

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2006

**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, 2006

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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, 2006

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cocke County as of and for the year ended June 30, 2006.

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 five findings and recommendations, which we have reviewed with Cocke County 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 BUDGETS

- ◆ 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 it 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 equipment.
-

OTHER FINDINGS

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of General Sessions Court Clerk, Juvenile Judge, Register, and Sheriff.
- ◆ Audited financial statements were not obtained for the Recreation Department for the years ended June 30, 2005, and 2006.

INTRODUCTORY SECTION

Cocke County Officials
June 30, 2006

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
Billy Wayne Moore, Sheriff
Anne Williams, Director of Accounts and Budgets

Board of County Commissioners

Bill Costner, Chairman	Jimmy Lindsey
Jerry Ford	Scott McClure
Henry Gregory	Clayton Presnell
Donald Holt	Danny Shelton
Wendell Holt	Tom Sutton
Phil Killion	David Taylor
Fred Lee	Bill Williamson

Finance Committee

Wendell Holt, Chairman	Danny Shelton
Henry Gregory	Tom Sutton
Phil Killion	David Taylor
Clayton Presnell	

Highway Commission

Alton Cureton, Chairman	Clifford Large
Ronald Blazer	Shannon Phillips
Danny Fish	Willard Taylor
Kenneth Hall	

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 2, 2006

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, 2006, as shown on pages 15 through 41, 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, 2006, or the changes in its financial position for the year then ended.

The county has not required the financial statements of the Other Special Revenue Fund (the Recreation Department, a nonmajor special revenue fund), to be audited 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, 2006, 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.

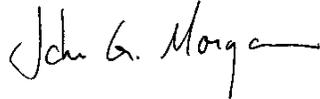
In accordance with Government Auditing Standards, we have also issued our report dated October 2, 2006, on our consideration of Cocke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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.

The budgetary comparison information on pages 45 through 49 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 Coker County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Cocke County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2006

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 117,526	\$ 117,526
Equity in Pooled Cash and Investments	1,917,473	1,186,916	5,743,406	489,180	9,336,975
Investments	0	0	0	655,483	655,483
Accounts Receivable	64,433	20	0	8,919	73,372
Due from Other Governments	319,173	526,380	230,642	12,719	1,088,914
Due from Other Funds	874	0	0	0	874
Property Taxes Receivable	5,821,410	600,622	831,630	0	7,253,662
Allowance for Uncollectible Property Taxes	(289,270)	(29,846)	(41,325)	0	(360,441)
Prepaid Items	1,282	405	1,857	0	3,544
Total Assets	\$ 7,835,375	\$ 2,284,497	\$ 6,766,210	\$ 1,283,827	\$ 18,169,909
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 293,914	\$ 233,055	\$ 2,500	\$ 59,691	\$ 589,160
Payroll Deductions Payable	11,211	4,066	0	755	16,032
Contracts Payable	0	0	0	46,321	46,321
Retainage Payable	0	0	0	5,790	5,790
Claims and Judgements Payable	15,000	0	0	0	15,000
Due to Other Funds	0	0	0	2,909	2,909
Due to State of Tennessee	942	0	0	0	942
Deferred Revenue - Current Property Taxes	5,417,103	558,907	773,871	0	6,749,881
Deferred Revenue - Delinquent Property Taxes	91,518	9,442	13,074	0	114,034
Other Deferred Revenues	218,179	169,299	124,161	0	511,639
Total Liabilities	\$ 6,047,867	\$ 974,769	\$ 913,606	\$ 115,466	\$ 8,051,708
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 799,953	\$ 0	\$ 208,201	\$ 1,008,154
Reserved for Alcohol and Drug Treatment	55,631	0	0	0	55,631
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	208,530	0	0	0	208,530
Reserved for Sexual Offender Registration	600	0	0	0	600
Reserved for Automation Purposes - Circuit Court	1,602	0	0	0	1,602
Reserved for Automation Purposes - General Sessions Court	27,546	0	0	0	27,546
Reserved for Automation Purposes - Juvenile Court	2,058	0	0	0	2,058
Reserved for Automation Purposes - Chancery Court	1,514	0	0	0	1,514
Reserved for Capital Outlay	96,475	0	0	707,969	804,444
Unreserved, Reported In:					
General Fund	1,393,552	0	0	0	1,393,552
Special Revenue Funds	0	509,775	0	439,139	948,914
Debt Service Funds	0	0	5,852,604	16,821	5,869,425
Capital Projects Funds (Deficit)	0	0	0	(203,769)	(203,769)
Total Fund Balances	\$ 1,787,508	\$ 1,309,728	\$ 5,852,604	\$ 1,168,361	\$ 10,118,201
Total Liabilities and Fund Balances	\$ 7,835,375	\$ 2,284,497	\$ 6,766,210	\$ 1,283,827	\$ 18,169,909

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, 2006

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Community Development/ Industrial Park	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 7,113,447	\$ 639,175	\$ 1,998,668	\$ 0	\$ 0	\$ 9,751,290
Licenses and Permits	66,316	0	0	0	0	66,316
Fines, Forfeitures, and Penalties	195,379	0	0	0	38,964	234,343
Charges for Current Services	313,001	0	0	0	505,154	818,155
Other Local Revenues	59,316	33,593	439,576	0	39,330	571,815
Fees Received from County Officials	878,022	0	0	0	0	878,022
State of Tennessee	1,011,188	2,118,938	34,415	0	445,918	3,610,459
Federal Government	346,596	1,047,894	0	0	34,321	1,428,811
Other Governments and Citizens Groups	69,566	0	0	1,035,840	299,302	1,404,708
Total Revenues	\$ 10,052,831	\$ 3,839,600	\$ 2,472,659	\$ 1,035,840	\$ 1,362,989	\$ 18,763,919
<u>Expenditures</u>						
Current:						
General Government	\$ 1,093,127	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,093,127
Finance	509,253	0	0	0	450,931	960,184
Administration of Justice	948,960	0	0	0	29,248	978,208
Public Safety	4,311,285	0	0	0	58,638	4,369,923
Public Health and Welfare	337,308	0	0	0	1,215,925	1,553,233
Social, Cultural, and Recreational Services	228,027	0	0	0	0	228,027
Agricultural and Natural Resources	58,939	0	0	0	0	58,939
Other Operations	1,256,637	0	0	0	0	1,256,637
Highways	106,709	3,616,505	0	0	0	3,723,214
Debt Service:						
Principal on Debt	0	0	945,696	1,024,000	195,000	2,164,696
Interest on Debt	0	0	934,178	11,840	104,302	1,050,320
Other Debt Service	0	0	38,296	0	0	38,296
Capital Projects	0	0	0	1,024,000	1,270,146	2,294,146
Total Expenditures	\$ 8,850,245	\$ 3,616,505	\$ 1,918,170	\$ 2,059,840	\$ 3,324,190	\$ 19,768,950
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,202,586	\$ 223,095	\$ 554,489	\$ (1,024,000)	\$ (1,961,201)	\$ (1,005,031)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 1,024,000	\$ 0	\$ 1,024,000
Other Loans Issued	0	200,000	0	0	885,481	1,085,481

(Continued)

Exhibit B

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

	Major Funds				Nonmajor	Total
	General	Highway/ Public Works	General Debt Service	Community Development/ Industrial Park	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,194,057	\$ 1,194,057
Transfers Out	(1,194,057)	0	0	0	0	(1,194,057)
Total Other Financing Sources (Uses)	\$ (1,194,057)	\$ 200,000	\$ 0	\$ 1,024,000	\$ 2,079,538	\$ 2,109,481
Net Change in Fund Balances	\$ 8,529	\$ 423,095	\$ 554,489	\$ 0	\$ 118,337	\$ 1,104,450
Fund Balance, July 1, 2005	1,778,979	886,633	5,298,115	0	1,050,024	9,013,751
Fund Balance, June 30, 2006	\$ 1,787,508	\$ 1,309,728	\$ 5,852,604	\$ 0	\$ 1,168,361	\$ 10,118,201

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, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,045,125
Equity in Pooled Cash and Investments	8,669
Accounts Receivable	2,909
Due from Other Governments	597,861
Due from Other Funds	2,035
Property Taxes Receivable	382,605
Allowance for Uncollectible Property Taxes	(19,012)
Cash Shortage	<u>44,465</u>
Total Assets	<u>\$ 3,064,657</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 970,123
Due to Litigants, Heirs, and Others	<u>2,094,534</u>
Total Liabilities	<u>\$ 3,064,657</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, 2006

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 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 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 Cocke 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 the following address:

Administrative Office:

Cocke County Emergency Communications District
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, the county does not have any proprietary funds to

report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the 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, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

Community Development/Industrial Park Fund – This fund is used to account for financial resources to be used for the construction of waterline extension projects.

Additionally, Cocke County reports the following fund type:

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in 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 General Debt Service Fund. 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

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.6 percent of total taxes levied.

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

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

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

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in 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.

Most payables are disaggregated on the face of the financial statements. Contracts payable reflected in the nonmajor governmental funds totaling \$46,321 are related to projects associated with a rail extension project. Claims and judgments payable totaling \$15,000 represent the amount accrued on a pending lawsuit.

Retainage payable in the nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

3. Prepaid Items

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

4. Capital Assets

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

5. 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.

6. Long-term Obligations

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

closure/postclosure care costs are recognized to the extent that the liabilities have matured (come due for payment) each period.

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.

7. Fund Equity

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on the basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Industrial/Economic Development Fund (special revenue fund) and the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

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

The county's budgetary basis of accounting is consistent with (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The differences between the budgetary basis and GAAP basis are presented on the face of each budgetary statement.

B. Undesignated Fund Deficit

The General Capital Projects Fund had an undesignated fund deficit of \$203,769 at June 30, 2006. This undesignated fund deficit resulted from the unperformed portions of construction contracts of \$208,201 being reserved as encumbrances. Funding for these future expenditures is expected to be received from state grants and the issuance of debt.

C. Cash Shortage

The Constitutional Officers – Agency Fund had an unpaid balance of \$44,465 at June 30, 2006, from a cash shortage that occurred in the 1996-97 year.

The audit of Cocke County for the 1996-97 year reported details of a \$101,822 cash shortage 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, 2006, Mr. Chesteen had paid \$7,357 toward liquidating the shortage. The remaining balance of \$44,465 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, 2006, Cocke County had the following nonpooled investments carried at cost.

Investment	Maturities	Cost
Nonmajor Governmental Funds:		
State Treasurer's Investment Pool	Daily	\$ 655,483

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, 2006, Cocke County's investment in the State Treasurer's Investment Pool was unrated.

B. Construction Commitments

At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts of \$208,201 for the rail extension project. Funding for these future expenditures is expected to be received from state grants and the issuance of debt.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2006, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 874
Agency	"	2,035

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, 2006, consisted of the following amount:

<u>Transfer Out</u>	<u>Transfer In</u> Nonmajor Governmental Funds
General Fund	\$ 1,194,057
Total	\$ 1,194,057

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. 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. In addition, capital outlay notes have been issued to refund other capital outlay notes.

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 14 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, 2006, 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, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
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General Debt Service Fund

General Obligation Bonds -			
Refunding	3 to 5	% \$ 9,705,000	\$ 9,705,000
Capital Outlay Notes	0 to 3	496,000	229,075
Capital Outlay Notes -			
Refunding	2 to 2.5	1,795,000	1,600,000
Other Loans -			
Fixed by Swap	4	5,025,000	5,025,000
Other Loans	Variable	12,475,000	7,867,079

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
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Rural Debt Service Fund

General Obligation Bonds -

Refunding	2 to 3.9 %	\$ 3,215,000	\$ 3,125,000
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The discretely presented School Department is providing funding to Coker County for the retirement of the rural school refunding bonds. During the year, the School Department contributed \$299,302 to Coker County to be applied toward the retirement of those bonds and the related interest charges.

Coker County has entered into loan agreements with the Sevier County Public Building Authority. These loan agreements provide for the authority to make \$17,500,000 available for loan to Coker County on an as-needed basis for the school building program, the retirement of capital outlay notes, and various renovation and construction projects. As of June 30, 2006, Coker County had borrowed \$15,502,079. 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 reflected in the following table 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, 2006:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Interest Rates as of 6-30-06	Other Fees on Variable Rate Debt
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Sevier County Public

Building Authority

			Variable fixed		
Series IV-E-2	\$ -	\$ 5,025,000	(1) by Swap	4	0.501
Series IV-E-2	10,000,000	2,590,000	Variable	3.91	0.501
Series V-B-3	5,000,000	4,775,000	Variable	3.80	0.46
Series VI-F-4	2,500,000	<u>502,079</u>	(2) Variable	3.91	1.996
Total		<u>\$ 12,892,079</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) \$1,997,921 remains available for future draws under this loan agreement at June 30, 2006.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2006, 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 \$12,892,079. Interest payments included in the table for the variable rate issues are computed based on the rates in effect at June 30, 2006:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 215,000	\$ 515,662	\$ 641,968	\$ 40,645
2008	220,000	511,362	579,219	27,494
2009	225,000	506,962	596,925	14,375
2010	850,000	501,899	10,963	0
2011	970,000	477,574	0	0
2012-2016	6,695,000	1,817,276	0	0
2017-2018	3,655,000	265,740	0	0
Total	\$ 12,830,000	\$ 4,596,475	\$ 1,829,075	\$ 82,514

Year Ending June 30	Other Loan (\$10,000,000) (1) (original amount)			
	Principal	Interest	Other Fees	Total
2007	\$ 285,000	\$ 101,269	\$ 12,980	\$ 399,249
2008	355,000	90,125	11,552	456,677
2009	400,000	76,245	9,773	486,018
2010	400,000	60,605	7,768	468,373
2011	300,000	44,965	5,763	350,728
2012-2016	850,000	85,043	10,900	945,943
Total	\$ 2,590,000	\$ 458,252	\$ 58,736	\$ 3,106,988

(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	
2007	\$ 0	\$ 200,849	\$ 25,184	\$ 226,033
2008	0	200,849	25,184	226,033
2009	0	200,849	25,184	226,033
2010	0	200,849	25,184	226,033
2011	0	200,849	25,184	226,033
2012-2016	0	1,004,246	125,919	1,130,165
2017-2021	5,025,000	811,192	101,712	5,937,904
Total	\$ 5,025,000	\$ 2,819,683	\$ 353,551	\$ 8,198,234

Year Ending June 30	Other Loan (\$5,000,000) (original amount)			Total
	Principal	Interest	Other Fees	
2007	\$ 75,000	\$ 181,450	\$ 21,992	\$ 278,442
2008	100,000	178,600	21,647	300,247
2009	100,000	174,800	21,186	295,986
2010	100,000	171,000	20,725	291,725
2011	125,000	167,200	20,265	312,465
2012-2016	250,000	779,000	94,416	1,123,416
2017-2021	0	764,750	92,689	857,439
2022-2026	1,900,000	729,600	88,429	2,718,029
2027-2028	2,125,000	122,550	14,853	2,262,403
Total	\$ 4,775,000	\$ 3,268,950	\$ 396,202	\$ 8,440,152

Year Ending June 30	Other Loan (\$2,500,000) (original amount)			Total
	Principal	Interest	Other Fees	
2007	\$ 0	\$ 19,631	\$ 10,024	\$ 29,655
2008	0	19,631	10,024	29,655
2009	0	19,631	10,024	29,655
2010	0	19,631	10,024	29,655
2011	0	19,631	10,024	29,655
2012-2016	0	98,156	50,120	148,276
2017-2021	0	98,156	50,120	148,276
2022-2024	502,079	19,631	10,024	531,734
Total	\$ 502,079	\$ 314,098	\$ 160,384	\$ 976,561

There are \$5,869,425 available in the debt service funds to service long-term debt. Bonded debt per capita amounted to \$408, based on the 2000 federal census for residents living outside the Newport School District and \$289, for residents living inside the Newport School District. Total debt per capita, including bonds, notes, and other loans, amounted to \$846, based on the 2000 federal census for residents living outside the Newport School District and \$728, for residents living inside the Newport School District.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, 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. 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, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.82 %
Variable payment from counterparty	70% of LIBOR	<u>(3.73)</u>
Net interest rate swap payments		0.09 %
Variable-rate bond interest payments		<u>3.91</u>
Synthetic interest rate on bonds		<u>4 %</u>

Fair value. As of June 30, 2006, the swap had a positive fair value of \$80,728. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2006, the county’s exposure to credit risk is equal to the amount of the swap’s fair value. However, should interest rates change and the fair value of the swap becomes negative, the county would no longer be exposed to credit risk. 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, 2006. 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 3.82 percent and the synthetic rate of four percent as of June 30, 2006. As of June 30, 2006, the BMA rate was 3.91 whereas 70 percent of LIBOR was 3.73 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, 2006, 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	
	Principal	Interest	Swap Payment	Total
2007	\$ 0	\$ 196,327	\$ 4,523	\$ 200,850
2008	0	196,327	4,523	200,850
2009	0	196,327	4,523	200,850
2010	0	196,327	4,523	200,850
2011	0	196,327	4,523	200,850
2012-2016	0	981,634	22,613	1,004,247
2017-2021	5,025,000	792,926	18,266	5,836,192
Total	\$ 5,025,000	\$ 2,756,195	\$ 63,494	\$ 7,844,689

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	<u>Bonds</u>	<u>Notes</u>
Balance, July 1, 2005	\$ 13,025,000	\$ 2,399,771
Additions	0	1,024,000
Deductions	(195,000)	(1,594,696)
	<hr/>	
Balance, June 30, 2006	\$ 12,830,000	\$ 1,829,075
	<hr/>	
Balance Due Within One Year	\$ 215,000	\$ 641,968
	<hr/>	

	<u>Other Loans</u>	<u>Compensated Absences</u>	<u>Landfill Closure/ Postclosure Care Costs</u>
Balance, July 1, 2005	\$ 12,181,598	\$ 172,072	\$ 679,630
Additions	1,085,481	51,630	0
Deductions	(375,000)	(34,414)	(8,155)
	<hr/>		
Balance, June 30, 2006	\$ 12,892,079	\$ 189,288	\$ 671,475
	<hr/>		
Balance Due Within One Year	\$ 360,000	\$ 37,858	\$ 8,155
	<hr/>		

A note with a balance of \$1,600,000 as of July 1, 2005, was previously reported as a bond. Beginning balances as of July 1, 2005, in the above table have been reclassified to correctly reflect the note.

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.

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, 2006, was as follows:

	<u>Balance 7-1-05</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance 6-30-06</u>
Tax Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 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, 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 Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Cocke County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the

comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Cocke County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Cocke County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Cocke County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Cocke County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Cocke County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

C. Subsequent Event

On August 31, 2006, Billy Wayne Moore left the Office of Sheriff and was succeeded by Claude Strange.

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 January 31, 2006, David Ramsey left the Office of Sheriff and was succeeded by Billy Wayne Moore.

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. Coker County has closed the landfill site and placed the final cover on the site. The county estimates that landfill postclosure care costs will be \$195,720 for the next 24 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, 2006, Coker 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 2006. 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 the district attorney general of the Fourth Judicial District; Coker, 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. Coker County made no contributions to the DTF for the year ended June 30, 2006, 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
Fourth 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, 2006, 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, 2006, Cocke County’s annual pension cost of \$931,363 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
6-30-06	\$931,363	100%	\$0
6-30-05	877,000	100	0
6-30-04	770,470	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)
6-30-05	\$18,054	\$20,950	\$2,896	86.18%	\$8,184	35.39%
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

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 the 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 and Budget
General Fund
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 7,113,447	\$ 6,753,985	\$ 6,753,985	\$ 359,462
Licenses and Permits	66,316	65,200	65,200	1,116
Fines, Forfeitures, and Penalties	195,379	172,700	172,700	22,679
Charges for Current Services	313,001	277,800	281,920	31,081
Other Local Revenues	59,316	20,700	38,832	20,484
Fees Received from County Officials	878,022	844,000	844,000	34,022
State of Tennessee	1,011,188	991,304	1,185,605	(174,417)
Federal Government	346,596	408,524	355,079	(8,483)
Other Governments and Citizens Groups	69,566	55,000	55,000	14,566
Total Revenues	\$ 10,052,831	\$ 9,589,213	\$ 9,752,321	\$ 300,510
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 82,526	\$ 84,860	\$ 84,710	\$ 2,184
Board of Equalization	3,280	4,200	4,200	920
Beer Board	4,242	4,990	4,990	748
Other Boards and Committees	931	800	950	19
County Mayor/Executive	233,628	244,428	246,397	12,769
County Attorney	18,129	27,500	27,500	9,371
Election Commission	295,208	137,798	302,118	6,910
Register of Deeds	176,433	184,645	188,513	12,080
Development	10,500	10,500	10,500	0
County Buildings	162,164	198,000	211,900	49,736
Other General Administration	70,668	73,000	73,000	2,332
Preservation of Records	35,418	44,216	44,216	8,798
<u>Finance</u>				
Accounting and Budgeting	77,109	116,514	84,646	7,537
Property Assessor's Office	249,706	266,051	266,051	16,345
County Trustee's Office	75,213	91,567	92,014	16,801
County Clerk's Office	107,225	112,332	112,363	5,138
<u>Administration of Justice</u>				
Circuit Court	283,947	338,606	338,606	54,659
General Sessions Court	329,066	348,711	348,903	19,837
Drug Court	3,943	3,943	3,943	0
Chancery Court	196,528	198,410	198,479	1,951
Juvenile Court	111,994	113,416	112,416	422
Judicial Commissioners	23,482	30,037	30,037	6,555
<u>Public Safety</u>				
Sheriff's Department	2,004,316	2,050,268	2,070,323	66,007
Special Patrols	105,488	107,645	107,645	2,157
Jail	1,107,916	1,161,180	1,181,180	73,264
Juvenile Services	73,186	74,403	75,403	2,217
Work Release Program	41,398	43,771	43,771	2,373

(Continued)

Exhibit D-1

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Safety (Cont.)</u>				
Fire Prevention and Control	\$ 805,902	\$ 837,553	\$ 840,580	\$ 34,678
Civil Defense	128,029	303,598	132,014	3,985
Inspection and Regulation	4,795	5,200	5,200	405
County Coroner/Medical Examiner	40,255	50,500	50,500	10,245
<u>Public Health and Welfare</u>				
Local Health Center	299,168	317,492	329,902	30,734
Rabies and Animal Control	31,720	33,577	33,577	1,857
General Welfare Assistance	6,420	7,000	7,000	580
<u>Social, Cultural, and Recreational Services</u>				
Senior Citizens Assistance	3,600	3,600	3,600	0
Libraries	50,125	50,125	50,125	0
Other Social, Cultural, and Recreational	174,302	185,755	190,905	16,603
<u>Agriculture & Natural Resources</u>				
Agriculture Extension Service	38,939	57,338	57,338	18,399
Soil Conservation	20,000	20,000	20,000	0
<u>Other Operations</u>				
Industrial Development	283,374	245,444	285,444	2,070
Housing and Urban Development	78,353	0	78,530	177
Veterans' Services	70,699	70,414	71,568	869
Other Charges	589,399	595,916	595,916	6,517
Contributions to Other Agencies	220,169	220,169	220,169	0
Employee Benefits	9,243	21,000	21,000	11,757
Miscellaneous	5,400	6,000	6,000	600
<u>Highways</u>				
Litter and Trash Collection	106,709	90,895	119,350	12,641
Total Expenditures	\$ 8,850,245	\$ 9,193,367	\$ 9,383,492	\$ 533,247
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 1,202,586	\$ 395,846	\$ 368,829	\$ 833,757
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (1,194,057)	\$ (1,154,140)	\$ (1,204,140)	\$ 10,083
Total Other Financing Sources (Uses)	\$ (1,194,057)	\$ (1,154,140)	\$ (1,204,140)	\$ 10,083
Net Change in Fund Balance				
Fund Balance, July 1, 2005	\$ 8,529	\$ (758,294)	\$ (835,311)	\$ 843,840
	1,778,979	1,776,723	1,776,723	2,256
Fund Balance, June 30, 2006				
	\$ 1,787,508	\$ 1,018,429	\$ 941,412	\$ 846,096

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 639,175	\$ 0	\$ 0	\$ 639,175	\$ 602,998	\$ 602,998	\$ 36,177
Other Local Revenues	33,593	0	0	33,593	0	4,000	29,593
State of Tennessee	2,118,938	0	0	2,118,938	2,241,000	2,125,000	(6,062)
Federal Government	1,047,894	0	0	1,047,894	73,983	847,981	199,913
Total Revenues	\$ 3,839,600	\$ 0	\$ 0	\$ 3,839,600	\$ 2,917,981	\$ 3,579,979	\$ 259,621
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 212,798	\$ 0	\$ 0	\$ 212,798	\$ 222,706	\$ 222,706	\$ 9,908
Highway and Bridge Maintenance	1,903,567	(432,365)	454,141	1,925,343	1,857,331	2,330,331	404,988
Operation and Maintenance of Equipment	509,641	0	0	509,641	473,123	550,123	40,482
Quarry Operations	225,391	0	11,600	236,991	260,504	260,504	23,513
Other Charges	385,675	0	0	385,675	389,055	389,055	3,380
Employee Benefits	4,821	0	0	4,821	5,100	5,100	279
Capital Outlay	374,612	(28,824)	334,212	680,000	680,000	680,000	0
Total Expenditures	\$ 3,616,505	\$ (461,189)	\$ 799,953	\$ 3,955,269	\$ 3,887,819	\$ 4,437,819	\$ 482,550
Excess (Deficiency) of Revenues Over Expenditures	\$ 223,095	\$ 461,189	\$ (799,953)	\$ (115,669)	\$ (969,838)	\$ (857,840)	\$ 742,171
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 680,000	\$ 0	\$ 0
Other Loans Issued	200,000	0	0	200,000	0	680,000	(480,000)
Total Other Financing Sources (Uses)	\$ 200,000	\$ 0	\$ 0	\$ 200,000	\$ 680,000	\$ 680,000	\$ (480,000)

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 423,095	\$ 461,189	\$ (799,953)	\$ 84,331	\$ (289,838)	\$ (177,840)	\$ 262,171
Fund Balance, July 1, 2005	886,633	(461,189)	0	425,444	418,939	418,939	6,505
Fund Balance, June 30, 2006	\$ 1,309,728	\$ 0	\$ (799,953)	\$ 509,775	\$ 129,101	\$ 241,099	\$ 268,676

COCKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 Fund major categories: County Commission, Board of Equalization, Beer Board, and Other Boards and Committees, 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 county's budgetary basis of accounting is consistent with generally accepted accounting principles (GAAP), except instances in which encumbrances are treated as budgeted expenditures. The 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 involving solid waste collection.

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 retirement of bonds, other loans, and most notes issued for the construction and renovations of the county's elementary schools.

Capital Projects Funds

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

General Capital Projects Fund – The General Capital Projects Fund is used to account for 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, 2006

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitutional Officers - Fees		
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 104,865	\$	104,865
Equity in Pooled Cash and Investments	85,654	232,500	57,837	0		375,991
Investments	0	0	0	0		0
Accounts Receivable	8,330	0	0	589		8,919
Due from Other Governments	12,719	0	0	0		12,719
Total Assets	\$ 106,703	\$ 232,500	\$ 57,837	\$ 105,454	\$	502,494
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 59,691	\$ 0	\$ 0	\$ 0	\$	59,691
Payroll Deductions Payable	755	0	0	0		755
Contracts Payable	0	0	0	0		0
Retainage Payable	0	0	0	0		0
Due to Other Funds	0	0	2,035	874		2,909
Total Liabilities	\$ 60,446	\$ 0	\$ 2,035	\$ 874	\$	63,355
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$	0
Reserved for Capital Outlay	0	0	0	0		0
Unreserved (Deficit)	46,257	232,500	55,802	104,580		439,139
Total Fund Balances	\$ 46,257	\$ 232,500	\$ 55,802	\$ 104,580	\$	439,139
Total Liabilities and Fund Balances	\$ 106,703	\$ 232,500	\$ 57,837	\$ 105,454	\$	502,494

(Continued)

Exhibit E-1

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

	Debt	Capital Projects Funds			Total Nonmajor Governmental Funds
	Service Fund	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 12,661	\$ 12,661	\$ 117,526
Equity in Pooled Cash and Investments	16,821	56,543	39,825	96,368	489,180
Investments	0	0	655,483	655,483	655,483
Accounts Receivable	0	0	0	0	8,919
Due from Other Governments	0	0	0	0	12,719
Total Assets	\$ 16,821	\$ 56,543	\$ 707,969	\$ 764,512	\$ 1,283,827
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,691
Payroll Deductions Payable	0	0	0	0	755
Contracts Payable	0	46,321	0	46,321	46,321
Retainage Payable	0	5,790	0	5,790	5,790
Due to Other Funds	0	0	0	0	2,909
Total Liabilities	\$ 0	\$ 52,111	\$ 0	\$ 52,111	\$ 115,466
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 208,201	\$ 0	\$ 208,201	\$ 208,201
Reserved for Capital Outlay	0	0	707,969	707,969	707,969
Unreserved (Deficit)	16,821	(203,769)	0	(203,769)	252,191
Total Fund Balances	\$ 16,821	\$ 4,432	\$ 707,969	\$ 712,401	\$ 1,168,361
Total Liabilities and Fund Balances	\$ 16,821	\$ 56,543	\$ 707,969	\$ 764,512	\$ 1,283,827

Exhibit E-2

Cocke County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds				
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Constitu - tional Officers - Fees	Total
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 38,964	\$ 0	\$ 38,964
Charges for Current Services	65,250	0	0	439,904	505,154
Other Local Revenues	17,609	0	2,561	0	20,170
State of Tennessee	32,266	0	0	0	32,266
Federal Government	0	0	0	0	0
Other Governments and Citizens Groups	0	0	0	0	0
Total Revenues	\$ 115,125	\$ 0	\$ 41,525	\$ 439,904	\$ 596,554
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 0	\$ 0	\$ 450,931	\$ 450,931
Administration of Justice	0	0	0	29,248	29,248
Public Safety	0	0	58,596	42	58,638
Public Health and Welfare	1,215,925	0	0	0	1,215,925
Debt Service:					
Principal on Debt	0	0	0	0	0
Interest on Debt	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 1,215,925	\$ 0	\$ 58,596	\$ 480,221	\$ 1,754,742
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,100,800)	\$ 0	\$ (17,071)	\$ (40,317)	\$ (1,158,188)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	1,144,057	0	0	0	1,144,057
Total Other Financing Sources (Uses)	\$ 1,144,057	\$ 0	\$ 0	\$ 0	\$ 1,144,057
Net Change in Fund Balances	\$ 43,257	\$ 0	\$ (17,071)	\$ (40,317)	\$ (14,131)
Fund Balance, July 1, 2005	3,000	232,500	72,873	144,897	453,270
Fund Balance, June 30, 2006	\$ 46,257	\$ 232,500	\$ 55,802	\$ 104,580	\$ 439,139

(Continued)

Exhibit E-2

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	Debt Service Fund	General Capital Projects	Highway Capital Projects	Total	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 38,964
Charges for Current Services	0	0	0	0	505,154
Other Local Revenues	0	0	19,160	19,160	39,330
State of Tennessee	0	413,652	0	413,652	445,918
Federal Government	0	34,321	0	34,321	34,321
Other Governments and Citizens Groups	299,302	0	0	0	299,302
Total Revenues	\$ 299,302	\$ 447,973	\$ 19,160	\$ 467,133	\$ 1,362,989
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 450,931
Administration of Justice	0	0	0	0	29,248
Public Safety	0	0	0	0	58,638
Public Health and Welfare	0	0	0	0	1,215,925
Debt Service:					
Principal on Debt	195,000	0	0	0	195,000
Interest on Debt	104,302	0	0	0	104,302
Capital Projects	0	1,061,820	208,326	1,270,146	1,270,146
Total Expenditures	\$ 299,302	\$ 1,061,820	\$ 208,326	\$ 1,270,146	\$ 3,324,190
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 0	\$ (613,847)	\$ (189,166)	\$ (803,013)	\$ (1,961,201)
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 545,659	\$ 339,822	\$ 885,481	\$ 885,481
Transfers In	0	0	50,000	50,000	1,194,057
Total Other Financing Sources (Uses)	\$ 0	\$ 545,659	\$ 389,822	\$ 935,481	\$ 2,079,538
Net Change in Fund Balances					
Fund Balance, July 1, 2005	\$ 16,821	\$ (68,188)	\$ 200,656	\$ 132,468	\$ 118,337
Fund Balance, June 30, 2006	\$ 16,821	\$ 4,432	\$ 707,969	\$ 712,401	\$ 1,168,361

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 65,250	\$ 0	\$ 65,250	\$ 70,000	\$ 70,000	\$ (4,750)
Other Local Revenues	17,609	0	17,609	12,000	12,000	5,609
State of Tennessee	32,266	0	32,266	31,500	31,500	766
Total Revenues	\$ 115,125	\$ 0	\$ 115,125	\$ 113,500	\$ 113,500	\$ 1,625
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Management	\$ 395,932	\$ (3,000)	\$ 392,932	\$ 441,005	\$ 428,005	\$ 35,073
Convenience Centers	819,993	0	819,993	826,635	839,635	19,642
Total Expenditures	\$ 1,215,925	\$ (3,000)	\$ 1,212,925	\$ 1,267,640	\$ 1,267,640	\$ 54,715
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,100,800)	\$ 3,000	\$ (1,097,800)	\$ (1,154,140)	\$ (1,154,140)	\$ 56,340
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 1,144,057	\$ 0	\$ 1,144,057	\$ 1,154,140	\$ 1,154,140	\$ (10,083)
Total Other Financing Sources (Uses)	\$ 1,144,057	\$ 0	\$ 1,144,057	\$ 1,154,140	\$ 1,154,140	\$ (10,083)
Net Change in Fund Balance	\$ 43,257	\$ 3,000	\$ 46,257	\$ 0	\$ 0	\$ 46,257
Fund Balance, July 1, 2005	3,000	(3,000)	0	0	0	0
Fund Balance, June 30, 2006	\$ 46,257	\$ 0	\$ 46,257	\$ 0	\$ 0	\$ 46,257

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 38,964	\$ 19,000	\$ 19,000	\$ 19,964
Other Local Revenues	2,561	2,500	2,500	61
Federal Government	0	10,000	10,000	(10,000)
Total Revenues	<u>\$ 41,525</u>	<u>\$ 31,500</u>	<u>\$ 31,500</u>	<u>\$ 10,025</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 47,539	\$ 36,500	\$ 68,500	\$ 20,961
Drug Enforcement	11,057	22,700	22,700	11,643
Total Expenditures	<u>\$ 58,596</u>	<u>\$ 59,200</u>	<u>\$ 91,200</u>	<u>\$ 32,604</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (17,071)</u>	<u>\$ (27,700)</u>	<u>\$ (59,700)</u>	<u>\$ 42,629</u>
Net Change in Fund Balance	\$ (17,071)	\$ (27,700)	\$ (59,700)	\$ 42,629
Fund Balance, July 1, 2005	<u>72,873</u>	<u>72,874</u>	<u>72,874</u>	<u>(1)</u>
Fund Balance, June 30, 2006	<u>\$ 55,802</u>	<u>\$ 45,174</u>	<u>\$ 13,174</u>	<u>\$ 42,628</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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Governments and Citizens Groups	\$ 299,302	\$ 299,302	\$ 299,302	\$ 0
Total Revenues	\$ 299,302	\$ 299,302	\$ 299,302	\$ 0
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 195,000	\$ 195,000	\$ 195,000	\$ 0
<u>Interest on Debt</u>				
Education	104,302	104,302	104,302	0
Total Expenditures	\$ 299,302	\$ 299,302	\$ 299,302	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2005	16,821	16,821	16,821	0
Fund Balance, June 30, 2006	\$ 16,821	\$ 16,821	\$ 16,821	\$ 0

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,998,668	\$ 1,835,055	\$ 1,835,055	\$ 163,613
Other Local Revenues	439,576	120,000	120,000	319,576
State of Tennessee	34,415	34,500	34,500	(85)
Total Revenues	<u>\$ 2,472,659</u>	<u>\$ 1,989,555</u>	<u>\$ 1,989,555</u>	<u>\$ 483,104</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 48,158	\$ 50,000	\$ 50,000	\$ 1,842
Highways and Streets	143,190	145,000	145,000	1,810
Education	754,348	756,000	756,000	1,652
<u>Interest on Debt</u>				
General Government	68,036	95,000	95,000	26,964
Highways and Streets	194,138	268,000	268,000	73,862
Education	672,004	736,000	736,000	63,996
<u>Other Debt Service</u>				
General Government	33,460	35,000	35,000	1,540
Education	4,836	5,000	5,000	164
Total Expenditures	<u>\$ 1,918,170</u>	<u>\$ 2,090,000</u>	<u>\$ 2,090,000</u>	<u>\$ 171,830</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 554,489</u>	<u>\$ (100,445)</u>	<u>\$ (100,445)</u>	<u>\$ 654,934</u>
Net Change in Fund Balance	\$ 554,489	\$ (100,445)	\$ (100,445)	\$ 654,934
Fund Balance, July 1, 2005	<u>5,298,115</u>	<u>5,288,510</u>	<u>5,288,510</u>	<u>9,605</u>
Fund Balance, June 30, 2006	<u>\$ 5,852,604</u>	<u>\$ 5,188,065</u>	<u>\$ 5,188,065</u>	<u>\$ 664,539</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or 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, 2006

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Newport	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 2,045,125	\$ 2,045,125
Equity in Pooled Cash and Investments	0	8,669	0	8,669
Accounts Receivable	0	0	2,909	2,909
Due from Other Governments	508,085	89,776	0	597,861
Due from Other Funds	0	0	2,035	2,035
Property Taxes Receivable	0	382,605	0	382,605
Allowance for Uncollectible Property Taxes	0	(19,012)	0	(19,012)
Cash Shortage	0	0	44,465	44,465
Total Assets	<u>\$ 508,085</u>	<u>\$ 462,038</u>	<u>\$ 2,094,534</u>	<u>\$ 3,064,657</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 508,085	\$ 462,038	\$ 0	\$ 970,123
Due to Litigants, Heirs, and Others	0	0	2,094,534	2,094,534
Total Liabilities	<u>\$ 508,085</u>	<u>\$ 462,038</u>	<u>\$ 2,094,534</u>	<u>\$ 3,064,657</u>

Exhibit G-2

Cocke County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,863,358	\$ 2,863,358	\$ 0
Due from Other Governments	464,830	508,085	464,830	508,085
Total Assets	\$ 464,830	\$ 3,371,443	\$ 3,328,188	\$ 508,085
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 464,830	\$ 3,371,443	\$ 3,328,188	\$ 508,085
Total Liabilities	\$ 464,830	\$ 3,371,443	\$ 3,328,188	\$ 508,085
<u>City - School ADA Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 851,270	\$ 842,601	\$ 8,669
Due from Other Governments	72,473	89,776	72,473	89,776
Property Taxes Receivable	375,726	382,605	375,726	382,605
Allowance for Uncollectible Property Taxes	(12,456)	(19,012)	(12,456)	(19,012)
Total Assets	\$ 435,743	\$ 1,304,639	\$ 1,278,344	\$ 462,038
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 435,743	\$ 1,304,639	\$ 1,278,344	\$ 462,038
Total Liabilities	\$ 435,743	\$ 1,304,639	\$ 1,278,344	\$ 462,038
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,231,708	\$ 7,889,910	\$ 7,076,493	\$ 2,045,125
Accounts Receivable	2,451	2,909	2,451	2,909
Due from Other Funds	0	2,035	0	2,035
Cash Shortage	45,815	0	1,350	44,465
Total Assets	\$ 1,279,974	\$ 7,894,854	\$ 7,080,294	\$ 2,094,534
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,279,974	\$ 7,894,854	\$ 7,080,294	\$ 2,094,534
Total Liabilities	\$ 1,279,974	\$ 7,894,854	\$ 7,080,294	\$ 2,094,534

(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>				
Cash	\$ 1,231,708	\$ 7,889,910	\$ 7,076,496	\$ 2,045,125
Equity in Pooled Cash and Investments	0	3,714,628	305,959	8,669
Accounts Receivable	2,451	2,909	2,451	2,909
Due from Other Governments	537,303	597,861	537,303	597,861
Due from Other Funds	0	2,035	0	2,035
Property Taxes Receivable	375,726	382,605	375,726	382,605
Allowance for Uncollectible Property Taxes	(12,456)	(19,012)	(12,456)	(19,012)
Cash Shortage	45,815	0	1,350	44,465
Total Assets	<u>\$ 2,180,547</u>	<u>\$ 12,570,936</u>	<u>\$ 8,286,829</u>	<u>\$ 3,064,657</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 900,573	\$ 4,676,082	\$ 4,606,532	\$ 970,123
Due to Litigants, Heirs, and Others	1,279,974	7,894,854	7,080,294	2,094,534
Total Liabilities	<u>\$ 2,180,547</u>	<u>\$ 12,570,936</u>	<u>\$ 11,686,826</u>	<u>\$ 3,064,657</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, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
EPA Asbestos Abatement		0 %	5-1-1990	11-30-09	\$ 99,581	\$ 0	\$ 22,840	\$ 76,741
School Building Projects	\$ 3,800,000	3.95 to 4.5	4-24-1998	6-1-06	475,000	0	475,000	0
School Energy Conservation & Renovation	496,000	3	11-1-00	12-1-07	225,190	0	72,856	152,334
Capital Outlay Refunding Note, Series 2004 (3)	1,795,000	2 to 2.5	3-23-04	6-1-09	1,600,000	0	0	1,600,000
Total Payable through General Debt Service Fund					<u>\$ 2,399,771</u>	<u>\$ 0</u>	<u>\$ 570,696</u>	<u>\$ 1,829,075</u>
<u>Payable through Community Development/ Industrial Park Fund</u>								
General Obligation Capital Outlay Note	1,024,000	3.75	3-7-06	6-28-06	\$ 0	\$ 1,024,000	\$ 1,024,000	\$ 0
Total Payable through Community Development/ Industrial Park Fund					<u>\$ 0</u>	<u>\$ 1,024,000</u>	<u>\$ 1,024,000</u>	<u>\$ 0</u>
Total Notes Payable					<u>\$ 2,399,771</u>	<u>\$ 1,024,000</u>	<u>\$ 1,594,696</u>	<u>\$ 1,829,075</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	\$ 2,890,000	\$ 0	\$ 300,000	\$ 2,590,000
Public Building Authority, Series IV-E-2	(2)	4	11-2-00	6-1-21	5,025,000	0	0	5,025,000
Public Building Authority, Series V-B-3	5,000,000	Variable	6-4-03	6-1-28	4,266,598	583,402	75,000	4,775,000
Public Building Authority, Series VI-F-4	(1)	Variable	9-29-05	6-1-24	0	502,079	0	502,079
Total Payable through General Debt Service Fund					<u>\$ 12,181,598</u>	<u>\$ 1,085,481</u>	<u>\$ 375,000</u>	<u>\$ 12,892,079</u>
Total Other Loans Payable					<u>\$ 12,181,598</u>	<u>\$ 1,085,481</u>	<u>\$ 375,000</u>	<u>\$ 12,892,079</u>

(1) Total amount approved was \$2,500,000, of which \$ 1,997,921 remains available for draws as of June 30, 2006.

(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.

(3) In prior years, this note was inadvertently included with the School Refunding Bonds, Series 2004.

(Continued)

Exhibit H-1

Cocke County, Tennessee
Schedule of Changes in Long-Term Notes, Other Loans, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 2004	\$ 9,705,000	3 to 5 %	3-23-04	6-1-18	\$ 9,705,000	\$ 0	\$ 0	\$ 9,705,000
Total Payable through General Debt Service Fund					<u>\$ 9,705,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,705,000</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	\$ 170,000	\$ 0	\$ 170,000	\$ 0
Rural School Refunding Bonds, Series 2004	3,215,000	2 to 3.9	3-23-04	6-1-18	3,150,000	0	25,000	3,125,000
Total Payable through Rural Debt Service Fund					<u>\$ 3,320,000</u>	<u>\$ 0</u>	<u>\$ 195,000</u>	<u>\$ 3,125,000</u>
Total Bonds Payable					<u>\$ 13,025,000</u>	<u>\$ 0</u>	<u>\$ 195,000</u>	<u>\$ 12,830,000</u>

Exhibit H-2

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

Year Ending June 30	Payable through General Debt Service Fund			Payable through Rural Debt Service Fund			Total All Requirements
	Bond Requirements	Interest Requirements	Total Requirements	Bond Requirements	Interest Requirements	Total Requirements	
2007	\$ 0	\$ 419,169	\$ 419,169	\$ 215,000	\$ 96,493	\$ 311,493	\$ 730,662
2008	0	419,169	419,169	220,000	92,193	312,193	731,362
2009	0	419,169	419,169	225,000	87,793	312,793	731,962
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	\$ 9,705,000	\$ 3,856,506	\$ 13,561,506	\$ 3,125,000	\$ 739,969	\$ 3,864,969	\$ 17,426,475

Exhibit H-3

Cocke County, Tennessee
Schedule of Investments
June 30, 2006

<u>Fund and Type</u>	<u>Amount</u>
<u>Highway Capital Projects Fund</u>	
State Treasurer's Investment Pool	<u>\$ 655,483</u>
Total Investments	<u><u>\$ 655,483</u></u>

Exhibit H-4

Cocke County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	To provide funds for operations	\$ 1,144,057
General	Highway Capital Projects	To provide funds for community development	<u>50,000</u>
Total Transfers			<u><u>\$ 1,194,057</u></u>

Exhibit H-5

Cocke County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 62,424	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	59,452	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	54,048	964,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	RLI Insurance Company
Director of Accounts and Budgets	County Commission	54,048	25,000	Ohio Casualty Insurance Company
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
General Sessions Court Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	83,228 (1)	50,000	Old Republic Surety Company
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	Ohio Casualty Insurance Company
Sheriff:	Section 8-24-102, <u>TCA</u>			
David Ramsey (7-1-05 through 1-31-06)	Section 8-24-102, <u>TCA</u>	35,200 (2)	25,000	"
Billy Wayne Moore (2-1-06 through 6-30-06)	Section 8-24-102, <u>TCA</u>	25,290 (3)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Tennessee School Boards Risk Management Trust
Public Employee Dishonesty - County Clerk Employees			40,000	Western Surety Company

(1) Includes special commissioner fees of \$29,180.

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

(3) 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, 2006

	Special Revenue Funds				
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 5,326,400	\$ 0	\$ 0	\$ 0	\$ 546,915
Trustee's Collections - Prior Year	140,202	0	0	0	17,478
Circuit/Clerk & Master Collections - Prior Years	177,615	0	0	0	18,931
Interest and Penalty	32,175	0	0	0	3,380
Payments in-Lieu-of Taxes - T.V.A.	3,576	0	0	0	369
Payments in-Lieu-of Taxes - Local Utilities	97,900	0	0	0	10,101
Payments in-Lieu-of Taxes - Other	48	0	0	0	5
<u>County Local Option Taxes</u>					
Local Option Sales Tax	386,999	0	0	0	0
Hotel/Motel Tax	193,566	0	0	0	0
Litigation Tax - General	42,153	0	0	0	0
Litigation Tax - Special Purpose	5,485	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	50,611	0	0	0	0
Business Tax	218,532	0	0	0	0
Mineral Severance Tax	0	0	0	0	38,198
Other County Local Option Taxes	54,007	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	36,811	0	0	0	3,798
Wholesale Beer Tax	346,962	0	0	0	0
Interstate Telecommunications Tax	405	0	0	0	0
Total Local Taxes	\$ 7,113,447	\$ 0	\$ 0	\$ 0	\$ 639,175
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,492	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	57,572	0	0	0	0
<u>Permits</u>					
Beer Permits	7,252	0	0	0	0
Total Licenses and Permits	\$ 66,316	\$ 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	\$ 2,869	\$ 0	\$ 0	\$ 0	0
Officers Costs	3,926	0	0	0	0
Drug Control Fines	5,466	0	0	0	0
Jail Fees	70	0	0	0	0
DUI Treatment Fines	618	0	0	0	0
Data Entry Fee - Circuit Court	570	0	0	0	0
<u>General Sessions Court</u>					
Fines	33,401	0	0	0	0
Officers Costs	44,653	0	0	0	0
Drug Control Fines	0	0	22,827	0	0
Drug Court Fees	4,679	0	0	0	0
Jail Fees	72,501	0	0	0	0
DUI Treatment Fines	3,741	0	0	0	0
Data Entry Fee - General Sessions Court	8,075	0	0	0	0
<u>Juvenile Court</u>					
Fines	582	0	0	0	0
Officers Costs	4,708	0	0	0	0
Drug Control Fines	2,620	0	0	0	0
Data Entry Fee - Juvenile Court	651	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	907	0	0	0	0
Data Entry Fee - Chancery Court	442	0	0	0	0
<u>Other Courts - In-county</u>					
Fines for Littering	4,900	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	16,137	0	0
Total Fines, Forfeitures, and Penalties	\$ 195,379	\$ 0	\$ 38,964	\$ 0	0
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 65,250	\$ 0	\$ 0	0
Work Release Charges for Board	53,670	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	\$ 9,316	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees</u>					
Recreation Fees	215,470	0	0	0	0
Copy Fees	3,038	0	0	0	0
Telephone Commissions	12,978	0	0	0	0
Vending Machine Collections	535	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	439,904	0
Data Processing Fee - Register	15,274	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,720	0	0	0	0
Total Charges for Current Services	\$ 313,001	\$ 65,250	\$ 0	\$ 439,904	\$ 0
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	7,327	0	0	0	0
Sale of Materials and Supplies	1,157	17,609	0	0	0
Commissary Sales	9,368	0	0	0	0
Retirees' Insurance Payments	42	0	0	0	0
Miscellaneous Refunds	14,031	0	2,561	0	20,382
<u>Nonrecurring Items</u>					
Gain on Disposal of Property	620	0	0	0	0
Insurance Recovery	26,648	0	0	0	5,611
Damages Recovered from Individuals	68	0	0	0	0
Contributions & Gifts	55	0	0	0	7,600
Total Other Local Revenues	\$ 59,316	\$ 17,609	\$ 2,561	\$ 0	\$ 33,593
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 47,810	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	206,035	0	0	0	0
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	123,067	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>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary (Cont.)</u>					
General Sessions Court Clerk	\$ 234,305	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	45,132	0	0	0	0
Juvenile Court Clerk	25,722	0	0	0	0
Register	185,508	0	0	0	0
Sheriff	10,443	0	0	0	0
Total Fees Received from County Officials	\$ 878,022	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 11,000	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	32,266	0	0	0
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	18,218	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	222,309	0	0	0	0
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	62,918
State Aid Program	0	0	0	0	212,552
Litter Program	40,529	0	0	0	0
Tennessee Industrial Infrastructure Program	0	0	0	0	0
<u>Other State Revenues</u>					
Income Tax	43,584	0	0	0	0
Beer Tax	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	43,115
Mixed Drink Tax	9,123	0	0	0	0
State Revenue Sharing - T.V.A.	240,905	0	0	0	24,855
Board of Jurors	652	0	0	0	0
Contracted Prisoner Boarding	378,773	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,731,285
Petroleum Special Tax	0	0	0	0	27,001
Reappraisal Program Reimbursement	13,969	0	0	0	0
Registrar's Salary Supplement	16,380	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	Constitu- tional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>					
<u>Other State Revenues (Cont.)</u>					
Other State Grants	\$ 15,746	\$ 0	\$ 0	\$ 0	\$ 0
Total State of Tennessee	\$ 1,011,188	\$ 32,266	\$ 0	\$ 0	\$ 2,118,938
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA - Other	\$ 2,215	\$ 0	\$ 0	\$ 0	\$ 0
Community Development	0	0	0	0	0
Disaster Relief	0	0	0	0	65,643
Homeland Security Grants	92,352	0	0	0	0
Other Federal through State	78,530	0	0	0	130,500
<u>Direct Federal Revenue</u>					
Forest Service	69,888	0	0	0	10,307
Other Direct Federal Revenue	103,611	0	0	0	841,444
Total Federal Government	\$ 346,596	\$ 0	\$ 0	\$ 0	\$ 1,047,894
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 69,566	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Governments and Citizens Groups	\$ 69,566	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 10,052,831	\$ 115,125	\$ 41,525	\$ 439,904	\$ 3,839,600

(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	Community Development/Industrial Park	Highway Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 757,207	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,630,522
Trustee's Collections - Prior Year	24,675	0	0	0	0	182,355
Circuit/Clerk & Master Collections - Prior Years	30,066	0	0	0	0	226,612
Interest and Penalty	4,744	0	0	0	0	40,299
Payments in-Lieu-of Taxes - T.V.A.	511	0	0	0	0	4,456
Payments in-Lieu-of Taxes - Local Utilities	13,986	0	0	0	0	121,987
Payments in-Lieu-of Taxes - Other	7	0	0	0	0	60
<u>County Local Option Taxes</u>						
Local Option Sales Tax	1,160,998	0	0	0	0	1,547,997
Hotel/Motel Tax	0	0	0	0	0	193,566
Litigation Tax - General	0	0	0	0	0	42,153
Litigation Tax - Special Purpose	0	0	0	0	0	5,485
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	50,611
Business Tax	0	0	0	0	0	218,532
Mineral Severance Tax	0	0	0	0	0	38,198
Other County Local Option Taxes	0	0	0	0	0	54,007
<u>Statutory Local Taxes</u>						
Bank Excise Tax	5,259	0	0	0	0	45,868
Wholesale Beer Tax	0	0	0	0	0	346,962
Interstate Telecommunications Tax	1,215	0	0	0	0	1,620
Total Local Taxes	\$ 1,998,668	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,751,290
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,492
Cable TV Franchise	0	0	0	0	0	57,572
<u>Permits</u>						
Beer Permits	0	0	0	0	0	7,252
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 66,316

(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	Community Development/Industrial Park	Highway Capital Projects	
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,869
Officers Costs	0	0	0	0	0	3,926
Drug Control Fines	0	0	0	0	0	5,466
Jail Fees	0	0	0	0	0	70
DUI Treatment Fines	0	0	0	0	0	618
Data Entry Fee - Circuit Court	0	0	0	0	0	570
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	33,401
Officers Costs	0	0	0	0	0	44,653
Drug Control Fines	0	0	0	0	0	22,827
Drug Court Fees	0	0	0	0	0	4,679
Jail Fees	0	0	0	0	0	72,501
DUI Treatment Fines	0	0	0	0	0	3,741
Data Entry Fee - General Sessions Court	0	0	0	0	0	8,075
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	582
Officers Costs	0	0	0	0	0	4,708
Drug Control Fines	0	0	0	0	0	2,620
Data Entry Fee - Juvenile Court	0	0	0	0	0	651
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	907
Data Entry Fee - Chancery Court	0	0	0	0	0	442
<u>Other Courts - In-county</u>						
Fines for Littering	0	0	0	0	0	4,900
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	0	0	0	16,137
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	234,343
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	65,250
Work Release Charges for Board	0	0	0	0	0	53,670

(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	Community Development/Industrial Park	Highway Capital Projects	
<u>Charges for Current Services (Cont.)</u>						
<u>General Service Charges (Cont.)</u>						
Other General Service Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	9,316
<u>Fees</u>						
Recreation Fees	0	0	0	0	0	215,470
Copy Fees	0	0	0	0	0	3,038
Telephone Commissions	0	0	0	0	0	12,978
Vending Machine Collections	0	0	0	0	0	535
Constitutional Officers' Fees and Commissions	0	0	0	0	0	439,904
Data Processing Fee - Register	0	0	0	0	0	15,274
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	2,720
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	818,155
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 439,576	\$ 0	\$ 0	\$ 0	\$ 19,160	\$ 458,736
Lease/Rentals	0	0	0	0	0	7,327
Sale of Materials and Supplies	0	0	0	0	0	18,766
Commissary Sales	0	0	0	0	0	9,368
Retirees' Insurance Payments	0	0	0	0	0	42
Miscellaneous Refunds	0	0	0	0	0	36,974
<u>Nonrecurring Items</u>						
Gain on Disposal of Property	0	0	0	0	0	620
Insurance Recovery	0	0	0	0	0	32,259
Damages Recovered from Individuals	0	0	0	0	0	68
Contributions & Gifts	0	0	0	0	0	7,655
Total Other Local Revenues	\$ 439,576	\$ 0	\$ 0	\$ 0	\$ 19,160	\$ 571,815
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	47,810
Trustee	0	0	0	0	0	206,035
<u>Fees-In-Lieu of Salary</u>						
Circuit Court Clerk	0	0	0	0	0	123,067

(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	Community Development/Industrial Park	Highway Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees-In-Lieu of Salary (Cont.)</u>						
General Sessions Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	234,305
Clerk and Master	0	0	0	0	0	45,132
Juvenile Court Clerk	0	0	0	0	0	25,722
Register	0	0	0	0	0	185,508
Sheriff	0	0	0	0	0	10,443
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	878,022
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,000
Solid Waste Grants	0	0	137,760	0	0	170,026
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	18,218
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	222,309
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	62,918
State Aid Program	0	0	0	0	0	212,552
Litter Program	0	0	0	0	0	40,529
Tennessee Industrial Infrastructure Program	0	0	275,892	0	0	275,892
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	43,584
Beer Tax	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	43,115
Mixed Drink Tax	0	0	0	0	0	9,123
State Revenue Sharing - T.V.A.	34,415	0	0	0	0	300,175
Board of Jurors	0	0	0	0	0	652
Contracted Prisoner Boarding	0	0	0	0	0	378,773
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,731,285
Petroleum Special Tax	0	0	0	0	0	27,001
Reappraisal Program Reimbursement	0	0	0	0	0	13,969
Registrar's Salary Supplement	0	0	0	0	0	16,380

(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	Community Development/Industrial Park	Highway Capital Projects	
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Other State Grants	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	15,746
Total State of Tennessee	\$ 34,415	\$ 0	\$ 413,652	\$ 0	\$ 0	\$ 3,610,459
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,215
Community Development	0	0	34,321	0	0	34,321
Disaster Relief	0	0	0	0	0	65,643
Homeland Security Grants	0	0	0	0	0	92,352
Other Federal through State	0	0	0	0	0	209,030
<u>Direct Federal Revenue</u>						
Forest Service	0	0	0	0	0	80,195
Other Direct Federal Revenue	0	0	0	0	0	945,055
Total Federal Government	\$ 0	\$ 0	\$ 34,321	\$ 0	\$ 0	\$ 1,428,811
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 299,302	\$ 0	\$ 1,035,840	\$ 0	\$ 1,404,708
Total Other Governments and Citizens Groups	\$ 0	\$ 299,302	\$ 0	\$ 1,035,840	\$ 0	\$ 1,404,708
Total	\$ 2,472,659	\$ 299,302	\$ 447,973	\$ 1,035,840	\$ 19,160	\$ 18,763,919

Exhibit H-7

Cocke County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Secretary to Board	\$	960	
Board and Committee Members Fees		33,900	
Social Security		2,593	
Audit Services		9,564	
Dues and Memberships		14,106	
Legal Services		20,130	
Legal Notices, Recording, and Court Costs		1,190	
Travel		83	
Total County Commission			\$ 82,526

Board of Equalization

Board and Committee Members Fees	\$	3,280	
Total Board of Equalization			3,280

Beer Board

Board and Committee Members Fees	\$	3,525	
Legal Notices, Recording, and Court Costs		419	
Printing, Stationery, and Forms		298	
Total Beer Board			4,242

Other Boards and Committees

Evaluation and Testing	\$	931	
Total Other Boards and Committees			931

County Mayor/Executive

County Official/Administrative Officer	\$	62,424	
Assistant(s)		28,421	
Accountants/Bookkeepers		27,815	
Secretary(ies)		22,051	
Clerical Personnel		27,044	
Social Security		11,618	
State Retirement		16,081	
Employee and Dependent Insurance		14,922	
Unemployment Compensation		193	
Communication		5,501	
Maintenance Agreements		3,399	
Travel		7,209	
Office Supplies		5,063	
Office Equipment		1,887	
Total County Mayor/Executive			233,628

(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	\$	18,095	
Printing, Stationery, and Forms		34	
Total County Attorney			\$ 18,129

Election Commission

County Official/Administrative Officer	\$	36,350	
Clerical Personnel		19,208	
Other Salaries & Wages		3,283	
Election Commission		2,600	
Election Workers		12,208	
Social Security		4,227	
State Retirement		4,802	
Employee and Dependent Insurance		8,857	
Unemployment Compensation		223	
Communication		1,108	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		2,698	
Maintenance Agreements		2,600	
Maintenance & Repair Services - Equipment		2,169	
Printing, Stationery, and Forms		2,827	
Rentals		100	
Travel		1,873	
Office Equipment		189,900	
Total Election Commission			295,208

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		25,794	
Clerical Personnel		35,987	
Part-time Personnel		2,585	
Social Security		8,981	
State Retirement		11,258	
Employee and Dependent Insurance		14,090	
Unemployment Compensation		238	
Communication		1,388	
Data Processing Services		14,892	
Printing, Stationery, and Forms		6,722	
Furniture and Fixtures		450	
Total Register of Deeds			176,433

(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	\$ 14,833	
Maintenance & Repair Services - Buildings	10,640	
Other Contracted Services	150	
Custodial Supplies	7,723	
Utilities	93,386	
Building Improvements	109	
Furniture and Fixtures	250	
Site Development	2,042	
Disabilities Act Improvements	33,031	
Total County Buildings		162,164

Other General Administration

Postal Charges	\$ 42,297	
Printing, Stationery, and Forms	1,621	
Duplicating Supplies	26,750	
Total Other General Administration		70,668

Preservation of Records

Assistant(s)	\$ 16,402	
Supervisor/Director	11,420	
Social Security	1,253	
Employee and Dependent Insurance	2,415	
Unemployment Compensation	72	
Office Supplies	890	
Other Supplies and Materials	2,625	
Office Equipment	341	
Total Preservation of Records		35,418

Finance

Accounting and Budgeting

Supervisor/Director	\$ 54,048	
Purchasing Personnel	11,305	
Social Security	4,135	
State Retirement	5,697	
Unemployment Compensation	56	
Dues and Memberships	1,002	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Maintenance & Repair Services - Office Equipment	\$	139	
Travel		461	
Office Supplies		266	
Total Accounting and Budgeting			\$ 77,109

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Assistant(s)		25,732	
Deputy(ies)		18,912	
Laborers		64,425	
Overtime Pay		2,843	
Social Security		11,534	
State Retirement		15,671	
Employee and Dependent Insurance		21,361	
Unemployment Compensation		468	
Communication		2,474	
Contracts with Private Agencies		21,375	
Data Processing Services		4,359	
Legal Notices, Recording, and Court Costs		192	
Maintenance & Repair Services - Office Equipment		88	
Maintenance & Repair Services - Vehicles		493	
Printing, Stationery, and Forms		177	
Travel		958	
Gasoline		1,714	
Office Supplies		1,083	
Communication Equipment		1,440	
Furniture and Fixtures		359	
Total Property Assessor's Office			249,706

County Trustee's Office

In-Service Training	\$	542	
Social Security		13,323	
State Retirement		14,940	
Employee and Dependent Insurance		14,493	
Communication		2,716	
Data Processing Services		12,932	
Dues and Memberships		10	
Maintenance Agreements		6,944	
Postal Charges		2,192	
Printing, Stationery, and Forms		4,199	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Supplies	\$	2,757	
Office Equipment		165	
Total County Trustee's Office			\$ 75,213

County Clerk's Office

Social Security	\$	18,947	
State Retirement		22,953	
Employee and Dependent Insurance		36,231	
Unemployment Compensation		901	
Communication		2,805	
Maintenance & Repair Services - Office Equipment		14,500	
Printing, Stationery, and Forms		3,290	
Other Supplies and Materials		3,604	
Office Equipment		3,994	
Total County Clerk's Office			107,225

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		27,649	
Clerical Personnel		92,195	
Part-time Personnel		1,228	
Overtime Pay		2,246	
Jury and Witness Fees		25,243	
Social Security		14,153	
State Retirement		19,883	
Employee and Dependent Insurance		24,154	
Unemployment Compensation		332	
Communication		4,277	
Legal Notices, Recording, and Court Costs		464	
Maintenance & Repair Services - Office Equipment		4,468	
Printing, Stationery, and Forms		8,510	
Office Supplies		2,311	
Office Equipment		2,786	
Total Circuit Court			283,947

General Sessions Court

County Official/Administrative Officer	\$	54,048
Judge(s)		99,172
Deputy(ies)		53,163

(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.)

Secretary(ies)	\$	18,487	
Clerical Personnel		20,790	
Social Security		17,113	
State Retirement		25,892	
Employee and Dependent Insurance		19,323	
Unemployment Compensation		224	
Communication		1,998	
Data Processing Services		4,764	
Printing, Stationery, and Forms		1,175	
Travel		1,359	
Other Contracted Services		4,900	
Office Supplies		1,584	
Office Equipment		5,074	
Total General Sessions Court			\$ 329,066

Drug Court

Other Charges	\$	3,943	
Total Drug Court			3,943

Chancery Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		52,603	
Clerical Personnel		22,240	
Part-time Personnel		4,054	
Overtime Pay		942	
Social Security		10,041	
State Retirement		13,684	
Employee and Dependent Insurance		19,323	
Unemployment Compensation		256	
Communication		3,254	
Data Processing Services		4,069	
Legal Services		600	
Maintenance & Repair Services - Office Equipment		170	
Printing, Stationery, and Forms		5,310	
Travel		1,674	
Office Equipment		4,260	
Total Chancery Court			196,528

Juvenile Court

Deputy(ies)	\$	18,500	
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(Continued)

Exhibit H-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Secretary(ies)	\$	25,794	
Social Security		3,309	
State Retirement		4,669	
Employee and Dependent Insurance		9,616	
Unemployment Compensation		112	
Communication		6,367	
Contracts with Government Agencies		12,305	
Dues and Memberships		30	
Maintenance & Repair Services - Office Equipment		1,827	
Medical and Dental Services		2,182	
Printing, Stationery, and Forms		844	
Travel		1,938	
Office Supplies		2,436	
Premiums on Corporate Surety Bonds		11	
Office Equipment		22,054	
Total Juvenile Court			\$ 111,994

Judicial Commissioners

Other Salaries & Wages	\$	21,600	
Social Security		1,652	
Unemployment Compensation		23	
Printing, Stationery, and Forms		207	
Total Judicial Commissioners			23,482

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Assistant(s)		40,210	
Supervisor/Director		24,990	
Deputy(ies)		348,482	
Detective(s)		134,983	
Captain(s)		28,354	
Lieutenant(s)		65,890	
Sergeant(s)		109,375	
Salary Supplements		12,968	
Dispatchers/Radio Operators		103,668	
Guards		28,567	
Clerical Personnel		67,319	
Attendants		33,974	
Custodial Personnel		16,831	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Part-time Personnel	\$	3,456	
Overtime Pay		110,389	
Other Salaries & Wages		44,330	
In-Service Training		10,086	
Social Security		91,977	
State Retirement		122,129	
Employee and Dependent Insurance		173,910	
Unemployment Compensation		2,603	
Communication		16,617	
Maintenance Agreements		275	
Maintenance & Repair Services - Equipment		1	
Maintenance & Repair Services - Office Equipment		514	
Maintenance & Repair Services - Vehicles		50,959	
Printing, Stationery, and Forms		1,574	
Travel		3,479	
Other Contracted Services		2,159	
Gasoline		114,603	
Law Enforcement Supplies		4,949	
Office Supplies		1,257	
Tires and Tubes		9,206	
Uniforms		11,493	
Other Supplies and Materials		787	
Premiums on Corporate Surety Bonds		529	
Other Charges		1,580	
Motor Vehicles		150,391	
Total Sheriff's Department			\$ 2,004,316

Special Patrols

Guards	\$	76,918	
Social Security		5,807	
State Retirement		8,107	
Employee and Dependent Insurance		14,493	
Unemployment Compensation		163	
Total Special Patrols			105,488

Jail

Assistant(s)	\$	22,890	
Supervisor/Director		27,821	
Medical Personnel		19,934	
Guards		252,478	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Secretary(ies)	\$	19,215	
Clerical Personnel		17,520	
Cafeteria Personnel		43,640	
Part-time Personnel		74,578	
Overtime Pay		28,314	
In-Service Training		1,179	
Social Security		37,649	
State Retirement		37,375	
Employee and Dependent Insurance		90,981	
Unemployment Compensation		1,836	
Communication		7,448	
Maintenance & Repair Services - Buildings		36,737	
Maintenance & Repair Services - Equipment		1,660	
Medical and Dental Services		201,879	
Printing, Stationery, and Forms		433	
Travel		2,867	
Custodial Supplies		13,212	
Food Preparation Supplies		12,892	
Food Supplies		126,592	
Law Enforcement Supplies		1,973	
Office Supplies		3,427	
Prisoners Clothing		1,927	
Uniforms		8,619	
Premiums on Corporate Surety Bonds		301	
Building Improvements		3,478	
Data Processing Equipment		7,751	
Furniture and Fixtures		1,310	
Total Jail			\$ 1,107,916

Juvenile Services

Youth Service Officer(s)	\$	49,186	
Overtime Pay		4,638	
Social Security		3,946	
State Retirement		5,673	
Employee and Dependent Insurance		8,454	
Unemployment Compensation		112	
Travel		681	
Office Supplies		496	
Total Juvenile Services			73,186

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Work Release Program

Supervisor/Director	\$	19,425	
Overtime Pay		5,436	
Social Security		1,844	
State Retirement		2,620	
Employee and Dependent Insurance		4,831	
Unemployment Compensation		53	
Communication		1,181	
Maintenance & Repair Services - Vehicles		2,157	
Medical and Dental Services		2,079	
Printing, Stationery, and Forms		331	
Travel		480	
Office Supplies		674	
Tires and Tubes		287	
Total Work Release Program			\$ 41,398

Fire Prevention and Control

Salary Supplements	\$	5,250	
Overtime Pay		108,323	
Other Salaries & Wages		405,850	
In-Service Training		5,468	
Social Security		38,049	
State Retirement		50,303	
Employee and Dependent Insurance		81,319	
Unemployment Compensation		1,081	
Communication		2,663	
Contributions		1,000	
Maintenance & Repair Services - Buildings		3,993	
Maintenance & Repair Services - Equipment		3,239	
Maintenance & Repair Services - Vehicles		8,125	
Custodial Supplies		969	
Gasoline		10,008	
Office Supplies		455	
Uniforms		1,935	
Utilities		10,289	
Other Supplies and Materials		2,005	
Premiums on Corporate Surety Bonds		22	
Other Charges		63,881	
Building Improvements		1,675	
Total Fire Prevention and Control			805,902

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$	31,215	
Clerical Personnel		6,375	
Part-time Personnel		25,724	
Social Security		4,779	
State Retirement		3,936	
Employee and Dependent Insurance		4,831	
Unemployment Compensation		237	
Communication		3,065	
Maintenance & Repair Services - Equipment		4,362	
Maintenance & Repair Services - Vehicles		569	
Travel		243	
Gasoline		2,194	
Other Supplies and Materials		1,592	
Premiums on Corporate Surety Bonds		219	
Other Charges		38,243	
Office Equipment		445	
Total Civil Defense			\$ 128,029

Inspection and Regulation

Supervisor/Director	\$	3,200	
Social Security		237	
State Retirement		337	
Unemployment Compensation		6	
Travel		1,015	
Total Inspection and Regulation			4,795

County Coroner/Medical Examiner

Legal Services	\$	6,455	
Other Contracted Services		33,800	
Total County Coroner/Medical Examiner			40,255

Public Health and Welfare

Local Health Center

Medical Personnel	\$	73,630	
Clerical Personnel		55,704	
Social Security		9,416	
State Retirement		11,024	
Employee and Dependent Insurance		24,154	
Unemployment Compensation		459	
Communication		2,947	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Contracts with Government Agencies	\$	64,296	
Janitorial Services		5,400	
Maintenance & Repair Services - Buildings		1,952	
Medical and Dental Services		16,981	
Pest Control		635	
Postal Charges		2,395	
Travel		3,180	
Disposal Fees		1,503	
Other Contracted Services		54	
Natural Gas		2,439	
Office Supplies		1,635	
Utilities		8,536	
Other Capital Outlay		12,828	
Total Local Health Center			\$ 299,168

Rabies and Animal Control

Supervisor/Director	\$	18,165	
Overtime Pay		609	
Social Security		1,380	
State Retirement		1,979	
Employee and Dependent Insurance		4,831	
Unemployment Compensation		56	
Communication		908	
Maintenance & Repair Services - Vehicles		1,043	
Gasoline		2,567	
Other Supplies and Materials		182	
Total Rabies and Animal Control			31,720

General Welfare Assistance

Contracts with Government Agencies	\$	6,420	
Total General Welfare Assistance			6,420

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Contributions	\$	50,125	
Total Libraries			50,125

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational

Supervisor/Director	\$	27,514	
Laborers		47,861	
Part-time Personnel		9,285	
Overtime Pay		467	
Social Security		6,366	
State Retirement		5,335	
Employee and Dependent Insurance		16,103	
Unemployment Compensation		351	
Communication		2,978	
Contributions		11,100	
Maintenance Agreements		275	
Maintenance & Repair Services - Buildings		772	
Maintenance & Repair Services - Equipment		1,440	
Travel		249	
Custodial Supplies		1,111	
Gasoline		1,808	
Office Supplies		468	
Uniforms		375	
Utilities		10,365	
Other Supplies and Materials		857	
Other Charges		5,699	
Office Equipment		2,833	
Other Equipment		20,690	
Total Other Social, Cultural, and Recreational			\$ 174,302

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	28,609	
Social Security		1,396	
State Retirement		2,535	
Communication		5,395	
Other Supplies and Materials		1,004	
Total Agriculture Extension Service			38,939

Soil Conservation

Part-time Personnel	\$	20,000	
Total Soil Conservation			20,000

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Other Operations

Industrial Development

Contracts with Private Agencies	\$	236,019	
Maintenance & Repair Services - Buildings		4,355	
Other Contracted Services		37,000	
Other Charges		6,000	
Total Industrial Development			\$ 283,374

Housing and Urban Development

Contracts with Other Public Agencies	\$	78,353	
Total Housing and Urban Development			78,353

Veterans' Services

Supervisor/Director	\$	27,649	
Secretary(ies)		19,740	
Social Security		3,543	
State Retirement		4,995	
Employee and Dependent Insurance		9,662	
Unemployment Compensation		112	
Communication		1,658	
Maintenance Agreements		275	
Maintenance & Repair Services - Vehicles		448	
Travel		904	
Office Supplies		678	
Office Equipment		1,035	
Total Veterans' Services			70,699

Other Charges

Liability Insurance	\$	268,916	
Premiums on Corporate Surety Bonds		134	
Refunds		31,669	
Trustee's Commission		135,723	
Workers' Compensation Insurance		152,957	
Total Other Charges			589,399

Contributions to Other Agencies

Contributions	\$	220,169	
Total Contributions to Other Agencies			220,169

Employee Benefits

Employee and Dependent Insurance	\$	9,243	
Total Employee Benefits			9,243

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Other Operations (Cont.)

Miscellaneous

Other Charges	\$ 5,400	
Total Miscellaneous		\$ 5,400

Highways

Litter and Trash Collection

Supervisor/Director	\$ 54,443	
Social Security	4,142	
State Retirement	2,883	
Employee and Dependent Insurance	4,831	
Unemployment Compensation	112	
Maintenance & Repair Services - Vehicles	1,196	
Gasoline	4,851	
Instructional Supplies and Materials	10,055	
Tires and Tubes	204	
Other Supplies and Materials	23	
Premiums on Corporate Surety Bonds	22	
Law Enforcement Equipment	23,947	
Total Litter and Trash Collection		<u>106,709</u>

Total General Fund \$ 8,850,245

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 30,261
Foremen	25,515
Laborers	105,993
Overtime Pay	5,681
Social Security	12,503
State Retirement	17,649
Employee and Dependent Insurance	34,433
Unemployment Compensation	392
Communication	495
Contracts with Government Agencies	2,000
Contracts with Private Agencies	32,624
Engineering Services	14,798
Other Contracted Services	753
Custodial Supplies	526
Equipment and Machinery Parts	19,217
Fertilizer, Lime, and Seed	375

(Continued)

Exhibit H-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Gasoline	\$	23,071	
Office Supplies		349	
Tires and Tubes		2,121	
Utilities		7,538	
Other Supplies and Materials		1,740	
Trustee's Commission		831	
Vehicle and Equipment Insurance		21,000	
Workers' Compensation Insurance		23,000	
Transportation Equipment		5,365	
Other Construction		7,702	
Total Sanitation Management			\$ 395,932

Convenience Centers

Laborers	\$	208,256	
Social Security		15,930	
Unemployment Compensation		1,440	
Rentals		3,480	
Disposal Fees		582,092	
Other Contracted Services		57	
Other Supplies and Materials		4,675	
Solid Waste Equipment		4,063	
Total Convenience Centers			\$ 819,993

Total Solid Waste/Sanitation Fund \$ 1,215,925

Drug Control Fund

Public Safety

Sheriff's Department

Maintenance & Repair Services - Vehicles	\$	1,022	
Tires and Tubes		383	
Other Supplies and Materials		309	
Law Enforcement Equipment		18,396	
Motor Vehicles		27,429	
Total Sheriff's Department			\$ 47,539

Drug Enforcement

Veterinary Services	\$	454	
Animal Food and Supplies		312	
Uniforms		220	
Other Supplies and Materials		1,220	

(Continued)

Exhibit H-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement (Cont.)

Trustee's Commission	\$	388	
Law Enforcement Equipment		8,463	
Total Drug Enforcement			\$ 11,057

Total Drug Control Fund \$ 58,596

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		90,931	
Part-time Personnel		43,191	
Unemployment Compensation		1,634	
Bank Charges		158	
Total County Trustee's Office			\$ 189,962

County Clerk's Office

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		179,103	
Part-time Personnel		24,795	
Other Salaries & Wages		458	
Unemployment Compensation		10	
Dues and Memberships		480	
Travel		1,821	
Other Charges		254	
Total County Clerk's Office			260,969

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	29,180	
Bank Charges		68	
Total Chancery Court			29,248

Public Safety

Sheriff's Department

Bank Charges	\$	42	
Total Sheriff's Department			42

Total Constitutional Officers - Fees Fund 480,221

(Continued)

Exhibit H-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,452	
Assistant(s)		30,711	
Secretary(ies)		29,048	
Clerical Personnel		25,112	
Board and Committee Members Fees		16,900	
Social Security		12,269	
State Retirement		14,720	
Employee and Dependent Insurance		14,493	
Unemployment Compensation		166	
Data Processing Services		2,421	
Dues and Memberships		2,383	
Maintenance & Repair Services - Office Equipment		1,557	
Travel		435	
Other Contracted Services		1,827	
Office Supplies		1,304	
Total Administration			\$ 212,798

Highway and Bridge Maintenance

Foremen	\$	105,357
Equipment Operators		95,623
Equipment Operators - Heavy		110,348
Equipment Operators - Light		170,073
Truck Drivers		188,090
Laborers		43,405
Overtime Pay		26,974
Social Security		54,233
State Retirement		75,634
Employee and Dependent Insurance		152,806
Unemployment Compensation		2,000
Matching Share		72,002
Other Contracted Services		123,850
Asphalt		171,063
Concrete		300
Crushed Stone		35,651
General Construction Materials		200
Pipe		30,547
Road Signs		10,548
Wood Products		960
Other Supplies and Materials		30
Other Charges		158,829

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Bridge Construction	\$	59,797	
State Aid Projects		215,247	
Total Highway and Bridge Maintenance			\$ 1,903,567

Operation and Maintenance of Equipment

Foremen	\$	26,532	
Mechanic(s)		60,366	
Social Security		6,247	
State Retirement		9,159	
Employee and Dependent Insurance		19,404	
Unemployment Compensation		273	
Tow-in Services		300	
Diesel Fuel		139,133	
Equipment and Machinery Parts		129,087	
Garage Supplies		12,325	
Gasoline		53,432	
Lubricants		9,515	
Propane Gas		11,346	
Tires and Tubes		32,522	
Total Operation and Maintenance of Equipment			509,641

Quarry Operations

Foremen	\$	25,563	
Equipment Operators - Heavy		26,528	
Equipment Operators - Light		66,837	
Social Security		8,962	
State Retirement		12,535	
Employee and Dependent Insurance		24,254	
Unemployment Compensation		261	
Explosive and Drilling Services		33,377	
Maintenance & Repair Services - Equipment		25,815	
Fines, Assessments, and Penalties		1,259	
Total Quarry Operations			225,391

Other Charges

Communication	\$	10,574	
Electricity		25,444	
Trustee's Commission		30,602	
Vehicle and Equipment Insurance		124,250	
Workers' Compensation Insurance		194,805	
Total Other Charges			385,675

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Employee and Dependent Insurance	\$ 4,821	
Total Employee Benefits		\$ 4,821

Capital Outlay

Highway Equipment	\$ 200,000	
Other Capital Outlay	174,612	
Total Capital Outlay		<u>374,612</u>

Total Highway/Public Works Fund		\$ 3,616,505
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General Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	\$ 48,158	
Total General Government		\$ 48,158

Highways and Streets

Principal on Other Loans	\$ 143,190	
Total Highways and Streets		143,190

Education

Principal on Notes	\$ 570,696	
Principal on Other Loans	183,652	
Total Education		754,348

Interest on Debt

General Government

Interest on Other Loans	\$ 68,036	
Total General Government		68,036

Highways and Streets

Interest on Other Loans	\$ 194,138	
Total Highways and Streets		194,138

Education

Interest on Bonds	\$ 419,169	
Interest on Notes	63,145	
Interest on Other Loans	189,690	
Total Education		672,004

(Continued)

Exhibit H-7

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 32,691	
Other Debt Issuance Charges	<u>769</u>	
Total General Government		\$ 33,460

Education

Other Debt Service	\$ 4,836	
Total Education		<u>4,836</u>

Total General Debt Service Fund \$ 1,918,170

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 195,000	
Total Education		\$ 195,000

Interest on Debt

Education

Interest on Bonds	\$ 104,302	
Total Education		<u>104,302</u>

Total Rural Debt Service Fund 299,302

General Capital Projects Fund

Capital Projects

Public Health and Welfare Projects

Solid Waste Equipment	\$ 172,200	
Total Public Health and Welfare Projects		\$ 172,200

Public Utility Projects

Water and Sewer	\$ 351,690	
Total Public Utility Projects		351,690

Other General Government Projects

Other Construction	\$ 52,111	
Total Other General Government Projects		52,111

Education Capital Projects

Contributions	\$ 485,819	
Total Education Capital Projects		<u>485,819</u>

Total General Capital Projects Fund 1,061,820

(Continued)

Exhibit H-7

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

<u>Community Development/Industrial Park Fund</u>		
<u>Principal on Debt</u>		
<u>General Government</u>		
Principal on Notes	\$ 1,024,000	
Total General Government		\$ 1,024,000
<u>Interest on Debt</u>		
<u>General Government</u>		
Interest on Notes	\$ 11,840	
Total General Government		11,840
<u>Capital Projects</u>		
<u>Public Utility Projects</u>		
Contributions	\$ 1,024,000	
Total Public Utility Projects		<u>1,024,000</u>
Total Community Development/Industrial Park Fund		\$ 2,059,840
<u>Highway Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Highway & Street Capital Projects</u>		
Bridge Construction	\$ 201,026	
Other Construction	<u>7,300</u>	
Total Highway & Street Capital Projects		\$ <u>208,326</u>
Total Highway Capital Projects Fund		<u>208,326</u>
Total Governmental Funds - Primary Government		<u>\$ 19,768,950</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, 2006

	Cities - Sales Tax Fund	City School ADA - Newport Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 348,604	\$ 348,604
Trustee's Collections - Prior Years	0	10,796	10,796
Circuit/Clerk and Master Collections - Prior Years	0	12,547	12,547
Interest and Penalty	0	2,104	2,104
Payments in-Lieu-of Taxes - Local Utilities	0	6,433	6,433
Payments in-Lieu-of Taxes - Other	0	3	3
Local Option Sales Tax	2,863,358	467,307	3,330,665
Bank Excise Tax	0	2,420	2,420
Interstate Telecommunications Tax	0	719	719
Marriage Licenses	0	182	182
Other Local Revenues	0	155	155
Total Cash Receipts	<u>\$ 2,863,358</u>	<u>\$ 851,270</u>	<u>\$ 3,714,628</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,834,724	\$ 830,471	\$ 3,665,195
Trustee's Commission	28,634	12,130	40,764
Total Cash Disbursements	<u>\$ 2,863,358</u>	<u>\$ 842,601</u>	<u>\$ 3,705,959</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 8,669	\$ 8,669
Cash Balance, July 1, 2005	0	0	0
Cash Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 8,669</u>	<u>\$ 8,669</u>

ANNUAL FINANCIAL REPORT
COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

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

KRISTEN POWELL
DOUG SANDIDGE, CISA, CFE
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, 2006

Scope

We have audited the basic financial statements of the Cocke County School Department as of and for the year ended June 30, 2006.

Results

Our report on the Cocke County School Department's financial statements is unqualified and our audit resulted in no findings.

INTRODUCTORY SECTION

Cocke County School Officials
June 30, 2006

Official

Larry Blazer, Director of Schools

Board of Education

Jerry Ramsey, Chairman
Pat Proffitt
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 2, 2006

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department, a component unit of Cocke County, Tennessee, as of and for the year ended June 30, 2006, 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, 2006, 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 2, 2006, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 47, Accounting for Termination Benefits. Also, as described in Note V.B., the School Department reported the Endowment Fund as a private purpose trust fund. In previous years that fund had been reported as a permanent fund.

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 41 through 47 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, 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 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/rc

BASIC FINANCIAL STATEMENTS

Exhibit A

Cocke County, Tennessee
Statement of Net Assets
Cocke County School Department
June 30, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 868,297
Equity in Pooled Cash and Investments	3,446,175
Accounts Receivable	26,543
Due from Other Governments	1,000,373
Property Taxes Receivable	3,821,745
Allowance for Uncollectible Property Taxes	(189,905)
Capital Assets	
Assets Not Depreciated:	
Land	601,694
Construction in Progress	31,232
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	21,673,776
Machinery and Equipment	2,166,706
Total Assets	<u>\$ 33,446,636</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 194,109
Accrued Payroll	2,844
Accrued Interest Payable	1,690
Payroll Deductions Payable	392
Deferred Revenue - Current Property Taxes	3,556,319
Other Current Liabilities	863,732
Noncurrent Liabilities:	
Due Within One Year	72,157
Due in More than One Year	501,424
Total Liabilities	<u>\$ 5,192,667</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 24,305,427
Restricted for:	
State and Federal Financial Assistance Programs	1,347,998
School Transportation	307,969
Unrestricted	<u>2,292,575</u>
Total Net Assets	<u>\$ 28,253,969</u>

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

Exhibit B

Cocke County, Tennessee
Statement of Activities
Cocke County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction	\$ 21,307,710	\$ 0	\$ 2,409,096	\$ 0	\$ (18,898,614)
Support Services	9,900,753	0	0	0	(9,900,753)
Operation of Noninstructional Services	2,436,785	631,073	1,717,892	485,819	397,999
Interest on Long-Term Debt	11,220	0	0	0	(11,220)
Other Debt Service	299,302	0	0	0	(299,302)
Total Governmental Activities	<u>\$ 33,955,770</u>	<u>\$ 631,073</u>	<u>\$ 4,126,988</u>	<u>\$ 485,819</u>	<u>\$ (28,711,890)</u>
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property Taxes Levied for General Purposes					\$ 2,587,913
Property Taxes Levied for School Transportation					1,060,120
Local Option Sales Taxes					2,857,024
Other Local Taxes					110,405
Grants and Contributions Not Restricted to Specific Programs					20,213,092
Unrestricted Investment Income					18,379
Miscellaneous					232,094
Gain on Disposal of Capital Assets					4,960
Total General Revenues					<u>\$ 27,083,987</u>
Change in Net Assets					\$ (1,627,903)
Net Assets, July 1, 2005					<u>29,881,872</u>
Net Assets, June 30, 2006					<u>\$ 28,253,969</u>

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

Exhibit C-1

Cocke County, Tennessee
Balance Sheet - Governmental Funds
Cocke County School Department
June 30, 2006

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	School Transportation	Central Cafeteria Fund	
<u>ASSETS</u>					
Cash	\$ 863,732	\$ 0	\$ 0	\$ 4,565	\$ 868,297
Equity in Pooled Cash and Investments	2,541,086	309,304	242,971	352,814	3,446,175
Accounts Receivable	16,234	0	10,300	9	26,543
Due from Other Governments	790,983	9,888	37,942	161,560	1,000,373
Property Taxes Receivable	2,712,906	0	1,108,839	0	3,821,745
Allowance for Uncollectible Property Taxes	(134,806)	0	(55,099)	0	(189,905)
Total Assets	\$ 6,790,135	\$ 319,192	\$ 1,344,953	\$ 518,948	\$ 8,973,228
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 188,954	\$ 0	\$ 5,155	\$ 0	\$ 194,109
Accrued Payroll	2,844	0	0	0	2,844
Payroll Deductions Payable	392	0	0	0	392
Other Current Liabilities	863,732	0	0	0	863,732
Deferred Revenue - Current Property Taxes	2,524,490	0	1,031,829	0	3,556,319
Deferred Revenue - Delinquent Property Taxes	42,650	0	17,431	0	60,081
Other Deferred Revenues	310,488	0	0	0	310,488
Total Liabilities	\$ 3,933,550	\$ 0	\$ 1,054,415	\$ 0	\$ 4,987,965
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 62,245	\$ 0	\$ 0	\$ 0	\$ 62,245
Other Local Education Reserves	64,792	0	0	0	64,792
Reserved for Career Ladder - Extended Contract	17,002	0	0	0	17,002
Reserved for Career Ladder Program	230	0	0	0	230
Reserved for Basic Education Program	427,834	0	0	0	427,834
Reserved for Title I Grants to Local Education Agencies	0	216,810	0	0	216,810
Reserved for Special Education - Grants to States	0	41,407	0	0	41,407
Other Federal Reserves	0	60,975	0	0	60,975
Unreserved, Reported In:					
General Fund	2,284,482	0	0	0	2,284,482
Special Revenue Funds	0	0	290,538	518,948	809,486
Total Fund Balances	\$ 2,856,585	\$ 319,192	\$ 290,538	\$ 518,948	\$ 3,985,263
Total Liabilities and Fund Balances	\$ 6,790,135	\$ 319,192	\$ 1,344,953	\$ 518,948	\$ 8,973,228

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, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,985,263
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	601,694	
Add: construction in progress		31,232	
Add: building and improvements net of accumulated depreciation		21,673,776	
Add: machinery and equipment net of accumulated depreciation		<u>2,166,706</u>	24,473,408
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: note payable	\$	(92,050)	
Less: capital lease payable		(75,931)	
Less: accrued interest on note and capital lease		(1,690)	
Less: termination benefits payable		<u>(405,600)</u>	(575,271)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>370,569</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>28,253,969</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, 2006

	Major Funds			Nonmajor Fund	Total Governmental Funds
	General Purpose School	School Federal Projects	School Transportation	Central Cafeteria Fund	
<u>Revenues</u>					
Local Taxes	\$ 5,467,370	\$ 0	\$ 1,204,906	\$ 0	\$ 6,672,276
Licenses and Permits	1,328	0	0	0	1,328
Charges for Current Services	30,242	0	67,728	531,781	629,751
Other Local Revenues	232,035	0	9,231	36,311	277,577
State of Tennessee	18,685,176	0	305,887	0	18,991,063
Federal Government	867,679	2,744,583	37,942	1,687,371	5,337,575
Other Governments and Citizens Groups	100,006	0	385,813	0	485,819
Total Revenues	<u>\$ 25,383,836</u>	<u>\$ 2,744,583</u>	<u>\$ 2,011,507</u>	<u>\$ 2,255,463</u>	<u>\$ 32,395,389</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 16,344,900	\$ 2,893,784	\$ 0	\$ 0	\$ 19,238,684
Support Services	7,187,067	623,995	1,918,778	0	9,729,840
Operation of Non-Instructional Services	741,524	0	0	2,207,890	2,949,414
Capital Outlay	1,072,942	0	0	0	1,072,942
Debt Service:					
Principal on Debt	65,326	0	0	0	65,326
Interest on Debt	11,366	0	0	0	11,366
Other Debt Service	299,302	0	0	0	299,302
Total Expenditures	<u>\$ 25,722,427</u>	<u>\$ 3,517,779</u>	<u>\$ 1,918,778</u>	<u>\$ 2,207,890</u>	<u>\$ 33,366,874</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (338,591)</u>	<u>\$ (773,196)</u>	<u>\$ 92,729</u>	<u>\$ 47,573</u>	<u>\$ (971,485)</u>
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 16,364	\$ 0	\$ 0	\$ 0	\$ 16,364
Transfers Out	0	(16,364)	0	0	(16,364)
Total Other Financing Sources (Uses)	<u>\$ 16,364</u>	<u>\$ (16,364)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (322,227)	\$ (789,560)	\$ 92,729	\$ 47,573	\$ (971,485)
Fund Balance, July 1, 2005	<u>3,178,812</u>	<u>1,108,752</u>	<u>197,809</u>	<u>471,375</u>	<u>4,956,748</u>
Fund Balance, June 30, 2006	<u>\$ 2,856,585</u>	<u>\$ 319,192</u>	<u>\$ 290,538</u>	<u>\$ 518,948</u>	<u>\$ 3,985,263</u>

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

Exhibit C-4

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, 2006

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)		\$	(971,485)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those 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 assets purchased in the current period	\$	1,134,712	
Less: current year depreciation expense		<u>(1,383,480)</u>	(248,768)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Add: gain on disposal of capital assets	\$	4,960	
Less: proceeds received from disposals of capital assets		<u>(6,500)</u>	(1,540)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$	370,569	
Less: deferred delinquent property taxes and other deferred June 30, 2005		<u>(436,551)</u>	(65,982)
(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.			
Add: principal payments on notes	\$	7,950	
Add: principal payments on capital leases		<u>57,376</u>	65,326
(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	\$	146	
Change in termination benefits		<u>(405,600)</u>	<u>(405,454)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ (1,627,903)</u>

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

Cocke County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Cocke County School Department
June 30, 2006

	Private - Purpose Trust Fund <hr/> Endowment Fund
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 335,900
Total Assets	<u>\$ 335,900</u>
<u>NET ASSETS</u>	
Held in Trust for Scholarships	<u>\$ 335,900</u>

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

Cocke County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Cocke County School Department
For the Year Ended June 30, 2006

	Private - Purpose Trust Fund <hr/> Endowment Fund
<u>ADDITIONS</u>	
Investment Income:	
Interest	\$ 1,517
Total Additions	<u>\$ 1,517</u>
<u>DEDUCTIONS</u>	
Education:	
Scholarships	\$ 3,600
Total Deductions	<u>\$ 3,600</u>
Change in Net Assets	\$ (2,083)
Net Assets, July 1, 2005	<u>337,983</u>
Net Assets, June 30, 2006	<u><u>\$ 335,900</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, 2006**

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the School Department. For the most part, the effect of interfund activity has been removed from these statements. 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 (\$485,819) were contributed by the county to the School Department during the year ended June 30, 2006.

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 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 grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the 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 fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

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

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:

Private Purpose Trust 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 Cocke 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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted revenues first, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

2. Receivables and Payables

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.6 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 improvements, \$5,000 or more for machinery 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. Liabilities and expenditures for other long-term obligations including special termination benefits are recognized to the extent that the liabilities have matured (come due for payment) each period.

6. Net Assets and Fund Equity

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

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

As of June 30, 2006, Cocke County had outstanding debt for capital purposes of the School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Newport School System) based on an average daily attendance proration. This debt is a liability of Cocke County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Newport School System. Therefore, Cocke County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets. 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 \$607,391 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 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds. All annual appropriations lapse at fiscal year end.

The School Department is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary statement.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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 the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net assets 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. 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 had no pooled investments at June 30, 2006.

B. Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

Governmental Activities:

	Balance 7-01-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 603,234	\$ 0	\$ 1,540	\$ 601,694
Construction in Progress	124,912	446,859	540,539	31,232
Total Capital Assets Not Depreciated	\$ 728,146	\$ 446,859	\$ 542,079	\$ 632,926
Capital Assets Depreciated:				
Buildings and Improvements	\$ 31,916,125	\$ 646,651	\$ 0	\$ 32,562,776
Machinery and Equipment	4,028,939	581,741	0	4,610,680
Total Capital Assets Depreciated	\$ 35,945,064	\$ 1,228,392	\$ 0	\$ 37,173,456
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,851,657	\$ 1,037,343	\$ 0	\$ 10,889,000
Machinery and Equipment	2,097,837	346,137	0	2,443,974
Total Accumulated Depreciation	\$ 11,949,494	\$ 1,383,480	\$ 0	\$ 13,332,974
Total Capital Assets Depreciated, Net	\$ 23,995,570	\$ (155,088)	\$ 0	\$ 23,840,482
Governmental Activities Capital Assets, Net	\$ 24,723,716	\$ 291,771	\$ 542,079	\$ 24,473,408

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

Governmental Activities:

Instruction	\$ 1,037,343
Support Services	277,025
Operation of Non-Instructional Services	<u>69,112</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,383,480</u>

C. Interfund Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> General Purpose School Fund
School Federal Projects	\$ 16,364
Total	<u>\$ 16,364</u>

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

D. Other Current Liabilities

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

E. Capital Leases

The School Department entered into a ten-year lease-purchase agreement for HVAC equipment. The terms of the agreement require total lease payments of \$285,070 plus interest of 5.45 percent. Title to the 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, 2006, were as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Governmental</u> <u>Funds</u>
2007	\$ 36,088
2008	36,088
2009	<u>9,021</u>
Total Minimum Lease Payments	\$ 81,197
Amount Representing Interest	<u>(5,266)</u>
Present Value of Minimum Lease Payments	<u>\$ 75,931</u>

F. Long-term Debt

Notes

Capital outlay notes are issued to fund capital outlay purchases, such as equipment. The capital outlay note is a direct obligation and pledges 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 included in long-term debt as of June 30, 2006, will be retired from the General Purpose School Fund.

The capital outlay note and capital lease outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Capital Outlay Note	5 %	\$ 100,000	\$ 92,050
Capital Lease	5.45	285,070	75,931

The annual requirements to amortize the note outstanding as of June 30, 2006, including interest payments, are presented in the following table:

Year Ending June 30	Note	
	Principal	Interest
2007	\$ 8,348	\$ 4,602
2008	8,765	4,185
2009	9,204	3,747
2010	9,664	3,287
2011	10,147	2,803
2012-2015	45,922	5,880
Total	<u>\$ 92,050</u>	<u>\$ 24,504</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:	Note	Capital Leases	Termination Benefits
Balance, July 1, 2005	\$ 100,000	\$ 133,307	\$ 0
Additions	0	0	468,000
Deductions	(7,950)	(57,376)	(62,400)
Balance, June 30, 2006	<u>\$ 92,050</u>	<u>\$ 75,931</u>	<u>\$ 405,600</u>
Balance Due Within One Year	<u>\$ 8,348</u>	<u>\$ 32,609</u>	<u>\$ 31,200</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 573,581
Less: Balance Due Within One Year	<u>(72,157)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 501,424</u>

Termination benefits will be retired from the General Purpose School Fund.

In addition to the debt reflected above, the School Department is providing funding to Cocke County, the primary government, for the retirement of the rural school refunding bonds. During the year, the School Department contributed \$299,302 to Cocke County to be applied toward the retirement of those bonds and the related interest charges.

G. Donor-restricted Endowments

The School Department accounts for an endowment totaling \$324,000 in a private purpose trust fund, the Endowment Fund. The principal amount must remain intact while interest earned on the principal is expended to benefit specific programs. During the year ended June 30, 2006, interest earned totaled \$1,517.

V. OTHER INFORMATION

A. Risk Management

The School Department is exposed to various risks related to general liability, property, and casualty. The School Department purchased commercial insurance for these risks. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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 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 workers' compensation coverage. The creation of the TSB-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

For the year ended June 30, 2006, the School Department has adopted the provisions of GASB Statement No. 47, Accounting for Termination Benefits. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements.

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Cocke County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and

economic, and operating. It is reasonably expected that Cocke County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. The School Department had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that the School Department will be required to disclose net assets restricted by enabling legislation in subsequent years.

During the year, the School Department reported the Endowment Fund as a private purpose trust fund. In previous years that fund had been reported as a permanent fund. Due to the reclassification, the beginning net assets balance for governmental activities on Exhibit B and the beginning balance for governmental funds on Exhibit C-1 do not agree with ending balances reported in the previous annual financial report. The balance in the fund as of July 1, 2005, was \$337,983.

C. Subsequent Event

Cocke County approved the issuance of debt of \$393,165 to fund the purchase of school buses; however, as of the date of this report the debt had not been issued.

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 SETHEEPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at

www.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, 2006, 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, 2006, 2005, and 2004, were \$837,875, \$795,085, and \$461,118, respectively, equal to the required contributions for each year.

G. Other Post-employment Benefits

In addition to the retirement commitments described above, 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 \$91,601 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, 11 individuals are participating in the program. During the year, expenditures of \$35,844 were recognized for post-employment health care.

H. Termination Benefits

To reward a teacher for long and meritorious services, the Cocke County School Board pays a one-time amount of \$7,800 at the end of 30 years of service or thereafter to each teacher who has a minimum of 15 years of service in the Cocke County School System. The request for the benefit must be made known to the director by May 1 preceding the year the teacher plans to retire. Those eligible to receive the benefit, may elect to receive payment in a lump sum upon retirement or in a lump sum the following January 1 of the subsequent year of that teacher's retirement. Fifty-two employees are eligible for the benefit and have filed their notification with the director as of June 30, 2006. The estimated cost of the cash payments, reported in the

government-wide statement of net assets, by function, is \$405,600. The School Department determined this liability based on the number of teachers who have notified the director as of May 1, 2006, multiplied by the one-time amount. Of the amount reported in the government-wide statement of net assets, \$31,200 is reflected as a current liability in the governmental funds.

I. 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 \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,467,370	\$ 0	\$ 0	\$ 5,467,370	\$ 5,194,711	\$ 5,194,711	\$ 272,659
Licenses and Permits	1,328	0	0	1,328	1,300	1,300	28
Charges for Current Services	30,242	0	0	30,242	116,000	46,000	(15,758)
Other Local Revenues	232,035	0	0	232,035	87,360	240,454	(8,419)
State of Tennessee	18,685,176	0	0	18,685,176	18,614,811	18,455,590	229,586
Federal Government	867,679	0	0	867,679	555,216	842,892	24,787
Other Governments and Citizens Groups	100,006	0	0	100,006	0	100,006	0
Total Revenues	\$ 25,383,836	\$ 0	\$ 0	\$ 25,383,836	\$ 24,569,398	\$ 24,880,953	\$ 502,883
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 13,193,049	\$ 0	\$ 0	\$ 13,193,049	\$ 13,915,304	\$ 13,931,804	\$ 738,755
Alternative Instruction Program	65,147	0	0	65,147	74,405	69,005	3,858
Special Education Program	1,815,455	0	0	1,815,455	1,730,291	1,856,701	41,246
Vocational Education Program	1,122,646	0	0	1,122,646	1,146,662	1,145,862	23,216
Student Body Education Program	4,863	0	0	4,863	107,635	107,635	102,772
Adult Education Program	143,740	0	0	143,740	141,292	143,809	69
<u>Support Services</u>							
Attendance	82,121	0	0	82,121	82,265	82,265	144
Health Services	96,358	0	0	96,358	97,632	97,632	1,274
Other Student Support	745,124	0	0	745,124	743,223	751,523	6,399
Regular Instruction Program	925,903	0	0	925,903	966,412	957,412	31,509
Special Education Program	143,352	0	0	143,352	138,954	143,954	602
Vocational Education Program	99,977	0	0	99,977	104,605	104,605	4,628
Adult Programs	4,872	0	0	4,872	6,598	5,498	626
Board of Education	393,024	0	0	393,024	424,767	413,467	20,443

(Continued)

Exhibit E-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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Director of Schools	\$ 185,197	\$ 0	\$ 0	\$ 185,197	\$ 197,063	\$ 197,063	\$ 11,866
Office of the Principal	1,731,157	0	0	1,731,157	1,801,776	1,789,776	58,619
Fiscal Services	118,836	0	0	118,836	126,149	121,649	2,813
Operation of Plant	2,067,210	0	0	2,067,210	2,050,768	2,171,768	104,558
Maintenance of Plant	475,050	0	13,820	488,870	477,708	499,356	10,486
Transportation	92,484	0	0	92,484	92,484	92,484	0
Central and Other	26,402	0	0	26,402	24,035	28,035	1,633
<u>Operation of Non-Instructional Services</u>							
Food Service	62,516	0	0	62,516	62,567	62,567	51
Community Services	679,008	0	0	679,008	648,200	701,268	22,260
<u>Capital Outlay</u>							
Regular Capital Outlay	1,072,942	(178,036)	48,425	943,331	1,309,143	1,256,095	312,764
<u>Principal on Debt</u>							
Education	65,326	0	0	65,326	225,891	65,326	0
<u>Interest on Debt</u>							
Education	11,366	0	0	11,366	109,501	11,366	0
<u>Other Debt Service</u>							
Education	299,302	0	0	299,302	0	299,302	0
Total Expenditures	\$ 25,722,427	\$ (178,036)	\$ 62,245	\$ 25,606,636	\$ 26,805,330	\$ 27,107,227	\$ 1,500,591
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (338,591)	\$ 178,036	\$ (62,245)	\$ (222,800)	\$ (2,235,932)	\$ (2,226,274)	\$ 2,003,474
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100,006	\$ 0	\$ 0

(Continued)

Exhibit E-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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers In	\$ 16,364	\$ 0	\$ 0	\$ 16,364	\$ 19,163	\$ 19,163	\$ (2,799)
Total Other Financing Sources (Uses)	\$ 16,364	\$ 0	\$ 0	\$ 16,364	\$ 119,169	\$ 19,163	\$ (2,799)
Net Change in Fund Balance	\$ (322,227)	\$ 178,036	\$ (62,245)	\$ (206,436)	\$ (2,116,763)	\$ (2,207,111)	\$ 2,000,675
Fund Balance, July 1, 2005	3,178,812	(178,036)	0	3,000,776	3,211,894	3,211,894	(211,118)
Fund Balance, June 30, 2006	\$ 2,856,585	\$ 0	\$ (62,245)	\$ 2,794,340	\$ 1,095,131	\$ 1,004,783	\$ 1,789,557

Exhibit E-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,744,583	\$ 3,421,124	\$ 3,281,300	\$ (536,717)
Total Revenues	\$ 2,744,583	\$ 3,421,124	\$ 3,281,300	\$ (536,717)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,564,461	\$ 1,797,664	\$ 1,808,628	\$ 244,167
Special Education Program	1,155,637	1,718,492	1,552,238	396,601
Vocational Education Program	173,686	137,607	173,686	0
<u>Support Services</u>				
Other Student Support	68,616	119,711	86,377	17,761
Regular Instruction Program	454,937	738,318	738,188	283,251
Special Education Program	3,850	0	3,850	0
Vocational Education Program	2,658	3,000	2,658	0
Transportation	93,934	124,516	133,829	39,895
Total Expenditures	\$ 3,517,779	\$ 4,639,308	\$ 4,499,454	\$ 981,675
Excess (Deficiency) of Revenues Over Expenditures	\$ (773,196)	\$ (1,218,184)	\$ (1,218,154)	\$ 444,958
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (16,364)	\$ (19,163)	\$ (19,193)	\$ 2,829
Total Other Financing Sources (Uses)	\$ (16,364)	\$ (19,163)	\$ (19,193)	\$ 2,829
Net Change in Fund Balance	\$ (789,560)	\$ (1,237,347)	\$ (1,237,347)	\$ 447,787
Fund Balance, July 1, 2005	1,108,752	1,237,347	1,237,347	(128,595)
Fund Balance, June 30, 2006	\$ 319,192	\$ 0	\$ 0	\$ 319,192

Exhibit E-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 1,204,906	\$ 0	\$ 1,204,906	\$ 1,196,707	\$ 1,196,707	\$ 8,199
Charges for Current Services	67,728	0	67,728	65,000	65,000	2,728
Other Local Revenues	9,231	0	9,231	15,200	15,200	(5,969)
State of Tennessee	305,887	0	305,887	305,000	305,000	887
Federal Government	37,942	0	37,942	0	34,650	3,292
Other Governments and Citizens Groups	385,813	0	385,813	0	385,813	0
Total Revenues	\$ 2,011,507	\$ 0	\$ 2,011,507	\$ 1,581,907	\$ 2,002,370	\$ 9,137
<u>Expenditures</u>						
<u>Support Services</u>						
Board of Education	\$ 22,737	\$ 0	\$ 22,737	\$ 25,000	\$ 25,000	\$ 2,263
Transportation	1,896,041	(385,813)	1,510,228	2,014,048	2,058,698	548,470
Total Expenditures	\$ 1,918,778	\$ (385,813)	\$ 1,532,965	\$ 2,039,048	\$ 2,083,698	\$ 550,733
Excess (Deficiency) of Revenues Over Expenditures	\$ 92,729	\$ 385,813	\$ 478,542	\$ (457,141)	\$ (81,328)	\$ 559,870
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 385,813	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 385,813	\$ 0	\$ 0
Net Change in Fund Balance	\$ 92,729	\$ 385,813	\$ 478,542	\$ (71,328)	\$ (81,328)	\$ 559,870
Fund Balance, July 1, 2005	197,809	(385,813)	(188,004)	195,397	195,397	(383,401)
Fund Balance, June 30, 2006	\$ 290,538	\$ 0	\$ 290,538	\$ 124,069	\$ 114,069	\$ 176,469

**COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006**

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. The difference between the budgetary basis and the GAAP basis is presented on the face of each budgetary statement.

**INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Fund

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.

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

Exhibit F

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 531,781	\$ 533,167	\$ 533,167	\$ (1,386)
Other Local Revenues	36,311	26,541	26,541	9,770
Federal Government	1,687,371	1,615,626	1,615,626	71,745
Total Revenues	<u>\$ 2,255,463</u>	<u>\$ 2,175,334</u>	<u>\$ 2,175,334</u>	<u>\$ 80,129</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,207,890	\$ 2,642,518	\$ 2,642,518	\$ 434,628
Total Expenditures	<u>\$ 2,207,890</u>	<u>\$ 2,642,518</u>	<u>\$ 2,642,518</u>	<u>\$ 434,628</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 47,573</u>	<u>\$ (467,184)</u>	<u>\$ (467,184)</u>	<u>\$ 514,757</u>
Net Change in Fund Balance	\$ 47,573	\$ (467,184)	\$ (467,184)	\$ 514,757
Fund Balance, July 1, 2005	471,375	467,184	467,184	4,191
Fund Balance, June 30, 2006	<u>\$ 518,948</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 518,948</u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

Coke County, Tennessee
Schedule of Changes in Long-Term Notes and Capital Leases
Coke County School Department
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Paid and/or Matured During Period	Outstanding 6-30-06
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Land	\$ 100,000	5 %	2-17-05	2-17-15	\$ 100,000	\$ 7,950	\$ 92,050
Total Notes Payable					\$ 100,000	\$ 7,950	\$ 92,050
<u>CAPITAL LEASES</u>							
<u>Payable through General Purpose School Fund</u>							
School Bus 2004	79,505	4.41	9-23-03	9-23-05	\$ 26,485	\$ 26,485	\$ 0
HVAC	285,070	5.45	10-1-1998	10-1-08	106,822	30,891	75,931
Total Capital Leases					\$ 133,307	\$ 57,376	\$ 75,931

Exhibit G-2

Cocke County, Tennessee
Schedule of Transfers
Cocke County School Department
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 16,364</u>
Total Transfers			<u><u>\$ 16,364</u></u>

Exhibit G-3

Cocke County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Cocke County School Department
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 105,413 (1)	\$ 50,000	Western Surety Company
Employee Blanket Bond Public Employee Dishonesty - School Department			50,000	Republic Franklin Insurance Company

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

Exhibit G-4

Cocke County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Cocke County School Department
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,470,543	\$ 0	\$ 0	\$ 1,010,013	\$ 3,480,556
Trustee's Collections - Prior Year	65,096	0	0	30,269	95,365
Circuit/Clerk & Master Collections - Prior Years	80,228	0	0	30,623	110,851
Interest and Penalty	15,768	0	0	5,973	21,741
Payments in-Lieu-of Taxes - T.V.A.	1,902	0	0	681	2,583
Payments in-Lieu-of Taxes - Local Utilities	45,624	0	0	18,648	64,272
Payments in-Lieu-of Taxes - Other	23	0	0	9	32
<u>County Local Option Taxes</u>					
Local Option Sales Tax	2,762,947	0	0	0	2,762,947
Other County Local Option Taxes	0	0	0	101,678	101,678
<u>Statutory Local Taxes</u>					
Bank Excise Tax	17,154	0	0	7,012	24,166
Interstate Telecommunications Tax	8,085	0	0	0	8,085
Total Local Taxes	\$ 5,467,370	\$ 0	\$ 0	\$ 1,204,906	\$ 6,672,276
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,328	\$ 0	\$ 0	\$ 0	\$ 1,328
Total Licenses and Permits	\$ 1,328	\$ 0	\$ 0	\$ 0	\$ 1,328
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 280,532	\$ 0	\$ 280,532
Lunch Payments - Adults	0	0	56,115	0	56,115
Income from Breakfast	0	0	56,016	0	56,016
A la carte Sales	0	0	138,744	0	138,744
School Based Health Services - FFS	159	0	0	0	159
Receipts from Individual Schools	26,123	0	0	67,728	93,851
<u>Other Charges for Services</u>					
Other Charges for Services	3,960	0	374	0	4,334
Total Charges for Current Services	\$ 30,242	\$ 0	\$ 531,781	\$ 67,728	\$ 629,751
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 18,379	\$ 0	\$ 18,379
Lease/Rentals	675	0	0	0	675
Sale of Materials and Supplies	806	0	0	0	806
Miscellaneous Refunds	14,956	0	16,582	3,788	35,326
<u>Nonrecurring Items</u>					
Insurance Recovery	12,660	0	0	4,076	16,736
Sale of Equipment	0	0	1,350	0	1,350
Sale of Property	6,500	0	0	0	6,500
Damages Recovered from Individuals	1,513	0	0	17	1,530
Contributions & Gifts	17,773	0	0	1,350	19,123
<u>Other Local Revenues</u>					
Other Local Revenues	177,152	0	0	0	177,152
Total Other Local Revenues	\$ 232,035	\$ 0	\$ 36,311	\$ 9,231	\$ 277,577

(Continued)

Exhibit G-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	Total
<u>State of Tennessee</u>					
<u>Public Safety Grants</u>					
Safe and Drug - Free Schools and Communities	\$ 29,698	\$ 0	\$ 0	\$ 0	\$ 29,698
<u>State Education Funds</u>					
Basic Education Program	18,098,649	0	0	260,000	18,358,649
School Food Service	30,521	0	0	0	30,521
Driver Education	17,320	0	0	0	17,320
Other State Education Funds	32,174	0	0	0	32,174
Career Ladder Program	271,376	0	0	0	271,376
Career Ladder - Extended Contract	76,870	0	0	0	76,870
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	128,100	0	0	45,887	173,987
Other State Revenues	468	0	0	0	468
Total State of Tennessee	\$ 18,685,176	\$ 0	\$ 0	\$ 305,887	\$ 18,991,063
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,233,475	\$ 0	\$ 1,233,475
Breakfast	0	0	453,896	0	453,896
Adult Education State Grant Program	83,047	0	0	0	83,047
Vocational Education - Basic Grants to States	0	200,873	0	0	200,873
Title I Grants to Local Education Agencies	0	1,435,832	0	0	1,435,832
Innovative Education Program Strategies	0	132,961	0	0	132,961
Special Education - Grants to States	3,715	648,100	0	0	651,815
Special Education Preschool Grants	0	35,350	0	0	35,350
Eisenhower Professional Development State Grants	105,000	250,257	0	0	355,257
Other Federal through State	596,915	41,210	0	37,942	676,067
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	48,081	0	0	0	48,081
Forest Service	30,921	0	0	0	30,921
Total Federal Government	\$ 867,679	\$ 2,744,583	\$ 1,687,371	\$ 37,942	\$ 5,337,575
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 100,006	\$ 0	\$ 0	\$ 385,813	\$ 485,819
Total Other Governments and Citizens Groups	\$ 100,006	\$ 0	\$ 0	\$ 385,813	\$ 485,819
Total	\$ 25,383,836	\$ 2,744,583	\$ 2,255,463	\$ 2,011,507	\$ 32,395,389

Exhibit G-5

Cocke County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Cocke County School Department
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,122,405	
Career Ladder Program	162,497	
Career Ladder Extended Contracts	83,840	
Educational Assistants	176,632	
Other Salaries & Wages	28,799	
Certified Substitute Teachers	7,778	
Non-certified Substitute Teachers	146,644	
Social Security	576,321	
State Retirement	519,712	
Medical Insurance	1,266,946	
Employer Medicare	134,780	
Other Fringe Benefits	127,445	
Maintenance & Repair Services - Equipment	21,080	
Instructional Supplies and Materials	232,470	
Textbooks	291,605	
Other Supplies and Materials	21,000	
Other Charges	29,001	
Regular Instruction Equipment	244,094	
Total Regular Instruction Program		\$ 13,193,049

Alternative Instruction Program

Teachers	\$ 52,840	
Social Security	3,215	
State Retirement	2,922	
Medical Insurance	4,039	
Employer Medicare	752	
Instructional Supplies and Materials	1,379	
Total Alternative Instruction Program		65,147

Special Education Program

Teachers	\$ 1,123,427
Career Ladder Program	22,910
Homebound Teachers	41,019
Educational Assistants	107,584
Certified Substitute Teachers	428
Non-certified Substitute Teachers	15,368
Social Security	77,734
State Retirement	74,212
Medical Insurance	174,663

(Continued)

Exhibit G-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.)

Employer Medicare	\$	18,180	
Contracts with Private Agencies		64,160	
Evaluation and Testing		9,187	
Maintenance & Repair Services - Equipment		1,033	
Other Contracted Services		37,059	
Instructional Supplies and Materials		45,736	
Special Education Equipment		2,755	
Total Special Education Program			\$ 1,815,455

Vocational Education Program

Teachers	\$	834,036	
Career Ladder Program		9,500	
Certified Substitute Teachers		90	
Non-certified Substitute Teachers		7,132	
Social Security		50,167	
State Retirement		45,242	
Medical Insurance		116,190	
Employer Medicare		11,733	
Maintenance & Repair Services - Equipment		1,326	
Instructional Supplies and Materials		46,401	
Other Charges		829	
Total Vocational Education Program			1,122,646

Student Body Education Program

Other Charges	\$	4,863	
Total Student Body Education Program			4,863

Adult Education Program

Teachers	\$	95,095	
Career Ladder Program		1,000	
Clerical Personnel		10,245	
Social Security		6,540	
State Retirement		4,468	
Medical Insurance		4,480	
Employer Medicare		1,529	
Instructional Supplies and Materials		20,383	
Total Adult Education Program			143,740

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services

Attendance

Supervisor/Director	\$	52,632	
Career Ladder Program		1,000	
Other Salaries & Wages		7,575	
Social Security		3,720	
State Retirement		3,748	
Medical Insurance		8,961	
Employer Medicare		870	
Travel		3,615	
Total Attendance			\$ 82,121

Health Services

Medical Personnel	\$	72,268	
Social Security		4,437	
State Retirement		3,975	
Medical Insurance		8,961	
Employer Medicare		1,038	
Travel		1,979	
Drugs and Medical Supplies		1,500	
Other Supplies and Materials		2,200	
Total Health Services			96,358

Other Student Support

Career Ladder Program	\$	10,000	
Guidance Personnel		514,861	
Social Security		31,514	
State Retirement		28,867	
Medical Insurance		63,967	
Employer Medicare		7,370	
Contracts with Government Agencies		64,526	
Evaluation and Testing		1,000	
Other Contracted Services		2,000	
Other Supplies and Materials		21,019	
Total Other Student Support			745,124

Regular Instruction Program

Supervisor/Director	\$	61,173	
Career Ladder Program		12,000	
Librarians		431,026	
Education Media Personnel		9,677	

(Continued)

Exhibit G-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.)

Instructional Computer Personnel	\$	48,350	
Secretary(ies)		27,770	
Educational Assistants		39,464	
Other Salaries & Wages		53,704	
Social Security		39,824	
State Retirement		39,813	
Medical Insurance		90,385	
Employer Medicare		9,314	
Travel		21,504	
Periodicals		4,946	
Other Supplies and Materials		11,680	
In Service/Staff Development		24,720	
Other Charges		553	
Total Regular Instruction Program			\$ 925,903

Special Education Program

Supervisor/Director	\$	53,013	
Secretary(ies)		30,380	
Social Security		5,114	
State Retirement		6,118	
Medical Insurance		4,480	
Employer Medicare		1,196	
Travel		21,826	
In Service/Staff Development		14,378	
Other Charges		6,847	
Total Special Education Program			143,352

Vocational Education Program

Supervisor/Director	\$	56,798	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Other Salaries & Wages		13,442	
Social Security		4,526	
State Retirement		4,739	
Medical Insurance		4,480	
Employer Medicare		1,058	
Travel		5,794	
Other Supplies and Materials		2,394	
Other Charges		3,146	
Total Vocational Education Program			99,977

(Continued)

Exhibit G-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	\$	2,478	
Travel		500	
In Service/Staff Development		1,894	
Total Adult Programs			\$ 4,872

Board of Education

Board and Committee Members Fees	\$	17,100	
Social Security		1,060	
Medical Insurance		1,996	
Unemployment Compensation		12,994	
Employer Medicare		248	
Audit Services		3,700	
Dues and Memberships		17,173	
Legal Services		12,681	
Travel		8,091	
Liability Insurance		19,358	
Trustee's Commission		132,090	
Workers' Compensation Insurance		153,917	
Other Charges		12,616	
Total Board of Education			393,024

Director of Schools

County Official/Administrative Officer	\$	105,413	
Secretary(ies)		27,040	
Social Security		7,476	
State Retirement		8,648	
Medical Insurance		8,961	
Employer Medicare		1,880	
Communication		15,574	
Postal Charges		4,498	
Travel		3,600	
Office Supplies		86	
Other Charges		2,021	
Total Director of Schools			185,197

Office of the Principal

Principals	\$	647,204	
Career Ladder Program		16,990	
Assistant Principals		280,761	

(Continued)

Exhibit G-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(ies)	\$	343,654	
Social Security		74,318	
State Retirement		87,186	
Medical Insurance		163,543	
Employer Medicare		17,381	
Communication		21,466	
Travel		7,950	
Other Contracted Services		2,875	
Other Supplies and Materials		67,147	
Other Charges		682	
Total Office of the Principal			\$ 1,731,157

Fiscal Services

Accountants/Bookkeepers	\$	35,532	
Clerical Personnel		32,824	
Other Salaries & Wages		14,355	
Social Security		5,081	
State Retirement		6,125	
Medical Insurance		6,721	
Employer Medicare		1,188	
Data Processing Services		4,937	
Travel		168	
Data Processing Supplies		4,255	
Other Supplies and Materials		224	
Administration Equipment		7,426	
Total Fiscal Services			118,836

Operation of Plant

Custodial Personnel	\$	591,126	
Social Security		35,336	
State Retirement		54,565	
Medical Insurance		124,739	
Employer Medicare		8,295	
Maintenance & Repair Services - Equipment		2,343	
Rentals		2,975	
Disposal Fees		432	
Other Contracted Services		111,229	
Custodial Supplies		66,349	
Electricity		664,259	

(Continued)

Exhibit G-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.)

Natural Gas	\$	304,387	
Water and Sewer		44,814	
Building and Contents Insurance		44,265	
Other Charges		12,096	
Total Operation of Plant			\$ 2,067,210

Maintenance of Plant

Supervisor/Director	\$	40,073	
Secretary(ies)		13,525	
Maintenance Personnel		163,880	
Social Security		13,599	
State Retirement		21,963	
Medical Insurance		35,844	
Employer Medicare		3,150	
Travel		360	
Other Contracted Services		44,841	
Other Supplies and Materials		125,179	
Other Charges		2,489	
Maintenance Equipment		10,147	
Total Maintenance of Plant			475,050

Transportation

Bus Drivers	\$	53,878	
Social Security		3,414	
State Retirement		5,679	
Medical Insurance		13,441	
Employer Medicare		781	
Contracts with Vehicle Owners		15,291	
Total Transportation			92,484

Central and Other

Other Salaries & Wages	\$	16,215	
Social Security		996	
State Retirement		1,487	
Medical Insurance		4,030	
Employer Medicare		233	
Other Charges		3,441	
Total Central and Other			26,402

(Continued)

Exhibit G-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	\$	53,738	
Career Ladder Program		1,000	
Social Security		3,366	
State Retirement		3,011	
Medical Insurance		614	
Employer Medicare		787	
Total Food Service			\$ 62,516

Community Services

Other Salaries & Wages	\$	321,956	
Social Security		19,468	
State Retirement		19,742	
Medical Insurance		35,704	
Employer Medicare		4,541	
Other Charges		277,597	
Total Community Services			679,008

Capital Outlay

Regular Capital Outlay

Architects	\$	43,613	
Building Improvements		1,005,607	
Other Capital Outlay		23,722	
Total Regular Capital Outlay			1,072,942

Principal on Debt

Education

Principal on Notes	\$	7,950	
Principal on Capital Leases		57,376	
Total Education			65,326

Interest on Debt

Education

Interest on Notes	\$	5,000	
Interest on Capital Leases		6,366	
Total Education			11,366

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	299,302	
Total Education			299,302

Total General Purpose School Fund \$ 25,722,427

(Continued)

Exhibit G-5

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

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$	830,451	
Educational Assistants		221,344	
Certified Substitute Teachers		189	
Non-certified Substitute Teachers		20,160	
Social Security		64,739	
State Retirement		66,668	
Medical Insurance		191,271	
Employer Medicare		15,141	
Instructional Supplies and Materials		102,226	
Other Supplies and Materials		3,187	
Other Charges		2,227	
Regular Instruction Equipment		46,858	
Total Regular Instruction Program			\$ 1,564,461

Special Education Program

Teachers	\$	125,801	
Educational Assistants		296,862	
Other Salaries & Wages		96,674	
Non-certified Substitute Teachers		338	
Social Security		31,158	
State Retirement		42,235	
Medical Insurance		135,649	
Employer Medicare		7,287	
Contracts with Private Agencies		36,389	
Evaluation and Testing		19,672	
Other Contracted Services		45,961	
Instructional Supplies and Materials		160,068	
Special Education Equipment		157,543	
Total Special Education Program			1,155,637

Vocational Education Program

Instructional Supplies and Materials	\$	70,000	
Vocational Instruction Equipment		103,686	
Total Vocational Education Program			173,686

Support Services

Other Student Support

Other Salaries & Wages	\$	34,167	
Social Security		2,051	

(Continued)

Exhibit G-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.)

Other Student Support (Cont.)

State Retirement	\$	1,879	
Medical Insurance		1,874	
Employer Medicare		480	
Travel		9,287	
Other Supplies and Materials		4,298	
In Service/Staff Development		2,585	
Other Charges		11,995	
Total Other Student Support			\$ 68,616

Regular Instruction Program

Supervisor/Director	\$	115,030	
Instructional Computer Personnel		21,811	
Secretary(ies)		14,355	
Other Salaries & Wages		56,057	
In-Service Training		32,685	
Social Security		14,778	
State Retirement		13,992	
Medical Insurance		21,302	
Employer Medicare		3,456	
Travel		1,887	
Library Books/Media		16,386	
Other Supplies and Materials		116,756	
In Service/Staff Development		25,100	
Other Charges		1,342	
Total Regular Instruction Program			454,937

Special Education Program

In Service/Staff Development	\$	3,850	
Total Special Education Program			3,850

Vocational Education Program

Travel	\$	2,658	
Total Vocational Education Program			2,658

Transportation

Bus Drivers	\$	58,820	
Social Security		3,461	
State Retirement		6,082	
Medical Insurance		22,402	

(Continued)

Exhibit G-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.)

Employer Medicare	\$	827	
Contracts with Vehicle Owners		<u>2,342</u>	
Total Transportation			\$ <u>93,934</u>

Total School Federal Projects Fund \$ 3,517,779

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	31,714	
Cafeteria Personnel		746,617	
Other Salaries & Wages		14,813	
Social Security		47,205	
State Retirement		78,285	
Medical Insurance		217,623	
Employer Medicare		11,040	
Communication		4,881	
Maintenance & Repair Services - Equipment		18,909	
Transportation - Other than Students		9,879	
Travel		2,093	
Other Contracted Services		111,576	
Food Preparation Supplies		7,695	
Food Supplies		767,036	
Office Supplies		4,958	
Other Supplies and Materials		107,264	
In Service/Staff Development		462	
Food Service Equipment		<u>25,840</u>	
Total Food Service			\$ <u>2,207,890</u>

Total Central Cafeteria Fund 2,207,890

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	<u>22,737</u>	
Total Board of Education			\$ 22,737

Transportation

Supervisor/Director	\$	40,073	
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(Continued)

Exhibit G-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 (Cont.)

Mechanic(s)	\$	91,589	
Bus Drivers		452,772	
Other Salaries & Wages		29,760	
Social Security		37,156	
State Retirement		60,798	
Medical Insurance		184,211	
Employer Medicare		8,690	
Communication		3,018	
Contracts with Vehicle Owners		3,894	
Maintenance & Repair Services - Vehicles		7,955	
Medical and Dental Services		6,255	
Rentals		5,454	
Travel		75	
Other Contracted Services		16,480	
Diesel Fuel		210,397	
Garage Supplies		7,660	
Gasoline		28,675	
Lubricants		3,131	
Tires and Tubes		29,438	
Vehicle Parts		221,982	
Other Supplies and Materials		18,860	
Vehicle and Equipment Insurance		37,170	
Other Charges		4,735	
Transportation Equipment		385,813	
Total Transportation			\$ <u>1,896,041</u>
Total School Transportation Fund			\$ <u>1,918,778</u>
Total Governmental Funds - Cocke County School Department			\$ <u><u>33,366,874</u></u>

SINGLE AUDIT REPORT
COCKE COUNTY, TENNESSEE
AND
COCKE COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2006

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

JOEY BARNARD
MEGAN PRICE
KRISTEN POWELL
DOUG SANDIDGE, CISA, CFE
State Auditors

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

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

October 2, 2006

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, 2006, 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 2, 2006. 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 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 06.03 and 06.04.

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 06.01, 06.02, and 06.05.

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/rc



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

October 2, 2006

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:

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, 2006. 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, 2006.

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, 2006, and have issued our reports thereon dated October 2, 2006. 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 long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rc

Coke County, Tennessee, and the Coke County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2006

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Watershed Protection and Flood Prevention	10.904	(3)	\$ 841,444
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	186,673
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	453,896
National School Lunch Program	10.555	N/A	1,233,475
Total U.S. Department of Agriculture			<u>\$ 2,715,488</u>
U.S. Department of Commerce:			
Direct Program:			
Economic Development - Support for Planning Organizations	11.302	04-86-05494	\$ 35,000
Total U.S. Department of Commerce			<u>\$ 35,000</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	GG-05-17769-00	\$ 34,321
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-21	78,530
Total U.S. Department of Housing and Urban Development			<u>\$ 112,851</u>
U.S. Bureau of Land Management, Department of the Interior:			
Direct Program:			
Payments in Lieu of Taxes	15.226	N/A	\$ 69,888
Total U.S. Bureau of Land Management, Department of Interior			<u>\$ 69,888</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 78,277
Total U.S. Department of Labor			<u>\$ 78,277</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	2002447	\$ 130,500
Total U.S. Department of Transportation			<u>\$ 130,500</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-06-027763-00	\$ 92,744
Title I Grants to Local Educational Agencies	84.010	N/A	1,546,674
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,210,156
Special Education - Preschool Grants	84.173	N/A	46,736
Vocational Education - Basic Grants to States	84.048	N/A	200,873

(Continued)

Coke County, Tennessee, and the Coke 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 (Cont.):			
Passed-through State Department of Education (Cont.):			
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	\$ 37,170
Twenty-First Century Community Learning Centers	84.287	(2)	99,783
State Grants for Innovative Programs	84.298	N/A	16,386
Education Technology State Grants	84.318	(2)	131,757
Reading First State Grants	84.357	GG-05-11246-00	293,181
Rural Education	84.358	N/A	143,862
English Language Acquisition Grants	84.365	N/A	5,653
Improving Teacher Quality State Grants	84.367	N/A	303,592
Hurricane Education Recovery	84.938	(2)	37,942
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10258-02	74,576
Total U.S. Department of Education			\$ 4,241,085
U.S. Election Assistance Commission:			
Passed-through Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 155,000
Total U.S. Election Assistance Commission			\$ 155,000
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-06-027171-00	\$ 18,759
Passed-through State Department of Education:			
Child Welfare Services - State Grants	93.645	Z-05-021374-00	45,750
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	(4)	115,393
Total U.S. Department of Health and Human Services			\$ 179,902
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	EMW-2004-FG-18374	\$ 61,002
Passed-through State Department of the Military:			
State Domestic Preparedness Equipment Support Program	97.004	(5)	92,352
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(6)	65,643
Total U.S. Department of Homeland Security			\$ 218,997
Total Expenditures of Federal Awards			\$ 7,936,988

(Continued)

Coke County, Tennessee, and the Coke 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>Contract Number</u>	
<u>State Grants</u>			
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 11,000
Health Department Program - State Department of Health	N/A	(2)	222,309
Litter Grant - State Department of Transportation	N/A	(2)	40,529
Solid Waste Grants - State Department of Environment and Conservation	N/A	(2)	32,266
Solid Waste Reduction Grant - State Department of Environment and Conservation	N/A	Z-04-018178-00	137,760
Fast Track Infrastructure Development Program - State Department of Economic and Community Development	N/A	(7)	275,892
Temporary Assistance for Needy Families - State Department of Labor and Workforce Development	N/A	Z-06-027171-00	11,613
Adult Basic Education - State Department of Education	N/A	Z-06-027763-00	24,255
Safe Schools Act Grant - State Department of Education	N/A	(2)	56,526
Driver's Education - State Department of Education	N/A	(2)	27,640
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	13,969
Total State Grants			<u>\$ 853,759</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) EWP-TN-5046: \$310,862; EWP-TN-5050: \$530,582.
- (4) GG-05-020793-00: \$75,393; GG-06-012219-00: \$40,000.
- (5) Z-04-022429-00: \$18,921; Z-03-017736-01: \$38,243; Z-04-022429-01: \$35,188.
- (6) Z-03-017847-00: \$13,516; Z-05-024716-01: \$4,422; Z-05-024716-00: \$46,045; Z-03-017736: \$1,660.
- (7) GG-05-11474-00: \$228,992; GG-06-12104-00: \$46,900.

Cocke County, Tennessee, and the Cocke County School Department
Schedule of Audit Findings Not Corrected
June 30, 2006

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, 2005, which have not been corrected.

COCKE COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.02	15	Certain provisions of the County Purchasing Laws of 1957 were not implemented

OFFICE OF ROAD SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.03	16	The office did not maintain adequate controls over consumable assets

OTHER FINDINGS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.06	17	Duties were not segregated adequately in the Offices of General Sessions Court Clerk, Juvenile Judge, Register, and Sheriff
05.07	18	Audited financial statements were not obtained for the recreation department's special revenue fund

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2006

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 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. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Watershed Protection and Flood Prevention (CFDA No. 10.904), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A 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 reviewed these findings and recommendations with management to provide an opportunity for their response. The written responses of the county mayor and the director of accounts and budgets are quoted 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 06.01 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 the historical costs of the county’s capital assets and the related depreciation amounts of these assets. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

MANAGEMENT’S RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS (DIRECT QUOTE)

We have begun the process of identifying and determining the historical value of our capital assets and expect this process to be completed for the June 30, 2007, financial statements and have made substantial progress in inventorying our county assets. Other compliance

issues have already been addressed. For the year ended June 30, 2006, 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 BUDGETS

FINDING 06.02 **CERTAIN PROVISIONS OF THE PURCHASING LAW 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 2, 2006, the following provisions of this statute had not been implemented:

- A. While a purchasing officer was hired in June 2006, the director of accounts and budgets continues to perform the responsibilities of the purchasing agent. The County Commission has not formally approved the director of accounts and budgets nor the purchasing officer 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 BUDGETS (DIRECT QUOTE)

As noted in the finding, Cocke County Government has hired a purchasing officer to assist in the performance of the duties of purchasing agent. In addition, we have drafted purchasing policies and procedures, and we have installed the necessary software to support the new purchasing system. We plan to establish a purchasing commission, approve a purchasing agent, and draft our policies and procedures before the end of the calendar year.

OFFICE OF ROAD SUPERINTENDENT

FINDING 06.03 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.

OTHER FINDINGS AND RECOMMENDATIONS

FINDING 06.04 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF GENERAL SESSIONS COURT CLERK, JUVENILE JUDGE, 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 Judge, 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 06.05

AUDITED FINANCIAL STATEMENTS WERE NOT OBTAINED FOR THE RECREATION DEPARTMENT'S SPECIAL REVENUE FUND FOR THE FISCAL YEARS ENDED 2005 AND 2006

(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. An audit has been conducted on the Recreation Department's financial transactions for the years ended June 30, 2003, and 2004. The audit for those periods reported numerous findings and recommendations regarding the lack of internal controls over financial transactions of that department. A summary of these weaknesses was included in the Single Audit Report for the year ended June 30, 2005, as Finding 05.08 in the Schedule of Findings and Recommendations. County officials had not obtained an audit of the Recreation Department's bank account transactions for the years ended June 30, 2005, and 2006. 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 should review the status of the implementation of recommendations made by the auditor to ensure proper controls are in place to protect the assets of the Recreation Department.

MANAGEMENT'S RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS (DIRECT QUOTE)

Though audits were conducted for the Recreation Department's financial transactions for the years ended June 30, 2003, and 2004, and the findings and recommendations which were reported in these audits have been substantively addressed, the funding which supports these activities cannot support a separately funded audit. Initial discussions with the Recreation Department's Advisory Board and the Budget Committee indicate support to bring the bank account for its activity funds into the Office of the Trustee.

REBUTTAL

The Comptroller of the Treasury reserves the right to audit the financial activity of the Recreation Department if the county fails to resolve the audit issue. This audit work performed by the Comptroller's Office would be billed to the county at cost.

**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, 2006**

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.