

**ANNUAL FINANCIAL REPORT**  
**SCOTT COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

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

**ANNUAL FINANCIAL REPORT**  
**SCOTT COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2006**

*DEPARTMENT OF AUDIT*  
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*Comptroller of the Treasury*

*DIVISION OF COUNTY AUDIT*  
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*State Auditors*

This financial report is available at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us)

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# ***Audit Highlights***

Annual Financial Report  
Scott County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

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

## ***Results***

Our report on the governmental activities is qualified because amounts reflected for capital assets net of accumulated depreciation and depreciation expenses do not include all hospital and nursing home assets owned by the county and rented to tenants. Our report on the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in six findings and recommendations, which we have reviewed with Scott County management. Detailed findings and recommendations are included in the Single Audit section of this report.

## ***Findings***

The following are summaries of the audit findings:

### **OFFICE OF DIRECTOR OF FINANCE**

- ◆ Several funds had accounting deficiencies.
- ◆ Deficiencies existed in the administration of a joint construction project.
- ◆ Three interfund loans were not approved by the County Commission and the state director of Local Finance. Two of the three interfund loans were not retired by June 30, 2006.
- ◆ Interfund receivables and payables were not liquidated on a current basis.
- ◆ A review of the County Correctional Incentive Program completed during the year resulted in the recognition of overpayments to Scott County totaling \$84,945.

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### **OTHER FINDING**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Trustee, County Clerk, Clerk and Master, and Register.

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## INTRODUCTORY SECTION

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Scott County Officials  
June 30, 2006

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**Officials**

Rick Keeton, County Mayor  
Donald Sexton, Superintendent of Roads  
Mike Davis, Director of Schools  
Jimmy Byrd, Trustee  
Steve Thompson, Assessor of Property  
Pat Phillips, County Clerk  
Verda Cope, Jr., Circuit and General Sessions Courts Clerk  
Jane Lloyd, Clerk and Master  
Porter Rector, Jr., Register  
Jim Carson, Sheriff  
Keith Jeffers, Director of Finance

**Board of County Commissioners**

Rick Keeton, Chairman	
Leonard Bertram	Ernest Phillips
Ronnie Blevins	Hertis Phillips
Rick Burke	William Russ
Odeva Byrd	Dennis Sexton
Harold Chambers	Jack Sexton
Rothel Cross	Mike Slaven
Daniel Murley	James Watson

**Financial Management Committee**

Mike Slaven, Chairman	Keith Jeffers
Rodney West	Rick Keeton
Ernest Phillips	Hertis Phillips
Donald Sexton	Mike Davis

**Board of Education**

Sam Wright, Chairman	Vivian Smith
David Marlar	Brian Strunk
James Sexton	Rodney West
Jake Sharp	

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

March 2, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scott County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Scott County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Scott County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented Scott County Emergency Communications District, which represent three percent and one percent, respectively, of the assets and revenues of the aggregate discretely presented components units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Scott County Emergency Communications District is based on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

As discussed in Note IV.B., amounts reflected for capital assets net of depreciation, and depreciation expense, of the governmental activities do not include all hospital and nursing home assets owned by the county and rented to tenants through operating leases. The effects on the financial statements of the governmental operations are not reasonably determinable.

In our opinion, except for the effects of not including all hospital and nursing home assets, as discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of Scott County, Tennessee, 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.

Also, in our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scott County, Tennessee, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2007, on our consideration of Scott 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.

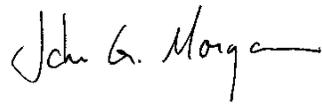
The management of Scott County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 71 through 77 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 Scott County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund, and the Rural Debt Service Fund, combining and individual fund financial statements of

the Scott County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund, and the Rural Debt Service Fund, combining and individual fund financial statements of the Scott County School Department (a discretely presented component unit), and the miscellaneous schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and is positioned above the printed name.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

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# **BASIC FINANCIAL STATEMENTS**

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Exhibit A

Scott County, Tennessee  
Statement of Net Assets  
June 30, 2006

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Scott County School Department	Emergency Communications District
<u>ASSETS</u>					
Cash	\$ 860	\$ 0	\$ 860	\$ 141,468	\$ 410,714
Equity in Pooled Cash and Investments	3,394,177	87,167	3,481,344	450,665	0
Inventories	26,304	0	26,304	0	0
Accounts Receivable	621,019	55,554	676,573	0	26,749
Allowance for Uncollectible	(273,662)	0	(273,662)	0	0
Due from Other Governments	650,546	0	650,546	1,205,791	0
Internal Balances	145,839	(145,839)	0	0	0
Due from Component Units	208,169	0	208,169	0	0
Property Taxes Receivable	3,436,803	0	3,436,803	1,939,967	0
Allowance for Uncollectible Property Taxes	(151,637)	0	(151,637)	(80,369)	0
Prepaid Items	0	0	0	0	4,207
Unamortized Debt Issuance Cost	265,699	0	265,699	0	0
Capital Assets:					
Assets Not Depreciated:					
Land	1,906,783	70,000	1,976,783	660,561	0
Construction in Progress	515,879	0	515,879	13,500	0
Assets Net of Accumulated Depreciation:					
Buildings and Improvements	6,677,886	45,587	6,723,473	12,801,330	0
Other Capital Assets	1,176,642	2,258,493	3,435,135	1,810,354	126,149
Infrastructure - Roads, Streets, and Bridges	784,414	0	784,414	0	0
Total Assets	\$ 19,385,721	\$ 2,370,962	\$ 21,756,683	\$ 18,943,267	\$ 567,819

(Continued)

Exhibit A

Scott County, Tennessee  
Statement of Net Assets (cont.)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Scott County School Department	Emergency Communications District
<b><u>LIABILITIES</u></b>					
Accounts Payable	\$ 134,959	\$ 3,565	\$ 138,524	\$ 614,745	\$ 0
Accrued Payroll	75,746	0	75,746	0	0
Accrued Interest Payable	112,628	1,564	114,192	0	0
Payroll Deductions Payable	1,843	0	1,843	0	0
Contracts Payable	1,750,340	0	1,750,340	0	0
Retainage Payable	67,351	0	67,351	0	0
Due to Primary Government	84,945	0	84,945	208,169	0
Deferred Revenue - Property Tax	3,145,236	0	3,145,236	1,792,825	0
Other Current Liabilities	0	0	0	133,308	0
Unamortized Premiums on Debt	19,194	0	19,194	0	0
Noncurrent Liabilities:					
Due Within One Year	1,686,719	89,666	1,776,385	0	5,760
Due in More than One Year (net of deferred amount on refunding)	17,771,840	580,000	18,351,840	0	0
<b>Total Liabilities</b>	<b>\$ 24,850,801</b>	<b>\$ 674,795</b>	<b>\$ 25,525,596</b>	<b>\$ 2,749,047</b>	<b>\$ 5,760</b>
<b><u>NET ASSETS</u></b>					
Invested in Capital Assets, Net of Related Debt	\$ 6,141,427	\$ 1,845,588	\$ 7,987,015	\$ 0	\$ 0
Invested in Capital Assets	0	63,492	63,492	15,285,745	126,149
Restricted for:					
Highways	523,998	0	523,998	0	0
Debt Service	166,497	0	166,497	0	0
State and Federal Assistance Programs	0	0	0	428,663	0
Other Purposes	201,832	0	201,832	0	0
Unrestricted	(12,498,834)	(212,913)	(12,711,747)	479,812	435,910
<b>Total Net Assets</b>	<b>\$ (5,465,080)</b>	<b>\$ 1,696,167</b>	<b>\$ (3,768,913)</b>	<b>\$ 16,194,220</b>	<b>\$ 562,059</b>

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

Exhibit B

Scott County, Tennessee  
 Statement of Activities  
 For the Year Ended June 30, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets									
	Expenses	Program Revenues			Primary Government			Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Scott County School Department	Emergency Communications District	
<b>Primary Government:</b>										
<b>Governmental Activities:</b>										
General Government	\$ 1,354,735	\$ 147,094	\$ 26,469	\$ 80,783	\$ (1,100,389)	\$ 0	\$ (1,100,389)	\$ 0	\$ 0	
Finance	672,485	411,910	8,608	0	(251,967)	0	(251,967)	0	0	
Administration of Justice	512,196	462,036	33,278	0	(16,882)	0	(16,882)	0	0	
Public Safety	2,192,833	513,114	43,168	0	(1,636,551)	0	(1,636,551)	0	0	
Public Health and Welfare	1,691,640	2,024,037	202,773	82,826	617,996	0	617,996	0	0	
Social, Cultural, and Recreational Services	117,980	0	19,305	14,480	(84,195)	0	(84,195)	0	0	
Agricultural and Natural Resources	27,587	0	0	0	(27,587)	0	(27,587)	0	0	
Other Operations	1,195,949	266,081	367,396	935,789	373,317	0	373,317	0	0	
Highways	1,954,475	0	1,792,986	164,068	2,579	0	2,579	0	0	
Education	751,021	0	0	0	(751,021)	0	(751,021)	0	0	
<b>Debt Service:</b>										
Interest	817,895	0	0	0	(817,895)	0	(817,895)	0	0	
Other Debt Service	66,975	0	0	0	(66,975)	0	(66,975)	0	0	
<b>Total Governmental Activities</b>	<b>\$ 11,355,771</b>	<b>\$ 3,824,272</b>	<b>\$ 2,493,983</b>	<b>\$ 1,277,946</b>	<b>\$ (3,759,570)</b>	<b>\$ 0</b>	<b>\$ (3,759,570)</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Business-type Activities</b>										
Public Utility - Sewer	\$ 248,003	\$ 90,639	\$ 0	\$ 0	\$ 0	\$ (157,364)	\$ (157,364)	\$ 0	\$ 0	
Solid Waste Disposal	4,965	185,837	0	0	0	180,872	180,872	0	0	
<b>Total Business-type Activities</b>	<b>\$ 252,968</b>	<b>\$ 276,476</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 23,508</b>	<b>\$ 23,508</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Total Primary Government</b>	<b>\$ 11,608,739</b>	<b>\$ 4,100,748</b>	<b>\$ 2,493,983</b>	<b>\$ 1,277,946</b>	<b>\$ (3,759,570)</b>	<b>\$ 23,508</b>	<b>\$ (3,736,062)</b>	<b>\$ 0</b>	<b>\$ 0</b>	
<b>Component Units:</b>										
Scott County School Department	\$ 19,205,958	\$ 337,806	\$ 3,154,296	\$ 1,460,170	\$ 0	\$ 0	\$ 0	\$ (14,253,686)	\$ 0	
Emergency Communications District	182,969	179,374	40,000	0	0	0	0	0	36,405	
<b>Total Component Units</b>	<b>\$ 19,388,927</b>	<b>\$ 517,180</b>	<b>\$ 3,194,296</b>	<b>\$ 1,460,170</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (14,253,686)</b>	<b>\$ 36,405</b>	

(Continued)

Exhibit B

Scott County, Tennessee  
Statement of Activities (Cont.)

		Net (Expense) Revenue and Changes in Net Assets							
		Program Revenues			Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Scott County School Department	Emergency Communications District
General Revenues:									
Property Taxes Levied for General Purposes					\$ 1,289,700	\$ 0	\$ 1,289,700	\$ 1,570,273	\$ 0
Property Taxes Levied for General Debt Services					644,477	0	644,477	0	0
Property Taxes Levied for Rural Debt Service					1,032,915	0	1,032,915	0	0
Sales Taxes					306,296	0	306,296	1,181,224	0
Other Taxes					493,810	0	493,810	27,452	0
Grants and Contributions Not Restricted to Specific Programs					679,230	0	679,230	12,098,593	0
Unrestricted Investment Income					215,644	102	215,746	211	7,689
Miscellaneous					154,441	0	154,441	224,498	1,420
Gain from Reduction in Estimate of Landfill Postclosure Care Cost					0	234,828	234,828	0	0
<b>Total General Revenues</b>					<b>\$ 4,816,513</b>	<b>\$ 234,930</b>	<b>\$ 5,051,443</b>	<b>\$ 15,102,251</b>	<b>\$ 9,109</b>
Transfers					\$ (28,930)	\$ 28,930	\$ 0	\$ 0	\$ 0
Change in Net Assets					\$ 1,028,013	\$ 287,368	\$ 1,315,381	\$ 848,565	\$ 45,514
Net Assets, July 1, 2005					(6,408,148)	1,408,799	(4,999,349)	15,520,383	516,545
Prior Period Adjustment					(84,945)	0	(84,945)	(174,728)	0
<b>Net Assets, June 30, 2006</b>					<b>\$ (5,465,080)</b>	<b>\$ 1,696,167</b>	<b>\$ (3,768,913)</b>	<b>\$ 16,194,220</b>	<b>\$ 562,059</b>

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

Exhibit C-1

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

	Major Funds						Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Rural Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>								
Cash	\$ 50	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 810	\$ 860
Equity in Pooled Cash and Investments	2,246,224	386,976	271,296	122,326	65,402	1,275	300,678	3,394,177
Inventories	26,304	0	0	0	0	0	0	26,304
Accounts Receivable	37,032	574,800	2,198	0	0	0	6,989	621,019
Allowance for Uncollectibles	0	(273,662)	0	0	0	0	0	(273,662)
Due from Other Governments	268,484	25,209	303,711	14,830	30,543	0	7,769	650,546
Due from Other Funds	401,771	0	9,054	20,655	22,579	33,333	114,650	602,042
Due from Component Units	208,169	0	0	0	0	0	0	208,169
Property Taxes Receivable	1,483,027	0	0	896,746	1,057,030	0	0	3,436,803
Allowance for Uncollectible Property Taxes	(63,119)	0	0	(35,918)	(52,600)	0	0	(151,637)
<b>Total Assets</b>	<b>\$ 4,607,942</b>	<b>\$ 713,323</b>	<b>\$ 586,259</b>	<b>\$ 1,018,639</b>	<b>\$ 1,122,954</b>	<b>\$ 34,608</b>	<b>\$ 430,896</b>	<b>\$ 8,514,621</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 98,042	\$ 63	\$ 434	\$ 848	\$ 823	\$ 33,333	\$ 1,416	\$ 134,959
Accrued Payroll	10,686	27,064	35,784	0	0	0	2,212	75,746
Payroll Deductions Payable	864	979	0	0	0	0	0	1,843
Contracts Payable	0	0	0	0	0	1,517,711	232,629	1,750,340
Retainage Payable	24,702	0	0	0	0	0	42,649	67,351
Due to Other Funds	90,249	5,015	11,727	0	0	0	349,212	456,203
Due to State of Tennessee	84,945	0	0	0	0	0	0	84,945
Deferred Revenue - Current Property Taxes	1,364,935	0	0	832,842	947,459	0	0	3,145,236
Deferred Revenue - Delinquent Property Taxes	49,201	0	0	25,065	51,836	0	0	126,102
Other Deferred Revenues	123,207	178,214	157,193	0	30,539	0	2,953	492,106
<b>Total Liabilities</b>	<b>\$ 1,846,831</b>	<b>\$ 211,335</b>	<b>\$ 205,138</b>	<b>\$ 858,755</b>	<b>\$ 1,030,657</b>	<b>\$ 1,551,044</b>	<b>\$ 631,071</b>	<b>\$ 6,334,831</b>
<u>Fund Balances</u>								
Reserved for Encumbrances	\$ 156,050	\$ 0	\$ 0	\$ 0	\$ 0	\$ 306,667	\$ 619,972	\$ 1,082,689
Reserved for Sexual Offender Registration	1,800	0	0	0	0	0	0	1,800
Reserved for Automation Purposes - Chancery Court	78	0	0	0	0	0	0	78
Reserved for Aging Programs	7,790	0	0	0	0	0	0	7,790

(Continued)

Exhibit C-1

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

	Major Funds						Nonmajor	Total
	General	Ambulance Service	Highway / Public Works	General Debt Service	Rural Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>								
<u>Fund Balances (Cont.)</u>								
Reserved for Inventory	\$ 26,304	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,304
Reserved for Fraud and Crimes Prosecution Act	25,055	0	0	0	0	0	0	25,055
Reserved for Capital Outlay	624	0	0	0	0	0	0	624
Other Federal Reserves	675	0	0	0	0	0	35,000	35,675
Reserved for Other General Purposes	5,115	0	0	0	0	0	0	5,115
Unreserved, Reported In:								
General Fund	2,537,620	0	0	0	0	0	0	2,537,620
Special Revenue Funds	0	501,988	381,121	0	0	0	114,437	997,546
Debt Service Funds	0	0	0	159,884	92,297	0	0	252,181
Capital Projects Funds (Deficit)	0	0	0	0	0	(1,823,103)	(969,584)	(2,792,687)
Total Fund Balances	\$ 2,761,111	\$ 501,988	\$ 381,121	\$ 159,884	\$ 92,297	\$ (1,516,436)	\$ (200,175)	\$ 2,179,790
Total Liabilities and Fund Balances	\$ 4,607,942	\$ 713,323	\$ 586,259	\$ 1,018,639	\$ 1,122,954	\$ 34,608	\$ 430,896	\$ 8,514,621

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

Exhibit C-2

Scott County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
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)		\$	2,179,790
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,906,783	
Add: construction in progress		515,879	
Add: infrastructure net of accumulated depreciation		784,414	
Add: buildings and improvements net of accumulated depreciation		6,677,886	
Add: other capital assets net of accumulated depreciation		<u>1,176,642</u>	11,061,604
(2) Long-term liabilities are not due in the current period and therefore are not reported in the governmental funds.			
Less: notes payable	\$	(3,094,818)	
Less: other loans payable		(3,497,400)	
Less: capital leases payable		(121,579)	
Less: bonds payable		(12,739,000)	
Add: deferred amount on refunding		90,915	
Add: deferred charges-debt issuance costs		265,699	
Less: compensated absences payable		(96,677)	
Less: accrued interest on bonds, notes and capital leases		(112,628)	
Less: other deferred revenue - premium on debt		<u>(19,194)</u>	(19,324,682)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>618,208</u>
Net assets (deficit) of governmental activities (Exhibit A)		\$	<u><u>(5,465,080)</u></u>

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

Exhibit C-3

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

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Rural Debt Service	Other Capital Projects	Other Govern- mental Funds	
<b>Revenues</b>								
Local Taxes	\$ 2,062,110	\$ 0	\$ 235	\$ 683,846	\$ 1,121,212	\$ 0	\$ 0	\$ 3,867,403
Licenses and Permits	20,376	0	0	969	0	0	0	21,345
Fines, Forfeitures, and Penalties	82,138	0	0	0	0	0	131,686	213,824
Charges for Current Services	276,276	1,690,603	0	0	0	0	36,113	2,002,992
Other Local Revenues	445,547	1,301	14,534	84,000	0	0	6,349	551,731
Fees Received from County Officials	758,235	0	0	0	0	0	0	758,235
State of Tennessee	1,356,731	0	1,814,944	0	0	0	183,201	3,354,876
Federal Government	367,223	0	135,792	0	0	475,000	0	978,015
Other Governments and Citizens Groups	6,454	0	0	0	185,773	0	0	192,227
<b>Total Revenues</b>	<b>\$ 5,375,090</b>	<b>\$ 1,691,904</b>	<b>\$ 1,965,505</b>	<b>\$ 768,815</b>	<b>\$ 1,306,985</b>	<b>\$ 475,000</b>	<b>\$ 357,349</b>	<b>\$ 11,940,648</b>
<b>Expenditures</b>								
Current:								
General Government	\$ 1,241,629	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,241,629
Finance	654,346	0	0	0	0	0	10,734	665,080
Administration of Justice	415,569	0	0	0	0	0	89,463	505,032
Public Safety	2,156,273	0	0	0	0	0	0	2,156,273
Public Health and Welfare	188,077	1,414,566	0	0	0	0	107,497	1,710,140
Social, Cultural, and Recreational Services	117,882	0	0	0	0	0	0	117,882
Agricultural and Natural Resources	27,587	0	0	0	0	0	0	27,587
Other Operations	1,188,091	0	0	0	0	326	160,647	1,349,064
Highways	1,920	0	1,916,230	0	0	0	7,697	1,925,847
Instruction	30,000	0	0	0	0	0	0	30,000
Debt Service:								
Principal on Debt	16,000	0	173,597	582,558	695,485	0	0	1,467,640
Interest on Debt	12,600	0	29,162	162,370	658,227	0	0	862,359
Other Debt Service	0	0	0	17,655	25,899	0	0	43,554
Capital Projects	0	0	0	0	0	2,026,044	1,117,573	3,143,617
Capital Projects - Donated	0	0	0	0	0	0	249,261	249,261
<b>Total Expenditures</b>	<b>\$ 6,049,974</b>	<b>\$ 1,414,566</b>	<b>\$ 2,118,989</b>	<b>\$ 762,583</b>	<b>\$ 1,379,611</b>	<b>\$ 2,026,370</b>	<b>\$ 1,742,872</b>	<b>\$ 15,494,965</b>
Excess (Deficiency) of Revenues								
Over Expenditures	\$ (674,884)	\$ 277,338	\$ (153,484)	\$ 6,232	\$ (72,626)	\$ (1,551,370)	\$ (1,385,523)	\$ (3,554,317)

(Continued)

Exhibit C-3

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

	Major Funds						Nonmajor Funds	Total Governmental Funds
	General	Ambulance Service	Highway / Public Works	General Debt Service	Rural Debt Service	Other Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses)</u>								
Notes Issued	\$ 91,667	\$ 0	\$ 300,000	\$ 0	\$ 0	\$ 33,333	\$ 1,463,219	\$ 1,888,219
Transfers In	605,000	0	0	0	0	0	0	605,000
Transfers Out	0	(605,000)	0	(28,930)	0	0	0	(633,930)
Total Other Financing Sources (Uses)	\$ 696,667	\$ (605,000)	\$ 300,000	\$ (28,930)	\$ 0	\$ 33,333	\$ 1,463,219	\$ 1,859,289
Net Change in Fund Balances	\$ 21,783	\$ (327,662)	\$ 146,516	\$ (22,698)	\$ (72,626)	\$ (1,518,037)	\$ 77,696	\$ (1,695,028)
Fund Balance, July 1, 2005	2,824,273	829,650	234,605	182,582	164,923	1,601	(277,871)	3,959,763
Prior Period Adjustment	(84,945)	0	0	0	0	0	0	(84,945)
Fund Balance, June 30, 2006	\$ 2,761,111	\$ 501,988	\$ 381,121	\$ 159,884	\$ 92,297	\$ (1,516,436)	\$ (200,175)	\$ 2,179,790

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

Exhibit C-4

Scott County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 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)		\$ (1,695,028)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 3,259,118	
Less: current year depreciation expense	<u>(410,984)</u>	2,848,134
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2006	\$ 618,208	
Less: deferred delinquent property taxes and other deferred June 30, 2005	<u>(313,642)</u>	304,566
(3) The issuance of long-term debt (e.g., bonds, notes, other loans, 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt and related items:		
Less: note proceeds	\$ (1,888,219)	
Add: change in unamortized premium on debt issuance	2,426	
Less: change in deferred debt issuance costs	(23,421)	
Add: principal payments on bonds	1,036,000	
Add: principal payments on notes	242,336	
Add: principal payments on other loans	153,500	
Add: principal payments on capital leases	35,804	
Less: change in deferred amount on refunding debt	<u>(21,767)</u>	(463,341)
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 63,805	
Change in compensated absences	<u>(30,123)</u>	<u>33,682</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 1,028,013</u>

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

Exhibit D-1

Scott County, Tennessee  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006

	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<u>Public</u>	<u>Solid Waste/</u>		
<u>Utility</u>	<u>Disposal</u>		
	<u>Fund</u>	<u>Fund</u>	
<u>ASSETS</u>			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 37	\$ 87,130	\$ 87,167
Accounts Receivable	7,535	48,019	55,554
Due from Other Funds	0	53,000	53,000
Capital Assets:			
Assets Not Depreciated:			
Land	10,000	60,000	70,000
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	42,095	3,492	45,587
Other Capital Assets	2,258,493	0	2,258,493
Total Assets	<u>\$ 2,318,160</u>	<u>\$ 251,641</u>	<u>\$ 2,569,801</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts Payable	\$ 3,565	\$ 0	\$ 3,565
Accrued Interest Payable	1,564	0	1,564
Due to Other Funds	198,839	0	198,839
Noncurrent Liabilities:			
Due Within One Year	10,000	79,666	89,666
Due in More than One Year	455,000	125,000	580,000
Total Liabilities	<u>\$ 668,968</u>	<u>\$ 204,666</u>	<u>\$ 873,634</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 1,845,588	\$ 0	\$ 1,845,588
Invested in Capital Assets	0	63,492	63,492
Unrestricted	(196,396)	(16,517)	(212,913)
Total Net Assets	<u>\$ 1,649,192</u>	<u>\$ 46,975</u>	<u>\$ 1,696,167</u>

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

Exhibit D-2

Scott County, Tennessee  
Statement of Revenues, Expenses, and Changes  
in Net Assets  
Proprietary Funds  
For the Year Ended June 30, 2006

	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<u>Public</u>	<u>Solid Waste/</u>		
	<u>Utility</u>	<u>Disposal</u>	
	<u>Fund</u>	<u>Fund</u>	
<u>Operating Revenues</u>			
Charges for Services	\$ 90,639	\$ 185,837	\$ 276,476
Total Operating Revenue	\$ 90,639	\$ 185,837	\$ 276,476
<u>Operating Expenses</u>			
Salaries and Benefits	\$ 26,054	\$ 0	\$ 26,054
Temporary Personnel	1,485	0	1,485
Fringe Benefits	660	0	660
Communication	1,268	0	1,268
Utilities	23,215	0	23,215
Maintenance and Repair Services - Vehicles	168	0	168
Travel	776	0	776
Supplies and Materials	60,561	0	60,561
Depreciation	58,216	1,290	59,506
Trustee's Commission	908	1,778	2,686
Other Charges	55,776	0	55,776
Total Operating Expenses	\$ 229,087	\$ 3,068	\$ 232,155
Operating Income (Loss)	\$ (138,448)	\$ 182,769	\$ 44,321
<u>Nonoperating Revenues (Expenses)</u>			
Investment Income	\$ 102	\$ 0	\$ 102
Interest on Bonds	(18,916)	0	(18,916)
Interest on Notes	0	(1,897)	(1,897)
Gain from Reduction in Estimate of Landfill Postclosure Care Cost	0	234,828	234,828
Total Nonoperating Revenues (Expenses)	\$ (18,814)	\$ 232,931	\$ 214,117
Income Before Contributions and Transfers	\$ (157,262)	\$ 415,700	\$ 258,438
Transfers In	28,930	0	28,930
Change in Net Assets	\$ (128,332)	\$ 415,700	\$ 287,368
Net Assets, July 1, 2005	1,777,524	(368,725)	1,408,799
Net Assets, June, 30, 2006	\$ 1,649,192	\$ 46,975	\$ 1,696,167

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

Exhibit D-3

Scott County, Tennessee  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2006

	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Nonmajor Fund</u>	<u>Total</u>
	<u>Public Utility Fund</u>	<u>Solid Waste Disposal Fund</u>	
<u>Cash Flows from Operating Activities</u>			
Receipts from Customers and Users	\$ 90,760	\$ 177,818	\$ 268,578
Payments to Vendors	(149,054)	(1,778)	(150,832)
Payments to Employees	(28,315)	0	(28,315)
Payments for Fringe Benefits	(660)	0	(660)
Net Cash Provided By (Used In) Operating Activities	\$ (87,269)	\$ 176,040	\$ 88,771
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfers from Other Funds	\$ 28,930	\$ 0	\$ 28,930
Net Cash Provided By (Used In) Noncapital Financing Activities	\$ 28,930	\$ 0	\$ 28,930
<u>Cash Flows from Capital and Related Financing Activities</u>			
Interfund Loans	\$ 87,476	\$ (53,000)	\$ 34,476
Paid on Closure/Post Closure Care Liability	0	(27,556)	(27,556)
Principal Paid on Bonds	(10,000)	0	(10,000)
Interest Paid on bonds	(18,930)	0	(18,930)
Principal Paid on Notes	0	(7,667)	(7,667)
Interest Paid on Notes	0	(1,897)	(1,897)
Net Cash Provided By (Used In) Capital and Related Financing Activities	\$ 58,546	\$ (90,120)	\$ (31,574)
<u>Cash Flows from Investing Activities</u>			
Interest on Investments	\$ 102	\$ 0	\$ 102
Net Cash Provided By (Used In) Investing Activities	\$ 102	\$ 0	\$ 102
Increase (Decrease) in Cash	\$ 309	\$ 85,920	\$ 86,229
Cash, July 1, 2005	(272)	1,210	938
Cash, June 30, 2006	\$ 37	\$ 87,130	\$ 87,167

(Continued)

Exhibit D-3

Scott County, Tennessee  
Statement of Cash Flows  
Proprietary Funds (Cont.)

	<u>Business-type Activities</u>		
	<u>Enterprise Funds</u>		
	<u>Major</u>	<u>Nonmajor</u>	<u>Total</u>
	<u>Fund</u>	<u>Fund</u>	
<u>Public</u>	<u>Solid Waste</u>		
<u>Utility</u>	<u>Disposal</u>		
	<u>Fund</u>	<u>Fund</u>	
Operating Income (Loss)	\$ (138,448)	\$ 182,769	\$ 44,321
<u>Adjustments to Reconcile Net Operating Income (Loss)</u> <u>to Net Cash Provided By (Used In) Operating Activities</u>			
Depreciation	58,216	1,290	59,506
Changes in Assets and Liabilities:			
(Increase) Decrease in Current Receivables, Net of Allowance	121	(8,019)	(7,898)
Increase (Decrease) in Current Liabilities	(7,158)	0	(7,158)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (87,269)</u>	<u>\$ 176,040</u>	<u>\$ 88,771</u>

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

Exhibit E

Scott County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 812,325
Equity in Pooled Cash and Investments	100,200
Accounts Receivable	19,144
Due from Other Governments	359,012
Property Taxes Receivable	1,470,509
Allowance for Uncollectible Taxes	<u>(87,671)</u>
Total Assets	<u>\$ 2,673,519</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 2,256
Due to Other Taxing Units	1,821,963
Due to Litigants, Heirs, and Others	813,423
Due to Joint Ventures	<u>35,877</u>
Total Liabilities	<u>\$ 2,673,519</u>

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

**SCOTT COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2006**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

Scott County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Scott County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

The Scott County School Department operates the public school system in the county, and the voters of Scott 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 Scott County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Scott County, and the Scott 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 Scott County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Scott County School Department are included in this report as listed in the table of contents. Complete financial statements of the Scott County

Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Scott County Emergency Communications District  
P.O. Box 406  
Huntsville, TN 37756

**Related Organization** – The county’s officials are also responsible for appointing members of the East Tennessee Partnership Incorporation, a Tennessee nonprofit organization, and the Scott County Industrial Development Board. The county’s accountability for these organizations does not extend beyond making the appointments.

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Scott County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Scott County issues all debt for the discretely presented Scott County School Department. Scott County issued debt totaling \$1,463,219 for educational purposes during the year ended June 30, 2006.

Separate financial statements are provided for governmental funds, proprietary funds (enterprise), and fiduciary funds. The fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

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

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

Fund financial statements of Scott County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories.

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

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

Proprietary fund and 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Scott 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.

**Ambulance Service Fund** – This fund accounts for the transactions of the Scott County Ambulance Service Department.

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

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

**Rural Debt Service Fund** – This fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related cost for debt issued that benefited the areas of Scott County outside the Special School District (Oneida).

**Other Capital Projects Fund** – This fund is used to account for the activities relating to the construction of airport improvements and the construction of a facility to be used as a boys’ and girls’ club.

Scott County also reports the following major proprietary fund:

**Public Utility Fund** – This fund is used to account for the operation of the county-owned wastewater treatment facility.

Additionally, Scott 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 Scott County, the city school system’s share of educational revenues, and

assets held in a custodial capacity for the judicial district drug task force. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide and proprietary funds financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to the same limitation. Scott County has elected not to follow subsequent private-sector guidance.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has two proprietary funds, enterprise funds, used to account for the county's wastewater facility and the county's landfill. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's enterprise funds are charges for services. Operating expenses for the enterprise funds include various operational expenses for wastewater treatment and landfill operation.

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

For purposes of the statement of cash flows, cash includes cash on deposit with the county trustee.

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 and the discretely presented Scott County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Income from these pooled investments is assigned to various funds based on budgetary allocations. Scott County and the Scott 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. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as internal balances.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for ambulance receivables is comprised of estimated amounts of write-offs involving Medicare and Medicaid and estimated amounts of other collections based on history of the source of receipt (i.e., insurance companies and private citizens). The allowance for uncollectible property taxes is equal to 2.7 percent of total taxes levied.

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

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

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

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

Most payables are disaggregated on the face of the financial statements. Other current liabilities in the discretely presented Scott County School Department represent amount due for health insurance premiums, which will be drawn by the insurance pool during July and August.

Retainage payable in the primary government's 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.

**3. Inventories**

Inventories of Scott County are recorded at cost, determined on the first-in, first-out method. Inventories are offset by a reserve of fund balance in governmental funds to indicate that amounts are not available for appropriation.

**4. Capital Assets**

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	40
Other Capital Assets	5-15
Infrastructure	20-50

**5. Compensated Absences**

It is the primary government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The discretely presented School Department's policy allows employees to accumulate sick pay benefits but not vacation benefits. There is no liability for unpaid accumulated sick leave since there is no policy to

pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide statements for the county. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. Vacation benefits are accrued when earned in the enterprise funds.

## **6. Long-term Obligations**

In the government-wide financial statements and the proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

## **7. Net Assets and Fund Equity**

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

- a. Invested in capital assets, net of related debt – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors,

grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.

- c. Unrestricted net assets – All other net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

As of June 30, 2006, Scott County had \$14,374,529 in outstanding debt for capital purposes for the discretely presented Scott County School Department. The debt is a liability of Scott County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Scott County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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

On the government-wide Statement of Net Assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$201,832 with the primary restrictions being for: (1) Solid Waste/Sanitation (\$43,779); (2) District Attorney General (\$64,801); (3) Fraud and Crime Prosecution Act (\$25,055); and (4) General Capital Projects (\$35,000).

## **8. Prior Period Adjustments**

A review of the county's participation in the County Correctional Incentive Program revealed the county had been overpaid \$84,945 for housing state prisoners during the 2003-04 year. This overpayment has been recognized as a prior period adjustment in the General Fund.

Capital assets of the discretely presented Scott County School Department were restated (\$174,728) due to errors in the historical costs of certain assets.

## **II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

#### **Primary Government**

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

Discretely Presented Scott County School Department

Exhibit J-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**

Primary Government

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

Discretely Presented Scott County School Department

Exhibit J-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**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the District Attorney General 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 Scott 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, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the Scott

County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

**B. Deficit Fund Equity/Unrestricted Net Assets**

The Drug Control Fund had a fund deficit of \$8,305 on June 30, 2006. This deficit is expected to be liquidated as revenues are received for the 2006-07 year.

The General Capital Projects had a deficit unreserved fund balance of \$1,053,041 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$576,176 being reserved as encumbrances and \$476,865 being reflected as liabilities. Funding for these liabilities and future expenditures is expected to be received from other loan proceeds totaling \$10,000,000.

The Community Development/Industrial Park Fund had a deficit unreserved fund balance of \$102,180 on June 30, 2006. This deficit resulted from the unperformed portions of construction projects of \$43,796 being reserved as encumbrances and \$75,380 being reflected as liabilities. Subsequent to June 30, 2006, funding to liquidate this deficit was provided by a transfer from the General Fund.

The Other Capital Projects Fund had an unreserved fund deficit of \$1,823,103 at June 30, 2006. The majority of the deficit resulted from the accrual of liabilities (\$1,507,976) for balances due on joint construction contracts which the county entered into with the Town of Oneida for the construction of a child development center and a boys' and girls' club. The construction of these projects was done jointly with the Town of Oneida without any formal written agreements governing the division of ownership rights and obligations. In the absence of such directive as to how the funding is to be divided, the county has elected to reflect the remaining liability on its financial statements. Management expects to clarify funding of the contract and liquidate the balance of the contracts by June 30, 2007. The remainder of the deficit in this fund related to the unperformed portion of other construction contracts being reserved as encumbrances. Funding for those other contracts is being provided by a federal grant which will be received as the project progresses.

The Public Utility Fund (enterprise fund) had an unrestricted net assets deficit of \$196,396 on June 30, 2006. Management plans to review operations, including rates charged to customers, and take the necessary steps to liquidate the unrestricted net assets deficit.

The Solid Waste Disposal Fund (enterprise fund) had an unrestricted net assets deficit of \$16,517 on June 30, 2006. This deficit resulted primarily from a liability of \$150,000 being recorded for closure/postclosure care costs. See Footnote V.F. Landfill Closure/Postclosure Care Costs for more information relating to this liability.

**C. Internal Loans were Not Issued in Accordance With State Statutes**

To provide cash for operations, transfers were made in the following funds: \$64,000 from the Solid Waste/Sanitation Fund to the Public Utility Fund, \$53,000 from the Solid Waste Disposal Fund to the Solid Waste/Sanitation Fund, and \$206,000 from the General Fund to the General Purpose School Fund. These transfers were, in effect, interfund loans and were not approved by the County Commission and the state director of Local Finance as required by Section 9-21-408, Tennessee Code Annotated (TCA).

Two of these loans totaling \$117,000 were not retired by June 30, 2006. Section 9-21-801, TCA, provides that interfund loans shall mature not later than the close of the fiscal year issued. These loans have been reflected in the financial statements of this report as due from other funds in the Solid Waste/Sanitation and Solid Waste Disposal Funds and due to other funds in the Public Utility and the Solid Waste/Sanitation Funds.

**D. Overpayment for Housing State Prisoners**

A report dated June 9, 2006, on Scott County's participation in the County Correctional Incentive Program for the year ended June 30, 2004, revealed that Scott County had been overpaid \$84,945 for housing state prisoners at the county's jail. The overpayment occurred due to errors in amounts claimed by Scott County on its monthly prisoner reports submitted to the state. This overpayment is reflected as a liability in the financial statements of the General Fund. The state adjusted the overpayment from reimbursements paid to Scott County subsequent to June 30, 2006.

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

## Deposits

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

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

## Investments

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

The county had no pooled and nonpooled investments as of June 30, 2006.

**B. Capital Assets**

**Primary Government**

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

**Governmental Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 1,739,283	\$ 167,500	\$ 1,906,783
Construction in Progress	0	515,879	515,879
Total Capital Assets Not Depreciated	<u>\$ 1,739,283</u>	<u>\$ 683,379</u>	<u>\$ 2,422,662</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 6,979,614	\$ 2,397,424	\$ 9,377,038
Infrastructure	824,456	0	824,456
Other Capital Assets	1,979,049	178,315	2,157,364
Total Capital Assets Depreciated	<u>\$ 9,783,119</u>	<u>\$ 2,575,739</u>	<u>\$ 12,358,858</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 2,504,744	\$ 194,408	\$ 2,699,152
Infrastructure	19,431	20,611	40,042
Other Capital Assets	784,757	195,965	980,722
Total Accumulated Depreciation	<u>\$ 3,308,932</u>	<u>\$ 410,984</u>	<u>\$ 3,719,916</u>
Total Capital Assets Depreciated, Net	<u>\$ 6,474,187</u>	<u>\$ 2,164,755</u>	<u>\$ 8,638,942</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,213,470</u>	<u>\$ 2,848,134</u>	<u>\$ 11,061,604</u>

The above table does not include all hospital and nursing home facility assets owned by Scott County. Those facilities and the operations have been leased to other parties. See footnote IV.E. for a discussion of those leases. Management was unable to determine carrying values and accumulated depreciation for these leased assets.

Scott County and the Town of Oneida jointly constructed the Scott County Boys' and Girls' Club facility without any formal agreements governing the division of ownership rights. Management has reflected \$1,982,706 as the county's interest in this facility prior to depreciation of \$24,787, as of June 30, 2006. This amount is based on the expenditures recognized on the county's financial statements. In addition, land for the above facility was donated and has been deeded jointly to Scott County and the Town of Oneida, without any formal agreements governing the division of ownership. However, management has reflected \$167,500 as the county's interest in this land based on 50 percent of the fair value of the property at the time of donation.

**Business-Type Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 70,000	\$ 0	\$ 70,000
Total Capital Assets Not Depreciated	<u>\$ 70,000</u>	<u>\$ 0</u>	<u>\$ 70,000</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 119,344	\$ 0	\$ 119,344
Other Capital Assets	2,621,953	0	2,621,953
Total Capital Assets Depreciated	<u>\$ 2,741,297</u>	<u>\$ 0</u>	<u>\$ 2,741,297</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 67,790	\$ 5,967	\$ 73,757
Other Capital Assets	309,921	53,539	363,460
Total Accumulated Depreciation	<u>\$ 377,711</u>	<u>\$ 59,506</u>	<u>\$ 437,217</u>
Total Capital Assets Depreciated, Net	<u>\$ 2,363,586</u>	<u>\$ (59,506)</u>	<u>\$ 2,304,080</u>
Business-type Activities Capital Assets, Net	<u>\$ 2,433,586</u>	<u>\$ (59,506)</u>	<u>\$ 2,374,080</u>

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

Governmental Activities:

General Government	\$ 161,130
Administration of Justice	1,543
Finance	2,220
Public Safety	51,360
Public Health and Welfare	68,936
Other Operations	45,097
Highways	<u>80,698</u>

Total Depreciation Expense - Governmental Activities	<u>\$ 410,984</u>
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Business-type Activities:

Sewer	\$ 58,216
Solid Waste Disposal	<u>1,290</u>

Total Depreciation Expense - Business-type Activities	<u>\$ 59,506</u>
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**Discretely Presented Scott County School Department**

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

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 660,561	\$ 0	\$ 0	\$ 660,561
Construction in Progress	4,223,015	234,806	4,444,321	13,500
Total Capital Assets Not Depreciated	<u>\$ 4,883,576</u>	<u>\$ 234,806</u>	<u>\$ 4,444,321</u>	<u>\$ 674,061</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 14,210,335	\$ 4,463,906	\$ 0	\$ 18,674,241
Other Capital Assets	2,251,999	1,261,849	(133,256)	3,380,592
Total Capital Assets Depreciated	<u>\$ 16,462,334</u>	<u>\$ 5,725,755</u>	<u>\$ (133,256)</u>	<u>\$ 22,054,833</u>

**Governmental Activities: (Cont.)**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Less Accumulated Depreciation For:				
Buildings and				
Improvements	\$ 5,412,151	\$ 460,760	\$ 0	\$ 5,872,911
Other Capital Assets	1,507,971	195,523	(133,256)	1,570,238
Total Accumulated				
Depreciation	\$ 6,920,122	\$ 656,283	\$ (133,256)	\$ 7,443,149
Total Capital Assets				
Depreciated, Net	\$ 9,542,212	\$ 5,069,472	\$ 0	\$ 14,611,684
Governmental Activities				
Capital Assets, Net	\$ 14,425,788	\$ 5,304,278	\$ 4,444,321	\$ 15,285,745

The July 1, 2005, balance of Governmental Activities Capital Assets, Net has been restated by (\$174,728) to correct errors in amounts previously reported.

Depreciation expense totaling \$656,283 was charged by the discretely presented Scott County School Department.

**C. Construction Commitments**

At June 30, 2006, the county had various uncompleted justice center construction contracts of \$576,176 in the General Capital Projects Fund. Funding is expected to be provided through a previously approved Public Building Authority Loan as the project progresses.

At June 30, 2006, the county had an uncompleted site preparation contract of \$43,796 in the Community Development/Industrial Park Fund. Funding was provided by a transfer from the General Fund subsequent to June 30, 2006.

At June 30, 2006, the county had an uncompleted airport hanger construction contract of \$306,667 in the Other Capital Projects Fund. Funding is expected to be provided through a previously approved federal grant as the project progresses.

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

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

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Ambulance	\$ 5,015
General	Highway/Public Works	11,727
General	Public Utility	102,739
General	Nonmajor governmental	282,290
Highway/Public Works	General	9,054
General Debt Service	Public Utility	6,325
General Debt Service	Nonmajor governmental	14,330
Rural Debt Service	Nonmajor governmental	22,579
Other Capital Projects	General	33,333
Nonmajor governmental	Public Utility	66,775
Nonmajor governmental	Nonmajor governmental	13
Nonmajor governmental	General	47,862
Nonmajor Enterprise	Public Utility	23,000
Nonmajor Enterprise	Nonmajor governmental	30,000
Total		<u><u>\$ 655,042</u></u>

These balances resulted from the correction of posting errors, the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made, and from unpaid interfund short-term loans.

**Due to/from primary government and component units:**

Receivable Fund	Payable Fund	Amount
Component unit:		
Primary government:	Scott County School Department:	
General	General Purpose School	\$ 208,169

**Interfund Transfers:**

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

**Primary Government:**

	<u>Transfers In</u>	
	General	Public
<u>Transfers Out</u>	<u>Fund</u>	<u>Utility</u>
		<u>Fund</u>
Ambulance	\$ 605,000	\$ 0
General Debt Service	0	28,930
Total	<u>\$ 605,000</u>	<u>\$ 28,930</u>

**Discretely Presented School Department**

	<u>Transfers In</u>	
	General	
<u>Transfers Out</u>	<u>Purpose</u>	<u>School</u>
School Federal Projects	\$	14,998

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

**E. Income from Operating Lease Commitments**

In previous years, Scott County had leased its hospital operations to East Tennessee Health Systems, Inc. That lease agreement was terminated during the year ending June 30, 2005, and Scott County entered into a new agreement with Attentus of Scott County, LLC (Attentus), for the operation of the hospital. That agreement is for an initial term of three years and requires a prepayment of rent for the entire period. The agreement states that the prepaid rent is nonrefundable, with certain exceptions stipulated, including default by the county with terms of the agreement and casualty loss to the facility. The lessee is required to maintain insurance coverage to protect the county in the event of a casualty loss. The prepaid rent received by the county in the previous year totaled \$2,902,907. This represented gross rent of \$3,300,000 for the three-year initial term of the lease, less certain assumed liabilities, legal and closing costs. Those rentals were placed in the General Fund.

This agreement also provides for the construction of a new hospital facility by Attentus on land to be purchased by the county and leased to Attentus through a 50-year ground lease. The county has not able to obtain suitable land for purchase as of June 30, 2006, and is renegotiating the agreement with Attentus.

Scott County has also leased operations of its nursing home to Preferred Health Services until August 31, 2013. Terms of the agreement call for Preferred Health Services to assume most current assets and liabilities of the nursing home and to pay Scott County a monthly payment. The payments under this agreement are \$80,720 annually. The agreement includes a cancellation clause; therefore, a schedule of future income is not prepared for this agreement.

Management was unable to determine a carrying value for these leased properties and accumulated depreciation amounts.

**F. Capital Leases**

Scott County entered into capital lease agreements to finance the acquisition of certain capital assets. These agreements provided for original terms of up to five years at interest rates ranging from three to four percent. The gross amount of assets acquired through capital lease agreements outstanding at June 30, 2006, is as follows:

Equipment	\$ 67,205
Vehicles	119,671

Future minimum payments and the net present value of these minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	\$ 40,621
2008	40,215
2009	26,364
2010	<u>23,192</u>
Total Minimum Lease Payments	\$ 130,392
Amount Representing Interest	<u>(8,813)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 121,579</u></u>

**G. Long-term Debt**

General Obligation Bonds, Notes, and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition, construction, and renovation of major capital facilities. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 38 years for bonds, up to 12 years for notes, and up to 26 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. Outstanding notes totaling \$608,034 are scheduled to be retired from the Highway/Public Works Fund. Outstanding bonds totaling \$244,000 are scheduled to be retired from the General Fund. All other notes, bonds, and other loans outstanding are scheduled to be retired from the debt service funds.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	3.75 to 5 %	\$ 1,955,000	\$ 1,694,000
General Obligation Bonds - Refunding	1.1 to 4.5	14,950,000	11,045,000
Capital Outlay Notes	2.97 to 4.49	3,549,957	3,094,818
Other Loans	variable	4,000,000	3,497,400
Capital Leases	3 to 3.99	186,876	121,579

In prior years, Scott County entered into loan agreements with the Montgomery County Public Building Authority. These loan agreements provided for the authority to loan \$1,000,000 and \$3,000,000 to Scott County for various renovation and construction projects. The loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (administrative, letter of credit, debt remarketing, etc.) in connection with these loans. At June 30, 2006, the variable interest rate was four percent on the \$1,000,000 loan and 4.1 percent on the \$3,000,000 loan. Other fees amounted to approximately .64 percent of the outstanding loan principal on the \$1,000,000 loan and approximately .44 percent of the outstanding loan principal on the \$3,000,000 loan.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2006, including interest and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 962,000	\$ 516,051	\$ 510,097	\$ 142,783
2008	963,000	486,211	503,247	114,394
2009	874,000	454,656	577,272	85,498
2010	830,000	423,322	214,750	68,438
2011	776,000	391,284	214,749	58,791
2012-2016	2,811,000	1,498,036	895,980	155,419
2017-2021	1,233,000	1,124,919	178,723	10,592
2022-2026	2,215,000	825,239	0	0
2027-2031	1,930,000	233,920	0	0
2032-2035	145,000	17,576	0	0
Total	\$ 12,739,000	\$ 5,971,214	\$ 3,094,818	\$ 635,915

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2007	\$ 159,100	\$ 142,657	\$ 16,861	\$ 318,618
2008	164,800	136,168	16,093	317,061
2009	170,600	129,447	15,296	315,343
2010	176,500	122,490	14,471	313,461
2011	183,500	115,293	13,615	312,408
2012-2016	1,020,700	458,829	54,048	1,533,577
2017-2021	1,217,200	235,307	27,257	1,479,764
2022-2023	405,000	25,051	2,689	432,740
Total	\$ 3,497,400	\$ 1,365,242	\$ 160,330	\$ 5,022,972

There is \$252,181 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$134, based on the 2000 federal census for residents living inside the Oneida School District and \$700, for residents living outside the Oneida School District. Debt per capita, including notes, other loans, and capital leases totaled \$255, for residents living inside the Oneida Special School District and \$1,058, for residents living outside the Oneida Special School District.

#### Changes in Long-term Liabilities

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

	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 13,775,000	\$ 1,448,935	\$ 157,383
Additions	0	1,888,219	0
Deductions	(1,036,000)	(242,336)	(35,804)
	<hr/>		
Balance, June 30, 2006	\$ 12,739,000	\$ 3,094,818	\$ 121,579
	<hr/>		
Balance Due Within One Year	\$ 962,000	\$ 510,097	\$ 36,615
	<hr/>		

	Other Loans	Compensated Absences
Balance, July 1, 2005	\$ 3,650,900	\$ 66,554
Additions	0	94,874
Deductions	(153,500)	(64,751)
	<hr/>	
Balance, June 30, 2006	\$ 3,497,400	\$ 96,677
	<hr/>	
Balance Due Within One Year	\$ 159,100	\$ 18,907
	<hr/>	

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 19,549,474
Less: Balance Due Within One Year	(1,686,719)
Less: Deferred Amount on Refunding	(90,915)
	<hr/>

Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 17,771,840</u>
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Compensated absences will be liquidated from the individual funds from which the related salaries and wages are paid.

Defeasance of Prior Debt

In the previous year, Scott County defeased an outstanding zero-interest loan agreement. This agreement has one balloon principal payment of \$4,359,914 due on November 1, 2011. The proceeds of the refunding bonds were placed into an irrevocable trust to provide for the future debt service payment on the old loan agreement. Accordingly, the trust account and the defeased loan agreement are not included in the county's financial statements. Since the full amount of the principal requirement on the refunded debt has been placed into the trust account, Scott County is entitled to the income generated by this trust account. Scott County has recognized \$236,539 as income since the creation of the trust account.

Public Utility Fund and the Solid Waste Disposal Fund (enterprise funds)

The annual requirements for all enterprise fund outstanding bonds and notes at June 30, 2006, including interest payments, are as follows:

Year Ending June 30	Public Utility Fund Bonds		Solid Waste Disposal Fund Notes	
	Principal	Interest	Principal	Interest
2007	\$ 10,000	\$ 18,770	\$ 54,666	\$ 1,684
2008	10,000	18,570	0	0
2009	10,000	18,340	0	0
2010	15,000	85,560	0	0
2011	15,000	17,625	0	0
2012-2016	95,000	79,770	0	0
2017-2021	120,000	59,470	0	0
2022-2026	155,000	31,105	0	0
2027	35,000	1,645	0	0
Total	<u>\$ 465,000</u>	<u>\$ 330,855</u>	<u>\$ 54,666</u>	<u>\$ 1,684</u>

Changes in Long-term Liabilities

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

	Public Utility Fund	Solid Waste Disposal Fund	
	Bonds	Notes	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2005	\$ 475,000	\$ 62,333	\$ 412,384
Deductions	(10,000)	(7,667)	(262,384)
Balance, June 30, 2006	<u>\$ 465,000</u>	<u>\$ 54,666</u>	<u>\$ 150,000</u>
Current Portion	\$ 10,000	\$ 54,666	\$ 25,000
Long-term Portion	<u>455,000</u>	<u>0</u>	<u>125,000</u>
Total	<u>\$ 465,000</u>	<u>\$ 54,666</u>	<u>\$ 150,000</u>

The outstanding bonds are payable from the Public Utility Fund and include one issue, Refunding Bonds issued October 21, 2003. These bonds have interest rates ranging from 1.1 to 4.7 percent, with the last payment due on June 1, 2027.

The outstanding note is payable from the Solid Waste Disposal Fund and carries an interest rate of 3.05 percent. The decrease in closure/postclosure care costs includes a gain from reduction estimated at \$234,828.

## V. OTHER INFORMATION

### A. Risk Management

Scott County and the discretely presented Scott County School Department are exposed to various risks related to general liability, property, casualty losses, and workers' compensation. The county and the School Department decided it was more economically feasible to join public entity risk pools instead of purchasing commercial insurance for general liability, property, and casualty coverage. The School Department also decided it is more economically feasible to join public entity risk pools instead of purchasing commercial insurance for workers' compensation coverage. The county and the School Department joined the Tennessee School Board Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Board Association, an association of member school districts. The county and the School Department pay annual premiums to the TSB-RMT for their general liability, property, casualty, and workers' compensation (School Department only) coverage. The creation of the TSB-RMT provides for it to be self-sustaining through members' premiums.

The Scott County School Department joined the Local Government 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 Financial 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.

It is the policy of the Scott County general government to purchase commercial insurance for workers' compensation and employee health. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

### 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 Scott 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, and debt capacity, demographic and economic, and operating. It is reasonably expected that Scott 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. Scott County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Scott 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. Scott County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Scott County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

On August 31, 2006, Jim Carson left the Office of Sheriff and was succeeded by Anthony Lay, and Verda Cope, Jr., left the Office of Circuit and General Sessions Courts Clerk and was succeeded by Donnie Phillips.

Scott County drew \$1,504,843 of a previously authorized \$10,000,000 public building authority loan agreement to provide funding for the justice center construction project.

The county issued a three-year capital outlay note of \$518,096 to purchase student transportation equipment.

The county issued a three-year capital outlay note of \$18,725 to purchase an aviation fuel truck.

The county purchased 3.74 acres of land for \$50,000. The land is to be used as the site for a new school in the Robbins community.

**D. Change in Administration**

Dwight Murphy left the Office of County Mayor effective January 1, 2006. Rick Keeton was appointed to fill the vacancy effective January 2, 2006.

**E. Litigation**

Scott County is a defendant in the following cases for which management is unable to determine the likelihood of an unfavorable outcome against the county:

- a. A case brought by a former Sheriff's Department employee alleging Scott County violated compensation provisions of the Fair Labor Standards Act. Potential exposure exceeds \$10,000.
- b. The Town of Huntsville initially filed a suit in the Chancery Court of Scott County on July 25, 2005. This suit was later transferred to the Chancery Court of Davidson County by virtue of the Tennessee Department of Revenue being a party to the suit. The plaintiff (Town of Huntsville) alleges that situs tax revenues have been and are currently being misdirected by the Department of Revenue from the Town of Huntsville to Scott County pursuant to recent state law regarding annexations. Potential exposure exceeds \$10,000.

- c. The following cases have been submitted to the county's insurance carrier. The insurance carrier accepted the claims under a full and complete reservation of rights. Therefore, the cases, if successful, could result in material liability to the county.
1. A case involving a former director of schools who alleges violation of property and tenure rights. Potential exposure in the case ranges from \$20,000 to \$150,000.
  2. A lawsuit seeking damages not to exceed \$10,000,000 in a case for the wrongful death of a deputy sheriff, who was shot and killed in the line of duty on November 28, 2003.
  3. A lawsuit seeking compensatory damages of \$2,500,000 and punitive damages of \$500,000 by an individual alleging the defendants (Scott County and various employees/agents), conspired to cover up the facts concerning the death of a county deputy sheriff.
  4. A lawsuit seeking actual and punitive damages in an unspecified amount against members of law enforcement. The complaint is not specific as to the identity of officers or department.
  5. A case filed in the U.S. District Court by an individual claiming severe emotional damage from a former Scott County deputy. Potential exposure exceeds \$10,000.

The county is also involved in several other lawsuits. Management believes the outcome of those other lawsuits not covered by insurance will not materially affect the financial statements of the primary government or the discretely presented Scott County School Department.

**F. Landfill Closure and Postclosure Care Costs**

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Waste is no longer accepted at the county-owned landfill site. The Solid Waste Disposal Fund reported a liability of \$150,000 for landfill closure and postclosure care at June 30, 2006. This amount is based on estimates of what it would have cost to perform all closure and postclosure care in 2006. Actual cost may be different due to inflation, changes in technology, or changes in regulations.

Scott County currently contracts with a private business to provide trash collection and disposal services. Management plans to fund the above-noted

landfill closure and postclosure care costs through the issuance of long-term debt, contributions from the General and Solid Waste/Sanitation Funds, and funds received from the private business under various contracts and agreements.

**G. Joint Venture**

The Eighth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Eighth Judicial District; Campbell, Claiborne, Fentress, Scott, and Union Counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Scott 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:

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

**H. Retirement Commitments**

**Plan Description**

Employees of Scott 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 Scott 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](http://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**

Scott 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 1.2 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Scott County is established and may be amended by the TCRS Board of Trustees.

### **Annual Pension Cost**

For the year ended June 30, 2006, Scott County's annual pension cost of \$71,718 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. Scott County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

**Trend Information**

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$71,718	100%	\$0
6-30-05	65,907	100	0
6-30-04	0	100	0

**Schedule of Funding Progress**

(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 ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
6-30-05	\$15,366	\$15,366	\$0	100%	\$5,399	0%
6-30-03	14,833	14,833	0	100	4,903	0
6-30-01	14,298	14,298	0	100	4,525	0

**SCHOOL TEACHERS**

**Plan Description**

The Scott 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](http://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 Scott 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 Scott 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 \$513,691, \$501,161, and \$299,961, respectively, equal to the required contributions for each year.

### **I. Other Post-employment Benefits**

In addition to the retirement commitments described above, the Scott County School Department agreed to provide post-retirement health care benefits to all future retirees from the Scott County School Department. To be eligible for this post-employment benefit the retirees must also met the following requirements: 60 years old or at least 30 years of service with Tennessee Consolidated Retirement System, with a minimum of the last ten years of service being with the Scott County School System. On June 30, 2006, eight retirees met these eligibility requirements. During the year, expenditures of \$12,032 were recognized for post-employment health care.

### **J. Office of Central Accounting**

Scott County operates under provisions of the County Financial Management System of 1981. This system creates a Financial Management Committee and provides for a director of finance to administer a central system of accounting, budgeting, and purchasing for county funds. The Financial Management Committee consists of the county mayor, superintendent of roads, director of schools, director of finance, three county commissioners, and one school board member.

### **K. Purchasing Laws**

Purchasing procedures are governed by provisions of the County Financial Management System of 1981, which provide for purchases to be made by the

Financial Management Committee. The committee established a policy that purchases exceeding \$2,000 for the Offices of County Mayor and Director of Schools are to be made on a competitive bid basis. The Uniform Road Law provides that purchases for the Road Department exceeding \$10,000 be made on a competitive bid basis.

**VI. OTHER NOTES – DISCRETELY PRESENTED SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Significant Accounting Policies**

**1. The Financial Reporting Entity**

The Scott County Emergency Communications District was formed under Tennessee Code Annotated Title 7 Section 86 Emergency Communications District Law. The district is a component unit of Scott County, Tennessee, because the district is legally separate. The County Commission appoints the members of the board of directors and can impose its will on the district by changing the telephone surcharge rate and the approval of debt and borrowings.

**2. Method of Accounting**

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of the district, the reporting entity. Revenues are recorded when earned and expenses when incurred. The accounts of the district are maintained in accordance with the principles of fund accounting. That is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

**3. Method of Depreciation**

The straight-line method of depreciation is used to calculate depreciation over a five-year period.

**4. Income Taxes**

The district is exempt from federal income taxes because of its creation by the Scott County Government.

**5. Mapping Expenses**

Although mapping expenses have a useful life of more than one year, the life is very difficult to measure. Mapping expenses, therefore, are treated as expenses as incurred.

6. **Revenue**

Operating revenues consist primarily from Highland Telephone Cooperative authorization to charge residents \$.65 and businesses \$2.00 per month. As of June 30, 2006, the district had 8,208 residential customers and 2,475 business customers. Wireless communications income is from a share of state collected revenues from cell phone usage based upon population. All other revenues and expenses are reported as nonoperating revenues and expenses.

7. **Cash**

The organization treats cash as: checking account balances, savings accounts, certificates of deposit with original maturities of less than three months, and cash on hand.

8. **Cash Management**

Cash temporarily idle during the year was invested in a savings account and certificates of deposit. The certificates of deposit have maturities of 12 months. The district earned \$7,689 interest during the year ended June 30, 2006.

9. **Deposits and Investments**

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 the debt of 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 these accounts that 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 the purpose of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, the 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 entity. Scott County Emergency Communications District has no policy with regard to the collateralization of funds in excess of insured amounts.

The carrying amount of the district's deposits was \$410,714 and the bank balance was \$413,003. Of that amount, \$365,940 was insured and the remainder was not collateralized above the FDIC insurance limit.

The district has invested in several certificates of deposits with maturities of nine to 14 months. Currently the interest rate ranges from 4.35 to five percent. To minimize the interest rate risk, these certificates of deposits are held in fairly equal amounts in three different banks maturing at various times of year.

**10. Compensated Absences**

It is the district's policy to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since the district does not have a policy to pay any amount when employees separate from service with the district. Accumulated vacation pay is reported as an expenditure and a liability of the fund when material and accumulated.

**11. Capital Assets**

The district defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Capital assets are recorded at cost. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Depreciation is provided on the straight-line basis over estimated useful lives of five to ten years for equipment.

Capital Assets

	Balance		Balance
	7-1-05	Additions	6-30-06
Equipment:			
Office Equipment	\$ 7,882	\$ 400	\$ 8,282
Communication Equipment	326,176	4,017	330,193
Vehicles	24,500	0	24,500
	\$ 358,558	\$ 4,417	\$ 362,975
Accumulated Depreciation:			
Office Equipment	\$ (7,482)	\$ (380)	\$ (7,862)
Communication Equipment	(201,355)	(21,192)	(222,547)
Vehicles	(2,917)	(3,500)	(6,417)
	\$ (211,754)	\$ (25,072)	\$ (236,826)
Net Investment in Capital Assets	\$ 146,804	\$ (20,655)	\$ 126,149

**12. Use of Estimates**

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

**13. Risk Management**

The district is exposed to various risks of losses related to tort; theft of, damage to, and destruction of assets; errors or omissions; injuries to employees; and natural disasters. The district has obtained commercial insurance to manage these risks. Management does not believe any claims will exceed the insurance amount. Software coverage is \$168,730; personal property theft, earthquake and flood is \$168,730; auto coverage includes collision and comprehensive coverage with deductibles of \$100 and \$50, respectively, and general liability of \$1,000,000 each occurrence and \$3,000,000 aggregate with \$5,000 in medical payments. The settlements have not exceeded insurance amounts in the past three years.

**14. Budgets**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. On or before May 31 of each year, the proposed budget is prepared and presented to the board for review. The board adopts and amends the budget throughout the year as needed.

**B. Officers and Employees of the District Bonds**

The district maintains an insurance policy against forgery or alteration by officers and employees as required by Tennessee Code Annotated 7-86-119 with policy limits of \$12,500; theft of money and securities with limits of \$100,000; employee dishonesty with limits of \$250,000; and counterfeit United States or Canadian paper currency with limits of \$100,000.

**C. Accounting Standards**

The district has adopted all applicable pronouncements of the Governmental Accounting Standards Board, and has elected not to apply the pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
General Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	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	\$ 2,062,110	\$ 0	\$ 2,062,110	\$ 2,048,235	\$ 2,110,749	\$ (48,639)
Licenses and Permits	20,376	0	20,376	21,000	21,000	(624)
Fines, Forfeitures, and Penalties	82,138	0	82,138	60,650	69,003	13,135
Charges for Current Services	276,276	0	276,276	165,600	263,816	12,460
Other Local Revenues	445,547	0	445,547	638,393	420,516	25,031
Fees Received from County Officials	758,235	0	758,235	662,000	728,000	30,235
State of Tennessee	1,356,731	0	1,356,731	977,661	1,443,336	(86,605)
Federal Government	367,223	0	367,223	165,948	752,344	(385,121)
Other Governments and Citizens Groups	6,454	0	6,454	6,500	6,500	(46)
Total Revenues	\$ 5,375,090	\$ 0	\$ 5,375,090	\$ 4,745,987	\$ 5,815,264	\$ (440,174)
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 349,176	\$ 8,400	\$ 357,576	\$ 147,643	\$ 620,802	\$ 263,226
County Mayor/Executive	196,335	0	196,335	204,604	196,604	269
County Attorney	49,133	0	49,133	49,221	49,221	88
Election Commission	111,650	147,650	259,300	121,030	268,680	9,380
Register of Deeds	127,020	0	127,020	127,029	127,029	9
Development	156,679	0	156,679	322,961	322,961	166,282
County Buildings	251,636	0	251,636	204,059	256,717	5,081
<u>Finance</u>						
Accounting and Budgeting	215,884	0	215,884	217,414	217,414	1,530
Property Assessor's Office	145,654	0	145,654	147,845	147,845	2,191
County Trustee's Office	118,273	0	118,273	117,389	118,389	116
County Clerk's Office	174,535	0	174,535	178,192	178,192	3,657
<u>Administration of Justice</u>						
Circuit Court	161,412	0	161,412	152,649	162,149	737

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	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>Administration of Justice (Cont.)</u>						
General Sessions Court	\$ 88,626	\$ 0	\$ 88,626	\$ 89,561	\$ 89,561	\$ 935
Chancery Court	99,817	0	99,817	100,948	100,948	1,131
District Attorney General	65,714	0	65,714	30,000	67,547	1,833
<u>Public Safety</u>						
Sheriff's Department	970,323	0	970,323	943,094	979,169	8,846
Special Patrols	61,862	0	61,862	63,406	63,406	1,544
Drug Enforcement	12,917	0	12,917	27,595	14,595	1,678
Jail	759,041	0	759,041	673,887	766,374	7,333
Juvenile Services	245,800	0	245,800	238,082	256,082	10,282
Fire Prevention and Control	2,000	0	2,000	2,000	2,000	0
Civil Defense	91,369	0	91,369	25,439	92,063	694
Rescue Squad	7,000	0	7,000	7,000	7,000	0
County Coroner/Medical Examiner	5,961	0	5,961	5,964	5,964	3
<u>Public Health and Welfare</u>						
Local Health Center	46,016	0	46,016	44,172	47,172	1,156
Other Local Health Services	139,496	0	139,496	178,100	178,100	38,604
General Welfare Assistance	1,843	0	1,843	2,250	2,250	407
Aid to Dependent Children	600	0	600	600	600	0
Other Local Welfare Services	122	0	122	244	244	122
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	49,594	0	49,594	37,194	51,044	1,450
Libraries	45,669	0	45,669	42,559	45,759	90
Other Social, Cultural, and Recreational	22,619	0	22,619	22,871	22,871	252
<u>Agriculture &amp; Natural Resources</u>						
Agriculture Extension Service	27,587	0	27,587	28,945	28,945	1,358

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	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>Other Operations</u>						
Tourism	\$ 77,117	\$ 0	\$ 77,117	\$ 45,230	\$ 77,493	\$ 376
Other Economic and Community Development	30,990	0	30,990	0	31,233	243
Airport	720,088	0	720,088	285,749	766,303	46,215
Veterans' Services	25,295	0	25,295	23,884	26,137	842
Contributions to Other Agencies	117,513	0	117,513	70,225	119,275	1,762
Miscellaneous	217,088	0	217,088	136,596	219,646	2,558
<u>Highways</u>						
Highway and Bridge Maintenance	235	0	235	234	234	(1)
Litter and Trash Collection	1,685	0	1,685	0	1,685	0
<u>Instruction</u>						
Vocational Education Program	30,000	0	30,000	30,000	30,000	0
<u>Principal on Debt</u>						
General Government	16,000	0	16,000	0	16,000	0
<u>Interest on Debt</u>						
General Government	12,600	0	12,600	0	12,600	0
Total Expenditures	\$ 6,049,974	\$ 156,050	\$ 6,206,024	\$ 5,145,865	\$ 6,788,303	\$ 582,279
Excess (Deficiency) of Revenues						
Over Expenditures	\$ (674,884)	\$ (156,050)	\$ (830,934)	\$ (399,878)	\$ (973,039)	\$ 142,105
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 91,667	\$ 0	\$ 91,667	\$ 0	\$ 124,376	\$ (32,709)
Transfers In	605,000	0	605,000	400,000	605,000	0
Total Other Financing Sources (Uses)	\$ 696,667	\$ 0	\$ 696,667	\$ 400,000	\$ 729,376	\$ (32,709)
Net Change in Fund Balance						
Fund Balance, July 1, 2005	\$ 2,824,273	\$ 0	\$ 2,824,273	\$ 2,949,527	\$ 2,824,273	\$ 0
Prior Period Adjustment	(84,945)	0	(84,945)	0	0	(84,945)
Fund Balance, June 30, 2006	\$ 2,761,111	\$ (156,050)	\$ 2,605,061	\$ 2,949,649	\$ 2,580,610	\$ 24,451

Exhibit F-2

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Ambulance Service 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	\$ 1,690,603	\$ 1,288,805	\$ 1,410,605	\$ 279,998
Other Local Revenues	1,301	1,000	1,300	1
Total Revenues	<u>\$ 1,691,904</u>	<u>\$ 1,289,805</u>	<u>\$ 1,411,905</u>	<u>\$ 279,999</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Ambulance/Emergency Medical Services	\$ 1,414,566	\$ 1,289,805	\$ 1,508,295	\$ 93,729
Total Expenditures	<u>\$ 1,414,566</u>	<u>\$ 1,289,805</u>	<u>\$ 1,508,295</u>	<u>\$ 93,729</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 277,338</u>	<u>\$ 0</u>	<u>\$ (96,390)</u>	<u>\$ 373,728</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (605,000)	\$ 0	\$ (605,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (605,000)</u>	<u>\$ 0</u>	<u>\$ (605,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (327,662)	0	\$ (701,390)	\$ 373,728
Fund Balance, July 1, 2005	<u>829,650</u>	<u>0</u>	<u>829,650</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 501,988</u>	<u>\$ 0</u>	<u>\$ 128,260</u>	<u>\$ 373,728</u>

Exhibit F-3

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 235	\$ 235	\$ 235	\$ 0
Other Local Revenues	14,534	13,287	13,287	1,247
State of Tennessee	1,814,944	2,053,000	2,071,735	(256,791)
Federal Government	135,792	0	73,686	62,106
Total Revenues	<u>\$ 1,965,505</u>	<u>\$ 2,066,522</u>	<u>\$ 2,158,943</u>	<u>\$ (193,438)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 89,283	\$ 85,568	\$ 90,332	\$ 1,049
Highway and Bridge Maintenance	981,607	955,504	1,095,154	113,547
Operation and Maintenance of Equipment	267,063	243,520	299,120	32,057
Other Charges	110,305	111,600	112,139	1,834
Employee Benefits	130,423	170,000	142,128	11,705
Capital Outlay	337,549	335,000	639,185	301,636
<u>Principal on Debt</u>				
Highways and Streets	173,597	148,634	173,599	2
<u>Interest on Debt</u>				
Highways and Streets	29,162	16,696	29,196	34
Total Expenditures	<u>\$ 2,118,989</u>	<u>\$ 2,066,522</u>	<u>\$ 2,580,853</u>	<u>\$ 461,864</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (153,484)</u>	<u>\$ 0</u>	<u>\$ (421,910)</u>	<u>\$ 268,426</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 300,000	\$ 0	\$ 300,000	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 300,000</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 146,516	\$ 0	\$ (121,910)	\$ 268,426
Fund Balance, July 1, 2005	<u>234,605</u>	<u>234,605</u>	<u>234,605</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 381,121</u>	<u>\$ 234,605</u>	<u>\$ 112,695</u>	<u>\$ 268,426</u>

**SCOTT 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 Scott 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, County Mayor, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions dealing with the administration of the Solid Waste Board.

Special Purpose Fund – The Special Purpose Fund is used to account for revenues and expenditures associated with a probation program.

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

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenue held in trust for the benefit of the Office of District Attorney General.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for transactions of the fee and commission accounts of the trustee, clerks, register, and sheriff. Revenue from fees and commissions earned by these officials are remitted to the county's General Fund.

# Capital Projects Funds

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for the construction of a justice center.

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for revenues and expenditures of various community development and industrial park projects. These projects primarily consist of water and sewer line additions and improvements.

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

Exhibit G-1

Scott County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2006

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Special Purpose	Drug Control	District Attorney General	Constitutional Officers - Fees	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 810	\$ 810
Equity in Pooled Cash and Investments	6,514	14,162	10,822	59,205	0	90,703
Accounts Receivable	787	0	0	6,202	0	6,989
Due from Other Governments	7,769	0	0	0	0	7,769
Due from Other Funds	64,413	0	0	0	0	64,413
Total Assets	<u>\$ 79,483</u>	<u>\$ 14,162</u>	<u>\$ 10,822</u>	<u>\$ 65,407</u>	<u>\$ 810</u>	<u>\$ 170,684</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 28	\$ 0	\$ 0	\$ 593	\$ 0	\$ 621
Accrued Payroll	2,212	0	0	0	0	2,212
Contracts Payable	0	0	0	0	0	0
Retainage Payable	0	0	0	0	0	0
Due to Other Funds	30,511	0	19,127	13	810	50,461
Other Deferred Revenues	2,953	0	0	0	0	2,953
Total Liabilities	<u>\$ 35,704</u>	<u>\$ 0</u>	<u>\$ 19,127</u>	<u>\$ 606</u>	<u>\$ 810</u>	<u>\$ 56,247</u>
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Federal Reserves	0	0	0	0	0	0
Unreserved (Deficit)	43,779	14,162	(8,305)	64,801	0	114,437
Total Fund Balances	<u>\$ 43,779</u>	<u>\$ 14,162</u>	<u>\$ (8,305)</u>	<u>\$ 64,801</u>	<u>\$ 0</u>	<u>\$ 114,437</u>
Total Liabilities and Fund Balances	<u>\$ 79,483</u>	<u>\$ 14,162</u>	<u>\$ 10,822</u>	<u>\$ 65,407</u>	<u>\$ 810</u>	<u>\$ 170,684</u>

(Continued)

Exhibit G-1

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	Education Capital Projects	Total	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 810
Equity in Pooled Cash and Investments	0	1,759	208,216	209,975	300,678
Accounts Receivable	0	0	0	0	6,989
Due from Other Governments	0	0	0	0	7,769
Due from Other Funds	0	50,237	0	50,237	114,650
Total Assets	\$ 0	\$ 51,996	\$ 208,216	\$ 260,212	\$ 430,896
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 795	\$ 0	\$ 0	\$ 795	\$ 1,416
Accrued Payroll	0	0	0	0	2,212
Contracts Payable	217,503	15,126	0	232,629	232,629
Retainage Payable	0	42,649	0	42,649	42,649
Due to Other Funds	258,567	17,605	22,579	298,751	349,212
Other Deferred Revenues	0	0	0	0	2,953
Total Liabilities	\$ 476,865	\$ 75,380	\$ 22,579	\$ 574,824	\$ 631,071
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 576,176	\$ 43,796	\$ 0	\$ 619,972	\$ 619,972
Other Federal Reserves	0	35,000	0	35,000	35,000
Unreserved (Deficit)	(1,053,041)	(102,180)	185,637	(969,584)	(855,147)
Total Fund Balances	\$ (476,865)	\$ (23,384)	\$ 185,637	\$ (314,612)	\$ (200,175)
Total Liabilities and Fund Balances	\$ 0	\$ 51,996	\$ 208,216	\$ 260,212	\$ 430,896

Exhibit G-2

Scott 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					Total
	Solid Waste / Sanitation	Special Purpose	Drug Control	District Attorney General	Constitutional Officers - Fees	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 37,618	\$ 94,068	\$ 0	\$ 131,686
Charges for Current Services	1,044	30,276	0	0	4,793	36,113
Other Local Revenues	2,696	0	1,350	2,303	0	6,349
State of Tennessee	37,852	0	0	0	0	37,852
<b>Total Revenues</b>	<b>\$ 41,592</b>	<b>\$ 30,276</b>	<b>\$ 38,968</b>	<b>\$ 96,371</b>	<b>\$ 4,793</b>	<b>\$ 212,000</b>
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 100	\$ 100
Administration of Justice	0	20,931	0	63,839	4,693	89,463
Public Health and Welfare	107,497	0	0	0	0	107,497
Other Operations	0	0	32,065	0	0	32,065
Highways	7,697	0	0	0	0	7,697
Capital Projects	0	0	0	0	0	0
Capital Projects - Donated	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>\$ 115,194</b>	<b>\$ 20,931</b>	<b>\$ 32,065</b>	<b>\$ 63,839</b>	<b>\$ 4,793</b>	<b>\$ 236,822</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (73,602)	\$ 9,345	\$ 6,903	\$ 32,532	\$ 0	\$ (24,822)
<u>Other Financing Sources (Uses)</u>						
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
Net Change in Fund Balances	\$ (73,602)	\$ 9,345	\$ 6,903	\$ 32,532	\$ 0	\$ (24,822)
Fund Balance, July 1, 2005	117,381	4,817	(15,208)	32,269	0	139,259
<b>Fund Balance, June 30, 2006</b>	<b>\$ 43,779</b>	<b>\$ 14,162</b>	<b>\$ (8,305)</b>	<b>\$ 64,801</b>	<b>\$ 0</b>	<b>\$ 114,437</b>

(Continued)

Exhibit G-2

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

	Capital Projects Funds				Total Nonmajor Governmental Funds
	General Capital Projects	Community Development/ Industrial Park	Education Capital Projects	Total	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 131,686
Charges for Current Services	0	0	0	0	36,113
Other Local Revenues	0	0	0	0	6,349
State of Tennessee	0	145,349	0	145,349	183,201
<b>Total Revenues</b>	<b>\$ 0</b>	<b>\$ 145,349</b>	<b>\$ 0</b>	<b>\$ 145,349</b>	<b>\$ 357,349</b>
<u>Expenditures</u>					
Current:					
Finance	\$ 10,634	\$ 0	\$ 0	\$ 10,634	\$ 10,734
Administration of Justice	0	0	0	0	89,463
Public Health and Welfare	0	0	0	0	107,497
Other Operations	20,704	0	107,878	128,582	160,647
Highways	0	0	0	0	7,697
Capital Projects	476,865	168,948	471,760	1,117,573	1,117,573
Capital Projects - Donated	0	0	249,261	249,261	249,261
<b>Total Expenditures</b>	<b>\$ 508,203</b>	<b>\$ 168,948</b>	<b>\$ 828,899</b>	<b>\$ 1,506,050</b>	<b>\$ 1,742,872</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (508,203)	\$ (23,599)	\$ (828,899)	\$ (1,360,701)	\$ (1,385,523)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 1,463,219	\$ 1,463,219	\$ 1,463,219
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,463,219</b>	<b>\$ 1,463,219</b>	<b>\$ 1,463,219</b>
Net Change in Fund Balances	\$ (508,203)	\$ (23,599)	\$ 634,320	\$ 102,518	\$ 77,696
Fund Balance, July 1, 2005	31,338	215	(448,683)	(417,130)	(277,871)
<b>Fund Balance, June 30, 2006</b>	<b>\$ (476,865)</b>	<b>\$ (23,384)</b>	<b>\$ 185,637</b>	<b>\$ (314,612)</b>	<b>\$ (200,175)</b>

Exhibit G-3

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation 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	\$ 1,044	\$ 500	\$ 856	\$ 188
Other Local Revenues	2,696	1,000	2,020	676
State of Tennessee	37,852	4,000	38,000	(148)
Total Revenues	<u>\$ 41,592</u>	<u>\$ 5,500</u>	<u>\$ 40,876</u>	<u>\$ 716</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 8,956	\$ 10,000	\$ 11,000	\$ 2,044
Convenience Centers	98,541	52,600	101,873	3,332
<u>Highways</u>				
Litter and Trash Collection	7,697	0	9,000	1,303
Total Expenditures	<u>\$ 115,194</u>	<u>\$ 62,600</u>	<u>\$ 121,873</u>	<u>\$ 6,679</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (73,602)</u>	<u>\$ (57,100)</u>	<u>\$ (80,997)</u>	<u>\$ 7,395</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 57,100	\$ 57,100	\$ (57,100)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 57,100</u>	<u>\$ 57,100</u>	<u>\$ (57,100)</u>
Net Change in Fund Balance	\$ (73,602)	0	(23,897)	(49,705)
Fund Balance, July 1, 2005	<u>117,381</u>	<u>0</u>	<u>117,381</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 43,779</u>	<u>\$ 0</u>	<u>\$ 93,484</u>	<u>\$ (49,705)</u>

Exhibit G-4

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Special Purpose 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	\$ 30,276	\$ 20,460	\$ 21,451	\$ 8,825
Total Revenues	\$ 30,276	\$ 20,460	\$ 21,451	\$ 8,825
<u>Expenditures</u>				
<u>Administration of Justice</u>				
Other Administration of Justice	\$ 20,931	\$ 20,460	\$ 21,451	\$ 520
Total Expenditures	\$ 20,931	\$ 20,460	\$ 21,451	\$ 520
Excess (Deficiency) of Revenues Over Expenditures	\$ 9,345	\$ 0	\$ 0	\$ 9,345
Net Change in Fund Balance	\$ 9,345	\$ 0	\$ 0	\$ 9,345
Fund Balance, July 1, 2005	4,817	0	0	4,817
Fund Balance, June 30, 2006	\$ 14,162	\$ 0	\$ 0	\$ 14,162

Exhibit G-5

Scott 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	\$ 37,618	\$ 36,800	\$ 36,800	\$ 818
Other Local Revenues	1,350	0	1,348	2
Total Revenues	<u>\$ 38,968</u>	<u>\$ 36,800</u>	<u>\$ 38,148</u>	<u>\$ 820</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Miscellaneous	\$ 32,065	\$ 36,800	\$ 38,148	\$ 6,083
Total Expenditures	<u>\$ 32,065</u>	<u>\$ 36,800</u>	<u>\$ 38,148</u>	<u>\$ 6,083</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,903</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,903</u>
Net Change in Fund Balance	\$ 6,903	\$ 0	\$ 0	\$ 6,903
Fund Balance, July 1, 2005	(15,208)	0	0	(15,208)
Fund Balance, June 30, 2006	<u>\$ (8,305)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (8,305)</u>

# Major Governmental Funds

## Debt Service Funds

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

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

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related cost for debt issued that benefited the areas of Scott County outside the Special School District (Oneida).

Exhibit H-1

Scott 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	\$ 683,846	\$ 652,456	\$ 657,893	\$ 25,953
Licenses and Permits	969	800	800	169
Other Local Revenues	84,000	83,000	83,000	1,000
Total Revenues	<u>\$ 768,815</u>	<u>\$ 736,256</u>	<u>\$ 741,693</u>	<u>\$ 27,122</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 582,558	\$ 592,560	\$ 582,560	\$ 2
<u>Interest on Debt</u>				
General Government	162,370	180,474	164,481	2,111
<u>Other Debt Service</u>				
General Government	17,655	14,500	17,000	(655)
Total Expenditures	<u>\$ 762,583</u>	<u>\$ 787,534</u>	<u>\$ 764,041</u>	<u>\$ 1,458</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 6,232</u>	<u>\$ (51,278)</u>	<u>\$ (22,348)</u>	<u>\$ 28,580</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (28,930)	\$ 0	\$ (28,930)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (28,930)</u>	<u>\$ 0</u>	<u>\$ (28,930)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (22,698)	\$ (51,278)	\$ (51,278)	\$ 28,580
Fund Balance, July 1, 2005	182,582	182,582	182,582	0
Fund Balance, June 30, 2006	<u>\$ 159,884</u>	<u>\$ 131,304</u>	<u>\$ 131,304</u>	<u>\$ 28,580</u>

Exhibit H-2

Scott 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>				
Local Taxes	\$ 1,121,212	\$ 1,127,662	\$ 1,127,662	\$ (6,450)
Other Governments and Citizens Groups	185,773	185,773	185,773	0
Total Revenues	<u>\$ 1,306,985</u>	<u>\$ 1,313,435</u>	<u>\$ 1,313,435</u>	<u>\$ (6,450)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 695,485	\$ 703,293	\$ 695,486	\$ 1
<u>Interest on Debt</u>				
Education	658,227	608,213	659,855	1,628
<u>Other Debt Service</u>				
Education	25,899	19,500	25,500	(399)
Total Expenditures	<u>\$ 1,379,611</u>	<u>\$ 1,331,006</u>	<u>\$ 1,380,841</u>	<u>\$ 1,230</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (72,626)</u>	<u>\$ (17,571)</u>	<u>\$ (67,406)</u>	<u>\$ (5,220)</u>
Net Change in Fund Balance	\$ (72,626)	\$ (17,571)	\$ (67,406)	\$ (5,220)
Fund Balance, July 1, 2005	<u>164,923</u>	<u>164,923</u>	<u>164,923</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 92,297</u>	<u>\$ 147,352</u>	<u>\$ 97,517</u>	<u>\$ (5,220)</u>

# Fiduciary Funds

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

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

Special School District Fund – The Special School District Fund is used to account for the tax levy for the Special School District (Oneida). These revenues are received by Scott County and remitted to the Special School District on a monthly basis.

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

Judicial District Drug Fund – The Judicial District Drug Fund is used to account for amounts held in an agency capacity for the Eighth Judicial District Drug Task Force.

Exhibit I-1

Scott County, Tennessee  
Combining Statements of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2006

	Agency Funds					Total
	Cities - Sales Tax	Special School District	City School ADA - Oneida	Constitu- tional Officers - Agency	Judicial District Drug	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 812,325	\$ 0	\$ 812,325
Equity in Pooled Cash and Investments	0	6,995	73,118	0	20,087	100,200
Accounts Receivable	0	0	0	1,098	18,046	19,144
Due from Other Governments	253,701	0	105,311	0	0	359,012
Property Taxes Receivable	0	506,625	963,884	0	0	1,470,509
Allowance for Uncollectible Property Taxes	0	(47,740)	(39,931)	0	0	(87,671)
Total Assets	<u>\$ 253,701</u>	<u>\$ 465,880</u>	<u>\$ 1,102,382</u>	<u>\$ 813,423</u>	<u>\$ 38,133</u>	<u>\$ 2,673,519</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,256	\$ 2,256
Due to Other Taxing Units	253,701	465,880	1,102,382	0	0	1,821,963
Due to Litigants, Heirs, and Others	0	0	0	813,423	0	813,423
Due to Joint Venture	0	0	0	0	35,877	35,877
Total Liabilities	<u>\$ 253,701</u>	<u>\$ 465,880</u>	<u>\$ 1,102,382</u>	<u>\$ 813,423</u>	<u>\$ 38,133</u>	<u>\$ 2,673,519</u>

Exhibit I-2

Scott 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	\$ 1,445,977	\$ 1,445,977	\$ 0
Due from Other Governments	238,765	253,701	238,765	253,701
<b>Total Assets</b>	<b>\$ 238,765</b>	<b>\$ 1,699,678</b>	<b>\$ 1,684,742</b>	<b>\$ 253,701</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 238,765	\$ 1,699,678	\$ 1,684,742	\$ 253,701
<b>Total Liabilities</b>	<b>\$ 238,765</b>	<b>\$ 1,699,678</b>	<b>\$ 1,684,742</b>	<b>\$ 253,701</b>
<u>Special School District</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 16,047	\$ 384,825	\$ 393,877	\$ 6,995
Property Taxes Receivable	511,692	506,625	511,692	506,625
Allowance for Uncollectible Taxes	(47,344)	(47,740)	(47,344)	(47,740)
<b>Total Assets</b>	<b>\$ 480,395</b>	<b>\$ 843,710</b>	<b>\$ 858,225</b>	<b>\$ 465,880</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 480,395	\$ 843,710	\$ 858,225	\$ 465,880
<b>Total Liabilities</b>	<b>\$ 480,395</b>	<b>\$ 843,710</b>	<b>\$ 858,225</b>	<b>\$ 465,880</b>
<u>City School ADA - Oneida Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 67,491	\$ 1,378,412	\$ 1,372,785	\$ 73,118
Due from Other Governments	99,425	105,311	99,425	105,311
Property Taxes Receivable	951,216	963,884	951,216	963,884
Allowance for Uncollectible Taxes	(40,827)	(39,931)	(40,827)	(39,931)
<b>Total Assets</b>	<b>\$ 1,077,305</b>	<b>\$ 2,407,676</b>	<b>\$ 2,382,599</b>	<b>\$ 1,102,382</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,077,305	\$ 2,407,676	\$ 2,382,599	\$ 1,102,382
<b>Total Liabilities</b>	<b>\$ 1,077,305</b>	<b>\$ 2,407,676</b>	<b>\$ 2,382,599</b>	<b>\$ 1,102,382</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 706,346	\$ 5,402,678	\$ 5,296,699	\$ 812,325
Accounts Receivable	1,235	1,098	1,235	1,098
<b>Total Assets</b>	<b>\$ 707,581</b>	<b>\$ 5,403,776</b>	<b>\$ 5,297,934</b>	<b>\$ 813,423</b>

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 707,581	\$ 5,403,776	\$ 5,297,934	\$ 813,423
Total Liabilities	\$ 707,581	\$ 5,403,776	\$ 5,297,934	\$ 813,423
<u>Judicial District Drug</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 41,437	\$ 248,839	\$ 270,189	\$ 20,087
Accounts Receivable	229	18,046	229	18,046
Total Assets	\$ 41,666	\$ 266,885	\$ 270,418	\$ 38,133
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 2,256	\$ 0	\$ 2,256
Due to Joint Venture	41,666	35,877	41,666	35,877
Total Liabilities	\$ 41,666	\$ 38,133	\$ 41,666	\$ 38,133
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 706,346	\$ 5,402,678	\$ 5,296,699	\$ 812,325
Equity in Pooled Cash and Investments	124,975	3,458,053	3,482,828	100,200
Account Receivables	1,464	19,144	1,464	19,144
Due from Other Governments	338,190	359,012	338,190	359,012
Property Taxes Receivable	1,462,908	1,470,509	1,462,908	1,470,509
Allowance for Uncollectible Taxes	(88,171)	(87,671)	(88,171)	(87,671)
Total Assets	\$ 2,545,712	\$ 10,621,725	\$ 10,493,918	\$ 2,673,519
<u>Liabilities</u>				
Accounts Payable	\$ 0	\$ 2,256	\$ 0	\$ 2,256
Due to Other Taxing Units	1,796,465	4,951,064	4,925,566	1,821,963
Due to Litigants, Heirs, and Others	707,581	5,403,776	5,297,934	813,423
Due to Joint Venture	41,666	35,877	41,666	35,877
Total Liabilities	\$ 2,545,712	\$ 10,392,973	\$ 10,265,166	\$ 2,673,519

# Scott County School Department

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

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

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

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

Exhibit J-1

Scott County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Scott County School Department  
 June 30, 2006

	Major Funds		Nonmajor Fund Other Govern- mental Fund Central Cafeteria	Total Govern- mental Funds
	General Purpose School	School Federal Projects		
<u>ASSETS</u>				
Cash	\$ 98,079	\$ 31,074	\$ 12,315	\$ 141,468
Equity in Pooled Cash and Investments	165,524	33,399	251,742	450,665
Due from Other Governments	1,205,791	0	0	1,205,791
Property Taxes Receivable	1,939,967	0	0	1,939,967
Allowance for Uncollectible Property Taxes	(80,369)	0	0	(80,369)
Total Assets	\$ 3,328,992	\$ 64,473	\$ 264,057	\$ 3,657,522
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 614,745	\$ 0	\$ 0	\$ 614,745
Due to Primary Government	208,169	0	0	208,169
Other Current Liabilities	98,079	31,074	4,155	133,308
Deferred Revenue - Current Property Taxes	1,792,825	0	0	1,792,825
Deferred Revenue - Delinquent Property Taxes	59,733	0	0	59,733
Other Deferred Revenues	313,496	0	0	313,496
Total Liabilities	\$ 3,087,047	\$ 31,074	\$ 4,155	\$ 3,122,276
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 11,326	\$ 0	\$ 0	\$ 11,326
Reserved for Vocational Projects	60,381	0	0	60,381
Other Local Education Reserves	7,506	0	0	7,506
Reserved for Career Ladder - Extended Contract	10,382	0	0	10,382
Reserved for Career Ladder Program	524	0	0	524
Reserved for Basic Education Program	56,569	0	0	56,569
Reserved for Title I Grants to Local Education Agencies	0	19,189	0	19,189
Other Federal Reserves	0	14,210	0	14,210
Unreserved, Reported In:				
General Fund	95,257	0	0	95,257
Special Revenue Funds	0	0	259,902	259,902
Total Fund Balances	\$ 241,945	\$ 33,399	\$ 259,902	\$ 535,246
Total Liabilities and Fund Balances	\$ 3,328,992	\$ 64,473	\$ 264,057	\$ 3,657,522

Scott County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Scott 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 J-1)	\$	535,246
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$	660,561
Add: construction in progress		13,500
Add: building and improvements net of accumulated depreciation		12,801,330
Add: other capital assets net of accumulated depreciation		1,810,354
		15,285,745
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		373,229
		373,229
Net assets of governmental activities (Exhibit A)	\$	16,194,220

Exhibit J-3

Scott County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Scott County School Department  
For the Year Ended June 30, 2006

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Fund</u>	
	<u>Purpose</u>	<u>Federal</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>Projects</u>	<u>Central</u>	<u>Funds</u>
			<u>Cafeteria</u>	
<u>Revenues</u>				
Local Taxes	\$ 2,788,975	\$ 0	\$ 0	\$ 2,788,975
Licenses and Permits	652	0	0	652
Charges for Current Services	52,919	0	284,887	337,806
Other Local Revenues	62,859	0	6,683	69,542
State of Tennessee	11,917,899	0	17,063	11,934,962
Federal Government	750,126	1,962,019	991,552	3,703,697
Other Governments and Citizens Groups	471,760	0	0	471,760
<b>Total Revenues</b>	<b>\$ 16,045,190</b>	<b>\$ 1,962,019</b>	<b>\$ 1,300,185</b>	<b>\$ 19,307,394</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 9,636,478	\$ 1,666,491	\$ 0	\$ 11,302,969
Support Services	5,514,649	508,999	0	6,023,648
Operation of Non-Instructional Services	663,639	0	1,210,616	1,874,255
Capital Outlay	105,360	0	0	105,360
Debt Service:				
Principal on Debt	66,548	0	0	66,548
Interest on Debt	2,183	0	0	2,183
Other Debt Service	186,345	0	0	186,345
<b>Total Expenditures</b>	<b>\$ 16,175,202</b>	<b>\$ 2,175,490</b>	<b>\$ 1,210,616</b>	<b>\$ 19,561,308</b>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ (130,012)	\$ (213,471)	\$ 89,569	\$ (253,914)
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 66,548	\$ 0	\$ 0	\$ 66,548
Transfers In	14,998	0	0	14,998
Transfers Out	0	(14,998)	0	(14,998)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 81,546</b>	<b>\$ (14,998)</b>	<b>\$ 0</b>	<b>\$ 66,548</b>
Net Change in Fund Balances	\$ (48,466)	\$ (228,469)	\$ 89,569	\$ (187,366)
Fund Balance, July 1, 2005	290,411	261,868	170,333	722,612
<b>Fund Balance, June 30, 2006</b>	<b>\$ 241,945</b>	<b>\$ 33,399</b>	<b>\$ 259,902</b>	<b>\$ 535,246</b>

Exhibit J-4

Scott County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Scott 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 J-3)		\$ (187,366)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,027,830	
Less: current year depreciation expense	<u>(656,283)</u>	371,547
(2) Donated capital assets do not generate current financial resources and are therefore not recognized in the governmental funds. This adjustment reflects capital assets donated during the current period.		488,410
(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/other deferred June 30, 2006	\$ 373,229	
Less: deferred delinquent property taxes/other deferred June 30, 2005	<u>(197,255)</u>	175,974
(4) The issuance of long-term debt (capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Less: lease proceeds	\$ (66,548)	
Add: principal payments on leases	<u>66,548</u>	<u>0</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ 848,565</u>

Exhibit J-5

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Scott 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	\$ 2,788,975	\$ 0	\$ 0	\$ 2,788,975	\$ 2,780,300	\$ 2,780,300	\$ 8,675
Licenses and Permits	652	0	0	652	1,200	1,200	(548)
Charges for Current Services	52,919	0	0	52,919	0	0	52,919
Other Local Revenues	62,859	0	0	62,859	263,478	263,478	(200,619)
State of Tennessee	11,917,899	0	0	11,917,899	11,698,211	11,966,316	(48,417)
Federal Government	750,126	0	0	750,126	156,765	760,765	(10,639)
Other Governments and Citizens Groups	471,760	0	0	471,760	0	471,760	0
Total Revenues	\$ 16,045,190	\$ 0	\$ 0	\$ 16,045,190	\$ 14,899,954	\$ 16,243,819	\$ (198,629)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 7,912,948	\$ (19,143)	\$ 2,047	\$ 7,895,852	\$ 8,012,890	\$ 7,980,737	\$ 84,885
Alternative Instruction Program	66,026	0	0	66,026	61,668	67,473	1,447
Special Education Program	1,155,755	0	2,826	1,158,581	1,175,338	1,175,338	16,757
Vocational Education Program	498,652	0	0	498,652	509,546	511,036	12,384
Adult Education Program	3,097	0	0	3,097	3,300	3,300	203
<u>Support Services</u>							
Attendance	77,523	0	0	77,523	77,320	78,106	583
Health Services	93,335	0	1,083	94,418	85,876	97,776	3,358
Other Student Support	777,070	0	0	777,070	278,444	781,244	4,174
Regular Instruction Program	405,180	0	0	405,180	452,036	409,961	4,781
Special Education Program	175,873	0	0	175,873	179,834	178,834	2,961
Board of Education	419,770	0	0	419,770	407,387	424,659	4,889
Director of Schools	205,971	0	0	205,971	211,920	209,840	3,869
Office of the Principal	650,892	0	0	650,892	663,992	652,992	2,100
Operation of Plant	1,125,428	0	0	1,125,428	1,109,137	1,144,954	19,526

(Continued)

Exhibit J-5

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Discretely Presented Scott 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>							
Maintenance of Plant	\$ 137,103	\$ 0	\$ 2,189	\$ 139,292	\$ 141,684	\$ 140,118	\$ 826
Transportation	1,292,038	0	0	1,292,038	784,332	1,308,016	15,978
Central and Other	154,466	0	0	154,466	133,099	156,638	2,172
<u>Operation of Non-Instructional Services</u>							
Community Services	42,214	0	0	42,214	50,000	43,400	1,186
Early Childhood Education	621,425	0	3,181	624,606	320,250	634,741	10,135
<u>Capital Outlay</u>							
Regular Capital Outlay	105,360	(11,360)	0	94,000	75,000	94,000	0
<u>Principal on Debt</u>							
Education	66,548	0	0	66,548	0	66,548	0
<u>Interest on Debt</u>							
Education	2,183	0	0	2,183	0	2,183	0
<u>Other Debt Service</u>							
Education	186,345	0	0	186,345	185,773	186,345	0
Total Expenditures	\$ 16,175,202	\$ (30,503)	\$ 11,326	\$ 16,156,025	\$ 14,918,826	\$ 16,348,239	\$ 192,214
Excess (Deficiency) of Revenues							
Over Expenditures	\$ (130,012)	\$ 30,503	\$ (11,326)	\$ (110,835)	\$ (18,872)	\$ (104,420)	\$ (6,415)
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 66,548	\$ 0	\$ 0	\$ 66,548	\$ 0	\$ 66,548	\$ 0
Transfers In	14,998	0	0	14,998	18,872	18,872	(3,874)
Total Other Financing Sources (Uses)	\$ 81,546	\$ 0	\$ 0	\$ 81,546	\$ 18,872	\$ 85,420	\$ (3,874)
Net Change in Fund Balance							
Fund Balance, July 1, 2005	\$ 290,411	(30,503)	0	259,908	0	19,000	240,908
Fund Balance, June 30, 2006							
	\$ 241,945	\$ 0	\$ (11,326)	\$ 230,619	\$ 0	\$ 0	\$ 230,619

Exhibit J-6

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Scott 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	\$ 1,962,019	\$ 2,101,124	\$ 2,304,289	\$ (342,270)
Total Revenues	\$ 1,962,019	\$ 2,101,124	\$ 2,304,289	\$ (342,270)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,078,157	\$ 1,025,618	\$ 1,213,992	\$ 135,835
Special Education Program	536,732	485,679	603,817	67,085
Vocational Education Program	51,602	53,500	51,601	(1)
<u>Support Services</u>				
Health Services	45,961	46,929	45,959	(2)
Other Student Support	87,357	81,459	91,791	4,434
Regular Instruction Program	295,845	316,051	457,362	161,517
Special Education Program	78,760	64,508	81,808	3,048
Vocational Education Program	1,076	4,000	1,076	0
Transportation	0	4,508	0	0
Total Expenditures	\$ 2,175,490	\$ 2,082,252	\$ 2,547,406	\$ 371,916
Excess (Deficiency) of Revenues Over Expenditures	\$ (213,471)	\$ 18,872	\$ (243,117)	\$ 29,646
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (14,998)	\$ (18,872)	\$ (18,750)	\$ 3,752
Total Other Financing Sources (Uses)	\$ (14,998)	\$ (18,872)	\$ (18,750)	\$ 3,752
Net Change in Fund Balance	\$ (228,469)	\$ 0	\$ (261,867)	\$ 33,398
Fund Balance, July 1, 2005	261,868	0	261,867	1
Fund Balance, June 30, 2006	\$ 33,399	\$ 0	\$ 0	\$ 33,399

Exhibit J-7

Scott County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Scott 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	\$ 284,887	\$ 271,700	\$ 271,700	\$ 13,187
Other Local Revenues	6,683	5,200	5,200	1,483
State of Tennessee	17,063	17,000	17,000	63
Federal Government	991,552	941,500	941,500	50,052
Total Revenues	<u>\$ 1,300,185</u>	<u>\$ 1,235,400</u>	<u>\$ 1,235,400</u>	<u>\$ 64,785</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,210,616	\$ 1,264,750	\$ 1,264,750	\$ 54,134
Total Expenditures	<u>\$ 1,210,616</u>	<u>\$ 1,264,750</u>	<u>\$ 1,264,750</u>	<u>\$ 54,134</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 89,569</u>	<u>\$ (29,350)</u>	<u>\$ (29,350)</u>	<u>\$ 118,919</u>
Net Change in Fund Balance	\$ 89,569	\$ (29,350)	\$ (29,350)	\$ 118,919
Fund Balance, July 1, 2005	<u>170,333</u>	<u>29,350</u>	<u>29,350</u>	<u>140,983</u>
Fund Balance, June 30, 2006	<u>\$ 259,902</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 259,902</u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Scott County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented Scott 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		Outstanding 6-30-06
						Issued During Period	Matured During Period	
<b>PRIMARY GOVERNMENT</b>								
<b>NOTES PAYABLE</b>								
<u>Payable through Highway/Public Works Fund</u>								
Equipment	\$ 301,812	3.7	% 5-20-03	5-20-15	\$ 251,510	\$ 0	\$ 25,151	\$ 226,359
Equipment	136,500	3.5	5-21-03	5-21-12	106,167	0	15,167	91,000
Equipment	47,025	2.97	10-31-03	10-31-06	31,350	0	15,675	15,675
Bridge Replacement/Equipment	300,000	4.99	8-30-05	6-30-17	0	300,000	25,000	275,000
Total Payable through Highway/Public Works Fund					<u>\$ 389,027</u>	<u>\$ 300,000</u>	<u>\$ 80,993</u>	<u>\$ 608,034</u>
<u>Payable through General Debt Service Fund</u>								
Public Works (Waterlines)	250,000	3.7	5-20-03	5-20-15	\$ 208,334	\$ 0	\$ 20,833	\$ 187,501
Airport Local Share	40,800	3.45	8-28-03	8-28-06	27,200	0	13,600	13,600
Various Projects	230,000	3.05	6-3-04	6-30-07	204,333	0	25,667	178,666
Various Projects	300,000	4.49	5-31-05	5-31-08	300,000	0	33,334	266,666
Airport Improvements	125,000	4.74	11-30-05	11-30-17	0	125,000	0	125,000
Bleachers/Other School Projects	325,000	5.49	5-17-06	5-30-18	0	325,000	0	325,000
Total Payable through General Debt Service Fund					<u>\$ 739,867</u>	<u>\$ 450,000</u>	<u>\$ 93,434</u>	<u>\$ 1,096,433</u>
<u>Payable through Rural Debt Service Fund</u>								
Transportation Equipment	355,601	3.95	2-6-04	12-30-13	\$ 320,041	\$ 0	\$ 35,560	\$ 284,481
Transportation Equipment	471,760	4.05	8-29-05	8-28-08	0	471,760	0	471,760
Winfield Construction Project	388,182	4.99	8-24-05	6-24-17	0	388,182	32,349	355,833
Winfield Construction Project	278,277	4.74	11-30-05	11-30-17	0	278,277	0	278,277
Total Payable through Rural Debt Service Fund					<u>\$ 320,041</u>	<u>\$ 1,138,219</u>	<u>\$ 67,909</u>	<u>\$ 1,390,351</u>
Total Notes Payable					<u>\$ 1,448,935</u>	<u>\$ 1,888,219</u>	<u>\$ 242,336</u>	<u>\$ 3,094,818</u>

(Continued)

Exhibit K-1

Scott County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented Scott County School Department (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>PRIMARY GOVERNMENT (Cont.)</u>								
<u>OTHER LOANS PAYABLE</u>								
<u>Public Building Authority Loan Agreement</u>								
<u>Payable through General Debt Service Fund</u>								
Building and Equipment	\$ 1,000,000	Varies	3-1-1995	5-25-21	\$ 768,900	\$ 0	\$ 32,500	\$ 736,400
<u>Payable through Rural Debt Service Fund</u>								
Various Schools Projects	3,000,000	Varies	10-2-03	5-25-23	\$ 2,882,000	\$ 0	\$ 121,000	\$ 2,761,000
Total Other Loans Payable					<u>\$ 3,650,900</u>	<u>\$ 0</u>	<u>\$ 153,500</u>	<u>\$ 3,497,400</u>
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through Highway/Public Works Fund</u>								
Sweeper, Roller, and Chipper	67,205	3 %	5-20-03	5-20-08	\$ 40,323	\$ 0	\$ 13,441	\$ 26,882
Total Payable through Highway/Public Works Fund					<u>\$ 40,323</u>	<u>\$ 0</u>	<u>\$ 13,441</u>	<u>\$ 26,882</u>
<u>Payable through General Debt Service Fund</u>								
Sheriff Vehicle	28,500	3.99	11-17-04	11-16-09	\$ 25,889	\$ 0	\$ 5,362	\$ 20,527
Sheriff Vehicles	91,171	3.47	3-18-05	3-18-10	91,171	0	17,001	74,170
Total Payable through General Debt Service Fund					<u>\$ 117,060</u>	<u>\$ 0</u>	<u>\$ 22,363</u>	<u>\$ 94,697</u>
Total Capital Leases Payable					<u>\$ 157,383</u>	<u>\$ 0</u>	<u>\$ 35,804</u>	<u>\$ 121,579</u>
<u>BONDS PAYABLE</u>								
<u>Payable through General Fund</u>								
General Obligation Bonds	500,000	5	11-1-1979	1-1-17	\$ 260,000	\$ 0	\$ 16,000	\$ 244,000
Total Payable through General Fund					<u>\$ 260,000</u>	<u>\$ 0</u>	<u>\$ 16,000</u>	<u>\$ 244,000</u>

(Continued)

Exhibit K-1

Scott County, Tennessee

Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds

Primary Government and Discretely Presented Scott County School Department (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>PRIMARY GOVERNMENT (Cont.)</u>								
<u>BONDS PAYABLE (Cont.)</u>								
<u>Payable through Highway/Public Works Fund</u>								
Refunding	\$ 242,365	1.1 to 1.25 %	10-21-03	6-1-06	\$ 79,163 (1)	\$ 0	\$ 79,163	\$ 0
Total Payable through Highway/Public Works Fund					\$ 79,163	\$ 0	\$ 79,163	\$ 0
<u>Payable through General Debt Service Fund</u>								
Refunding	3,093,784	1.1 to 3.55	10-21-03	6-1-15	\$ 2,381,083 (1)	0	\$ 429,261	\$ 1,951,822
General Obligation Bonds, Series 2004	650,000	4 to 4.7	12-30-04	5-1-35	650,000	0	5,000	645,000
Total Payable through General Debt Service Fund					\$ 3,031,083	\$ 0	\$ 434,261	\$ 2,596,822
<u>Payable through Rural Debt Service Fund</u>								
Refunding	6,630,000	3.65 to 4.5	11-1-1998	4-1-14	\$ 4,745,000	\$ 0	\$ 445,000	\$ 4,300,000
Refunding	413,851	1.1 to 3.3	10-21-03	6-1-13	284,754 (1)	0	61,576	223,178
Refunding	4,570,000	3.75 to 4.5	12-30-04	5-1-29	4,570,000	0	0	4,570,000
Rural School Bonds, Series 2004	805,000	3.75 to 4.5	12-30-04	5-1-29	805,000	0	0	805,000
Total Payable through Rural Debt Service Fund					\$ 10,404,754	\$ 0	\$ 506,576	\$ 9,898,178
Total Bonds Payable					\$ 13,775,000	\$ 0	\$ 1,036,000	\$ 12,739,000
<u>DISCRETELY PRESENTED SCOTT COUNTY SCHOOL DEPARTMENT</u>								
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Phone/Intercom System	66,548	6	7-1-05	6-22-06	\$ 0	\$ 66,548	\$ 66,548	\$ 0
Total Payable through General Purpose School Fund					\$ 0	\$ 66,548	\$ 66,548	\$ 0

(1) These amounts have been adjusted from amounts in the prior year's annual financial report to reflect the proper allocation between funds as of July 1, 2005.

Exhibit K-2

Scott County, Tennessee  
Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 962,000	\$ 516,051	\$ 1,478,051
2008	963,000	486,211	1,449,211
2009	874,000	454,656	1,328,656
2010	830,000	423,322	1,253,322
2011	776,000	391,284	1,167,284
2012	787,000	360,130	1,147,130
2013	793,000	327,849	1,120,849
2014	724,000	294,912	1,018,912
2015	275,000	262,879	537,879
2016	232,000	252,266	484,266
2017	243,000	243,166	486,166
2018	230,000	234,366	464,366
2019	240,000	225,429	465,429
2020	255,000	216,104	471,104
2021	265,000	205,854	470,854
2022	280,000	195,204	475,204
2023	295,000	183,629	478,629
2024	525,000	171,435	696,435
2025	545,000	149,123	694,123
2026	570,000	125,848	695,848
2027	595,000	100,148	695,148
2028	620,000	73,323	693,323
2029	655,000	42,398	697,398
2030	30,000	9,738	39,738
2031	30,000	8,313	38,313
2032	35,000	6,888	41,888
2033	35,000	5,225	40,225
2034	35,000	3,563	38,563
2035	40,000	1,900	41,900
Total	<u>\$ 12,739,000</u>	<u>\$ 5,971,214</u>	<u>\$ 18,710,214</u>

Exhibit K-3

Scott County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Scott County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
Ambulance	General	To provide funds for operations	\$ 605,000
General Debt Service	Public Utility	To provide funds for debt retirement	<u>28,930</u>
Total Transfers Primary Government			<u>\$ 633,930</u>
<u>Discretely Presented Scott County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 14,998</u>

Exhibit K-4

Scott County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Scott County School Department  
For the Year Ended June 30, 2006

Official	Authorization of Salary	Salary Paid During Period	Bond	Surety
County Mayor:				
Dwight Murphy (7-1-05 through 1-1-06)	Section 8-24-102, <u>TCA</u>	\$ 29,213	\$ 50,000	Western Surety Company
Ricky Keeton (1-2-06 through 6-30-06)	Section 8-24-102, <u>TCA</u>	28,591	50,000	"
Superintendent of Roads	Section 8-24-102, <u>TCA</u>	55,052	100,000	"
Director of Schools	State Board of Education and County Board of Education	75,000	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	50,048	501,700	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	50,048	10,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	50,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> and Chancellor	54,741 (1)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	50,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	55,571 (2)	50,000	"
Director of Finance	Board of County Commissioners	46,243	10,000	"
County Employees:				
Trustee			25,000	"
Finance Department			50,000	"
County Clerk			25,000	"
Circuit and General Sessions			25,000	"
Clerk and Master			25,000	"
Register			25,000	"
Sheriff			2,500	"

(1) Includes special commissioner fees/special master of \$4,693.

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

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control	District Attorney General
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,161,084	\$ 0	\$ 0	\$ 0	\$ 0	0
Discount on Property Taxes	(9,447)	0	0	0	0	0
Trustee's Collections - Prior Year	74,962	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	55,515	0	0	0	0	0
Interest and Penalty	15,739	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	21	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	103,207	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	204,867	0	0	0	0	0
Hotel/Motel Tax	57,558	0	0	0	0	0
Litigation Tax - General	44,108	0	0	0	0	0
Litigation Tax - Special Purpose	80,560	0	0	0	0	0
Business Tax	121,033	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	86,505	0	0	0	0	0
Wholesale Beer Tax	63,726	0	0	0	0	0
Coal Severance Tax	0	0	0	0	0	0
Interstate Telecommunications Tax	2,672	0	0	0	0	0
Total Local Taxes	\$ 2,062,110	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 162	\$ 0	\$ 0	\$ 0	\$ 0	0
Cable TV Franchise	19,644	0	0	0	0	0
<u>Permits</u>						
Beer Permits	570	0	0	0	0	0
Total Licenses and Permits	\$ 20,376	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 8,245	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	2,085	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control	District Attorney General
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Circuit Court (Cont.)</u>						
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 7,355	\$ 0
Jail Fees	146	0	0	0	0	0
<u>Criminal Court</u>						
District Attorney General Fees	0	0	0	0	0	6,966
<u>General Sessions Court</u>						
Fines	35,589	0	0	0	0	0
Officers Costs	22,005	0	0	0	0	0
Game and Fish Fines	513	0	0	0	0	0
Drug Control Fines	0	0	0	0	26,586	0
Drug Court Fees	7,788	0	0	0	0	0
Jail Fees	1,734	0	0	0	0	0
District Attorney General Fees	0	0	0	0	0	87,102
Data Entry Fee - General Sessions Court	2,046	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	556	0	0	0	0	0
Data Entry Fee - Chancery Court	78	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	3,677	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Other Fines, Forfeitures, and Penalties	1,353	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 82,138	\$ 0	\$ 0	\$ 0	\$ 37,618	\$ 94,068
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Convenience Waste Centers Collection Charge	\$ 0	\$ 1,044	\$ 0	\$ 0	\$ 0	\$ 0
Patient Charges	0	0	1,690,603	0	0	0
Other General Service Charges	8,295	0	0	0	0	0
<u>Fees</u>						
Airport Fees	266,081	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0
Probation Fees	0	0	0	30,276	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control	District Attorney General
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Sexual Offender Registration Fees - Sheriff	\$ 1,900	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 276,276	\$ 1,044	\$ 1,690,603	\$ 30,276	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 215,644	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	92,720	0	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	0	0
Sale of Recycled Materials	0	2,665	0	0	0	0
Miscellaneous Refunds	104,383	31	1,301	0	1,350	2,303
<u>Nonrecurring Items</u>						
Contributions & Gifts	18,776	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	14,024	0	0	0	0	0
Total Other Local Revenues	\$ 445,547	\$ 2,696	\$ 1,301	\$ 0	\$ 1,350	\$ 2,303
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 179,923	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	66,387	0	0	0	0	0
General Sessions Court Clerk	90,237	0	0	0	0	0
Clerk and Master	59,412	0	0	0	0	0
Register	117,616	0	0	0	0	0
Sheriff	17,628	0	0	0	0	0
Trustee	227,032	0	0	0	0	0
Total Fees Received from County Officials	\$ 758,235	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State Reappraisal Grant	8,608	0	0	0	0	0
Solid Waste Grants	0	11,567	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control	District Attorney General
<u>State of Tennessee (Cont.)</u>						
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	\$ 12,968	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	0
State Aid Program	0	0	0	0	0	0
Litter Program	0	26,285	0	0	0	0
Tennessee Industrial Infrastructure Program	0	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	4,112	0	0	0	0	0
Beer Tax	17,212	0	0	0	0	0
Alcoholic Beverage Tax	36,732	0	0	0	0	0
State Revenue Sharing - T.V.A.	291,573	0	0	0	0	0
Contracted Prisoner Boarding	191,695	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	464,660	0	0	0	0	0
Other State Revenues	303,791	0	0	0	0	0
Total State of Tennessee	\$ 1,356,731	\$ 37,852	\$ 0	\$ 0	\$ 0	0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Civil Defense Reimbursement	3,319	0	0	0	0	0
Disaster Relief	0	0	0	0	0	0
Homeland Security Grants	19,153	0	0	0	0	0
Other Federal through State	331,110	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	13,641	0	0	0	0	0
Total Federal Government	\$ 367,223	\$ 0	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					District Attorney General
	General	Solid Waste / Sanitation	Ambulance Service	Special Purpose	Drug Control	
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Contracted Services	6,454	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 6,454	\$ 0	\$ 0	\$ 0	\$ 0	0
Total	\$ 5,375,090	\$ 41,592	\$ 1,691,904	\$ 30,276	\$ 38,968	\$ 96,371

(Continued)

Exhibit K-5

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 0	\$ 0	\$ 590,873	\$ 942,815	\$ 0	\$ 0	\$ 2,694,772
Discount on Property Taxes	0	0	(4,809)	(7,547)	0	0	(21,803)
Trustee's Collections - Prior Year	0	0	31,019	44,897	0	0	150,878
Circuit/Clerk & Master Collections - Prior Years	0	0	22,553	30,969	0	0	109,037
Interest and Penalty	0	0	6,786	10,057	0	0	32,582
Payments in-Lieu-of Taxes - T.V.A.	0	0	11	21	0	0	53
Payments in-Lieu-of Taxes - Other	0	0	0	0	0	0	103,207
<u>County Local Option Taxes</u>							
Local Option Sales Tax	0	0	0	100,000	0	0	304,867
Hotel/Motel Tax	0	0	0	0	0	0	57,558
Litigation Tax - General	0	0	0	0	0	0	44,108
Litigation Tax - Special Purpose	0	0	0	0	0	0	80,560
Business Tax	0	235	0	0	0	0	121,268
<u>Statutory Local Taxes</u>							
Bank Excise Tax	0	0	0	0	0	0	86,505
Wholesale Beer Tax	0	0	0	0	0	0	63,726
Coal Severance Tax	0	0	37,413	0	0	0	37,413
Interstate Telecommunications Tax	0	0	0	0	0	0	2,672
Total Local Taxes	\$ 0	\$ 235	\$ 683,846	\$ 1,121,212	\$ 0	\$ 0	\$ 3,867,403
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 0	\$ 0	\$ 969	\$ 0	\$ 0	\$ 0	\$ 1,131
Cable TV Franchise	0	0	0	0	0	0	19,644
<u>Permits</u>							
Beer Permits	0	0	0	0	0	0	570
Total Licenses and Permits	\$ 0	\$ 0	\$ 969	\$ 0	\$ 0	\$ 0	\$ 21,345
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,245
Officers Costs	0	0	0	0	0	0	2,085

(Continued)

Exhibit K-5

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Circuit Court (Cont.)</u>							
Drug Control Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,355
Jail Fees	0	0	0	0	0	0	146
<u>Criminal Court</u>							
District Attorney General Fees	0	0	0	0	0	0	6,966
<u>General Sessions Court</u>							
Fines	0	0	0	0	0	0	35,589
Officers Costs	0	0	0	0	0	0	22,005
Game and Fish Fines	0	0	0	0	0	0	513
Drug Control Fines	0	0	0	0	0	0	26,586
Drug Court Fees	0	0	0	0	0	0	7,788
Jail Fees	0	0	0	0	0	0	1,734
District Attorney General Fees	0	0	0	0	0	0	87,102
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	2,046
<u>Chancery Court</u>							
Officers Costs	0	0	0	0	0	0	556
Data Entry Fee - Chancery Court	0	0	0	0	0	0	78
<u>Judicial District Drug Program</u>							
Drug Task Force Forfeitures and Seizures	0	0	0	0	0	0	3,677
<u>Other Fines, Forfeitures, and Penalties</u>							
Other Fines, Forfeitures, and Penalties	0	0	0	0	0	0	1,353
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	213,824
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Convenience Waste Centers Collection Charge	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,044
Patient Charges	0	0	0	0	0	0	1,690,603
Other General Service Charges	0	0	0	0	0	0	8,295
<u>Fees</u>							
Airport Fees	0	0	0	0	0	0	266,081
Constitutional Officers' Fees and Commissions	100	0	0	0	0	0	100
Special Commissioner Fees/Special Master Fees	4,693	0	0	0	0	0	4,693
Probation Fees	0	0	0	0	0	0	30,276

(Continued)

Exhibit K-5

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

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		<u>Total</u>
	<u>Constitutional Officers - Fees</u>	<u>Highway / Public Works</u>	<u>General Debt Service</u>	<u>Rural Debt Service</u>	<u>Community Development/ Industrial Park</u>	<u>Other Capital Projects</u>	
<u>Charges for Current Services (Cont.)</u>							
<u>Fees (Cont.)</u>							
Sexual Offender Registration Fees - Sheriff	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,900
Total Charges for Current Services	\$ 4,793	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,002,992
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 215,644
Lease/Rentals	0	0	84,000	0	0	0	176,720
Sale of Materials and Supplies	0	3,542	0	0	0	0	3,542
Sale of Recycled Materials	0	0	0	0	0	0	2,665
Miscellaneous Refunds	0	10,992	0	0	0	0	120,360
<u>Nonrecurring Items</u>							
Contributions & Gifts	0	0	0	0	0	0	18,776
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	0	0	0	0	14,024
Total Other Local Revenues	\$ 0	\$ 14,534	\$ 84,000	\$ 0	\$ 0	\$ 0	\$ 551,731
<u>Fees Received from County Officials</u>							
<u>Fees-In-Lieu of Salary</u>							
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 179,923
Circuit Court Clerk	0	0	0	0	0	0	66,387
General Sessions Court Clerk	0	0	0	0	0	0	90,237
Clerk and Master	0	0	0	0	0	0	59,412
Register	0	0	0	0	0	0	117,616
Sheriff	0	0	0	0	0	0	17,628
Trustee	0	0	0	0	0	0	227,032
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 758,235
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
State Reappraisal Grant	0	0	0	0	0	0	8,608
Solid Waste Grants	0	0	0	0	0	0	11,567

(Continued)

Exhibit K-5

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Funds		Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Community Development/ Industrial Park	Other Capital Projects	
<u>State of Tennessee (Cont.)</u>							
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	12,968
<u>Public Works Grants</u>							
Bridge Program	0	13,207	0	0	0	0	13,207
State Aid Program	0	15,069	0	0	0	0	15,069
Litter Program	0	0	0	0	0	0	26,285
Tennessee Industrial Infrastructure Program	0	0	0	0	145,349	0	145,349
<u>Other State Revenues</u>							
Income Tax	0	0	0	0	0	0	4,112
Beer Tax	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	0	36,732
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	291,573
Contracted Prisoner Boarding	0	0	0	0	0	0	191,695
Gasoline and Motor Fuel Tax	0	1,740,175	0	0	0	0	1,740,175
Petroleum Special Tax	0	16,995	0	0	0	0	16,995
Registrar's Salary Supplement	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	0	464,660
Other State Revenues	0	29,498	0	0	0	0	333,289
Total State of Tennessee	\$ 0	\$ 1,814,944	\$ 0	\$ 0	\$ 145,349	\$ 0	\$ 3,354,876
<u>Federal Government</u>							
<u>Federal Through State</u>							
Appalachian Regional Commission	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 475,000	\$ 475,000
Civil Defense Reimbursement	0	0	0	0	0	0	3,319
Disaster Relief	0	73,686	0	0	0	0	73,686
Homeland Security Grants	0	62,106	0	0	0	0	81,259
Other Federal through State	0	0	0	0	0	0	331,110
<u>Direct Federal Revenue</u>							
Other Direct Federal Revenue	0	0	0	0	0	0	13,641
Total Federal Government	\$ 0	\$ 135,792	\$ 0	\$ 0	\$ 0	\$ 475,000	\$ 978,015

(Continued)

Exhibit K-5

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

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Funds</u>		
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Rural Debt Service	Community Development/ Industrial Park	Other Capital Projects	Total
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 0	\$ 0	\$ 0	\$ 185,773	\$ 0	\$ 0	\$ 185,773
Contracted Services	0	0	0	0	0	0	6,454
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 185,773	\$ 0	\$ 0	\$ 192,227
Total	\$ 4,793	\$ 1,965,505	\$ 768,815	\$ 1,306,985	\$ 145,349	\$ 475,000	\$ 11,940,648

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 1,410,699	\$ 0	\$ 0	\$ 1,410,699
Discount on Property Taxes	(11,492)	0	0	(11,492)
Trustee's Collections - Prior Year	101,933	0	0	101,933
Circuit/Clerk & Master Collections - Prior Years	65,466	0	0	65,466
Interest and Penalty	20,981	0	0	20,981
<u>County Local Option Taxes</u>				
Local Option Sales Tax	1,173,938	0	0	1,173,938
<u>Statutory Local Taxes</u>				
Coal Severance Tax	25,011	0	0	25,011
Interstate Telecommunications Tax	2,439	0	0	2,439
Total Local Taxes	\$ 2,788,975	\$ 0	\$ 0	\$ 2,788,975
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 652	\$ 0	\$ 0	\$ 652
Total Licenses and Permits	\$ 652	\$ 0	\$ 0	\$ 652
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Lunch Payments - Children	\$ 0	\$ 0	\$ 152,721	\$ 152,721
Lunch Payments - Adults	0	0	38,254	38,254
Income from Breakfast	0	0	29,378	29,378
Special Milk Sales	0	0	3,378	3,378
A la carte Sales	0	0	31,371	31,371
<u>Other Charges for Services</u>				
Other Charges for Services	52,919	0	29,785	82,704
Total Charges for Current Services	\$ 52,919	\$ 0	\$ 284,887	\$ 337,806
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 211	\$ 0	\$ 5,511	\$ 5,722
Miscellaneous Refunds	9,426	0	1,172	10,598
<u>Nonrecurring Items</u>				
Sale of Equipment	7,900	0	0	7,900
<u>Other Local Revenues</u>				
Other Local Revenues	45,322	0	0	45,322
Total Other Local Revenues	\$ 62,859	\$ 0	\$ 6,683	\$ 69,542
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 10,989,876	\$ 0	\$ 0	\$ 10,989,876
School Food Service	0	0	17,063	17,063
Driver Education	9,493	0	0	9,493
Career Ladder Program	173,593	0	0	173,593
Career Ladder - Extended Contract	54,452	0	0	54,452
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	104,000	0	0	104,000
Other State Grants	586,485	0	0	586,485
Total State of Tennessee	\$ 11,917,899	\$ 0	\$ 17,063	\$ 11,934,962

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 752,693	\$ 752,693
Breakfast	0	0	238,859	238,859
Vocational Education - Basic Grants to States	0	120,902	0	120,902
Title I Grants to Local Education Agencies	0	912,053	0	912,053
Innovative Education Program Strategies	0	92,012	0	92,012
Special Education - Grants to States	51,506	605,804	0	657,310
Special Education Preschool Grants	0	19,362	0	19,362
Eisenhower Professional Development State Grants	0	189,558	0	189,558
Other Federal through State	124,000	22,328	0	146,328
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	74,620	0	0	74,620
Other Direct Federal Revenue	500,000	0	0	500,000
Total Federal Government	\$ 750,126	\$ 1,962,019	\$ 991,552	\$ 3,703,697
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 471,760	\$ 0	\$ 0	\$ 471,760
Total Other Governments and Citizens Groups	\$ 471,760	\$ 0	\$ 0	\$ 471,760
Total	\$ 16,045,190	\$ 1,962,019	\$ 1,300,185	\$ 19,307,394

Exhibit K-7

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	87,368	
Social Security		5,417	
State Retirement		577	
Employer Medicare		1,267	
Audit Services		4,922	
Contracts with Other Public Agencies		107,392	
Contributions		47,191	
Dues and Memberships		7,249	
Evaluation and Testing		882	
Travel		8,476	
Other Supplies and Materials		4,335	
Premiums on Corporate Surety Bonds		4,646	
Other Charges		69,454	
Total County Commission			\$ 349,176

County Mayor/Executive

County Official/Administrative Officer	\$	57,804	
Secretary(ies)		20,081	
Clerical Personnel		12,739	
Temporary Personnel		1,774	
Other Salaries & Wages		18,430	
Social Security		6,715	
State Retirement		1,304	
Employer Medicare		1,570	
Communication		14,441	
Data Processing Services		9,160	
Legal Notices, Recording, and Court Costs		3,719	
Postal Charges		26,360	
Printing, Stationery, and Forms		139	
Travel		3,408	
Office Supplies		8,557	
Other Charges		5,624	
Office Equipment		4,510	
Total County Mayor/Executive			196,335

County Attorney

County Official/Administrative Officer	\$	43,818	
Social Security		2,717	
State Retirement		526	
Employer Medicare		635	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney (Cont.)

Communication	\$	934	
Other Supplies and Materials		503	
Total County Attorney			\$ 49,133

Election Commission

County Official/Administrative Officer	\$	42,541	
Deputy(ies)		18,877	
Other Salaries & Wages		189	
Election Commission		17,700	
Social Security		4,874	
State Retirement		510	
Employer Medicare		1,140	
Communication		1,551	
Data Processing Services		3,277	
Dues and Memberships		671	
Legal Notices, Recording, and Court Costs		673	
Postal Charges		2,614	
Printing, Stationery, and Forms		425	
Travel		8,482	
Office Supplies		1,774	
Other Supplies and Materials		2,616	
Office Equipment		3,736	
Total Election Commission			111,650

Register of Deeds

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		22,427	
Part-time Personnel		4,757	
Other Salaries & Wages		20,100	
Social Security		5,648	
State Retirement		1,111	
Employer Medicare		1,321	
Communication		1,268	
Maintenance & Repair Services - Office Equipment		7,701	
Printing, Stationery, and Forms		4,706	
Rentals		2,493	
Other Contracted Services		1,000	
Office Supplies		2,540	
Office Equipment		1,900	
Total Register of Deeds			127,020

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Development

Supervisor/Director	\$	35,000	
Pupil Personnel		1,385	
Clerical Personnel		33,334	
Other Salaries & Wages		5,154	
Social Security		4,018	
State Retirement		777	
Employer Medicare		940	
Communication		1,873	
Contracts with Other Public Agencies		15,400	
Evaluation and Testing		275	
Rentals		2,394	
Travel		12,158	
Tuition		19,463	
Other Contracted Services		3,900	
Custodial Supplies		431	
Office Supplies		1,060	
Textbooks		17,075	
Uniforms		1,532	
Liability Insurance		361	
Other Charges		149	
Total Development			\$ 156,679

County Buildings

Custodial Personnel	\$	33,750
Other Salaries & Wages		19,987
Social Security		3,180
State Retirement		643
Employer Medicare		744
Maintenance & Repair Services - Buildings		20,957
Maintenance & Repair Services - Equipment		1,117
Maintenance & Repair Services - Office Equipment		3,957
Maintenance & Repair Services - Vehicles		2,924
Pest Control		2,496
Other Contracted Services		10,231
Custodial Supplies		10,569
Electricity		71,770
Gasoline		6,811
Natural Gas		23,399
Road Signs		13,767
Water and Sewer		13,478

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Other Supplies and Materials	\$	10,956	
Maintenance Equipment		900	
Total County Buildings			\$ 251,636

Finance

Accounting and Budgeting

Supervisor/Director	\$	46,243	
Data Processing Personnel		121,199	
Social Security		9,789	
State Retirement		2,008	
Employer Medicare		2,289	
Communication		9,534	
Data Processing Services		15,331	
Travel		1,789	
Office Supplies		5,537	
Office Equipment		2,165	
Total Accounting and Budgeting			215,884

Property Assessor's Office

County Official/Administrative Officer	\$	50,048	
Assistant(s)		15,258	
Deputy(ies)		22,527	
Part-time Personnel		5,493	
Other Salaries & Wages		21,797	
Board and Committee Members Fees		3,200	
Social Security		7,086	
State Retirement		1,316	
Employer Medicare		1,657	
Communication		1,772	
Data Processing Services		3,817	
Dues and Memberships		1,358	
Maintenance & Repair Services - Vehicles		1,482	
Travel		2,178	
Other Contracted Services		5,830	
Office Supplies		433	
Other Supplies and Materials		402	
Total Property Assessor's Office			145,654

County Trustee's Office

County Official/Administrative Officer	\$	50,048	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Assistant(s)	\$	7,012	
Deputy(ies)		20,777	
Other Salaries & Wages		20,268	
Social Security		5,633	
State Retirement		1,093	
Employer Medicare		1,317	
Communication		1,294	
Contracts with Government Agencies		7,073	
Printing, Stationery, and Forms		307	
Travel		1,471	
Office Supplies		930	
Office Equipment		1,050	
Total County Trustee's Office			\$ 118,273

County Clerk's Office

County Official/Administrative Officer	\$	50,048	
Assistant(s)		35,735	
Deputy(ies)		22,427	
Temporary Personnel		7,350	
Other Salaries & Wages		21,509	
Social Security		8,371	
State Retirement		1,546	
Employer Medicare		1,958	
Communication		2,607	
Printing, Stationery, and Forms		1,688	
Other Contracted Services		3,974	
Office Supplies		2,914	
Office Equipment		14,408	
Total County Clerk's Office			174,535

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	50,048	
Assistant(s)		20,866	
Deputy(ies)		19,275	
Other Salaries & Wages		30,181	
Jury and Witness Fees		12,807	
Social Security		7,410	
State Retirement		1,416	
Employer Medicare		1,733	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Communication	\$	2,309	
Data Processing Services		7,985	
Printing, Stationery, and Forms		3,750	
Office Supplies		1,973	
Other Charges		1,659	
Total Circuit Court			\$ 161,412

General Sessions Court

Judge(s)	\$	68,871	
Board and Committee Members Fees		11,000	
Social Security		4,952	
State Retirement		827	
Employer Medicare		1,158	
Communication		1,253	
Office Supplies		565	
Total General Sessions Court			88,626

Chancery Court

County Official/Administrative Officer	\$	50,048	
Deputy(ies)		22,427	
Other Salaries & Wages		17,466	
Social Security		5,533	
State Retirement		1,079	
Employer Medicare		1,294	
Maintenance & Repair Services - Office Equipment		57	
Printing, Stationery, and Forms		992	
Office Supplies		921	
Total Chancery Court			99,817

District Attorney General

Assistant(s)	\$	27,034	
Social Security		1,645	
State Retirement		324	
Medical Insurance		1,154	
Employer Medicare		385	
Other Supplies and Materials		35,172	
Total District Attorney General			65,714

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	55,052	
Deputy(ies)		490,303	
Salary Supplements		12,968	
Mechanic(s)		20,050	
Other Salaries & Wages		45,951	
Social Security		38,558	
State Retirement		6,467	
Employer Medicare		9,017	
Communication		20,329	
Dues and Memberships		1,400	
Licenses		72	
Maintenance & Repair Services - Vehicles		32,668	
Printing, Stationery, and Forms		246	
Tow-in Services		1,030	
Travel		5,066	
Tuition		7,074	
Other Contracted Services		7,160	
Gasoline		84,635	
Office Supplies		4,880	
Tires and Tubes		4,938	
Uniforms		13,813	
Other Supplies and Materials		9,721	
Liability Insurance		49,633	
Premiums on Corporate Surety Bonds		1,650	
Workers' Compensation Insurance		47,292	
Office Equipment		350	
Total Sheriff's Department			\$ 970,323

Special Patrols

Other Salaries & Wages	\$	56,999	
Social Security		3,422	
State Retirement		641	
Employer Medicare		800	
Total Special Patrols			61,862

Drug Enforcement

Supervisor/Director	\$	11,937	
Social Security		695	
State Retirement		122	
Employer Medicare		163	
Total Drug Enforcement			12,917

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail

Deputy(ies)	\$	381,485	
Other Salaries & Wages		83,373	
Social Security		28,366	
State Retirement		3,157	
Employer Medicare		6,634	
Maintenance & Repair Services - Buildings		17,083	
Medical and Dental Services		48,524	
Pest Control		420	
Travel		8,295	
Remittance of Revenue Collected		15,928	
Other Contracted Services		3,839	
Electricity		25,987	
Food Supplies		76,964	
Natural Gas		6,482	
Office Supplies		1,537	
Uniforms		3,000	
Water and Sewer		19,659	
Other Supplies and Materials		26,262	
Office Equipment		2,046	
Total Jail			\$ 759,041

Juvenile Services

Deputy(ies)	\$	72,542	
Youth Service Officer(s)		25,000	
Part-time Personnel		83,447	
Social Security		11,333	
State Retirement		1,170	
Employer Medicare		2,650	
Communication		4,418	
Maintenance & Repair Services - Buildings		3,280	
Travel		760	
Other Contracted Services		2,907	
Electricity		1,911	
Food Supplies		16,473	
Gasoline		2,741	
Natural Gas		1,555	
Office Supplies		578	
Other Supplies and Materials		6,281	
Workers' Compensation Insurance		8,754	
Total Juvenile Services			245,800

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control

Contributions	\$ 2,000	
Total Fire Prevention and Control		\$ 2,000

Civil Defense

Supervisor/Director	\$ 20,200	
Social Security	1,252	
State Retirement	242	
Employer Medicare	293	
Communication	443	
Travel	2,047	
Office Supplies	173	
Office Equipment	66,719	
Total Civil Defense		91,369

Rescue Squad

Contributions	\$ 7,000	
Total Rescue Squad		7,000

County Coroner/Medical Examiner

County Official/Administrative Officer	\$ 5,538	
Social Security	343	
Employer Medicare	80	
Total County Coroner/Medical Examiner		5,961

Public Health and Welfare

Local Health Center

Social Security	\$ 1,522	
State Retirement	201	
Employer Medicare	356	
Contributions	43,937	
Total Local Health Center		46,016

Other Local Health Services

Medical Personnel	\$ 113,986	
Social Security	7,056	
State Retirement	1,365	
Medical Insurance	3,849	
Employer Medicare	1,650	
Travel	8,422	
Other Supplies and Materials	3,168	
Total Other Local Health Services		139,496

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

General Welfare Assistance

Maintenance & Repair Services - Buildings	\$ 1,843	
Total General Welfare Assistance		\$ 1,843

Aid to Dependent Children

Contributions	\$ 600	
Total Aid to Dependent Children		600

Other Local Welfare Services

Pauper Burials	\$ 122	
Total Other Local Welfare Services		122

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Deputy(ies)	\$ 18,389	
Part-time Personnel	5,832	
Social Security	1,518	
State Retirement	221	
Employer Medicare	355	
Communication	998	
Contributions	328	
Travel	19,518	
Other Supplies and Materials	2,435	
Total Senior Citizens Assistance		49,594

Libraries

Other Salaries & Wages	\$ 23,397	
Social Security	1,429	
Employer Medicare	334	
Communication	3,037	
Postal Charges	297	
Library Books/Media	8,589	
Office Supplies	1,006	
Periodicals	562	
Utilities	5,818	
Office Equipment	1,200	
Total Libraries		45,669

Other Social, Cultural, and Recreational

Part-time Personnel	\$ 16,383	
Social Security	1,006	

(Continued)

Exhibit K-7

Scott 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 (Cont.)

State Retirement	\$	195	
Employer Medicare		235	
Other Charges		4,800	
Total Other Social, Cultural, and Recreational			\$ 22,619

Agriculture & Natural Resources

Agriculture Extension Service

Assistant(s)	\$	6,972	
Supervisor/Director		7,788	
Secretary(ies)		5,827	
Social Security		1,575	
State Retirement		2,134	
Communication		2,113	
Other Supplies and Materials		208	
Office Equipment		970	
Total Agriculture Extension Service			27,587

Other Operations

Tourism

Social Security	\$	1,392	
State Retirement		264	
Employer Medicare		325	
Contributions		75,136	
Total Tourism			77,117

Other Economic and Community Development

Other Salaries & Wages	\$	28,841	
Social Security		1,742	
Employer Medicare		407	
Total Other Economic and Community Development			30,990

Airport

Supervisor/Director	\$	26,604	
Part-time Personnel		28,347	
Social Security		3,374	
State Retirement		319	
Employer Medicare		789	
Communication		2,560	
Maintenance & Repair Services - Buildings		32,474	
Maintenance & Repair Services - Equipment		1,775	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Airport (Cont.)

Maintenance & Repair Services - Vehicles	\$	164	
Travel		905	
Other Contracted Services		16,422	
Electricity		9,210	
Gasoline		217,622	
Natural Gas		471	
Water and Sewer		204	
Other Supplies and Materials		23,035	
Liability Insurance		5,601	
Workers' Compensation Insurance		2,600	
Airport Improvement		347,612	
Total Airport			\$ 720,088

Veterans' Services

Supervisor/Director	\$	21,441	
Social Security		1,329	
State Retirement		257	
Employer Medicare		311	
Travel		857	
Other Supplies and Materials		1,100	
Total Veterans' Services			25,295

Contributions to Other Agencies

Contributions	\$	117,513	
Total Contributions to Other Agencies			117,513

Miscellaneous

Medical Insurance	\$	92,375	
Unemployment Compensation		9,706	
Liability Insurance		19,596	
Trustee's Commission		44,603	
Workers' Compensation Insurance		36,200	
Other Charges		14,608	
Total Miscellaneous			217,088

Highways

Highway and Bridge Maintenance

Transfers to Other Funds	\$	235	
Total Highway and Bridge Maintenance			235

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection

Social Security	\$	122	
Employer Medicare		28	
Other Supplies and Materials		1,535	
Total Litter and Trash Collection			\$ 1,685

Instruction

Vocational Education Program

Contributions	\$	30,000	
Total Vocational Education Program			30,000

Principal on Debt

General Government

Principal on Bonds	\$	16,000	
Total General Government			16,000

Interest on Debt

General Government

Interest on Bonds	\$	12,600	
Total General Government			12,600

Total General Fund \$ 6,049,974

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Other Contracted Services	\$	8,956	
Total Waste Pickup			\$ 8,956

Convenience Centers

Laborers	\$	60,651
Social Security		3,162
State Retirement		487
Employer Medicare		740
Communication		365
Travel		900
Other Contracted Services		9,823
Diesel Fuel		671
Electricity		1,767
Gasoline		1,878
Natural Gas		852

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

Propane Gas	\$	254	
Uniforms		2,016	
Water and Sewer		420	
Other Supplies and Materials		5,945	
Trustee's Commission		30	
Motor Vehicles		3,000	
Solid Waste Equipment		5,580	
Total Convenience Centers	\$		98,541

Highways

Litter and Trash Collection

Other Supplies and Materials	\$	7,697	
Total Litter and Trash Collection			7,697

Total Solid Waste/Sanitation Fund \$ 115,194

Ambulance Service Fund

Public Health and Welfare

Ambulance/Emergency Medical Services

Supervisor/Director	\$	42,626	
Deputy(ies)		142,987	
Data Processing Personnel		47,075	
Medical Personnel		596,866	
Part-time Personnel		6,000	
Social Security		49,807	
State Retirement		7,485	
Life Insurance		3,909	
Medical Insurance		31,590	
Unemployment Compensation		3,426	
Employer Medicare		11,649	
Communication		38,616	
Dues and Memberships		695	
Janitorial Services		541	
Licenses		950	
Maintenance & Repair Services - Buildings		7,905	
Maintenance & Repair Services - Vehicles		23,729	
Pest Control		316	
Postal Charges		26	
Printing, Stationery, and Forms		417	
Tow-in Services		1,787	

(Continued)

Exhibit K-7

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

Ambulance Service Fund (Cont.)

Public Health and Welfare (Cont.)

Ambulance/Emergency Medical Services (Cont.)

Travel	\$	5,196	
Tuition		15,553	
Disposal Fees		2,117	
Other Contracted Services		7,843	
Custodial Supplies		2,745	
Diesel Fuel		42,565	
Drugs and Medical Supplies		79,243	
Gasoline		6,505	
Natural Gas		2,975	
Office Supplies		6,197	
Propane Gas		5,248	
Tires and Tubes		3,419	
Uniforms		3,324	
Water and Sewer		605	
Other Supplies and Materials		2,478	
Refunds		13,744	
Trustee's Commission		1,047	
Vehicle and Equipment Insurance		31,709	
Workers' Compensation Insurance		89,828	
Other Charges		632	
Motor Vehicles		73,191	
Total Ambulance/Emergency Medical Services			\$ 1,414,566

Total Ambulance Service Fund \$ 1,414,566

Special Purpose Fund

Administration of Justice

Other Administration of Justice

Supervisor/Director	\$	17,500	
Social Security		1,085	
State Retirement		210	
Employer Medicare		254	
Communication		1,584	
Trustee's Commission		298	
Total Other Administration of Justice			\$ 20,931

Total Special Purpose Fund 20,931

(Continued)

Exhibit K-7

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

Drug Control Fund

Other Operations

Miscellaneous

Deputy(ies)	\$	14,024	
Communication		964	
Confidential Drug Enforcement Payments		1,800	
Travel		2,518	
Veterinary Services		151	
Other Contracted Services		7,320	
Animal Food and Supplies		577	
Other Supplies and Materials		4,334	
Trustee's Commission		377	
Total Miscellaneous		<u>32,065</u>	\$ 32,065

Total Drug Control Fund \$ 32,065

District Attorney General Fund

Administration of Justice

District Attorney General

Secretary(ies)	\$	12,938	
Social Security		802	
Employer Medicare		188	
Communication		3,715	
Travel		9,187	
Other Contracted Services		20,378	
Other Supplies and Materials		15,743	
Trustee's Commission		888	
Total District Attorney General		<u>63,839</u>	\$ 63,839

Total District Attorney General Fund 63,839

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	<u>100</u>	
Total County Clerk's Office			\$ 100

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	<u>4,693</u>	
Total Chancery Court			<u>4,693</u>

Total Constitutional Officers - Fees Fund 4,793

(Continued)

Exhibit K-7

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	55,052	
Clerical Personnel		23,802	
Social Security		4,603	
State Retirement		927	
Employer Medicare		1,077	
Dues and Memberships		2,464	
Postal Charges		26	
Printing, Stationery, and Forms		214	
Custodial Supplies		371	
Office Supplies		397	
Premiums on Corporate Surety Bonds		350	
Total Administration			\$ 89,283

Highway and Bridge Maintenance

Supervisor/Director	\$	73,477	
Equipment Operators		75,262	
Truck Drivers		130,443	
Laborers		152,839	
Overtime Pay		16,907	
Social Security		25,065	
State Retirement		4,841	
Unemployment Compensation		4,173	
Employer Medicare		5,862	
Rentals		5,123	
Other Contracted Services		25,905	
Asphalt - Cold Mix		216,417	
Asphalt - Hot Mix		77,919	
Concrete		12	
Crushed Stone		148,753	
Other Road Supplies		3,575	
Pipe - Metal		11,829	
Road Signs		448	
Wood Products		2,757	
Total Highway and Bridge Maintenance			981,607

Operation and Maintenance of Equipment

Foremen	\$	32,917	
Mechanic(s)		28,723	
Social Security		3,305	
State Retirement		716	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Unemployment Compensation	\$	396	
Employer Medicare		773	
Maintenance & Repair Services - Equipment		17,320	
Tow-in Services		1,623	
Other Contracted Services		7,383	
Diesel Fuel		70,360	
Equipment and Machinery Parts		33,237	
Garage Supplies		8,448	
Gasoline		30,712	
Lubricants		8,309	
Propane Gas		1,281	
Small Tools		215	
Tires and Tubes		11,419	
Other Supplies and Materials		9,926	
Total Operation and Maintenance of Equipment			\$ 267,063

Other Charges

Communication	\$	3,281	
Electricity		6,215	
Natural Gas		5,871	
Water and Sewer		703	
Trustee's Commission		17,940	
Vehicle and Equipment Insurance		73,839	
Other Charges		2,456	
Total Other Charges			110,305

Employee Benefits

Employee and Dependent Insurance	\$	64,732	
Life Insurance		563	
Workers' Compensation Insurance		65,128	
Total Employee Benefits			130,423

Capital Outlay

Matching Share	\$	215,563	
Bridge Construction		18,806	
Motor Vehicles		58,785	
State Aid Projects		44,395	
Total Capital Outlay			337,549

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Principal on Debt

Highways and Streets

Principal on Bonds	\$ 79,163	
Principal on Notes	80,993	
Principal on Capital Leases	13,441	
Total Highways and Streets	173,597	\$ 173,597

Interest on Debt

Highways and Streets

Interest on Bonds	\$ 1,565	
Interest on Notes	26,371	
Interest on Capital Leases	1,226	
Total Highways and Streets	29,162	29,162

Total Highway/Public Works Fund \$ 2,118,989

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 434,261	
Principal on Notes	93,434	
Principal on Capital Leases	22,363	
Principal on Other Loans	32,500	
Total General Government	582,558	\$ 582,558

Interest on Debt

General Government

Interest on Bonds	\$ 99,783	
Interest on Notes	31,239	
Interest on Capital Leases	4,000	
Interest on Other Loans	27,348	
Total General Government	162,370	162,370

Other Debt Service

General Government

Trustee's Commission	\$ 13,325	
Other Debt Service	4,330	
Total General Government	17,655	17,655

Total General Debt Service Fund 762,583

(Continued)

Exhibit K-7

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

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$	506,576	
Principal on Notes		67,909	
Principal on Other Loans		121,000	
Total Education			\$ 695,485

Interest on Debt

Education

Interest on Bonds	\$	518,353	
Interest on Notes		44,388	
Interest on Other Loans		95,486	
Total Education			658,227

Other Debt Service

Education

Trustee's Commission	\$	21,080	
Other Debt Service		4,819	
Total Education			25,899

Total Rural Debt Service Fund \$ 1,379,611

General Capital Projects Fund

Finance

Accounting and Budgeting

Data Processing Equipment	\$	10,634	
Total Accounting and Budgeting			\$ 10,634

Other Operations

Other Economic and Community Development

Maintenance & Repair Services - Buildings	\$	2,449	
Other Contracted Services		18,255	
Total Other Economic and Community Development			20,704

Capital Projects

General Administration Projects

Advertising	\$	254	
Architects		345,505	
Engineering Services		5,000	
Other Contracted Services		126,106	
Total General Administration Projects			476,865

Total General Capital Projects Fund 508,203

(Continued)

Exhibit K-7

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

<u>Community Development/Industrial Park Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Other Contracted Services	\$	168,948	
Total Other General Government Projects			\$ 168,948
Total Community Development/Industrial Park Fund			\$ 168,948
<u>Education Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Payments to Cities</u>			
Payments to Schools - Other	\$	107,878	
Total Payments to Cities			\$ 107,878
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	471,760	
Total Education Capital Projects			471,760
<u>Capital Projects - Donated</u>			
<u>Capital Projects Donated to School Department</u>			
Architects	\$	12,070	
Other Contracted Services		237,191	
Total Capital Projects Donated to School Department			249,261
Total Education Capital Projects Fund			828,899
<u>Other Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Miscellaneous</u>			
Other Supplies and Materials	\$	326	
Total Miscellaneous			\$ 326
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Airport Improvement	\$	43,068	
Other Construction		1,982,976	
Total Other General Government Projects			2,026,044
Total Other Capital Projects Fund			2,026,370
Total Governmental Funds - Primary Government			\$ 15,494,965

Exhibit K-8

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$	5,322,838	
Career Ladder Program		112,882	
Career Ladder Extended Contracts		54,000	
Educational Assistants		314,276	
Non-certified Substitute Teachers		143,126	
Social Security		360,079	
State Retirement		318,146	
Medical Insurance		657,626	
Unemployment Compensation		5,792	
Employer Medicare		84,212	
Instructional Supplies and Materials		147,466	
Textbooks		164,195	
Other Charges		13,436	
Regular Instruction Equipment		214,874	
Total Regular Instruction Program			\$ 7,912,948

Alternative Instruction Program

Teachers	\$	44,495	
Educational Assistants		11,529	
Social Security		2,669	
State Retirement		1,872	
Medical Insurance		4,782	
Unemployment Compensation		55	
Employer Medicare		624	
Total Alternative Instruction Program			66,026

Special Education Program

Teachers	\$	766,886	
Career Ladder Program		17,001	
Homebound Teachers		82,300	
Educational Assistants		37,886	
Non-certified Substitute Teachers		7,000	
Social Security		53,313	
State Retirement		46,515	
Medical Insurance		111,726	
Unemployment Compensation		747	
Employer Medicare		12,468	
Other Contracted Services		152	
Instructional Supplies and Materials		13,007	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Other Charges	\$	579	
Special Education Equipment		6,175	
Total Special Education Program			\$ 1,155,755

Vocational Education Program

Teachers	\$	351,832	
Career Ladder Program		3,000	
Educational Assistants		27,148	
Other Salaries & Wages		44	
Non-certified Substitute Teachers		3,000	
Social Security		25,883	
State Retirement		22,273	
Medical Insurance		51,033	
Unemployment Compensation		445	
Employer Medicare		6,053	
Instructional Supplies and Materials		1,210	
T&I Construction Materials		4,925	
Other Charges		1,806	
Total Vocational Education Program			498,652

Adult Education Program

Other Contracted Services	\$	3,097	
Total Adult Education Program			3,097

Support Services

Attendance

Supervisor/Director	\$	51,258	
Social Security		3,017	
State Retirement		2,819	
Medical Insurance		9,212	
Unemployment Compensation		26	
Employer Medicare		706	
Travel		1,260	
Other Supplies and Materials		4,225	
Other Charges		5,000	
Total Attendance			77,523

Health Services

Medical Personnel	\$	42,190	
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(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Health Services (Cont.)

Other Salaries & Wages	\$	17,440	
Social Security		3,352	
State Retirement		2,530	
Medical Insurance		8,558	
Unemployment Compensation		56	
Employer Medicare		784	
Travel		2,370	
Other Supplies and Materials		15,863	
Other Charges		192	
Total Health Services			\$ 93,335

Other Student Support

Career Ladder Program	\$	2,000	
Guidance Personnel		192,219	
Secretary(ies)		13,181	
Social Security		12,839	
State Retirement		10,840	
Medical Insurance		30,390	
Unemployment Compensation		156	
Employer Medicare		3,003	
Contracts with Government Agencies		4,275	
Evaluation and Testing		7,696	
Travel		172	
Other Supplies and Materials		299	
Other Equipment		500,000	
Total Other Student Support			777,070

Regular Instruction Program

Supervisor/Director	\$	57,738	
Career Ladder Program		8,000	
Librarians		243,744	
Secretary(ies)		11,804	
Social Security		18,875	
State Retirement		15,228	
Medical Insurance		34,293	
Unemployment Compensation		202	
Employer Medicare		4,414	
Travel		10,382	
In Service/Staff Development		500	
Total Regular Instruction Program			405,180

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program

Supervisor/Director	\$	51,858	
Career Ladder Program		2,000	
Psychological Personnel		56,538	
Secretary(ies)		22,955	
Social Security		7,994	
State Retirement		6,347	
Medical Insurance		11,297	
Unemployment Compensation		84	
Employer Medicare		1,869	
Travel		14,931	
Total Special Education Program			\$ 175,873

Board of Education

Other Salaries & Wages	\$	23,041	
Board and Committee Members Fees		40,100	
Social Security		3,915	
State Retirement		413	
Unemployment Compensation		143	
Employer Medicare		916	
Audit Services		5,850	
Dues and Memberships		10,040	
Legal Services		1,591	
Travel		11,917	
Other Contracted Services		37,840	
Judgments		5,000	
Liability Insurance		39,496	
Premiums on Corporate Surety Bonds		1,035	
Trustee's Commission		83,728	
Workers' Compensation Insurance		138,260	
Other Charges		16,485	
Total Board of Education			419,770

Director of Schools

County Official/Administrative Officer	\$	75,000
Assistant(s)		58,617
Career Ladder Program		1,000
Secretary(ies)		21,862
Social Security		9,595
State Retirement		7,611

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Director of Schools (Cont.)

Life Insurance	\$	1,200	
Medical Insurance		5,101	
Dental Insurance		684	
Unemployment Compensation		84	
Employer Medicare		2,244	
Other Fringe Benefits		1,600	
Communication		8,996	
Postal Charges		850	
Travel		4,542	
Other Contracted Services		1,000	
Office Supplies		2,470	
Other Charges		3,515	
Total Director of Schools			\$ 205,971

Office of the Principal

Principals	\$	381,631	
Career Ladder Program		13,000	
Assistant Principals		52,892	
Secretary(ies)		86,609	
Social Security		32,770	
State Retirement		25,653	
Medical Insurance		29,042	
Unemployment Compensation		389	
Employer Medicare		7,664	
Communication		21,031	
Travel		211	
Total Office of the Principal			650,892

Operation of Plant

Supervisor/Director	\$	23,040	
Custodial Personnel		241,727	
Social Security		16,416	
State Retirement		3,119	
Medical Insurance		6,000	
Unemployment Compensation		516	
Employer Medicare		3,839	
Coal		2,814	
Electricity		449,972	
Natural Gas		93,477	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Water and Sewer	\$	77,212	
Other Supplies and Materials		98,217	
Boiler Insurance		5,092	
Building and Contents Insurance		103,517	
Other Charges		470	
Total Operation of Plant			\$ 1,125,428

Maintenance of Plant

Maintenance Personnel	\$	67,855	
Social Security		4,207	
State Retirement		814	
Unemployment Compensation		84	
Employer Medicare		984	
Other Supplies and Materials		63,159	
Total Maintenance of Plant			137,103

Transportation

Supervisor/Director	\$	24,029	
Mechanic(s)		44,010	
Bus Drivers		474,410	
Social Security		33,677	
State Retirement		5,041	
Unemployment Compensation		1,242	
Employer Medicare		7,876	
Contracts with Vehicle Owners		6,070	
Gasoline		131,825	
Tires and Tubes		13,909	
Vehicle Parts		33,159	
Vehicle and Equipment Insurance		28,290	
Other Charges		15,241	
Transportation Equipment		473,259	
Total Transportation			1,292,038

Central and Other

Supervisor/Director	\$	52,146	
Other Salaries & Wages		81,062	
Social Security		7,644	
State Retirement		3,789	
Medical Insurance		7,926	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Central and Other (Cont.)

Unemployment Compensation	\$	111	
Employer Medicare		1,788	
Total Central and Other			\$ 154,466

Operation of Non-Instructional Services

Community Services

Teachers	\$	36,947	
Social Security		2,006	
State Retirement		2,032	
Unemployment Compensation		27	
Employer Medicare		469	
Travel		207	
Other Charges		526	
Total Community Services			42,214

Early Childhood Education

Teachers	\$	248,321	
Educational Assistants		71,076	
Other Salaries & Wages		84,556	
Certified Substitute Teachers		3,000	
Social Security		25,021	
State Retirement		16,563	
Medical Insurance		30,893	
Unemployment Compensation		458	
Employer Medicare		5,852	
Travel		9,227	
Instructional Supplies and Materials		40,696	
Other Supplies and Materials		29,995	
Other Charges		4,833	
Other Equipment		50,934	
Total Early Childhood Education			621,425

Capital Outlay

Regular Capital Outlay

Building Improvements	\$	105,360	
Total Regular Capital Outlay			105,360

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Capital Leases	\$ 66,548	
Total Education		\$ 66,548

Interest on Debt

Education

Interest on Capital Leases	\$ 2,183	
Total Education		2,183

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 185,773	
Other Debt Service	572	
Total Education	<u>186,345</u>	<u>186,345</u>

Total General Purpose School Fund		\$ 16,175,202
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 678,108	
Educational Assistants	44,582	
Certified Substitute Teachers	11,779	
Social Security	44,541	
State Retirement	37,699	
Medical Insurance	94,746	
Unemployment Compensation	703	
Employer Medicare	10,417	
Instructional Supplies and Materials	95,098	
Other Supplies and Materials	35,037	
Other Charges	11,154	
Regular Instruction Equipment	14,293	
Total Regular Instruction Program	<u>1,078,157</u>	\$ 1,078,157

Special Education Program

Teachers	\$ 98,034
Educational Assistants	208,174
Social Security	18,985
State Retirement	7,775
Medical Insurance	16,932

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Unemployment Compensation	\$	633	
Employer Medicare		4,440	
Other Contracted Services		146,658	
Instructional Supplies and Materials		35,101	
Total Special Education Program			\$ 536,732

Vocational Education Program

Educational Assistants	\$	10,719	
Social Security		665	
State Retirement		129	
Unemployment Compensation		43	
Employer Medicare		155	
Travel		4,423	
Other Charges		500	
Vocational Instruction Equipment		34,968	
Total Vocational Education Program			51,602

Support Services

Health Services

Medical Personnel	\$	34,637	
Social Security		2,147	
State Retirement		1,905	
Medical Insurance		6,742	
Unemployment Compensation		28	
Employer Medicare		502	
Total Health Services			45,961

Other Student Support

Travel	\$	349	
Other Supplies and Materials		61,486	
In Service/Staff Development		6,389	
Other Charges		19,133	
Total Other Student Support			87,357

Regular Instruction Program

Supervisor/Director	\$	56,778	
Secretary(ies)		9,020	
Other Salaries & Wages		57,050	
Social Security		7,304	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

State Retirement	\$	6,403	
Medical Insurance		12,057	
Unemployment Compensation		57	
Employer Medicare		1,708	
Travel		5,690	
Library Books/Media		27,627	
Other Supplies and Materials		5,731	
In Service/Staff Development		100,760	
Other Charges		1,370	
Other Equipment		4,290	
Total Regular Instruction Program			\$ 295,845

Special Education Program

Psychological Personnel	\$	40,110	
Social Security		2,487	
State Retirement		2,206	
Medical Insurance		3,863	
Unemployment Compensation		28	
Employer Medicare		582	
Travel		2,682	
Other Supplies and Materials		15,113	
In Service/Staff Development		11,689	
Total Special Education Program			78,760

Vocational Education Program

Travel	\$	1,076	
Total Vocational Education Program			<u>1,076</u>

Total School Federal Projects Fund \$ 2,175,490

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	52,377	
Cafeteria Personnel		463,319	
Other Salaries & Wages		36,979	
In-Service Training		1,705	
Social Security		34,266	
State Retirement		7,907	

(Continued)

Exhibit K-8

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

Central Cafeteria Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Medical Insurance	\$	13,998	
Unemployment Compensation		1,331	
Employer Medicare		8,014	
Travel		1,990	
Food Preparation Supplies		33,121	
Food Supplies		483,946	
Other Supplies and Materials		63,257	
Food Service Equipment		8,406	
Total Food Service			\$ <u>1,210,616</u>

Total Central Cafeteria Fund \$ 1,210,616

Total Governmental Funds - Scott County School Department \$ 19,561,308

## Exhibit K-9

Scott 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	Special School District Fund	City School ADA - Oneida Fund	Total
<u>Cash Receipts</u>				
Current Property Taxes	\$ 0	\$ 364,636	\$ 696,279	\$ 1,060,915
Discounts on Property Taxes	0	(3,152)	(5,687)	(8,839)
Trustee's Collections - Prior Years	0	14,047	54,620	68,667
Circuit / Clerk and Master Collections - Prior Years	0	5,957	27,644	33,601
Interest and Penalty	0	3,337	10,403	13,740
Payment in-lieu-of Taxes - T.V.A.	0	0	12	12
Local Option Sales Tax	1,445,977	0	581,312	2,027,289
Coal Severance Tax	0	0	11,169	11,169
Interstate Telecommunications Tax	0	0	1,213	1,213
Marriage Licenses	0	0	1,384	1,384
Other Local Revenues	0	0	63	63
Total Cash Receipts	\$ 1,445,977	\$ 384,825	\$ 1,378,412	\$ 3,209,214
<u>Cash Disbursements</u>				
Remittance of Revenue Collected	\$ 1,431,518	\$ 386,239	\$ 1,351,465	\$ 3,169,222
Trustee's Commission	14,459	7,638	21,320	43,417
Total Cash Disbursements	\$ 1,445,977	\$ 393,877	\$ 1,372,785	\$ 3,212,639
Excess of Cash Receipts Over (Under)				
Cash Disbursements	\$ 0	\$ (9,052)	\$ 5,627	\$ (3,425)
Cash Balance, July 1, 2005	0	16,047	67,491	83,538
Cash Balance, June 30, 2006	\$ 0	\$ 6,995	\$ 73,118	\$ 80,113

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**SINGLE AUDIT SECTION**

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

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

March 2, 2007

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scott County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Scott County's basic financial statements and have issued our report thereon dated March 2, 2007. Our report on the governmental activities was qualified because the financial statements did not include all capital assets and the related depreciation amounts for hospital and nursing home assets owned by the county and rented to tenants through operating leases. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County'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 Scott County'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 06.01, 06.02, 06.04, and 06.06.

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, of the reportable conditions described above, we consider items 06.01 and 06.02 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Scott County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 06.03 and 06.05.

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

This report is intended solely for the information and use of the Board of County Commissioners, 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/sb



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

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

March 2, 2007

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Scott County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Scott County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Scott County's management. Our responsibility is to express an opinion on Scott County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the 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 Scott County's compliance with those requirements and

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

In our opinion, Scott County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

#### Internal Control Over Compliance

The management of Scott County 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 Scott County'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.

We noted matters involving the internal control over compliance and its operation that we considered 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 compliance that, in our judgment, could adversely affect Scott County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 06.02 and 06.07.

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 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. Our consideration of the internal control over compliance 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 considered items 06.02 and 06.07 to be material weaknesses.

#### Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Scott County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated March 2, 2007. Our report on the governmental activities was qualified because the financial statements did not include all capital assets and the related depreciation amounts for hospital and nursing home assets owned by the county and rented to tenants through operating leases. 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, 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" with a long horizontal flourish extending to the right.

John G. Morgan  
Comptroller of the Treasury

JGM/sb

OTHER AUDITOR'S 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

For the Scott County Emergency Communications District

Board of Directors  
Scott County Emergency Communications District  
Huntsville, Tennessee

We have audited the financial statements of the Scott County Emergency Communications District; a component unit of Scott County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Scott County Emergency Communications District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we considered 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 the Scott County Emergency Communications District'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 questions costs as items 97-1 and 06-1.

A material weakness is a 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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 97-1 and 06-1 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Scott County Emergency Communications District's financial statements are free of material misstatement, we

performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the management and board of directors of the Scott County Communications District, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

### SCOTT COUNTY EMERGENCY COMMUNICATIONS DISTRICT SCHEDULE OF FINDINGS AND RESPONSES

**97-1 Condition:** The Scott County Emergency Communications District does not have enough staff to allow for adequate segregation of duties.

**Recommendation:** The district should use compensating controls such as dual signatures to help adjust for its small staff. The district should consider additional personnel for this purpose.

**Management's Response:** Compensating controls have been studied and used where practical. We believe that the cost of additional personnel would outweigh the cost of segregation of duties.

**06-1 Condition:** The Scott County Emergency Communications District does not have a policy relating to custodial credit risk. The district has amounts above insurance limits with no collateral pledged by the bank and held by a third party.

**Recommendation:** The district should adopt a policy to address the various risks to which it is exposed, including credit risk. This would include an agreement with its depository bank to collateralize amounts in excess of FDIC insurance with acceptable collateral pledged to a third party trust.

**Management's Response:** Management will discuss this policy internally and with the banks involved.

Scott County, Tennessee  
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 Programs:			
Distance Learning and Telemedicine Loans and Grants	10.855	N/A	\$ 500,000
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	238,859
National School Lunch Program	10.555	N/A	752,693
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	82,745
Total U.S. Department of Agriculture			<u>\$ 1,574,297</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investments Partnership Program	14.239	(2)	\$ 80,783
Total U.S. Department of Housing and Urban Development			<u>\$ 80,783</u>
U.S. Department of Justice:			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 200
Passed-through City of Knoxville:			
Community Prosecution and Project Safe Neighborhoods	16.609	(2)	24,278
Total U.S. Department of Justice			<u>\$ 24,478</u>
U.S. Department of Labor:			
Passed-through East Tennessee Human Resource Agency:			
WIA Cluster:			
WIA Adult Program	17.258	(2)	\$ 69,214
WIA Youth Activities	17.259	(2)	49,768
WIA Dislocated Workers	17.260	(2)	50,042
Total U.S. Department of Labor			<u>\$ 169,024</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Airport Improvement Program	20.106	Z-03-014197-07	\$ 10,782
Passed-through State Department of Environment and Conservation:			
Recreational Trails Program	20.219	Z-02-007419-00	8,138
Total U.S. Department of Transportation			<u>\$ 18,920</u>
Appalachian Regional Commission:			
Passed-through Tennessee Valley Authority:			
Appalachian Regional Development	23.001	N/A	\$ 475,000 (3)
Passed-through State Department of Economic and Community Development:			
Appalachian Regional Development	23.001	(4)	20,000 (3)
Total Appalachian Regional Commission			<u>\$ 495,000</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,023,612
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	693,596
Special Education - Preschool Grants	84.173	N/A	19,362
Vocational Education - Basic Grants to States	84.048	N/A	120,902
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	22,328
Evenstart - State Educational Agencies	84.213	(2)	104,000
State Grants for Innovative Programs	84.298	N/A	9,496
Education Technology State Grants	84.318	(2)	25,431
Rural Education	84.358	N/A	107,109
Improving Teacher Quality State Grants	84.367	N/A	220,158
Passed-through The University of Tennessee:			
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(2)	20,000
Total U.S. Department of Education			<u>\$ 2,365,994</u>
U.S. Department of Health and Human Services:			
Passed-through East Tennessee Human Resource Agency:			
Special Program for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	(2)	\$ 18,105
Total U.S. Department of Health and Human Services			<u>\$ 18,105</u>
U.S. Department of Homeland Security:			
Direct Program:			
Emergency Food and Shelter National Board Program	97.024	N/A	\$ 13,441
Passed-through State Department of Military:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022490-01	12,585
Homeland Security Grant Program	97.067	Z-05-025205-00	54,039
Disaster Grants - Public Assistance	97.036	(2)	135,792
Emergency Management Performance Grants	97.042	Z-05-025378-00	13,474
Total U.S. Department of Homeland Security			<u>\$ 229,331</u>
Total Expenditures of Federal Awards			<u>\$ 4,975,932</u>
<u>State Grants</u>			
Airport Terminal Grant - State Department of Transportation	N/A	(2)	\$ 253,280
Airport Security Grant - State Department of Transportation	N/A	(2)	29,227
Litter Program - State Department of Transportation	N/A	(2)	26,285
State Reappraisal - Comptroller of the Treasury	N/A	(2)	8,608
Health Department Programs - State Department of Health	N/A	(2)	142,921
Juvenile Service Program- State Commission on Children and Youth	N/A	(2)	9,000
Family Resource Center Grant - State Department of Education	N/A	(2)	33,300

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants (Cont.)</u>			
Safe Schools Act Grant - State Department of Education	N/A	(2)	\$ 18,082
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	190,632
Early Childhood Education - Lottery - State Department of Education	N/A	(2)	320,511
Touching the Lives of Children Program - State Department of Education	N/A	(2)	13,960
Museum Grant - State Department of State	N/A	(2)	1,951
Waste Tire Option Grant- State Department of Environment and Conservation	N/A	(2)	6,015
Tennessee Industrial Infrastructure Program - State Department of Economic and Community Development	N/A	(2)	145,349
Emergency Dispatcher Grant - State Department of Environment and Conservation	N/A	(2)	30,000
Waste Reduction Grant - State Department of Environment and Conservation	N/A	(2)	5,552
Technology Equipment Grant - Tennessee Valley Authority	N/A	(2)	<u>4,928</u>
Total State Grants			<u>\$ 1,239,601</u>

CFDA = Catalog of Federal Domestic Assistance

N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total Appalachian Regional Development (CFDA No. 23.001) was \$495,000.
- (4) GG-05-11736-00: \$10,000; GG-06-12174-00: \$10,000

Scott County, Tennessee  
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 Scott County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

**OFFICE OF DIRECTOR OF FINANCE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01(B,C,D)	174	Several funds had accounting deficiencies

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.03	175	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Clerk and Master, and Register

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**SCOTT COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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

1. Our report on the governmental activities is qualified. Our report on the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Scott County disclosed reportable conditions in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed two instances of noncompliance that are material to the financial statements of Scott County.
4. The audit disclosed one reportable condition in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Distance Learning and Telemedicine Loans and Grants (CFDA No. 10.855), Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Appalachian Regional Development (CFDA No. 23.001), and the Title I Grants to Local Education Agencies (CFDA No. 84.010) 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. Scott County did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Officials offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

### **OFFICE OF DIRECTOR OF FINANCE**

#### **FINDING 06.01      **SEVERAL FUNDS HAD ACCOUNTING DEFICIENCIES** (Internal Control – Material Weakness Under Government Auditing Standards)**

Our audit revealed the following accounting deficiencies:

- A. The Public Utility Fund (enterprise fund) had an unrestricted net assets deficit of \$196,396 at June 30, 2006. This deficit increased by \$80,116 over that of the prior year. Equity in Pooled Cash and Investments for this fund totaled \$37 as of June 30, 2006.
- B. The Solid Waste Disposal Fund (enterprise fund) had an unrestricted net assets deficit of \$16,517 at June 30, 2006. This deficit resulted primarily from the recognition of a \$150,000 liability for closure/postclosure care costs.
- C. The Drug Control Fund had a fund deficit of \$8,305 on June 30, 2006.
- D. The Other Capital Projects Fund had an unreserved fund deficit of \$1,823,103 at June 30, 2006. The majority of the deficit (\$1,507,976) resulted from the recognition of liabilities for a joint construction contract with the Town of Oneida for which funding has not been provided. The remainder of the deficit resulted from the recognition of liabilities and encumbrances for an uncompleted airport construction contract which is expected to be liquidated by federal grants to be received as the project progresses.
- E. The General Capital Projects had a deficit unreserved fund balance of \$1,053,041 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$576,176 being reserved as encumbrances and \$476,865 being reflected as current liabilities. Funding for these liabilities and future expenditures is expected to be received from other loan proceeds of \$10,000,000.
- F. The Community Development/Industrial Park Fund had a deficit unreserved fund balance of \$102,180 on June 30, 2006. This deficit resulted from the unperformed portions of construction projects of \$43,796 being reserved as encumbrances and \$75,380 being reflected as current liabilities. Subsequent to June 30, 2006, funding to liquidate this deficit was provided by a transfer from the General Fund.

## RECOMMENDATION

County officials should liquidate the above-noted deficits and take steps to ensure that the deficits do not recur.

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**FINDING 06.02**      **DEFICIENCIES EXISTED IN THE ADMINISTRATION OF A JOINT CONSTRUCTION PROJECT**  
(Internal Control – Material Weakness Under Government Auditing Standards and OMB Circular A-133)

Funding has not been provided to liquidate the outstanding balances of construction contracts for a child development center and a boys and girls club. Scott County has reflected a liability for the outstanding contracts (\$1,507,976) in the Other Capital Projects Fund which resulted in a fund deficit as noted above in Finding 06.01(D).

Construction contracts for the projects were titled as joint agreements between Scott County, the Town of Oneida, and the construction company. Dollar amounts of the contracts were \$1,795,000 for the child development center and \$2,405,000 for the boys and girls club. The county paid \$475,000 on the contracts from an Appalachian Regional Commission (ARC) grant received for the child development center. Other amounts were paid by the Town of Oneida and a private foundation. Although the buildings have been occupied since early 2006, information supplied by the construction company and the Town of Oneida indicate a significant portion of these contracts remained unpaid as of the date of this report. The unpaid amounts were \$753,546 for the child development center and \$754,430 for the boys and girls club. No payments have been made on these projects since November 22, 2005.

The construction of these joint projects was by the county and the Town of Oneida without any formal agreements governing the division of ownership rights and obligations. On November 15, 2004, the Scott County Commission authorized the county mayor to enter into an agreement with the Town of Oneida “on ownership, payment, and management of the property...”; however, we were advised that no such agreement existed. In the absence of such a directive as to how the funding is to be divided, the county has elected to reflect the remaining liability on its financial statements.

The county was awarded an ARC grant of \$500,000. As stated above, Scott County applied \$475,000 of those funds in payment of the child-development center contract in November 2005. The remaining \$25,000 is being held until the county receives a release from the construction contractor, which is normally done subsequent to the contractor being paid in full. The failures to clearly define ownership and obtain a release from the contractor are material weaknesses in internal controls over accounting for assets acquired by the federal ARC grant program.

RECOMMENDATION

Joint construction projects between the county and other entities should be evidenced by written agreements that clearly identify each party's ownership rights and obligations. Management should take steps to liquidate the construction project liability and ensure that all contractor liens have been released from the property.

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FINDING 06.03      **INTERFUND LOANS WERE NOT ISSUED IN ACCORDANCE WITH STATE STATUTES**  
(Material Noncompliance Under Government Auditing Standards)

Our examination of loans revealed the following deficiencies:

- A. To provide cash for operations, transfers were made in the following funds: \$64,000 from the Solid Waste/Sanitation Fund to the Public Utility Fund, \$53,000 from the Solid Waste Disposal Fund to the Solid Waste/Sanitation Fund, and \$206,000 from the General Fund to the General Purpose School Fund. These transfers were, in effect, interfund loans and were not approved by the County Commission and the state director of Local Finance as required by Section 9-21-408, Tennessee Code Annotated (TCA).
- B. Two of these loans totaling \$117,000 were not retired by June 30, 2006. Section 9-21-801, TCA, provides that interfund loans shall mature not later than the close of the fiscal year issued. These loans have been reflected in the financial statements of this report as due from other funds in the Solid Waste/Sanitation and Solid Waste Disposal Funds and due to other funds in the Public Utility and the Solid Waste/Sanitation Funds.

RECOMMENDATION

All interfund loans should be approved by the County Commission and the state director of Local Finance and should be retired prior to the end of the fiscal year issued as required by state statutes.

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FINDING 06.04      **INTERFUND RECEIVABLES AND PAYABLES WERE NOT LIQUIDATED ON A CURRENT BASIS**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

The office has not liquidated its interfund balances in a timely manner. The county's audit report for the year ended June 30, 2006, reflects due to/from other funds of \$655,042. However, as of the date of this report, approximately \$518,900 of this amount remains unpaid. Additionally, it should be noted that approximately \$227,000 of the amount that

has not been liquidated (\$518,900) was also reflected as due to/from other funds in the county's 2004-05 audit report.

**RECOMMENDATION**

All interfund receivables and payables should be liquidated on a current basis.

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**FINDING 06.05**      **A REVIEW OF THE COUNTY CORRECTIONAL INCENTIVE PROGRAM COMPLETED DURING THE YEAR RESULTED IN THE RECOGNITION OF AN OVERPAYMENT TO SCOTT COUNTY TOTALING \$84,945**  
(Material Noncompliance Under Government Auditing Standards)

A report dated June 9, 2006, on Scott County's participation in the County Correctional Incentive Program for the year ended June 30, 2004, revealed that Scott County had been overpaid \$84,945 for housing state prisoners at the county jail. The overpayment occurred due to errors in amounts claimed by Scott County on its monthly prisoner reports submitted to the state. This overpayment is reflected as a liability in the financial statements of the General Fund. The state adjusted the overpayment from reimbursements paid to Scott County subsequent to June 30, 2006.

**RECOMMENDATION**

Steps should be taken to ensure that Scott County files state prisoner reports accurately and within the guidelines of the state Department of Correction.

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**OTHER FINDING**

**FINDING 06.06**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CLERK AND MASTER, AND REGISTER**  
(Internal Control – Reportable Condition Under Government Auditing Standards)

Duties were not segregated adequately among officials and employees in the Offices of Trustee, County Clerk, Clerk and Master, and Register. Officials and employees responsible for maintaining the accounting records 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.

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

Federal/Pass-through Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
Appalachian Regional Commission Tennessee Valley Authority	06.07	23.001	Circular A-133, Section 300 (b)	Material Weakness in Internal Control, see Finding No. 06.02: Deficiencies Existed in the Administration of a Joint Construction Project.	\$ 0

**SCOTT COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2006**

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

**County Director of Finance – Corrective Action Plan for Current-Year Findings**

**FINDINGS 06.02 and 06.07**

Contract Person: Keith Jeffers

Corrective action planned: Scott County expects to liquidate this liability and obtain title to the asset partially funded by the Appalachian Region Commission.

Scott County will review and update its internal controls to lessen the probability that this type of error will reoccur in the future.

Anticipated completion date: Prior to June 30, 2007