election Commission	220,435	238,848	240,122	19,687
Register of Deeds	167,346	186,734	188,365	21,019
Development	4,577	16,639	16,639	12,062
Planning	44,668	45,069	45,451	783
County Buildings	304,575	291,908	315,283	10,708
Preservation of Records	21,429	25,481	28,191	6,762
<u>Finance</u>				
Accounting and Budgeting	423,380	432,390	434,580	11,200
Property Assessor's Office	211,376	216,225	218,140	6,764
Reappraisal Program	78,665	85,014	85,648	6,983
County Trustee's Office	80,073	254,982	97,853	17,780
County Clerk's Office	88,981	333,947	116,999	28,018
<u>Administration of Justice</u>				
Circuit Court	306,137	327,576	347,796	41,659
General Sessions Court	203,779	215,652	217,381	13,602
Chancery Court	229,770	247,625	249,975	20,205
District Attorney General	34,016	34,254	34,596	580
Office of Public Defender	25,415	25,691	25,691	276
<u>Public Safety</u>				
Sheriff's Department	2,237,942	2,158,510	2,312,840	74,898
Administration of the Sexual Offender Registry	1,100	3,000	3,000	1,900
Workhouse	2,607,471	2,723,138	2,736,676	129,205
Juvenile Services	45,513	60,530	60,913	15,400
Fire Prevention and Control	129,000	132,500	132,500	3,500
Civil Defense	72,020	114,995	115,381	43,361
Rescue Squad	18,000	18,000	18,000	0
Other Emergency Management	15,377	15,377	15,377	0
County Coroner/Medical Examiner	37,342	42,600	42,600	5,258

(Continued)

Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 129,182	\$ 140,978	\$ 141,271	\$ 12,089
Rabies and Animal Control	5,000	5,000	5,000	0
Ambulance/Emergency Medical Services	165,000	165,000	165,000	0
Other Local Health Services	160,489	208,340	208,720	48,231
Sanitation Education/Information	50,119	49,726	50,124	5
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	5,000	5,000	5,000	0
Senior Citizens Assistance	45,202	45,465	45,465	263
Libraries	115,925	106,931	122,652	6,727
<u>Agriculture and Natural Resources</u>				
Agriculture Extension Service	100,788	108,229	108,229	7,441
Forest Service	2,000	2,000	2,000	0
Soil Conservation	41,885	42,174	42,497	612
<u>Other Operations</u>				
Industrial Development	44,247	42,000	42,000	(2,247)
Housing and Urban Development	17,207	95,000	95,000	77,793
Other Economic and Community Development	42,493	47,168	47,586	5,093
Veterans' Services	13,915	16,136	16,246	2,331
Other Charges	380,863	673,441	518,441	137,578
Employee Benefits	1,188	30,000	1,700	512
Miscellaneous	37,105	40,000	40,000	2,895
<u>Principal on Debt</u>				
Highways and Streets	54,369	0	54,369	0
<u>Interest on Debt</u>				
Highways and Streets	10,120	0	10,120	0
<u>Capital Projects</u>				
Public Safety Projects	148,850	0	161,000	12,150
Public Health and Welfare Projects	562,130	0	563,000	870
Highway and Street Capital Projects	711,168	0	713,319	2,151
Education Capital Projects	155,688	0	160,000	4,312
Total Expenditures	\$ 10,994,994	\$ 10,408,468	\$ 11,826,908	\$ 831,914
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (1,288,871)	\$ (1,781,465)	\$ (2,337,848)	\$ 1,048,977
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 577,808	\$ 0	\$ 577,808	\$ 0
Insurance Recovery	21,014	10,000	31,014	(10,000)
Transfers In	43,738	370,481	124,687	(80,949)
Transfers Out	(125,000)	0	(125,000)	0
Total Other Financing Sources	\$ 517,560	\$ 380,481	\$ 608,509	\$ (90,949)
Net Change in Fund Balance				
Fund Balance, July 1, 2012	\$ 3,536,213	\$ 3,404,703	\$ 3,404,703	\$ 131,510
Fund Balance, June 30, 2013				
	\$ 2,764,902	\$ 2,003,719	\$ 1,675,364	\$ 1,089,538

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

Exhibit C-6

Claiborne County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,079,539	\$ 1,056,931	\$ 1,056,931	\$ 22,608
Charges for Current Services	419,148	477,673	477,673	(58,525)
Other Local Revenues	28,403	22,000	22,000	6,403
State of Tennessee	14,807	0	0	14,807
Total Revenues	<u>\$ 1,541,897</u>	<u>\$ 1,556,604</u>	<u>\$ 1,556,604</u>	<u>\$ (14,707)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 1,552,622	\$ 1,489,157	\$ 1,754,157	\$ 201,535
Total Expenditures	<u>\$ 1,552,622</u>	<u>\$ 1,489,157</u>	<u>\$ 1,754,157</u>	<u>\$ 201,535</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (10,725)</u>	<u>\$ 67,447</u>	<u>\$ (197,553)</u>	<u>\$ 186,828</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 125,000	\$ 0	\$ 125,000	\$ 0
Transfers Out	0	(67,447)	(67,447)	67,447
Total Other Financing Sources	<u>\$ 125,000</u>	<u>\$ (67,447)</u>	<u>\$ 57,553</u>	<u>\$ 67,447</u>
Net Change in Fund Balance	\$ 114,275	\$ 0	\$ (140,000)	\$ 254,275
Fund Balance, July 1, 2012	<u>403,549</u>	<u>458,087</u>	<u>458,087</u>	<u>(54,538)</u>
Fund Balance, June 30, 2013	<u>\$ 517,824</u>	<u>\$ 458,087</u>	<u>\$ 318,087</u>	<u>\$ 199,737</u>

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

Exhibit C-7

Claiborne County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 500,692	\$ 333,809	\$ 457,209	\$ 43,483
Other Local Revenues	52,687	3,200	53,500	(813)
State of Tennessee	1,747,067	2,371,000	2,371,000	(623,933)
Federal Government	212,212	0	212,212	0
Total Revenues	\$ 2,512,658	\$ 2,708,009	\$ 3,093,921	\$ (581,263)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 120,774	\$ 120,332	\$ 122,157	\$ 1,383
Highway and Bridge Maintenance	997,351	952,835	1,023,848	26,497
Operation and Maintenance of Equipment	356,115	195,480	366,024	9,909
Other Charges	80,826	112,000	81,255	429
Employee Benefits	52,154	51,764	52,154	0
Capital Outlay	199,995	678,500	849,995	650,000
Total Expenditures	\$ 1,807,215	\$ 2,110,911	\$ 2,495,433	\$ 688,218
Excess (Deficiency) of Revenues Over Expenditures	\$ 705,443	\$ 597,098	\$ 598,488	\$ 106,955
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (598,288)	\$ (597,098)	\$ (598,488)	\$ 200
Total Other Financing Sources	\$ (598,288)	\$ (597,098)	\$ (598,488)	\$ 200
Net Change in Fund Balance	\$ 107,155	\$ 0	\$ 0	\$ 107,155
Fund Balance, July 1, 2012	408,927	446,192	446,192	(37,265)
Fund Balance, June 30, 2013	\$ 516,082	\$ 446,192	\$ 446,192	\$ 69,890

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, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,061,467
Equity in Pooled Cash and Investments	126,206
Due from Other Governments	294,938
Property Tax Receivable	109,045
Allowance for Uncollectible Property Taxes	(4,819)
Notes Receivable - Current	<u>1,000</u>
Total Assets	<u>\$ 1,587,837</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 294,938
Due to Litigants, Heirs, and Others	1,061,467
Other Current Liabilities	<u>231,432</u>
Total Liabilities	<u>\$ 1,587,837</u>

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

CLAIBORNE COUNTY, TENNESSEE
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CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 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. Patient charges provide the majority of the revenues for the entity. The county has issued long-term debt obligations on behalf of the hospital and nursing home.

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

The Claiborne County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Claiborne County, and the Claiborne County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval.

The Claiborne County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Claiborne County Hospital and Nursing Home, the Claiborne County Industrial Development Board, and the Claiborne County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

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

Claiborne County Industrial Development Board
3222 Highway 25 East
Suite 1
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 Position 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 the Claiborne County Hospital and Nursing Home. There were no debt issues contributed by the county to the School Department or the Claiborne County Hospital and Nursing Home during the year ended June 30, 2013.

Separate financial statements are provided for governmental funds, the proprietary fund (internal service), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide financial statements, and the 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, deferred outflow of resources, liabilities, deferred inflow of resources, 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 to report. The Claiborne County School Department has one proprietary fund, an internal service fund.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds

are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service fund and the fiduciary funds in total 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.

The proprietary fund 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.

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 special revenue fund accounts for transactions relating to the disposal of Claiborne County’s solid waste. Local taxes and general service charges are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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.

Additionally, Claiborne County reports the following fund types:

Capital Projects Fund – The Highway Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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 special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for building renovations for various facilities owned by the School Department.

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

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 insurance program. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges for services. Operating expenses for the internal service fund include administrative expenses and employee benefits.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

For purposes of the Statement of Cash Flows for the 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 loan 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 funds and the discretely presented Claiborne County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to the General, Solid Waste/Sanitation, General Debt Service, and the School Department's Central Cafeteria and Education Capital Projects funds per percentages established in the budgetary process. 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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 were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes and solid waste receivables are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.07 percent of total taxes levied. Solid waste receivables allowance for uncollectibles is based on historical collection data.

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 a deferred inflow of resources 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 as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

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

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

3. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column on 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 two years. 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. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This

amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various other receivables, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

5. Compensated Absences

Primary Government

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Claiborne County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for vacation pay 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.

6. 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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a

systematic and rational manner 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.

7. Net Position and Fund Balance

In the government-wide financial statements and the proprietary fund (internal service fund) in the fund financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

As of June 30, 2013, Claiborne County had \$36,595,000 and \$5,125,000 in outstanding debt for capital purposes for the discretely presented Claiborne County School Department and the Claiborne County Hospital and Nursing Home, respectively. 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 Claiborne County Hospital and Nursing Home. Therefore, Claiborne

County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county's Finance Committee to make assignments for the general government. The Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund includes an amount of fund balance appropriated for use in the 2013-14 budget totaling \$736,306. Assigned fund balance in the discretely presented School Department's General Purpose School Fund includes an amount of fund balance appropriated for use in the 2013-14 budget totaling \$1,048,938 and an amount assigned by the board for debt service (\$774,504).

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

8. Restatement

Prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement of beginning net position totaling \$548,223 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

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 Position

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 Position.

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 Position.

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

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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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 School Department's Education Capital Projects Fund, which adopts 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, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the 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. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Industrial Development major appropriation category (the legal level of control) of the General Fund by \$2,247. Expenditures that exceed

appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by greater than anticipated revenues.

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, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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 loan 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, 2013.

B. Notes Receivable

Notes receivable of \$1,000 in the Other Agency Fund represented amounts due to the Claiborne County Industrial Development Board from the Town of Cumberland Gap.

C. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 586,500	\$ 0	\$ 0	\$ 586,500
Total Capital Assets Not Depreciated	<u>\$ 586,500</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 586,500</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 13,154,755	\$ 0	\$ 0	\$ 13,154,755
Roads and Bridges	25,373,455	1,735,077	0	27,108,532
Other Capital Assets	3,707,545	1,090,890	(278,283)	4,520,152
Total Capital Assets Depreciated	<u>\$ 42,235,755</u>	<u>\$ 2,825,967</u>	<u>\$ (278,283)</u>	<u>\$ 44,783,439</u>

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Less Accumulated Depreciation For: Buildings and Improvements	\$ 2,900,302	\$ 320,865	\$ 0	\$ 3,221,167
Roads and Bridges	7,113,586	646,845	0	7,760,431
Other Capital Assets	2,175,952	369,419	(271,317)	2,274,054
Total Accumulated Depreciation	\$ 12,189,840	\$ 1,337,129	\$ (271,317)	\$ 13,255,652
Total Capital Assets Depreciated, Net	\$ 30,045,915	\$ 1,488,838	\$ (6,966)	\$ 31,527,787
Governmental Activities Capital Assets, Net	\$ 30,632,415	\$ 1,488,838	\$ (6,966)	\$ 32,114,287

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

Governmental Activities:

General Government	\$ 311,438
Public Safety	175,222
Public Health and Welfare	50,332
Highways/Public Works	800,137
Total Depreciation Expense - Governmental Activities	\$ 1,337,129

Discretely Presented Claiborne County School Department**Governmental Activities:**

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 1,170,900	\$ 0	\$ 0	\$ 1,170,900
Construction in Progress	5,085,767	0	(5,085,767)	0
Total Capital Assets Not Depreciated	\$ 6,256,667	\$ 0	\$ (5,085,767)	\$ 1,170,900

Governmental Activities (Cont.):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets				
Depreciated:				
Buildings and				
Improvements	\$ 46,015,416	\$ 5,600,669	\$ 0	\$ 51,616,085
Other Capital Assets	2,826,944	764,168	(247,889)	3,343,223
Total Capital Assets				
Depreciated	<u>\$ 48,842,360</u>	<u>\$ 6,364,837</u>	<u>\$ (247,889)</u>	<u>\$ 54,959,308</u>
Less Accumulated				
Depreciated For:				
Buildings and				
Improvements	\$ 14,126,775	\$ 1,335,732	\$ 0	\$ 15,462,507
Other Capital Assets	1,663,145	194,010	(237,075)	1,620,080
Total Accumulated				
Depreciation	<u>\$ 15,789,920</u>	<u>\$ 1,529,742</u>	<u>\$ (237,075)</u>	<u>\$ 17,082,587</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 33,052,440</u>	<u>\$ 4,835,095</u>	<u>\$ (10,814)</u>	<u>\$ 37,876,721</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 39,309,107</u>	<u>\$ 4,835,095</u>	<u>\$ (5,096,581)</u>	<u>\$ 39,047,621</u>

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

Governmental Activities:

Instruction	\$ 1,289,202
Support Services	<u>240,540</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,529,742</u>

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Solid Waste/Sanitation	\$ 134,893
General Debt Service	General	131,150
General	Nonmajor governmental	1,708

The amount due to the General Fund from the Solid Waste/Sanitation Fund totaling \$134,893 was loaned to the Solid Waste/Sanitation Fund for the purchase of a vehicle. The entire amount of that receivable is due within one year.

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

Due to/from Primary Government and Component Units:

The amount reflected on the government-wide financial statements as due to primary government from the discretely presented School Department totaling \$278,190 is for debt issued by the primary government, which is being retired by the School Department. Of that amount, \$217,179 is not expected to be received within one year.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In		
	General Fund	Solid Waste/ Sanitation Fund	General Debt Service Fund
Highway Public/Works Fund	\$ 43,738	\$ 0	\$ 554,550
General Fund	0	125,000	0
Total	\$ 43,738	\$ 125,000	\$ 554,550

Discretely Presented Claiborne County School Department

Transfer Out	Transfer In
	General Purpose School Fund
School Federal Projects Fund	\$ 6,986

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. The county made a one-time transfer of \$125,000 from the General Fund to the Solid Waste/Sanitation Fund to subsidize the cost of studies to reopen the county landfill.

E. Capital Leases

On September 25, 2012, Claiborne County entered into two lease-purchase agreements for highway equipment. The first agreement is for three years and requires total lease payments of \$235,295 plus interest of 3.2 percent. The second agreement is for four years and requires total lease payments of \$97,848 plus interest of 3.2 percent. Title to the equipment transfers to Claiborne County at the end of the lease period. The lease payments are made from the General Fund.

On February 19, 2013, Claiborne County entered into a three-year lease-purchase agreement for highway equipment. The terms of the agreement require total lease payments of \$244,665 plus interest of 3.2 percent.

The assets acquired through capital leases are as follows:

Assets	Governmental Activities
Machinery and Equipment	\$ 577,808
Less: Accumulated Depreciation	<u>(37,835)</u>
Total Book Value	<u><u>\$ 539,973</u></u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2013, were as follows:

Year Ending June 30	Governmental Funds
2014	\$ 113,209
2015	113,209
2016	291,085
2017	<u>39,010</u>
Total Minimum Lease Payments	\$ 556,513
Less: Amount Representing Interest	<u>(33,074)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 523,439</u></u>

F. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Claiborne County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other debt. 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 15 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bonds	1 to 5.3 %	4-1-30	\$ 5,995,000	\$ 5,115,753
General Obligation Bonds - Refunding	2 to 4.125	4-1-30	50,555,000	45,239,247
Capital Outlay Note	3	12-7-14	500,000	333,333
Other Loans Fixed Rate	0 to 7	4-30-22	988,141	278,190
Capital Leases	3.2	9-25-16	577,808	523,439

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 Claiborne County School Department and the Claiborne County Hospital and Nursing Home contribute funds annually to the county to apply toward the retirement of debt. During the year, the School Department contributed \$3,170,823 and the Claiborne County Hospital and Nursing Home contributed \$669,639 to the county's General Debt Service Fund for retirement of those general obligation debt issues.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2013, including interest payments are presented in the following tables:.

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 2,920,000	\$ 1,949,367	\$ 4,869,367
2015	2,970,000	1,869,818	4,839,818
2016	2,990,000	1,768,292	4,758,292
2017	3,145,000	1,663,590	4,808,590
2018	2,695,000	1,532,224	4,227,224
2019-2023	13,515,000	6,096,848	19,611,848
2024-2028	15,325,000	3,264,517	18,589,517
2029-2030	6,795,000	419,062	7,214,062
Total	\$ 50,355,000	\$ 18,563,718	\$ 68,918,718

Year Ending June 30	Note		
	Principal	Interest	Total
2014	\$ 55,000	\$ 13,535	\$ 68,535
2015	278,333	11,863	290,196
Total	\$ 333,333	\$ 25,398	\$ 358,731

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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
2019-2022	120,518	17,094	137,612
Total	\$ 278,190	\$ 81,263	\$ 359,453

There is \$844,529 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$1,598, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide finance statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School

Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>Other Loans Payable</u>	
<u>Payable by Contributions from the General Purpose School Fund</u>	
HVAC System at Claiborne County High School	\$ 28,125
HVAC System at Cumberland Gap High School	12,651
Ball Field Lighting Projects at Schools	<u>237,414</u>
Total	<u>\$ 278,190</u>

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2012	\$ 49,370,000	\$ 500,000	\$ 4,450,000
Reclassification of School Debt	0	0	378,611
Additions	3,935,000	0	0
Reductions	(2,950,000)	(166,667)	(4,550,421)
Balance, June 30, 2013	<u>\$ 50,355,000</u>	<u>\$ 333,333</u>	<u>\$ 278,190</u>
Balance Due Within One Year	<u>\$ 2,920,000</u>	<u>\$ 55,000</u>	<u>\$ 61,011</u>

	Capital Leases	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2012	\$ 0	\$ 271,338	\$ 1,139,486
Additions	577,808	153,519	0
Reductions	(54,369)	(237,503)	(50,921)
Balance, June 30, 2013	<u>\$ 523,439</u>	<u>\$ 187,354</u>	<u>\$ 1,088,565</u>
Balance Due Within One Year	<u>\$ 97,886</u>	<u>\$ 121,779</u>	<u>\$ 68,034</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 52,765,881
Less: Balance Due Within One Year	(3,323,710)
Add: Unamortized Premium on Debt	<u>1,107,005</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u><u>\$ 50,549,176</u></u>

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

Current Refunding

On July 26, 2012, Claiborne County refunded an other loan with a separate general obligation bond issue. The county issued \$3,935,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources to retire the refunded debt on the call date, which was August 28, 2012. As a result of the refunding, total debt service payments over the next 12 years will be reduced by \$972,869, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$739,301 was obtained.

Defeasance of Prior Debt

In prior years, Claiborne County defeased certain outstanding Public Building Authority (PBA) loan agreements by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old debt. The trustee is empowered and required to pay all principal and interest on the defeased debt as originally scheduled. Accordingly, the trust accounts and the defeased debt are not included in the county's financial statements. At June 30, 2013, the following outstanding loan agreement was considered defeased:

	<u>Amount</u>	<u>Call/Maturity Date</u>
Sevier County PBA Fixed Rate Loan Agreement:		
3-5-2009 Hospital Revenue and General Obligation	\$ 1,030,000	12-1-13

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Claiborne County School Department for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Other Loans	Other Postemployment Benefits
Balance, July 1, 2012	\$ 378,611	\$ 122,370
Additions	0	660,280
Reductions	0	(731,997)
Reclassification of School Debt	(378,611)	0
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 50,653</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 0</u>

Other postemployment benefits will be paid from the employing funds, primarily the General Purpose School, School Federal Projects, and Central Cafeteria funds.

G. 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 Medicare Supplement Plan. The plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2013, totaled \$15,124. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

H. Internal Financing

In-lieu-of issuing debt with financial institutions, Claiborne County chose to internally finance the purchase of equipment for the Solid Waste/Sanitation Fund with an interfund loan from the General Fund. Internal financing activity for the year was as follows. The balance at June 30, 2013, is reflected as due to and due from other funds as discussed in Note IV.D.

	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
Vehicle for Sanitation	\$ 134,893	0 %	3-20-12	6-30-14
	Outstanding 7-1-12	Issued During Period	Outstanding 6-30-13	
Vehicle for Sanitation	\$ 134,893	\$ 0	\$ 134,893	

V. **OTHER INFORMATION**

A. **Risk Management**

Primary Government

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

Discretely Presented Claiborne County School Department

The School Department has chosen to establish the Employee Health Insurance Fund for risks associated with the employees' health insurance plan. The Employee Health Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements. The county retains the risk of loss to a limit of \$95,000 per 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 \$1,250,000 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 Claiborne County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for covered employees. This charge is based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$412,976 at June 30, 2013, and is reported as net position of the Employee Health Insurance Fund. 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 Health Insurance Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled and of claims that have been incurred but not reported. Claims liabilities include 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:

Employee Insurance - Health Fund

	Beginning of Fiscal Year Liability	Current Year Claims and Estimates	Payments	Balance at Fiscal Year-end
2011-2012	\$ 329,932	\$ 3,771,949	\$ (3,876,528)	\$ 225,353
2012-2013	225,353	3,533,594	(3,569,677)	189,270

The School Department continues to carry commercial insurance for all other risks of loss, including general liability, property, casualty, and workers' compensation. Settled claims from these risks 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Claiborne County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on

Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Events

During July 2013, Claiborne County entered into a three-year capital lease for highway equipment totaling \$4,084 per month with a 3.2 percent interest rate.

Subsequent to June 30, 2013, the County Commission approved a five-year capital outlay note for two pieces of highway equipment totaling \$128,013 with an interest rate of 2.65 percent. The County Commission also approved a capital outlay note totaling \$585,000 for road and bridge repairs and improvements. These notes were issued in October 2013.

Billy Ray Cheek resigned as Circuit, General Sessions, and Juvenile Courts Clerk as of November 27, 2013. Jackie Rosenbalm served as interim clerk and Billy Ray Cheek, Jr. was appointed to the office by the County Commission effective December 16, 2013.

During December 2013, the Claiborne County Commission voted to approve the execution of an agreement with Covenant Health for the lease of the assets of the Claiborne County Hospital and Nursing Home. That agreement has not been executed as of the date of this report.

D. Contingent Liabilities

The county is involved in several pending lawsuits. The county attorney estimates that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the county's financial statements.

E. Change in Administration

Mike Sharp left the Office of Road Superintendent on August 31, 2012, and was succeeded by Bill Fultz.

F. 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 closure and 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 \$1,088,565 reported as postclosure care liability at June 30, 2013, represents amounts based on what it would cost to perform all postclosure care in 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Venture

The Eighth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighth Judicial District; Campbell, Claiborne, Fentress, Scott, and Union counties; and various cities within these counties. The purpose of the 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 the Board of Directors, including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within the judicial district. Claiborne County made no contributions to the DTF for the year ended June 30, 2013, and does not have an 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

H. Jointly Governed Organization

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, Claiborne, Johnson, Sullivan, Unicoi, and Washington. 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/executives of each county or their designee and one nonvoting member representing the Tennessee Department of Agriculture and the University of Tennessee's Agricultural Extension Service. An executive committee, consisting of the chairman, vice chairman, secretary, and treasurer of the board of directors, along with the center's manager as an ex-officio member, is in charge of daily operations of the center.

I. Retirement Commitments

Plan Description

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

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

Funding Policy

Claiborne County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 5.41 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, 2013, Claiborne County’s annual pension cost of \$1,110,817 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. 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 ten-year period. The 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, 2011, was seven years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6-30-13	\$1,110,817	100%	\$0
6-30-12	1,216,592	100	0
6-30-11	1,216,386	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 91.57 percent funded. The actuarial accrued liability for benefits was \$43.58 million, and the actuarial value of assets was \$39.91 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.67 million. The covered payroll (annual payroll of active employees covered by the plan) was \$19.67 million, and the ratio of the UAAL to the covered payroll was 18.68 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.

SCHOOL TEACHERS

Plan Description

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

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew

Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.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, 2013, was 8.88 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, 2013, 2012, and 2011, were \$1,635,404, \$1,655,839, and \$1,710,570, respectively, equal to the required contributions for each year.

J. Other Postemployment Benefits (OPEB)

Primary Government

Claiborne County Commission approved a resolution to authorize county employees to continue health insurance coverage after retirement until their Medicare coverage begins. In order to participate, the retired employee must have 30 consecutive years of employment with the county. The retiree is responsible for payment of the entire premium. Management has not obtained an actuarial study to determine the liability and expense, which should be reported for this plan. This has resulted in a qualified opinion on the governmental activities by the county's external auditor.

Discretely Presented School Department

Plan Description

Claiborne County School Department provides self-insured postemployment benefits for health care and commercial postemployment benefits for life insurance. This plan is administered by Trinity Benefits Advisors. For accounting purposes, the plan is a single-employer defined benefit OPEB plan.

The Board of Education has joined with the Tennessee School Board Association (TSBA) GASB 45 Trust. The TSBA GASB 45 Trust is set up to fund a portion of the OPEB liability. As of June 30, 2013, the Claiborne County Board of Education has not placed any funds with TSBA GASB 45 Trust.

Funding Policy

The premium requirements of plan members are established by and may be amended 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. Eligible employees must be age 60 with ten years of service or any age with 30 years of service until attainment of age 65 when they become eligible for Medicare. The School Department pays 100 percent of the 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 but less than 30 years. Retirees are responsible for costs related to other covered family members. The School Department also provides \$30,000 of life insurance coverage on retirees until age 65. Retirees are responsible for the costs if life insurance coverage is continued beyond this age.

Annual OPEB Cost and Net OPEB Obligation

	Education Plan
	<hr/>
ARC	\$ 666,067
Interest on the NOPEBO	3,671
Adjustment to the ARC	(9,458)
	<hr/>
Annual OPEB cost	\$ 660,280
Less amount of contribution	(731,997)
	<hr/>
Increase/decrease in NOPEBO	\$ (71,717)
Net OPEB obligation, 7-1-12	<hr/> 122,370 <hr/>
Net OPEB obligation, 6-30-13	<hr/> \$ 50,653 <hr/>

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-11	Education	\$ 631,271	92	% \$ 121,689
6-30-12	"	635,677	99	122,370
6-30-13	"	660,280	111	50,653

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2012, was as follows:

	<u>Education Plan</u>
Actuarial valuation date	7-1-12
Actuarial accrued liability (AAL)	\$ 7,245,815
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 7,245,815
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 18,128,390
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, 2012, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a three percent discount rate and an annual healthcare cost trend rate of ten percent for fiscal year 2013. The trend will be reduced by decrements to an ultimate rate of five percent by fiscal year 2023. The unfunded actuarial accrued liability is being amortized as a level dollar amount over a 16-year period beginning June 30, 2009.

K. Office of Central Accounting, Budgeting, and Purchasing

Claiborne County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act

also provides for the creation of a Finance Department operated under the direction of the finance director.

L. 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.

VI. OTHER NOTES – DISCRETELY PRESENTED CLAIBORNE COUNTY INDUSTRIAL DEVELOPMENT BOARD

1. Nature of Activities and Significant Accounting Policies

A. Reporting Entity

The Industrial Development Board of the County of Claiborne, Tennessee (IDB), is formed under the authority contained in Section 7-53-101, *Tennessee Code Annotated*, and is vested with all the powers granted therein. The purpose of the organization of the IDB is to acquire, own, lease, and dispose of properties and thus promote industry and develop trade by inducing manufacturing, industrial, governmental, and commercial enterprise to locate in or remain in Claiborne County.

The IDB is governed by a board of nine members appointed by the County Commission of Claiborne County, Tennessee. There are no organizations requiring consideration for inclusion in the industrial development board's financial reporting entity.

The IDB is determined to be a component unit of Claiborne County, Tennessee, the primary government.

B. Basis of Presentation – Government-Wide Financial Statements

The government-wide financial statements include a Statement of Net Position and a Statement of Activities. They include all funds of the financial reporting entity. Governmental activities generally are financed through taxes, intergovernmental revenue, and other non-exchange revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

C. **Basis of Presentation – Governmental Fund Financial Statements**

Governmental fund financial statements of the IDB are organized into funds, each of which are considered to be separate accounting entities. Each fund is accounted for by providing a set of self-balancing accounts, which constitute assets, liabilities, fund equity, revenues, and expenditures. Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the government-wide financial statements.

The fund of the financial reporting entity is described below:

Governmental Fund:

General Fund – The General Fund is the only fund of the IDB and is always classified as a major fund. All activities of the IDB are accounted for in the General Fund.

D. **Measurement Focus**

Measurement focus is a term used to describe, which transactions are recorded within the various financial statements.

The government-wide Statement of Net Position and the Statement of Activities are presented using the economic resources measurement focus. Accordingly, all of the IDB's assets and liabilities, including capital assets, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position.

In the fund financial statements the current financial resources measurement focus or economic resources measurement focus is used as appropriate. All governmental funds utilize a current financial resources measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

E. **Basis of Accounting**

Basis of accounting refers to when transactions are recorded, regardless of the measurement focus applied.

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred or economic asset used. These types of transactions reported as program revenues for the IDB are reported in three categories: (1) charges for services; (2) operating grants and contributions; and (3) capital grants and contributions. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. Rental income, while susceptible to accrual, is recorded as revenue when received because amounts are not materially different. Investment earnings are recorded when earned since they are measurable and available. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

F. Restricted Assets

When applicable, the IDB elects to use restricted assets before unrestricted assets when the situation arises where either can be used.

G. Government-Wide Net Position

Equity is classified as net position and displayed in the following three components, if applicable.

1. Net investment in capital assets – Consist of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that is attributable to the acquisition, construction, or improvement of those assets.
2. Restricted net position – Consists of net position for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.
3. Unrestricted net position – All other net position that do not meet the definition of the above categories.

H. Governmental Fund Balance

Equity is classified as fund balance and displayed in the following three components, if applicable.

Nonspendable – Such as fund balance associated with inventories, prepaids, long-term loans, and notes receivable. Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Consists of fund balance for which constraints are placed thereon by outside sources or external parties, such as lenders, grantors, contributors, laws, regulations, and enabling legislation, including self-imposed legal mandates, less any related liabilities.

Committed – Amounts that can only be used for specific purposes determined by a formal action by the IDB of directors.

Assigned – The IDB has not adopted a policy for this component.

Unassigned – All amounts not included in other spendable classifications.

2. Sales-type Lease Receivable and Associated Debt

The IDB entered into a sales-type lease agreement with Walters State Community College Foundation with payments starting August 2010, through September 2019. The total sales-type lease receivable as of June 30, 2013, was \$625,318. See schedule below. The present value used to compute interest income on this sales-type lease was 2.25 percent. The amount of income recognized in the Statement of Activities for the audit period is \$15,093 for interest income on this transaction. The IDB borrowed \$740,000 through Powell Valley Electric, a TVA interest free loan to be paid back starting October 2011, at \$7,708 per month. As of June 30, 2013, \$578,111 was owed on this loan. The proceeds of this loan were used for improvements to property owned by the IDB used as Walter State’s campus. This loan is scheduled to be paid off in September 2019, and at that time property ownership will be transferred to Walters State Community College Foundation.

Fiscal Year Ending June 30	Sales-type Lease Receivable	Interest Income	Total
2014	\$ 94,996	\$ 13,004	\$ 108,000
2015	97,156	10,844	108,000
2016	99,364	8,636	108,000
2017	101,623	6,377	108,000
2018	103,933	4,067	108,000
2019	106,296	1,704	108,000
2020	21,950	50	22,000
Total	\$ 625,318	\$ 44,682	\$ 670,000

3. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the IDB's deposits may not be returned to it. All deposits of the IDB are on deposit with the trustee of Claiborne County, Tennessee, and the trustee follows collateralization requirements of state statutes.

4. Investments

State statutes authorize the IDB to invest in obligations of the United States Treasury, agencies, instrumentalities and obligations guaranteed as to principal and interest by the United States or any of its agencies, repurchase agreements, the Tennessee local government investment pool, certificates of deposit at state and federally-chartered banks and savings and loan associations, and money market funds approved by the state Comptroller's Office. The trustee of Claiborne County, Tennessee, handles all investments for Claiborne County, Tennessee.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditures) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applied to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

6. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, and similar items) are reported in the government-wide type activity. Such assets are recorded at historical cost of estimated historical costs of purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation or transfer.

Capital assets activity for the period ended June 30, 2013, was as follows:

Governmental-type Activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Buildings	\$ 504,504	\$ 0	\$ 12,671	\$ 491,833

8. Long-term Debt

The IDB had the following long-term debt as of June 30, 2013:

	Beginning Balance 7-1-12	Debt Issued	Debt Retired	Ending Balance 6-30-13
Notes Payable-Powell Valley Electric	\$ 670,619	\$ 0	\$ 92,508	\$ 578,111

Year Ending June 30	Principal	Interest	Total
2014	\$ 92,500	\$ 0	\$ 92,500
2015	92,500	0	92,500
2016	92,500	0	92,500
2017	92,500	0	92,500
2018	92,500	0	92,500
2019-2020	115,611	0	115,611
Total	<u>\$ 578,111</u>	<u>\$ 0</u>	<u>\$ 578,111</u>

9. At-Risk Activities

The IDB covers its at-risk activities under insurance policies under Claiborne County Government.

10. Related-Party Transactions

There were no related-party transactions during the audit period.

11. Budget

The IDB's budget operation was generally sound for the year. The budget is adopted and controlled by the directors of the IDB. The control level is by the

board of directors and is managed and reported at that level. No budget is presented for the year ended June 30, 2013.

VII. OTHER NOTES – DISCRETELY PRESENTED CLAIBORNE COUNTY HOSPITAL AND NURSING HOME

1. Summary of Significant Accounting Policies

Organization -

Claiborne County Hospital and Nursing Home (CCH) is an acute and general short-term healthcare provider and nursing home formed to provide services to Claiborne County and the surrounding communities. CCH is the sole shareholder of Multi-Specialty Medical, P.C., a for-profit physicians' office, whose financial statements are consolidated with those of CCH. In addition, CCH is the primary beneficiary of the fundraising activities of Claiborne County Healthcare Foundation, Inc. (the foundation). As such, the financial activity of the foundation is included in the consolidated financial statements of CCH and its subsidiary, CCH, the for-profit subsidiary and the foundation are collectively referred to as the hospital.

The hospital is a component unit of Claiborne County, Tennessee, which issues debt on the hospital's behalf. The hospital's board members are appointed by the Board of Commissioners of Claiborne County. The hospital is included as a discretely presented component unit in the financial statements of the county.

Basis of presentation – The hospital's consolidated financial statements are presented on the accrual basis of accounting using the economic measurement focus in accordance with the Governmental Accounting Standards Board (GASB), which establishes standards for external financial reporting for all state and local government entities. GASB requires the classification of net position into three components, which are defined as follows –

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of bonds and other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent proceeds is not included in the calculations of net investment in capital assets. Rather, that portion of the debt or deferred inflow of resources is included in the same net position component as the unspent proceeds. Net investment in capital assets is as follows –

	<u>2013</u>
Capital assets, net	\$ 15,017,359
Assets limited as to use - construction of capital assets	64,780
Assets limited as to use - under bond agreements	316,260
Less -	
Current portion of long-term debt related to the acquisition of capital assets	(774,226)
Long-term debt, excluding current position, relating to the acquisition of capital assets	<u>(5,746,470)</u>
Net investment in capital assets	<u>\$ 8,877,703</u>

Restricted net position – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted net position – This component of net position consists of the net amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted components of net position.

Principles of consolidation –

The consolidated financial statements include the accounts of CCH, its for-profit subsidiary and the foundation after elimination of all significant intercompany accounts and transactions.

Cash and cash equivalents –

The hospital considers currency on hand and demand deposits with financial institutions to be cash. The hospital considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. State statutes authorize the hospital to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements and pooled investment funds, and state or local bonds rated A or higher by a nationally recognized rating service. There were no cash equivalents at June 30, 2013.

Patient accounts receivable –

Accounts receivable from patients and third-party payors are recorded on the accrual basis in the period in which services are rendered. The hospital does not require collateral on accounts receivable. Accounts are charged to bad

debt expense as they are determined to be uncollectible based upon a review of aging and collections. The hospital establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific payors and patients, historical trends, and other information.

Inventories –

Inventories are stated at the lower of cost or market and are valued principally by methods, which approximate the first-in, first-out (FIFO) method.

Capital assets –

Assets with a useful life of greater than one year and a cost of greater than \$1,000 are recorded as capital assets and are stated at cost or fair value at date of donation. Although title to certain land and buildings rests with Claiborne County, these assets have been recorded by the hospital as the county has authorized their use by the hospital. Repairs and maintenance costs are expensed as incurred while significant asset purchases and improvements are capitalized. Depreciation of property and equipment is computed by the straight-line method over the estimated useful lives of the assets.

The estimated useful lives are based on guidelines established for the healthcare industry, which are summarized as follows –

<u>Assets</u>	<u>Years</u>
Buildings, Improvements, and Capital Equipment	10 - 40
Equipment	3 - 15

Accrued compensated absences –

The hospital recognizes an expense and accrues a liability for compensated future employee absences in the period in which employees' rights to such compensated absences are earned.

Bond premiums and discounts –

Bond premiums and discounts are amortized over the period the bonds are outstanding using the effective interest method.

Operating revenues and expenses –

Revenue and expenses associated with the hospital's mission of providing healthcare services are considered to be operating activities. Nonoperating income consists primarily of investment income, including interest income and income from rental of Medical Office Building (MOB) suites, gains, and

grants and general contributions to the hospital. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income taxes –

CCH is classified as a governmental organization exempt from income tax. The foundation is a not-for-profit organization defined by Section 501(c)(3) of the Internal Revenue Code as other than a private foundation. Accordingly, no provision for income taxes has been included in the consolidated accompanying financial statements for these entities. Income taxes related to Multi-Specialty Medical, P.C., if any, are included in other operating expenses.

Charity care –

The hospital accepts patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the hospital. Charges at established rates related to charity care are not included in net patient service revenue.

Patient service revenue –

Patient service revenue is reported in the period in which services are provided, at rates which reflect the amount expected to be collected. Net patient service revenue includes amounts estimated by management to be reimbursable by third-party payors under provisions of reimbursement formulas in effect and is net of the provision of bad debts.

Deferred outflows/inflows of resources –

During the current year, the hospital adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this Statement, GASB has defined deferred outflows of resources as deferred inflows of resources as follows.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period.

The hospital had no deferred inflows of resources at June 30, 2013. This statement had no significant impact on the hospital.

Risk management –

The hospital is self-insured for employee (including dependent) group health expenses and claims. Commercial insurance is purchased for significant

exposure to various other risks typical to the hospital's operating environment and industry such as loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; and natural disasters. There were no significant losses in excess of insurance coverage during the last three years.

Use of estimates –

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the hospital's deposits may not be returned to it. Funds on deposit at financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) with uninsured amounts being collateralized primarily through the financial institution's participation in the Bank Collateral Pool (the Collateral Pool), which is administered by the Collateral Pool Board and monitored by the Treasury Department of the State of Tennessee.

The hospital requires that all public funds (those not related to for profit entities) not insured by the FDIC to be part of the Collateral Pool or fully collateralized by specific investments as described above. At June 30, 2013, approximately \$70,000 of deposits was uninsured and uncollateralized.

3. Net Patient Service Revenue

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the consolidated statements of revenues, expenses and changes in net position is as follows.

	<u>2013</u>
Gross patient service charges	\$ 81,421,079
Less: Contractual adjustments and discounts	(51,302,570)
Provision for bad debts	<u>(4,363,047)</u>
Net patient service revenue	<u><u>\$ 25,755,462</u></u>

Net patient service revenues decreased by approximately \$312,000 in 2013 due to prior-year retroactive adjustments in excess of amounts previously estimated.

4. Third-Party Payor Agreements

The hospital renders services to patients under contractual arrangements with the Medicare and TennCare programs. Laws, regulations, and contracts governing third-party payor programs can be extremely complex and subject to interpretation. Amounts earned under these contractual arrangements are subject to regulatory review and final determination by the various program intermediaries and other appropriate governmental authorities or their agents. In the opinion of management, adequate provision has been made in the consolidated financial statements for any adjustments, which may result from such reviews.

Medicare –

The Medicare program pays inpatient services on a prospective basis primarily based upon diagnostic related group assignments as determined by the patient's clinical diagnosis and medical procedures utilized. The hospital receives additional payments from Medicare based on the provision of services to a disproportionate share of low income patients (as defined by the Medicare program). Medicare also pays for outpatient services on a prospective basis based upon ambulatory payment classifications and fee schedules. Revenue from the Medicare program accounted for approximately 28 percent for the year ended June 30, 2013.

TennCare –

TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts. Revenue from the TennCare program accounted for approximately 17 percent for the year ended June 30, 2013.

Contractual adjustments for Medicare, TennCare, and other third-party discount arrangements are recognized when the related revenues are reported in the consolidated financial statements.

Electronic Health Record (EHR) Incentive Program –

The American Recovery and Reinvestment Act established incentive payments under the Medicare and TennCare programs for certain hospitals that “meaningfully use” certified electronic health records (EHR) technology. The hospital recognizes EHR incentive payments when there is reasonable assurance that the hospital will comply with the conditions of the meaningful use objectives and any other specific requirements. During 2013 and 2012, the hospital recognized \$1,884,199 and \$252,394 in EHR incentive payments as other revenue in the consolidated statements of revenues, expenses and changes in net position. EHR incentive income is subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were initially calculated. Receipt of these funds is also subject to

the fulfillment of certain obligations by the hospital as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance.

Other payors –

The hospital has also entered into reimbursement agreements with commercial insurance companies, health maintenance organizations, and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates, per diems, and discounts from established charges. Receipt of these funds is subject to the fulfillment of certain obligations by the hospital as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance.

5. Risk Management and Employee Group Health Claims

The hospital is covered under the “Tennessee Governmental Tort Liability Act” (*TCA 29-20-101, et seq*). In addition to requiring claims be made in conformance with this act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one-year statute of limitations, and a requirement that the governmental entity purchase insurance or be self-insured with certain limits. This act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the act or the amount of insurance purchased by the governmental entity.

The hospital is insured for professional liability under a claims-made policy with an independent insurance carrier. The policy covers all claims reported to the carrier during the coverage period. The primary level of coverage is \$1,000,000 per claim and \$3,000,000 in the aggregate. Coverage for workers’ compensation insurance is provided on a claims-made basis. The primary level of coverage is \$500,000 per claim, \$500,000 per employee, and \$500,000 in the aggregate. Premiums are determined by a variety of factors related to the hospital.

The hospital is self-insured for employee (and dependent) group health claims up to \$70,000 per covered person annually. Commercial stop-loss coverage is purchased for claims in excess of the annual maximum up to \$1,000,000 in the aggregate. A liability is recorded for those claims known but unpaid and estimated claims incurred but not reported. The liability for employee group health claims, included in accrued expenses, was \$235,969 at June 30, 2013. The total expense related to employee group health claims (net of employee paid premiums) was approximately \$1,460,000 for 2013.

6. Capital Assets

A summary of changes in capital assets follows:

	Balance 7-1-12	Additions	Balance 6-30-13
Land	\$ 308,092	\$ 0	\$ 308,092
Building and Improvements	20,002,972	369,699	20,372,671
Equipment	16,296,899	296,569	16,593,468
Total at Historical Cost	<u>\$ 36,607,963</u>	<u>\$ 666,268</u>	<u>\$ 37,274,231</u>
Less Accumulated Depreciation For:			
Buildings	\$ 7,955,011	\$ 536,919	\$ 8,491,930
Equipment	13,257,202	507,740	13,764,942
Total	<u>\$ 21,212,213</u>	<u>\$ 1,044,659</u>	<u>\$ 22,256,872</u>
Capital Assets, Net	<u>\$ 15,395,750</u>	<u>\$ (378,391)</u>	<u>\$ 15,017,359</u>

7. Other Assets

The hospital pays various fees and expenses to and on behalf of physicians who are recruited to practice at the hospital. These expenses are recorded as assets and are amortized over the terms of the physicians' contracts. At June 30, 2013, the assets totaled \$1,225,541, net of accumulated amortization, and are included in other receivables and other assets in the consolidated statements of net position.

8. Bonds Payable

Changes in bonds payable are summarized as follows.

	Balance 7-1-12	Additions	Principal Payments	Balance 6-30-13
Series 2010A Bonds	\$ 3,720,000	\$ 0	\$ (315,000)	\$ 3,405,000
Series 2010A New Money Bonds	975,000	0	(40,000)	935,000
Series 2010B Bonds	885,000	0	(100,000)	785,000
Total Outstanding	<u>\$ 5,580,000</u>	<u>\$ 0</u>	<u>\$ (455,000)</u>	<u>\$ 5,125,000</u>
Less Unamortized Discount	(1,609)			0
Plus Unamortized Premium	170,756			161,128
Less Current Portion	<u>(455,000)</u>			<u>(455,000)</u>
Long-term Portion	<u>\$ 5,294,147</u>			<u>\$ 4,831,128</u>

On March 30, 2010, Claiborne County issued, on behalf of CCH, \$6,190,000 of Series 2010A tax exempt and 2010B taxable bonds. Interest on these bonds ranges from 2.5 percent to 4.125 percent for Series 2010A and one percent to 4.6 percent for Series 2010B. The Series 2010A tax exempt bond proceeds were used to refund previously issued bonds.

The Series 2010A bonds are subject to redemption at the option of CCH, in whole or in part, at the redemption price of par plus accrued interest to the redemption date.

Maturities related to the balances outstanding as of June 30, 2013, are summarized as follows.

Year Ending June 30	Series 2010A	Series 2010B	Total
2014	\$ 355,000	\$ 100,000	\$ 455,000
2015	370,000	105,000	475,000
2016	260,000	105,000	365,000
2017	275,000	110,000	385,000
2018	285,000	115,000	400,000
2019-2023	1,010,000	250,000	1,260,000
2024-2028	1,225,000	0	1,225,000
2029-2030	560,000	0	560,000
Total	<u>\$ 4,340,000</u>	<u>\$ 785,000</u>	<u>\$ 5,125,000</u>

Future interest payments related to the bonds are as follows.

Year Ending June 30	Series 2010A	Series 2010B	Total
2014	\$ 171,394	\$ 30,345	\$ 201,739
2015	160,744	27,645	188,389
2016	145,944	24,285	170,229
2017	135,544	20,505	156,049
2018	121,794	16,325	138,119
2019-2023	474,006	17,360	491,366
2024-2028	264,781	0	264,781
2029-2030	34,513	0	34,513
Total	<u>\$ 1,508,720</u>	<u>\$ 136,465</u>	<u>\$ 1,645,185</u>

The bonds are payable from the net revenues of the hospital and collateralized by the ad valorem taxes to be levied on all taxable property within the corporate limits of Claiborne County.

9. Notes Payable and Capital Leases

In 2008, the hospital obtained two notes through Powell Valley Electric Cooperative (PVEC) as a sub recipient of the Rural Economic Development Loan and Grant Program through the Rural Business Cooperative Service of the United States Department of Agriculture. Proceeds from the unsecured

notes totaling \$740,000 and \$360,000 were restricted for use in constructing and completing a medical office building. As of June 30, 2013, assets whose use is limited for construction of capital assets represent the proceeds remaining to be expended for this purpose. The notes are payable in monthly installments of \$3,000 and \$7,709, respectively, through 2018, and both notes are non-interest bearing.

Notes payable and capital lease activity for the year ended June 30, 2013, is summarized as follows.

	Balance 7-1-12	Additions	Principal Payments	Balance 6-30-13
PVEC	\$ 204,000	\$ 0	\$ (36,000)	\$ 168,000
PVEC	539,566	0	(92,508)	447,058
Capital Leases	860,437	0	(240,927)	619,510
Total Outstanding	<u>\$ 1,604,003</u>	<u>\$ 0</u>	<u>\$ (369,435)</u>	<u>\$ 1,234,568</u>
Less Current Portion	<u>(429,817)</u>			<u>(319,226)</u>
Long-term Portion	<u>\$ 1,174,186</u>			<u>\$ 915,342</u>

The hospital entered into two new capital leases during the year ended June 30, 2012, to fund the acquisition and installation of medical equipment and software. Interest rates on all capital leases range from 3.2 percent to 5.8 percent. Monthly installments on the capital leases range from \$4,424 to \$12,467.

Assets held under capital leases have a total cost of approximately \$1,193,000 and a net book value of \$810,000 as of June 30, 2013. Amortization of assets under capital leases is included with depreciation expense in the accompanying financial statements.

Scheduled payments on notes payable and capital leases are as follows as of June 30, 2013.

Year Ending June 30	Notes Payable		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2014	\$ 128,508	\$ 0	\$ 190,718	\$ 22,781
2015	128,508	0	165,003	15,248
2016	128,508	0	172,235	8,016
2017	128,508	0	91,554	1,677
2018	<u>101,026</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 615,058</u>	<u>\$ 0</u>	<u>\$ 619,510</u>	<u>\$ 47,722</u>

10. Management Agreement and Investment in Radiation Therapy Center

During 2010, the hospital entered into a five-year agreement with a hospital management company for administrative services. The cost of services under the agreement is approximately \$230,000 annually.

For several years, the hospital had a sublease and management agreement with another health system (the Health System) for a radiation therapy center. The agreement and subsequent amendments gave the hospital a 49 percent undivided interest in the leasehold pursuant to a master facility lease. The hospital was also entitled to receive 49 percent of net income up to 50 percent, reserving the remaining 50 percent for future capital needs. The agreement held the hospital responsible for 49 percent of the center's expense shortfalls, if any. During 2012, the hospital terminated this sublease and management agreement and received approximately \$770,000 in cash, which fully repaid the outstanding receivable balance of approximately \$68,000 and resulted in a gain of \$702,000.

11. Income Taxes

Multi-Specialty Medical, P.C., has a calendar year reporting basis for tax purposes. At December 31, 2012, this entity had net operating loss carryforwards of approximately \$1,725,000 for federal and state income tax purposes. The loss carryforwards relate to operating losses and expire in years 2021 through 2032. The loss carryforwards may be offset against future taxable income as permitted by the Internal Revenue Code and the *Tennessee Code Annotated*. A valuation reserve, equal to the deferred tax assets arising from the net operating losses, has been established based on an estimate that the potential tax benefits of the loss carryforwards will not be realized.

12. Pension Plan

Claiborne County and related entities, including the hospital, participate in the Tennessee Consolidated Retirement System (TCRS) Pension Plan. The multiple-employer plan provides for both employee and employer contributions. Participating employees are required to contribute five percent of their salaries to the plan. The hospital is required to contribute at an actuarially determined rate, which was 5.41 percent of covered payroll for 2013. Contributions by the hospital totaled \$616,127 for 2013. During 2013, participating employees contributed \$569,526. Funding status, contribution requirements, and trends appear in the financial statements of the county and are not separately identified for the hospital.

13. Charity Care

The hospital estimates that the cost of providing care under the charity care policy was approximately \$140,000 during the year ended June 30, 2013.

This is the cost of supplies and services provided to patients for which payment was foregone under the charity care policy, based on current cost to charge ratio for the hospital.

14. Foundation

At June 30, 2013, the foundation’s assets totaled \$297,810 and consist primarily of cash and inventory (there are no significant liabilities recorded). The 2013 consolidated Statement of Revenues, Expenses, and Changes in Net Position includes foundation contribution revenue of \$90,479, interest income of \$793 and distributions and other expenses of \$54,684. Separate financial statements of the foundation are maintained by hospital management. Except for certain expenses paid directly by the foundation, the hospital provides administrative services and pays for operating expenses to support the foundation’s activities.

15. Concentration of Credit Risk

The hospital is located in Claiborne County, Tennessee. The hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements.

The mix of receivables from patients and third-party payors at June 30, 2013, follows:

	<u>2013</u>	
Medicare	19	%
Medicaid/TennCare	14	
Other Insurance	29	
Private Party	<u>38</u>	
Total	<u><u>100</u></u>	<u><u>%</u></u>

16. Commitments and Contingencies

Litigation –

The hospital is subject to claims and suits, which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in the consolidated financial statements and will not have a material effect on the hospital’s results of operations or financial position.

Uncertain tax positions –

The hospital accounts for uncertain tax positions related to its wholly-owned for-profit subsidiary and the foundation with provisions of FASB ASC 740-10, *Accounting for Uncertainty in Income Taxes*. ASC 740-10 provides guidance on derecognition of tax benefits, classification on the consolidated statements of net position, interest and penalties, accounting in interim periods, disclosure, and transition. The hospital believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. As of June 30, 2013, the hospital did not record any interest or penalties associated with uncertain tax positions.

The foundation's Form 990's, *Return of Organization Exempt from Income Tax*, and Multi-Specialty Medical's Form 1120's, *U.S. Corporation Income Tax Return*, for the years 2010 and beyond remain subject to examination by the IRS, generally for three years after they were filed.

Current economic conditions –

Due to the continuing economic decline and changes in healthcare coverage and regulation, the healthcare industry is subject to volatility that may impact the operations and financial results of the hospital in the future. The hospital has considered the potential impact in its plans and estimates. However, it is at least reasonably possible that these conditions could affect operations and estimates.

These circumstances continue to present hospitals with difficult circumstances and challenges, which in some cases have resulted in large and unanticipated declines in the fair value of investments and other assets, constraints on liquidity, and difficulty obtaining financing. The consolidated financial statements have been prepared using values and information currently available to the hospital.

Current economic conditions, including the rising unemployment rate, have made it difficult for certain patients to pay for services rendered. As employers make adjustments to health insurance plans or more patients become unemployed, services provided to self-pay patients and those covered by other payors may significantly impact net patient service revenue, which could have an adverse impact on the hospital's future operating results. Further, the effect of economic conditions in the State of Tennessee and the United States of America may have an adverse effect on cash flows related to the Medicare and Medicaid programs.

Given the volatility of the current economic conditions, the values of assets and liabilities could change rapidly, resulting in material future adjustments in allowances and contractual adjustments for accounts receivable that could negatively impact the hospital's ability to maintain sufficient liquidity.

Letter of Intent With Covenant Health –

On August 15, 2013, the hospital signed a non-binding letter of intent to lease the assets and properties comprising Claiborne County Hospital and Nursing Home. The process is ongoing, pending final approval of the lease agreement by both parties.

17. Restatement

The hospital has adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current period outflows and inflows. Under this guidance, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

Prior to the issuance of this statement, bond issuance costs were reported as deferred charges and amortized over the life of the bonds. The hospital has restated its beginning net position to comply with the provisions of GASB Statement No. 65. The effect on beginning net position is a decrease of \$12,658.

VII. OTHER NOTES – DISCRETELY PRESENTED CLAIBORNE COUNTY EMERGENCY COMMUNICATIONS DISTRICT, INC.

1. Summary of Significant Accounting Policies

A. Nature of Business

The Claiborne County Emergency Communications District, Inc., commonly referred to as E-911, was established to provide services under the Emergency Communications District law, *Tennessee Code Annotated*, Chapter 86. The district was created by a resolution of the Claiborne County, Tennessee County Commission on September 21, 1992, after adoption by public referendum. Under its enabling legislation, the district is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the district are vested in and exercised by a majority of the members of the Board of Directors who are appointed by the district's primary government.

The district is a component unit of Claiborne County and the financial statements are presented in both the district's separate financial report and within the Claiborne County, Tennessee report. The district is considered a component unit of Claiborne County because

the district would be unable to issue debt without going through Claiborne County, Tennessee.

B. Basis of Accounting

The financial statements of the district are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Position. The statement of revenue, expenses and change in net position presents increases (revenues) and decreases (expenses) in total net position. Under this method of accounting, revenue is recognized in the period it is earned while expenses are recognized in the period the liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the district. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the district. All other expenses are reported as nonoperating expenses.

The district reports its financial activities under the applicable provisions of GASB 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement establishes standards for external reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three position groups:

Net investment in capital assets – This component of net position of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by any payables that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – This component includes net position whose use is subject to externally imposed stipulations that can be fulfilled by actions of the district pursuant to those stipulations or that expire by the passage of time. The district currently does not have any net position that meets these classifications.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted or “net investment in capital assets.”

C. Receivables

Accounts receivable, which are deemed uncollectible based on a periodic review of the accounts, are charged to revenue. At June 30, 2013, no

allowances for uncollectible accounts were considered necessary. The accounts receivable from telephone surcharges of \$20,342 primarily represents amounts due from Century Telephone and AT&T for the surcharge on Claiborne County telephone services for the month of June 2013. The accounts receivable from other governments of \$57,373 represents amounts due from the State of Tennessee ECB for wireless commissions and grants due for the months of May and June 2013.

D. Capital Assets

Capital assets, including capital lease assets, are stated at cost less accumulated depreciation. The district capitalizes property and equipment with a cost of \$3,000 or more. Depreciation is computed on the straight-line method over the estimated useful lives of the assets that range from three-to-ten years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

E. Cash and Cash Equivalents

The district considers all unrestricted deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Income Taxes

Because the district was incorporated as a political subdivision under the Tennessee Emergency Communications District Law, it is exempt from Federal income taxes.

H. Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the district policy is to apply restricted net position first.

I. Deferred Outflows/Inflows of Resources

During the year ended June 30, 2013, the district adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The objective of the statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The district does not have any items that qualify for reporting in this category as of June 30, 2013.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The district does not have any items that qualify for reporting in this category as of June 30, 2013.

2. Budgetary Control

The district's board approves an annual budget based upon anticipated revenues and estimated operating expenditures. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenditures may not exceed the amount budgeted in each line-item. The district does not budget depreciation and amortization, as its intent is to budget the use of anticipated, available resources. It does, however, budget for acquisitions of certain capital assets. Budgeted expenses may be amended, as needed, to meet changing needs.

3. Bank Deposits

The district's deposits with financial institutions consist of the following at June 30, 2013.

	Maturity Date	Interest Rate	Carrying Amount	Bank Balance
Cash:				
Checking	N/A	.75	% \$ <u>273,672</u>	\$ <u>188,322</u>
Temporary investments:				
18 month time deposit	5-17-2014	.41	\$ 124,857	\$ 124,857
Certificate of deposit	11-8-2013	.75	<u>260,186</u>	<u>260,186</u>
Total			\$ <u>385,043</u>	\$ <u>385,043</u>

Custodial credit risk for the district's deposits is the risk that in the event of a bank failure, the district's deposits may not be returned to it. As required by state statutes, the district's policy is to require that financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. The collateral is required to be held by the district or its agent in the district's name. At June 30, 2013, none of the district's funds were exposed to credit risk.

State statutes authorize the district to invest in obligations of the federal government, federal agencies, state government, the state investment pool, certificates of deposits, other time deposits, and repurchase agreements. The district's investment policy follows state law, which authorizes investments for emergency communications districts in *Tennessee Code Annotated*, Section 5-8-301. All of the district's temporary investments are in certificates of deposit with an original maturity date of 18 months. The district places no restriction on the amount that it may invest with any one issuer.

4. Leases

Operating Lease

The district's base of operations is located at the Claiborne County Justice Center. An agreement between the district and Claiborne County specifies that the district will not have to pay rent or utilities as long as the district provides Claiborne County with emergency communication related services

5. Compensated Absences

Under the district's vacation policy, full-time employees with at least six months of service can earn five days of annual leave available for use after one year of service.

Vacation days may be accumulated and carried forward in an amount not to exceed five days. Vacation pay vests with the employee. At June 30, 2013, the

accrued liability for vacation pay was nominal and was not included on the accompanying Statement of Net Position.

Full-time employees are also eligible to earn sick leave after six months of service. Eligible employees can earn 12 days of sick leave per year. Unused sick leave is paid in the month of the employee's birthday upon request, except that five sick leave days are carried forward at all times. Sick leave does not vest with the employee and is not paid upon termination or resignation.

6. Risk Management

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; inquiries to employees; and natural disasters. For the year ended June 30, 2013, the district was insured against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2013 from those in effect in 2012 and 2011. In addition, there have been no losses in excess of insurance coverage during the last three years.

7. Pension Plan

Plan Description

Employees of the district 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-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 (TCA)*. State statutes are amended by the Tennessee General Assembly. Political subdivision such as the district 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

The district requires employees to contribute five percent of earnable compensation. The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 6.38 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the district's annual pension cost of \$19,603 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return of investment of present and future assets of 7.5 percent a year compounded annually, (b) projected three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 percent annually. 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 ten-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was one year. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$ 19,603	100 %	\$ 0
6-30-12	18,812	100	0
6-30-11	20,022	100	0

Funding Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 99.72 percent funded. The actuarial accrued liability for benefits was \$.34 million, and the actuarial value of assets was \$.34 million, resulting in an unfunded actuarial accrued liability (UAAL) of zero million. The covered payroll (annual payroll of active employees covered by the plan) was \$.31 million, and the ratio of the UAAL to the covered payroll was .3 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.

8. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

	Cost			
	Balance 7-1-12	Additions	Retirements and Transfers	Balance 6-30-13
Furniture, Fixtures and Equipment	\$ 486,482	\$ 170,435	\$ 0	\$ 656,917
Vehicle	23,560	0	0	23,560
Total	\$ 510,042	\$ 170,435	\$ 0	\$ 680,477

	Depreciation			
	Balance 7-1-12	Depreciation	Retirements and Transfers	Balance 6-30-13
Furniture, Fixtures and Equipment	\$ 310,375	\$ 48,796	\$ 0	\$ 359,171
Vehicle	16,100	4,711	0	20,811
Total	\$ 326,475	\$ 53,507	\$ 0	\$ 379,982

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Claiborne County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Claiborne County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 39,007	\$ 43,580	\$ 3,673	91.57 %	\$ 19,666	18.68 %
7-1-09	33,022	33,022	0	100.00	20,032	0.00
7-1-07	30,865	30,865	0	100.00	16,933	0.00

Exhibit E-2

Claiborne County, Tennessee
Schedule of Funding Progress – Pension Plan
Discretely Presented Claiborne County Emergency Communications District
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 342	\$ 343	1	99.72 %	\$ 313	0.30 %
7-1-09	207	208	1	99.48	237	0.46
7-1-07	153	155	2	98.71	177	1.13

Exhibit E-3

Claiborne County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Claiborne County School Department
June 30, 2013

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Self-Insured Health	7-1-08	\$ 0	\$ 6,784	\$ 6,784	0 %	\$ 16,854	40 %
"	7-1-10	0	6,928	6,928	0	17,959	39
"	7-1-12	0	7,246	7,246	0	18,128	40

CLAIBORNE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

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 Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Exhibit F-1

Claiborne County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Highway Capital Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 77,209	\$ 77,209	\$ 0	\$ 77,209
Equity in Pooled Cash and Investments	131,813	0	131,813	2,313	134,126
Property Taxes Receivable	0	0	0	98,999	98,999
Allowance for Uncollectible Property Taxes	0	0	0	(5,380)	(5,380)
Total Assets	<u>\$ 131,813</u>	<u>\$ 77,209</u>	<u>\$ 209,022</u>	<u>\$ 95,932</u>	<u>\$ 304,954</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 2,253	\$ 2,253
Due to Other Funds	0	1,708	1,708	0	1,708
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,708</u>	<u>\$ 1,708</u>	<u>\$ 2,253</u>	<u>\$ 3,961</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 0	\$ 0	\$ 0	\$ 90,507	\$ 90,507
Deferred Delinquent Property Taxes	0	0	0	2,753	2,753
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 93,260</u>	<u>\$ 93,260</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Finance	\$ 0	\$ 75,501	\$ 75,501	\$ 0	\$ 75,501
Restricted for Public Safety	131,813	0	131,813	0	131,813
Restricted for Capital Projects	0	0	0	419	419
Total Fund Balances	<u>\$ 131,813</u>	<u>\$ 75,501</u>	<u>\$ 207,314</u>	<u>\$ 419</u>	<u>\$ 207,733</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 131,813</u>	<u>\$ 77,209</u>	<u>\$ 209,022</u>	<u>\$ 95,932</u>	<u>\$ 304,954</u>

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, 2013

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	Highway Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 20,883	\$ 20,883	\$ 85,375	\$ 106,258
Fines, Forfeitures, and Penalties	68,013	0	68,013	0	68,013
Charges for Current Services	0	443,403	443,403	0	443,403
Total Revenues	<u>\$ 68,013</u>	<u>\$ 464,286</u>	<u>\$ 532,299</u>	<u>\$ 85,375</u>	<u>\$ 617,674</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 392,615	\$ 392,615	\$ 0	\$ 392,615
Administration of Justice	0	40,676	40,676	0	40,676
Public Safety	88,893	0	88,893	0	88,893
Capital Projects	0	0	0	645,632	645,632
Total Expenditures	<u>\$ 88,893</u>	<u>\$ 433,291</u>	<u>\$ 522,184</u>	<u>\$ 645,632</u>	<u>\$ 1,167,816</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (20,880)</u>	<u>\$ 30,995</u>	<u>\$ 10,115</u>	<u>\$ (560,257)</u>	<u>\$ (550,142)</u>
Net Change in Fund Balances	\$ (20,880)	\$ 30,995	\$ 10,115	\$ (560,257)	\$ (550,142)
Fund Balance, July 1, 2012	152,693	44,506	197,199	560,676	757,875
Fund Balance, June 30, 2013	<u>\$ 131,813</u>	<u>\$ 75,501</u>	<u>\$ 207,314</u>	<u>\$ 419</u>	<u>\$ 207,733</u>

Exhibit F-3

Claiborne County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 68,013	\$ 120,000	\$ 120,000	\$ (51,987)
Total Revenues	\$ 68,013	\$ 120,000	\$ 120,000	\$ (51,987)
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 88,893	\$ 120,000	\$ 120,000	\$ 31,107
Total Expenditures	\$ 88,893	\$ 120,000	\$ 120,000	\$ 31,107
Excess (Deficiency) of Revenues Over Expenditures	\$ (20,880)	\$ 0	\$ 0	\$ (20,880)
Net Change in Fund Balance	\$ (20,880)	\$ 0	\$ 0	\$ (20,880)
Fund Balance, July 1, 2012	152,693	146,324	146,324	6,369
Fund Balance, June 30, 2013	\$ 131,813	\$ 146,324	\$ 146,324	\$ (14,511)

Exhibit F-4

Claiborne County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway Capital Projects Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 85,375	\$ 90,003	\$ 90,003	\$ (4,628)
Total Revenues	\$ 85,375	\$ 90,003	\$ 90,003	\$ (4,628)
<u>Expenditures</u>				
<u>Capital Projects</u>				
Highway and Street Capital Projects	\$ 645,632	\$ 647,740	\$ 647,740	\$ 2,108
Total Expenditures	\$ 645,632	\$ 647,740	\$ 647,740	\$ 2,108
Excess (Deficiency) of Revenues Over Expenditures	\$ (560,257)	\$ (557,737)	\$ (557,737)	\$ (2,520)
Net Change in Fund Balance	\$ (560,257)	\$ (557,737)	\$ (557,737)	\$ (2,520)
Fund Balance, July 1, 2012	560,676	560,386	560,386	290
Fund Balance, June 30, 2013	\$ 419	\$ 2,649	\$ 2,649	\$ (2,230)

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 778,229	\$ 778,615	\$ 778,615	\$ (386)
Other Local Revenues	3,973,795	2,500	3,842,962	130,833
Total Revenues	<u>\$ 4,752,024</u>	<u>\$ 781,115</u>	<u>\$ 4,621,577</u>	<u>\$ 130,447</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 945,000	\$ 2,996,667	\$ 945,000	\$ 0
Highways and Streets	631,667	0	631,667	0
Education	1,640,421	0	1,640,421	0
<u>Interest on Debt</u>				
General Government	413,359	2,150,673	413,359	0
Highways and Streets	104,550	0	104,550	0
Education	1,530,402	0	1,530,402	0
<u>Other Debt Service</u>				
General Government	574,792	3,000	575,501	709
Total Expenditures	<u>\$ 5,840,191</u>	<u>\$ 5,150,340</u>	<u>\$ 5,840,900</u>	<u>\$ 709</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,088,167)</u>	<u>\$ (4,369,225)</u>	<u>\$ (1,219,323)</u>	<u>\$ 131,156</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 3,935,000	\$ 0	\$ 3,935,000	\$ 0
Premiums on Debt Issued	139,883	0	139,883	0
Transfers In	554,550	4,277,248	554,550	0
Payments to Refunded Debt Escrow Agent	(3,998,712)	0	(3,998,712)	0
Total Other Financing Sources	<u>\$ 630,721</u>	<u>\$ 4,277,248</u>	<u>\$ 630,721</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (457,446)	\$ (91,977)	\$ (588,602)	\$ 131,156
Fund Balance, July 1, 2012	<u>1,301,975</u>	<u>1,298,086</u>	<u>1,298,381</u>	<u>3,594</u>
Fund Balance, June 30, 2013	<u>\$ 844,529</u>	<u>\$ 1,206,109</u>	<u>\$ 709,779</u>	<u>\$ 134,750</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, 2013

	Agency Funds			Total
	Cities - Sales Tax	Constitu- tional Officers - Agency	Other Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 1,061,467	\$ 0	\$ 1,061,467
Equity in Pooled Cash and Investments	0	0	126,206	126,206
Due from Other Governments	294,938	0	0	294,938
Property Taxes Receivable	0	0	109,045	109,045
Allowance for Uncollectible Property Taxes	0	0	(4,819)	(4,819)
Notes Receivable - Current	0	0	1,000	1,000
Total Assets	\$ 294,938	\$ 1,061,467	\$ 231,432	\$ 1,587,837
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 294,938	\$ 0	\$ 0	\$ 294,938
Due to Litigants, Heirs, and Others	0	1,061,467	0	1,061,467
Other Current Liabilities	0	0	231,432	231,432
Total Liabilities	\$ 294,938	\$ 1,061,467	\$ 231,432	\$ 1,587,837

Exhibit H-2

Claiborne County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 1,687,846	\$ 1,687,846	\$ 0
Due from Other Governments	296,552	294,938	296,552	294,938
Total Assets	\$ 296,552	\$ 1,982,784	\$ 1,984,398	\$ 294,938
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 296,552	\$ 1,982,784	\$ 1,984,398	\$ 294,938
Total Liabilities	\$ 296,552	\$ 1,982,784	\$ 1,984,398	\$ 294,938
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 965,686	\$ 6,603,759	\$ 6,507,978	\$ 1,061,467
Total Assets	\$ 965,686	\$ 6,603,759	\$ 6,507,978	\$ 1,061,467
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 965,686	\$ 6,603,759	\$ 6,507,978	\$ 1,061,467
Total Liabilities	\$ 965,686	\$ 6,603,759	\$ 6,507,978	\$ 1,061,467
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 338,624	\$ 582,094	\$ 794,512	\$ 126,206
Property Taxes Receivable	0	109,045	0	109,045
Allowance for Uncollectible Property Taxes	0	(4,819)	0	(4,819)
Notes Receivable - Current	1,000	1,000	1,000	1,000
Notes Receivable - Long-term	1,000	0	1,000	0
Total Assets	\$ 340,624	\$ 687,320	\$ 796,512	\$ 231,432
<u>Liabilities</u>				
Other Current Liabilities	\$ 340,624	\$ 687,320	\$ 796,512	\$ 231,432
Total Liabilities	\$ 340,624	\$ 687,320	\$ 796,512	\$ 231,432

(Continued)

Exhibit H-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 965,686	\$ 6,603,759	\$ 6,507,978	\$ 1,061,467
Equity in Pooled Cash and Investments	338,624	2,269,940	2,482,358	126,206
Due from Other Governments	296,552	294,938	296,552	294,938
Property Taxes Receivable	0	109,045	0	109,045
Allowance for Uncollectible Property Taxes	0	(4,819)	0	(4,819)
Notes Receivable - Current	1,000	1,000	1,000	1,000
Notes Receivable - Long-term	1,000	0	1,000	0
Total Assets	<u>\$ 1,602,862</u>	<u>\$ 9,273,863</u>	<u>\$ 9,288,888</u>	<u>\$ 1,587,837</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 296,552	\$ 1,982,784	\$ 1,984,398	\$ 294,938
Due to Litigants, Heirs, and Others	965,686	6,603,759	6,507,978	1,061,467
Other Current Liabilities	340,624	687,320	796,512	231,432
Total Liabilities	<u>\$ 1,602,862</u>	<u>\$ 9,273,863</u>	<u>\$ 9,288,888</u>	<u>\$ 1,587,837</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, 2013

Functions/Programs	Program Revenues		Charges for Services	Expenses	Contributions	Net (Expense) Revenue and Changes in Net Position
	Operating Grants and	Total Governmental Activities				
Governmental Activities:						
Instruction	\$ 23,801,497	\$ 3,033,885	\$ 98,097	\$ 23,801,497	\$ 3,033,885	\$ (20,669,515)
Support Services	14,731,796	0	0	14,731,796	15,124	(14,716,672)
Operation of Non-Instructional Services	4,918,775	2,344,407	676,536	4,918,775	2,344,407	(1,897,832)
Total Governmental Activities	\$ 43,452,068	\$ 5,393,416	\$ 774,633	\$ 43,452,068	\$ 5,393,416	\$ (37,284,019)
General Revenues:						
Taxes:						
Property Taxes Levied for General Purposes						\$ 6,347,317
Local Option Sales Taxes						2,329,570
Coal Severance Tax						331,827
Other Taxes						2,624
Grants and Contributions Not Restricted for Specific Programs						26,834,659
Unrestricted Investment Income						4,670
Miscellaneous						503,152
Total General Revenues						\$ 36,353,819
Change in Net Position						\$ (930,200)
Net Position, July 1, 2012						44,063,800
Net Position, June 30, 2013						\$ 43,133,600

Exhibit I-2

Claiborne County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Claiborne County School Department
June 30, 2013

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Funds</u>	<u>Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,429,815	\$ 214,139	\$ 315,562	\$ 2,959,516
Due from Other Governments	673,199	216,946	15,961	906,106
Property Taxes Receivable	6,867,530	0	0	6,867,530
Allowance for Uncollectible Property Taxes	(390,384)	0	0	(390,384)
Total Assets	\$ 9,580,160	\$ 431,085	\$ 331,523	\$ 10,342,768
<u>LIABILITIES</u>				
Accounts Payable	\$ 33,299	\$ 68,068	\$ 1,224	\$ 102,591
Total Liabilities	\$ 33,299	\$ 68,068	\$ 1,224	\$ 102,591
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 6,238,331	\$ 0	\$ 0	\$ 6,238,331
Deferred Delinquent Property Taxes	211,245	0	0	211,245
Other Deferred/Unavailable Revenue	209,867	0	0	209,867
Total Deferred Inflows of Resources	\$ 6,659,443	\$ 0	\$ 0	\$ 6,659,443
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 30,690	\$ 13,017	\$ 290,866	\$ 334,573
Restricted for Capital Projects	0	0	39,433	39,433
Committed:				
Committed for Education	0	350,000	0	350,000
Assigned:				
Assigned for Education	1,048,938	0	0	1,048,938
Assigned for Debt Service	774,504	0	0	774,504
Unassigned	1,033,286	0	0	1,033,286
Total Fund Balances	\$ 2,887,418	\$ 363,017	\$ 330,299	\$ 3,580,734
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,580,160	\$ 431,085	\$ 331,523	\$ 10,342,768

Exhibit I-3

Claiborne County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Claiborne County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 3,580,734
(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	36,153,578	
Add: other capital assets net of accumulated depreciation	<u>1,723,143</u>	39,047,621
(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 position.		412,976
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due to primary government for other loans payable	\$ (278,190)	
Less: other postemployment benefits liability	<u>(50,653)</u>	(328,843)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>421,112</u>
Net position of governmental activities (Exhibit A)		<u>\$ 43,133,600</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, 2013

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	
<u>Revenues</u>				
Local Taxes	\$ 9,140,442	\$ 0	\$ 0	\$ 9,140,442
Licenses and Permits	2,280	0	0	2,280
Charges for Current Services	98,097	0	604,590	702,687
Other Local Revenues	512,247	0	5,998	518,245
State of Tennessee	25,504,027	0	25,854	25,529,881
Federal Government	153,718	4,593,175	1,929,427	6,676,320
Other Governments and Citizens Groups	71,946	0	0	71,946
Total Revenues	\$ 35,482,757	\$ 4,593,175	\$ 2,565,869	\$ 42,641,801
<u>Expenditures</u>				
Current:				
Instruction	\$ 19,951,526	\$ 3,397,982	\$ 0	\$ 23,349,508
Support Services	11,457,847	712,905	15,000	12,185,752
Operation of Non-Instructional Services	1,313,575	462,539	2,916,651	4,692,765
Capital Outlay	289,726	0	0	289,726
Debt Service:				
Other Debt Service	3,170,823	0	0	3,170,823
Capital Projects	0	0	13,400	13,400
Total Expenditures	\$ 36,183,497	\$ 4,573,426	\$ 2,945,051	\$ 43,701,974
Excess (Deficiency) of Revenues Over Expenditures	\$ (700,740)	\$ 19,749	\$ (379,182)	\$ (1,060,173)
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 36,735	\$ 0	\$ 0	\$ 36,735
Transfers In	6,986	0	0	6,986
Transfers Out	0	(6,986)	0	(6,986)
Total Other Financing Sources (Uses)	\$ 43,721	\$ (6,986)	\$ 0	\$ 36,735
Net Change in Fund Balances	\$ (657,019)	\$ 12,763	\$ (379,182)	\$ (1,023,438)
Fund Balance, July 1, 2012	3,544,437	350,254	709,481	4,604,172
Fund Balance, June 30, 2013	\$ 2,887,418	\$ 363,017	\$ 330,299	\$ 3,580,734

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, 2013

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)		\$ (1,023,438)
(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	\$ 1,279,070	
Less: current-year depreciation expense	<u>(1,529,742)</u>	(250,672)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position		
Less: net book value of capital assets disposed		(10,814)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2013	\$ 421,112	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(530,622)</u>	(109,510)
(4) The issuance of long-term debt (e.g., other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Add: contributions to primary government for principal payments on other loans		100,421
(5) 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		71,717
(6) 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>292,096</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (930,200)</u>

Exhibit I-6

Claiborne County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Claiborne County School Department
June 30, 2013

	Special Revenue Fund	Capital Projects Education Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Capital Projects	
<u>ASSETS</u>			
Equity in Pooled Cash and Investments	\$ 276,129	\$ 39,433	\$ 315,562
Due from Other Governments	15,961	0	15,961
Total Assets	<u>\$ 292,090</u>	<u>\$ 39,433</u>	<u>\$ 331,523</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 1,224	\$ 0	\$ 1,224
Total Liabilities	<u>\$ 1,224</u>	<u>\$ 0</u>	<u>\$ 1,224</u>
<u>FUND BALANCES</u>			
Restricted:			
Restricted for Education	\$ 290,866	\$ 0	\$ 290,866
Restricted for Capital Projects	0	39,433	39,433
Total Fund Balances	<u>\$ 290,866</u>	<u>\$ 39,433</u>	<u>\$ 330,299</u>
Total Liabilities and Fund Balances	<u>\$ 292,090</u>	<u>\$ 39,433</u>	<u>\$ 331,523</u>

Exhibit I-7

Claiborne County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Claiborne County School Department
For the Year Ended June 30, 2013

	Special Revenue Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Education Capital Projects	
<u>Revenues</u>			
Charges for Current Services	\$ 604,590	\$ 0	\$ 604,590
Other Local Revenues	5,040	958	5,998
State of Tennessee	25,854	0	25,854
Federal Government	1,929,427	0	1,929,427
Total Revenues	<u>\$ 2,564,911</u>	<u>\$ 958</u>	<u>\$ 2,565,869</u>
<u>Expenditures</u>			
Current:			
Support Services	\$ 15,000	\$ 0	\$ 15,000
Operation of Non-Instructional Services	2,916,651	0	2,916,651
Capital Projects	0	13,400	13,400
Total Expenditures	<u>\$ 2,931,651</u>	<u>\$ 13,400</u>	<u>\$ 2,945,051</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (366,740)</u>	<u>\$ (12,442)</u>	<u>\$ (379,182)</u>
Net Change in Fund Balances	\$ (366,740)	\$ (12,442)	\$ (379,182)
Fund Balance, July 1, 2012	<u>657,606</u>	<u>51,875</u>	<u>709,481</u>
Fund Balance, June 30, 2013	<u>\$ 290,866</u>	<u>\$ 39,433</u>	<u>\$ 330,299</u>

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
General Purpose School Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 9,140,442	\$ 0	\$ 9,140,442	\$ 9,128,313	\$ 8,667,803	\$ 472,639
Licenses and Permits	2,280	0	2,280	2,550	2,550	(270)
Charges for Current Services	98,097	0	98,097	150,000	120,145	(22,048)
Other Local Revenues	512,247	0	512,247	233,417	460,148	52,099
State of Tennessee	25,504,027	0	25,504,027	25,011,320	25,470,317	33,710
Federal Government	153,718	0	153,718	217,973	149,272	4,446
Other Governments and Citizens Groups	71,946	0	71,946	0	86,683	(14,737)
Total Revenues	\$ 35,482,757	\$ 0	\$ 35,482,757	\$ 34,743,573	\$ 34,956,918	\$ 525,839
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 15,491,254	\$ 0	\$ 15,491,254	\$ 15,387,070	\$ 15,525,330	\$ 34,076
Special Education Program	3,084,640	0	3,084,640	3,140,654	3,178,753	94,113
Vocational Education Program	1,237,891	0	1,237,891	1,243,809	1,243,809	5,918
Adult Education Program	137,741	0	137,741	163,076	141,658	3,917
<u>Support Services</u>						
Attendance	142,962	0	142,962	143,344	143,944	982
Health Services	219,415	0	219,415	228,083	228,083	8,668
Other Student Support	147,433	0	147,433	155,242	155,242	7,809
Regular Instruction Program	927,911	0	927,911	951,445	951,445	23,534
Alternative Instruction Program	809,168	0	809,168	836,860	811,860	2,692
Special Education Program	291,475	0	291,475	302,521	302,521	11,046
Vocational Education Program	79,081	0	79,081	79,460	79,460	379
Adult Programs	112,821	0	112,821	111,364	115,165	2,344

(Continued)

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
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Support Services (Cont.)</u>						
Other Programs	\$ 15,124	\$ 0	\$ 15,124	\$ 0	\$ 15,124	\$ 0
Board of Education	1,716,324	0	1,716,324	1,352,798	1,750,798	34,474
Director of Schools	331,931	0	331,931	354,360	354,360	22,429
Office of the Principal	1,228,109	0	1,228,109	1,261,726	1,230,905	2,796
Fiscal Services	245,794	0	245,794	0	245,794	0
Operation of Plant	2,053,630	0	2,053,630	2,284,645	2,277,849	224,219
Maintenance of Plant	740,843	(2,786)	738,057	773,907	783,506	45,449
Transportation	2,250,363	(226,294)	2,024,069	2,108,111	2,149,243	125,174
Central and Other	145,463	0	145,463	142,000	154,108	8,645
<u>Operation of Non-Instructional Services</u>						
Community Services	503,487	0	503,487	365,295	504,305	818
Early Childhood Education	810,088	0	810,088	1,002,888	810,099	11
<u>Capital Outlay</u>						
Regular Capital Outlay	289,726	(237,712)	52,014	204,620	204,620	152,606
<u>Principal on Debt</u>						
Education	0	0	0	1,640,551	0	0
<u>Interest on Debt</u>						
Education	0	0	0	1,460,557	0	0
<u>Other Debt Service</u>						
Education	3,170,823	0	3,170,823	2,500	3,177,779	6,956
Total Expenditures	\$ 36,183,497	\$ (466,792)	\$ 35,716,705	\$ 35,696,886	\$ 36,535,760	\$ 819,055

(Continued)

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
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Excess (Deficiency) of Revenues Over Expenditures	\$ (700,740) \$	466,792 \$	(233,948) \$	(953,313) \$	(1,578,842) \$	1,344,894
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 36,735 \$	0 \$	36,735 \$	0 \$	36,735 \$	0
Transfers In	6,986	0	6,986	36,653	12,798	(5,812)
Transfers Out	0	0	0	(254,649)	0	0
Total Other Financing Sources	\$ 43,721 \$	0 \$	43,721 \$	(217,996) \$	49,533 \$	(5,812)
Net Change in Fund Balance	\$ (657,019) \$	466,792 \$	(190,227) \$	(1,171,309) \$	(1,529,309) \$	1,339,082
Fund Balance, July 1, 2012	3,544,437	(466,792)	3,077,645	3,150,758	3,150,758	(73,113)
Fund Balance, June 30, 2013	\$ 2,887,418 \$	0 \$	2,887,418 \$	1,979,449 \$	1,621,449 \$	1,265,969

Exhibit I-9

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,593,175	\$ 4,572,865	\$ 5,297,852	\$ (704,677)
Total Revenues	\$ 4,593,175	\$ 4,572,865	\$ 5,297,852	\$ (704,677)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,193,787	\$ 2,105,968	\$ 2,550,525	\$ 356,738
Special Education Program	1,141,583	1,066,942	1,334,516	192,933
Vocational Education Program	62,612	62,613	62,612	0
<u>Support Services</u>				
Other Student Support	132,891	121,512	213,859	80,968
Regular Instruction Program	288,073	344,428	360,550	72,477
Special Education Program	107,583	64,782	120,719	13,136
Vocational Education Program	4,359	4,359	4,359	0
Transportation	179,999	0	180,000	1
<u>Operation of Non-Instructional Services</u>				
Community Services	462,539	789,463	463,979	1,440
Total Expenditures	\$ 4,573,426	\$ 4,560,067	\$ 5,291,119	\$ 717,693
Excess (Deficiency) of Revenues Over Expenditures	\$ 19,749	\$ 12,798	\$ 6,733	\$ 13,016
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 220,000	\$ 0	\$ 0
Transfers Out	(6,986)	(232,798)	(6,986)	0
Total Other Financing Sources	\$ (6,986)	\$ (12,798)	\$ (6,986)	\$ 0
Net Change in Fund Balance	\$ 12,763	\$ 0	\$ (253)	\$ 13,016
Fund Balance, July 1, 2012	350,254	350,254	350,254	0
Fund Balance, June 30, 2013	\$ 363,017	\$ 350,254	\$ 350,001	\$ 13,016

Exhibit I-10

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 604,590	\$ 0	\$ 604,590	\$ 795,000	\$ 795,000	\$ (190,410)
Other Local Revenues	5,040	0	5,040	11,500	11,500	(6,460)
State of Tennessee	25,854	0	25,854	26,000	26,000	(146)
Federal Government	1,929,427	0	1,929,427	2,056,600	2,063,100	(133,673)
Total Revenues	\$ 2,564,911	\$ 0	\$ 2,564,911	\$ 2,889,100	\$ 2,895,600	\$ (330,689)
<u>Expenditures</u>						
<u>Support Services</u>						
Fiscal Services	\$ 15,000	\$ 0	\$ 15,000	\$ 0	\$ 15,000	\$ 0
<u>Operation of Non-Instructional Services</u>						
Food Service	2,916,651	(17,388)	2,899,263	2,874,100	2,900,150	887
Total Expenditures	\$ 2,931,651	\$ (17,388)	\$ 2,914,263	\$ 2,874,100	\$ 2,915,150	\$ 887
Excess (Deficiency) of Revenues Over Expenditures	\$ (366,740)	\$ 17,388	\$ (349,352)	\$ 15,000	\$ (19,550)	\$ (329,802)
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 8,855	\$ 0	\$ 0
Transfers Out	0	0	0	(23,855)	0	0
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ (15,000)	\$ 0	\$ 0
Net Change in Fund Balance Fund Balance, July 1, 2012	\$ (366,740)	\$ 17,388	\$ (349,352)	\$ 0	\$ (19,550)	\$ (329,802)
Fund Balance, July 1, 2012	657,606	(17,388)	640,218	0	19,550	620,668
Fund Balance, June 30, 2013	\$ 290,866	\$ 0	\$ 290,866	\$ 0	\$ 0	\$ 290,866

Exhibit I-11

Claiborne County, Tennessee
Statement of Net Position
Discretely Presented Claiborne County School Department
Proprietary Fund
June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u> <u>Employee Insurance - Health</u>
<u>ASSETS</u>	
Current Assets:	
Cash in Bank	\$ 602,246
Total Assets	<u>\$ 602,246</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 189,270
Total Liabilities	<u>\$ 189,270</u>
<u>NET POSITION</u>	
Unrestricted	<u>\$ 412,976</u>

Exhibit I-12

Claiborne County, Tennessee
Statement of Revenues, Expenses, and Changes
in Net Position
Discretely Presented Claiborne County School Department
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund Employee Insurance - Health
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
Self-Insurance Premiums/Contributions	\$ 4,388,667
Total Operating Revenues	<u>\$ 4,388,667</u>
<u>Operating Expenses</u>	
Handling Charges and Administrative Costs	\$ 192,802
Other Contracted Services	3,000
Excess Risk Insurance	367,566
Medical Claims	3,533,594
Total Operating Expenses	<u>\$ 4,096,962</u>
Operating Income (Loss)	<u>\$ 291,705</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Income	\$ 391
Total Nonoperating Revenues (Expenses)	<u>\$ 391</u>
Changes in Net Position	\$ 292,096
Net Position, July 1, 2012	<u>120,880</u>
Net Position, June 30, 2013	<u><u>\$ 412,976</u></u>

Exhibit I-13

Claiborne County, Tennessee
Statement of Cash Flows
Discretely Presented Claiborne County School Department
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
	Employee Insurance - Health
<u>Cash Flows from Operating Activities</u>	
Receipts for Self-Insurance Premiums	\$ 4,388,667
Payments for Excess Risk Insurance	(367,566)
Payments for Medical Claims	(3,569,677)
Payments for Administrative Costs	(195,802)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 255,622</u>
<u>Cash Flows from Investment Activities</u>	
Interest on Investments	\$ 391
Net Cash Provided By (Used In) Investing Activities	<u>\$ 391</u>
Net Increase (Decrease) in Cash	\$ 256,013
Cash, July 1, 2012	<u>346,233</u>
Cash, June 30, 2013	<u><u>\$ 602,246</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided By (Used In)</u>	
<u>Operating Activities</u>	
Operating Income (Loss)	\$ 291,705
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities:	
Changes in Assets and Liabilities:	
Increase (Decrease) in Accounts Payable	<u>(36,083)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 255,622</u></u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Clairborne County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-13
NOTES PAYABLE									
Payable through General Debt Service Fund									
Capital Outlay - Highway Projects	\$ 500,000	3	12-7-11	12-7-14	\$ 500,000	0	\$ 166,667	0	\$ 333,333
Total Notes Payable					\$ 500,000	0	\$ 166,667	0	\$ 333,333
OTHER LOANS PAYABLE									
Payable through General Debt Service Fund									
Sevier County Public Building Authority: Judicial Complex	6,225,000	3.25 to 4.65	9-2-04	6-1-24	\$ 4,450,000	0	0	\$ 4,450,000	0
Total Payable through General Debt Service Fund					\$ 4,450,000	0	0	\$ 4,450,000	0
Payable by Contributions from School Department through General Purpose School Fund to the General Debt Service Fund									
Powell Valley Electric Cooperative:									
HVAC System at Clairborne County High School	450,000	0	12-11-03	12-11-13	\$ 84,375	0	\$ 56,250	0	\$ 28,125
HVAC System at Cumberland Gap High School	202,409	0	12-11-03	12-11-13	37,952	0	25,301	0	12,651
Ball Field Lighting Project at Schools	147,722	7	5-1-07	4-30-22	112,765	0	8,303	0	104,462
Ball Field Lighting Project at Schools	188,010	7	5-1-07	4-30-22	143,519	0	10,567	0	132,952
Total Payable by Contributions from School Department through General Purpose School Fund to the General Debt Service Fund					\$ 378,611	0	\$ 100,421	0	\$ 278,190
Total Other Loans Payable					\$ 4,828,611	0	\$ 100,421	\$ 4,450,000	\$ 278,190
CAPITAL LEASES PAYABLE									
Payable through General Fund									
Highway Equipment - Grader	235,295	3.2	9-25-12	9-25-15	\$ 0	235,295	\$ 29,322	\$ 0	\$ 205,973
Highway Equipment - Backhoe	97,848	3.2	9-25-12	9-25-16	0	97,848	11,267	0	86,581
Highway Equipment - Grader	244,665	3.2	2-19-13	2-19-16	0	244,665	13,780	0	230,885
Total Capital Leases Payable					\$ 0	\$ 577,808	\$ 54,369	\$ 0	\$ 523,439

(Continued)

Exhibit J-1

Clairborne County, Tennessee
 Schedule of Changes in Long-term Notes, Other Loans, Capital Leases and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-13
BONDS PAYABLE									
Payable through General Debt Service Fund									
School Refunding Bonds, Series 2007	\$ 4,485,000	4	12-19-07	5-1-21	\$ 4,485,000	\$ 0	0	0	\$ 4,485,000
School Refunding Bonds, Series 2009	2,425,000	2 to 3.15	11-12-09	4-1-18	2,325,000	0	370,000	0	1,955,000
School Bonds, Series 2010	5,010,000	1 to 5.3	5-12-10	6-1-25	4,525,000	0	245,000	0	4,280,000
Refunding Judicial and Series 1998, Series 2010A	3,370,000	2.5 to 4.125	3-30-10	4-1-30	3,300,000	0	70,000	0	3,230,000
Refunding Highway, Series 2010A	3,235,000	2.5 to 4.125	3-30-10	4-1-30	2,355,000	0	465,000	0	1,890,000
Refunding Schools, Series 2010A	27,900,000	2.5 to 4.125	3-30-10	4-1-30	26,800,000	0	925,000	0	25,875,000
Refunding Hospital, Series 2010A	4,130,000	2.5 to 4.125	3-30-10	4-1-30	3,790,882	0	286,635	0	3,504,247
General Obligation and Hospital Revenue, Series 2010A	985,000	2.5 to 4.125	3-30-10	4-1-30	904,118	0	68,365	0	835,753
Refunding Series 2010B - Hospital	1,075,000	3.9	3-30-10	4-1-20	885,000	0	100,000	0	785,000
Refunding Series 2012 - Judicial Complex	3,935,000	2	7-26-12	6-30-22	0	3,935,000	420,000	0	3,515,000
Total Bonds Payable					\$ 49,370,000	\$ 3,935,000	\$ 2,950,000	\$ 0	\$ 50,355,000

Exhibit J-2

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

Year Ending June 30	Note		
	Principal	Interest	Total
2014	\$ 55,000	\$ 13,535	\$ 68,535
2015	278,333	11,863	290,196
Total	\$ 333,333	\$ 25,398	\$ 358,731

Year Ending June 30	Other Loans		
	Principal	Interest	Total
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	878	28,973
Total	\$ 278,190	\$ 81,263	\$ 359,453

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2014	\$ 97,886	\$ 15,323	\$ 113,209
2015	101,065	12,144	113,209
2016	285,777	5,308	291,085
2017	38,711	299	39,010
Total	\$ 523,439	\$ 33,074	\$ 556,513

(Continued)

Exhibit J-2

Claiborne County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 2,920,000	\$ 1,949,367	\$ 4,869,367
2015	2,970,000	1,869,818	4,839,818
2016	2,990,000	1,768,292	4,758,292
2017	3,145,000	1,663,590	4,808,590
2018	2,695,000	1,532,224	4,227,224
2019	2,725,000	1,421,072	4,146,072
2020	2,755,000	1,324,846	4,079,846
2021	2,745,000	1,221,768	3,966,768
2022	2,665,000	1,118,343	3,783,343
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	<u>\$ 50,355,000</u>	<u>\$ 18,563,718</u>	<u>\$ 68,918,718</u>

Exhibit J-3

Claiborne County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Claiborne County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Highway/Public Works	General Debt Service	Debt retirement	\$ 554,550
"	General	Bookkeeper's salary	43,738
General	Solid Waste / Sanitation	Landfill study	<u>125,000</u>
Total Transfers Primary Government			<u>\$ 723,288</u>
<u>DISCRETELY PRESENTED CLAIBORNE</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ <u>6,986</u>
Total Transfers Discretely Presented Claiborne County School Department			<u>\$ 6,986</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, 2013

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, TCA, and County Commission	\$ 84,544	\$ 50,000	RLI Insurance Company
Road Superintendent:				
Mike Sharp (7-1-12 through 8-31-12)	Section 8-24-102, TCA	11,502	100,000	Ohio Casualty Insurance Company
Bill Fultz (9-1-12 through 6-30-12)	Section 8-24-102, TCA	57,511	100,000	RLI Insurance Company
Director of Schools	State Board of Education and Claiborne County Board of Education	99,778	25,000	Western Surety Company
Trustee	Section 8-24-102, TCA	62,739	1,751,000	"
Assessor of Property	Section 8-24-102, TCA	62,739	10,000	"
County Clerk	Section 8-24-102, TCA	62,739	50,000	"
Circuit, General Sessions, and Juvenile Courts Clerk	Section 8-24-102, TCA	62,739	50,000	"
Clerk and Master	Section 8-24-102, TCA	62,739	50,000	"
Register of Deeds	and Chancery Court Judge			
Sheriff	Section 8-24-102, TCA	62,739	25,000	"
Director of Finance	Section 8-24-102, TCA, and County Commission	79,613	25,000	Ohio Casualty Insurance Company
	Board of County Commissioners	58,000	50,000	RLI Insurance 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 a chief executive officer training supplement of \$2,000 and \$1,625 for serving as secretary to the board.

(2) Does not include special commissioner fees of \$15,047.

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

Exhibit J-5

Clairborne County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Highway Capital Projects		
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 4,854,434	\$ 977,383	\$ 0	\$ 0	\$ 48,023	\$ 47,890	\$ 76,310	\$ 6,004,040	
Trustee's Collections - Prior Year	218,788	46,038	0	0	2,262	12,673	4,389	284,150	
Circuit/Clerk & Master Collections - Prior Years	162,054	32,914	0	20,883	1,613	3,135	2,709	223,308	
Interest and Penalty	38,142	7,955	0	0	385	2,042	726	49,250	
Payments in-Lieu-of Taxes - T.V.A.	1,009	0	0	0	0	0	0	1,009	
Payments in-Lieu-of Taxes - Local Utilities	13,560	2,853	0	0	140	841	272	17,666	
Payments in-Lieu-of Taxes - Other	61,583	12,396	0	0	609	609	969	76,166	
<u>County Local Option Taxes</u>									
Hotel/Motel Tax	25,443	0	0	0	0	0	0	25,443	
Wheel Tax	0	0	0	0	0	711,039	0	711,039	
Litigation Tax - General	114,599	0	0	0	0	0	0	114,599	
Litigation Tax - Jail, Workhouse, or Courthouse	24,045	0	0	0	0	0	0	24,045	
Mineral Severance Tax	0	0	0	0	23,488	0	0	23,488	
<u>Statutory Local Taxes</u>									
Bank Excise Tax	18,962	0	0	0	0	0	0	18,962	
Wholesale Beer Tax	57,886	0	0	0	0	0	0	57,886	
Beer Privilege Tax	1,092	0	0	0	0	0	0	1,092	
Coal Severance Tax	0	0	0	0	331,827	0	0	331,827	
Interstate Telecommunications Tax	1,882	0	0	0	0	0	0	1,882	
Other Statutory Local Taxes	0	0	0	0	92,345	0	0	92,345	
Total Local Taxes	\$ 5,593,479	\$ 1,079,539	\$ 0	\$ 20,883	\$ 500,692	\$ 778,229	\$ 85,375	\$ 8,058,197	
<u>Licenses and Permits</u>									
<u>Permits</u>									
Building Permits	\$ 8,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,090	
Total Licenses and Permits	\$ 8,090	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,090	
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 32,983	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 32,983	
Officers Costs	51,186	0	0	0	0	0	0	51,186	
Drug Control Fines	0	0	23,335	0	0	0	0	23,335	
Jail Fees	20,864	0	0	0	0	0	0	20,864	
Judicial Commissioner Fees	4,073	0	0	0	0	0	0	4,073	
DUI Treatment Fines	7,961	0	0	0	0	0	0	7,961	
Data Entry Fee - Circuit Court	1,426	0	0	0	0	0	0	1,426	
Courtroom Security Fee	2,159	0	0	0	0	0	0	2,159	

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers Fees	Highway / Public Works	General Debt Service	Highway Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>									
<u>General Sessions Court</u>									
Game and Fish Fines	\$ 108	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	108
Drug Control Fines	0	0	5,587	0	0	0	0	0	5,587
DUI Treatment Fines	712	0	0	0	0	0	0	0	712
Data Entry Fee - General Sessions Court	8,112	0	0	0	0	0	0	0	8,112
<u>Juvenile Court</u>									
Fines	4,729	0	0	0	0	0	0	0	4,729
Officers Costs	4,202	0	0	0	0	0	0	0	4,202
Data Entry Fee - Juvenile Court	804	0	0	0	0	0	0	0	804
<u>Chancery Court</u>									
Officers Costs	2,240	0	0	0	0	0	0	0	2,240
Data Entry Fee - Chancery Court	3,718	0	0	0	0	0	0	0	3,718
Courtroom Security Fee	44	0	0	0	0	0	0	0	44
<u>Other Fines, Forfeitures, and Penalties</u>									
Proceeds from Confiscated Property	0	0	39,091	0	0	0	0	0	39,091
Total Fines, Forfeitures, and Penalties	\$ 145,321	\$ 0	\$ 68,013	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 213,334
<u>Charges for Current Services</u>									
<u>General Service Charges</u>									
Tipping Fees	\$ 0	\$ 419,148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 419,148
<u>Fees</u>									
Copy Fees	254	0	0	0	0	0	0	0	254
Greenbelt Late Application Fee	100	0	0	0	0	0	0	0	100
Telephone Commissions	81,021	0	0	0	0	0	0	0	81,021
Vending Machine Collections	1,245	0	0	0	0	0	0	0	1,245
Constitutional Officers' Fees and Commissions	0	0	0	428,356	0	0	0	0	428,356
Special Commissioner Fees/Special Master Fees	0	0	0	15,047	0	0	0	0	15,047
Data Processing Fee - Register	10,068	0	0	0	0	0	0	0	10,068
Data Processing Fee - Sheriff	5,075	0	0	0	0	0	0	0	5,075
Sexual Offender Registration Fees - Sheriff	3,450	0	0	0	0	0	0	0	3,450
Total Charges for Current Services	\$ 101,213	\$ 419,148	\$ 0	\$ 443,403	\$ 0	\$ 0	\$ 0	\$ 0	\$ 963,764
<u>Other Local Revenues</u>									
<u>Recurring Items</u>									
Investment Income	\$ 43,887	\$ 7,228	\$ 0	\$ 0	\$ 0	\$ 3,966	\$ 0	\$ 0	\$ 55,081
Lease/Rentals	0	0	0	0	1,200	0	0	0	1,200
Sale of Materials and Supplies	0	0	0	0	50,300	0	0	0	50,300

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Highway Capital Projects		
<u>Other Local Revenues (Cont.)</u>									
<u>Recurring Items (Cont.)</u>									
Sale of Recycled Materials	\$ 0	\$ 21,128	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,128
Miscellaneous Refunds	9,146	47	0	0	1,187	129,368	0	0	139,748
<u>Nonrecurring Items</u>									
Sale of Property	22,000	0	0	0	0	0	0	0	22,000
Contributions and Gifts	246,603	0	0	0	0	3,840,461	0	0	4,087,064
Total Other Local Revenues	\$ 321,636	\$ 28,403	\$ 0	\$ 0	\$ 52,687	\$ 3,973,795	\$ 0	\$ 0	\$ 4,376,521
<u>Fees Received from County Officials</u>									
<u>Excess Fees</u>									
County Clerk	\$ 20,342	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,342
Trustee	236,725	0	0	0	0	0	0	0	236,725
<u>Fees in-Lieu-of Salary</u>									
Circuit Court Clerk	101,072	0	0	0	0	0	0	0	101,072
General Sessions Court Clerk	176,451	0	0	0	0	0	0	0	176,451
Clerk and Master	121,953	0	0	0	0	0	0	0	121,953
Juvenile Court Clerk	20,327	0	0	0	0	0	0	0	20,327
Register	121,792	0	0	0	0	0	0	0	121,792
Sheriff	11,938	0	0	0	0	0	0	0	11,938
Total Fees Received from County Officials	\$ 810,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 810,600
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Other General Government Grants	\$ 0	\$ 14,807	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,807
Public Safety Grants	19,800	0	0	0	0	0	0	0	19,800
Law Enforcement Training Programs	190,864	0	0	0	0	0	0	0	190,864
Health and Welfare Grants	0	0	0	0	41,622	0	0	0	41,622
Public Works Grants	61,286	0	0	0	0	0	0	0	61,286
State Aid Program	21,042	0	0	0	0	0	0	0	21,042
Litter Program	18,586	0	0	0	0	0	0	0	18,586
Other State Revenues	56,299	0	0	0	0	0	0	0	56,299
Income Tax	3,982	0	0	0	0	0	0	0	3,982
Beer Tax	479,498	0	0	0	0	0	0	0	479,498
Alcoholic Beverage Tax									
Mixed Drink Tax									
State Revenue Sharing - T.V.A.									

(Continued)

Exhibit J-5

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

	Special Revenue Funds					Debt Service Fund		Capital Projects Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Highway Capital Projects			
<u>State of Tennessee (Cont.)</u>										
<u>Other State Revenues (Cont.)</u>										
Contracted Prisoner Boarding	\$ 1,736,708	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,736,708
Gasoline and Motor Fuel Tax	0	0	0	0	1,682,202	0	0	0	0	1,682,202
Petroleum Special Tax	0	0	0	0	23,243	0	0	0	0	23,243
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	0	0	15,164
State Shared Sales Tax - Cities	5,076	0	0	0	0	0	0	0	0	5,076
Other State Grants	4,139	0	0	0	0	0	0	0	0	4,139
Total State of Tennessee	\$ 2,612,444	\$ 14,807	\$ 0	\$ 0	\$ 1,747,067	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,374,318
<u>Federal Government</u>										
<u>Federal Through State</u>										
Disaster Relief	\$ 0	\$ 0	\$ 0	\$ 0	\$ 212,212	\$ 0	\$ 0	\$ 0	\$ 0	\$ 212,212
Homeland Security Grants	101,140	0	0	0	0	0	0	0	0	101,140
Direct Federal Revenue	12,200	0	0	0	0	0	0	0	0	12,200
Other Direct Federal Revenue	113,340	0	0	0	212,212	0	0	0	0	325,552
Total Federal Government	\$ 9,706,123	\$ 1,541,897	\$ 68,013	\$ 464,286	\$ 2,512,658	\$ 4,752,024	\$ 85,375	\$ 0	\$ 0	\$ 19,130,376

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, 2013

	General Purpose School	Special Revenue Funds		Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,877,818	\$ 0	\$ 0	\$ 0	\$ 5,877,818
Trustee's Collections - Prior Year	257,685	0	0	0	257,685
Circuit/Clerk & Master Collections - Prior Years	197,324	0	0	0	197,324
Interest and Penalty	46,988	0	0	0	46,988
Payments in-Lieu-of Taxes - T.V.A.	969	0	0	0	969
Payments in-Lieu-of Taxes - Local Utilities	17,106	0	0	0	17,106
Payments in-Lieu-of Taxes - Other	74,317	0	0	0	74,317
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,333,784	0	0	0	2,333,784
<u>Statutory Local Taxes</u>					
Coal Severance Tax	331,827	0	0	0	331,827
Interstate Telecommunications Tax	2,624	0	0	0	2,624
Total Local Taxes	\$ 9,140,442	\$ 0	\$ 0	\$ 0	\$ 9,140,442
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 2,280	\$ 0	\$ 0	\$ 0	\$ 2,280
Total Licenses and Permits	\$ 2,280	\$ 0	\$ 0	\$ 0	\$ 2,280
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Tuition - Other	\$ 98,097	\$ 0	\$ 0	\$ 0	\$ 98,097
Lunch Payments - Children	0	0	283,724	0	283,724
Lunch Payments - Adults	0	0	66,954	0	66,954
Income from Breakfast	0	0	110,470	0	110,470
A la carte Sales	0	0	35,101	0	35,101
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	108,341	0	108,341
Total Charges for Current Services	\$ 98,097	\$ 0	\$ 604,590	\$ 0	\$ 702,687
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 3,321	\$ 958	\$ 4,279
Retirees' Insurance Payments	310,602	0	0	0	310,602
Miscellaneous Refunds	169,083	0	1,719	0	170,802
<u>Nonrecurring Items</u>					
Sale of Equipment	10,995	0	0	0	10,995
Contributions and Gifts	18,000	0	0	0	18,000
<u>Other Local Revenues</u>					
Other Local Revenues	3,567	0	0	0	3,567
Total Other Local Revenues	\$ 512,247	\$ 0	\$ 5,040	\$ 958	\$ 518,245
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 15,124	\$ 0	\$ 0	\$ 0	\$ 15,124
<u>State Education Funds</u>					
Basic Education Program	23,590,950	0	0	0	23,590,950
Early Childhood Education	810,087	0	0	0	810,087
School Food Service	0	0	25,854	0	25,854
Driver Education	2,982	0	0	0	2,982
Other State Education Funds	346,092	0	0	0	346,092
Career Ladder Program	181,763	0	0	0	181,763
Career Ladder - Extended Contract	53,300	0	0	0	53,300

(Continued)

Exhibit J-6

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

	General Purpose School	Special Revenue Funds		Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	Education Capital Projects	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	\$ 460,695	\$ 0	\$ 0	\$ 0	\$ 460,695
Other State Grants	43,034	0	0	0	43,034
Total State of Tennessee	\$ 25,504,027	\$ 0	\$ 25,854	\$ 0	\$ 25,529,881
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,318,912	\$ 0	\$ 1,318,912
USDA - Commodities	0	0	144,542	0	144,542
Breakfast	0	0	441,292	0	441,292
USDA - Other	0	0	24,681	0	24,681
Adult Education State Grant Program	112,620	0	0	0	112,620
Vocational Education - Basic Grants to States	0	89,446	0	0	89,446
Title I Grants to Local Education Agencies	0	1,878,255	0	0	1,878,255
Special Education - Grants to States	41,098	1,392,914	0	0	1,434,012
Special Education Preschool Grants	0	38,021	0	0	38,021
Safe and Drug-free Schools - State Grants	0	403,110	0	0	403,110
Rural Education	0	81,415	0	0	81,415
Eisenhower Professional Development State Grants	0	325,719	0	0	325,719
Race-to-the-Top - ARRA	0	311,887	0	0	311,887
Other Federal through State	0	72,408	0	0	72,408
Total Federal Government	\$ 153,718	\$ 4,593,175	\$ 1,929,427	\$ 0	\$ 6,676,320
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contracted Services	\$ 71,946	\$ 0	\$ 0	\$ 0	\$ 71,946
Total Other Governments and Citizens Groups	\$ 71,946	\$ 0	\$ 0	\$ 0	\$ 71,946
Total	\$ 35,482,757	\$ 4,593,175	\$ 2,564,911	\$ 958	\$ 42,641,801

Exhibit J-7

Claiborne County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	102,025	
Social Security		6,271	
State Retirement		2,506	
Medical Insurance		22,321	
Unemployment Compensation		11	
Employer Medicare		1,467	
Audit Services		9,664	
Dues and Memberships		1,700	
Workers' Compensation Insurance		847	
Total County Commission			\$ 146,812

Board of Equalization

Board and Committee Members Fees	\$	5,375	
Travel		123	
Total Board of Equalization			5,498

Beer Board

Board and Committee Members Fees	\$	675	
Total Beer Board			675

Budget and Finance Committee

Board and Committee Members Fees	\$	24,500	
Social Security		1,513	
State Retirement		783	
Employer Medicare		354	
Workers' Compensation Insurance		196	
Total Budget and Finance Committee			27,346

County Mayor/Executive

County Official/Administrative Officer	\$	84,544	
Secretary(ies)		26,916	
Other Salaries and Wages		538	
Social Security		6,811	
State Retirement		6,059	
Medical Insurance		10,796	
Unemployment Compensation		116	
Employer Medicare		1,593	
Communication		5,139	
Dues and Memberships		3,410	
Operating Lease Payments		1,841	
Travel		2,000	
Office Supplies		850	
Workers' Compensation Insurance		2,049	
Total County Mayor/Executive			152,662

County Attorney

County Official/Administrative Officer	\$	36,600	
Clerical Personnel		5,250	
Other Salaries and Wages		732	
Social Security		2,243	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney (Cont.)

State Retirement	\$	2,020	
Medical Insurance		5,398	
Unemployment Compensation		135	
Employer Medicare		525	
Dues and Memberships		275	
Workers' Compensation Insurance		503	
Total County Attorney			\$ 53,681

Election Commission

County Official/Administrative Officer	\$	56,485	
Clerical Personnel		29,907	
Other Salaries and Wages		2,639	
Election Commission		7,312	
Election Workers		62,670	
In-Service Training		5,024	
Social Security		6,744	
State Retirement		4,705	
Medical Insurance		5,464	
Unemployment Compensation		712	
Employer Medicare		1,577	
Communication		9,668	
Operating Lease Payments		2,085	
Rentals		500	
Other Contracted Services		15,509	
Office Supplies		4,344	
Workers' Compensation Insurance		1,265	
Office Equipment		1,947	
Other Equipment		1,878	
Total Election Commission			220,435

Register of Deeds

County Official/Administrative Officer	\$	62,739	
Assistant(s)		29,907	
Secretary(ies)		27,187	
Other Salaries and Wages		1,142	
Social Security		7,332	
State Retirement		6,545	
Medical Insurance		10,839	
Unemployment Compensation		270	
Employer Medicare		1,715	
Communication		2,636	
Dues and Memberships		503	
Operating Lease Payments		2,395	
Maintenance and Repair Services - Office Equipment		8,867	
Office Supplies		3,573	
Premiums on Corporate Surety Bonds		75	
Workers' Compensation Insurance		1,621	
Total Register of Deeds			167,346

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Development

Contracts with Other Public Agencies	\$ 4,577	
Total Development		\$ 4,577

Planning

Supervisor/Director	\$ 38,183	
Other Salaries and Wages	760	
Social Security	2,177	
State Retirement	1,899	
Unemployment Compensation	135	
Employer Medicare	509	
Travel	625	
Workers' Compensation Insurance	380	
Total Planning		44,668

County Buildings

Custodial Personnel	\$ 33,461	
Maintenance Personnel	18,430	
Other Salaries and Wages	1,038	
Social Security	3,189	
State Retirement	1,873	
Medical Insurance	5,514	
Unemployment Compensation	416	
Employer Medicare	746	
Communication	7,531	
Maintenance and Repair Services - Buildings	107,462	
Maintenance and Repair Services - Vehicles	3,739	
Postal Charges	26,526	
Rentals	1,200	
Custodial Supplies	5,998	
Electricity	58,197	
Gasoline	4,435	
Office Supplies	10,954	
Utilities	4,305	
Water and Sewer	6,696	
Other Supplies and Materials	631	
Workers' Compensation Insurance	670	
Other Charges	1,564	
Total County Buildings		304,575

Preservation of Records

Clerical Personnel	\$ 9,308
Other Salaries and Wages	189
Social Security	580
Medical Insurance	572
Unemployment Compensation	90
Employer Medicare	136
Communication	1,568
Operating Lease Payments	127
Travel	534
Other Contracted Services	3,403

(Continued)

Exhibit J-7

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

General Fund (Cont.)

General Government (Cont.)

Preservation of Records (Cont.)

Office Supplies	\$	4,559	
Workers' Compensation Insurance		363	
Total Preservation of Records			\$ 21,429

Finance

Accounting and Budgeting

Supervisor/Director	\$	58,000	
Accountants/Bookkeepers		254,955	
Other Salaries and Wages		2,972	
Social Security		18,623	
State Retirement		19,550	
Life Insurance		246	
Medical Insurance		25,215	
Dental Insurance		187	
Unemployment Compensation		878	
Employer Medicare		4,355	
Communication		7,688	
Data Processing Services		1,768	
Maintenance Agreements		4,488	
Travel		3,228	
Other Contracted Services		14,268	
Data Processing Supplies		466	
Office Supplies		3,278	
Other Supplies and Materials		158	
Premiums on Corporate Surety Bonds		355	
Workers' Compensation Insurance		686	
Other Charges		566	
Office Equipment		1,450	
Total Accounting and Budgeting			423,380

Property Assessor's Office

County Official/Administrative Officer	\$	62,739	
Secretary(ies)		29,907	
Clerical Personnel		23,644	
Other Salaries and Wages		21,579	
In-Service Training		1,300	
Social Security		8,252	
State Retirement		6,789	
Medical Insurance		16,235	
Unemployment Compensation		417	
Employer Medicare		1,930	
Audit Services		14,990	
Communication		3,634	
Data Processing Services		7,595	
Dues and Memberships		1,860	
Operating Lease Payments		3,090	
Maintenance Agreements		600	
Travel		2,499	
Office Supplies		2,007	
Other Supplies and Materials		97	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Premiums on Corporate Surety Bonds	\$	131	
Workers' Compensation Insurance		1,903	
Office Equipment		178	
Total Property Assessor's Office			\$ 211,376

Reappraisal Program

Assistant(s)	\$	27,362	
Laborers		22,047	
Other Salaries and Wages		988	
In-Service Training		588	
Social Security		2,986	
State Retirement		2,726	
Medical Insurance		8,547	
Unemployment Compensation		270	
Employer Medicare		698	
Communication		1,500	
Data Processing Services		4,466	
Operating Lease Payments		1,348	
Travel		1,322	
Office Supplies		1,707	
Workers' Compensation Insurance		630	
Office Equipment		1,480	
Total Reappraisal Program			78,665

County Trustee's Office

Other Salaries and Wages	\$	1,943	
Social Security		9,701	
State Retirement		8,082	
Medical Insurance		17,154	
Unemployment Compensation		540	
Employer Medicare		2,269	
Communication		3,801	
Data Processing Services		10,461	
Dues and Memberships		613	
Operating Lease Payments		1,494	
Legal Notices, Recording, and Court Costs		204	
Maintenance Agreements		13,176	
Office Supplies		1,329	
Premiums on Corporate Surety Bonds		3,021	
Workers' Compensation Insurance		2,728	
Office Equipment		3,557	
Total County Trustee's Office			80,073

County Clerk's Office

Other Salaries and Wages	\$	3,290	
Social Security		14,044	
State Retirement		11,835	
Medical Insurance		26,187	
Unemployment Compensation		1,146	
Employer Medicare		3,285	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office (Cont.)

Communication	\$	7,317	
Dues and Memberships		478	
Operating Lease Payments		1,498	
Maintenance Agreements		14,904	
Office Supplies		1,866	
Premiums on Corporate Surety Bonds		98	
Workers' Compensation Insurance		3,033	
Total County Clerk's Office			\$ 88,981

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	62,739	
Deputy(ies)		20,222	
Secretary(ies)		30,492	
Clerical Personnel		82,443	
Other Salaries and Wages		2,633	
Jury and Witness Expense		5,865	
Social Security		11,902	
State Retirement		9,401	
Medical Insurance		18,181	
Unemployment Compensation		927	
Employer Medicare		2,784	
Communication		4,865	
Dues and Memberships		478	
Operating Lease Payments		9,225	
Maintenance Agreements		12,869	
Postal Charges		8,449	
Office Supplies		20,247	
Premiums on Corporate Surety Bonds		98	
Workers' Compensation Insurance		2,317	
Total Circuit Court			306,137

General Sessions Court

Judge(s)	\$	144,151	
Secretary(ies)		24,078	
Other Salaries and Wages		482	
Social Security		8,554	
State Retirement		7,798	
Medical Insurance		5,464	
Unemployment Compensation		135	
Employer Medicare		2,430	
Communication		2,116	
Other Contracted Services		6,030	
Office Supplies		458	
Periodicals		365	
Workers' Compensation Insurance		1,718	
Total General Sessions Court			203,779

Chancery Court

County Official/Administrative Officer	\$	62,739	
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(Continued)

Exhibit J-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Assistant(s)	\$	27,187	
Secretary(ies)		29,860	
Clerical Personnel		44,845	
Other Salaries and Wages		2,067	
Social Security		10,121	
State Retirement		7,852	
Medical Insurance		16,306	
Unemployment Compensation		540	
Employer Medicare		2,367	
Communication		6,075	
Dues and Memberships		956	
Operating Lease Payments		1,994	
Maintenance Agreements		11,608	
Office Supplies		2,820	
Premiums on Corporate Surety Bonds		98	
Workers' Compensation Insurance		2,335	
Total Chancery Court			\$ 229,770

District Attorney General

Secretary(ies)	\$	24,481	
Other Salaries and Wages		490	
Social Security		1,476	
State Retirement		1,351	
Medical Insurance		5,398	
Unemployment Compensation		135	
Employer Medicare		345	
Workers' Compensation Insurance		340	
Total District Attorney General			34,016

Office of Public Defender

Contributions	\$	25,415	
Total Office of Public Defender			25,415

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,013	
Assistant(s)		32,307	
Deputy(ies)		1,075,692	
Investigator(s)		31,191	
Lieutenant(s)		29,988	
Salary Supplements		20,988	
Secretary(ies)		7,157	
School Resource Officer		107,591	
Overtime Pay		24,764	
Other Salaries and Wages		25,768	
Social Security		85,826	
State Retirement		47,744	
Medical Insurance		159,732	
Unemployment Compensation		6,788	
Employer Medicare		20,072	

(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.)

Communication	\$	29,225	
Dues and Memberships		2,100	
Operating Lease Payments		4,915	
Maintenance and Repair Services - Buildings		5,545	
Maintenance and Repair Services - Vehicles		58,105	
Travel		6,145	
Tuition		3,345	
Other Contracted Services		800	
Gasoline		238,815	
Law Enforcement Supplies		3,561	
Office Supplies		18,782	
Tires and Tubes		9,971	
Uniforms		10,445	
Other Supplies and Materials		3,866	
Premiums on Corporate Surety Bonds		75	
Workers' Compensation Insurance		71,057	
Communication Equipment		9,570	
Law Enforcement Equipment		16,999	
Total Sheriff's Department			\$ 2,237,942

Administration of the Sexual Offender Registry

Other Contracted Services	\$	1,100	
Total Administration of the Sexual Offender Registry			1,100

Workhouse

County Official/Administrative Officer	\$	10,000	
Supervisor/Director		40,081	
Medical Personnel		30,576	
Guards		992,737	
Maintenance Personnel		30,521	
Other Salaries and Wages		86,464	
Social Security		71,771	
State Retirement		28,496	
Medical Insurance		121,672	
Unemployment Compensation		6,906	
Employer Medicare		16,785	
Communication		18,826	
Operating Lease Payments		3,705	
Maintenance and Repair Services - Buildings		11,507	
Medical and Dental Services		166,694	
Travel		4,488	
Tuition		520	
Other Contracted Services		53,371	
Custodial Supplies		46,908	
Drugs and Medical Supplies		45,615	
Electricity		102,018	
Food Supplies		451,637	
Natural Gas		24,160	
Office Supplies		9,783	
Uniforms		5,201	

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

Workhouse (Cont.)

Water and Sewer	\$	55,747	
Other Supplies and Materials		62,620	
Workers' Compensation Insurance		74,863	
Other Charges		33,799	
Total Workhouse			\$ 2,607,471

Juvenile Services

Social Workers	\$	35,700	
Other Salaries and Wages		714	
Social Security		2,229	
State Retirement		1,957	
Medical Insurance		66	
Unemployment Compensation		135	
Employer Medicare		521	
Communication		1,551	
Travel		235	
Other Contracted Services		2,025	
Workers' Compensation Insurance		380	
Total Juvenile Services			45,513

Fire Prevention and Control

Contributions	\$	129,000	
Total Fire Prevention and Control			129,000

Civil Defense

Supervisor/Director	\$	32,000	
Part-time Personnel		9,346	
Other Salaries and Wages		829	
Social Security		2,819	
State Retirement		1,963	
Medical Insurance		1,334	
Unemployment Compensation		226	
Employer Medicare		659	
Communication		5,886	
Dues and Memberships		300	
Maintenance and Repair Services - Vehicles		683	
Travel		1,586	
Other Contracted Services		1,614	
Gasoline		2,368	
Office Supplies		1,043	
Workers' Compensation Insurance		384	
Other Equipment		8,980	
Total Civil Defense			72,020

Rescue Squad

Contributions	\$	18,000	
Total Rescue Squad			18,000

Other Emergency Management

Contributions	\$	15,377	
Total Other Emergency Management			15,377

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Other Per Diem and Fees	\$	32,350	
Other Contracted Services		4,992	
Total County Coroner/Medical Examiner			\$ 37,342

Public Health and Welfare

Local Health Center

Clerical Personnel	\$	22,198	
Custodial Personnel		15,108	
Other Salaries and Wages		724	
Social Security		2,326	
State Retirement		1,209	
Medical Insurance		66	
Unemployment Compensation		273	
Employer Medicare		544	
Communication		7,776	
Contracts with Government Agencies		36,055	
Contracts with Private Agencies		2,140	
Maintenance and Repair Services - Buildings		14,490	
Postal Charges		2,972	
Travel		124	
Other Contracted Services		375	
Custodial Supplies		2,247	
Office Supplies		3,538	
Utilities		16,726	
Workers' Compensation Insurance		291	
Total Local Health Center			129,182

Rabies and Animal Control

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

Ambulance/Emergency Medical Services

Contributions	\$	165,000	
Total Ambulance/Emergency Medical Services			165,000

Other Local Health Services

Medical Personnel	\$	122,896	
Other Salaries and Wages		2,450	
Social Security		7,484	
State Retirement		2,296	
Medical Insurance		16,745	
Unemployment Compensation		929	
Employer Medicare		1,750	
Travel		4,525	
Workers' Compensation Insurance		1,414	
Total Other Local Health Services			160,489

Sanitation Education/Information

Laborers	\$	23,884	
Clerical Personnel		4,800	

(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.)

Other Salaries and Wages	\$	489	
Social Security		1,810	
State Retirement		531	
Medical Insurance		72	
Unemployment Compensation		154	
Employer Medicare		423	
Communication		172	
Gasoline		6,883	
Instructional Supplies and Materials		9,944	
Other Supplies and Materials		563	
Workers' Compensation Insurance		394	
Total Sanitation Education/Information			\$ 50,119

Social, Cultural, and Recreational Services

Adult Activities

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

Senior Citizens Assistance

Laborers	\$	4,950	
Communication		7,088	
Contracts with Other Public Agencies		7,102	
Contributions		10,000	
Maintenance and Repair Services - Buildings		2,811	
Printing, Stationery, and Forms		259	
Other Contracted Services		450	
Electricity		7,587	
Gasoline		4,046	
Water and Sewer		617	
Food Service Equipment		292	
Total Senior Citizens Assistance			45,202

Libraries

Clerical Personnel	\$	51,624	
Part-time Personnel		18,171	
Other Salaries and Wages		1,331	
Social Security		4,223	
State Retirement		2,866	
Medical Insurance		10,796	
Unemployment Compensation		479	
Employer Medicare		988	
Contributions		23,813	
Workers' Compensation Insurance		716	
Office Equipment		918	
Total Libraries			115,925

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	4,275	
Contracts with Other Public Agencies		92,422	

(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.)

Dues and Memberships	\$	600	
Other Charges		1,726	
Office Equipment		1,765	
Total Agriculture Extension Service			\$ 100,788

Forest Service

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

Soil Conservation

Secretary(ies)	\$	21,000	
Other Salaries and Wages		420	
Social Security		1,199	
State Retirement		1,131	
Medical Insurance		5,398	
Unemployment Compensation		135	
Employer Medicare		280	
Contributions		12,000	
Workers' Compensation Insurance		322	
Total Soil Conservation			41,885

Other Operations

Industrial Development

Contracts with Other Public Agencies	\$	19,441	
Contributions		24,806	
Total Industrial Development			44,247

Housing and Urban Development

Other Construction	\$	17,207	
Total Housing and Urban Development			17,207

Other Economic and Community Development

Assistant(s)	\$	27,317	
Other Salaries and Wages		546	
Social Security		1,568	
State Retirement		1,471	
Medical Insurance		5,398	
Unemployment Compensation		135	
Employer Medicare		367	
Communication		2,200	
Travel		2,465	
Workers' Compensation Insurance		415	
Other Charges		611	
Total Other Economic and Community Development			42,493

Veterans' Services

County Official/Administrative Officer	\$	10,288	
Other Salaries and Wages		206	
Social Security		650	
Unemployment Compensation		142	

(Continued)

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Employer Medicare	\$	152	
Communication		754	
Dues and Memberships		25	
Travel		1,009	
Office Supplies		580	
Workers' Compensation Insurance		109	
Total Veterans' Services			\$ 13,915

Other Charges

Contributions	\$	75,430	
Legal Notices, Recording, and Court Costs		1,516	
Other Contracted Services		14,000	
Trustee's Commission		116,550	
Vehicle and Equipment Insurance		148,395	
Liability Claims		7,959	
Other Charges		17,013	
Total Other Charges			380,863

Employee Benefits

Medical Insurance	\$	1,188	
Total Employee Benefits			1,188

Miscellaneous

Tax Relief Program	\$	37,105	
Total Miscellaneous			37,105

Principal on Debt

Highways and Streets

Principal on Capital Leases	\$	54,369	
Total Highways and Streets			54,369

Interest on Debt

Highways and Streets

Interest on Capital Leases	\$	10,120	
Total Highways and Streets			10,120

Capital Projects

Public Safety Projects

Motor Vehicles	\$	148,850	
Total Public Safety Projects			148,850

Public Health and Welfare Projects

Contributions	\$	562,130	
Total Public Health and Welfare Projects			562,130

Highway and Street Capital Projects

Highway Equipment	\$	711,168	
Total Highway and Street Capital Projects			711,168

(Continued)

Exhibit J-7

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

General Fund (Cont.)

Capital Projects (Cont.)

Education Capital Projects

Transportation Equipment	\$ 155,688	
Total Education Capital Projects		<u>\$ 155,688</u>

Total General Fund \$ 10,994,994

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Foremen	\$ 50,920	
Equipment Operators	60,332	
Truck Drivers	71,065	
Secretary(ies)	27,189	
Attendants	241,021	
Other Salaries and Wages	8,774	
Board and Committee Members Fees	8,975	
Social Security	28,233	
State Retirement	18,768	
Medical Insurance	54,567	
Unemployment Compensation	3,409	
Employer Medicare	6,603	
Communication	9,011	
Contracts with Private Agencies	548,584	
Engineering Services	20,939	
Evaluation and Testing	11,245	
Operating Lease Payments	8,531	
Maintenance and Repair Services - Vehicles	28,673	
Postal Charges	270	
Travel	30	
Permits	5,895	
Other Contracted Services	10,237	
Crushed Stone	10,497	
Diesel Fuel	59,415	
Electricity	12,351	
Fertilizer, Lime, and Seed	1,411	
Gasoline	4,881	
Lubricants	1,697	
Office Supplies	2,969	
Tires and Tubes	9,359	
Water and Sewer	503	
Other Supplies and Materials	3,854	
Building and Contents Insurance	6,500	
Liability Insurance	6,500	
Trustee's Commission	25,262	
Vehicle and Equipment Insurance	3,341	
Workers' Compensation Insurance	39,562	
Site Development	92,307	
Other Equipment	48,942	
Total Waste Pickup		<u>\$ 1,552,622</u>

Total Solid Waste/Sanitation Fund 1,552,622

(Continued)

Exhibit J-7

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

Drug Control Fund

Public Safety

Drug Enforcement

Confidential Drug Enforcement Payments	\$	15,000	
Maintenance and Repair Services - Vehicles		1,000	
Travel		2,854	
Tuition		600	
Instructional Supplies and Materials		3,145	
Law Enforcement Supplies		11,380	
Other Supplies and Materials		10,629	
Trustee's Commission		708	
Law Enforcement Equipment		25,113	
Motor Vehicles		18,464	
Total Drug Enforcement			\$ 88,893

Total Drug Control Fund \$ 88,893

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	161,014	
Total County Trustee's Office			\$ 161,014

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	231,601	
Total County Clerk's Office			231,601

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	15,047	
Constitutional Officers' Operating Expenses		25,629	
Total Chancery Court			40,676

Total Constitutional Officers - Fees Fund 433,291

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	69,013	
Secretary(ies)		25,126	
Other Salaries and Wages		503	
Social Security		5,787	
State Retirement		5,113	
Medical Insurance		4,997	
Disability Insurance		360	
Unemployment Compensation		270	
Employer Medicare		1,353	
Dues and Memberships		2,788	
Legal Services		326	
Legal Notices, Recording, and Court Costs		119	
Postal Charges		45	
Travel		1,185	
Office Supplies		3,789	
Total Administration			\$ 120,774

(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

Laborers	\$	562,519	
Other Salaries and Wages		9,916	
Social Security		34,631	
State Retirement		23,247	
Medical Insurance		62,773	
Disability Insurance		3,854	
Unemployment Compensation		6,785	
Employer Medicare		8,099	
Other Contracted Services		22,550	
Asphalt - Hot Mix		84,250	
Crushed Stone		138,884	
Pipe - Metal		13,337	
Road Signs		13,081	
Wood Products		6,622	
Other Supplies and Materials		6,803	
Total Highway and Bridge Maintenance			\$ 997,351

Operation and Maintenance of Equipment

Mechanic(s)	\$	27,690	
Other Salaries and Wages		503	
Social Security		1,749	
State Retirement		1,526	
Life Insurance		60	
Medical Insurance		6	
Disability Insurance		241	
Unemployment Compensation		270	
Employer Medicare		409	
Rentals		20,879	
Diesel Fuel		127,682	
Equipment and Machinery Parts		100,895	
Garage Supplies		1,036	
Gasoline		43,557	
Lubricants		13,855	
Tires and Tubes		11,658	
Other Supplies and Materials		4,099	
Total Operation and Maintenance of Equipment			356,115

Other Charges

Communication	\$	5,573	
Electricity		5,574	
Water and Sewer		775	
Building and Contents Insurance		595	
Liability Insurance		5,610	
Premiums on Corporate Surety Bonds		280	
Trustee's Commission		22,419	
Vehicle and Equipment Insurance		40,000	
Total Other Charges			80,826

Employee Benefits

Workers' Compensation Insurance	\$	52,154	
Total Employee Benefits			52,154

(Continued)

Exhibit J-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay

Highway Equipment	\$ 199,995	
Total Capital Outlay		\$ 199,995

Total Highway/Public Works Fund \$ 1,807,215

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 945,000	
Total General Government		\$ 945,000

Highways and Streets

Principal on Bonds	\$ 465,000	
Principal on Notes	166,667	
Total Highways and Streets		631,667

Education

Principal on Bonds	\$ 1,540,000	
Principal on Other Loans	100,421	
Total Education		1,640,421

Interest on Debt

General Government

Interest on Bonds	\$ 413,359	
Total General Government		413,359

Highways and Streets

Interest on Bonds	\$ 89,550	
Interest on Notes	15,000	
Total Highways and Streets		104,550

Education

Interest on Bonds	\$ 1,513,059	
Interest on Other Loans	17,343	
Total Education		1,530,402

Other Debt Service

General Government

Trustee's Commission	\$ 2,241	
Other Charges	50	
Underwriter's Discount	24,647	
Other Debt Issuance Charges	51,524	
Other Debt Service	496,330	
Total General Government		574,792

Total General Debt Service Fund 5,840,191

Highway Capital Projects Fund

Capital Projects

Highway and Street Capital Projects

Asphalt - Hot Mix	\$ 569,748	
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(Continued)

Exhibit J-7

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

<u>Highway Capital Projects Fund (Cont.)</u>			
<u>Capital Projects (Cont.)</u>			
<u>Highway and Street Capital Projects (Cont.)</u>			
Crushed Stone	\$	74,256	
Trustee's Commission		<u>1,628</u>	
Total Highway and Street Capital Projects			\$ <u>645,632</u>
Total Highway Capital Projects Fund			\$ <u>645,632</u>
Total Governmental Funds - Primary Government			\$ <u><u>21,362,838</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, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	10,283,718	
Career Ladder Program		97,668	
Career Ladder Extended Contracts		64,405	
Educational Assistants		662,021	
Certified Substitute Teachers		205,763	
Social Security		664,607	
State Retirement		949,250	
Life Insurance		52,561	
Medical Insurance		1,585,707	
Dental Insurance		35,424	
Unemployment Compensation		27,043	
Employer Medicare		156,331	
Other Fringe Benefits		48,046	
Tuition		14,226	
Instructional Supplies and Materials		110,000	
Textbooks		298,827	
Other Supplies and Materials		44,257	
Other Charges		7,690	
Regular Instruction Equipment		183,710	
Total Regular Instruction Program			\$ 15,491,254

Special Education Program

Teachers	\$	1,779,887	
Career Ladder Program		14,024	
Educational Assistants		121,634	
Speech Pathologist		125,050	
Other Salaries and Wages		183,185	
Certified Substitute Teachers		12,760	
Social Security		133,667	
State Retirement		191,564	
Life Insurance		9,921	
Medical Insurance		326,977	
Dental Insurance		6,760	
Unemployment Compensation		4,493	
Employer Medicare		31,270	
Contracts with Private Agencies		36,752	
Maintenance and Repair Services - Equipment		7,530	
Tuition		4,180	
Instructional Supplies and Materials		8,589	
Textbooks		1,077	
Other Supplies and Materials		19,056	
Special Education Equipment		66,264	
Total Special Education Program			3,084,640

Vocational Education Program

Teachers	\$	893,192
Career Ladder Program		11,600
Certified Substitute Teachers		27,782
Social Security		53,574

(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.)

Vocational Education Program (Cont.)

State Retirement	\$	77,955	
Life Insurance		4,090	
Medical Insurance		130,741	
Dental Insurance		2,800	
Unemployment Compensation		1,857	
Employer Medicare		12,946	
Instructional Supplies and Materials		15,145	
Other Charges		6,209	
Total Vocational Education Program			\$ 1,237,891

Adult Education Program

Teachers	\$	85,993	
Career Ladder Program		1,000	
Other Salaries and Wages		18,939	
Social Security		5,732	
State Retirement		7,902	
Life Insurance		372	
Medical Insurance		12,967	
Dental Insurance		294	
Unemployment Compensation		294	
Employer Medicare		1,467	
Instructional Supplies and Materials		2,781	
Total Adult Education Program			137,741

Support Services

Attendance

Supervisor/Director	\$	63,282	
Career Ladder Program		600	
Clerical Personnel		23,970	
Other Salaries and Wages		33,463	
Social Security		5,374	
State Retirement		6,734	
Life Insurance		167	
Medical Insurance		4,780	
Dental Insurance		126	
Unemployment Compensation		258	
Employer Medicare		1,680	
Travel		1,758	
Other Supplies and Materials		770	
Total Attendance			142,962

Health Services

Medical Personnel	\$	37,326	
Social Security		2,265	
State Retirement		3,315	
Life Insurance		198	
Medical Insurance		5,736	
Dental Insurance		151	
Unemployment Compensation		86	

(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.)

Health Services (Cont.)

Employer Medicare	\$	530	
Travel		648	
Other Contracted Services		166,409	
Drugs and Medical Supplies		2,751	
Total Health Services	\$		219,415

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		92,950	
Social Security		5,536	
State Retirement		8,343	
Life Insurance		402	
Medical Insurance		13,476	
Dental Insurance		303	
Unemployment Compensation		170	
Employer Medicare		1,295	
Evaluation and Testing		17,042	
Travel		5,078	
Other Supplies and Materials		1,838	
Total Other Student Support			147,433

Regular Instruction Program

Supervisor/Director	\$	236,408	
Career Ladder Program		10,533	
Librarians		361,122	
Other Salaries and Wages		37,700	
Social Security		35,860	
State Retirement		50,856	
Life Insurance		2,074	
Medical Insurance		81,953	
Dental Insurance		1,577	
Unemployment Compensation		1,123	
Employer Medicare		8,971	
Travel		2,101	
Other Contracted Services		7,171	
Library Books/Media		58,162	
Other Supplies and Materials		7,059	
In Service/Staff Development		25,241	
Total Regular Instruction Program			927,911

Alternative Instruction Program

Other Salaries and Wages	\$	619,263	
Social Security		36,871	
State Retirement		55,129	
Life Insurance		2,443	
Medical Insurance		83,830	
Dental Insurance		1,844	
Unemployment Compensation		1,165	
Employer Medicare		8,623	
Total Alternative Instruction Program			809,168

(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

Supervisor/Director	\$	67,974	
Career Ladder Program		1,500	
Psychological Personnel		63,610	
Secretary(ies)		22,284	
Other Salaries and Wages		15,980	
Social Security		8,695	
State Retirement		11,557	
Life Insurance		410	
Medical Insurance		22,776	
Dental Insurance		315	
Unemployment Compensation		371	
Employer Medicare		2,414	
Consultants		4,475	
Maintenance and Repair Services - Equipment		5,632	
Travel		37,753	
Other Contracted Services		8,644	
Other Supplies and Materials		1,625	
In Service/Staff Development		10,091	
Other Charges		5,369	
Total Special Education Program			\$ 291,475

Vocational Education Program

Supervisor/Director	\$	61,386	
Social Security		3,700	
State Retirement		5,451	
Life Insurance		195	
Medical Insurance		5,736	
Dental Insurance		151	
Unemployment Compensation		86	
Employer Medicare		865	
Other Charges		1,511	
Total Vocational Education Program			79,081

Adult Programs

Supervisor/Director	\$	66,912	
Other Salaries and Wages		20,181	
Social Security		5,336	
State Retirement		7,034	
Life Insurance		195	
Medical Insurance		5,736	
Dental Insurance		151	
Unemployment Compensation		173	
Employer Medicare		1,248	
Travel		5,855	
Total Adult Programs			112,821

Other Programs

On-Behalf Payments to OPEB	\$	15,124	
Total Other Programs			15,124

(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.)

Board of Education

Secretary to Board	\$	1,625	
Board and Committee Members Fees		11,075	
Social Security		681	
State Retirement		564	
Life Insurance		1,320	
Medical Insurance		34,824	
Dental Insurance		782	
Unemployment Compensation		93	
Employer Medicare		178	
Other Fringe Benefits		1,067,242	
Audit Services		10,950	
Dues and Memberships		15,173	
Legal Services		11,448	
Travel		4,254	
Other Contracted Services		6,600	
Liability Insurance		174,322	
Premiums on Corporate Surety Bonds		117	
Trustee's Commission		226,701	
Workers' Compensation Insurance		148,102	
Other Charges		273	
Total Board of Education			\$ 1,716,324

Director of Schools

County Official/Administrative Officer	\$	96,153	
Career Ladder Program		2,000	
Secretary(ies)		49,753	
Other Salaries and Wages		61,848	
Social Security		12,510	
State Retirement		16,900	
Life Insurance		390	
Medical Insurance		13,476	
Dental Insurance		303	
Unemployment Compensation		369	
Employer Medicare		2,926	
Communication		54,782	
Dues and Memberships		1,501	
Postal Charges		3,479	
Travel		4,078	
Other Contracted Services		3,767	
Office Supplies		5,341	
In Service/Staff Development		455	
Other Charges		1,370	
Administration Equipment		530	
Total Director of Schools			331,931

Office of the Principal

Principals	\$	806,572	
Career Ladder Program		13,916	
Assistant Principals		150,281	

(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.)

Office of the Principal (Cont.)

Social Security	\$	53,451	
State Retirement		86,204	
Life Insurance		2,768	
Medical Insurance		96,962	
Dental Insurance		2,176	
Unemployment Compensation		1,210	
Employer Medicare		13,390	
Other Charges		1,179	
Total Office of the Principal			\$ 1,228,109

Fiscal Services

Contributions	\$	245,794	
Total Fiscal Services			245,794

Operation of Plant

Custodial Personnel	\$	455,574	
Social Security		26,943	
State Retirement		22,785	
Unemployment Compensation		3,286	
Employer Medicare		6,582	
Disposal Fees		68,288	
Other Contracted Services		81,978	
Custodial Supplies		113,541	
Electricity		1,012,109	
Fuel Oil		10,216	
Natural Gas		86,592	
Water and Sewer		165,736	
Total Operation of Plant			2,053,630

Maintenance of Plant

Maintenance Personnel	\$	414,128	
Social Security		23,518	
State Retirement		20,780	
Unemployment Compensation		1,642	
Employer Medicare		5,931	
Maintenance and Repair Services - Buildings		49,110	
Maintenance and Repair Services - Equipment		224,672	
Other Charges		1,062	
Total Maintenance of Plant			740,843

Transportation

Supervisor/Director	\$	44,862	
Mechanic(s)		27,665	
Bus Drivers		478,816	
Other Salaries and Wages		17,136	
Social Security		34,853	
State Retirement		29,922	
Life Insurance		70,229	
Medical Insurance		496,452	

(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.)

Dental Insurance	\$	36,142	
Unemployment Compensation		2,862	
Employer Medicare		8,480	
Contracts with Vehicle Owners		259,630	
Other Contracted Services		29,271	
Garage Supplies		753	
Gasoline		208,462	
Tires and Tubes		13,804	
Vehicle Parts		67,917	
Other Charges		10,813	
Transportation Equipment		412,294	
Total Transportation			\$ 2,250,363

Central and Other

Communication	\$	16,511	
Other Contracted Services		97,811	
Data Processing Supplies		26,821	
Data Processing Equipment		4,320	
Total Central and Other			145,463

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	303,288	
Social Security		18,663	
State Retirement		24,420	
Life Insurance		591	
Medical Insurance		17,211	
Dental Insurance		365	
Unemployment Compensation		779	
Employer Medicare		4,365	
Travel		9,162	
Other Contracted Services		2,191	
Other Supplies and Materials		74,542	
Other Charges		25,660	
Other Equipment		22,250	
Total Community Services			503,487

Early Childhood Education

Other Salaries and Wages	\$	607,038	
Social Security		36,264	
State Retirement		47,010	
Life Insurance		2,178	
Medical Insurance		72,450	
Dental Insurance		1,641	
Unemployment Compensation		1,987	
Employer Medicare		8,489	
Travel		1,738	
Other Supplies and Materials		20,723	
Other Charges		10,570	
Total Early Childhood Education			810,088

(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.)

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	259,812	
Other Capital Outlay		29,914	
Total Regular Capital Outlay			\$ 289,726

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	3,170,823	
Total Education			3,170,823

Total General Purpose School Fund \$ 36,183,497

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	914,120	
Educational Assistants		371,945	
Other Salaries and Wages		110,585	
Certified Substitute Teachers		19,388	
Social Security		83,710	
State Retirement		109,728	
Life Insurance		4,966	
Medical Insurance		172,897	
Dental Insurance		3,393	
Unemployment Compensation		5,092	
Employer Medicare		19,587	
Travel		2,509	
Other Contracted Services		78,950	
Instructional Supplies and Materials		164,525	
Other Supplies and Materials		15,644	
Other Charges		1,642	
Regular Instruction Equipment		115,106	
Total Regular Instruction Program			\$ 2,193,787

Special Education Program

Teachers	\$	143,741	
Educational Assistants		795,410	
Social Security		57,622	
State Retirement		53,069	
Life Insurance		804	
Medical Insurance		11,472	
Dental Insurance		643	
Unemployment Compensation		6,384	
Employer Medicare		13,492	
Contracts with Private Agencies		37,964	
Instructional Supplies and Materials		6,609	
Other Supplies and Materials		11,873	
Other Charges		2,500	
Total Special Education Program			1,141,583

(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

Other Salaries and Wages	\$	1,000	
Social Security		62	
State Retirement		89	
Employer Medicare		14	
Other Contracted Services		8,568	
Instructional Supplies and Materials		26,476	
Vocational Instruction Equipment		26,403	
Total Vocational Education Program			\$ 62,612

Support Services

Other Student Support

Other Salaries and Wages	\$	44,710	
Social Security		2,710	
State Retirement		2,273	
Life Insurance		39	
Medical Insurance		1,548	
Dental Insurance		30	
Unemployment Compensation		212	
Employer Medicare		634	
Travel		25,735	
Other Contracted Services		1,000	
Other Supplies and Materials		6,390	
In Service/Staff Development		34,252	
Other Charges		13,358	
Total Other Student Support			132,891

Regular Instruction Program

Supervisor/Director	\$	73,686	
Secretary(ies)		24,286	
Other Salaries and Wages		96,654	
Social Security		12,268	
State Retirement		15,393	
Life Insurance		351	
Medical Insurance		13,968	
Dental Insurance		273	
Unemployment Compensation		385	
Employer Medicare		2,869	
Travel		17,558	
Other Supplies and Materials		9,811	
In Service/Staff Development		19,478	
Other Charges		214	
Other Equipment		879	
Total Regular Instruction Program			288,073

Special Education Program

Psychological Personnel	\$	39,580	
Social Security		2,450	
State Retirement		3,515	
Life Insurance		201	

(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 (Cont.)

Medical Insurance	\$	5,736	
Dental Insurance		151	
Unemployment Compensation		86	
Employer Medicare		573	
Travel		3,246	
Other Contracted Services		35,425	
Other Supplies and Materials		16,086	
Other Charges		534	
Total Special Education Program			\$ 107,583

Vocational Education Program

Travel	\$	1,789	
Other Equipment		2,570	
Total Vocational Education Program			4,359

Transportation

Transportation Equipment	\$	179,999	
Total Transportation			179,999

Operation of Non-Instructional Services

Community Services

Other Salaries and Wages	\$	336,497	
Social Security		19,334	
State Retirement		23,230	
Life Insurance		51	
Medical Insurance		1,935	
Dental Insurance		38	
Unemployment Compensation		1,073	
Employer Medicare		4,813	
Travel		4,938	
Other Supplies and Materials		59,786	
Other Charges		10,844	
Total Community Services			462,539

Total School Federal Projects Fund \$ 4,573,426

Central Cafeteria Fund

Support Services

Fiscal Services

Contributions	\$	15,000	
Total Fiscal Services			\$ 15,000

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	58,383	
Accountants/Bookkeepers		49,550	
Cafeteria Personnel		1,009,188	
Other Salaries and Wages		8,930	
Social Security		66,999	

(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.)

State Retirement	\$	58,675	
Life Insurance		184	
Medical Insurance		9,780	
Dental Insurance		189	
Unemployment Compensation		7,589	
Employer Medicare		15,932	
Communication		9,201	
Maintenance and Repair Services - Equipment		37,974	
Travel		12,753	
Other Contracted Services		13,832	
Food Preparation Supplies		112,254	
Food Supplies		1,237,985	
Office Supplies		7,838	
Uniforms		7,061	
USDA - Commodities		144,542	
Other Supplies and Materials		13,865	
In Service/Staff Development		3,286	
Other Charges		8,111	
Food Service Equipment		22,550	
Total Food Service			\$ 2,916,651

Total Central Cafeteria Fund \$ 2,931,651

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Building Improvements	\$	13,400	
Total Education Capital Projects			\$ 13,400

Total Education Capital Projects Fund 13,400

Total Governmental Funds - Claiborne County School Department \$ 43,701,974

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, 2013

	Cities - Sales Tax Fund
<hr/>	
<u>Cash Receipts</u>	
Local Option Sales Tax	\$ 1,687,846
Total Cash Receipts	<u>\$ 1,687,846</u>
 <u>Cash Disbursements</u>	
Remittance of Revenues Collected	\$ 1,670,968
Trustee's Commission	16,878
Total Cash Disbursements	<u>\$ 1,687,846</u>
 Excess of Cash Receipts Over (Under) Cash Disbursements	 \$ 0
Cash Balance, July 1, 2012	<u>0</u>
 Cash Balance, June 30, 2013	 <u><u>\$ 0</u></u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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**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***

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise Claiborne County's basic financial statements, and have issued our report thereon dated January 21, 2014. Our report on the governmental activities was qualified due to the omission of liabilities and expenses associated with the primary government's other postemployment benefits program. Our report includes a reference to other auditors who audited the financial statements of the Claiborne County Industrial Development Board, the Claiborne County Hospital and Nursing Home, and the Claiborne County Emergency Communications District, as described in our report on Claiborne County's financial statements. This report does not include the results of the other auditors testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Claiborne County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Claiborne County's internal control.

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 a 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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be a significant deficiency: 2013-006.

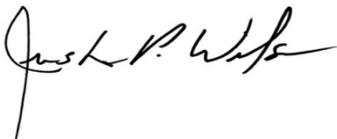
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Claiborne County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described in the accompanying Schedule of Findings and Questioned Costs as items: 2013-001, 2013-002, 2013-003, 2013-004, and 2013-005.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Claiborne County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 21, 2014

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Mayor and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Claiborne County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Claiborne County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Claiborne County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Claiborne County's compliance.

Opinion on Each Major Federal Program

In our opinion, Claiborne County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Claiborne County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Claiborne County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

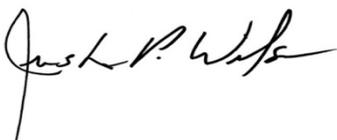
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise Claiborne County's basic financial statements. We issued our report thereon dated January 21, 2014. Our report on the governmental activities was qualified due to the omission of liabilities and expenses associated with the primary government's other postemployment benefits program. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 21, 2014

JPW/sb

Claiborne County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Fiscal Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 144,542 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	441,292
National School Lunch Program	10.555	N/A	1,318,912 (3)
Summer Food Service Program for Children	10.559	N/A	24,681
Total U.S. Department of Agriculture			<u>\$ 1,929,427</u>
Bureau of Land Management, Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 14,761
Total Bureau of Land Management, Department of Interior			<u>\$ 14,761</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,867,546
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,434,266
Special Education - Preschool Grants	84.173	N/A	38,021
Safe and Drug-free Schools and Communities National Programs	84.184	N/A	12,233
Career and Technical Education - Basic Grants to States	84.048	N/A	89,446
Twenty-first Century Community Learning Centers	84.287	(2)	403,110
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	N/A	60,174
Rural Education	84.358	N/A	81,414
Improving Teacher Quality State Grants	84.367	N/A	323,411
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	N/A	311,887
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	112,620
Total U.S. Department of Education			<u>\$ 4,734,128</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
Disaster Grants - Public Assistance	97.036	(2)	\$ 212,212
Homeland Security Grant Program	97.067	(2)	101,140
Total U.S. Department of Homeland Security			<u>\$ 313,352</u>
Total Expenditures of Federal Awards			<u>\$ 6,991,668</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Lottery for Education: Preschool - State Department of Education	N/A	(2)	\$ 810,087
Lottery for Education: After School Programs - State Department of Education	N/A	(2)	166,919
Litter Grant - State Department of Transportation	N/A	(2)	61,286
Driver's Education - State Department of Education	N/A	(2)	2,982
Child Care Assistance - State Department of Human Services	N/A	(2)	41,855
Family Resource Centers - State Department of Education	N/A	(2)	29,601
Safe Schools Act - State Department of Education	N/A	(2)	22,250
Coordinated School Health Program	N/A	(2)	94,898
Health Department Grants - State Department of Health Services	N/A	(2)	<u>190,864</u>
 Total State Grants			 <u>\$ 1,420,742</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 \$1,463,454.

Claiborne County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Claiborne County, Tennessee, for the year ended June 30, 2012, which have not been corrected.

OFFICES OF COUNTY MAYOR AND FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.01	159	Accrued leave balances exceeded the maximum leave provided by the county's personnel policy

OFFICES OF COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER OF DEEDS; AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.03	160	Duties were not segregated adequately

CLAIBORNE COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the governmental activities is qualified. Our report on the aggregate discretely presented component units, each major fund and the aggregate remaining fund information is unmodified.
2. The audit of the financial statements of Claiborne County disclosed a 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 unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, National School Lunch Program, and Summer Food Service Program for Children (CFDA Nos. 10.553, 10.555, and 10.559); Title I Grants to Local Educational Agencies (CFDA No. 84.010); and State Fiscal Stabilization Fund (SFSF) – Race-to-the-Top Incentive Grants, Recovery Act (CFDA No. 84.395) 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.

OFFICES OF COUNTY MAYOR, SHERIFF, AND FINANCE DIRECTOR

FINDING 2013-001 **ACCRUED LEAVE BALANCES EXCEEDED THE MAXIMUM BALANCE PROVIDED BY THE COUNTY'S PERSONNEL POLICY**
(Noncompliance Under *Government Auditing Standards*)

We noted that several employees in the Offices of County Mayor and Sheriff had accrued compensatory and vacation leave balances exceeding the maximum balance provided by the county's personnel policy. The county's personnel policy for compensatory leave provides, "The maximum hours that an employee may accrue is 100 hours at the discretion of the county official or department head. Any employee reaching this maximum shall not work any additional overtime until the employee's compensatory time falls below the maximum." The county's personnel policy for vacation leave provides, "Vacation time may be accumulated and carried forward to the next year in an amount not to exceed five days. Any days exceeding the five-day limit will be lost if not used prior to the end of the current employment year." These deficiencies can be attributed to the failure of management to adequately monitor employees' leave balances and management's failure to correct the deficiencies reported in prior-year audit reports. Allowing employees to accrue excess leave balances may result in excess employee compensation.

RECOMMENDATION

Management should monitor employees' leave balances to ensure compliance with the county's personnel policy.

OFFICE OF FINANCE DIRECTOR

FINDING 2013-002 **THE COUNTY FAILED TO COMPLY WITH STATE STATUTES WHEN ENTERING INTO SEVERAL LEASE-PURCHASE AGREEMENTS.**
(Noncompliance Under *Government Auditing Standards*)

We noted the following deficiencies with lease-purchase agreements:

- A. On February 19, 2013, the office entered into a three-year lease-purchase agreement without prior approval of the County Commission for highway equipment totaling \$244,665. Section 7-51-904, *Tennessee Code Annotated (TCA)*, requires lease-purchase agreements to be approved by the County Commission.

- B. The office did not file a Report on Debt Obligation with the state Comptroller's Office for three lease-purchase agreements. The county entered into two lease-purchase agreements on September 25, 2012, and another agreement on February 19, 2013. Section 9-21-151, *TCA*, requires that within 45 days following the issuance of debt, a county must provide to the state Comptroller's Office certain information, such as a description of the purchase for which the debt is issued, a description of the debt obligation, and an itemized description of the cost of issuance. This deficiency was the result of a lack of management oversight.

- C. The office did not solicit competitive bids for equipment purchased through lease-purchase agreements. During the year, the office purchased highway equipment including two graders (\$235,295 and \$244,665) and a backhoe (\$97,848). Officials advised that purchases were made through the National Joint Powers Alliance, a national purchasing cooperative. However, we consider the alliance purchase price to be the equivalent of a bid. Section 5-21-120, *TCA*, requires competitive bids through newspaper advertisement to be solicited on all purchases exceeding \$10,000. It should be noted that after these purchases were made the state law was changed to permit purchases from national purchasing alliances without soliciting bids.

RECOMMENDATION

The County Commission should approve all lease-purchase agreements. The office should file a Report on Debt Obligation with the state Comptroller's Office for each debt issuance. Purchases exceeding \$10,000 should be competitively bid as required by state statute.

FINDING 2013-003

THE PURCHASE OF HIGHWAY DEPARTMENT EQUIPMENT AND SCHOOL BUSES USING MONIES FROM THE GENERAL FUND IS OF QUESTIONABLE LEGALITY

(Noncompliance Under *Government Auditing Standards*)

The County Commission approved a resolution to shift the tax revenues and related expenditures from the newly created General Capital Projects Fund to the General Fund due to cash flow issues in the General Capital Projects Fund. This resulted in comingling tax levies for capital purposes with tax levies and other revenues, which are restricted or committed for General Fund purposes. Consequently, highway and school capital expenditures were paid from the General Fund as discussed below:

- A. Expenditures for Highway Department purchases from the General Fund include \$99,152 for four trucks, \$9,100 for a trailer, \$64,489 lease-purchase principal and interest requirements, and various other small pieces of equipment. Opinion No. 80-13 issued by the Tennessee Attorney General's Office states "...the law requires that each fund be kept separate and used for

the purpose for which it was collected.” Therefore, we question the legality of using General Fund monies to pay for Highway Department expenditures.

- B. During the year, the county expended \$155,688 from the General Fund to pay for two school buses. Opinion No. 92-03 issued by the Tennessee Attorney General’s Office states “...a county legislative body cannot lawfully divert revenues collected for general county purposes, or other non-education purposes, and apply those moneys to education purposes.” Therefore, we question the legality of using General Fund monies to pay for school buses for the School Department.

RECOMMENDATION

County officials should take immediate action to change the funding procedures and allocate the costs to the appropriate funds. General Fund monies should not be used to pay School or Highway Department expenditures.

FINDING 2013-004

THE TRANSFER OF \$125,000 FROM THE GENERAL FUND TO THE SOLID WASTE/SANITATION FUND IS OF QUESTIONABLE LEGALITY

(Noncompliance Under *Government Auditing Standards*)

The County Commission approved a transfer of \$125,000 from the General Fund to the Solid Waste/Sanitation Fund. This transfer was to provide funds for studies and site preparation to reopen the county owned landfill. Opinion No. 80-13 issued by the Tennessee Attorney General’s Office states “...the law requires that each fund be kept separate and used for the purpose for which it was collected.” Therefore, we question the legality of using General Fund monies to pay for solid waste/sanitation expenditures because both funds are funded by property taxes.

RECOMMENDATION

The county should appropriate and pay solid waste expenditures from the Solid Waste/Sanitation Fund.

FINDING 2013-005

GOVERNMENT-WIDE FINANCIAL STATEMENTS DO NOT INCLUDE OTHER POSTEMPLOYMENT BENEFITS AS REQUIRED BY GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

(Noncompliance Under *Government Auditing Standards*)

The Claiborne County Commission approved a resolution to authorize county employees to continue insurance coverage after retirement provided the employee has 30 consecutive years employment with the county until Medicare coverage begins and with the premium paid by the retired county employee. Claiborne County did not obtain an actuarial

valuation to determine the data necessary for the measurement and recognition of other postemployment benefits (OPEB). This data is necessary for the preparation of government-wide financial statements and note disclosures as required by Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. Statement No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information. This deficiency exists because management failed to comply with requirements. The effects on the government-wide financial statements and note disclosures are not determinable since the actuarial valuation has not been performed. Because of this omission, we have qualified our opinion on the governmental activities opinion unit.

RECOMMENDATION

Claiborne County should present government-wide financial statements and note disclosures in conformity with generally accepted accounting principles. The county should contract for a biennial actuarial valuation of the plan and provide the necessary information for the measurement, recognition, and display of OPEB.

OFFICES OF COUNTY CLERK; CIRCUIT, GENERAL SESSIONS, AND JUVENILE COURTS CLERK; CLERK AND MASTER; REGISTER OF DEEDS; AND SHERIFF

FINDING 2013-006

DUTIES WERE NOT SEGREGATED ADEQUATELY

(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 of Deeds; 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.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

BEST PRACTICE

CLAIBORNE COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

During the year examined, the Claiborne County Commission voted to create an Audit Committee. However, the resolution creating the duties and responsibilities of the Audit Committee was not submitted to the state Comptroller's Office prior to adoption by the County Commission. Sound business practices dictate that properly establishing an Audit Committee would significantly improve management oversight and accountability. The Division of Local Government 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 being responsible for monitoring management's plans to address various risks.

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

There were no findings and questioned costs for federal awards.

**CLAIBORNE COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013**

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