

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2005

**Comptroller of the Treasury
Department of Audit
Division of County Audit
Nashville, Tennessee**

ANNUAL FINANCIAL REPORT
COCKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

BRAD BURKE, CPA, CIA
PHILIP TOBY
DOUG SANDIDGE, CISA
State Auditors

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

COCKE COUNTY, TENNESSEE

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Audit Highlights

Annual Financial Report
Cocke County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, as of and for the year ended June 30, 2005.

Results

Our report on Cocke County's financial statements expresses an adverse opinion because government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34.

Our audit resulted in seven findings and recommendations, which we have reviewed with management. Detailed findings, recommendations, and management's responses are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

COCKE COUNTY

- ◆ Government-wide financial statements were not presented in accordance with generally accepted accounting principles, resulting in an adverse opinion.

OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGET

- ◆ The county had not appointed a purchasing agent, established a purchasing commission, or developed purchasing procedures to cover all funds administered by the county mayor and road superintendent as required by the County Purchasing Law of 1957.
-

OFFICE OF ROAD SUPERINTENDENT

- ◆ The office did not reconcile fuel tickets with the amount of fuel used and did not maintain documentation of the receipt, usage, and storage of consumable assets, such as tires and repair parts. Also, maintenance and repair records were not maintained for Highway Department vehicles and highway equipment.
-

OFFICE OF SHERIFF

- ◆ The required forms and reports were not maintained for the administration of drug control funds.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of General Sessions Courts Clerk, Juvenile Court Clerk, Register, and Sheriff.
- ◆ Audited financial statements were not obtained for the Recreation Department for the year ended June 30, 2005.
- ◆ The independent audit of the Recreation Department for the years ended June 30, 2003, and 2004, reported several internal control weaknesses.

INTRODUCTORY SECTION

Cocke County Officials
June 30, 2005

Officials:

Iloff McMahan, Jr., County Mayor
John Holloway, Road Superintendent
Alfred Hogan, Trustee
Margaret Sorrell, Assessor of Property
Janice Butler, County Clerk
Peggy Lane, Circuit Court Clerk
Frankie Cody, General Sessions Court Clerk
Craig Wild, Clerk and Master
Linda Benson, Register
David C. Ramsey, Sheriff
Anne B. Williams, Director of Accounts and Budget

Board of County Commissioners:

Donald E. Holt, Chairperson	Jimmy Lindsey
Bill Costner, Vice Chairperson	Scott McClure
Jerry Ford	Clayton Presnell
Henry Gregory	Danny Shelton
Wendell Holt	Tom Sutton
Phil D. Killion	David D. Taylor
Fred L. Lee	Bill Williamson

Finance Committee:

Bill Costner, Chairperson	Phil D. Killion
Jerry Ford	Clayton Presnell
Henry Gregory	Tom Sutton
Wendell Holt	

Highway Commission:

Clifford Large, Chairperson	Kenneth Hall
Alton Cureton, Vice Chairperson	Ralph Roberts
Ronald Blazer	Willard Taylor
Danny Fish	

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

October 26, 2005

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, as of and for the year ended June 30, 2005, as shown on pages 11 through 35, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Cocke County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements

for the county's governmental activities and discretely presented component units are not reasonably determinable.

As described in Note I, Cocke County, Tennessee, has prepared its financial statements on a prescribed basis of accounting that demonstrates compliance with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. These standards require county governments that do not present government-wide financial statements to present fund financial statements in conformity with all the accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements. These standards also require some additional disclosures to be included in the notes to the financial statements, as described in Note I.

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Cocke County, Tennessee, as of June 30, 2005, or the changes in its financial position for the year then ended.

The financial statements of the Other Special Revenue Fund (the Recreation Department, a nonmajor special revenue fund), had not been made available by other auditors as of the date of this report. Accordingly the aggregate remaining fund information of Cocke County, Tennessee, referred to above does not include the financial statements of the Other Special Revenue Fund, which should be included to conform with accounting principles generally accepted in the United States of America and the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee. The effects on the financial statements are not reasonably determinable.

However, in our opinion, except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2005, on our consideration of Cocke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note IV.B., Cocke County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

The budgetary comparison information on pages 39 through 45 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Cocke 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, miscellaneous schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Cocke County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 152,103	\$ 152,103
Equity in Pooled Cash and Investments	1,766,890	679,051	5,207,420	666,188	8,319,549
Investments	0	0	0	452,809	452,809
Accounts Receivable	69,248	212,754	0	26,287	308,289
Due from Other Governments	103,564	428,534	173,485	0	705,583
Due from Other Funds	789	0	0	16,093	16,882
Property Taxes Receivable	5,724,638	609,946	963,013	0	7,297,597
Allowance for Uncollectible Property Taxes	(190,315)	(20,221)	(30,332)	0	(240,868)
Total Assets	<u>\$ 7,474,814</u>	<u>\$ 1,910,064</u>	<u>\$ 6,313,586</u>	<u>\$ 1,313,480</u>	<u>\$ 17,011,944</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 104,236	\$ 266,712	\$ 2,500	\$ 261,637	\$ 635,085
Payroll Deductions Payable	16,265	3,472	0	1,030	20,767
Claims and Judgements Payable	15,000	0	0	0	15,000
Due to Other Funds	15,943	150	0	789	16,882
Due to State of Tennessee	380	0	0	0	380
Deferred Revenue - Current Property Taxes	5,323,500	567,395	901,156	0	6,792,051
Deferred Revenue - Delinquent Property Taxes	186,011	19,702	27,815	0	233,528
Other Deferred Revenues	34,500	166,000	84,000	0	284,500
Total Liabilities	<u>\$ 5,695,835</u>	<u>\$ 1,023,431</u>	<u>\$ 1,015,471</u>	<u>\$ 263,456</u>	<u>\$ 7,998,193</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 461,189	\$ 0	\$ 3,000	\$ 464,189
Reserved for Alcohol and Drug Treatment	51,272	0	0	0	51,272
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	177,920	0	0	0	177,920
Reserved for Sexual Offender Registration	1,080	0	0	0	1,080
Reserved for Automation Purposes - Circuit Court	1,032	0	0	0	1,032
Reserved for Automation Purposes - General Sessions Court	19,472	0	0	0	19,472
Reserved for Automation Purposes - Juvenile Court	1,407	0	0	0	1,407
Reserved for Automation Purposes - Chancery Court	1,072	0	0	0	1,072
Reserved for Capital Outlay	43,792	0	0	579,933	623,725
Unreserved, Reported In:					
General Fund	1,481,932	0	0	0	1,481,932
Special Revenue Funds	0	425,444	0	450,270	875,714
Debt Service Funds	0	0	5,298,115	16,821	5,314,936
Total Fund Balances	<u>\$ 1,778,979</u>	<u>\$ 886,633</u>	<u>\$ 5,298,115</u>	<u>\$ 1,050,024</u>	<u>\$ 9,013,751</u>
Total Liabilities and Fund Balances	<u>\$ 7,474,814</u>	<u>\$ 1,910,064</u>	<u>\$ 6,313,586</u>	<u>\$ 1,313,480</u>	<u>\$ 17,011,944</u>

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

Exhibit B

Cocke County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 6,720,177	\$ 614,913	\$ 1,869,292	\$ 0	\$ 9,204,382
Licenses and Permits	73,886	0	0	0	73,886
Fines, Forfeitures and Penalties	189,140	0	0	18,753	207,893
Charges for Current Services	322,265	0	0	516,321	838,586
Other Local Revenues	61,480	48,803	134,489	32,238	277,010
Fees Received from County Officials	871,177	0	0	0	871,177
State of Tennessee	962,722	2,120,525	34,880	15,574	3,133,701
Federal Government	201,170	166,990	0	125,306	493,466
Other Governments and Citizens Groups	56,139	0	0	296,603	352,742
Total Revenues	\$ 9,458,156	\$ 2,951,231	\$ 2,038,661	\$ 1,004,795	\$ 15,452,843
<u>Expenditures</u>					
Current:					
General Government	\$ 832,762	\$ 0	\$ 0	\$ 0	\$ 832,762
Finance	465,546	0	0	406,823	872,369
Administration of Justice	925,546	0	0	11,991	937,537
Public Safety	3,870,898	0	0	25,385	3,896,283
Public Health and Welfare	296,476	0	0	1,140,251	1,436,727
Social, Cultural, and Recreational Services	217,533	0	0	0	217,533
Agricultural and Natural Resources	59,763	0	0	0	59,763
Other Operations	1,007,093	0	0	0	1,007,093
Highways	77,353	3,219,137	0	288,521	3,585,011
Debt Service:					
Principal	0	0	914,660	185,000	1,099,660
Interest	0	0	885,440	111,602	997,042
Other Debt Service	0	0	32,651	0	32,651
Capital Projects	0	0	0	1,559,053	1,559,053
Total Expenditures	\$ 7,752,970	\$ 3,219,137	\$ 1,832,751	\$ 3,728,626	\$ 16,533,484
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 1,705,186	\$ (267,906)	\$ 205,910	\$ (2,723,831)	\$ (1,080,641)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 484,750	\$ 0	\$ 1,401,137	\$ 1,885,887
Transfers In	0	0	0	1,035,943	1,035,943
Transfers Out	(1,035,943)	0	0	0	(1,035,943)
Total Other Financing Sources (Uses)	\$ (1,035,943)	\$ 484,750	\$ 0	\$ 2,437,080	\$ 1,885,887
Net Change in Fund Balances					
Fund Balance, July 1, 2004	\$ 1,109,736	\$ 669,789	\$ 5,092,205	\$ 1,336,775	\$ 8,208,505
Fund Balance, June 30, 2005	\$ 1,778,979	\$ 886,633	\$ 5,298,115	\$ 1,050,024	\$ 9,013,751

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

Exhibit C

Cocke County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,231,708
Accounts Receivable	2,451
Due from Other Governments	537,303
Property Taxes Receivable	375,726
Allowance for Uncollectible Property Taxes	(12,456)
Cash Shortage	<u>45,815</u>
Total Assets	<u>\$ 2,180,547</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 900,573
Due to Litigants, Heirs, and Others	<u>1,279,974</u>
Total Liabilities	<u>\$ 2,180,547</u>

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

COCKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cocke County's financial statements are not presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

Cocke County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and the discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement 34 and accounting principles generally accepted in the United States of America. Cocke County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Cocke County's auditor to issue an adverse opinion on the county's financial statements.

Although Cocke County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

The following are the more significant accounting policies of Cocke County:

A. Reporting Entity

Cocke County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Cocke County (the primary government). Although required by GAAP, the financial statements of the Cocke County Recreation Department, a special revenue fund, were not available from other auditors in time for inclusion in this report.

Blended Component Units – There are no legally separate component units of Cocke County that meet the criteria for being reported as part of the primary government by the blending method.

Excluded Component Units – The following entities meet the criteria for discretely presented component units of the county. Since Cocke County is presenting fund financial statements only, the financial information of entities that meet the criteria for discretely presented component units is not included in the fund financial statements, as required by generally accepted accounting principles. These entities would have been presented as separate columns in those statements to emphasize that they are legally separate from the county.

The Cocke County School Department operates the public school system in the county, and the voters of Cocke County elect its board. The School Department is fiscally dependent on the county because it may not issue debt without county approval, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Cocke County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Cocke County, and the 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 Cocke County School Department and the Cocke County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. Cocke County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Cocke County Emergency Communications District can be obtained from its administrative office at 145 Mineral Street, Newport, TN 37821.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Fund financial statements of Cocke County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, Cocke County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cocke 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.

Highway/Public Works Fund – This fund accounts for transactions of the county’s Highway Department.

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Cocke County reports the following fund types:

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

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 Cocke County, and the city school system’s share of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county’s own legally issued bonds or notes; the State Treasurer’s Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all Cocke County and Cocke County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the debt service funds. In addition, investments are held separately by the Highway Capital Projects Fund. Cocke County and the Cocke County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

All outstanding balances between funds are reported as due to/from other funds.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.75 percent of total taxes levied.

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

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

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Cocke County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be

reported in the government-wide statement of net assets; however, as previously noted, Cocke County does not present government-wide statements.

4. Compensated Absences

Vacation leave benefits for employees paid through the governmental funds of Cocke County do not vest or accumulate and must be used within the year or lost. It is the Cocke County Road Department's policy to permit employees to accumulate an unlimited amount of earned but unused sick leave benefits, which will be paid to employees at the time of voluntary separation. For the remainder of Cocke County, the granting of sick leave has no guaranteed payment attached. A liability for sick leave pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

5. Long-term Obligations

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

The county has entered into an interest rate swap agreement to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements. See Note III.D. for details of the swap agreements.

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Cash Shortage

The Constitutional Officers – Agency Fund had an unpaid balance of \$45,815 at June 30, 2005, from a cash shortage that occurred in the 1996-97 year.

The audit of Cocke County for 1996-97 year reported details of a cash shortage of \$101,822 in the Office of Clerk and Master. The former clerk and master, Charles Chesteen, pled guilty to theft and conversion of office funds, and he was ordered to pay restitution to the Office of Clerk and Master totaling \$101,822. His surety bond company paid the office \$50,000 during a previous year, and as of June 30, 2005, Mr. Chesteen had paid \$6,007 toward liquidating the shortage. The remaining balance of \$45,815 continues to be reflected as a cash shortage in the financial statements of this report.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Cocke County and the Cocke County School Department participate in an internal cash and investment pool through the Office of Trustee. The Cocke County School Department meets the criteria for a discretely presented component unit of Cocke County. Since Cocke County is presenting fund financial statements only, the financial information for the Cocke County School Department is not included in these financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash and investments reflected in the fund financial statements represent nonpooled amounts held separately by individual funds.

Deposits

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

covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

Investment Balances. As of June 30, 2005, Cocke County had the following investments carried at fair value or cost. All investments are nonpooled.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
Nonmajor Governmental Funds:		
State Treasurer's Investment Pool	Daily	<u>\$452,809</u>
		<u><u>\$452,809</u></u>

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Cocke County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings

of certain investments as previously explained. Cocke County has no investment policy that would further limit its investment choices. As of June 30, 2005, Cocke County's investment in the State Treasurer's Investment Pool was unrated.

B. Construction Commitments

At June 30, 2005, the Highway Department had uncompleted construction contracts of \$79,017 for the construction of a bridge. Funding has been received for these future expenditures.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 789
Nonmajor governmental	General	15,943
Nonmajor governmental	Highway/Public Works	<u>150</u>
Total		<u>\$ 16,882</u>

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Funds
General Fund	<u>\$ 1,035,943</u>
Total	<u>\$ 1,035,943</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

D. Long-term Debt

Since Cocke County is presenting fund financial statements only, long-term debt is not reported as a liability in the financial statements of the governmental funds. Long-term debt for governmental funds is required to be reported as a liability in government-wide financial statements, but Cocke County is not presenting government-wide financial statements.

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for Cocke

County and the Cocke County School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes have also been issued to fund capital facilities and other capital outlay purchases, such as equipment for the Cocke County School Department.

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 19 years for notes, and up to 25 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, 2005, will be retired from the General Debt Service Fund and the Rural Debt Service Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2005, are as follows:

General Debt Service Fund:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds - Refunding	2 to 5 %	\$ 11,500,000	\$ 11,305,000
Capital Outlay Notes	0 to 4.5	4,296,000	799,771
Other Loans Payable - Fixed by Swap	3.825	5,025,000	5,025,000
Other Loans Payable	Variable	15,000,000	7,156,598

Rural Debt Service Fund:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3.95 to 5.05 %	\$ 4,000,000	\$ 170,000
General Obligation Bonds - Refunding	2 to 3.9	3,215,000	3,150,000

The discretely presented School Department is providing funding to Cocke County for the retirement of the rural school refunding bonds. During the year, the School Department contributed \$296,603 to Cocke County to be applied toward the retirement of those bonds and the related interest charges.

In prior years, Cocke County entered into loan agreements with the Sevier County Public Building Authority. These loan agreements provided for the authority to make \$10,000,000 and \$5,000,000 available for loan to Cocke County on an as-needed basis for the school building program, the retirement of capital outlay notes, and various renovation and construction projects. The loans are repayable at variable interest rates that are functions of the Bond Market Association Index with the rates changing daily or weekly. In addition, the county pays various other fees (liquidity, remarketing, administrative, etc.) in connection with the loans. A portion (\$5,025,000) of the \$10,000,000 loan was swapped to a synthetic fixed rate by execution of a swap agreement in a prior year. The following table summarizes the loan agreements outstanding, including the variable rates and other fees, as of June 30, 2005:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Other Fees on Variable Rate Debt
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Sevier County Public
Building Authority

	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Interest Type	Interest Rates as of 6-30-05	Other Fees on Variable Rate Debt
Series IV-E-2	\$ 5,025,000	\$ 5,025,000 (1)	Variable fixed by Swap	3.755%	0.5155%
Series IV-E-2	10,000,000	2,890,000	Variable	2.31	0.5155
Series V-B-3	5,000,000	<u>4,266,598 (2)</u>	Variable	2.3	0.462
Total		<u>\$ 12,181,598</u>			

(1) \$5,025,000 of the PBA Loan Series IV-E-2 was swapped to a synthetic fixed rate by execution of a swap agreement during the year ended June 30, 2004.

(2) \$583,402 remains available for future draws under this loan agreement at June 30, 2005.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2005, including interest payments, are presented in the following table. Estimated annual requirements for the loans payable are also reflected in the table. Amounts reflected for loans payable are based on the outstanding principal of \$12,181,598. Interest payments included in the table for the variable rate issues are computed based on the rates in effect at June 30, 2005.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2006	\$ 195,000	\$ 559,547	\$ 570,696	\$ 27,181
2007	760,000	551,737	96,967	4,570
2008	700,000	536,537	99,219	2,319
2009	800,000	521,337	21,926	0
2010	850,000	501,899	10,963	0
2011-2015	6,075,000	2,043,675	0	0
2016-2018	5,245,000	516,915	0	0
Total	<u>\$ 14,625,000</u>	<u>\$ 5,231,647</u>	<u>\$ 799,771</u>	<u>\$ 34,070</u>

Year Ending June 30	Other Loan (\$10,000,000) (1) (original amount)			
	Principal	Interest	Other Fees	Total
2006	\$ 300,000	\$ 66,759	\$ 14,898	\$ 381,657
2007	285,000	59,829	13,352	358,181
2008	355,000	53,246	11,882	420,128
2009	400,000	45,045	10,052	455,097
2010	400,000	35,805	7,990	443,795
2011-2015	1,050,000	74,497	16,625	1,141,122
2016	100,000	2,310	516	102,826
Total	<u>\$ 2,890,000</u>	<u>\$ 337,491</u>	<u>\$ 75,315</u>	<u>\$ 3,302,806</u>

(1) \$5,025,000 of the \$10,000,000 loan was swapped to a synthetic fixed rate by execution of a swap agreement in a prior year.

Year Ending June 30	Other Loan (swap agreement)			Total
	Principal	Interest	Other Fees	
2006	\$ 0	\$ 188,438	\$ 25,904	\$ 214,342
2007	0	188,438	25,904	214,342
2008	0	188,438	25,904	214,342
2009	0	188,438	25,904	214,342
2010	0	188,438	25,904	214,342
2011-2015	0	942,188	129,520	1,071,708
2016-2020	3,250,000	882,938	121,375	4,254,313
2021	1,775,000	66,563	9,153	1,850,716
Total	\$ 5,025,000	\$ 2,833,879	\$ 389,568	\$ 8,248,447

Year Ending June 30	Other Loan (\$5,000,000) (original amount)			Total
	Principal	Interest	Other Fees	
2006	\$ 75,000	\$ 111,550	\$ 22,409	\$ 208,959
2007	75,000	109,825	22,062	206,887
2008	100,000	108,100	21,716	229,816
2009	100,000	105,800	21,254	227,054
2010	100,000	103,500	20,792	224,292
2011-2015	375,000	480,125	96,451	951,576
2016-2020	0	462,875	92,984	555,859
2021-2025	925,000	462,875	92,984	1,480,859
2026-2028	2,516,598	145,475	29,223	2,691,296
Total	\$ 4,266,598	\$ 2,090,125	\$ 419,875	\$ 6,776,598

There is \$5,314,936 available in the debt service funds to service long-term debt. General bonded debt per capita amounted to \$463, based on the 2000 federal census for residents living outside the Newport School District and \$337, for residents living inside the Newport School District. Total debt per capita, including bonds, notes, and other loans, amounted to \$850, based on the 2000 federal census for residents living outside the Newport School District and \$724, for residents living inside the Newport School District.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, the authority at the request of the county, has entered into an interest rate swap agreement for a portion of the outstanding Local Government Improvement Bonds, Series IV-E-2.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series IV-E-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.825 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$5.025 million, and the associated variable-rate bond has a \$5.025 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-E-2 Bonds. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2021. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.825 %
Variable payment from counterparty	70% of LIBOR	<u>-2.33</u>
Net interest rate swap payments		1.495 %
Variable-rate bond interest payments		<u>2.26</u>
Synthetic interest rate on bonds		<u><u>3.755 %</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$415,782. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value, using the zero coupon method.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, who was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the rate paid to the counterparty of 3.825 percent and the synthetic rate of 3.755 percent as of

June 30, 2005. Also, as of June 30, 2005, the BMA rate was 2.26 percent whereas 70 percent of LIBOR was 2.33 percent.

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

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2006	\$ 0	\$ 113,565	\$ 74,873	\$ 188,438
2007	0	113,565	74,873	188,438
2008	0	113,565	74,873	188,438
2009	0	113,565	74,873	188,438
2010	0	113,565	74,873	188,438
2011-2015	0	567,825	374,363	942,188
2016-2020	3,250,000	532,117	350,821	4,132,938
2021-2025	1,775,000	40,115	26,448	1,841,563
Total	\$ 5,025,000	\$ 1,707,882	\$ 1,125,997	\$ 7,858,879

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2004	\$ 14,810,000	\$ 1,319,431
Deductions	(185,000)	(519,660)
Balance, June 30, 2005	<u>\$ 14,625,000</u>	<u>\$ 799,771</u>
Balance Due Within One Year	<u>\$ 195,000</u>	<u>\$ 570,696</u>

	<u>Other Loans</u>	<u>Compensated Absences</u>	<u>Landfill Closure/ Postclosure Care Costs</u>
Balance, July 1, 2004	\$ 10,690,711	\$ 176,359	\$ 622,610
Additions	1,885,887	30,985	65,175
Deductions	(395,000)	(35,272)	(8,155)
Balance, June 30, 2005	<u>\$ 12,181,598</u>	<u>\$ 172,072</u>	<u>\$ 679,630</u>
Balance Due Within One Year	<u>\$ 375,000</u>	<u>\$ 34,414</u>	<u>\$ 8,155</u>

Compensated absences payable will be paid from the employing fund, the Highway/Public Works Fund. Landfill closure/postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Defeasance of Prior Debt

In prior years, Cocke County defeased certain outstanding notes and general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the old notes and bonds. The trustee is empowered and required to pay all principal and interest on the defeased notes and bonds until the notes and bonds are called on June 1, 2006. Accordingly, the trust accounts and the defeased notes and bonds are not included in the county's financial statements. At June 30, 2005, the following outstanding notes and bonds are considered defeased:

	<u>Amount</u>
1998 School Building Projects - Note	\$ 1,700,000
1998 School Improvement - Bond	10,000,000
1998 Rural School - Bond	2,985,000

E. Short-term Debt

Cocke County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet operating payments

coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	\$ 0	\$ 1,000,000	\$ (1,000,000)	\$ 0

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, workers' compensation, and employee health and accident. The county has joined the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The county also participates in public entity risk pools for general liability, property and casualty, and general county workers' compensation (Tennessee School Boards Risk Management Trust) and Highway Workers' Compensation (Local Government Insurance Pool). These pools are to be self-sustaining through member premiums.

B. Accounting Change

During the year, Cocke County adopted provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Event

Subsequent to June 30, 2005, the county drew \$25,400 of other loan proceeds from the Sevier County Public Building Authority. These loan proceeds were used to purchase equipment for the Highway Department.

D. Contingent Liabilities

Cocke County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Acts (ADA). This lawsuit applies to all Cocke County facilities. Cocke County has completed renovations to the courthouse annex that contains an elevator. However, it is uncertain if this will bring the county into compliance with all ADA requirements. Therefore, a reasonable estimate or range of potential loss to the county resulting from this lawsuit cannot be made.

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

E. Change in Administration

On December 31, 2004, Delmar Williamson left the Office of Assessor of Property and was succeeded by Margaret Sorrell.

F. Landfill Closure/Postclosure Costs

State and federal laws and regulations require the county to place a final cover on its Old Asheville Road landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Cocke County has closed the landfill site and placed the final cover on the site. The county estimates that landfill postclosure care costs will be \$203,875 for the next 25 years for that site. Also, state and federal laws and regulations require the county to place a final cover on its demolition landfill and to perform certain maintenance and monitoring functions at the site for two years after closure. As of June 30, 2005, Cocke County expects to close the demolition landfill in 2009; therefore, the county estimates that closure/postclosure care costs will be \$475,755 for that site. These amounts are based on what it would cost to perform all postclosure care for the Old Asheville Road landfill and all closure/postclosure care for the demolition landfill in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between district attorney general of the Fourth Judicial District; Cocke, Grainger, Jefferson, and Sevier 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 a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Cocke County made no contributions to the DTF for the year ended June 30, 2005, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

District Attorney General's Office
4th Judicial District
125 Court Avenue Suite 301
Sevierville, TN 37862

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, Jefferson, Johnson, Sullivan, Washington, and Unicoi. The purpose of the authority is to establish and operate a market for agricultural products of the region through a food distribution center. The authority is governed by a Board of Directors consisting of the county mayor of each county or the county mayor's designee and one nonvoting member representing each of the following: Tennessee Department of Agriculture and the University of Tennessee's Agricultural Extension Service. The member counties do not have any ongoing financial interest or responsibility for the authority. An Executive Committee, consisting of the chairman, vice chairman, secretary, and treasurer of the Board of Directors, along with the center manager, as an ex-officio member, is in charge of daily operations of the center.

I. Retirement Commitments

Plan Description

Employees of Cocke 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 Cocke County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Cocke County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 10.54 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Cocke County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Cocke County's annual pension cost of \$877,000 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three 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 five-year period. Cocke 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, 2003, was 12 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$877,000	100%	\$0
6-30-04	770,470	100	0
6-30-03	732,183	100	0

Required Supplementary Information
Schedule of Funding Progress for Cocke County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-03	\$15,173	\$18,436	\$3,263	82.30%	\$7,849	41.57%
6-30-01	12,628	16,278	3,650	77.58	7,041	51.84
6-30-99	10,305	10,376	71	99.32	6,001	1.18

J. Office of Central Accounting, Budgeting, and Purchasing

Cocke County operates under the provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting, budgeting, and purchasing covering all funds administered by the county mayor and road superintendent. These funds are maintained in the Office of the Director of Accounts and Budget.

K. Purchasing Laws

Purchasing procedures for the Offices of County Mayor and Road Superintendent are conducted under provisions of Section 5-14-101, et seq., Tennessee Code Annotated (TCA). Purchasing procedures for the Office of Road Superintendent are also governed by provisions of the Uniform Road Law, Section 54-7-113, TCA. These statutes provide for a purchasing agent and require competitive bids on all purchases exceeding \$5,000, except for the Highway Department, where bids are required for all purchases exceeding \$10,000. Although Cocke County Commission adopted the provision of this purchasing act during October 2002, the county had not hired a purchasing agent to implement the requirements. As of the date of this report, these functions are performed by the director of accounts and budget.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Cocke County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 General Fund
 For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 6,720,177	\$ 0	\$ 6,720,177	\$ 6,614,339	\$ 6,614,339	\$ 105,838
Licenses and Permits	73,886	0	73,886	61,100	61,100	12,786
Fines, Forfeitures and Penalties	189,140	0	189,140	142,600	144,320	44,820
Charges for Current Services	322,265	0	322,265	237,600	237,600	84,665
Other Local Revenues	61,480	0	61,480	29,700	62,698	(1,218)
Fees Received from County Officials	871,177	0	871,177	834,500	834,500	36,677
State of Tennessee	962,722	0	962,722	849,532	852,220	110,502
Federal Government	201,170	0	201,170	212,974	268,475	(67,305)
Other Governments and Citizens Groups	56,139	0	56,139	40,000	41,300	14,839
Total Revenues	\$ 9,458,156	\$ 0	\$ 9,458,156	\$ 9,022,345	\$ 9,116,552	\$ 341,604
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 59,849	\$ 0	\$ 59,849	\$ 85,335	\$ 85,335	\$ 25,486
Board of Equalization	3,155	0	3,155	4,200	4,200	1,045
Beer Board	3,699	0	3,699	4,990	4,990	1,291
Other Boards and Committees	588	0	588	650	650	62
County Mayor	232,013	0	232,013	232,872	235,736	3,723
County Attorney	20,329	0	20,329	27,500	27,500	7,171
Election Commission	123,562	0	123,562	141,653	141,686	18,124
Register of Deeds	170,519	0	170,519	180,174	180,174	9,655
Development	10,500	0	10,500	10,500	10,500	0
County Buildings	119,950	0	119,950	128,000	128,000	8,050
Other General Administration	61,679	0	61,679	73,000	73,000	11,321
Preservation of Records	26,919	0	26,919	28,940	31,628	4,709
<u>Finance</u>						
Accounting and Budgeting	60,667	0	60,667	67,101	65,501	4,834

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
Property Assessor's Office	\$ 214,500	\$ 0	\$ 214,500	\$ 246,709	\$ 246,709	\$ 32,209
Reappraisal Program	2,579	0	2,579	15,723	15,723	13,144
County Trustee's Office	85,415	0	85,415	98,518	98,667	13,252
County Clerk's Office	102,385	0	102,385	106,769	106,769	4,384
<u>Administration of Justice</u>						
Circuit Court	308,983	0	308,983	327,352	328,019	19,036
General Sessions Court	321,948	0	321,948	343,089	343,089	21,141
Drug Court	1,719	0	1,719	0	1,720	1
Chancery Court	185,822	0	185,822	188,792	188,792	2,970
Juvenile Court	87,741	0	87,741	108,069	108,069	20,328
Judicial Commissioners	19,333	0	19,333	21,385	21,385	2,052
<u>Public Safety</u>						
Sheriff's Department	1,710,870	(5,000)	1,705,870	1,767,590	1,783,359	77,489
Special Patrols	96,496	0	96,496	96,680	96,680	184
Traffic Control	66,679	0	66,679	65,013	67,134	455
Jail	1,068,262	0	1,068,262	1,083,408	1,095,214	26,952
Juvenile Services	64,469	0	64,469	70,796	70,796	6,327
Work Release Program	38,648	0	38,648	44,202	44,202	5,554
Fire Prevention and Control	645,357	0	645,357	664,088	664,088	18,731
Civil Defense	133,869	0	133,869	192,724	192,895	59,026
Inspection and Regulation	4,943	0	4,943	5,100	5,100	157
County Coroner/Medical Examiner	41,305	0	41,305	44,325	44,325	3,020
<u>Public Health and Welfare</u>						
Local Health Center	258,730	0	258,730	327,022	327,022	68,292
Rabies and Animal Control	30,556	0	30,556	31,201	31,201	645
General Welfare Assistance	7,190	0	7,190	7,000	7,415	225

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural and Recreational Services</u>						
Senior Citizens Assistance	\$ 3,600	\$ 0	\$ 3,600	\$ 3,600	\$ 3,600	\$ 0
Libraries	47,739	0	47,739	47,739	47,739	0
Other Social, Cultural and Recreational	166,194	0	166,194	150,657	175,767	9,573
<u>Agriculture & Natural Resources</u>						
Agriculture Extension Service	47,540	0	47,540	56,414	56,414	8,874
Soil Conservation	12,223	0	12,223	12,500	12,500	277
<u>Other Operations</u>						
Tourism	68,744	(4,600)	64,144	64,361	65,669	1,525
Industrial Development	132,268	0	132,268	138,300	138,300	6,032
Housing and Urban Development	55,125	0	55,125	0	55,501	376
Veterans' Services	64,287	0	64,287	66,073	66,073	1,786
Other Charges	520,368	0	520,368	562,000	547,000	26,632
Contributions to Other Agencies	146,782	0	146,782	146,782	146,782	0
Employee Benefits	14,659	0	14,659	6,000	21,000	6,341
Miscellaneous	4,860	0	4,860	5,000	5,485	625
<u>Highways</u>						
Litter and Trash Collection	77,353	0	77,353	89,998	89,998	12,645
Total Expenditures	\$ 7,752,970	\$ (9,600)	\$ 7,743,370	\$ 8,189,894	\$ 8,309,101	\$ 565,731
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,705,186	\$ 9,600	\$ 1,714,786	\$ 832,451	\$ 807,451	\$ 907,335
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (1,035,943)	\$ 0	\$ (1,035,943)	\$ (1,103,724)	\$ (1,103,724)	\$ 67,781
Total Other Financing Sources (Uses)	\$ (1,035,943)	\$ 0	\$ (1,035,943)	\$ (1,103,724)	\$ (1,103,724)	\$ 67,781

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ 669,243	\$ 9,600	\$ 678,843	\$ (271,273)	\$ (296,273)	\$ 975,116
Fund Balance, July 1, 2004	1,109,736	(9,600)	1,100,136	1,089,149	1,089,149	10,987
Fund Balance, June 30, 2005	\$ 1,778,979	\$ 0	\$ 1,778,979	\$ 817,876	\$ 792,876	\$ 986,103

Exhibit D-2

Cocke County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Highway/Public Works Fund
 For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 614,913	\$ 0	\$ 0	\$ 614,913	\$ 604,726	\$ 604,726	\$ 10,187
Other Local Revenues	48,803	0	0	48,803	0	28,378	20,425
State of Tennessee	2,120,525	0	0	2,120,525	2,052,000	2,071,000	49,525
Federal Government	166,990	0	0	166,990	87,000	165,000	1,990
Total Revenues	\$ 2,951,231	\$ 0	\$ 0	\$ 2,951,231	\$ 2,743,726	\$ 2,869,104	\$ 82,127
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 200,786	\$ 0	\$ 0	\$ 200,786	\$ 215,157	\$ 215,157	\$ 14,371
Highway and Bridge Maintenance	1,606,743	(221,301)	432,365	1,817,807	1,672,894	1,909,241	91,434
Operation and Maintenance of Equipment	425,242	(2,800)	0	422,442	443,966	444,209	21,767
Quarry Operations	244,010	0	0	244,010	252,643	263,401	19,391
Other Charges	281,938	0	0	281,938	290,000	289,630	7,692
Employee Benefits	4,492	0	0	4,492	0	5,000	508
Capital Outlay	455,926	0	28,824	484,750	680,000	680,000	195,250
Total Expenditures	\$ 3,219,137	\$ (224,101)	\$ 461,189	\$ 3,456,225	\$ 3,554,660	\$ 3,806,638	\$ 350,413
Excess (Deficiency) of Revenues Over Expenditures	\$ (267,906)	\$ 224,101	\$ (461,189)	\$ (504,994)	\$ (810,934)	\$ (937,534)	\$ 432,540
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 680,000	\$ 0	\$ 0
Other Loans Issued	484,750	0	0	484,750	0	680,000	(195,250)
Total Other Financing Sources (Uses)	\$ 484,750	\$ 0	\$ 0	\$ 484,750	\$ 680,000	\$ 680,000	\$ (195,250)

(Continued)

Exhibit D-2

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 216,844	\$ 224,101	\$ (461,189)	\$ (20,244)	\$ (130,934)	\$ (257,534)	\$ 237,290
Fund Balance, July 1, 2004	669,789	(224,101)	0	445,688	394,966	394,966	50,722
Fund Balance, June 30, 2005	\$ 886,633	\$ 0	\$ (461,189)	\$ 425,444	\$ 264,032	\$ 137,432	\$ 288,012

COCKE COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

Budgetary Information

The county is required to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Other Boards and Committees, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the governing body may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions relating to the convenience centers’ operations.

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for expenditures related to industrial park 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.

Debt Service Fund

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs.

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the accumulation of resources for, and the payment of, rural school bonds.

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county and the issuance of public building authority loans on behalf of the School Department.

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for expenditures related to road repairs.

Exhibit E-1

Cocke County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitu - tional Officers - Fees		
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 145,592	\$	145,592
Equity in Pooled Cash and Investments	27,527	232,500	73,477	0		333,504
Investments	0	0	0	0		0
Accounts Receivable	26,193	0	0	94		26,287
Due from Other Funds	15,943	0	0	0		15,943
Total Assets	<u>\$ 69,663</u>	<u>\$ 232,500</u>	<u>\$ 73,477</u>	<u>\$ 145,686</u>	<u>\$</u>	<u>521,326</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 65,633	\$ 0	\$ 604	\$ 0	\$	66,237
Payroll Deductions Payable	1,030	0	0	0		1,030
Due to Other Funds	0	0	0	789		789
Total Liabilities	<u>\$ 66,663</u>	<u>\$ 0</u>	<u>\$ 604</u>	<u>\$ 789</u>	<u>\$</u>	<u>68,056</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 3,000	\$ 0	\$ 0	\$ 0	\$	3,000
Reserved for Capital Outlay	0	0	0	0		0
Unreserved	0	232,500	72,873	144,897		450,270
Total Fund Balances	<u>\$ 3,000</u>	<u>\$ 232,500</u>	<u>\$ 72,873</u>	<u>\$ 144,897</u>	<u>\$</u>	<u>453,270</u>
Total Liabilities and Fund Balances	<u>\$ 69,663</u>	<u>\$ 232,500</u>	<u>\$ 73,477</u>	<u>\$ 145,686</u>	<u>\$</u>	<u>521,326</u>

(Continued)

Exhibit E-1

Coke County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds (Cont.)

	Debt	Capital Projects Funds			Total Nonmajor Governmental Funds
	Service Fund	General Capital Projects	Highway Capital Projects	Total	
	Rural Debt Service	General Capital Projects	Highway Capital Projects	Total	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 6,511	\$ 6,511	\$ 152,103
Equity in Pooled Cash and Investments	16,821	98,020	217,843	315,863	666,188
Investments	0	0	452,809	452,809	452,809
Accounts Receivable	0	0	0	0	26,287
Due from Other Funds	0	0	150	150	16,093
Total Assets	\$ 16,821	\$ 98,020	\$ 677,313	\$ 775,333	\$ 1,313,480
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 25,400	\$ 170,000	\$ 195,400	\$ 261,637
Payroll Deductions Payable	0	0	0	0	1,030
Due to Other Funds	0	0	0	0	789
Total Liabilities	\$ 0	\$ 25,400	\$ 170,000	\$ 195,400	\$ 263,456
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,000
Reserved for Capital Outlay	0	72,620	507,313	579,933	579,933
Unreserved	16,821	0	0	0	467,091
Total Fund Balances	\$ 16,821	\$ 72,620	\$ 507,313	\$ 579,933	\$ 1,050,024
Total Liabilities and Fund Balances	\$ 16,821	\$ 98,020	\$ 677,313	\$ 775,333	\$ 1,313,480

Cocke County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				Total
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees	
Revenues					
Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 18,753	\$ 0	\$ 18,753
Charges for Current Services	41,039	0	0	475,282	516,321
Other Local Revenues	18,092	0	2,567	0	20,659
State of Tennessee	15,574	0	0	0	15,574
Federal Government	0	0	0	0	0
Other Governments and Citizens Groups	0	0	0	0	0
Total Revenues	\$ 74,705	\$ 0	\$ 21,320	\$ 475,282	\$ 571,307
Expenditures					
Current:					
Finance	\$ 0	\$ 0	\$ 0	\$ 406,823	\$ 406,823
Administration of Justice	0	0	0	11,991	11,991
Public Safety	0	0	25,385	0	25,385
Public Health and Welfare	1,140,251	0	0	0	1,140,251
Highways	0	0	0	0	0
Debt Service:					
Principal	0	0	0	0	0
Interest	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 1,140,251	\$ 0	\$ 25,385	\$ 418,814	\$ 1,584,450
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,065,546)	\$ 0	\$ (4,065)	\$ 56,468	\$ (1,013,143)
Other Financing Sources (Uses)					
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	1,035,943	0	0	0	1,035,943
Total Other Financing Sources (Uses)	\$ 1,035,943	\$ 0	\$ 0	\$ 0	\$ 1,035,943
Net Change in Fund Balances	\$ (29,603)	\$ 0	\$ (4,065)	\$ 56,468	\$ 22,800
Fund Balance, July 1, 2004	32,603	232,500	76,938	88,429	430,470
Fund Balance, June 30, 2005	\$ 3,000	\$ 232,500	\$ 72,873	\$ 144,897	\$ 453,270

(Continued)

Exhibit E-2

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

	Debt	Capital Projects Funds			Total Nonmajor Governmental Funds
	Service Fund	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Revenues</u>					
Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,753
Charges for Current Services	0	0	0	0	516,321
Other Local Revenues	3	0	11,576	11,576	32,238
State of Tennessee	0	0	0	0	15,574
Federal Government	0	125,306	0	125,306	125,306
Other Governments and Citizens Groups	296,603	0	0	0	296,603
Total Revenues	\$ 296,606	\$ 125,306	\$ 11,576	\$ 136,882	\$ 1,004,795
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 406,823
Administration of Justice	0	0	0	0	11,991
Public Safety	0	0	0	0	25,385
Public Health and Welfare	0	0	0	0	1,140,251
Highways	0	0	288,521	288,521	288,521
Debt Service:					
Principal	185,000	0	0	0	185,000
Interest	111,602	0	0	0	111,602
Capital Projects	0	468,163	1,090,890	1,559,053	1,559,053
Total Expenditures	\$ 296,602	\$ 468,163	\$ 1,379,411	\$ 1,847,574	\$ 3,728,626
Excess (Deficiency) of Revenues Over Expenditures	\$ 4	\$ (342,857)	\$ (1,367,835)	\$ (1,710,692)	\$ (2,723,831)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 392,972	\$ 1,008,165	\$ 1,401,137	\$ 1,401,137
Transfers In	0	0	0	0	1,035,943
Total Other Financing Sources (Uses)	\$ 0	\$ 392,972	\$ 1,008,165	\$ 1,401,137	\$ 2,437,080
Net Change in Fund Balances	\$ 4	\$ 50,115	\$ (359,670)	\$ (309,555)	\$ (286,751)
Fund Balance, July 1, 2004	16,817	22,505	866,983	889,488	1,336,775
Fund Balance, June 30, 2005	\$ 16,821	\$ 72,620	\$ 507,313	\$ 579,933	\$ 1,050,024

Exhibit E-3

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 41,039	\$ 0	\$ 41,039	\$ 70,000	\$ 70,000	\$ (28,961)
Other Local Revenues	18,092	0	18,092	7,000	7,115	10,977
State of Tennessee	15,574	0	15,574	25,000	25,000	(9,426)
Total Revenues	<u>\$ 74,705</u>	<u>\$ 0</u>	<u>\$ 74,705</u>	<u>\$ 102,000</u>	<u>\$ 102,115</u>	<u>\$ (27,410)</u>
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 379,522	\$ 3,000	\$ 382,522	\$ 427,321	\$ 426,336	\$ 43,814
Convenience Centers	760,729	0	760,729	780,900	782,000	21,271
Total Expenditures	<u>\$ 1,140,251</u>	<u>\$ 3,000</u>	<u>\$ 1,143,251</u>	<u>\$ 1,208,221</u>	<u>\$ 1,208,336</u>	<u>\$ 65,085</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,065,546)</u>	<u>\$ (3,000)</u>	<u>\$ (1,068,546)</u>	<u>\$ (1,106,221)</u>	<u>\$ (1,106,221)</u>	<u>\$ 37,675</u>
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 1,035,943	\$ 0	\$ 1,035,943	\$ 1,103,724	\$ 1,103,724	\$ (67,781)
Total Other Financing Sources (Uses)	<u>\$ 1,035,943</u>	<u>\$ 0</u>	<u>\$ 1,035,943</u>	<u>\$ 1,103,724</u>	<u>\$ 1,103,724</u>	<u>\$ (67,781)</u>
Net Change in Fund Balance	\$ (29,603)	\$ (3,000)	\$ (32,603)	\$ (2,497)	\$ (2,497)	\$ (30,106)
Fund Balance, July 1, 2004	32,603	0	32,603	2,497	2,497	30,106
Fund Balance, June 30, 2005	<u>\$ 3,000</u>	<u>\$ (3,000)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

Exhibit E-4

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures and Penalties	\$ 18,753	\$ 15,500	\$ 15,500	\$ 3,253
Other Local Revenues	2,567	2,500	4,940	(2,373)
Federal Government	0	500	500	(500)
Total Revenues	<u>\$ 21,320</u>	<u>\$ 18,500</u>	<u>\$ 20,940</u>	<u>\$ 380</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 6,780	\$ 19,600	\$ 19,600	\$ 12,820
Drug Enforcement	18,605	19,550	21,990	3,385
Total Expenditures	<u>\$ 25,385</u>	<u>\$ 39,150</u>	<u>\$ 41,590</u>	<u>\$ 16,205</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (4,065)</u>	<u>\$ (20,650)</u>	<u>\$ (20,650)</u>	<u>\$ 16,585</u>
Net Change in Fund Balance	\$ (4,065)	\$ (20,650)	\$ (20,650)	\$ 16,585
Fund Balance, July 1, 2004	<u>76,938</u>	<u>73,354</u>	<u>73,354</u>	<u>3,584</u>
Fund Balance, June 30, 2005	<u><u>\$ 72,873</u></u>	<u><u>\$ 52,704</u></u>	<u><u>\$ 52,704</u></u>	<u><u>\$ 20,169</u></u>

Exhibit E-5

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 3	\$ 1,000	\$ 1,000	\$ (997)
Other Governments and Citizens Groups	296,603	296,603	296,603	0
Total Revenues	\$ 296,606	\$ 297,603	\$ 297,603	\$ (997)
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 185,000	\$ 185,000	\$ 185,000	\$ 0
<u>Interest</u>				
Education	111,602	111,603	111,603	1
<u>Other Debt Service</u>				
Education	0	60	60	60
Total Expenditures	\$ 296,602	\$ 296,663	\$ 296,663	\$ 61
Excess (Deficiency) of Revenues Over Expenditures	\$ 4	\$ 940	\$ 940	\$ (936)
Net Change in Fund Balance	\$ 4	\$ 940	\$ 940	\$ (936)
Fund Balance, July 1, 2004	16,817	88,689	16,817	0
Fund Balance, June 30, 2005	\$ 16,821	\$ 89,629	\$ 17,757	\$ (936)

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,869,292	\$ 1,787,677	\$ 1,787,677	\$ 81,615
Other Local Revenues	134,489	100,000	100,000	34,489
State of Tennessee	34,880	42,000	42,000	(7,120)
Total Revenues	<u>\$ 2,038,661</u>	<u>\$ 1,929,677</u>	<u>\$ 1,929,677</u>	<u>\$ 108,984</u>
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 59,942	\$ 60,000	\$ 60,000	\$ 58
Highways and Streets	143,108	144,000	144,000	892
Education	711,610	712,000	712,000	390
<u>Interest</u>				
General Government	57,024	140,000	140,000	82,976
Highways and Streets	137,282	272,000	272,000	134,718
Education	691,134	799,000	799,000	107,866
<u>Other Debt Service</u>				
General Government	28,868	35,000	35,000	6,132
Education	3,783	5,000	5,000	1,217
Total Expenditures	<u>\$ 1,832,751</u>	<u>\$ 2,167,000</u>	<u>\$ 2,167,000</u>	<u>\$ 334,249</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 205,910</u>	<u>\$ (237,323)</u>	<u>\$ (237,323)</u>	<u>\$ 443,233</u>
Net Change in Fund Balance	\$ 205,910	\$ (237,323)	\$ (237,323)	\$ 443,233
Fund Balance, July 1, 2004	<u>5,092,205</u>	<u>5,678,259</u>	<u>5,092,205</u>	<u>0</u>
Fund Balance, June 30, 2005	<u>\$ 5,298,115</u>	<u>\$ 5,440,936</u>	<u>\$ 4,854,882</u>	<u>\$ 443,233</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 cities 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.

City School ADA - Newport Fund – The City Schools ADA - Newport Fund is used to account for the city school system's share of education revenues collected by the county which must be apportioned to the system on an average daily attendance basis. These collections are remitted to the city school system 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 court clerk, general sessions court clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit G-1

Cocke County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Newport	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,231,708	\$ 1,231,708
Accounts Receivable	0	0	2,451	2,451
Due from Other Governments	464,830	72,473	0	537,303
Property Taxes Receivable	0	375,726	0	375,726
Allowance for Uncollectible Property Taxes	0	(12,456)	0	(12,456)
Cash Shortage	0	0	45,815	45,815
Total Assets	\$ 464,830	\$ 435,743	\$ 1,279,974	\$ 2,180,547
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 464,830	\$ 435,743	\$ 0	\$ 900,573
Due to Litigants, Heirs, and Others	0	0	1,279,974	1,279,974
Total Liabilities	\$ 464,830	\$ 435,743	\$ 1,279,974	\$ 2,180,547

Exhibit G-2

Cocke County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,666,690	\$ 2,666,690	\$ 0
Due from Other Governments	447,828	464,830	447,828	464,830
Total Assets	\$ 447,828	\$ 3,131,520	\$ 3,114,518	\$ 464,830
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 447,828	\$ 3,131,520	\$ 3,114,518	\$ 464,830
Total Liabilities	\$ 447,828	\$ 3,131,520	\$ 3,114,518	\$ 464,830
<u>City - School ADA Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 788,725	\$ 788,725	\$ 0
Due from Other Governments	73,881	72,473	73,881	72,473
Taxes Receivable	384,155	375,726	384,155	375,726
Allowance for Uncollectible Taxes	(11,515)	(12,456)	(11,515)	(12,456)
Total Assets	\$ 446,521	\$ 1,224,468	\$ 1,235,246	\$ 435,743
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 446,521	\$ 1,224,468	\$ 1,235,246	\$ 435,743
Total Liabilities	\$ 446,521	\$ 1,224,468	\$ 1,235,246	\$ 435,743
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 927,388	\$ 6,398,315	\$ 6,093,995	\$ 1,231,708
Accounts Receivable	1,889	2,451	1,889	2,451
Cash Shortage	47,615	0	1,800	45,815
Total Assets	\$ 976,892	\$ 6,400,766	\$ 6,097,684	\$ 1,279,974
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 976,892	\$ 6,400,766	\$ 6,097,684	\$ 1,279,974
Total Liabilities	\$ 976,892	\$ 6,400,766	\$ 6,097,684	\$ 1,279,974

(Continued)

Exhibit G-2

Cocke 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>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,455,415	\$ 3,455,415	\$ 0
Cash	927,388	6,398,315	6,093,995	1,231,708
Accounts Receivable	1,889	2,451	1,889	2,451
Due from Other Governments	521,709	537,303	521,709	537,303
Taxes Receivable	384,155	375,726	384,155	375,726
Allowance for Uncollectible Taxes	(11,515)	(12,456)	(11,515)	(12,456)
Cash Shortage	47,615	0	1,800	45,815
Total Assets	<u>\$ 1,871,241</u>	<u>\$ 10,756,754</u>	<u>\$ 10,447,448</u>	<u>\$ 2,180,547</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 894,349	\$ 4,355,988	\$ 4,349,764	\$ 900,573
Due to Litigants, Heirs, and Others	976,892	6,400,766	6,097,684	1,279,974
Total Liabilities	<u>\$ 1,871,241</u>	<u>\$ 10,756,754</u>	<u>\$ 10,447,448</u>	<u>\$ 2,180,547</u>

MISCELLANEOUS SCHEDULES

Exhibit H-1

Cocke County, Tennessee
Schedule of Changes in Long-Term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
EPA Asbestos Abatement		0	% 5-1-1990	11-30-09	\$ 123,508	\$ 0	\$ 23,927	\$ 99,581
School Building Projects	\$ 3,800,000	3.95 to 4.5	4-24-1998	6-1-06	900,000	0	425,000	475,000
School Energy Conservation & Renovation	496,000	3	11-1-00	12-1-07	295,923	0	70,733	225,190
Total Notes Payable					<u>\$ 1,319,431</u>	<u>\$ 0</u>	<u>\$ 519,660</u>	<u>\$ 799,771</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Public Building Authority, Series IV-E-2	10,000,000	Variable	11-2-00	6-1-16	\$ 3,210,000	\$ 0	\$ 320,000	\$ 2,890,000
Public Building Authority, Series IV-E-2	(2)	3.755	11-2-00	6-1-21	5,025,000	0	0	5,025,000
Public Building Authority, Series V-B-3	(1)	Variable	6-4-03	6-1-28	2,455,711	1,885,887	75,000	4,266,598
Total Other Loans Payable					<u>\$ 10,690,711</u>	<u>\$ 1,885,887</u>	<u>\$ 395,000</u>	<u>\$ 12,181,598</u>
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 2004	11,500,000	2 to 5	3-23-04	6-1-18	\$ 11,305,000	\$ 0	\$ 0	\$ 11,305,000
Total Payable through General Debt Service Fund					<u>\$ 11,305,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,305,000</u>
<u>Payable through Rural Debt Service Fund</u>								
Rural School Bonds, Series 1998	4,000,000	3.95 to 5.05	4-24-1998	6-1-06	\$ 330,000	\$ 0	\$ 160,000	\$ 170,000
Rural School Refunding Bonds, Series 2004	3,215,000	2 to 3.9	3-23-04	6-1-18	3,175,000	0	25,000	3,150,000
Total Payable through Rural Debt Service Fund					<u>\$ 3,505,000</u>	<u>\$ 0</u>	<u>\$ 185,000</u>	<u>\$ 3,320,000</u>
Total Bonds Payable					<u>\$ 14,810,000</u>	<u>\$ 0</u>	<u>\$ 185,000</u>	<u>\$ 14,625,000</u>

(1) The total amount approved for draws under this loan agreement is \$5,000,000, of which \$4,416,598 has been drawn as of June 30, 2005.
(2) \$5,025,000 of the PBA Loan Series IV-E-2 was swapped to a synthetic fixed rate by execution of a swap agreement during a prior year.

Exhibit H-2

Cocke County, Tennessee
Schedule of Bond and Interest Requirements By Year

Year Ending June 30	<u>Payable through General Debt Service Fund</u>			<u>Payable through Rural Debt Service Fund</u>			All Requirements
	Bond Requirements	Interest Requirements	Total Requirements	Bond Requirements	Interest Requirements	Total Requirements	
2006	\$ 0	\$ 455,244	\$ 455,244	\$ 195,000	\$ 104,303	\$ 299,303	\$ 754,547
2007	545,000	455,244	1,000,244	215,000	96,493	311,493	1,311,737
2008	480,000	444,344	924,344	220,000	92,193	312,193	1,236,537
2009	575,000	433,544	1,008,544	225,000	87,793	312,793	1,321,337
2010	615,000	419,169	1,034,169	235,000	82,730	317,730	1,351,899
2011	730,000	400,719	1,130,719	240,000	76,855	316,855	1,447,574
2012	825,000	378,818	1,203,818	255,000	70,255	325,255	1,529,073
2013	915,000	354,068	1,269,068	260,000	62,605	322,605	1,591,673
2014	1,105,000	325,475	1,430,475	270,000	54,155	324,155	1,754,630
2015	1,195,000	275,750	1,470,750	280,000	44,975	324,975	1,795,725
2016	1,295,000	216,000	1,511,000	295,000	35,175	330,175	1,841,175
2017	1,470,000	151,250	1,621,250	310,000	24,260	334,260	1,955,510
2018	1,555,000	77,750	1,632,750	320,000	12,480	332,480	1,965,230
Total	\$ 11,305,000	\$ 4,387,375	\$ 15,692,375	\$ 3,320,000	\$ 844,272	\$ 4,164,272	\$ 19,856,647

Exhibit H-3

Cocke County, Tennessee
Schedule of Investments - All Funds
June 30, 2005

<u>Fund and Type</u>	<u>Amount</u>
<u>Highway Capital Projects Fund</u>	
State Treasurer's Investment Pool	<u>\$ 452,809</u>
Total Investments	<u><u>\$ 452,809</u></u>

Exhibit H-4

Cocke County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	To provide funds for operations	<u>\$ 1,035,943</u>
Total Transfers			<u><u>\$ 1,035,943</u></u>

Exhibit H-5

Cocke County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 60,023	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	57,165	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	51,969	964,000	"
Assessor of Property:				
Delmar Williamson (7-1-04 through 12-31-04)	Section 8-24-102, <u>TCA</u>	25,985	10,000	Old Republic Surety Company
Margaret Sorrell (1-1-05 through 6-30-05)	Section 8-24-102, <u>TCA</u>	25,984	10,000	RLI Insurance Company
Director of Accounts and Budget	County Commission	50,300	25,000	Ohio Casualty Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
General Sessions Court Clerk	Section 8-24-102, <u>TCA</u>	51,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	63,934 (1)	50,000	Old Republic Surety Company
Register	Section 8-24-102, <u>TCA</u>	51,969	25,000	Ohio Casualty Insurance Company
Sheriff	Section 8-24-102, <u>TCA</u>	57,684 (2)	25,000	"
County Employees' Blanket Bond			150,000	Tennessee School Boards Risk Management Trust
County Clerk Employees' Blanket Bond			40,000	Western Surety Company

(1) Includes special commissioner fees of \$11,965.

(2) Includes law enforcement salary supplement of \$519.

Exhibit H-6

Cocke County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,170,950	\$ 0	\$ 0	\$ 0	\$ 547,707
Trustee's Collections - Prior Year	79,152	0	0	0	13,675
Circuit/Clerk & Master Collections - Prior Years	71,966	0	0	0	7,840
Interest and Penalty	27,736	0	0	0	2,952
Pick-up Taxes	37	0	0	0	4
Payments in Lieu of Taxes - T.V.A.	3,575	0	0	0	379
Payments in Lieu of Taxes - Local Utilities	94,875	0	0	0	10,049
Payments in Lieu of Taxes - Other	48	0	0	0	5
<u>County Local Option Taxes</u>					
Local Option Sales Tax	341,831	0	0	0	0
Hotel/Motel Tax	180,745	0	0	0	0
Litigation Tax - General	44,995	0	0	0	0
Litigation Tax - Special Purpose	5,527	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	50,678	0	0	0	0
Business Tax	201,380	0	0	0	0
Mineral Severance Tax	0	0	0	0	28,177
Other County Local Option Taxes	54,499	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	38,946	0	0	0	4,125
Wholesale Beer Tax	352,845	0	0	0	0
Interstate Telecommunications Tax	392	0	0	0	0
Total Local Taxes	\$ 6,720,177	\$ 0	\$ 0	\$ 0	\$ 614,913
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,477	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	63,590	0	0	0	0
<u>Permits</u>					
Beer Permits	8,819	0	0	0	0
Total Licenses and Permits	\$ 73,886	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 4,009	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	4,505	0	0	0	0
Drug Control Fines	1,984	0	0	0	0
Jail Fees	3,400	0	0	0	0
DUI Treatment Fines	768	0	0	0	0
Data Entry Fee - Circuit Court	174	0	0	0	0
<u>General Sessions Court</u>					
Fines	34,253	0	0	0	0
Officers Costs	42,115	0	0	0	0
Drug Control Fines	0	0	18,060	0	0
Drug Court Fees	3,943	0	0	0	0
Jail Fees	70,308	0	0	0	0
DUI Treatment Fines	4,205	0	0	0	0
Data Entry Fee - General Sessions Court	7,418	0	0	0	0
<u>Juvenile Court</u>					
Fines	1,397	0	0	0	0
Officers Costs	5,107	0	0	0	0
Drug Control Fines	2,375	0	0	0	0
Data Entry Fee - Juvenile Court	677	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	694	0	0	0	0
Data Entry Fee - Chancery Court	444	0	0	0	0
<u>Other Courts - In-county</u>					
Fines for Littering	1,364	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	693	0	0
Total Fines, Forfeitures and Penalties	\$ 189,140	\$ 0	\$ 18,753	\$ 0	\$ 0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 41,039	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	52,425	0	0	0	0

(Continued)

Exhibit H-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>					
<u>General Service Charges (Cont.)</u>					
Other General Service Charges	\$ 38,376	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees</u>					
Recreation Fees	191,623	0	0	0	0
Copy Fees	2,065	0	0	0	0
Telephone Commissions	17,639	0	0	0	0
Vending Machine Collections	545	0	0	0	0
Tourism Fees	5,000	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	463,317	0
Special Commissioner Fees/Special Master Fees	0	0	0	11,965	0
Data Processing Fee - Register	13,442	0	0	0	0
Sexual Offender Registration Fee	1,080	0	0	0	0
<u>Other Charges for Services</u>					
Other Charges for Services	70	0	0	0	0
Total Charges for Current Services	\$ 322,265	\$ 41,039	\$ 0	\$ 475,282	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	7,325	0	0	0	0
Sale of Materials and Supplies	298	17,977	0	0	0
Commissary Sales	9,849	0	0	0	0
Retirees' Insurance Payments	0	0	0	0	50
Miscellaneous Refunds	17,517	115	2,567	0	31,253
<u>Nonrecurring Items</u>					
Insurance Recovery	17,890	0	0	0	17,500
Sale of Equipment	2,581	0	0	0	0
Damages Recovered from Individuals	20	0	0	0	0
<u>Other Local Revenues</u>					
Other Local Revenues	6,000	0	0	0	0
Total Other Local Revenues	\$ 61,480	\$ 18,092	\$ 2,567	\$ 0	\$ 48,803

(Continued)

Exhibit H-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 91,977	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	206,190	0	0	0	0
<u>Fees In Lieu of Salary</u>					
Circuit Court Clerk	129,503	0	0	0	0
General Sessions Court Clerk	216,056	0	0	0	0
Clerk and Master	29,657	0	0	0	0
Juvenile Court Clerk	28,420	0	0	0	0
Register	160,092	0	0	0	0
Sheriff	9,282	0	0	0	0
Total Fees Received from County Officials	\$ 871,177	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 10,600	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	15,574	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	21,076	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	173,591	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	165,530
Litter Program	31,514	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	20,980	0	0	0	0
Beer Tax	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	38,886
Mixed Drink Tax	4,677	0	0	0	0
State Revenue Sharing - T.V.A.	233,259	0	0	0	24,707
Prisoner Transportation	50	0	0	0	0
Contracted Prisoner Boarding	427,068	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,728,991
Petroleum Special Tax	0	0	0	0	27,001

(Continued)

Exhibit H-6

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

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Reappraisal Program Reimbursement	\$ 20,560	\$ 0	\$ 0	\$ 0	\$ 0
Registrar's Salary Supplement	16,380	0	0	0	0
Other State Grants	2,967	0	0	0	118,632
Total State of Tennessee	\$ 962,722	\$ 15,574	\$ 0	\$ 0	\$ 2,120,525
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	16,780	0	0	0	0
Disaster Relief	0	0	0	0	156,915
Other Federal through State	114,877	0	0	0	0
<u>Direct Federal Revenue</u>					
Forest Service	68,313	0	0	0	10,075
Other Direct Federal Revenue	1,200	0	0	0	0
Total Federal Government	\$ 201,170	\$ 0	\$ 0	\$ 0	\$ 166,990
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 56,139	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 56,139	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 9,458,156	\$ 74,705	\$ 21,320	\$ 475,282	\$ 2,951,231

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 783,364	\$ 0	\$ 0	\$ 0	\$ 6,502,021
Trustee's Collections - Prior Year	21,720	0	0	0	114,547
Circuit/Clerk & Master Collections - Prior Years	12,402	0	0	0	92,208
Interest and Penalty	4,580	0	0	0	35,268
Pick-up Taxes	6	0	0	0	47
Payments in Lieu of Taxes - T.V.A.	535	0	0	0	4,489
Payments in Lieu of Taxes - Local Utilities	14,187	0	0	0	119,111
Payments in Lieu of Taxes - Other	7	0	0	0	60
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,025,492	0	0	0	1,367,323
Hotel/Motel Tax	0	0	0	0	180,745
Litigation Tax - General	0	0	0	0	44,995
Litigation Tax - Special Purpose	0	0	0	0	5,527
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	50,678
Business Tax	0	0	0	0	201,380
Mineral Severance Tax	0	0	0	0	28,177
Other County Local Option Taxes	0	0	0	0	54,499
<u>Statutory Local Taxes</u>					
Bank Excise Tax	5,824	0	0	0	48,895
Wholesale Beer Tax	0	0	0	0	352,845
Interstate Telecommunications Tax	1,175	0	0	0	1,567
Total Local Taxes	\$ 1,869,292	\$ 0	\$ 0	\$ 0	\$ 9,204,382
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,477
Cable TV Franchise	0	0	0	0	63,590
<u>Permits</u>					
Beer Permits	0	0	0	0	8,819
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 73,886

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Fines, Forfeitures and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	4,009
Officers Costs	0	0	0	0	4,505
Drug Control Fines	0	0	0	0	1,984
Jail Fees	0	0	0	0	3,400
DUI Treatment Fines	0	0	0	0	768
Data Entry Fee - Circuit Court	0	0	0	0	174
<u>General Sessions Court</u>					
Fines	0	0	0	0	34,253
Officers Costs	0	0	0	0	42,115
Drug Control Fines	0	0	0	0	18,060
Drug Court Fees	0	0	0	0	3,943
Jail Fees	0	0	0	0	70,308
DUI Treatment Fines	0	0	0	0	4,205
Data Entry Fee - General Sessions Court	0	0	0	0	7,418
<u>Juvenile Court</u>					
Fines	0	0	0	0	1,397
Officers Costs	0	0	0	0	5,107
Drug Control Fines	0	0	0	0	2,375
Data Entry Fee - Juvenile Court	0	0	0	0	677
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	694
Data Entry Fee - Chancery Court	0	0	0	0	444
<u>Other Courts - In-county</u>					
Fines for Littering	0	0	0	0	1,364
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	693
Total Fines, Forfeitures and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	207,893
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	41,039
Work Release Charges for Board	0	0	0	0	52,425

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Charges for Current Services (Cont.)</u>					
<u>General Service Charges (Cont.)</u>					
Other General Service Charges	\$ 0	\$ 0	\$ 0	\$ 0	38,376
<u>Fees</u>					
Recreation Fees	0	0	0	0	191,623
Copy Fees	0	0	0	0	2,065
Telephone Commissions	0	0	0	0	17,639
Vending Machine Collections	0	0	0	0	545
Tourism Fees	0	0	0	0	5,000
Constitutional Officers' Fees and Commissions	0	0	0	0	463,317
Special Commissioner Fees/Special Master Fees	0	0	0	0	11,965
Data Processing Fee - Register	0	0	0	0	13,442
Sexual Offender Registration Fee	0	0	0	0	1,080
<u>Other Charges for Services</u>					
Other Charges for Services	0	0	0	0	70
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	838,586
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 134,489	\$ 3	\$ 0	\$ 11,576	\$ 146,068
Lease/Rentals	0	0	0	0	7,325
Sale of Materials and Supplies	0	0	0	0	18,275
Commissary Sales	0	0	0	0	9,849
Retirees' Insurance Payments	0	0	0	0	50
Miscellaneous Refunds	0	0	0	0	51,452
<u>Nonrecurring Items</u>					
Insurance Recovery	0	0	0	0	35,390
Sale of Equipment	0	0	0	0	2,581
Damages Recovered from Individuals	0	0	0	0	20
<u>Other Local Revenues</u>					
Other Local Revenues	0	0	0	0	6,000
Total Other Local Revenues	\$ 134,489	\$ 3	\$ 0	\$ 11,576	\$ 277,010

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	91,977
Trustee	0	0	0	0	206,190
<u>Fees In Lieu of Salary</u>					
Circuit Court Clerk	0	0	0	0	129,503
General Sessions Court Clerk	0	0	0	0	216,056
Clerk and Master	0	0	0	0	29,657
Juvenile Court Clerk	0	0	0	0	28,420
Register	0	0	0	0	160,092
Sheriff	0	0	0	0	9,282
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	871,177
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	10,600
Solid Waste Grants	0	0	0	0	15,574
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	21,076
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	173,591
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	165,530
Litter Program	0	0	0	0	31,514
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	20,980
Beer Tax	0	0	0	0	16,778
Alcoholic Beverage Tax	0	0	0	0	38,886
Mixed Drink Tax	0	0	0	0	4,677
State Revenue Sharing - T.V.A.	34,880	0	0	0	292,846
Prisoner Transportation	0	0	0	0	50
Contracted Prisoner Boarding	0	0	0	0	427,068
Gasoline and Motor Fuel Tax	0	0	0	0	1,728,991
Petroleum Special Tax	0	0	0	0	27,001

(Continued)

Exhibit H-6

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

	<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Reappraisal Program Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 20,560
Registrar's Salary Supplement	0	0	0	0	16,380
Other State Grants	0	0	0	0	121,599
Total State of Tennessee	\$ 34,880	\$ 0	\$ 0	\$ 0	\$ 3,133,701
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 125,306	\$ 0	\$ 125,306
Civil Defense Reimbursement	0	0	0	0	16,780
Disaster Relief	0	0	0	0	156,915
Other Federal through State	0	0	0	0	114,877
<u>Direct Federal Revenue</u>					
Forest Service	0	0	0	0	78,388
Other Direct Federal Revenue	0	0	0	0	1,200
Total Federal Government	\$ 0	\$ 0	\$ 125,306	\$ 0	\$ 493,466
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 296,603	\$ 0	\$ 0	\$ 352,742
Total Other Governments and Citizens Groups	\$ 0	\$ 296,603	\$ 0	\$ 0	\$ 352,742
Total	\$ 2,038,661	\$ 296,606	\$ 125,306	\$ 11,576	\$ 15,452,843

Exhibit H-7

Cocke County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Secretary to Board	\$	960	
Board and Committee Members Fees		33,900	
Social Security		2,593	
Audit Services		7,664	
Data Processing Services		30	
Dues and Memberships		13,011	
Legal Services		408	
Legal Notices, Recording and Court Costs		1,283	
Total County Commission			\$ 59,849

Board of Equalization

Board and Committee Members Fees	\$	3,155	
Total Board of Equalization			3,155

Beer Board

Board and Committee Members Fees	\$	3,120	
Legal Notices, Recording and Court Costs		515	
Printing, Stationery and Forms		64	
Total Beer Board			3,699

Other Boards and Committees

Evaluation and Testing	\$	588	
Total Other Boards and Committees			588

County Mayor

County Official/Administrative Officer	\$	60,023	
Assistant(s)		26,877	
Accountants/Bookkeepers		26,300	
Secretary(s)		23,393	
Clerical Personnel		25,566	
Social Security		12,104	
State Retirement		16,524	
Employee and Dependent Insurance		17,821	
Unemployment Compensation		243	
Communication		5,326	
Legal Notices, Recording and Court Costs		19	
Maintenance Agreements		3,399	
Travel		8,287	
Office Supplies		4,585	
Office Equipment		1,546	
Total County Mayor			232,013

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

County Official/Administrative Officer	\$	20,295	
Printing, Stationery and Forms		34	
Total County Attorney			\$ 20,329

Election Commission

County Official/Administrative Officer	\$	41,575	
Clerical Personnel		19,800	
Other Salaries & Wages		3,461	
Election Commission		1,650	
Election Workers		23,026	
Social Security		4,649	
State Retirement		6,469	
Employee and Dependent Insurance		9,112	
Unemployment Compensation		112	
Communication		1,019	
Dues and Memberships		175	
Legal Notices, Recording and Court Costs		4,234	
Maintenance Agreements		2,900	
Maintenance & Repair Services- Equipment		247	
Printing, Stationery and Forms		2,762	
Rentals		200	
Travel		1,857	
Office Equipment		314	
Total Election Commission			123,562

Register of Deeds

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		24,566	
Clerical Personnel		35,100	
Part-time Personnel		3,959	
Social Security		8,759	
State Retirement		11,766	
Employee and Dependent Insurance		13,668	
Unemployment Compensation		203	
Communication		1,501	
Data Processing Services		13,106	
Printing, Stationery and Forms		5,922	
Total Register of Deeds			170,519

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

Development

Contracts with Government Agencies	\$ 10,500	
Total Development		\$ 10,500

County Buildings

Maintenance Agreements	\$ 16,609	
Maintenance & Repair Services- Buildings	9,501	
Other Contracted Services	175	
Custodial Supplies	7,036	
Utilities	83,699	
Building Improvements	680	
Furniture and Fixtures	1,973	
Site Development	277	
Total County Buildings		119,950

Other General Administration

Postal Charges	\$ 33,683	
Printing, Stationery and Forms	1,576	
Duplicating Supplies	26,420	
Total Other General Administration		61,679

Preservation of Records

Assistant(s)	\$ 9,018	
Supervisor/Director	11,945	
Social Security	690	
Unemployment Compensation	69	
Other Contracted Services	203	
Office Supplies	489	
Other Supplies and Materials	1,239	
Office Equipment	3,266	
Total Preservation of Records		26,919

Finance

Accounting and Budgeting

Supervisor/Director	\$ 50,300	
Social Security	3,848	
State Retirement	5,302	
Unemployment Compensation	56	
Dues and Memberships	530	
Travel	250	
Office Supplies	381	
Total Accounting and Budgeting		60,667

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office

County Official/Administrative Officer	\$	51,969	
Assistant(s)		24,996	
Deputy(ies)		21,533	
Laborers		50,471	
Overtime Pay		4,940	
Social Security		11,082	
State Retirement		13,546	
Employee and Dependent Insurance		20,083	
Unemployment Compensation		411	
Communication		2,157	
Data Processing Services		9,416	
Legal Notices, Recording and Court Costs		126	
Maintenance & Repair Services- Office Equipment		86	
Maintenance & Repair Services- Vehicles		422	
Printing, Stationery and Forms		273	
Travel		561	
Gasoline		875	
Office Supplies		1,116	
Furniture and Fixtures		437	
Total Property Assessor's Office			\$ 214,500

Reappraisal Program

Communication	\$	979	
Rentals		1,600	
Total Reappraisal Program			2,579

County Trustee's Office

In-Service Training	\$	1,311	
Social Security		12,056	
State Retirement		13,040	
Employee and Dependent Insurance		13,097	
Communication		2,276	
Data Processing Services		11,646	
Dues and Memberships		235	
Legal Notices, Recording and Court Costs		172	
Maintenance Agreements		8,107	
Postal Charges		2,119	
Printing, Stationery and Forms		4,201	
Office Supplies		1,812	
Office Equipment		15,343	
Total County Trustee's Office			85,415

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

County Clerk's Office

Social Security	\$	16,979	
State Retirement		18,525	
Employee and Dependent Insurance		32,651	
Communication		2,697	
Maintenance & Repair Services- Office Equipment		11,497	
Printing, Stationery and Forms		3,043	
Other Supplies and Materials		2,493	
Office Equipment		14,500	
Total County Clerk's Office			\$ 102,385

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		26,332	
Clerical Personnel		104,089	
Part-time Personnel		1,623	
Overtime Pay		2,788	
Jury and Witness Fees		38,293	
Social Security		13,855	
State Retirement		19,518	
Employee and Dependent Insurance		22,780	
Unemployment Compensation		349	
Communication		4,259	
Dues and Memberships		90	
Legal Notices, Recording and Court Costs		1,316	
Maintenance & Repair Services- Office Equipment		4,114	
Printing, Stationery and Forms		7,564	
Office Supplies		3,662	
Office Equipment		6,382	
Total Circuit Court			308,983

General Sessions Court

County Official/Administrative Officer	\$	51,969
Judge(s)		96,563
Deputy(ies)		50,632
Secretary(s)		18,583
Clerical Personnel		19,800
Social Security		16,595
State Retirement		25,037
Employee and Dependent Insurance		18,224

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Unemployment Compensation	\$	224	
Communication		1,966	
Data Processing Services		4,415	
Printing, Stationery and Forms		2,957	
Travel		140	
Other Contracted Services		5,820	
Office Supplies		1,173	
Office Equipment		<u>7,850</u>	
Total General Sessions Court	\$		321,948

Drug Court

Other Charges	\$	<u>1,719</u>	
Total Drug Court			1,719

Chancery Court

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		50,132	
Clerical Personnel		21,181	
Part-time Personnel		2,552	
Overtime Pay		823	
Social Security		9,468	
State Retirement		13,081	
Employee and Dependent Insurance		18,224	
Unemployment Compensation		244	
Communication		2,942	
Data Processing Services		4,259	
Legal Services		690	
Maintenance & Repair Services- Office Equipment		293	
Printing, Stationery and Forms		6,009	
Travel		1,404	
Office Equipment		<u>2,551</u>	
Total Chancery Court			185,822

Juvenile Court

Deputy(ies)	\$	15,185	
Secretary(s)		24,566	
Overtime Pay		12	
Social Security		2,970	
State Retirement		3,372	
Employee and Dependent Insurance		8,683	

(Continued)

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Unemployment Compensation	\$	133	
Communication		7,076	
Contracts with Government Agencies		7,125	
Dues and Memberships		50	
Maintenance & Repair Services- Office Equipment		1,339	
Medical and Dental Services		1,557	
Printing, Stationery and Forms		1,137	
Travel		662	
Office Supplies		2,412	
Premiums on Corporate Surety Bonds		75	
Office Equipment		11,387	
Total Juvenile Court	\$		87,741

Judicial Commissioners

Other Salaries & Wages	\$	17,950	
Social Security		1,373	
Unemployment Compensation		10	
Total Judicial Commissioners			19,333

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	57,165	
Assistant(s)		34,990	
Supervisor/Director		23,800	
Deputy(ies)		285,945	
Detective(s)		128,531	
Captain(s)		44,225	
Lieutenant(s)		62,738	
Sergeant(s)		106,271	
Salary Supplements		16,036	
Dispatchers/Radio Operators		96,758	
Guards		26,530	
Clerical Personnel		48,823	
Attendants		30,798	
Custodial Personnel		5,283	
Overtime Pay		84,569	
Other Salaries & Wages		43,513	
In-Service Training		11,891	
Social Security		81,404	
State Retirement		109,730	

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Employee and Dependent Insurance	\$ 159,444	
Unemployment Compensation	2,191	
Communication	13,154	
Maintenance Agreements	275	
Maintenance & Repair Services- Equipment	6,152	
Maintenance & Repair Services- Vehicles	37,100	
Printing, Stationery and Forms	956	
Travel	2,331	
Other Contracted Services	1,683	
Gasoline	79,968	
Law Enforcement Supplies	4,318	
Office Supplies	1,340	
Tires and Tubes	8,189	
Uniforms	10,284	
Premiums on Corporate Surety Bonds	3,450	
Other Charges	6,035	
Motor Vehicles	75,000	
Total Sheriff's Department		\$ 1,710,870

Special Patrols

Guards	\$ 69,776	
Social Security	5,253	
State Retirement	7,354	
Employee and Dependent Insurance	13,945	
Unemployment Compensation	168	
Total Special Patrols		96,496

Traffic Control

Deputy(ies)	\$ 21,451	
Clerical Personnel	22,794	
Overtime Pay	3,297	
Social Security	3,477	
State Retirement	5,011	
Employee and Dependent Insurance	9,112	
Unemployment Compensation	110	
Other Supplies and Materials	756	
Premiums on Corporate Surety Bonds	150	
Office Equipment	521	
Total Traffic Control		66,679

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Assistant(s)	\$	17,352	
Supervisor/Director		26,296	
Guards		240,032	
Secretary(s)		18,300	
Cafeteria Personnel		42,059	
Part-time Personnel		108,443	
Overtime Pay		30,932	
In-Service Training		1,504	
Social Security		35,988	
State Retirement		34,222	
Employee and Dependent Insurance		80,871	
Unemployment Compensation		1,756	
Communication		6,033	
Maintenance & Repair Services- Buildings		23,133	
Maintenance & Repair Services- Equipment		4,738	
Medical and Dental Services		199,647	
Printing, Stationery and Forms		102	
Travel		2,021	
Other Contracted Services		1,320	
Custodial Supplies		12,668	
Food Preparation Supplies		10,609	
Food Supplies		135,722	
Law Enforcement Supplies		3,766	
Office Supplies		5,064	
Prisoners Clothing		3,722	
Uniforms		6,658	
Premiums on Corporate Surety Bonds		1,500	
Building Improvements		83	
Data Processing Equipment		12,392	
Furniture and Fixtures		1,329	
Total Jail			\$ 1,068,262

Juvenile Services

Youth Service Officer(s)	\$	46,844
Overtime Pay		3,146
Social Security		3,659
State Retirement		5,269
Employee and Dependent Insurance		4,556
Unemployment Compensation		112
Travel		533

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Office Supplies	\$	350	
Total Juvenile Services			\$ 64,469

Work Release Program

Supervisor/Director	\$	21,314	
Overtime Pay		3,370	
Social Security		1,846	
State Retirement		2,602	
Employee and Dependent Insurance		4,199	
Unemployment Compensation		56	
Communication		1,060	
Maintenance & Repair Services- Vehicles		149	
Medical and Dental Services		1,820	
Printing, Stationery and Forms		532	
Office Supplies		801	
Tires and Tubes		247	
Uniforms		652	
Total Work Release Program			38,648

Fire Prevention and Control

Salary Supplements	\$	5,040	
Overtime Pay		74,562	
Other Salaries & Wages		373,133	
In-Service Training		1,386	
Social Security		32,276	
State Retirement		45,206	
Employee and Dependent Insurance		77,854	
Unemployment Compensation		1,039	
Communication		1,730	
Contributions		1,000	
Maintenance & Repair Services- Buildings		4,213	
Maintenance & Repair Services- Equipment		3,492	
Maintenance & Repair Services- Vehicles		3,494	
Custodial Supplies		1,274	
Gasoline		5,237	
Office Supplies		552	
Uniforms		2,048	
Utilities		9,383	
Other Supplies and Materials		1,437	
Premiums on Corporate Surety Bonds		75	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Building Improvements	\$ 926	
Total Fire Prevention and Control		\$ 645,357

Civil Defense

Supervisor/Director	\$ 28,300	
Clerical Personnel	6,750	
Part-time Personnel	23,072	
Social Security	4,361	
State Retirement	3,615	
Employee and Dependent Insurance	4,556	
Unemployment Compensation	234	
Communication	3,245	
Maintenance & Repair Services- Equipment	2,880	
Maintenance & Repair Services- Vehicles	389	
Travel	179	
Gasoline	2,174	
Other Supplies and Materials	1,398	
Premiums on Corporate Surety Bonds	375	
Other Charges	52,341	
Total Civil Defense		133,869

Inspection and Regulation

Supervisor/Director	\$ 3,200	
Social Security	299	
State Retirement	427	
Unemployment Compensation	14	
Travel	952	
Other Supplies and Materials	51	
Total Inspection and Regulation		4,943

County Coroner/Medical Examiner

Legal Services	\$ 3,605	
Other Contracted Services	37,700	
Total County Coroner/Medical Examiner		41,305

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 60,493	
Clerical Personnel	54,239	
Social Security	8,356	

(Continued)

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

State Retirement	\$	10,283	
Employee and Dependent Insurance		20,859	
Unemployment Compensation		367	
Communication		3,257	
Contracts with Government Agencies		64,296	
Janitorial Services		5,400	
Maintenance & Repair Services- Buildings		401	
Medical and Dental Services		12,879	
Pest Control		670	
Postal Charges		2,390	
Travel		1,739	
Disposal Fees		1,185	
Other Contracted Services		279	
Natural Gas		1,676	
Office Supplies		2,630	
Utilities		7,038	
Other Charges		125	
Office Equipment		168	
Total Local Health Center			\$ 258,730

Rabies and Animal Control

Supervisor/Director	\$	17,292	
Overtime Pay		516	
Social Security		1,297	
State Retirement		1,877	
Employee and Dependent Insurance		4,556	
Unemployment Compensation		56	
Communication		460	
Maintenance & Repair Services- Vehicles		2,152	
Gasoline		1,821	
Other Supplies and Materials		454	
Premiums on Corporate Surety Bonds		75	
Total Rabies and Animal Control			30,556

General Welfare Assistance

Contracts with Government Agencies	\$	6,890	
Pauper Burials		300	
Total General Welfare Assistance			7,190

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Social, Cultural and Recreational Services

Senior Citizens Assistance

Utilities	\$ 3,600	
Total Senior Citizens Assistance		\$ 3,600

Libraries

Contributions	\$ 47,739	
Total Libraries		47,739

Other Social, Cultural and Recreational

Supervisor/Director	\$ 25,233	
Laborers	36,818	
Part-time Personnel	8,966	
Overtime Pay	721	
Social Security	5,330	
State Retirement	6,325	
Employee and Dependent Insurance	13,265	
Unemployment Compensation	263	
Communication	2,915	
Contributions	9,400	
Maintenance Agreements	275	
Maintenance & Repair Services- Buildings	954	
Maintenance & Repair Services- Equipment	684	
Travel	852	
Custodial Supplies	821	
Gasoline	1,416	
Office Supplies	401	
Uniforms	384	
Utilities	8,758	
Other Supplies and Materials	208	
Other Charges	36,155	
Other Equipment	6,050	
Total Other Social, Cultural and Recreational		166,194

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 35,470	
Social Security	1,952	
State Retirement	3,451	
Communication	4,251	
Other Supplies and Materials	2,416	
Total Agriculture Extension Service		47,540

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Soil Conservation

Part-time Personnel	\$ 12,223	
Total Soil Conservation		\$ 12,223

Other Operations

Tourism

Supervisor/Director	\$ 25,300	
Social Security	1,851	
State Retirement	2,667	
Employee and Dependent Insurance	4,556	
Unemployment Compensation	56	
Advertising	19,529	
Communication	2,007	
Contracts with Private Agencies	1,642	
Dues and Memberships	5,373	
Printing, Stationery and Forms	700	
Travel	3,653	
Office Supplies	873	
Other Charges	537	
Total Tourism		68,744

Industrial Development

Contracts with Private Agencies	\$ 131,300	
Maintenance & Repair Services- Buildings	793	
Other Contracted Services	175	
Total Industrial Development		132,268

Housing and Urban Development

Contracts with Other Public Agencies	\$ 55,125	
Total Housing and Urban Development		55,125

Veterans' Services

Supervisor/Director	\$ 25,233	
Secretary(s)	18,800	
Social Security	3,287	
State Retirement	4,341	
Employee and Dependent Insurance	9,112	
Unemployment Compensation	132	
Communication	1,453	
Maintenance Agreements	275	
Maintenance & Repair Services- Vehicles	967	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

Travel	\$	41	
Office Supplies		646	
Total Veterans' Services			\$ 64,287

Other Charges

Liability Insurance	\$	251,382	
Premiums on Corporate Surety Bonds		618	
Refunds		4,252	
Trustee's Commission		131,853	
Workers' Compensation Insurance		132,263	
Total Other Charges			520,368

Contributions to Other Agencies

Contributions	\$	146,782	
Total Contributions to Other Agencies			146,782

Employee Benefits

Employee and Dependent Insurance	\$	13,786	
Unemployment Compensation		873	
Total Employee Benefits			14,659

Miscellaneous

Drugs and Medical Supplies	\$	1,387	
Other Charges		3,473	
Total Miscellaneous			4,860

Highways

Litter and Trash Collection

Supervisor/Director	\$	51,850	
Social Security		3,944	
State Retirement		2,746	
Employee and Dependent Insurance		4,556	
Unemployment Compensation		111	
Maintenance & Repair Services- Vehicles		1,382	
Gasoline		3,551	
Instructional Supplies and Materials		8,440	
Tires and Tubes		515	
Other Supplies and Materials		183	
Premiums on Corporate Surety Bonds		75	
Total Litter and Trash Collection			77,353

Total General Fund \$ 7,752,970

(Continued)

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

Solid Waste/Sanitation Fund
Public Health and Welfare
Sanitation Management

Supervisor/Director	\$	28,820	
Foremen		24,300	
Laborers		102,617	
Overtime Pay		4,783	
Social Security		11,928	
State Retirement		16,919	
Employee and Dependent Insurance		33,083	
Unemployment Compensation		618	
Communication		434	
Contracts with Government Agencies		2,000	
Contracts with Private Agencies		28,452	
Engineering Services		2,660	
Other Contracted Services		5,005	
Custodial Supplies		236	
Equipment and Machinery Parts		9,765	
Fertilizer, Lime and Seed		456	
Gasoline		18,134	
Lubricants		673	
Office Supplies		471	
Tires and Tubes		1,780	
Utilities		7,192	
Other Supplies and Materials		2,261	
Liability Insurance		16,077	
Trustee's Commission		358	
Vehicle and Equipment Insurance		19,500	
Workers' Compensation Insurance		41,000	
Total Sanitation Management			\$ 379,522
<u>Convenience Centers</u>			
Laborers	\$	161,187	
Social Security		12,332	
Unemployment Compensation		1,352	
Rentals		3,480	
Disposal Fees		567,981	
Other Supplies and Materials		4,480	
Solid Waste Equipment		9,917	
Total Convenience Centers			<u>760,729</u>
Total Solid Waste/Sanitation Fund			\$ 1,140,251

(Continued)

Exhibit H-7

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

Drug Control Fund

Public Safety

Sheriff's Department

In-Service Training	\$	2,235	
Maintenance & Repair Services- Vehicles		1,709	
Other Supplies and Materials		791	
Data Processing Equipment		900	
Furniture and Fixtures		313	
Law Enforcement Equipment		832	
Total Sheriff's Department			\$ 6,780

Drug Enforcement

Confidential Drug Enforcement Payments	\$	5,000	
Animal Food and Supplies		462	
Uniforms		682	
Other Supplies and Materials		2,017	
Trustee's Commission		193	
Law Enforcement Equipment		10,251	
Total Drug Enforcement			18,605

Total Drug Control Fund \$ 25,385

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		78,790	
Part-time Personnel		35,336	
Overtime Pay		4,960	
Unemployment Compensation		1,329	
Bank Charges		133	
Total County Trustee's Office			\$ 172,517

County Clerk's Office

County Official/Administrative Officer	\$	51,969	
Deputy(ies)		149,745	
Part-time Personnel		27,823	
Unemployment Compensation		1,230	
Dues and Memberships		75	
Travel		2,710	
Other Charges		754	
Total County Clerk's Office			234,306

(Continued)

Exhibit H-7

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 11,965	
Total Chancery Court		\$ 11,965

Juvenile Court

Bank Charges	\$ 26	
Total Juvenile Court		26

Total Constitutional Officers - Fees Fund		\$ 418,814
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 57,165	
Assistant(s)	28,820	
Secretary(s)	27,236	
Clerical Personnel	19,767	
Part-time Personnel	3,761	
Board and Committee Members Fees	16,300	
Social Security	11,079	
State Retirement	12,984	
Employee and Dependent Insurance	14,011	
Unemployment Compensation	207	
Data Processing Services	2,270	
Maintenance & Repair Services- Office Equipment	514	
Postal Charges	51	
Travel	1,223	
Other Contracted Services	3,895	
Office Supplies	1,503	
Total Administration		\$ 200,786

Highway and Bridge Maintenance

Foremen	\$ 104,252
Equipment Operators	85,251
Equipment Operators - Heavy	100,815
Equipment Operators - Light	151,469
Truck Drivers	170,164
Laborers	29,292
Overtime Pay	9,735
Social Security	47,341
State Retirement	66,667

(Continued)

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Employee and Dependent Insurance	\$ 137,983	
Unemployment Compensation	1,829	
Matching Share	53,075	
Other Contracted Services	117,035	
Asphalt	253,652	
Concrete	685	
Crushed Stone	49,312	
General Construction Materials	8,834	
Pipe	29,562	
Road Signs	9,426	
Wood Products	311	
Other Supplies and Materials	12,741	
Bridge Construction	6,898	
State Aid Projects	160,414	
Total Highway and Bridge Maintenance		\$ 1,606,743

Operation and Maintenance of Equipment

Foremen	\$ 27,136	
Mechanic(s)	57,893	
Social Security	6,366	
State Retirement	7,902	
Employee and Dependent Insurance	15,452	
Unemployment Compensation	241	
Tow-in Services	185	
Diesel Fuel	73,470	
Equipment and Machinery Parts	159,286	
Garage Supplies	4,384	
Gasoline	39,185	
Lubricants	4,447	
Propane Gas	6,746	
Tires and Tubes	22,549	
Total Operation and Maintenance of Equipment		425,242

Quarry Operations

Foremen	\$ 24,336
Equipment Operators - Heavy	25,330
Equipment Operators - Light	63,603
Social Security	8,668
State Retirement	12,141
Employee and Dependent Insurance	27,336

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations (Cont.)

Unemployment Compensation	\$	275	
Explosive and Drilling Services		46,569	
Maintenance & Repair Services- Equipment		35,752	
Total Quarry Operations			\$ 244,010

Other Charges

Communication	\$	11,244	
Electricity		20,594	
Trustee's Commission		30,306	
Vehicle and Equipment Insurance		116,500	
Workers' Compensation Insurance		103,294	
Total Other Charges			281,938

Employee Benefits

Employee and Dependent Insurance	\$	4,492	
Total Employee Benefits			4,492

Capital Outlay

Highway Equipment	\$	4,750	
Other Capital Outlay		451,176	
Total Capital Outlay			455,926

Total Highway/Public Works Fund \$ 3,219,137

General Debt Service Fund

Principal

General Government

Principal on Other Loans Payable	\$	59,942	
Total General Government			\$ 59,942

Highways and Streets

Principal on Other Loans Payable	\$	143,108	
Total Highways and Streets			143,108

Education

Principal on Notes	\$	519,660	
Principal on Other Loans Payable		191,950	
Total Education			711,610

(Continued)

Exhibit H-7

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

General Debt Service Fund (Cont.)

Interest

General Government

Interest on Other Loans Payable	\$ 57,024	
Total General Government		\$ 57,024

Highways and Streets

Interest on Other Loans Payable	\$ 137,282	
Total Highways and Streets		137,282

Education

Interest on Bonds	\$ 419,169	
Interest on Notes	83,440	
Interest on Other Loans Payable	<u>188,525</u>	
Total Education		691,134

Other Debt Service

General Government

Trustee's Commission	\$ 28,868	
Total General Government		28,868

Education

Other Debt Service	\$ 3,783	
Total Education		<u>3,783</u>

Total General Debt Service Fund		\$ 1,832,751
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Rural Debt Service Fund

Principal

Education

Principal on Bonds	\$ 185,000	
Total Education		\$ 185,000

Interest

Education

Interest on Bonds	\$ 111,602	
Total Education		<u>111,602</u>

Total Rural Debt Service Fund		296,602
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(Continued)

Exhibit H-7

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

<u>General Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>General Administration Projects</u>		
Other Construction	\$ 358	
Total General Administration Projects		\$ 358
 <u>Public Safety Projects</u>		
Motor Vehicles	\$ 143,991	
Total Public Safety Projects		143,991
 <u>Public Health and Welfare Projects</u>		
Motor Vehicles	\$ 32,594	
Total Public Health and Welfare Projects		32,594
 <u>Public Utility Projects</u>		
Water and Sewer	\$ 36,928	
Total Public Utility Projects		36,928
 <u>Highway & Street Capital Projects</u>		
Highway Equipment	\$ 25,400	
Total Highway & Street Capital Projects		25,400
 <u>Education Capital Projects</u>		
Contributions	\$ 228,892	
Total Education Capital Projects		<u>228,892</u>
Total General Capital Projects Fund		\$ 468,163
 <u>Highway Capital Projects Fund</u>		
<u>Highways</u>		
<u>Capital Outlay</u>		
Highway Equipment	\$ 288,521	
Total Capital Outlay		\$ 288,521
 <u>Capital Projects</u>		
<u>Highway & Street Capital Projects</u>		
Bridge Construction	\$ 610,890	
Other Construction	480,000	
Total Highway & Street Capital Projects		<u>1,090,890</u>
Total Highway Capital Projects Fund		<u>1,379,411</u>
Total Governmental Funds - Primary Government		<u>\$ 16,533,484</u>

Exhibit H-8

Cocke County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund	City School ADA - Newport Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 335,770	\$ 335,770
Trustee's Collections - Prior Years	0	11,652	11,652
Circuit/Clerk and Master Collections - Prior Years	0	5,145	5,145
Interest and Penalty	0	1,818	1,818
Pick-up Taxes	0	2	2
Payments in Lieu of Taxes - Local Utilities	0	6,189	6,189
Payments in Lieu of Taxes - Other	0	3	3
Local Option Sales Tax	2,666,690	424,544	3,091,234
Bank Excise Tax	0	2,541	2,541
Interstate Telecommunications Tax	0	674	674
Marriage License	0	172	172
Other Local Revenues	0	215	215
Total Cash Receipts	<u>\$ 2,666,690</u>	<u>\$ 788,725</u>	<u>\$ 3,455,415</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,640,023	\$ 777,436	\$ 3,417,459
Trustee's Commission	26,667	11,289	37,956
Total Cash Disbursements	<u>\$ 2,666,690</u>	<u>\$ 788,725</u>	<u>\$ 3,455,415</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2004	0	0	0
Cash Balance, June 30, 2005	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

STATISTICAL SECTION

Table 1

Cocke County, Tennessee
Uncollected Taxes Filed in Circuit Court
June 30, 2005

Year	Amount
1994	\$ 330
1995	1,716
1996	3,694
1997	3,620
1998	8,573
1999	15,695
2000	41,740
2001	54,988
2002	77,830
2003	<u>149,204</u>
Total	<u><u>\$ 357,390</u></u>

Table 2

Cocke County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.97	\$ 0.97	\$ 1.12	\$ 1.37	\$ 1.32	\$ 1.015	\$ 1.175	\$ 1.175	\$ 1.595	\$ 1.595
Highway/Public Works	0.11	0.11	0.11	0.11	0.11	0.09	0.10	0.18	0.17	0.17
General Purpose School	0.92	0.92	0.92	0.91	0.91	0.70	0.82	0.82	0.85	0.85
School Transportation	0.30	0.30	0.30	0.31	0.31	0.245	0.255	0.255	0.275	0.275
General Debt Service	0.35	0.35	0.35	0.45	0.45	0.35	0.35	0.27	0.27	0.27
Total Tax Rate	\$ 2.65	\$ 2.65	\$ 2.80	\$ 3.15	\$ 3.10	\$ 2.40	\$ 2.70	\$ 2.70	\$ 3.16	\$ 3.16
<u>Assessed Valuations</u>										
Real and Personal	\$ 180,135,405	\$ 190,880,346	\$ 200,292,131	\$ 224,387,160	\$ 227,775,983	\$ 306,107,082	\$ 316,602,379	\$ 319,330,931	\$ 329,734,484	\$ 327,189,634
Public Utilities	16,449,581	16,010,853	14,785,433	14,924,358	12,731,749	17,009,324	15,497,890	14,237,842	14,211,651	12,519,396
Total Assessed Valuation	\$ 196,584,986	\$ 206,891,199	\$ 215,077,564	\$ 239,311,518	\$ 240,507,732	\$ 323,116,406	\$ 332,100,269	\$ 333,568,773	\$ 343,946,135	\$ 339,709,030

ANNUAL FINANCIAL REPORT
COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

PHILIP TOBY
DOUG SANDIDGE, CISA
State Auditors

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

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

Annual Financial Report
Cocke County School Department
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of the Cocke County School Department as of and for the year ended June 30, 2005.

Results

Our report on the Cocke County School Department's financial statements was unqualified.

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

Findings

The following is a summary of the audit finding:

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ The School Department awarded certain purchases based on quotes, instead of soliciting competitive bids through newspaper advertisement as required by state statute.

*State of Tennessee
Comptroller of the Treasury
Department of Audit
Division of County Audit*

INTRODUCTORY SECTION

Cocke County School Officials
June 30, 2005

Official:

Larry Blazer, Director of Schools

Board of Education:

Jerry Ramsey, Chairperson
Pat Proffitt, Vice-Chairperson
Richard Coggins
Marty Denton

Dr. Ken Johnson
Otha Rolen
Randy Shults

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

October 26, 2005

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

To the Director of Schools and the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department, a component unit of Cocke County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise the Cocke County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cocke County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 26, 2005, on our consideration of the Cocke County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws,

regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., the Cocke County School Department has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, as of June 30, 2005. For the first time, the Cocke County School Department has presented government-wide financial statements.

Also, as described in Note V.B., the Cocke County School Department has implemented GASB Statement No. 40, Deposit and Investment Risk Disclosure, which modifies the county’s disclosures for custodial credit risk and adds disclosure about other types of risk.

The management of the Cocke County School Department did not prepare the management’s discussion and analysis. The management’s discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board.

The budgetary comparison information on pages 35 through 41 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cocke County School Department’s basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Cocke County, Tennessee
Statement of Net Assets
Cocke County School Department
June 30, 2005

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash	\$ 804,284
Equity in Pooled Cash and Investments	4,900,131
Accounts Receivable	32,125
Due from Other Governments	890,938
Property Taxes Receivable	3,664,437
Allowance for Uncollectible Property Taxes	(122,547)
Capital Assets Not Depreciated:	
Land	603,234
Construction in Progress	124,912
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	22,064,468
Machinery and Equipment	1,931,102
Total Assets	<u>\$ 34,893,084</u>
 <u>LIABILITIES</u> 	
Accounts Payable	\$ 16,556
Accrued Payroll	187,840
Accrued Interest Payable	1,836
Payroll Deductions Payable	28,349
Other Current Liabilities	800,093
Deferred Revenue - Current Year Property Taxes	3,405,248
Noncurrent Liabilities:	
Due Within One Year	65,326
Due in More than One Year	167,981
Total Liabilities	<u>\$ 4,673,229</u>
 <u>NET ASSETS</u> 	
Invested in Capital Assets, Net of Related Debt	\$ 24,490,409
Restricted for:	
Other Purposes	2,643,918
Permanent Endowment:	
Nonexpendable	324,000
Unrestricted	<u>2,761,528</u>
Total Net Assets	<u>\$ 30,219,855</u>

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

Exhibit B

Coke County, Tennessee
Statement of Activities
 Coke County School Department
 For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Governmental Activities:					
Instruction	\$ 19,101,988	\$ 0	\$ 3,181,155	\$ 0	\$ (15,920,833)
Support Services	9,413,298	0	0	0	(9,413,298)
Operation of Non-Instructional Services	2,599,760	630,617	1,623,663	228,892	(116,588)
Debt Service	308,932	0	0	0	(308,932)
Capital Outlay	119,429	0	0	0	(119,429)
Total School Department	\$ 31,543,407	\$ 630,617	\$ 4,804,818	\$ 228,892	\$ (25,879,080)
General Revenues:					
Property Taxes					\$ 3,525,306
Sales Taxes					2,413,546
Other Taxes					110,850
Grants and Contributions not restricted to specific programs					19,186,695
Gain on Sale/Disposal of Fixed Asset					2,388
Miscellaneous					111,121
Total General Revenues					\$ 25,349,906
Change in Net Assets					\$ (529,174)
Net Assets, July 1, 2004					30,749,029
Net Assets, June 30, 2005					\$ 30,219,855

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

Exhibit C-1

Cooke County, Tennessee
 Balance Sheet - Governmental Funds
 Cooke County School Department
 June 30, 2005

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Funds	
				Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 800,093	\$ 0	\$ 0	\$ 4,191	\$ 804,284
Equity in Pooled Cash and Investments	2,919,167	1,124,800	201,826	654,338	4,900,131
Accounts Receivable	20,285	0	11,840	0	32,125
Due from Other Governments	659,113	61,235	0	170,590	890,938
Due from Other Funds	11,904	0	0	0	11,904
Property Taxes Receivable	2,673,943	0	990,494	0	3,664,437
Allowance for Uncollectible Property Taxes	(88,647)	0	(33,900)	0	(122,547)
Total Assets	\$ 6,995,858	\$ 1,186,035	\$ 1,170,260	\$ 829,119	\$ 10,181,272
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 13,028	\$ 0	\$ 3,528	\$ 0	\$ 16,556
Accrued Payroll	133,050	23,700	14,290	16,800	187,840
Payroll Deductions Payable	18,942	3,847	2,599	2,961	28,349
Due to Other Funds	0	11,904	0	0	11,904
Other Current Liabilities	800,093	0	0	0	800,093
Deferred Revenue - Current Property Taxes	2,487,403	0	917,845	0	3,405,248
Deferred Revenue - Delinquent Property Taxes	86,372	0	34,189	0	120,561
Other Deferred Revenues	278,158	37,832	0	0	315,990
Total Liabilities	\$ 3,817,046	\$ 77,283	\$ 972,451	\$ 19,761	\$ 4,886,541
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 178,036	\$ 0	\$ 385,813	\$ 0	\$ 563,849
Other Local Education Reserves	67,907	0	0	0	67,907
Reserved for Career Ladder - Extended Contract	35,675	0	0	0	35,675
Reserved for Career Ladder Program	5,463	0	0	0	5,463
Reserved for Basic Education Program	742,954	0	0	0	742,954
Reserved for Title I Grants to Local Education Agencies	0	327,652	0	0	327,652
Reserved for Innovative Education Program Strategies	0	28,212	0	0	28,212
Reserved for Special Education - Grants to States	0	611,134	0	0	611,134
Other Federal Reserves	0	141,754	0	0	141,754
Reserved for Other General Purposes	0	0	0	324,000	324,000
Unreserved, Reported In:					
General Fund	2,148,777	0	0	0	2,148,777
Special Revenue Funds (Deficit)	0	0	(188,004)	471,375	283,371
Permanent Funds	0	0	0	13,983	13,983
Total Fund Balances	\$ 3,178,812	\$ 1,108,752	\$ 197,809	\$ 809,358	\$ 5,294,731
Total Liabilities and Fund Balances	\$ 6,995,858	\$ 1,186,035	\$ 1,170,260	\$ 829,119	\$ 10,181,272

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

Exhibit C-2

Cocke County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
Cocke County School Department
June 30, 2005

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

Fund balances - balance sheet - total governmental funds (Exhibit C-1)		\$	5,294,731
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			24,723,716
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			436,551
(3) Interest costs of long-term debt are expensed when due in the governmental funds. Interests costs incurred as of the balance sheet date are accrued in the statement of net assets.			(1,836)
(4) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Notes payable	\$	100,000	
Capital leases payable		133,307	(233,307)
		<u> </u>	<u> </u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>30,219,855</u></u>

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

Exhibit C-3

Cocke County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Cocke County School Department
For the Year Ended June 30, 2005

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Funds Other Governmental Funds	
<u>Revenues</u>					
Local Taxes	\$ 5,013,206	\$ 0	\$ 1,119,451	\$ 0	\$ 6,132,657
Licenses and Permits	1,243	0	0	0	1,243
Charges for Current Services	44,379	0	60,158	532,706	637,243
Other Local Revenues	105,934	0	15,238	32,020	153,192
State of Tennessee	17,853,968	0	242,873	0	18,096,841
Federal Government	683,889	3,380,129	0	1,593,025	5,657,043
Other Governments and Citizens Groups	0	0	228,892	0	228,892
Total Revenues	\$ 23,702,619	\$ 3,380,129	\$ 1,666,612	\$ 2,157,751	\$ 30,907,111
<u>Expenditures</u>					
Current:					
Instruction	\$ 15,549,347	\$ 2,531,920	\$ 0	\$ 2,161	\$ 18,083,428
Support Services	6,848,428	585,186	1,714,209	0	9,147,823
Operation of Non-Instructional Services	425,901	0	0	2,109,889	2,535,790
Capital Outlay	744,362	0	0	0	744,362
Debt Service:					
Principal	105,672	0	0	0	105,672
Interest	10,493	0	0	0	10,493
Other Debt Service	296,603	0	0	0	296,603
Total Expenditures	\$ 23,980,806	\$ 3,117,106	\$ 1,714,209	\$ 2,112,050	\$ 30,924,171
Excess (Deficiency) of Revenues					
Over Expenditures	\$ (278,187)	\$ 263,023	\$ (47,597)	\$ 45,701	\$ (17,060)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 100,000	\$ 0	\$ 0	\$ 0	\$ 100,000
Transfers In	11,904	0	0	0	11,904
Transfers Out	0	(11,904)	0	0	(11,904)
Total Other Financing Sources (Uses)	\$ 111,904	\$ (11,904)	\$ 0	\$ 0	\$ 100,000
Net Change in Fund Balances					
Fund Balance, July 1, 2004	\$ 3,345,095	\$ 857,633	\$ 245,406	\$ 763,657	\$ 5,211,791
Fund Balance, June 30, 2005	\$ 3,178,812	\$ 1,108,752	\$ 197,809	\$ 809,358	\$ 5,294,731

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

Cocke County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Cocke County School Department
For the Year Ended June 30, 2005

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)	\$	82,940
(1) Governmental funds report capital outlay 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 amount that capital outlays differ from depreciation is itemized as follows:		
Add: Capital outlays in the current period	\$	624,933
Less: Current year depreciation		<u>(1,348,005)</u>
		(723,072)
(2) Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.		
Less: Proceeds received from disposals of capital assets	\$	(6,865)
Add: Gain on disposal of capital assets		<u>2,388</u>
		(4,477)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
For the year ended June 30, 2004	\$	(324,952)
For the year ended June 30, 2005		<u>436,551</u>
		111,599
(4) The issuance of long-term debt (e.g., notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Less: Note proceeds issued	\$	(100,000)
Add: Principal payment on notes		26,840
Add: Principal payment on capital leases		<u>78,832</u>
		5,672
(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	\$	<u>(1,836)</u>
		(1,836)
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>(529,174)</u></u>

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

**COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The following are the more significant accounting policies of the School Department:

A. Reporting Entity

The School Department operates the public school system in the county, and the voters of Cocke County elect its seven-member board. The School Department is a component unit of Cocke County, the primary government. The School Department is fiscally dependent on Cocke County because it may not issue debt without county approval, and its budget and property tax levy are subject to the Cocke County Commission's approval. The School Department's taxes are levied under the taxing authority of Cocke County and are included as part of Cocke County's total tax levy.

B. Government-wide and Fund Financial Statements

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

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

Cocke County issues debt for the School Department. Net debt issues (\$228,892) were contributed by Cocke County to the School Department during the year ended June 30, 2005.

Separate financial statements are provided for governmental funds. The 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. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of the School Department are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the School Department has no proprietary or fiduciary funds to report. An emphasis is placed on major funds within the governmental category. Separate financial statements are provided for governmental 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.

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

The School Department reports the following major governmental funds:

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

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

School Transportation Fund – This fund is used to account for transportation operations of the School Department.

Additionally, the School Department reports the following fund type:

Permanent Fund – The Endowment Fund is used to account for an endowment received by the School Department for which the principal amount must remain intact, while interest earned is to be expended for the benefit of the Chess Club and Scholarships for Coker County students.

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes, the State Treasurer's Investment Pool; and repurchase agreements.

The Coker County trustee maintains a cash and internal investment pool that is used by all funds of Coker County, the primary

government, and the School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the primary government's debt service funds. Cocke County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.75 percent of the total taxes levied.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

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

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

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

3. Capital Assets

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

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$25,000 or more for buildings and building improvements, \$5,000 or more for vehicles and other equipment, and an estimated useful life exceeding three years. The government defines all land as a capital asset regardless of the initial cost. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Machinery and Equipment	3-15

4. **Compensated Absences**

Compensated absences for employees of the School Department do not vest or accumulate and must be used within the year or they are lost. Therefore, no accrual is required.

5. **Long-term Obligation**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets.

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

6. **Net Assets and Fund Equity**

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

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

As of June 30, 2005, Coker County, the primary government, had outstanding debt for capital purposes of the School Department. The debt is a liability of Coker County, but the capital assets acquired are reported in the financial statements of the School Department. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a

specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$524,175 of the unreserved fund balance in the General Purpose School Fund for post-employment benefits.

The Other Local Education Reserve reflected in the General Purpose School Fund consists of amounts required to be expended for technology.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Exhibit C-2 in the basic financial statements includes explanations of the nature of individual elements of items required to reconcile fund balances reported on the Governmental Funds Balance Sheet (Exhibit C-1) to net assets reported in the governmental activities column of the Statement of Net Assets (Exhibit A).

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

Exhibit C-4 in the basic financial statements includes explanations of the nature of individual elements of items required to reconcile net changes in fund balances – governmental funds (Exhibit C-3) to changes in net assets reported in the governmental activities column of the Statement of Activities (Exhibit B).

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. **Unreserved Fund Deficit**

The School Transportation Fund (special revenue fund) had an unreserved fund deficit of \$188,004 as of June 30, 2005. This fund deficit resulted from the recognition of an encumbrance for school buses in the amount of \$385,813 being reserved in the financial statements of this report. Funding for these future expenditures is to be provided through the issuance of a capital outlay note by the primary government in the subsequent year. If this encumbrance had not been reserved in the financial statements of this report, the School Transportation Fund would have reflected an unreserved fund balance of \$197,809. The following statement presents the condition of the School Transportation Fund at June 30, 2005, if the encumbrance had not been reflected as a reservation of the fund balance:

School Transportation Fund
Fund Equity - Restated
June 30, 2005

Fund Balance

Unreserved	\$ 197,809
Fund Balance, June 30, 2005, Restated	\$ 197,809

B. Total Expenditures Exceeded Total Appropriations

Total expenditures exceeded total appropriations in the School Transportation Fund by \$54,022. This resulted from the recognition of the encumbrance for school buses in the amount of \$385,813. The encumbrance was recorded by a proposed audit adjustment, approved by management, since the bid for the buses was awarded and management had issued a letter of intent to purchase the buses prior to June 30, 2005. Prior to issuing the letter of intent to purchase, management obtained approval of County Commission for the issuance of capital outlay notes to fund the bus purchases. However, the School Department did not amend its 2004-05 budget to reflect the bus purchases. Instead, those transactions were budgeted in the School Department's 2005-06 year budget, along with the capital outlay note proceeds to fund the purchase. Consequently, the recognition of the encumbrance caused the excess of expenditures and encumbrances over appropriations.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits

Cocke County and the School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of Cocke 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 as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; and the county’s own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer’s Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state director of Local Finance and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the market value of the securities on the day of purchase.

The county and the School Department had no pooled investments at June 30, 2005, and the School Department had no nonpooled investments at June 30, 2005.

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Balance 7-01-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 454,954	\$ 148,280	\$ 0	\$ 603,234
Construction in Progress	0	124,912	0	124,912
Total Capital Assets Not Depreciated	<u>\$ 454,954</u>	<u>\$ 273,192</u>	<u>\$ 0</u>	<u>\$ 728,146</u>

Governmental Activities (Cont.):

	Balance 7-01-04	Increases	Decreases	Balance 6-30-05
Capital Assets Depreciated:				
Buildings and Improvements	\$ 31,819,613	\$ 96,512	\$ 0	\$ 31,916,125
Machinery and Equipment	3,922,912	255,229	149,202	4,028,939
Total Capital Assets Depreciated	\$ 35,742,525	\$ 351,741	\$ 149,202	\$ 35,945,064
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 8,833,097	\$ 1,018,560	\$ 0	\$ 9,851,657
Machinery and Equipment	1,913,117	329,445	144,725	2,097,837
Total Accumulated Depreciation	\$ 10,746,214	\$ 1,348,005	\$ 144,725	\$ 11,949,494
Total Capital Assets Depreciated, Net	\$ 24,996,311	\$ (96,264)	\$ 4,477	\$ 23,995,570
Governmental Activities Capital Assets, Net	\$ 25,451,265	\$ (723,072)	\$ 4,477	\$ 24,723,716

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

Governmental Activities:

Instruction	\$ 1,018,560
Support Services	265,475
Operation of Non-Instructional Services	63,970
Total Depreciation Expense - Governmental Activities	<u>\$ 1,348,005</u>

C. Construction Commitments

At June 30, 2005, the School Department had uncompleted construction projects of approximately \$164,171 for various projects in the General Purpose School Fund. Funding for these future expenditures has been provided.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Purpose School	School Federal Projects	\$ 11,904

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
School Federal Projects	\$ 11,904
Total	\$ 11,904

This transfer reflects payment for indirect costs funded by the School Federal Projects Fund.

E. Other Current Liabilities

The Other Current Liabilities reflected in the General Purpose School Fund represents the remaining balance in the teacher's insurance account.

F. Capital Leases

The School Department has entered into lease-purchase agreements for buses and equipment. The terms of the agreements require total lease payments of \$364,575, plus interest of 4.41 to 5.45 percent. Title to the buses and equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

<u>Year Ending June 30</u>	<u>Governmental Funds</u>
2006	\$ 63,742
2007	36,088
2008	36,088
2009	<u>9,021</u>
Total Minimum Lease Payments	\$ 144,939
Amounts Representing Interest	<u>(11,632)</u>
 Present Value of Minimum Lease Payments	 <u>\$ 133,307</u>

G. Long-term Debt

Notes

Capital outlay notes have been issued to fund the purchase of land and other capital purchases such as equipment. The notes are direct obligations and pledge the full faith and credit of the government. The capital outlay note outstanding was issued for an original term of ten years. Repayment terms are structured with increasing amounts of principal maturing as interest requirements decrease over the term of the note. The note outstanding as of June 30, 2005, will be retired from the General Purpose School Fund.

The capital outlay note and capital leases outstanding as of June 30, 2005, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-05</u>
Capital Outlay Note	5 %	\$ 100,000	\$ 100,000
Capital Leases	4.41to 5.45	364,575	133,307

The annual requirements to amortize the capital outlay note outstanding as of June 30, 2005, are presented in the following table:

Year June 30	Notes	
	Principal	Interest
2006	\$ 7,950	\$ 5,000
2007	8,348	4,602
2008	8,765	4,185
2009	9,204	3,747
2010	9,664	3,287
2011-2015	56,069	8,684
Total	<u>\$ 100,000</u>	<u>\$ 29,505</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Notes		Capital
			Leases
Balance, July 1, 2004	\$ 26,840	\$	212,139
Additions	100,000		0
Deductions	(26,840)		(78,832)
Balance, June 30, 2005	<u>\$ 100,000</u>	<u>\$</u>	<u>133,307</u>
Balance Due Within One Year	<u>\$ 7,950</u>	<u>\$</u>	<u>57,376</u>

In addition to the debt reflected above, the School Department is providing funding to Coker County, the primary government, for the retirement of the rural school refunding bonds. During the year, the School Department contributed \$296,603 to Coker County to be applied toward the retirement of those bonds and the related interest charges.

H. Donor-restricted Endowments

The School Department accounts for an endowment totaling \$324,000 in a permanent fund, the Endowment Fund. The principal amount must remain intact while interest earned on the principal is to be expended to benefit specific programs. During the year ended June 30, 2005, interest earned totaled \$1,419. The endowment principal of \$324,000 is shown as a Reserve for Other General Purposes in the Endowment Fund.

V. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, and casualty. The School Department has purchased commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past two fiscal years. Previous to that, the School Department had participated in public entity risk pools for those risks.

The School Department has joined the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Also, the School Department has decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for workers' compensation coverage. The School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Board Association, an association of member school departments. The School Department pays an annual premium to the TSB-RMT for its general workers' compensation coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

At the beginning of the year, the School Department implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. In the prior year, the School Department had only elected to implement the provisions of Statement 34 that related to the fund financial statements.

During the year, the School Department adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the School Department's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk,

and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Event

Subsequent to June 30, 2005, Cocke County approved a revenue anticipation note not to exceed \$400,000 for the School Transportation Fund.

D. Contingent Liabilities

There are several pending lawsuits in which the School Department is involved. The School Department's attorney estimates that the potential claims against the School Department not covered by insurance resulting from litigation would not materially affect the financial statements of the School Department.

E. Jointly Governed Organizations

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Cocke County, Bristol City, Carter County, Elizabethton City, Greeneville City, Greene County, Hamblen County, Hancock County, Hawkins County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, Unicoi County, and Washington County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated and was established to provide the First Tennessee Virginia Development District with educational programs and services of higher quality, greater scope, and greater accessibility. The cooperative is governed by a board of control, consisting of one board member and the director of schools from each of the systems. The executive committee consists of the chairman and vice chairman of the Board of Control and the member directors of schools. Funding for the cooperative is provided through state grants and member schools' contributions.

The Upper East Tennessee Educational Cooperative operates the Northeast Tennessee Cooperative, which was established to obtain lower prices for food supplies, materials, equipment, and services by combining the purchasing requirements of each member's school food service systems. The cooperative has contracted with a coordinating district (Johnson City School System) and a service provider to operate this service. All members of the Upper East Tennessee Cooperative are members of the Northeast Tennessee Cooperative except Elizabethton City, Hancock County, Kingsport City, Unicoi County, and Washington County systems. The cooperative is governed by a representative committee, comprising one representative from each of the member districts and an executive council, consisting of the chair, vice chair, secretary, treasurer, and a member-at-large from the representative committee.

F. Retirement Commitments

Plan Description

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

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

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

SCHOOL TEACHERS

Plan Description

The Cocke 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 SETHEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at www.treasury.state.tn.us. Copies of footnotes in PDF format can be accessed at <http://www.treasury.state.tn.us/tcrs/Schools/>.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Cocke County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the Cocke County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were, \$795,085, \$461,118, and \$430,417, respectively, equal to the required contributions for each year.

G. Other Post-employment Benefits

In addition to the retirement commitments described in Note V.F., the School Department provides post-retirement health care benefits, in accordance with contract provisions, to all certified teachers who retire from the School Department with at least ten years of service in Cocke County and have a minimum of 30 years of credited membership in the Tennessee Consolidated Retirement System, or who have attained age 60 or older and have ten years of credited membership in the Tennessee Consolidated Retirement System.

Currently, 35 individuals are participating in the program. The School Department will continue to provide insurance coverage to the retirees until age 65. During the year, expenditures of \$80,063 were recognized for post-employment health care.

The School Department also provides post-retirement health care benefits to all noncertified personnel who retire on or after attaining age 60 and have a minimum of ten years of service with the department. The benefits are provided for five years or until the retiree reaches the age of 65, whichever comes first. Currently, 13 individuals are participating in the program. During the year, expenditures of \$42,708 were recognized for post-employment health care.

H. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provide for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$5,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Cocke County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,013,206	\$ 0	\$ 0	\$ 5,013,206	\$ 4,987,735	\$ 4,987,735	\$ 25,471
Licenses and Permits	1,243	0	0	1,243	1,500	1,500	(257)
Charges for Current Services	44,379	0	0	44,379	107,200	37,200	7,179
Other Local Revenues	105,934	0	0	105,934	101,257	126,257	(20,323)
State of Tennessee	17,853,968	0	0	17,853,968	17,850,446	17,897,038	(43,070)
Federal Government	683,889	0	0	683,889	403,066	722,645	(38,756)
Total Revenues	\$ 23,702,619	\$ 0	\$ 0	\$ 23,702,619	\$ 23,451,204	\$ 23,772,375	\$ (69,756)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 12,702,791	\$ 0	\$ 0	\$ 12,702,791	\$ 13,555,043	\$ 13,751,091	\$ 1,048,300
Alternative Instruction Program	60,307	0	0	60,307	80,633	80,633	20,326
Special Education Program	1,592,989	0	0	1,592,989	1,750,065	1,695,794	102,805
Vocational Education Program	1,045,386	0	0	1,045,386	1,069,154	1,069,154	23,768
Student Body Education Program	1,936	0	0	1,936	72,275	72,275	70,339
Adult Education Program	145,938	0	0	145,938	138,573	146,042	104
<u>Support Services</u>							
Attendance	79,350	0	0	79,350	78,955	79,498	148
Health Services	93,978	0	0	93,978	94,534	94,534	556
Other Student Support	673,006	0	0	673,006	682,731	695,697	22,691
Regular Instruction Program	1,034,608	0	0	1,034,608	1,132,485	1,129,442	94,834
Special Education Program	124,270	0	0	124,270	126,943	126,943	2,673
Vocational Education Program	91,339	0	0	91,339	90,142	93,142	1,803
Adult Programs	7,871	0	0	7,871	9,555	8,165	294
Board of Education	397,444	0	0	397,444	432,072	444,072	46,628
Director of Schools	176,952	0	0	176,952	184,153	184,153	7,201

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,668,402	\$ 0	\$ 0	\$ 1,668,402	\$ 1,739,769	\$ 1,735,936	\$ 67,534
Fiscal Services	109,662	0	0	109,662	146,325	123,123	13,461
Operation of Plant	1,884,997	0	0	1,884,997	1,907,507	1,963,037	78,040
Maintenance of Plant	436,260	0	0	436,260	436,558	443,558	7,298
Transportation	57,180	0	0	57,180	54,727	69,652	12,472
Central and Other	13,109	0	0	13,109	20,000	13,504	395
<u>Operation of Non-Instructional Services</u>							
Food Service	60,332	0	0	60,332	60,902	60,902	570
Community Services	365,569	0	0	365,569	343,948	409,448	43,879
<u>Capital Outlay</u>							
Regular Capital Outlay	744,362	(40,670)	178,036	881,728	995,901	1,473,591	591,863
<u>Principal</u>							
Education	105,672	0	0	105,672	242,113	106,682	1,010
<u>Interest</u>							
Education	10,493	0	0	10,493	118,743	10,600	107
<u>Other Debt Service</u>							
Education	296,603	0	0	296,603	0	296,603	0
Total Expenditures	\$ 23,980,806	\$ (40,670)	\$ 178,036	\$ 24,118,172	\$ 25,563,806	\$ 26,377,271	\$ 2,259,099
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (278,187)	\$ 40,670	\$ (178,036)	\$ (415,553)	\$ (2,112,602)	\$ (2,604,896)	\$ 2,189,343
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 100,000	\$ 0	\$ 0	\$ 100,000	\$ 0	\$ 100,000	\$ 0
Transfers In	11,904	0	0	11,904	14,256	14,256	(2,352)
Total Other Financing Sources (Uses)	\$ 111,904	\$ 0	\$ 0	\$ 111,904	\$ 14,256	\$ 114,256	\$ (2,352)

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ (166,283)	\$ 40,670	\$ (178,036)	\$ (303,649)	\$ (2,098,346)	\$ (2,490,640)	\$ 2,186,991
Fund Balance, July 1, 2004	3,345,095	(40,670)	0	3,304,425	3,318,344	3,318,344	(13,919)
Fund Balance, June 30, 2005	\$ 3,178,812	\$ 0	\$ (178,036)	\$ 3,000,776	\$ 1,219,998	\$ 827,704	\$ 2,173,072

Exhibit D-2

Coke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Coke County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,380,129	\$ 3,028,468	\$ 3,531,457	\$ (151,328)
Total Revenues	\$ 3,380,129	\$ 3,028,468	\$ 3,531,457	\$ (151,328)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,580,031	\$ 1,551,045	\$ 2,001,616	\$ 421,585
Special Education Program	813,616	1,372,062	1,408,240	594,624
Vocational Education Program	138,273	128,612	138,273	0
<u>Support Services</u>				
Health Services	0	200	200	200
Other Student Support	75,241	116,298	80,488	5,247
Regular Instruction Program	374,522	522,713	588,574	214,052
Vocational Education Program	155	1,000	155	0
Transportation	135,268	179,917	157,290	22,022
Total Expenditures	\$ 3,117,106	\$ 3,871,847	\$ 4,374,836	\$ 1,257,730
Excess (Deficiency) of Revenues Over Expenditures	\$ 263,023	\$ (843,379)	\$ (843,379)	\$ 1,106,402
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (11,904)	\$ (14,256)	\$ (14,256)	\$ 2,352
Total Other Financing Sources (Uses)	\$ (11,904)	\$ (14,256)	\$ (14,256)	\$ 2,352
Net Change in Fund Balance	\$ 251,119	\$ (857,635)	\$ (857,635)	\$ 1,108,754
Fund Balance, July 1, 2004	857,633	857,635	857,635	(2)
Fund Balance, June 30, 2005	\$ 1,108,752	\$ 0	\$ 0	\$ 1,108,752

Exhibit D-3

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Cocke County School Department
School Transportation Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 1,119,451	\$ 0	\$ 0	\$ 1,119,451	\$ 1,135,668	\$ 1,135,668	\$ (16,217)
Charges for Current Services	60,158	0	0	60,158	55,000	55,000	5,158
Other Local Revenues	15,238	0	0	15,238	10,200	10,200	5,038
State of Tennessee	242,873	0	0	242,873	240,000	240,000	2,873
Other Governments and Citizens Groups	228,892	0	0	228,892	0	228,892	0
Total Revenues	\$ 1,666,612	\$ 0	\$ 0	\$ 1,666,612	\$ 1,440,868	\$ 1,669,760	\$ (3,148)
<u>Expenditures</u>							
<u>Support Services</u>							
Board of Education	\$ 21,625	\$ 0	\$ 0	\$ 21,625	\$ 25,000	\$ 25,000	\$ 3,375
Transportation	1,692,584	(228,892)	385,813	1,849,505	1,702,653	1,792,108	(57,397)
Total Expenditures	\$ 1,714,209	\$ (228,892)	\$ 385,813	\$ 1,871,130	\$ 1,727,653	\$ 1,817,108	\$ (54,022)
Excess (Deficiency) of Revenues Over Expenditures	\$ (47,597)	\$ 228,892	\$ (385,813)	\$ (204,518)	\$ (286,785)	\$ (147,348)	\$ (57,170)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 228,892	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 228,892	\$ 0	\$ 0
Net Change in Fund Balance	\$ (47,597)	\$ 228,892	\$ (385,813)	\$ (204,518)	\$ (57,893)	\$ (147,348)	\$ (57,170)
Fund Balance, July 1, 2004	245,406	(228,892)	0	16,514	234,594	234,594	(218,080)
Fund Balance, June 30, 2005	\$ 197,809	\$ 0	\$ (385,813)	\$ (188,004)	\$ 176,701	\$ 87,246	\$ (275,250)

**COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005**

A. BUDGETARY INFORMATION

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the Cocke County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Purpose School Fund major categories: Regular Instruction Program, Alternative Instruction Program, Special Education Program, Vocational Education Program, etc.). Management may make revisions within major categories, but only the Cocke County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The School Department's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. Therefore, actual amounts in the accompanying budgetary statements for the major funds are presented on this budgetary basis. A reconciliation of the differences between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

B. EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS

Total expenditures and encumbrances exceeded total appropriations in the School Transportation Fund by \$54,022. This resulted from the recognition of encumbrance for school buses in the amount of \$385,813. The encumbrance was recorded since the bid for the buses was awarded and management had issued a letter of intent to purchase the buses prior to June 30, 2005. Prior to issuing the letter of intent to purchase, management obtained approval of County Commission for the issuance of capital outlay notes to fund the bus purchases. However, the School Department did not amend its 2004-05 budget to reflect the bus purchases. Instead, those transactions were budgeted in the School Department's 2005-06 year budget, along with the capital outlay note proceeds to fund the purchase. Consequently, the recognition of the encumbrance caused the excess of expenditures and encumbrances over appropriations.

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

Nonmajor Governmental Funds

Special Revenue Fund

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

Permanent Fund

The Endowment Fund is used to account for an endowment received by the School Department for which the principal amount must remain intact, while interest earned on the principal is to be expended for the benefit of the Chess Club and scholarships for Cocke County students.

Exhibit E-1

Cocke County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Cocke County School Department
June 30, 2005

	Special Revenue Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Endowment	
<u>ASSETS</u>			
Cash	\$ 4,191	\$ 0	\$ 4,191
Equity in Pooled Cash and Investments	316,355	337,983	654,338
Due from Other Governments	170,590	0	170,590
Total Assets	<u>\$ 491,136</u>	<u>\$ 337,983</u>	<u>\$ 829,119</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accrued Payroll	\$ 16,800	\$ 0	\$ 16,800
Payroll Deductions Payable	2,961	0	2,961
Total Liabilities	<u>\$ 19,761</u>	<u>\$ 0</u>	<u>\$ 19,761</u>
<u>Fund Balances</u>			
Reserved for Other General Purposes	\$ 0	\$ 324,000	\$ 324,000
Unreserved	471,375	13,983	485,358
Total Fund Balances	<u>\$ 471,375</u>	<u>\$ 337,983</u>	<u>\$ 809,358</u>
Total Liabilities and Fund Balances	<u>\$ 491,136</u>	<u>\$ 337,983</u>	<u>\$ 829,119</u>

Exhibit E-2

Coke County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Coke County School Department
For the Year Ended June 30, 2005

	Special Revenue Fund	Permanent Fund	Total Nonmajor Governmental Funds
	Central Cafeteria	Endowment	
<u>Revenues</u>			
Charges for Current Services	\$ 532,706	\$ 0	\$ 532,706
Other Local Revenues	30,601	1,419	32,020
Federal Government	1,593,025	0	1,593,025
Total Revenues	<u>\$ 2,156,332</u>	<u>\$ 1,419</u>	<u>\$ 2,157,751</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 0	\$ 2,161	\$ 2,161
Operation of Non-Instructional Services	2,109,889	0	2,109,889
Total Expenditures	<u>\$ 2,109,889</u>	<u>\$ 2,161</u>	<u>\$ 2,112,050</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 46,443</u>	<u>\$ (742)</u>	<u>\$ 45,701</u>
Net Change in Fund Balances	\$ 46,443	\$ (742)	\$ 45,701
Fund Balance, July 1, 2004	<u>424,932</u>	<u>338,725</u>	<u>763,657</u>
Fund Balance, June 30, 2005	<u>\$ 471,375</u>	<u>\$ 337,983</u>	<u>\$ 809,358</u>

Exhibit E-3

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Cocke County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 532,706	\$ 547,803	\$ 547,803	\$ (15,097)
Other Local Revenues	30,601	34,940	34,940	(4,339)
Federal Government	1,593,025	1,543,734	1,543,734	49,291
Total Revenues	<u>\$ 2,156,332</u>	<u>\$ 2,126,477</u>	<u>\$ 2,126,477</u>	<u>\$ 29,855</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,109,889	\$ 2,548,137	\$ 2,548,137	\$ 438,248
Total Expenditures	<u>\$ 2,109,889</u>	<u>\$ 2,548,137</u>	<u>\$ 2,548,137</u>	<u>\$ 438,248</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 46,443</u>	<u>\$ (421,660)</u>	<u>\$ (421,660)</u>	<u>\$ 468,103</u>
Net Change in Fund Balance	\$ 46,443	\$ (421,660)	\$ (421,660)	\$ 468,103
Fund Balance, July 1, 2004	424,932	421,660	421,660	3,272
Fund Balance, June 30, 2005	<u>\$ 471,375</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 471,375</u>

MISCELLANEOUS SCHEDULES

Exhibit F-1

Cocke County, Tennessee
Schedule of Changes in Long-Term Notes and Capital Leases
Cocke County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
School Energy Conservation & Renovation	\$ 897,670	4.5%	9-15-1994	9-15-04	\$ 26,840	\$ 0	\$ 26,840	\$ 0
Land	100,000	5	2-17-05	2-17-15	0	100,000	0	100,000
Total Notes Payable					<u>\$ 26,840</u>	<u>\$ 100,000</u>	<u>\$ 26,840</u>	<u>\$ 100,000</u>
<u>CAPITAL LEASES</u>								
<u>Payable through General Purpose School Fund</u>								
School Bus 2003	72,661	4.85	9-15-02	9-15-04	\$ 24,202	\$ 0	\$ 24,202	\$ 0
School Bus 2004	79,505	4.41	9-23-03	9-23-05	51,852	0	25,367	26,485
HVAC	285,070	5.45	10-1-1998	10-1-08	136,085	0	29,263	106,822
Total Capital Leases					<u>\$ 212,139</u>	<u>\$ 0</u>	<u>\$ 78,832</u>	<u>\$ 133,307</u>

Exhibit F-2

Cocke County, Tennessee
Schedule of Transfers - All Funds
Cocke County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>School Federal Projects</u>	General Purpose School	Indirect costs	<u>\$ 11,904</u>
Total Transfers			<u><u>\$ 11,904</u></u>

Exhibit F-3

Cocke County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
 Cocke County School Department
For the Year Ended June 30, 2005

<u>Official</u>	<u>Authorization for Salary</u>	<u>Salary Paid During Period</u>	<u>Bond</u>	<u>Surety</u>
Director of Schools	State Board of Education and Cocke County Board of Education	\$ 97,978 (1)	\$ 50,000	Western Surety Company
<u>Other Bonds:</u>				
School Department Employees' Blanket Bond			50,000	Republic Franklin Insurance Company

(1) Includes chief executive officer's training supplement of \$1,000.

Exhibit F-4

Cocke County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Cocke County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Endowment	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,389,612	\$ 0	\$ 0	\$ 945,857	\$ 0	\$ 3,335,469
Trustee's Collections - Prior Year	69,444	0	0	23,862	0	93,306
Circuit/Clerk & Master Collections - Prior Years	34,009	0	0	15,966	0	49,975
Interest and Penalty	13,801	0	0	4,614	0	18,415
Pick-up Taxes	17	0	0	4	0	21
Payments in Lieu of Taxes - T.V.A.	1,893	0	0	657	0	2,550
Payments in Lieu of Taxes - Local Utilities	44,056	0	0	17,438	0	61,494
Payments in Lieu of Taxes - Other	22	0	0	9	0	31
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,434,774	0	0	0	0	2,434,774
Other County Local Option Taxes	0	0	0	103,886	0	103,886
<u>Statutory Local Taxes</u>						
Bank Excise Tax	18,085	0	0	7,158	0	25,243
Interstate Telecommunications Tax	7,493	0	0	0	0	7,493
Total Local Taxes	\$ 5,013,206	\$ 0	\$ 0	\$ 1,119,451	\$ 0	\$ 6,132,657
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,243	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,243
Total Licenses and Permits	\$ 1,243	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,243
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Children	\$ 0	\$ 0	\$ 288,964	\$ 0	\$ 0	\$ 288,964
Lunch Payments - Adults	0	0	53,036	0	0	53,036
Income from Breakfast	0	0	59,060	0	0	59,060
A la carte Sales	0	0	130,727	0	0	130,727
School Based Health Services - FFS	7,807	0	0	0	0	7,807
Receipts from Individual Schools	28,300	0	0	60,158	0	88,458
<u>Other Charges for Services</u>						
Other Charges for Services	8,272	0	919	0	0	9,191
Total Charges for Current Services	\$ 44,379	\$ 0	\$ 532,706	\$ 60,158	\$ 0	\$ 637,243

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Endowment	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 13,999	\$ 0	\$ 1,419	\$ 15,418
Lease/Rentals	675	0	0	0	0	675
Sale of Materials and Supplies	506	0	0	0	0	506
Miscellaneous Refunds	32,289	0	15,702	190	0	48,181
<u>Nonrecurring Items</u>						
Insurance Recovery	1,969	0	0	8,428	0	10,397
Sale of Equipment	0	0	900	6,620	0	7,520
Damages Recovered from Individuals	1,169	0	0	0	0	1,169
Contributions & Gifts	34,025	0	0	0	0	34,025
<u>Other Local Revenues</u>						
Other Local Revenues	35,301	0	0	0	0	35,301
Total Other Local Revenues	\$ 105,934	\$ 0	\$ 30,601	\$ 15,238	\$ 1,419	\$ 153,192
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 17,062,141	\$ 0	\$ 0	\$ 200,000	\$ 0	\$ 17,262,141
School Food Service	30,638	0	0	0	0	30,638
Driver Education	19,680	0	0	0	0	19,680
Other State Education Funds	246,968	0	0	0	0	246,968
Career Ladder Program	294,106	0	0	0	0	294,106
Career Ladder - Extended Contract	76,902	0	0	0	0	76,902
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	123,533	0	0	42,873	0	166,406
Total State of Tennessee	\$ 17,853,968	\$ 0	\$ 0	\$ 242,873	\$ 0	\$ 18,096,841
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,163,372	\$ 0	\$ 0	\$ 1,163,372
Breakfast	0	0	429,358	0	0	429,358
USDA - Other	0	0	295	0	0	295
Adult Education State Grant Program	90,077	0	0	0	0	90,077
Vocational Education - Basic Grants to States	0	153,269	0	0	0	153,269
Title I Grants to Local Education Agencies	0	1,496,259	0	0	0	1,496,259
Innovative Education Program Strategies	0	98,797	0	0	0	98,797
Special Education - Grants to States	0	1,164,936	0	0	0	1,164,936

(Continued)

Exhibit F-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Endowment	Total
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Special Education Preschool Grants	\$ 0	\$ 59,611	\$ 0	\$ 0	\$ 0	\$ 59,611
Eisenhower Professional Development State Grants	0	362,188	0	0	0	362,188
Other Federal through State	516,309	45,069	0	0	0	561,378
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	47,277	0	0	0	0	47,277
Forest Service	30,226	0	0	0	0	30,226
Total Federal Government	\$ 683,889	\$ 3,380,129	\$ 1,593,025	\$ 0	\$ 0	\$ 5,657,043
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 228,892	\$ 0	\$ 228,892
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 228,892	\$ 0	\$ 228,892
Total	\$ 23,702,619	\$ 3,380,129	\$ 2,156,332	\$ 1,666,612	\$ 1,419	\$ 30,907,111

Exhibit F-5

Cocke County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Cocke County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,865,500	
Career Ladder Program	175,274	
Career Ladder Extended Contracts	56,028	
Educational Assistants	164,546	
Other Salaries & Wages	29,523	
Certified Substitute Teachers	152,974	
Social Security	564,245	
State Retirement	509,339	
Medical Insurance	1,183,076	
Employer Medicare	131,962	
Other Fringe Benefits	114,162	
Maintenance & Repair Services- Equipment	22,889	
Instructional Supplies and Materials	226,041	
Textbooks	250,000	
Other Supplies and Materials	19,372	
Other Charges	15,378	
Regular Instruction Equipment	222,482	
Total Regular Instruction Program		\$ 12,702,791

Alternative Instruction Program

Teachers	\$ 48,253	
Social Security	2,912	
State Retirement	2,654	
Medical Insurance	4,307	
Employer Medicare	681	
Instructional Supplies and Materials	1,500	
Total Alternative Instruction Program		60,307

Special Education Program

Teachers	\$ 1,017,626	
Career Ladder Program	20,109	
Homebound Teachers	51,584	
Educational Assistants	92,346	
Certified Substitute Teachers	12,870	
Social Security	71,191	
State Retirement	67,875	
Medical Insurance	138,594	
Employer Medicare	16,649	
Contracts with Private Agencies	20,000	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Maintenance & Repair Services- Equipment	\$	1,472	
Other Contracted Services		63,642	
Instructional Supplies and Materials		14,647	
Special Education Equipment		4,384	
Total Special Education Program			\$ 1,592,989

Vocational Education Program

Teachers	\$	775,383	
Career Ladder Program		10,368	
Certified Substitute Teachers		7,875	
Social Security		46,712	
State Retirement		39,567	
Medical Insurance		107,405	
Employer Medicare		10,924	
Maintenance & Repair Services- Equipment		1,376	
Other Contracted Services		800	
Instructional Supplies and Materials		44,298	
Other Charges		678	
Total Vocational Education Program			1,045,386

Student Body Education Program

Other Charges	\$	1,936	
Total Student Body Education Program			1,936

Adult Education Program

Teachers	\$	97,508	
Career Ladder Program		1,000	
Clerical Personnel		12,585	
Social Security		6,792	
State Retirement		4,712	
Medical Insurance		4,307	
Employer Medicare		1,589	
Instructional Supplies and Materials		17,445	
Total Adult Education Program			145,938

Support Services

Attendance

Supervisor/Director	\$	51,078	
Career Ladder Program		1,000	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Other Salaries & Wages	\$	6,675	
Social Security		3,580	
State Retirement		3,568	
Medical Insurance		9,209	
Employer Medicare		837	
Travel		3,403	
Total Attendance			\$ 79,350

Health Services

Medical Personnel	\$	70,425	
Social Security		4,325	
State Retirement		3,873	
Medical Insurance		8,614	
Employer Medicare		1,012	
Travel		1,980	
Drugs and Medical Supplies		1,499	
Other Supplies and Materials		2,250	
Total Health Services			93,978

Other Student Support

Career Ladder Program	\$	10,083	
Guidance Personnel		469,468	
Social Security		28,807	
State Retirement		26,380	
Medical Insurance		58,280	
Employer Medicare		6,737	
Contracts with Government Agencies		54,839	
Evaluation and Testing		1,000	
Other Contracted Services		17,412	
Total Other Student Support			673,006

Regular Instruction Program

Supervisor/Director	\$	58,404	
Career Ladder Program		12,995	
Librarians		407,931	
Education Media Personnel		6,922	
Instructional Computer Personnel		46,646	
Secretary(s)		26,713	
Educational Assistants		34,945	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Salaries & Wages	\$	78,575	
Social Security		39,388	
State Retirement		39,242	
Medical Insurance		83,637	
Employer Medicare		9,211	
Travel		17,163	
Other Contracted Services		137	
Periodicals		4,703	
Other Supplies and Materials		15,291	
In Service/Staff Development		18,215	
Other Charges		134,490	
Total Regular Instruction Program			\$ 1,034,608

Special Education Program

Supervisor/Director	\$	45,641	
Secretary(s)		29,219	
Social Security		4,599	
State Retirement		5,590	
Medical Insurance		4,307	
Employer Medicare		1,076	
Travel		20,856	
In Service/Staff Development		5,985	
Other Charges		6,997	
Total Special Education Program			124,270

Vocational Education Program

Supervisor/Director	\$	52,794	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Other Salaries & Wages		8,773	
Social Security		3,978	
State Retirement		3,986	
Medical Insurance		4,307	
Employer Medicare		930	
Travel		7,962	
Other Supplies and Materials		2,401	
Other Charges		2,608	
Total Vocational Education Program			91,339

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	1,502	
Travel		906	
In Service/Staff Development		5,463	
Total Adult Programs			\$ 7,871

Board of Education

Board and Committee Members Fees	\$	17,100	
Social Security		1,060	
Medical Insurance		11,335	
Unemployment Compensation		22,797	
Employer Medicare		248	
Audit Services		2,400	
Dues and Memberships		17,571	
Legal Services		8,000	
Travel		9,949	
Liability Insurance		20,990	
Trustee's Commission		127,582	
Workers' Compensation Insurance		145,318	
Other Charges		13,094	
Total Board of Education			397,444

Director of Schools

County Official/Administrative Officer	\$	97,978	
Secretary(s)		25,176	
Social Security		7,309	
State Retirement		8,042	
Medical Insurance		8,614	
Employer Medicare		1,753	
Communication		16,505	
Postal Charges		4,492	
Travel		4,159	
Office Supplies		653	
Other Charges		2,271	
Total Director of Schools			176,952

Office of the Principal

Principals	\$	614,849	
Career Ladder Program		19,667	
Assistant Principals		272,125	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Secretary(s)	\$	326,380	
Social Security		70,910	
State Retirement		82,582	
Medical Insurance		155,952	
Employer Medicare		16,584	
Communication		17,418	
Travel		18,785	
Other Contracted Services		2,035	
Other Supplies and Materials		70,526	
Other Charges		589	
Total Office of the Principal			\$ 1,668,402

Fiscal Services

Accountants/Bookkeepers	\$	34,007	
Clerical Personnel		29,822	
Other Salaries & Wages		13,676	
Social Security		4,760	
State Retirement		5,800	
Medical Insurance		6,461	
Employer Medicare		1,113	
Data Processing Services		5,833	
Travel		68	
Other Contracted Services		3,626	
Data Processing Supplies		4,496	
Total Fiscal Services			109,662

Operation of Plant

Custodial Personnel	\$	557,775	
Social Security		34,011	
State Retirement		53,478	
Medical Insurance		106,630	
Employer Medicare		7,954	
Maintenance & Repair Services- Equipment		57,861	
Rentals		2,704	
Disposal Fees		781	
Other Contracted Services		86,121	
Custodial Supplies		62,641	
Electricity		600,525	
Natural Gas		224,189	

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Water and Sewer	\$ 48,230	
Building and Contents Insurance	34,090	
Other Charges	8,007	
Total Operation of Plant		\$ 1,884,997

Maintenance of Plant

Supervisor/Director	\$ 38,165	
Maintenance Personnel	158,546	
Social Security	12,271	
State Retirement	20,725	
Medical Insurance	30,151	
Employer Medicare	2,870	
Maintenance & Repair Services- Equipment	21,716	
Travel	360	
Other Contracted Services	24,314	
Other Supplies and Materials	112,607	
Other Charges	1,324	
Maintenance Equipment	13,211	
Total Maintenance of Plant		436,260

Transportation

Bus Drivers	\$ 23,658	
Social Security	1,467	
State Retirement	2,482	
Medical Insurance	4,307	
Employer Medicare	343	
Contracts with Vehicle Owners	10,323	
Transportation Equipment	14,600	
Total Transportation		57,180

Central and Other

Other Salaries & Wages	\$ 9,470	
Social Security	587	
State Retirement	336	
Employer Medicare	137	
Other Charges	2,579	
Total Central and Other		13,109

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	51,866	
Career Ladder Program		1,000	
Social Security		3,256	
State Retirement		2,908	
Medical Insurance		541	
Employer Medicare		761	
Total Food Service			\$ 60,332

Community Services

Other Salaries & Wages	\$	245,236	
Social Security		14,853	
State Retirement		15,193	
Medical Insurance		32,371	
Employer Medicare		3,474	
Other Charges		54,442	
Total Community Services			365,569

Capital Outlay

Regular Capital Outlay

Architects	\$	85,530	
Building Improvements		499,863	
Land		148,788	
Other Capital Outlay		10,181	
Total Regular Capital Outlay			744,362

Principal

Education

Principal on Notes	\$	26,840	
Principal on Capitalized Leases		78,832	
Total Education			105,672

Interest

Education

Interest on Notes	\$	208	
Interest on Capitalized Leases		10,285	
Total Education			10,493

(Continued)

Exhibit F-5

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

General Purpose School Fund (Cont.)

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 296,603	
Total Education		\$ 296,603

Total General Purpose School Fund \$ 23,980,806

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 830,362	
Educational Assistants	206,651	
Certified Substitute Teachers	18,292	
Social Security	62,946	
State Retirement	64,693	
Medical Insurance	189,067	
Employer Medicare	14,721	
Other Contracted Services	595	
Instructional Supplies and Materials	99,780	
Other Supplies and Materials	2,961	
Other Charges	2,822	
Regular Instruction Equipment	87,141	
Total Regular Instruction Program		\$ 1,580,031

Special Education Program

Teachers	\$ 68,045	
Educational Assistants	327,827	
Other Salaries & Wages	88,986	
Social Security	29,082	
State Retirement	38,803	
Medical Insurance	116,965	
Employer Medicare	6,801	
Contracts with Private Agencies	103,309	
Other Contracted Services	797	
Instructional Supplies and Materials	26,048	
Special Education Equipment	6,953	
Total Special Education Program		813,616

Vocational Education Program

Other Supplies and Materials	\$ 75,612	
Other Charges	9,358	

(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Vocational Education Program (Cont.)

Vocational Instruction Equipment	\$ 53,303	
Total Vocational Education Program		\$ 138,273

Support Services

Other Student Support

Other Salaries & Wages	\$ 39,839	
Social Security	2,512	
State Retirement	2,246	
Medical Insurance	2,200	
Employer Medicare	588	
Travel	3,449	
Other Supplies and Materials	4,276	
In Service/Staff Development	783	
Other Charges	19,348	
Total Other Student Support		75,241

Regular Instruction Program

Supervisor/Director	\$ 104,545	
Instructional Computer Personnel	30,339	
Secretary(s)	13,976	
Other Salaries & Wages	55,055	
In-Service Training	28,540	
Social Security	14,194	
State Retirement	13,381	
Medical Insurance	24,979	
Employer Medicare	3,318	
Travel	3,856	
Library Books/Media	24,826	
Other Supplies and Materials	25,417	
In Service/Staff Development	30,189	
Other Charges	1,907	
Total Regular Instruction Program		374,522

Vocational Education Program

Travel	\$ 155	
Total Vocational Education Program		155

Transportation

Bus Drivers	\$ 88,646	
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(Continued)

Exhibit F-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Social Security	\$	5,444	
State Retirement		8,502	
Medical Insurance		23,636	
Employer Medicare		1,273	
Contracts with Vehicle Owners		7,100	
Gasoline		667	
Total Transportation			\$ 135,268

Total School Federal Projects Fund \$ 3,117,106

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	33,453	
Cafeteria Personnel		711,920	
Other Salaries & Wages		8,495	
Social Security		44,919	
State Retirement		75,862	
Medical Insurance		200,017	
Employer Medicare		10,505	
Communication		5,099	
Maintenance & Repair Services- Equipment		9,880	
Transportation - Other than Students		7,739	
Travel		2,188	
Other Contracted Services		130,862	
Food Preparation Supplies		710	
Food Supplies		765,658	
Office Supplies		4,743	
Other Supplies and Materials		87,859	
In Service/Staff Development		713	
Food Service Equipment		9,267	
Total Food Service			\$ 2,109,889

Total Central Cafeteria Fund 2,109,889

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	21,625	
Total Board of Education			\$ 21,625

(Continued)

Exhibit F-5

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

School Transportation Fund (Cont.)

Support Services (Cont.)

Transportation

Supervisor/Director	\$	38,165	
Mechanic(s)		107,886	
Bus Drivers		457,386	
Other Salaries & Wages		33,095	
Social Security		38,567	
State Retirement		62,672	
Medical Insurance		183,089	
Employer Medicare		9,020	
Communication		3,355	
Contracts with Vehicle Owners		3,982	
Maintenance & Repair Services- Vehicles		14,565	
Medical and Dental Services		5,028	
Rentals		5,252	
Travel		174	
Other Contracted Services		19,532	
Diesel Fuel		150,536	
Garage Supplies		4,383	
Gasoline		23,078	
Lubricants		4,875	
Tires and Tubes		32,916	
Vehicle Parts		208,570	
Other Supplies and Materials		15,371	
Vehicle and Equipment Insurance		35,836	
Other Charges		3,723	
Transportation Equipment		231,528	
Total Transportation			\$ 1,692,584

Total School Transportation Fund \$ 1,714,209

Endowment Fund

Instruction

Other

Other Charges	\$	2,161	
Total Other			\$ 2,161

Total Endowment Fund 2,161

Total Governmental Funds - Cocke County School Department \$ 30,924,171

SINGLE AUDIT REPORT
COCKE COUNTY, TENNESSEE
AND
COCKE COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2005

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

F. CLIFFORD TUCKER, CPA
Audit Manager

MARK A. TREECE, CPA
Auditor 4

BRAD BURKE, CPA, CIA
PHILIP TOBY
DOUG SANDIDGE, CISA
State Auditors

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

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

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

October 26, 2005

Cocke County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Cocke County, Tennessee

To the County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education:

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department as of and for the year ended June 30, 2005, which collectively comprise a portion of Cocke County's and the Cocke County School Department's basic financial statements and have issued our reports thereon dated October 26, 2005. Our report on the financial statements of Cocke County expressed an adverse opinion because the government-wide financial statements were not presented in accordance with Government Accounting Standards Board Statement No. 34. Our report on the financial statements of the Cocke County School Department was unqualified. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cocke County's and the Cocke County School Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control

over financial reporting that, in our judgment, could adversely affect Cocke County's and the Cocke County School Department's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03, 05.05, 05.06, and 05.08.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cocke County's and the Cocke County School Department's statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.02, 05.04, and 05.07.

We also noted certain matters that we reported to the management of Cocke County and the Cocke County School Department in separate communications.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/yu



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

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

October 26, 2005

Cocke County Mayor, Board of County Commissioners,
Director of Schools, and Board of Education
Cocke County, Tennessee

To the County Mayor, County Commissioners,
Director of School, and Board of Education:

Compliance

We have audited the compliance of Cocke County and the Cocke County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2005. Cocke County's and the Cocke County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Cocke County's and the Cocke County School Department's management. Our responsibility is to express an opinion on Cocke County's and the Cocke County School Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cocke County's and the Cocke County School Department's

compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Cocke County's and the Cocke County School Department's compliance with those requirements.

In our opinion, Cocke County and the Cocke County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Cocke County and the Cocke County School Department is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cocke County's and the Cocke County School Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department, as of and for the year ended June 30, 2005, and have issued our reports thereon dated October 26, 2005. Our report on the financial statements of Cocke County expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Cocke County School Department was unqualified. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/yu

Cocke County, Tennessee, and the Cocke County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	\$ 178,751
Total Passed-through State Department of Agriculture			<u>\$ 178,751</u>
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	\$ 429,358
National School Lunch Program	10.555	N/A	1,163,667
Total Passed-through State Department of Education			<u>\$ 1,593,025</u>
Total U.S. Department of Agriculture			<u>\$ 1,771,776</u>
U. S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	(2)	\$ 125,306
Total Passed-through State Department of Economic and Community Development			<u>\$ 125,306</u>
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-21	\$ 55,231
Total Passed-through State Housing Development Agency			<u>\$ 55,231</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 180,537</u>
U.S. Bureau of Land Management, Department of the Interior:			
Direct Programs:			
Payments in Lieu of Taxes	15.226	N/A	\$ 68,313
Total Direct Programs			<u>\$ 68,313</u>
Total U.S. Bureau of Land Management, Department of Interior			<u>\$ 68,313</u>
U.S. Department of Justice:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	16.007	Z-03-014412-00	\$ 10,292
Total Passed-through State Department of the Military			<u>\$ 10,292</u>
Total U.S. Department of Justice			<u>\$ 10,292</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	332.96-05-809P	\$ 67,835
Total Passed-through Walters State Community College			<u>\$ 67,835</u>
Total U.S. Department of Labor			<u>\$ 67,835</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-04-025613-01	\$ 90,077
Title I Grants to Local Educational Agencies	84.010	N/A	1,479,882
Migrant Education - State Grant Program	84.011	N/A	18,347
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	891,891
Special Education - Preschool Grants	84.173	N/A	49,031
Vocational Education - Basic Grants to States	84.048	N/A	153,269
Safe and Drug Free Schools and Communities - National Programs	84.184	Z-05-021782-00	4,458
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	37,253
Twenty-First Century Community Learning Centers	84.287	(2)	53,065
State Grants for Innovative Programs	84.298	N/A	24,826
Education Technology State Grants	84.318	(2)	38,556
Reading First State Grants	84.357	GG-05-11246-00	205,499
Rural Education Achievement Program	84.358	N/A	107,296
English Language Acquisition Grants	84.365	N/A	7,916
Improving Teacher Quality State Grants	84.367	N/A	320,744
Total Passed-through State Department of Education			<u>\$ 3,482,110</u>
Passed-through State Department of Human Services			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10258-01	<u>\$ 58,333</u>
Total Passed-through State Department of Education			<u>\$ 58,333</u>
Total U.S. Department of Education			<u>\$ 3,540,443</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and Workforce Development:			
Temporary Assistance For Needy Families	93.558	Z-05-022301-00	<u>\$ 15,792</u>
Total Passed-through State Department of Labor and Workforce Development			<u>\$ 15,792</u>
Passed-through State Department of Education:			
Child Welfare Services - State Grants	93.645	Z-05-021374-00	<u>\$ 18,450</u>
Total Passed-through State Department of Education			<u>\$ 18,450</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
Passed-through State Department of Health:			
Block Grants for the Prevention and Treatment of Substance Abuse	93.959	Z-05-020793-00	\$ 92,876
Total Passed-through State Department of Health			<u>\$ 92,876</u>
Total U.S. Department of Health and Human Services			<u>\$ 127,118</u>
U.S. Department of Homeland Security:			
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020081-00	\$ 49,354
Emergency Management Performance Grants	97.042	Z-02-010476-00	64,825 (3)
Emergency Management Performance Grants	97.042	Z-04-020289-00	16,781 (3)
Emergency Management Performance Grants	97.042	Z-05-024716-00	92,090 (3)
Total Passed-through State Department of the Military			<u>\$ 223,050</u>
Total U.S. Department of Homeland Security			<u>\$ 223,050</u>
Total Expenditures of Federal Awards			<u>\$ 5,989,364</u>
<u>State Grants</u>			
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 10,600
Health Department Programs - State Department of Health Services	N/A	(2)	173,591
Litter Grant - State Department of Transportation	N/A	(2)	31,514
Solid Waste Grants - State Department of Environment and Conservation	N/A	(2)	15,574
Temporary Assistance for Needy Families - State Department of Labor and Workforce Development	N/A	Z-05-022301-00	7,431
Adult Basic Education - State Department of Education	N/A	(2)	22,328
Safe Schools Act Grant - State Department of Education	N/A	(2)	26,828
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	<u>20,560</u>
Total State Grants			<u>\$ 308,426</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. 97.042 (Emergency Management Performance Grants from the Department of Homeland Security) was \$173,696.

Cocke County, Tennessee, and the Cocke County School Department
Schedule of Audit Findings Not Corrected
June 30, 2005

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 Cocke County, Tennessee, and the Cocke County School Department for the year ended June 30, 2004, which have not been corrected.

COCKE COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGET

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.02	15	Certain provisions of the County Purchasing Acts of 1957 were not implemented

OFFICE OF ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.04	16	Controls over consumable assets were inadequate

OTHER FINDINGS AND RECOMMENDATIONS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.07	19	Duties were not segregated adequately in the Offices of General Sessions Court Clerk, Juvenile Court Clerk, Register, and Sheriff
04.08	19	Audited financial statements were not obtained for the Recreation Department (special revenue fund)

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Cocke County, and an unqualified opinion was issued on the financial statements of the Cocke County School Department.
2. The audit of the financial statements of Cocke County and the Cocke County School Department disclosed reportable conditions in internal control. None of these conditions was considered to be a material weakness.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Cocke County and no instances of noncompliance that are material to the financial statements of the Cocke County School Department.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. The audit disclosed an unqualified opinion 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 and National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and Improving Teacher Quality State Grants (CFDA No. 84.367) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Cocke County and the Cocke County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our examination, are presented below. We have reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor, director of accounts and budget, school board chairman, and chief of corrections are paraphrased in this report. Other officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

COCKE COUNTY

FINDING 05.01 GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Material Noncompliance Under Government Auditing Standards)

Cocke County did not identify and determine the historical value of its capital assets and the related depreciation amounts of these assets. Therefore, Cocke County was unable to provide the information necessary to prepare government-wide financial statements for all of its activities, as required by Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. GASB is the standard-setting body for accounting principles that state and local governments are required to follow. As a result of this omission, Cocke County’s financial statements are not presented in accordance with generally accepted accounting principles; thus, we have issued an adverse opinion on the financial statements.

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement 34, established by the Comptroller of the Treasury. Cocke County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

Cocke County should present government-wide financial statements in conformity with generally accepted accounting principles, and should compile and maintain records that properly account for its capital assets. These records should document historical costs of the county’s capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

MANAGEMENT’S RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGET

We have made substantial progress in inventorying our county’s assets and have begun the process of identifying and determining the historical costs of the capital assets. We expect this process to be completed for the year ended June 30, 2006. Other compliance issues

have already been addressed. For the year ended June 30, 2005, we have budgeted and recorded employee benefits on a departmental basis to comply with the functional reporting requirement of GASB 34.

OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGET

FINDING 05.02 **CERTAIN PROVISIONS OF THE PURCHASING ACTS OF 1957 WERE NOT IMPLEMENTED**

(Material Noncompliance Under Government Auditing Standards)

In October 2002, Cocke County officials adopted the provisions of the Fiscal Control Acts of 1957 which included the County Purchasing Law of 1957, Sections 5-14-101 through 5-14-116, Tennessee Code Annotated. However, as of October 26, 2005, the following provisions of this statute had not been implemented:

- A. Although the county hired a director of accounts and budget who is also acting as purchasing agent, the County Commission had not formally approved her as the purchasing agent.

- B. A purchasing commission had not been established, and formal purchasing procedures had not been developed.

RECOMMENDATION

County officials should implement all provisions of the County Purchasing Law of 1957, including the approval of a purchasing agent, the establishment of a purchasing commission, and the development of purchasing policies and procedures.

MANAGEMENT'S RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGET

We have been informally implementing various provisions of the County Purchasing Law of 1957. Cocke County appropriated funds in the 2005-2006 budget to hire a purchasing agent, and we will also establish a purchasing commission and develop formal purchasing procedures this year.

OFFICE OF ROAD SUPERINTENDENT

FINDING 05.03 **THE OFFICE DID NOT MAINTAIN ADEQUATE CONTROLS OVER CONSUMABLE ASSETS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our audit revealed the following weaknesses in controls over consumable assets:

- A. The Highway Department maintained its own fuel tanks for fueling department vehicles, and prenumbered fuel tickets were used for fuel disbursed from the tanks. However, the department did not reconcile these fuel tickets with the total amount of fuel actually used.

- B. The department did not maintain inventory records documenting the receipt, usage, and storage of consumable assets, such as tires and repair parts. In addition, maintenance and repair records were not maintained for Highway Department vehicles and equipment.

RECOMMENDATION

The Highway Department should periodically reconcile fuel tickets with the quantity of fuel used, maintain inventory records for consumable assets, and maintain maintenance and repair records for department vehicles and equipment.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.04 **COMPETITIVE BIDS WERE NOT SOLICITED IN SOME REQUIRED INSTANCES**
(Noncompliance Under Government Auditing Standards)

The School Department awarded certain purchases based on quotes, instead of formally soliciting competitive bids through newspaper advertisement. These purchases included a paving project, furniture, heating/cooling units, grading work, and vocational equipment. Section 49-2-203, Tennessee Code Annotated, requires purchases exceeding \$5,000 to be made after newspaper advertisement and solicitation of competitive bids.

RECOMMENDATION

Competitive bids should be solicited through newspaper advertisement on all purchases exceeding \$5,000 as required by state statute.

MANAGEMENT'S RESPONSE – SCHOOL BOARD CHAIRMAN

All future purchases exceeding \$5,000 will be solicited through newspaper advertisements to comply with state statute.

OFFICE OF SHERIFF

FINDING 05.05 **THE REQUIRED FORMS AND REPORTS WERE NOT MAINTAINED FOR THE ADMINISTRATION OF DRUG CONTROL FUNDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office did not maintain forms and reports required by the Office of the Comptroller of the Treasury. These forms and reports are necessary to document the administration of confidential funds and to account for cash transactions related to undercover investigative operations.

RECOMMENDATION

The office should maintain drug control forms and reports as required by the Office of the Comptroller of the Treasury.

MANAGEMENT’S RESPONSE – CHIEF OF CORRECTIONS

The Sheriff’s Office is now employing the specified forms as well as preparing reports to document the administration of confidential drug fund operation.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 05.06 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF GENERAL SESSIONS COURT CLERK, JUVENILE COURT CLERK, REGISTER, AND SHERIFF**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of General Sessions Court Clerk, Juvenile Court Clerk, Register, and Sheriff. Officials and employees responsible for maintaining the accounting records in these offices were also involved in receipting, depositing, and/or disbursing funds. We realize that due to limited resources and personnel, management may not be able to properly segregate duties among employees. However, our professional standards require that we bring this matter to the reader’s attention in this report.

FINDING 05.07 AUDITED FINANCIAL STATEMENTS WERE NOT OBTAINED FOR THE RECREATION DEPARTMENT'S SPECIAL REVENUE FUND
(Noncompliance Under Government Auditing Standards)

In March 2000, Cocke County adopted Chapter 95 of the Private Acts of 2000 that provided for the Cocke County Recreation Department to maintain a bank account for its activity funds outside the Office of Trustee. During the current year, an audit was conducted on the Recreation Department's financial transactions for the years ended June 30, 2003, and 2004; however, county officials had not obtained an audit for the year ended June 30, 2005. Therefore, the financial statements of this report do not include transactions of the Recreation Department's special revenue fund.

RECOMMENDATION

County officials should ensure that audited financial statements are obtained for the Recreation Department.

MANAGEMENT'S RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGET

The county will obtain a timely audit of the Recreation Department. Furthermore, the state's audit of Cocke County was moved to an earlier position in the county audit cycle leaving less time for the Recreation Department audit to be completed.

FINDING 05.08 INTERNAL CONTROL FINDINGS WERE REPORTED IN THE 2003 AND 2004 AUDITS OF THE RECREATION DEPARTMENT
(Internal Control – Reportable Condition Under Government Auditing Standards)

The independent audit of the Recreation Department for the years ended June 30, 2003, and 2004, reported weaknesses in controls over (1) bank deposits, (2) vending machine commissions, (3) concession revenue and expense, (4) receipt preparation, (5) event reports, (6) deposit slips, (7) referee compensation, (8) accounting records, (9) budget, (10) contingency plan, (11) check signer, and (12) cash disbursements.

RECOMMENDATION

Management should review the status of the implementation of recommendations made by the independent auditor to ensure that adequate internal controls are in place to protect the assets of the Recreation Department.

MANAGEMENT'S RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGET

This was the first audit of the department; however, effective immediately, management has committed to ensuring that all recommendations will be implemented and that attention to accounting detail and tasks will be a high priority. Finally, management will begin to develop written policies and procedures directing the accounting activities within the department.

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

There were no findings and questioned costs for federal awards.

**COCKE COUNTY, TENNESSEE, AND THE
COCKE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005**

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