

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

SINGLE AUDIT REPORT



FOR THE YEAR ENDED JUNE 30, 2007



ANNUAL FINANCIAL REPORT
COCKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

MARK TREECE, CPA, CGFM
Auditor 4

JOEY BARNARD, CGFM, CFE
MEGAN ANDERSON
DOUG SANDIDGE, CISA, CFE
State Auditors

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

COCKE COUNTY, TENNESSEE

TABLE OF CONTENTS

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Cocke County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-11
BASIC FINANCIAL STATEMENTS:		13
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	A	15-16
Statement of Revenues, Expenditures, and Changes in Fund Balances	B	17-18
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	C	19
Notes to the Financial Statements		21-44
REQUIRED SUPPLEMENTARY INFORMATION:		45
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	D-1	47-49
Highway/Public Works Fund	D-2	50
Schedule of Funding Progress – Pension Plan	D-3	51
Notes to the Required Supplementary Information		53
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		55
Nonmajor Governmental Funds:		57-58
Combining Balance Sheet	E-1	59-60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	61-62
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Solid Waste/Sanitation Fund	E-3	63
Industrial/Economic Development Fund	E-4	64
Drug Control Fund	E-5	65
Rural Debt Service Fund	E-6	66

	Exhibit	Page(s)
Major Governmental Fund:		67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	F	69
Fiduciary Funds:		71
Combining Statement of Fiduciary Assets and Liabilities	G-1	73
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	G-2	74-75
Miscellaneous Schedules:		77
Schedule of Changes in Long-term Notes, Other Loans, and Bonds	H-1	79-80
Schedule of Bond and Interest Requirements by Year	H-2	81
Schedule of Investments	H-3	82
Schedule of Transfers	H-4	83
Schedule of Salaries and Official Bonds of Principal Officials	H-5	84
Schedule of Detailed Revenues – All Governmental Fund Types	H-6	85-94
Schedule of Detailed Expenditures – All Governmental Fund Types	H-7	95-116
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	H-8	117

Audit Highlights

Annual Financial Report
Cocke County, Tennessee
For the Year Ended June 30, 2007

Scope

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cocke County as of and for the year ended June 30, 2007.

Results

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

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

Findings

The following are summaries of the audit findings:

COCKE COUNTY

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

RECREATION DEPARTMENT

- ◆ The Recreation Department had numerous deficiencies in accounting for funds.
-

OTHER FINDING

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of General Sessions Court Clerk, Register, and Sheriff.

INTRODUCTORY SECTION

Cocke County Officials
June 30, 2007

Officials

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

Board of County Commissioners

Bill Costner, Chairman	Jimmy Lindsey
Calvin Ball	Scott McClure
Clay Blazer	Lonnie Ottinger
Andrew Fowler, Jr.	Norman Smith
Henry Gregory	Tom Sutton
Melinda Henderson	David Taylor
Phil Killion	Bill Williamson

Finance Committee

Lonnie Ottinger, Chairman	Norman Smith
Melinda Henderson	David Taylor
Henry Gregory	Bill Williamson
Scott McClure	

Highway Commission

Alton Cureton, Chairman	Clifford Large
Ronald Blazer	Chuck Smithpeters
Danny Fish	Willard Taylor
Kenneth Hall	

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 7, 2008

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, as of and for the year ended June 30, 2007, as shown on pages 15 through 44, which collectively comprise a portion of the county's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Cocke County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

statements. The amounts that would be reported in government-wide financial statements for the county's governmental activities and discretely presented component units are not reasonably determinable.

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

In our opinion, because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Cocke County, Tennessee, as of June 30, 2007, or the changes in its financial position for the year then ended.

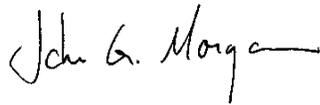
However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with the basis of accounting prescribed by the Comptroller of the Treasury of the State of Tennessee.

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2008, on our consideration of Cocke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison and pension information on pages 47 through 53 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Cocke County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2007

	Major Funds			Nonmajor Funds	Total
	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Govern- mental Funds	Govern- mental Funds
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 140,144	\$ 140,144
Equity in Pooled Cash and Investments	1,810,644	1,161,375	6,517,251	528,375	10,017,645
Investments	0	0	0	641,313	641,313
Accounts Receivable	63,822	0	0	28,060	91,882
Due from Other Governments	381,220	348,221	238,184	2,027	969,652
Due from Other Funds	7,143	0	0	0	7,143
Property Taxes Receivable	6,071,583	614,533	786,602	245,813	7,718,531
Allowance for Uncollectible Property Taxes	(192,079)	(19,441)	(24,885)	(7,777)	(244,182)
Total Assets	\$ 8,142,333	\$ 2,104,688	\$ 7,517,152	\$ 1,577,955	\$ 19,342,128
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 128,656	\$ 149,956	\$ 0	\$ 60,148	\$ 338,760
Payroll Deductions Payable	6,506	3,877	0	617	11,000
Contracts Payable	0	0	0	199,944	199,944
Retainage Payable	0	0	0	18,605	18,605
Claims and Judgments Payable	15,000	0	0	0	15,000
Due to Other Funds	0	0	0	7,143	7,143
Due to State of Tennessee	1,012	0	0	0	1,012
Deferred Revenue - Current Property Taxes	5,653,452	572,212	732,431	228,884	7,186,979
Deferred Revenue - Delinquent Property Taxes	180,850	18,305	23,430	7,322	229,907
Other Deferred Revenues	73,568	177,759	125,852	0	377,179
Total Liabilities	\$ 6,059,044	\$ 922,109	\$ 881,713	\$ 522,663	\$ 8,385,529

(Continued)

Exhibit A

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

	Major Funds		Nonmajor Funds		Total
	Highway /	General	Other	Governmental	Governmental
	Public	Debt	Governmental	Funds	Funds
	Works	Service	Funds		
	General				
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>					
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 39,700	\$ 401,033	\$ 0	\$ 117,451	\$ 558,184
Reserved for Alcohol and Drug Treatment	61,959	0	0	0	61,959
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	196,428	0	0	0	196,428
Reserved for Sexual Offender Registration	1,469	0	0	0	1,469
Reserved for Courtroom Security	52	0	0	0	52
Reserved for Automation Purposes - Circuit Court	2,391	0	0	0	2,391
Reserved for Automation Purposes - General Sessions Court	37,085	0	0	0	37,085
Reserved for Automation Purposes - Juvenile Court	2,478	0	0	0	2,478
Reserved for Automation Purposes - Chancery Court	1,842	0	0	0	1,842
Reserved for Capital Outlay	61,075	0	0	700,127	761,202
Unreserved, Reported In:					
General Fund	1,678,810	0	0	0	1,678,810
Special Revenue Funds	0	781,546	0	522,254	1,303,800
Debt Service Funds	0	0	6,635,439	16,821	6,652,260
Capital Projects Funds (Deficit)	0	0	0	(301,361)	(301,361)
Total Fund Balances	\$ 2,083,289	\$ 1,182,579	\$ 6,635,439	\$ 1,055,292	\$ 10,956,599
Total Liabilities and Fund Balances	\$ 8,142,333	\$ 2,104,688	\$ 7,517,152	\$ 1,577,955	\$ 19,342,128

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

Exhibit B

Cocke County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 7,218,104	\$ 658,264	\$ 2,083,325	\$ 228,048	\$ 10,187,741
Licenses and Permits	71,241	0	0	0	71,241
Fines, Forfeitures, and Penalties	203,889	0	0	23,291	227,180
Charges for Current Services	319,936	0	0	607,768	927,704
Other Local Revenues	124,400	1,918	689,731	68,124	884,173
Fees Received from County Officials	971,614	0	0	0	971,614
State of Tennessee	925,915	2,114,124	34,556	250,211	3,324,806
Federal Government	636,385	237,365	0	0	873,750
Other Governments and Citizens Groups	72,201	0	0	342,533	414,734
Total Revenues	\$ 10,543,685	\$ 3,011,671	\$ 2,807,612	\$ 1,519,975	\$ 17,882,943
<u>Expenditures</u>					
Current:					
General Government	\$ 918,128	\$ 0	\$ 0	\$ 0	\$ 918,128
Finance	686,186	0	0	480,586	1,166,772
Administration of Justice	959,577	0	0	36,838	996,415
Public Safety	4,511,375	0	0	5,568	4,516,943
Public Health and Welfare	297,980	0	0	1,291,550	1,589,530
Social, Cultural, and Recreational Services	241,566	0	0	52,479	294,045
Agriculture and Natural Resources	60,723	0	0	0	60,723
Other Operations	1,330,235	0	0	0	1,330,235
Highways	104,419	3,775,805	0	0	3,880,224

(Continued)

Exhibit B

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Expenditures (Cont.)</u>					
Debt Service:					
Principal on Debt	\$ 0	\$ 0	\$ 1,001,968	\$ 225,098	\$ 1,227,066
Interest on Debt	0	0	981,589	137,710	1,119,299
Other Debt Service	0	0	141,860	0	141,860
Capital Projects	0	0	0	1,701,897	1,701,897
Total Expenditures	<u>\$ 9,110,189</u>	<u>\$ 3,775,805</u>	<u>\$ 2,125,417</u>	<u>\$ 3,931,726</u>	<u>\$ 18,943,137</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,433,496</u>	<u>\$ (764,134)</u>	<u>\$ 682,195</u>	<u>\$ (2,411,751)</u>	<u>\$ (1,060,194)</u>
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 554,654	\$ 100,640	\$ 1,106,958	\$ 1,762,252
Insurance Recovery	40,585	82,331	0	0	122,916
Transfers In	0	0	0	1,178,300	1,178,300
Transfers Out	(1,178,300)	0	0	0	(1,178,300)
Total Other Financing Sources (Uses)	<u>\$ (1,137,715)</u>	<u>\$ 636,985</u>	<u>\$ 100,640</u>	<u>\$ 2,285,258</u>	<u>\$ 1,885,168</u>
Net Change in Fund Balances	\$ 295,781	\$ (127,149)	\$ 782,835	\$ (126,493)	\$ 824,974
Fund Balance, July 1, 2006	1,787,508	1,309,728	5,852,604	1,168,361	10,118,201
Prior Period Adjustment	0	0	0	13,424	13,424
Fund Balance, June 30, 2007	<u>\$ 2,083,289</u>	<u>\$ 1,182,579</u>	<u>\$ 6,635,439</u>	<u>\$ 1,055,292</u>	<u>\$ 10,956,599</u>

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

Exhibit C

Cocke County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,715,883
Equity in Pooled Cash and Investments	522
Accounts Receivable	3,437
Due from Other Governments	603,635
Property Taxes Receivable	408,959
Allowance for Uncollectible Property Taxes	(12,938)
Cash Shortage	<u>43,190</u>
Total Assets	<u><u>\$ 2,762,688</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,000,178
Due to Litigants, Heirs, and Others	<u>1,762,510</u>
Total Liabilities	<u><u>\$ 2,762,688</u></u>

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

COCKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Cocke County has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and discretely presented component units. The two government-wide financial statements, the statement of net assets and the statement of activities, should be included in the basic financial statements to conform with the provisions of GASB Statement No. 34 and accounting principles generally accepted in the United States of America. Cocke County has elected instead only to implement the provisions of the statement and other accounting principles generally accepted in the United States of America that relate to the fund financial statements. This departure from GAAP results in an incomplete presentation and has caused Cocke County's auditor to issue an adverse opinion on the county's financial statements.

Although Cocke County's financial statements are not presented in conformity with GAAP, the financial statements have been presented in conformity with financial reporting standards adopted by the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury has adopted financial reporting standards for local governments in Tennessee that do not implement the provisions of GASB Statement No. 34. These standards require fund financial statements to be presented in conformity with all the provisions of GASB Statement No. 34 that are applicable to fund financial statements, including the notes to the financial statements. These standards also require the fund financial statements to be presented in conformity with all other accounting principles generally accepted in the United States of America that are applicable to fund financial statements, including the notes to the financial statements.

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

A. Reporting Entity

Cocke County is a public municipal corporation governed by an elected 14-member board. As required by GAAP, these financial statements present Cocke County (the primary government).

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

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

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

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

The Cocke County School Department and the Cocke County Emergency Communications District issue separate financial statements from those of the county. The School Department's financial statements are published as a separate report, but under the same cover as the county's financial statements. Cocke County Emergency Communications District's financial statements are published as a separate report. Complete financial statements of the Cocke County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Cocke County Emergency Communications District
145 Mineral Street
Newport, TN 37821

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

Fund financial statements of Cocke County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized into three major categories: governmental, proprietary, and fiduciary. However, the county does not have any proprietary funds to report. An emphasis is placed on major funds within the governmental category.

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Cocke County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds which have no measurement focus. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Cocke County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

Additionally, Cocke County reports the following fund types:

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

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Cocke County, and the city school system’s share of educational revenues. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

C. Assets, Liabilities, and Equity

1. Deposits and Investments

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

The county trustee maintains a cash and internal investment pool that is used by all Cocke County and Cocke County School Department funds. Each fund’s portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. In addition, investments are held separately by the Highway Capital Projects Fund. Cocke County and the Cocke County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer’s Investment Pool are reported at cost. The State Treasurer’s Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and

does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

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

Property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.67 percent of total taxes levied.

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

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

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

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

Additional costs attach to delinquent taxes after a court suit has been filed.

Most payables are disaggregated on the face of the financial statements. Contracts payable reflected in the nonmajor governmental funds totaling \$199,944 are related to projects associated with a waterline extension project. Claims and judgments payable totaling \$15,000 represents the amount accrued on a pending lawsuit.

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

3. Capital Assets

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition. Coker County does not maintain capital assets records, as required by generally accepted accounting principles. Capital assets should be reported in the government-wide statement of net assets; however, as previously noted, Coker County does not present government-wide statements.

4. Compensated Absences

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

5. Long-term Obligations

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

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

6. Fund Equity

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specified purpose. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2007.

<u>Fund/Purpose</u>	<u>Amount</u>
Nonmajor Governmental:	
Industrial Development	\$ 232,500

7. Prior-period Adjustment

The prior-period adjustment for the nonmajor governmental funds reflects the beginning balance of the Sports and Recreation Fund. This fund was maintained outside the Trustee’s Office, and the county had not contracted to have the fund audited in the previous year.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Fund Deficit

The General Capital Projects Fund had a \$301,361 deficit in the unreserved fund balance account at June 30, 2007. This fund deficit resulted from the unperformed portions of construction contracts of \$117,451 being reserved as encumbrances, and the recognition of contracts payable and retainage payable of \$199,944 and \$18,605, respectively. Funding for these future expenditures is expected to be received from state grants.

C. Cash Shortage

The audit of the Constitutional Officers – Agency Fund for the 1996-97 year reported details of a \$101,822 cash shortage in the Office of Clerk and Master. The former clerk and master, Charles Chesteen, pled guilty to theft and conversion of office funds and was ordered to pay restitution totaling \$101,822. His surety bond company paid the office \$50,000 during a previous year, and as of June 30, 2007, Mr. Chesteen had paid \$8,632 toward liquidating the shortage. The remaining balance of \$43,190 continues to be reflected as a cash shortage in the financial statements of this report.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

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

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

Investments

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

Investment Balances. As of June 30, 2007, Cocke County had the following nonpooled investments carried at cost.

Investment	Maturities	Cost
Nonmajor Governmental Funds:		
State Treasurer's Investment Pool	Daily	\$ 641,313

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

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Cocke County has no investment policy that would further limit its investment choices. As of June 30, 2007, Cocke County's investment in the State Treasurer's Investment Pool was unrated.

B. Commitments

Committed Construction

At June 30, 2007, the General Capital Projects Fund had uncompleted construction contracts of \$117,451 for a waterline extension project. Funding for these future expenditures is expected to be received from state grants.

Tax Incremental Financing

Pursuant to Title 7, Chapter 53 of Tennessee Code Annotated, Cocke County, the City of Newport, and the Industrial Development Board of Cocke County have entered into a Tax Increment Financing plan to fund infrastructure related to a development on Highway 321. This plan calls for the Industrial Development Board to issue debt not to exceed \$2,000,000 to fund the project. Cocke County and the City of Newport agree to allocate and pay to the Industrial Development Board the increment of real and personal property taxes generated by the development over the base year amount in 2004. The Industrial Board is to use those incremental tax payments to retire the debt. The term of the agreement is the lesser of the time of the outstanding debt or 12 years. During the year, the county made tax increment payments of \$122,690 toward the agreement.

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2007, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 7,143

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

Interfund Transfers:

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

<u>Transfers Out</u>	<u>Transfers In</u> Nonmajor Governmental Funds
General Fund	\$ 1,178,300
	<u>\$ 1,178,300</u>

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

D. Long-term Debt

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

General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were

issued for original terms of up to 14 years for bonds, up to 19 years for notes, and up to 40 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2007, will be retired from the General Debt Service Fund, Rural Debt Service Fund, and the Industrial/Economic Development Fund.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Debt Service Fund:			
General Obligation Bonds -			
Refunding	3 to 5 %	\$ 9,705,000	\$ 9,705,000
Capital Outlay Notes	0 to 3	496,000	132,107
Capital Outlay Notes -			
Refunding	2 to 2.5	1,795,000	1,055,000
Other Loans - Public Building			
Authority - Fixed by Swap	3.91	5,025,000	5,025,000
Other Loans - Public Building			
Authority	Variable	15,975,000	8,772,134
Rural Debt Service Fund:			
General Obligation Bonds -			
Refunding	2 to 3.9	3,215,000	2,910,000
Industrial/Economic Development Fund:			
Other Loans - City of Newport			
	2.15 to 4.375	2,521,197	1,811,099

The discretely presented School Department is providing funding to Cocke County for the retirement of the rural school refunding bonds. During the year, the School Department contributed \$311,493 to Cocke County to be applied toward the retirement of those bonds and the related interest charges.

Cocke County has entered into loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority. These loan agreements provide for the authorities to make \$17,500,000 and \$3,500,000, respectively, available for loan to Cocke County on an as-needed basis for the school building program, the retirement of capital outlay notes, and various renovation and construction projects. As of June 30, 2007, Cocke County had borrowed \$16,713,524 of the Sevier County Public Building

Authority loans and \$53,610 of the Blount County Public Building Authority loan. The balances of \$786,476 and \$3,446,390 remain available for future draws under the Sevier County Public Building Authority and the Blount County Public Building Authority loan agreements, respectively. The loans are repayable at variable interest rates that are functions of the Bond Market Association Index with the rates changing daily or weekly. In addition, the county pays various other fees (liquidity, remarketing, administrative, etc.) in connection with the loans. A portion (\$5,025,000) of the \$10,000,000 loan reflected in the following table was swapped to a synthetic fixed rate by execution of a swap agreement in a prior year. The following table also summarizes the public building authority loan agreements outstanding, including the variable rates and other fees, as of June 30, 2007:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Interest Rates as of 6-30-07	Other Fees on Variable Rate Debt
<u>Sevier County Public Building Authority</u>					
			Variable fixed		
Series IV-E-2	\$ -	\$ 5,025,000	(1) by Swap	3.82%	0.502 %
Series IV-E-2	10,000,000	2,305,000	Variable	3.81	0.502
Series V-B-3	5,000,000	4,700,000	Variable	3.50	0.461
Series VI-F-4	2,500,000	1,713,524	(2) Variable	3.81	0.585
Total		<u>\$ 13,743,524</u>			
<u>Blount County Public Building Authority</u>					
Series D-11-C	\$ 3,500,000	<u>\$ 53,610</u>	(3) Variable	3.81	
		<u>\$ 53,610</u>			
Total		<u>\$ 13,797,134</u>			

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

(2) \$786,476 remains available for future draws under this loan agreement at June 30, 2007.

(3) \$3,446,390 remains available for future draws under this loan agreement at June 30, 2007.

Cocke County has also entered into the following agreements with the City of Newport (Newport Utilities) to provide funding for waterline extensions constructed by Newport Utilities to various developments in the county. These agreements are reflected as other loans in this report.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Rates
<u>City of Newport-Newport Utilities</u>			
River Crest (A)	\$ 1,024,000	\$ 1,015,094	4.13 %
River Crest (B)	300,000	298,808	4.38
Subtotal		\$ 1,313,902	
Hwy 25E	497,197	497,197	4.50
Total City of Newport - Newport Utilities		\$ 1,811,099	

Under the agreements, the county must pay its incremental tax revenues (excess of current taxes over base year amounts), from properties within the developments, toward the retirement of these obligations. The River Crest agreements require minimum payments to the city each year regardless of whether the tax increments are sufficient to meet those requirements. The Highway 25E agreement requires only the payment of the tax increment each year, with interest accruing on the unpaid balance until the debt is retired. In addition to the agreements shown above, Cocke County has also entered into an agreement with the city for future waterline projects in the Hartford community (\$700,000). Liabilities under that agreement will be recognized as those future projects are constructed.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2007, including interest payments, are presented in the following tables. Estimated annual requirements for the public building authority loans payable are also reflected in the tables. Amounts reflected for public building authority loans payable are based on the outstanding principal of \$13,797,134. Interest payments and other loan fees for the variable rate issues are computed based on the rates in effect at June 30, 2007.

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 220,000	\$ 511,362	\$ 579,219	\$ 27,494
2009	225,000	506,962	596,925	14,375
2010	850,000	501,899	10,963	0
2011	970,000	477,574	0	0
2012	1,080,000	449,073	0	0
2013-2017	7,395,000	1,543,713	0	0
2018	1,875,000	90,230	0	0
Total	\$ 12,615,000	\$ 4,080,813	\$ 1,187,107	\$ 41,869

Year Ending June 30	Other Loan (\$10,000,000) (1) (original amount)			
	Principal	Interest	Other Fees	Total
2008	\$ 355,000	\$ 87,821	\$ 11,568	\$ 454,389
2009	400,000	74,295	9,787	484,082
2010	400,000	59,055	7,779	466,834
2011	300,000	43,815	5,772	349,587
2012	250,000	32,385	4,266	286,651
2013-2016	600,000	50,482	6,650	657,132
Total	\$ 2,305,000	\$ 347,853	\$ 45,822	\$ 2,698,675

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

Year Ending June 30	Other Loan (Swap agreement)			
	Principal	Interest	Other Fees	Total
2008	\$ 0	\$ 196,528	\$ 25,220	\$ 226,033
2009	0	196,528	25,220	226,033
2010	0	196,528	25,220	226,033
2011	0	196,528	25,220	226,033
2012	0	196,528	25,220	226,033
2013-2017	0	982,639	126,098	1,130,165
2018-2021	5,025,000	597,210	76,636	5,937,904
Total	\$ 5,025,000	\$ 2,562,489	\$ 328,834	\$ 8,198,234

Year Ending June 30	Other Loan (\$5,000,000) (original amount)			
	Principal	Interest	Other Fees	Total
2008	\$ 100,000	\$ 164,500	\$ 21,656	\$ 286,156
2009	100,000	161,000	21,195	282,195
2010	100,000	157,500	20,734	278,234
2011	125,000	154,000	20,274	299,274
2012	125,000	149,625	19,698	294,323
2013-2017	125,000	708,750	93,306	927,056
2018-2022	0	704,375	92,729	797,104
2023-2027	2,925,000	605,500	79,713	3,610,213
2028	1,100,000	38,500	5,068	1,143,568
Total	\$ 4,700,000	\$ 2,843,750	\$ 374,373	\$ 7,918,123

Year Ending June 30	Other Loan (\$2,500,000) (original amount)			Total
	Principal	Interest	Other Fees	
2008	\$ 0	\$ 65,285	\$ 10,024	\$ 75,309
2009	0	65,285	10,024	75,309
2010	0	65,285	10,024	75,309
2011	0	65,285	10,024	75,309
2012	0	65,285	10,024	75,309
2013-2017	0	326,426	50,120	376,546
2018-2022	800,000	326,426	50,120	1,176,546
2023-2024	913,524	38,179	5,862	957,565
Total	\$ 1,713,524	\$ 1,017,456	\$ 156,222	\$ 2,887,202

Year Ending June 30	Other Loan (\$3,500,000) (original amount)			Total
	Principal	Interest	Other Fees	
2008	\$ 0	\$ 2,043	\$ 11,184	\$ 13,227
2009	0	2,043	11,184	13,227
2010	0	2,043	11,184	13,227
2011	53,610	2,043	11,184	66,837
Total	\$ 53,610	\$ 8,172	\$ 44,736	\$ 106,518

The minimum annual requirements to amortize the loans payable outstanding as of June 30, 2007, to the City of Newport for the River Crest Project, including interest payments, are presented in the following table. Annual requirements for the \$497,197 loan payable for the Highway 25E projects are not included in the schedule since the loan is to be repaid with tax increment revenues only and there is no defined payment schedule.

Year Ending June 30	Other Loan - City of Newport		Total
	Principal	Interest	
2008	\$ 14,751	\$ 54,945	\$ 69,696
2009	15,367	54,329	69,696
2010	16,009	53,687	69,696
2011	16,678	53,018	69,696
2012	17,375	52,321	69,696
2013-2017	98,393	250,087	348,480

Year Ending June 30	Other Loan - City of Newport (Cont.)		
	Principal	Interest	Total
2018-2022	\$ 120,747	\$ 227,733	\$ 348,480
2023-2027	148,183	201,297	349,480
2028-2032	181,858	166,622	348,480
2033-2037	223,191	125,289	348,480
2038-2042	273,925	74,555	348,480
2043-2046	187,425	16,036	203,461
Total	\$ 1,313,902	\$ 1,329,919	\$ 2,643,821

There is \$6,652,260 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$400, based on the 2000 federal census for residents living outside the Newport School District and \$289, for residents living inside the Newport School District. Debt per capita, including bonds, notes, and other loans, totaled \$900, based on the 2000 federal census for residents living outside the Newport School District and \$790, for residents living inside the Newport School District.

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

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

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.825 percent and receives a variable payment computed as 70 percent of the one-month London Interbank Offered Rate (LIBOR). The swap has a notional amount of \$5.025 million, and the associated variable-rate bond has a \$5.025 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-E-2 Bonds. The bonds' variable rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2021. As of June 30, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.82 %
Variable payment from counterparty	70% of LIBOR	<u>(3.72)</u>
Net interest rate swap payments		0.10 %
Variable-rate bond interest payments		<u>3.81</u>
Synthetic interest rate on bonds		<u><u>3.91 %</u></u>

Fair value. As of June 30, 2007, the swap had a negative fair value of \$57,708. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2007, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. To mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2007. If Ambac's credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease.

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

Swap payments and associated debt. As of June 30, 2007, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2008	\$ 0	\$ 191,453	\$ 5,075	\$ 196,528
2009	0	191,453	5,075	196,528
2010	0	191,453	5,075	196,528
2011	0	191,453	5,075	196,528
2012	0	191,453	5,075	196,528
2013-2017	0	957,263	25,376	982,639
2018-2021	5,025,000	581,787	15,423	5,622,210
Total	\$ 5,025,000	\$ 2,496,315	\$ 66,174	\$ 7,587,489

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Bonds	Notes	Other Loans - City of Newport
Balance, July 1, 2006	\$ 12,830,000	\$ 1,829,075	\$ 1,324,000
Additions	0	0	497,197
Deductions	(215,000)	(641,968)	(10,098)
Balance, June 30, 2007	\$ 12,615,000	\$ 1,187,107	\$ 1,811,099
Balance Due Within One Year	\$ 220,000	\$ 579,219	\$ 14,751

	Other Loans - Public Building Authority	Compensated Absences	Landfill Closure/ Postclosure Care Costs
Balance, July 1, 2006	\$ 12,892,079	\$ 189,288	\$ 671,475
Additions	1,265,055	37,858	0
Deductions	(360,000)	(96,525)	(8,155)
Balance, June 30, 2007	\$ 13,797,134	\$ 130,621	\$ 663,320
Balance Due Within One Year	\$ 455,000	\$ 26,124	\$ 8,155

The Other Loans – City of Newport were not reflected in the prior year’s report.

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

IV. OTHER INFORMATION

A. Risk Management

The county is exposed to various risks related to general liability, property, casualty, workers’ compensation, and employee health and accident.

The county joined the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was 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 county also joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. Cocke County pays annual premiums to the TSB-RMT for its general liability, property, casualty, and workers’ compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums. The TSB-RMT reinsures through commercial insurance companies for claims exceeding \$100,000.

B. Subsequent Events

Subsequent to year-end, Cocke County drew \$786,476 under the Sevier County Public Building Authority, Series VI-F-4 loan agreement and \$728,300 under the Blount County Public Building Authority, Series D-11-C loan agreement. These other loan proceeds were for purchases of highway equipment, bridge construction, school buses, and HVAC equipment for the School Department.

C. Contingent Liabilities

Cocke County and several other Tennessee counties have been named as defendants in a lawsuit demanding compliance with requirements of the Americans with Disabilities Acts (ADA). This lawsuit applies to all Cocke County facilities. Cocke County has completed renovations to the courthouse annex that contains an elevator. However, it is uncertain if this will bring the

county into compliance with all ADA requirements. Therefore, a reasonable estimate or range of potential loss to the county resulting from this lawsuit cannot be made.

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

D. Change in Administration

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

E. Landfill Closure/Postclosure Costs

State and federal laws and regulations require the county to place a final cover on its Old Asheville Road landfill site and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Coker County has closed the landfill site and placed the final cover on the site. The county estimates that landfill postclosure care costs will be \$187,565 for the next 23 years for that site. Also, state and federal laws and regulations require the county to place a final cover on its demolition landfill and to perform certain maintenance and monitoring functions at the site for two years after closure. As of June 30, 2007, Coker County expects to close the demolition landfill in 2009; therefore, the county estimates that closure/postclosure care costs will be \$475,755 for that site. These amounts are based on what it would cost to perform all postclosure care for the Old Asheville Road landfill and all closure/postclosure care for the demolition landfill in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Fourth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Fourth Judicial District; Coker, Grainger, Jefferson, and Sevier counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a Board of Directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Coker County made no contributions to the DTF for the year ended June 30, 2007, 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 District Attorney General
Fourth Judicial District
125 Court Avenue, Suite 301
Sevierville, TN 37862

G. Jointly Governed Organization

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

H. Retirement Commitments

Plan Description

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

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

Funding Policy

Cocke County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2007, was 11.47 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Cocke County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2007, Cocke County’s annual pension cost of \$1,022,025 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Cocke County’s unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 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
6-30-07	\$1,022,025	100%	\$0
6-30-06	931,363	100	0
6-30-05	877,000	100	0

I. Office of Central Accounting, Budgeting, and Purchasing

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

J. Purchasing Laws

Purchasing procedures for the Offices of County Mayor and Road Superintendent are conducted under provisions of Section 5-14-101, et seq., Tennessee Code Annotated (TCA). Purchasing procedures for the Office of Road Superintendent are also governed by provisions of the Uniform Road Law, Section 54-7-113, TCA. These statutes provide for a purchasing agent and require competitive bids on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit D-1

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 7,218,104	\$ 0	\$ 7,218,104	\$ 6,990,021	\$ 6,990,021	\$ 228,083
Licenses and Permits	71,241	0	71,241	64,600	64,600	6,641
Fines, Forfeitures, and Penalties	203,889	0	203,889	174,900	174,900	28,989
Charges for Current Services	319,936	0	319,936	301,700	304,000	15,936
Other Local Revenues	124,400	0	124,400	90,625	101,987	22,413
Fees Received from County Officials	971,614	0	971,614	861,000	861,000	110,614
State of Tennessee	925,915	0	925,915	1,103,026	948,026	(22,111)
Federal Government	636,385	0	636,385	315,090	601,467	34,918
Other Governments and Citizens Groups	72,201	0	72,201	60,000	60,000	12,201
Total Revenues	\$ 10,543,685	\$ 0	\$ 10,543,685	\$ 9,960,962	\$ 10,106,001	\$ 437,684
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 63,646	\$ 0	\$ 63,646	\$ 85,860	\$ 85,860	\$ 22,214
Board of Equalization	3,240	0	3,240	4,200	4,200	960
Beer Board	4,821	0	4,821	5,410	5,410	589
Other Boards and Committees	0	0	0	1,200	1,200	1,200
County Mayor/Executive	169,074	0	169,074	176,704	176,094	7,020
County Attorney	24,439	0	24,439	27,500	27,500	3,061
Election Commission	153,895	9,700	163,595	169,718	173,593	9,998
Register of Deeds	188,837	0	188,837	202,279	203,118	14,281
Development	10,500	0	10,500	10,500	10,500	0
County Buildings	180,101	0	180,101	184,185	197,255	17,154
Other General Administration	77,328	0	77,328	86,000	86,000	8,672
Preservation of Records	42,247	0	42,247	45,921	45,921	3,674
<u>Finance</u>						
Accounting and Budgeting	188,455	0	188,455	197,125	194,625	6,170

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
Property Assessor's Office	\$ 279,508	\$ 0	\$ 279,508	\$ 288,359	\$ 288,359	\$ 8,851
County Trustee's Office	91,772	0	91,772	105,296	105,296	13,524
County Clerk's Office	126,451	0	126,451	124,079	129,079	2,628
<u>Administration of Justice</u>						
Circuit Court	333,988	0	333,988	355,765	355,695	21,707
General Sessions Court	357,427	0	357,427	369,617	369,617	12,190
Drug Court	4,679	0	4,679	4,680	4,680	1
Chancery Court	210,337	0	210,337	208,467	212,667	2,330
Juvenile Court	29,812	0	29,812	32,046	31,846	2,034
Judicial Commissioners	23,334	0	23,334	28,860	28,860	5,526
<u>Public Safety</u>						
Sheriff's Department	2,030,211	0	2,030,211	2,129,260	2,146,893	116,682
Special Patrols	109,791	0	109,791	110,185	110,185	394
Jail	1,059,525	30,000	1,089,525	1,205,980	1,276,314	186,789
Juvenile Services	174,952	0	174,952	169,508	177,601	2,649
Fire Prevention and Control	841,496	0	841,496	869,747	895,747	54,251
Civil Defense	232,160	0	232,160	236,289	235,823	3,663
Inspection and Regulation	4,725	0	4,725	5,200	5,200	475
County Coroner/Medical Examiner	25,385	0	25,385	51,500	51,500	26,115
Other Public Safety	33,130	0	33,130	37,940	35,640	2,510
<u>Public Health and Welfare</u>						
Local Health Center	254,492	0	254,492	309,379	309,379	54,887
Rabies and Animal Control	36,988	0	36,988	34,999	37,299	311
General Welfare Assistance	6,500	0	6,500	7,000	7,000	500
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	3,600	0	3,600	3,600	3,600	0

(Continued)

Exhibit D-1

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Social, Cultural, and Recreational Services (Cont.)</u>						
Libraries	\$ 50,780	\$ 0	\$ 50,780	\$ 50,780	\$ 50,780	\$ 0
Other Social, Cultural, and Recreational	187,186	0	187,186	196,849	196,849	9,663
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	40,723	0	40,723	57,338	57,338	16,615
Soil Conservation	20,000	0	20,000	20,000	20,000	0
<u>Other Operations</u>						
Industrial Development	258,777	0	258,777	310,100	310,100	51,323
Housing and Urban Development	126,579	0	126,579	0	126,968	389
Veterans' Services	71,383	0	71,383	72,381	72,381	998
Other Charges	625,876	0	625,876	680,500	680,700	54,824
Contributions to Other Agencies	230,169	0	230,169	230,169	230,169	0
Employee Benefits	12,856	0	12,856	21,500	16,461	3,605
Miscellaneous	4,595	0	4,595	6,000	6,000	1,405
<u>Highways</u>						
Litter and Trash Collection	104,419	0	104,419	114,758	114,758	10,339
Total Expenditures	\$ 9,110,189	\$ 39,700	\$ 9,149,889	\$ 9,644,733	\$ 9,912,060	\$ 762,171
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 1,433,496	\$ (39,700)	\$ 1,393,796	\$ 316,229	\$ 193,941	\$ 1,199,855
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 40,585	\$ 0	\$ 40,585	\$ 0	\$ 48,688	\$ (8,103)
Transfers Out	(1,178,300)	0	(1,178,300)	(1,198,958)	(1,198,958)	20,658
Total Other Financing Sources (Uses)	\$ (1,137,715)	\$ 0	\$ (1,137,715)	\$ (1,198,958)	\$ (1,150,270)	\$ 12,555
Net Change in Fund Balance						
Fund Balance, July 1, 2006	\$ 1,787,508	\$ (39,700)	\$ 1,787,508	\$ (882,729)	\$ (956,329)	\$ 1,212,410
Fund Balance, June 30, 2007	\$ 2,083,289	\$ (39,700)	\$ 2,043,589	\$ 904,105	\$ 830,505	\$ 1,213,084

Exhibit D-2

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 658,264	\$ 0	\$ 0	\$ 658,264	\$ 615,261	\$ 615,261	\$ 43,003
Other Local Revenues	1,918	0	0	1,918	0	0	1,918
State of Tennessee	2,114,124	0	0	2,114,124	2,180,321	2,180,321	(66,197)
Federal Government	237,365	0	0	237,365	231,822	231,822	5,543
Total Revenues	\$ 3,011,671	\$ 0	\$ 0	\$ 3,011,671	\$ 3,027,404	\$ 3,027,404	\$ (15,733)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 227,175	\$ 0	\$ 0	\$ 227,175	\$ 234,432	\$ 234,432	\$ 7,257
Highway and Bridge Maintenance	1,886,546	(454,141)	140,000	1,572,405	1,821,533	2,082,933	510,528
Operation and Maintenance of Equipment	470,553	0	0	470,553	532,662	526,662	56,109
Quarry Operations	251,648	(11,600)	10,700	250,748	296,929	296,929	46,181
Other Charges	393,087	0	0	393,087	394,566	394,566	1,479
Employee Benefits	4,901	0	0	4,901	5,100	5,100	199
Capital Outlay	541,895	(334,212)	250,333	458,016	680,000	762,331	304,315
Total Expenditures	\$ 3,775,805	\$ (799,953)	\$ 401,033	\$ 3,376,885	\$ 3,965,222	\$ 4,302,953	\$ 926,068
Excess (Deficiency) of Revenues Over Expenditures	\$ (764,134)	\$ 799,953	\$ (401,033)	\$ (365,214)	\$ (937,818)	\$ (1,275,549)	\$ 910,335
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 554,654	\$ 0	\$ 0	\$ 554,654	\$ 680,000	\$ 680,000	\$ (125,346)
Insurance Recovery	82,331	0	0	82,331	0	82,331	0
Total Other Financing Sources (Uses)	\$ 636,985	\$ 0	\$ 0	\$ 636,985	\$ 680,000	\$ 762,331	\$ (125,346)
Net Change in Fund Balance	\$ (127,149)	\$ 799,953	\$ (401,033)	\$ 271,771	\$ (257,818)	\$ (513,218)	\$ 784,989
Fund Balance, July 1, 2006	1,309,728	(799,953)	0	509,775	990,101	990,101	(480,326)
Fund Balance, June 30, 2007	\$ 1,182,579	\$ 0	\$ (401,033)	\$ 781,546	\$ 732,283	\$ 476,883	\$ 304,663

Exhibit D-3

Coke County, Tennessee
Schedule of Funding Progress – Pension Plan
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 18,054	\$ 20,950	2,896	86.18 %	\$ 8,184	35.38 %
6-30-03	15,173	18,436	3,263	82.30	7,849	41.57
6-30-01	12,628	16,278	3,650	77.58	7,041	51.84

COCKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions involving solid waste collection.

Industrial/Economic Development Fund – The Industrial/Economic Development Fund is used to account for transactions involving industrial development projects.

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

Sports and Recreation Fund – The Sports and Recreation Fund is used to account for transactions involving the Recreation Department.

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

Debt Service Fund

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

Rural Debt Service Fund – The Rural Debt Service Fund is used to account for the retirement of bonds, other loans, and notes issued for the construction and renovations of the county’s elementary schools.

Capital Projects Funds

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

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

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

Exhibit E-1

Cocke County, Tennessee
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	
ASSETS						
Cash	\$ 0	\$ 0	\$ 0	\$ 11,317	\$ 106,491	\$ 117,808
Equity in Pooled Cash and Investments	75,966	290,904	73,567	0	0	440,437
Investments	0	0	0	0	0	0
Accounts Receivable	7,794	0	0	0	20,266	28,060
Due from Other Governments	2,027	0	0	0	0	2,027
Property Taxes Receivable	0	245,813	0	0	0	245,813
Allowance for Uncollectible Property Taxes	0	(7,777)	0	0	0	(7,777)
Total Assets	\$ 85,787	\$ 528,940	\$ 73,567	\$ 11,317	\$ 126,757	\$ 826,368
LIABILITIES AND FUND BALANCES						
<u>Liabilities</u>						
Accounts Payable	\$ 60,148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,148
Payroll Deductions Payable	617	0	0	0	0	617
Contracts Payable	0	0	0	0	0	0
Retainage Payable	0	0	0	0	0	0
Due to Other Funds	0	0	0	0	7,143	7,143
Deferred Revenue - Current Property Taxes	0	228,884	0	0	0	228,884
Deferred Revenue - Delinquent Property Taxes	0	7,322	0	0	0	7,322
Total Liabilities	\$ 60,765	\$ 236,206	\$ 0	\$ 0	\$ 7,143	\$ 304,114
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reserved for Capital Outlay	0	0	0	0	0	0
Unreserved (Deficit)	25,022	292,734	73,567	11,317	119,614	522,254
Total Fund Balances	\$ 25,022	\$ 292,734	\$ 73,567	\$ 11,317	\$ 119,614	\$ 522,254
Total Liabilities and Fund Balances	\$ 85,787	\$ 528,940	\$ 73,567	\$ 11,317	\$ 126,757	\$ 826,368

(Continued)

Exhibit E-1

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

	Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
	Rural Debt Service	General Capital Projects	Highway Capital Projects	Total	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 22,336	\$ 22,336	\$ 140,144
Equity in Pooled Cash and Investments	16,821	34,639	36,478	71,117	528,375
Investments	0	0	641,313	641,313	641,313
Accounts Receivable	0	0	0	0	28,060
Due from Other Governments	0	0	0	0	2,027
Property Taxes Receivable	0	0	0	0	245,813
Allowance for Uncollectible Property Taxes	0	0	0	0	(7,777)
Total Assets	\$ 16,821	\$ 34,639	\$ 700,127	\$ 734,766	\$ 1,577,955
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 0	\$ 60,148
Payroll Deductions Payable	0	0	0	0	617
Contracts Payable	0	199,944	0	199,944	199,944
Retainage Payable	0	18,605	0	18,605	18,605
Due to Other Funds	0	0	0	0	7,143
Deferred Revenue - Current Property Taxes	0	0	0	0	228,884
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	7,322
Total Liabilities	\$ 0	\$ 218,549	\$ 0	\$ 218,549	\$ 522,663
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 117,451	\$ 0	\$ 117,451	\$ 117,451
Reserved for Capital Outlay	0	0	700,127	700,127	700,127
Unreserved (Deficit)	16,821	(301,361)	0	(301,361)	237,714
Total Fund Balances	\$ 16,821	\$ (183,910)	\$ 700,127	\$ 516,217	\$ 1,055,292
Total Liabilities and Fund Balances	\$ 16,821	\$ 34,639	\$ 700,127	\$ 734,766	\$ 1,577,955

Exhibit E-2

Cocke County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 228,048	\$ 0	\$ 0	\$ 0	\$ 228,048
Fines, Forfeitures, and Penalties	0	0	23,291	0	0	23,291
Charges for Current Services	46,557	0	0	28,711	532,500	607,768
Other Local Revenues	22,258	0	0	13,354	0	35,612
State of Tennessee	26,500	10,799	0	0	0	37,299
Other Governments and Citizens Groups	0	0	0	5,007	0	5,007
Total Revenues	\$ 95,315	\$ 238,847	\$ 23,291	\$ 47,072	\$ 532,500	\$ 937,025
<u>Expenditures</u>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 480,586	\$ 480,586
Administration of Justice	0	0	0	0	36,838	36,838
Public Safety	0	0	5,526	0	42	5,568
Public Health and Welfare	1,291,550	0	0	0	0	1,291,550
Social, Cultural, and Recreational Services	0	0	0	52,479	0	52,479
Debt Service:						
Principal on Debt	0	10,098	0	0	0	10,098
Interest on Debt	0	41,217	0	0	0	41,217
Capital Projects	0	624,495	0	0	0	624,495
Total Expenditures	\$ 1,291,550	\$ 675,810	\$ 5,526	\$ 52,479	\$ 517,466	\$ 2,542,831
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,196,235)	\$ (436,963)	\$ 17,765	\$ (5,407)	\$ 15,034	\$ (1,605,806)
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 0	\$ 497,197	\$ 0	\$ 0	\$ 0	\$ 497,197
Transfers In	1,175,000	0	0	3,300	0	1,178,300
Total Other Financing Sources (Uses)	\$ 1,175,000	\$ 497,197	\$ 0	\$ 3,300	\$ 0	\$ 1,675,497
Net Change in Fund Balances	\$ (21,235)	\$ 60,234	\$ 17,765	\$ (2,107)	\$ 15,034	\$ 69,691
Fund Balance, July 1, 2006	46,257	232,500	55,802	0	104,580	439,139
Prior Period Adjustment	0	0	0	13,424	0	13,424
Fund Balance, June 30, 2007	\$ 25,022	\$ 292,734	\$ 73,567	\$ 11,317	\$ 119,614	\$ 522,254

(Continued)

Exhibit E-2

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

	Debt Service Fund		Capital Projects Funds			Total Nonmajor Governmental Funds
	Rural Debt Service	General Capital Projects	Highway Capital Projects	Total		
Revenues						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 228,048
Fines, Forfeitures, and Penalties	0	0	0	0	0	23,291
Charges for Current Services	0	0	0	0	0	607,768
Other Local Revenues	0	0	32,512	32,512	0	68,124
State of Tennessee	0	212,912	0	212,912	0	250,211
Other Governments and Citizens Groups	311,493	26,033	0	26,033	0	342,533
Total Revenues	\$ 311,493	\$ 238,945	\$ 32,512	\$ 271,457	\$ 0	\$ 1,519,975
Expenditures						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 480,586
Administration of Justice	0	0	0	0	0	36,838
Public Safety	0	0	0	0	0	5,568
Public Health and Welfare	0	0	0	0	0	1,291,550
Social, Cultural, and Recreational Services	0	0	0	0	0	52,479
Debt Service:						
Principal on Debt	215,000	0	0	0	0	225,098
Interest on Debt	96,493	0	0	0	0	137,710
Capital Projects	0	820,452	256,950	1,077,402	0	1,701,897
Total Expenditures	\$ 311,493	\$ 820,452	\$ 256,950	\$ 1,077,402	\$ 0	\$ 3,931,726
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (581,507)	\$ (224,438)	\$ (805,945)	\$ 0	\$ (2,411,751)
Other Financing Sources (Uses)						
Other Loans Issued	\$ 0	\$ 393,165	\$ 216,596	\$ 609,761	\$ 0	\$ 1,106,958
Transfers In	0	0	0	0	0	1,178,300
Total Other Financing Sources (Uses)	\$ 0	\$ 393,165	\$ 216,596	\$ 609,761	\$ 0	\$ 2,285,258
Net Change in Fund Balances	\$ 0	\$ (188,342)	\$ (7,842)	\$ (196,184)	\$ 0	\$ (126,493)
Fund Balance, July 1, 2006	16,821	4,432	707,969	712,401	0	1,168,361
Prior Period Adjustment	0	0	0	0	0	13,424
Fund Balance, June 30, 2007	\$ 16,821	\$ (183,910)	\$ 700,127	\$ 516,217	\$ 0	\$ 1,055,292

Exhibit E-3

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 46,557	\$ 65,000	\$ 65,000	\$ (18,443)
Other Local Revenues	22,258	17,000	17,000	5,258
State of Tennessee	26,500	24,000	24,000	2,500
Total Revenues	<u>\$ 95,315</u>	<u>\$ 106,000</u>	<u>\$ 106,000</u>	<u>\$ (10,685)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 408,289	\$ 439,547	\$ 427,547	\$ 19,258
Convenience Centers	883,261	892,900	904,900	21,639
Total Expenditures	<u>\$ 1,291,550</u>	<u>\$ 1,332,447</u>	<u>\$ 1,332,447</u>	<u>\$ 40,897</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,196,235)</u>	<u>\$ (1,226,447)</u>	<u>\$ (1,226,447)</u>	<u>\$ 30,212</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 1,175,000	\$ 1,198,958	\$ 1,198,958	\$ (23,958)
Total Other Financing Sources (Uses)	<u>\$ 1,175,000</u>	<u>\$ 1,198,958</u>	<u>\$ 1,198,958</u>	<u>\$ (23,958)</u>
Net Change in Fund Balance	\$ (21,235)	\$ (27,489)	\$ (27,489)	\$ 6,254
Fund Balance, July 1, 2006	<u>46,257</u>	<u>27,489</u>	<u>27,489</u>	<u>18,768</u>
Fund Balance, June 30, 2007	<u>\$ 25,022</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 25,022</u>

Exhibit E-4

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Industrial/Economic Development Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 228,048	\$ 0	\$ 222,405	\$ 5,643
State of Tennessee	10,799	0	10,800	(1)
Total Revenues	<u>\$ 238,847</u>	<u>\$ 0</u>	<u>\$ 233,205</u>	<u>\$ 5,642</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 10,098	\$ 0	\$ 10,098	\$ 0
<u>Interest on Debt</u>				
General Government	41,217	0	41,217	0
<u>Capital Projects</u>				
Public Utility Projects	624,495	0	665,882	41,387
Total Expenditures	<u>\$ 675,810</u>	<u>\$ 0</u>	<u>\$ 717,197</u>	<u>\$ 41,387</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (436,963)</u>	<u>\$ 0</u>	<u>\$ (483,992)</u>	<u>\$ 47,029</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 497,197	\$ 0	\$ 497,197	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 497,197</u>	<u>\$ 0</u>	<u>\$ 497,197</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 60,234	\$ 0	\$ 13,205	\$ 47,029
Fund Balance, July 1, 2006	<u>232,500</u>	<u>0</u>	<u>232,500</u>	<u>0</u>
Fund Balance, June 30, 2007	<u><u>\$ 292,734</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 245,705</u></u>	<u><u>\$ 47,029</u></u>

Exhibit E-5

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 23,291	\$ 22,000	\$ 22,000	\$ 1,291
Other Local Revenues	0	2,500	2,500	(2,500)
Federal Government	0	6,000	6,000	(6,000)
Total Revenues	\$ 23,291	\$ 30,500	\$ 30,500	\$ (7,209)
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 3,697	\$ 26,500	\$ 26,500	\$ 22,803
Drug Enforcement	1,829	20,000	20,000	18,171
Total Expenditures	\$ 5,526	\$ 46,500	\$ 46,500	\$ 40,974
Excess (Deficiency) of Revenues Over Expenditures	\$ 17,765	\$ (16,000)	\$ (16,000)	\$ 33,765
Net Change in Fund Balance	\$ 17,765	\$ (16,000)	\$ (16,000)	\$ 33,765
Fund Balance, July 1, 2006	55,802	55,802	55,802	0
Fund Balance, June 30, 2007	\$ 73,567	\$ 39,802	\$ 39,802	\$ 33,765

Exhibit E-6

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Rural Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Governments and Citizens Groups	\$ 311,493	\$ 311,493	\$ 311,493	\$ 0
Total Revenues	\$ 311,493	\$ 311,493	\$ 311,493	\$ 0
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 215,000	\$ 215,000	\$ 215,000	\$ 0
<u>Interest on Debt</u>				
Education	96,493	96,493	96,493	0
Total Expenditures	\$ 311,493	\$ 311,493	\$ 311,493	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2006	16,821	16,821	16,821	0
Fund Balance, June 30, 2007	\$ 16,821	\$ 16,821	\$ 16,821	\$ 0

Major Governmental Fund

General Debt Service Fund

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

Exhibit F

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,083,325	\$ 1,786,436	\$ 1,786,436	\$ 296,889
Other Local Revenues	689,731	300,000	301,000	388,731
State of Tennessee	34,556	34,500	34,500	56
Total Revenues	<u>\$ 2,807,612</u>	<u>\$ 2,120,936</u>	<u>\$ 2,121,936</u>	<u>\$ 685,676</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 50,610	\$ 51,000	\$ 51,000	\$ 390
Highways and Streets	132,497	133,000	133,000	503
Education	818,861	820,000	820,000	1,139
<u>Interest on Debt</u>				
General Government	96,654	120,000	120,000	23,346
Highways and Streets	206,368	380,000	380,000	173,632
Education	678,567	769,000	767,000	88,433
<u>Other Debt Service</u>				
General Government	36,815	35,000	37,658	843
Highways and Streets	68,470	0	68,470	0
Education	36,575	7,000	39,512	2,937
Total Expenditures	<u>\$ 2,125,417</u>	<u>\$ 2,315,000</u>	<u>\$ 2,416,640</u>	<u>\$ 291,223</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 682,195</u>	<u>\$ (194,064)</u>	<u>\$ (294,704)</u>	<u>\$ 976,899</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 100,640	\$ 0	\$ 100,640	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 100,640</u>	<u>\$ 0</u>	<u>\$ 100,640</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 782,835	\$ (194,064)	\$ (194,064)	\$ 976,899
Fund Balance, July 1, 2006	<u>5,852,604</u>	<u>5,852,602</u>	<u>5,852,602</u>	<u>2</u>
Fund Balance, June 30, 2007	<u>\$ 6,635,439</u>	<u>\$ 5,658,538</u>	<u>\$ 5,658,538</u>	<u>\$ 976,901</u>

Fiduciary Funds

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

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

City School ADA - Newport Fund – The City Schools ADA - Newport Fund is used to account for the city school system's share of education revenues collected by the county that must be apportioned to the system on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit court clerk, general sessions court clerk, clerk and master, register, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit G-1

Cocke County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2007

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>City School ADA - Newport</u>	<u>Constitu- tional Officers - Agency</u>	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,715,883	\$ 1,715,883
Equity in Pooled Cash and Investments	0	522	0	522
Accounts Receivable	0	0	3,437	3,437
Due from Other Governments	512,407	91,228	0	603,635
Property Taxes Receivable	0	408,959	0	408,959
Allowance for Uncollectible Property Taxes	0	(12,938)	0	(12,938)
Cash Shortage	0	0	43,190	43,190
Total Assets	<u>\$ 512,407</u>	<u>\$ 487,771</u>	<u>\$ 1,762,510</u>	<u>\$ 2,762,688</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 512,407	\$ 487,771	\$ 0	\$ 1,000,178
Due to Litigants, Heirs, and Others	0	0	1,762,510	1,762,510
Total Liabilities	<u>\$ 512,407</u>	<u>\$ 487,771</u>	<u>\$ 1,762,510</u>	<u>\$ 2,762,688</u>

Exhibit G-2

Cocke County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,024,944	\$ 3,024,944	\$ 0
Due from Other Governments	508,085	512,407	508,085	512,407
Total Assets	\$ 508,085	\$ 3,537,351	\$ 3,533,029	\$ 512,407
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 508,085	\$ 3,537,351	\$ 3,533,029	\$ 512,407
Total Liabilities	\$ 508,085	\$ 3,537,351	\$ 3,533,029	\$ 512,407
<u>City - School ADA Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 8,669	\$ 927,287	\$ 935,434	\$ 522
Due from Other Governments	89,776	91,228	89,776	91,228
Property Taxes Receivable	382,605	408,959	382,605	408,959
Allowance for Uncollectible Property Taxes	(19,012)	(12,938)	(19,012)	(12,938)
Total Assets	\$ 462,038	\$ 1,414,536	\$ 1,388,803	\$ 487,771
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 462,038	\$ 1,414,536	\$ 1,388,803	\$ 487,771
Total Liabilities	\$ 462,038	\$ 1,414,536	\$ 1,388,803	\$ 487,771
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,045,125	\$ 6,643,599	\$ 6,972,841	\$ 1,715,883
Accounts Receivable	2,909	3,437	2,909	3,437
Due from Other Funds	2,035	0	2,035	0
Cash Shortage	44,465	0	1,275	43,190
Total Assets	\$ 2,094,534	\$ 6,647,036	\$ 6,979,060	\$ 1,762,510
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,094,534	\$ 6,647,036	\$ 6,979,060	\$ 1,762,510
Total Liabilities	\$ 2,094,534	\$ 6,647,036	\$ 6,979,060	\$ 1,762,510

(Continued)

Exhibit G-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 2,045,125	\$ 6,643,599	\$ 6,972,841	\$ 1,715,883
Equity in Pooled Cash and Investments	8,669	3,952,231	3,960,378	522
Accounts Receivable	2,909	3,437	2,909	3,437
Due from Other Governments	597,861	603,635	597,861	603,635
Due from Other Funds	2,035	0	2,035	0
Property Taxes Receivable	382,605	408,959	382,605	408,959
Allowance for Uncollectible Property Taxes	(19,012)	(12,938)	(19,012)	(12,938)
Cash Shortage	44,465	0	1,275	43,190
Total Assets	<u>\$ 3,064,657</u>	<u>\$ 11,598,923</u>	<u>\$ 11,900,892</u>	<u>\$ 2,762,688</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 970,123	\$ 4,951,887	\$ 4,921,832	\$ 1,000,178
Due to Litigants, Heirs, and Others	2,094,534	6,647,036	6,979,060	1,762,510
Total Liabilities	<u>\$ 3,064,657</u>	<u>\$ 11,598,923</u>	<u>\$ 11,900,892</u>	<u>\$ 2,762,688</u>

MISCELLANEOUS SCHEDULES

Exhibit H-1

Cocke County, Tennessee
Schedule of Changes in Long-term Notes, Other Loans, and Bonds
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
EPA Asbestos Abatement	\$	0 %	5-1-1990	11-30-09	\$ 76,741	\$ 0	\$ 21,927	\$ 54,814
School Energy Conservation & Renovation	496,000	3	11-1-00	12-1-07	152,334	0	75,041	77,293
Capital Outlay Refunding Note, Series 2004	1,795,000	2 to 2.5	3-23-04	6-1-09	1,600,000	0	545,000	1,055,000
Total Payable through General Debt Service Fund					<u>\$ 1,829,075</u>	<u>\$ 0</u>	<u>\$ 641,968</u>	<u>\$ 1,187,107</u>
Total Notes Payable					<u>\$ 1,829,075</u>	<u>\$ 0</u>	<u>\$ 641,968</u>	<u>\$ 1,187,107</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Public Building Authority, Series IV-E-2	10,000,000	Variable	11-2-00	6-1-16	\$ 2,590,000	\$ 0	\$ 285,000	\$ 2,305,000
Public Building Authority, Series IV-E-2	(1)	3.91	11-2-00	6-1-21	5,025,000	0	0	5,025,000
Public Building Authority, Series V-B-3	5,000,000	Variable	6-4-03	6-1-28	4,775,000	0	75,000	4,700,000
Public Building Authority, Series VI-F-4	(2)	Variable	9-29-05	6-1-24	502,079	1,211,445	0	1,713,524
Public Building Authority, Series D-11-C	(3)	Variable	6-26-07	6-1-33	0	53,610	0	53,610
Total Payable through General Debt Service Fund					<u>\$ 12,892,079</u>	<u>\$ 1,265,055</u>	<u>\$ 360,000</u>	<u>\$ 13,797,134</u>
<u>Payable through Industrial/Economic Development Fund</u>								
City of Newport - River Crest Project (A)	1,024,000	4.13 (4)	2-14-06	5-1-45	\$ 1,024,000	\$ 0	\$ 8,907	\$ 1,015,093
City of Newport - River Crest Project (B)	300,000	4.38 (4)	2-14-06	5-1-46	300,000	0	1,191	298,809
City of Newport - Hwy 25E Projects	497,197	4.5	7-13-06	(5)	0	497,197	0	497,197
Total Payable through Industrial/ Economic Development Fund					<u>\$ 1,324,000</u>	<u>\$ 497,197</u>	<u>\$ 10,098</u>	<u>\$ 1,811,099</u>
Total Other Loans Payable					<u>\$ 14,216,079</u>	<u>\$ 1,762,252</u>	<u>\$ 370,098</u>	<u>\$ 15,608,233</u>

(Continued)

Exhibit H-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 2004	\$ 9,705,000	3 to 5 %	3-23-04	6-1-18	\$ 9,705,000	\$ 0	\$ 0	\$ 9,705,000
Total Payable through General Debt Service Fund					<u>\$ 9,705,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,705,000</u>
<u>Payable through Rural Debt Service Fund</u>								
Rural School Refunding Bonds, Series 2004	3,215,000	2 to 3.9	3-23-04	6-1-18	\$ 3,125,000	\$ 0	\$ 215,000	\$ 2,910,000
Total Payable through Rural Debt Service Fund					<u>\$ 3,125,000</u>	<u>\$ 0</u>	<u>\$ 215,000</u>	<u>\$ 2,910,000</u>
Total Bonds Payable					<u>\$ 12,830,000</u>	<u>\$ 0</u>	<u>\$ 215,000</u>	<u>\$ 12,615,000</u>

- (1) \$5,025,000 of the PBA Loan Series IV-E-2 was swapped to a synthetic fixed rate by execution of a swap agreement during a prior year.
- (2) Total amount approved was \$2,500,000, of which \$786,476 remains available for draws as of June 30, 2007.
- (3) Total amount approved was \$3,500,000, of which \$3,446,390 remains available for draws as of June 30, 2007.
- (4) In prior year, these issues were inadvertently omitted from the Schedule of Changes in Long-term Notes, Other Loans, and Bonds.
- (5) The county has pledged its incremental tax revenues (excess of current taxes over base year amounts), from properties within the development toward the retirement of this obligation. The agreement requires only the payment of the tax increment each year, with interest accruing on the unpaid balance until the debt is retired. Therefore, no maturity date can be established.

Exhibit H-2

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

Year Ending June 30	Payable through General Debt Service Fund			Payable through Rural Debt Service Fund			Total All Requirements
	Bond Requirements	Interest Requirements	Total Requirements	Bond Requirements	Interest Requirements	Total Requirements	
2008	\$ 0	\$ 419,169	\$ 419,169	\$ 220,000	\$ 92,193	\$ 312,193	\$ 731,362
2009	0	419,169	419,169	225,000	87,793	312,793	731,962
2010	615,000	419,169	1,034,169	235,000	82,730	317,730	1,351,899
2011	730,000	400,719	1,130,719	240,000	76,855	316,855	1,447,574
2012	825,000	378,818	1,203,818	255,000	70,255	325,255	1,529,073
2013	915,000	354,068	1,269,068	260,000	62,605	322,605	1,591,673
2014	1,105,000	325,475	1,430,475	270,000	54,155	324,155	1,754,630
2015	1,195,000	275,750	1,470,750	280,000	44,975	324,975	1,795,725
2016	1,295,000	216,000	1,511,000	295,000	35,175	330,175	1,841,175
2017	1,470,000	151,250	1,621,250	310,000	24,260	334,260	1,955,510
2018	1,555,000	77,750	1,632,750	320,000	12,480	332,480	1,965,230
Total	\$ 9,705,000	\$ 3,437,337	\$ 13,142,337	\$ 2,910,000	\$ 643,476	\$ 3,553,476	\$ 16,695,813

Exhibit H-3

Cocke County, Tennessee
Schedule of Investments
June 30, 2007

<u>Fund and Type</u>	<u>Amount</u>
<u>Highway Capital Projects Fund</u>	
State Treasurer's Investment Pool	<u>\$ 641,313</u>
Total Investments	<u><u>\$ 641,313</u></u>

Exhibit H-4

Coke County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	Solid Waste/Sanitation	Funds for operations	\$ 1,175,000
General	Sports and Recreation	Funds for operations	<u>3,300</u>
Total Transfers			<u>\$ 1,178,300</u>

Exhibit H-5

Cocke County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 64,759	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	61,676	100,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,069	1,072,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	10,000	"
Director of Accounts and Budgets	County Commission	56,069	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
General Sessions Court Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u> , and Chancery Court Judge	92,619 (1)	50,000	Old Republic Surety Company
Register	Section 8-24-102, <u>TCA</u>	56,069	25,000	Ohio Casualty Insurance Company
Sheriff:				
Billy Wayne Moore (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	10,279	25,000	"
Claude Strange (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	51,997 (2)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Tennessee School Boards Risk Management Trust
Public Employee Dishonesty - County Clerk Employees			40,000	Western Surety Company

(1) Includes special commissioner fees of \$36,550.

(2) Includes law enforcement salary supplement of \$600.

Exhibit H-6

Cocke County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2007

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 5,470,982	\$ 0	\$ 221,494	\$ 0	\$ 0	\$ 0	\$ 553,738
Trustee's Collections - Prior Year	146,558	0	0	0	0	0	13,223
Circuit/Clerk & Master Collections - Prior Years	73,573	0	0	0	0	0	9,717
Interest and Penalty	28,194	0	247	0	0	0	2,897
Payments in-Lieu-of Taxes - T.V.A.	3,505	0	142	0	0	0	355
Payments in-Lieu-of Taxes - Local Utilities	99,970	0	4,047	0	0	0	10,118
Payments in-Lieu-of Taxes - Other	47	0	2	0	0	0	5
<u>County Local Option Taxes</u>							
Local Option Sales Tax	438,675	0	0	0	0	0	0
Hotel/Motel Tax	195,659	0	0	0	0	0	0
Litigation Tax - General	48,266	0	0	0	0	0	0
Litigation Tax - Special Purpose	5,612	0	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	52,898	0	0	0	0	0	0
Business Tax	226,895	0	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0	62,920
Other County Local Option Taxes	58,125	0	0	0	0	0	0
<u>Statutory Local Taxes</u>							
Bank Excise Tax	52,273	0	2,116	0	0	0	5,291
Wholesale Beer Tax	316,484	0	0	0	0	0	0
Interstate Telecommunications Tax	388	0	0	0	0	0	0
Total Local Taxes	\$ 7,218,104	\$ 0	\$ 228,048	\$ 0	\$ 0	\$ 0	\$ 658,264
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 1,401	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	61,187	0	0	0	0	0	0
<u>Permits</u>							
Beer Permits	8,653	0	0	0	0	0	0
Total Licenses and Permits	\$ 71,241	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-6

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

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 3,751	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	5,140	0	0	0	0	0	0
Drug Control Fines	2,519	0	0	0	0	0	0
Jail Fees	1,020	0	0	0	0	0	0
DUI Treatment Fines	427	0	0	0	0	0	0
Data Entry Fee - Circuit Court	789	0	0	0	0	0	0
Courtroom Security Fee	16	0	0	0	0	0	0
<u>General Sessions Court</u>							
Fines	43,405	0	0	0	0	0	0
Officers Costs	45,649	0	0	0	0	0	0
Drug Control Fines	0	0	0	16,461	0	0	0
Drug Court Fees	3,824	0	0	0	0	0	0
Jail Fees	73,420	0	0	0	0	0	0
DUI Treatment Fines	5,901	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	9,539	0	0	0	0	0	0
Courtroom Security Fee	21	0	0	0	0	0	0
<u>Juvenile Court</u>							
Fines	637	0	0	0	0	0	0
Officers Costs	3,059	0	0	0	0	0	0
Drug Control Fines	1,700	0	0	0	0	0	0
Data Entry Fee - Juvenile Court	420	0	0	0	0	0	0
<u>Chancery Court</u>							
Officers Costs	653	0	0	0	0	0	0
Data Entry Fee - Chancery Court	328	0	0	0	0	0	0
<u>Other Courts - In-county</u>							
Fines for Littering	1,656	0	0	0	0	0	0
<u>Judicial District Drug Program</u>							
Courtroom Security Fee	15	0	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	0	6,830	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 203,889	\$ 0	\$ 0	\$ 23,291	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit H-6

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

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	\$ 0	\$ 46,557	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Work Release Charges for Board	30,826	0	0	0	0	0	0
Other General Service Charges	2,671	0	0	0	0	0	0
<u>Fees</u>							
Recreation Fees	246,977	0	0	0	20,219	0	0
Copy Fees	2,157	0	0	0	0	0	0
Telephone Commissions	19,305	0	0	0	0	0	0
Vending Machine Collections	590	0	0	0	2,238	0	0
Tourism Fees	0	0	0	0	6,254	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0	532,500	0
Data Processing Fee - Register	14,410	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	3,000	0	0	0	0	0	0
Total Charges for Current Services	\$ 319,936	\$ 46,557	\$ 0	\$ 0	\$ 28,711	\$ 532,500	\$ 0
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	5,080	0	0	0	0	0	0
Sale of Materials and Supplies	390	22,258	0	0	0	0	1,203
Commissary Sales	13,143	0	0	0	7,888	0	0
Miscellaneous Refunds	23,326	0	0	0	5,466	0	715
<u>Nonrecurring Items</u>							
Sale of Property	82,431	0	0	0	0	0	0
Contributions and Gifts	30	0	0	0	0	0	0
Total Other Local Revenues	\$ 124,400	\$ 22,258	\$ 0	\$ 0	\$ 13,354	\$ 0	\$ 1,918
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 39,700	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	222,307	0	0	0	0	0	0
<u>Fees-In-Lieu of Salary</u>							
Circuit Court Clerk	158,276	0	0	0	0	0	0

(Continued)

Exhibit H-6

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

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees-In-Lieu of Salary (Cont.)</u>							
General Sessions Court Clerk	\$ 287,254	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Clerk and Master	56,579	0	0	0	0	0	0
Juvenile Court Clerk	24,183	0	0	0	0	0	0
Register	171,692	0	0	0	0	0	0
Sheriff	11,623	0	0	0	0	0	0
Total Fees Received from County Officials	\$ 971,614	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 11,475	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	26,500	0	0	0	0	0
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	21,600	0	0	0	0	0	0
<u>Health and Welfare Grants</u>							
Health Department Programs	161,091	0	0	0	0	0	0
<u>Public Works Grants</u>							
Bridge Program	0	0	0	0	0	0	71,513
State Aid Program	0	0	0	0	0	0	168,838
Litter Program	31,174	0	0	0	0	0	0
Tennessee Industrial Infrastructure Program	0	0	0	0	0	0	0
<u>Other State Revenues</u>							
Income Tax	63,232	0	0	0	0	0	0
Beer Tax	0	0	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	0	0	47,289
Mixed Drink Tax	7,764	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	266,733	0	10,799	0	0	0	26,997
Board of Jurors	2,169	0	0	0	0	0	0
Contracted Prisoner Boarding	330,074	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,753,733
Petroleum Special Tax	0	0	0	0	0	0	27,001
Reappraisal Program Reimbursement	14,223	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0	0
Total State of Tennessee	\$ 925,915	\$ 26,500	\$ 10,799	\$ 0	\$ 0	\$ 0	\$ 2,114,124

(Continued)

Exhibit H-6

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

	Special Revenue Funds						
	General	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government</u>							
<u>Federal Through State</u>							
USDA - Other	\$ 1,107	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Disaster Relief	0	0	0	0	0	0	4,332
Homeland Security Grants	200,326	0	0	0	0	0	0
Other Federal through State	291,779	0	0	0	0	0	0
<u>Direct Federal Revenue</u>							
Forest Service	71,495	0	0	0	0	0	10,410
Other Direct Federal Revenue	71,678	0	0	0	0	0	222,623
Total Federal Government	<u>\$ 636,385</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>237,365</u>
<u>Other Governments and Citizens Groups</u>							
<u>Other Governments</u>							
Contributions	\$ 72,201	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Citizens Groups</u>							
Donations	0	0	0	0	5,007	0	0
Total Other Governments and Citizens Groups	<u>\$ 72,201</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,007</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 10,543,685</u>	<u>\$ 95,315</u>	<u>\$ 238,847</u>	<u>\$ 23,291</u>	<u>\$ 47,072</u>	<u>\$ 532,500</u>	<u>\$ 3,011,671</u>

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 708,790	\$ 0	\$ 0	\$ 0	\$ 6,955,004
Trustee's Collections - Prior Year	20,937	0	0	0	180,718
Circuit/Clerk & Master Collections - Prior Years	12,277	0	0	0	95,567
Interest and Penalty	3,946	0	0	0	35,284
Payments in-Lieu-of Taxes - T.V.A.	454	0	0	0	4,456
Payments in-Lieu-of Taxes - Local Utilities	12,952	0	0	0	127,087
Payments in-Lieu-of Taxes - Other	6	0	0	0	60
<u>County Local Option Taxes</u>					
Local Option Sales Tax	1,316,026	0	0	0	1,754,701
Hotel/Motel Tax	0	0	0	0	195,659
Litigation Tax - General	0	0	0	0	48,266
Litigation Tax - Special Purpose	0	0	0	0	5,612
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	52,898
Business Tax	0	0	0	0	226,895
Mineral Severance Tax	0	0	0	0	62,920
Other County Local Option Taxes	0	0	0	0	58,125
<u>Statutory Local Taxes</u>					
Bank Excise Tax	6,772	0	0	0	66,452
Wholesale Beer Tax	0	0	0	0	316,484
Interstate Telecommunications Tax	1,165	0	0	0	1,553
Total Local Taxes	\$ 2,083,325	\$ 0	\$ 0	\$ 0	\$ 10,187,741
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	1,401
Cable TV Franchise	0	0	0	0	61,187
<u>Permits</u>					
Beer Permits	0	0	0	0	8,653
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	71,241

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General	Rural	General	Highway	
	Debt Service	Debt Service	Capital Projects	Capital Projects	
Fines, Forfeitures, and Penalties					
<u>Circuit Court</u>					
Fines	\$ 0	\$ 0	\$ 0	\$ 0	3,751
Officers Costs	0	0	0	0	5,140
Drug Control Fines	0	0	0	0	2,519
Jail Fees	0	0	0	0	1,020
DUI Treatment Fines	0	0	0	0	427
Data Entry Fee - Circuit Court	0	0	0	0	789
Courtroom Security Fee	0	0	0	0	16
<u>General Sessions Court</u>					
Fines	0	0	0	0	43,405
Officers Costs	0	0	0	0	45,649
Drug Control Fines	0	0	0	0	16,461
Drug Court Fees	0	0	0	0	3,824
Jail Fees	0	0	0	0	73,420
DUI Treatment Fines	0	0	0	0	5,901
Data Entry Fee - General Sessions Court	0	0	0	0	9,539
Courtroom Security Fee	0	0	0	0	21
<u>Juvenile Court</u>					
Fines	0	0	0	0	637
Officers Costs	0	0	0	0	3,059
Drug Control Fines	0	0	0	0	1,700
Data Entry Fee - Juvenile Court	0	0	0	0	420
<u>Chancery Court</u>					
Officers Costs	0	0	0	0	653
Data Entry Fee - Chancery Court	0	0	0	0	328
<u>Other Courts - In-county</u>					
Fines for Littering	0	0	0	0	1,656
<u>Judicial District Drug Program</u>					
Courtroom Security Fee	0	0	0	0	15
<u>Other Fines, Forfeitures, and Penalties</u>					
Proceeds from Confiscated Property	0	0	0	0	6,830
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	227,180

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 46,557
Work Release Charges for Board	0	0	0	0	30,826
Other General Service Charges	0	0	0	0	2,671
<u>Fees</u>					
Recreation Fees	0	0	0	0	267,196
Copy Fees	0	0	0	0	2,157
Telephone Commissions	0	0	0	0	19,305
Vending Machine Collections	0	0	0	0	2,828
Tourism Fees	0	0	0	0	6,254
Constitutional Officers' Fees and Commissions	0	0	0	0	532,500
Data Processing Fee - Register	0	0	0	0	14,410
Sexual Offender Registration Fees - Sheriff	0	0	0	0	3,000
Total Charges for Current Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 927,704
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 689,731	\$ 0	\$ 0	\$ 32,512	\$ 722,243
Lease/Rentals	0	0	0	0	5,080
Sale of Materials and Supplies	0	0	0	0	23,851
Commissary Sales	0	0	0	0	21,031
Miscellaneous Refunds	0	0	0	0	29,507
<u>Nonrecurring Items</u>					
Sale of Property	0	0	0	0	82,431
Contributions and Gifts	0	0	0	0	30
Total Other Local Revenues	\$ 689,731	\$ 0	\$ 0	\$ 32,512	\$ 884,173
<u>Fees Received from County Officials</u>					
<u>Excess Fees</u>					
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,700
Trustee	0	0	0	0	222,307
<u>Fees-In-Lieu of Salary</u>					
Circuit Court Clerk	0	0	0	0	158,276

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary (Cont.)</u>					
General Sessions Court Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 287,254
Clerk and Master	0	0	0	0	56,579
Juvenile Court Clerk	0	0	0	0	24,183
Register	0	0	0	0	171,692
Sheriff	0	0	0	0	11,623
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 971,614
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,475
Solid Waste Grants	0	0	0	0	26,500
<u>Public Safety Grants</u>					
Law Enforcement Training Programs	0	0	0	0	21,600
<u>Health and Welfare Grants</u>					
Health Department Programs	0	0	0	0	161,091
<u>Public Works Grants</u>					
Bridge Program	0	0	0	0	71,513
State Aid Program	0	0	0	0	168,838
Litter Program	0	0	0	0	31,174
Tennessee Industrial Infrastructure Program	0	0	212,912	0	212,912
<u>Other State Revenues</u>					
Income Tax	0	0	0	0	63,232
Beer Tax	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	47,289
Mixed Drink Tax	0	0	0	0	7,764
State Revenue Sharing - T.V.A.	34,556	0	0	0	339,085
Board of Jurors	0	0	0	0	2,169
Contracted Prisoner Boarding	0	0	0	0	330,074
Gasoline and Motor Fuel Tax	0	0	0	0	1,753,733
Petroleum Special Tax	0	0	0	0	27,001
Reappraisal Program Reimbursement	0	0	0	0	14,223
Registrar's Salary Supplement	0	0	0	0	16,380
Total State of Tennessee	\$ 34,556	\$ 0	\$ 212,912	\$ 0	\$ 3,324,806

(Continued)

Exhibit H-6

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

	Debt Service Funds		Capital Projects Funds		Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects	
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,107
Disaster Relief	0	0	0	0	4,332
Homeland Security Grants	0	0	0	0	200,326
Other Federal through State	0	0	0	0	291,779
<u>Direct Federal Revenue</u>					
Forest Service	0	0	0	0	81,905
Other Direct Federal Revenue	0	0	0	0	294,301
Total Federal Government	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 873,750</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 311,493	\$ 0	\$ 0	\$ 383,694
<u>Citizens Groups</u>					
Donations	0	0	26,033	0	31,040
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 311,493</u>	<u>\$ 26,033</u>	<u>\$ 0</u>	<u>\$ 414,734</u>
Total	<u>\$ 2,807,612</u>	<u>\$ 311,493</u>	<u>\$ 238,945</u>	<u>\$ 32,512</u>	<u>\$ 17,882,943</u>

Exhibit H-7

Cocke County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Secretary to Board	\$	840	
Board and Committee Members Fees		33,900	
Social Security		2,593	
Audit Services		7,632	
Data Processing Services		241	
Dues and Memberships		14,482	
Legal Services		2,315	
Legal Notices, Recording, and Court Costs		905	
Other Contracted Services		650	
Other Supplies and Materials		88	
Total County Commission			\$ 63,646

Board of Equalization

Board and Committee Members Fees	\$	3,240	
Total Board of Equalization			3,240

Beer Board

Board and Committee Members Fees	\$	3,945	
Legal Notices, Recording, and Court Costs		674	
Printing, Stationery, and Forms		202	
Total Beer Board			4,821

County Mayor/Executive

County Official/Administrative Officer	\$	64,759	
Assistant(s)		28,785	
Secretary(ies)		23,348	
Social Security		8,890	
State Retirement		13,407	
Employee and Dependent Insurance		8,518	
Unemployment Compensation		53	
Communication		5,638	
Travel		8,019	
Office Supplies		5,498	
Office Equipment		2,159	
Total County Mayor/Executive			169,074

County Attorney

County Official/Administrative Officer	\$	24,405	
Printing, Stationery, and Forms		34	
Total County Attorney			24,439

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

Election Commission

County Official/Administrative Officer	\$	50,462	
Clerical Personnel		20,400	
Other Salaries & Wages		6,392	
Election Commission		2,600	
Election Workers		26,827	
Social Security		5,398	
State Retirement		8,128	
Employee and Dependent Insurance		10,021	
Unemployment Compensation		56	
Communication		1,082	
Dues and Memberships		175	
Legal Notices, Recording, and Court Costs		6,369	
Maintenance Agreements		3,200	
Maintenance & Repair Services - Equipment		244	
Printing, Stationery, and Forms		5,203	
Travel		1,333	
Office Equipment		6,005	
Total Election Commission			\$ 153,895

Register of Deeds

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		26,310	
Clerical Personnel		37,592	
Part-time Personnel		1,004	
Social Security		9,145	
State Retirement		13,761	
Employee and Dependent Insurance		18,884	
Unemployment Compensation		89	
Communication		1,570	
Data Processing Services		14,050	
Printing, Stationery, and Forms		9,541	
Furniture and Fixtures		822	
Total Register of Deeds			188,837

Development

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

County Buildings

Maintenance Agreements	\$	11,918	
------------------------	----	--------	--

(Continued)

Exhibit H-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings (Cont.)

Maintenance & Repair Services - Buildings	\$	18,958	
Other Contracted Services		247	
Custodial Supplies		9,841	
Utilities		93,123	
Building Improvements		4,296	
Furniture and Fixtures		4,070	
Site Development		586	
Disabilities Act Improvements		37,062	
Total County Buildings			\$ 180,101

Other General Administration

Postal Charges	\$	43,542	
Printing, Stationery, and Forms		1,038	
Duplicating Supplies		32,748	
Total Other General Administration			77,328

Preservation of Records

Assistant(s)	\$	19,380	
Supervisor/Director		12,421	
Social Security		1,626	
Employee and Dependent Insurance		5,010	
Unemployment Compensation		36	
Office Supplies		972	
Other Supplies and Materials		1,934	
Office Equipment		868	
Total Preservation of Records			42,247

Finance

Accounting and Budgeting

Supervisor/Director	\$	56,069	
Purchasing Personnel		83,394	
Social Security		10,451	
State Retirement		15,996	
Employee and Dependent Insurance		15,091	
Unemployment Compensation		112	
Dues and Memberships		590	
Legal Notices, Recording, and Court Costs		264	
Maintenance Agreements		4,981	
Maintenance & Repair Services - Office Equipment		504	
Printing, Stationery, and Forms		369	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Travel	\$	410	
Office Supplies		224	
Total Accounting and Budgeting			\$ 188,455

Property Assessor's Office

County Official/Administrative Officer	\$	56,069	
Assistant(s)		26,282	
Deputy(ies)		22,491	
Laborers		73,684	
Overtime Pay		2,489	
Social Security		12,479	
State Retirement		20,762	
Employee and Dependent Insurance		32,657	
Unemployment Compensation		196	
Communication		2,721	
Contracts with Private Agencies		15,071	
Data Processing Services		6,694	
Legal Notices, Recording, and Court Costs		100	
Maintenance & Repair Services - Vehicles		748	
Printing, Stationery, and Forms		277	
Travel		761	
Gasoline		1,921	
Office Supplies		999	
Furniture and Fixtures		400	
Other Equipment		2,707	
Total Property Assessor's Office			279,508

County Trustee's Office

In-Service Training	\$	769	
Social Security		14,549	
State Retirement		17,336	
Employee and Dependent Insurance		20,104	
Communication		2,735	
Data Processing Services		12,283	
Dues and Memberships		135	
Legal Notices, Recording, and Court Costs		187	
Maintenance Agreements		8,975	
Postal Charges		2,377	
Printing, Stationery, and Forms		4,191	
Office Supplies		3,499	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Equipment	\$ 4,632	
Total County Trustee's Office		\$ 91,772

County Clerk's Office

Social Security	\$ 20,487	
State Retirement	27,680	
Employee and Dependent Insurance	48,493	
Unemployment Compensation	977	
Communication	3,139	
Maintenance & Repair Services - Office Equipment	14,089	
Printing, Stationery, and Forms	2,109	
Other Supplies and Materials	4,426	
Office Equipment	5,051	
Total County Clerk's Office		126,451

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$ 56,069	
Deputy(ies)	29,202	
Clerical Personnel	118,300	
Part-time Personnel	230	
Overtime Pay	4,256	
Jury and Witness Fees	28,426	
Social Security	15,458	
State Retirement	22,519	
Employee and Dependent Insurance	29,710	
Unemployment Compensation	217	
Communication	4,222	
Dues and Memberships	90	
Legal Notices, Recording, and Court Costs	2,680	
Maintenance & Repair Services - Office Equipment	6,786	
Printing, Stationery, and Forms	9,843	
Office Supplies	2,693	
Office Equipment	3,287	
Total Circuit Court		333,988

General Sessions Court

County Official/Administrative Officer	\$ 56,069
Judge(s)	111,158
Deputy(ies)	54,226

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Secretary(ies)	\$	20,135	
Clerical Personnel		21,206	
Social Security		18,958	
State Retirement		30,142	
Employee and Dependent Insurance		30,061	
Unemployment Compensation		112	
Communication		1,972	
Maintenance & Repair Services - Office Equipment		10	
Printing, Stationery, and Forms		3,088	
Travel		726	
Other Contracted Services		5,200	
Office Supplies		1,914	
Office Equipment		2,450	
Total General Sessions Court			\$ 357,427

Drug Court

Other Charges	\$	4,679	
Total Drug Court			4,679

Chancery Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		53,691	
Clerical Personnel		22,685	
Part-time Personnel		11,376	
Overtime Pay		959	
Social Security		10,886	
State Retirement		15,301	
Employee and Dependent Insurance		20,042	
Unemployment Compensation		160	
Communication		3,297	
Data Processing Services		4,066	
Legal Services		690	
Maintenance & Repair Services - Office Equipment		492	
Printing, Stationery, and Forms		7,161	
Travel		1,462	
Office Equipment		2,000	
Total Chancery Court			210,337

Juvenile Court

Deputy(ies)	\$	18,607	
-------------	----	--------	--

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Social Security	\$	862	
State Retirement		2,134	
Employee and Dependent Insurance		5,664	
Unemployment Compensation		28	
Communication		334	
Maintenance & Repair Services - Office Equipment		329	
Travel		20	
Office Supplies		879	
Office Equipment		955	
Total Juvenile Court			\$ 29,812

Judicial Commissioners

Other Salaries & Wages	\$	21,570	
Social Security		1,650	
Unemployment Compensation		21	
Printing, Stationery, and Forms		93	
Total Judicial Commissioners			23,334

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Assistant(s)		8,238	
Supervisor/Director		24,806	
Deputy(ies)		292,425	
Detective(s)		138,528	
Captain(s)		30,190	
Lieutenant(s)		92,376	
Sergeant(s)		145,686	
Salary Supplements		14,400	
Dispatchers/Radio Operators		102,409	
Guards		29,138	
Clerical Personnel		77,432	
Attendants		34,711	
Custodial Personnel		15,697	
Overtime Pay		101,431	
Other Salaries & Wages		37,909	
In-Service Training		14,978	
Social Security		90,657	
State Retirement		121,145	
Employee and Dependent Insurance		185,505	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Unemployment Compensation	\$	1,352	
Communication		19,451	
Maintenance Agreements		360	
Maintenance & Repair Services - Equipment		1,873	
Maintenance & Repair Services - Office Equipment		605	
Maintenance & Repair Services - Vehicles		57,452	
Medical and Dental Services		511	
Printing, Stationery, and Forms		3,124	
Travel		3,552	
Other Contracted Services		3,760	
Gasoline		115,657	
Law Enforcement Supplies		7,622	
Office Supplies		4,417	
Tires and Tubes		14,617	
Uniforms		14,229	
Other Supplies and Materials		3,128	
Fines, Assessments, and Penalties		2,200	
Other Charges		3,617	
Motor Vehicles		153,347	
Total Sheriff's Department			\$ 2,030,211

Special Patrols

Guards	\$	79,556	
Social Security		5,996	
State Retirement		9,125	
Employee and Dependent Insurance		15,031	
Unemployment Compensation		83	
Total Special Patrols			109,791

Jail

Assistant(s)	\$	19,253	
Supervisor/Director		18,373	
Medical Personnel		45,314	
Guards		235,047	
Secretary(ies)		21,895	
Clerical Personnel		15,094	
Cafeteria Personnel		28,466	
Part-time Personnel		96,695	
Overtime Pay		31,447	
In-Service Training		573	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Social Security	\$	38,046	
State Retirement		37,239	
Employee and Dependent Insurance		87,875	
Unemployment Compensation		1,127	
Communication		8,414	
Maintenance & Repair Services - Buildings		58,004	
Maintenance & Repair Services - Equipment		2,642	
Medical and Dental Services		120,930	
Printing, Stationery, and Forms		304	
Travel		1,080	
Other Contracted Services		382	
Custodial Supplies		18,138	
Food Preparation Supplies		12,607	
Food Supplies		133,696	
Law Enforcement Supplies		760	
Office Supplies		7,100	
Prisoners Clothing		8,041	
Uniforms		5,479	
Building Improvements		308	
Data Processing Equipment		2,519	
Furniture and Fixtures		2,677	
Total Jail			\$ 1,059,525

Juvenile Services

Youth Service Officer(s)	\$	57,394
Secretary(ies)		26,310
Overtime Pay		5,448
Social Security		6,603
State Retirement		10,226
Employee and Dependent Insurance		15,074
Unemployment Compensation		84
Communication		6,043
Contracts with Government Agencies		22,602
Contracts with Private Agencies		3,684
Dues and Memberships		510
Maintenance & Repair Services - Office Equipment		2,100
Medical and Dental Services		1,915
Printing, Stationery, and Forms		78
Travel		764
Office Supplies		1,770

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Office Equipment	\$ 14,347	
Total Juvenile Services		\$ 174,952

Fire Prevention and Control

Salary Supplements	\$ 7,200	
Overtime Pay	88,074	
Other Salaries & Wages	417,866	
In-Service Training	1,437	
Social Security	37,451	
State Retirement	58,031	
Employee and Dependent Insurance	85,817	
Unemployment Compensation	477	
Communication	2,217	
Contributions	1,000	
Maintenance & Repair Services - Buildings	4,483	
Maintenance & Repair Services - Equipment	5,336	
Maintenance & Repair Services - Vehicles	19,427	
Custodial Supplies	1,148	
Gasoline	9,290	
Office Supplies	1,211	
Uniforms	3,515	
Utilities	10,936	
Other Supplies and Materials	1,911	
Other Charges	73,063	
Building Improvements	11,606	
Total Fire Prevention and Control		841,496

Civil Defense

Supervisor/Director	\$ 31,839
Clerical Personnel	7,671
Social Security	2,944
State Retirement	4,474
Employee and Dependent Insurance	5,010
Unemployment Compensation	35
Communication	3,041
Maintenance & Repair Services - Equipment	585
Maintenance & Repair Services - Vehicles	982
Gasoline	2,483
Other Supplies and Materials	500
Premiums on Corporate Surety Bonds	175

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Other Charges	\$ 158,423	
Motor Vehicles	13,998	
Total Civil Defense		\$ 232,160

Inspection and Regulation

Supervisor/Director	\$ 3,200	
Social Security	237	
State Retirement	367	
Unemployment Compensation	3	
Travel	918	
Total Inspection and Regulation		4,725

County Coroner/Medical Examiner

Legal Services	\$ 5,810	
Other Contracted Services	19,500	
Premiums on Corporate Surety Bonds	75	
Total County Coroner/Medical Examiner		25,385

Other Public Safety

Part-time Personnel	\$ 26,629	
Social Security	2,037	
Unemployment Compensation	116	
Maintenance & Repair Services - Equipment	3,663	
Other Supplies and Materials	685	
Total Other Public Safety		33,130

Public Health and Welfare

Local Health Center

Medical Personnel	\$ 49,321	
Clerical Personnel	68,109	
Social Security	8,569	
State Retirement	10,045	
Employee and Dependent Insurance	16,239	
Unemployment Compensation	273	
Communication	2,905	
Contracts with Government Agencies	64,296	
Janitorial Services	5,700	
Maintenance & Repair Services - Buildings	5,124	
Medical and Dental Services	145	
Pest Control	675	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Postal Charges	\$	2,500	
Travel		7,166	
Disposal Fees		1,954	
Natural Gas		2,508	
Office Supplies		1,142	
Utilities		7,821	
Total Local Health Center			\$ 254,492

Rabies and Animal Control

Supervisor/Director	\$	20,637	
Overtime Pay		1,083	
Social Security		1,640	
State Retirement		1,350	
Employee and Dependent Insurance		4,578	
Unemployment Compensation		34	
Communication		1,081	
Maintenance & Repair Services - Vehicles		1,003	
Gasoline		3,495	
Uniforms		478	
Other Supplies and Materials		1,609	
Total Rabies and Animal Control			36,988

General Welfare Assistance

Contracts with Government Agencies	\$	6,500	
Total General Welfare Assistance			6,500

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Contributions	\$	50,780	
Total Libraries			50,780

Other Social, Cultural, and Recreational

Supervisor/Director	\$	27,025	
Laborers		60,100	
Part-time Personnel		20,111	
Overtime Pay		1,023	

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Other Social, Cultural, and Recreational (Cont.)

Social Security	\$	8,090	
State Retirement		8,391	
Employee and Dependent Insurance		20,042	
Unemployment Compensation		253	
Communication		3,476	
Contributions		15,100	
Maintenance Agreements		360	
Maintenance & Repair Services - Buildings		4,922	
Maintenance & Repair Services - Equipment		1,066	
Travel		555	
Custodial Supplies		1,327	
Gasoline		2,166	
Office Supplies		679	
Uniforms		376	
Utilities		10,922	
Other Supplies and Materials		481	
Other Charges		721	
Total Other Social, Cultural, and Recreational			\$ 187,186

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	29,916	
Social Security		1,496	
State Retirement		3,229	
Communication		4,082	
Other Supplies and Materials		2,000	
Total Agriculture Extension Service			40,723

Soil Conservation

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

Other Operations

Industrial Development

Contracts with Private Agencies	\$	255,100	
Maintenance & Repair Services - Buildings		3,677	
Total Industrial Development			258,777

Housing and Urban Development

Contracts with Other Public Agencies	\$	126,579	
Total Housing and Urban Development			126,579

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Supervisor/Director	\$	27,025	
Secretary(ies)		20,135	
Social Security		3,496	
State Retirement		5,409	
Employee and Dependent Insurance		10,021	
Unemployment Compensation		56	
Communication		1,423	
Maintenance Agreements		360	
Maintenance & Repair Services - Vehicles		268	
Travel		747	
Office Supplies		2,063	
Office Equipment		380	
Total Veterans' Services			\$ 71,383

Other Charges

Other Contracted Services	\$	17,654	
Liability Insurance		265,618	
Premiums on Corporate Surety Bonds		9,120	
Refunds		3,051	
Trustee's Commission		141,883	
Workers' Compensation Insurance		161,432	
Liability Claims		27,118	
Total Other Charges			625,876

Contributions to Other Agencies

Contributions	\$	230,169	
Total Contributions to Other Agencies			230,169

Employee Benefits

Employee and Dependent Insurance	\$	12,856	
Total Employee Benefits			12,856

Miscellaneous

Drugs and Medical Supplies	\$	75	
Other Charges		4,520	
Total Miscellaneous			4,595

Highways

Litter and Trash Collection

Supervisor/Director	\$	55,532	
---------------------	----	--------	--

(Continued)

Exhibit H-7

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

General Fund (Cont.)

Highways (Cont.)

Litter and Trash Collection (Cont.)

Social Security	\$	4,225	
State Retirement		3,200	
Employee and Dependent Insurance		5,011	
Unemployment Compensation		56	
Maintenance & Repair Services - Vehicles		4,391	
Gasoline		4,714	
Instructional Supplies and Materials		6,600	
Tires and Tubes		10	
Other Supplies and Materials		210	
Law Enforcement Equipment		20,470	
Total Litter and Trash Collection			\$ 104,419

Total General Fund \$ 9,110,189

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$	30,866	
Foremen		26,026	
Laborers		100,095	
Overtime Pay		5,431	
Social Security		15,596	
State Retirement		17,559	
Employee and Dependent Insurance		34,891	
Unemployment Compensation		356	
Communication		444	
Contracts with Government Agencies		2,075	
Contracts with Private Agencies		37,111	
Engineering Services		15,052	
Other Contracted Services		6,098	
Custodial Supplies		466	
Equipment and Machinery Parts		33,909	
Fertilizer, Lime, and Seed		210	
Gasoline		25,241	
Lubricants		718	
Office Supplies		389	
Tires and Tubes		1,738	
Utilities		7,683	
Other Supplies and Materials		1,246	
Trustee's Commission		471	

(Continued)

Exhibit H-7

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Sanitation Management (Cont.)

Vehicle and Equipment Insurance	\$	20,433	
Workers' Compensation Insurance		23,000	
Other Construction		1,185	
Total Sanitation Management			\$ 408,289

Convenience Centers

Laborers	\$	248,986	
Social Security		19,048	
Unemployment Compensation		611	
Rentals		3,480	
Disposal Fees		567,954	
Other Supplies and Materials		5,278	
Solid Waste Equipment		37,904	
Total Convenience Centers			883,261

Total Solid Waste/Sanitation Fund \$ 1,291,550

Industrial/Economic Development Fund

Principal on Debt

General Government

Principal on Other Loans	\$	10,098	
Total General Government			\$ 10,098

Interest on Debt

General Government

Interest on Other Loans	\$	41,217	
Total General Government			41,217

Capital Projects

Public Utility Projects

Contributions	\$	619,887	
Trustee's Commission		4,608	
Total Public Utility Projects			624,495

Total Industrial/Economic Development Fund 675,810

Drug Control Fund

Public Safety

Sheriff's Department

Other Supplies and Materials	\$	1,892	
------------------------------	----	-------	--

(Continued)

Exhibit H-7

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

Drug Control Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Law Enforcement Equipment	\$ 1,805	
Total Sheriff's Department		\$ 3,697

Drug Enforcement

Confidential Drug Enforcement Payments	\$ 700	
Veterinary Services	316	
Animal Food and Supplies	299	
Uniforms	250	
Trustee's Commission	264	
Total Drug Enforcement		<u>1,829</u>

Total Drug Control Fund		\$ 5,526
-------------------------	--	----------

Sports and Recreation Fund

Social, Cultural, and Recreational Services

Other Social, Cultural, and Recreational

Other Per Diem & Fees	\$ 13,172	
Communication	3,321	
Maintenance & Repair Services - Buildings	1,687	
Maintenance & Repair Services - Equipment	56	
Postal Charges	217	
Other Contracted Services	17,515	
Food Supplies	5,745	
Office Supplies	231	
Other Supplies and Materials	6,399	
Liability Insurance	2,856	
Other Charges	1,280	
Total Other Social, Cultural, and Recreational		<u>\$ 52,479</u>

Total Sports and Recreation Fund		52,479
----------------------------------	--	--------

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 200,076	
Total County Trustee's Office		\$ 200,076

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 280,510	
Total County Clerk's Office		280,510

(Continued)

Exhibit H-7

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

General Sessions Court

Constitutional Officers' Operating Expenses	\$ 288	
Total General Sessions Court		\$ 288

Chancery Court

Constitutional Officers' Operating Expenses	\$ 36,550	
Total Chancery Court		36,550

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses	\$ 42	
Total Sheriff's Department		<u>42</u>

Total Constitutional Officers - Fees Fund		\$ 517,466
-------------------------------------------	--	------------

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 61,676	
Assistant(s)	33,316	
Secretary(ies)	31,620	
Clerical Personnel	25,695	
Board and Committee Members Fees	17,100	
Social Security	12,854	
State Retirement	17,470	
Employee and Dependent Insurance	18,763	
Unemployment Compensation	123	
Data Processing Services	989	
Dues and Memberships	2,848	
Maintenance & Repair Services - Office Equipment	515	
Travel	957	
Other Contracted Services	1,624	
Office Supplies	<u>1,625</u>	
Total Administration		\$ 227,175

Highway and Bridge Maintenance

Foremen	\$ 133,582
Equipment Operators	588,004
Overtime Pay	27,652
Social Security	54,895
State Retirement	78,564

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Employee and Dependent Insurance	\$	149,820	
Unemployment Compensation		1,457	
Matching Share		54,569	
Other Contracted Services		16,394	
Asphalt		191,537	
Concrete		1,385	
Crushed Stone		44,061	
General Construction Materials		12,756	
Pipe		20,311	
Road Signs		8,420	
Other Supplies and Materials		7,588	
Other Charges		255,400	
Bridge Construction		71,313	
State Aid Projects		168,838	
Total Highway and Bridge Maintenance			\$ 1,886,546

Operation and Maintenance of Equipment

Foremen	\$	29,111	
Mechanic(s)		66,154	
Social Security		6,766	
State Retirement		7,588	
Employee and Dependent Insurance		20,042	
Unemployment Compensation		216	
Diesel Fuel		122,041	
Equipment and Machinery Parts		122,871	
Garage Supplies		9,111	
Gasoline		45,944	
Lubricants		10,219	
Propane Gas		7,730	
Tires and Tubes		22,760	
Total Operation and Maintenance of Equipment			470,553

Quarry Operations

Foremen	\$	26,096
Equipment Operators - Heavy		26,369
Equipment Operators - Light		68,338
Social Security		9,080
State Retirement		13,856
Employee and Dependent Insurance		30,062
Unemployment Compensation		201

(Continued)

Exhibit H-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Quarry Operations (Cont.)

Explosive and Drilling Services	\$	34,223	
Maintenance & Repair Services - Equipment		<u>43,423</u>	
Total Quarry Operations			\$ 251,648

Other Charges

Communication	\$	10,185	
Electricity		27,292	
Premiums on Corporate Surety Bonds		682	
Trustee's Commission		31,324	
Vehicle and Equipment Insurance		122,593	
Workers' Compensation Insurance		<u>201,011</u>	
Total Other Charges			393,087

Employee Benefits

Employee and Dependent Insurance	\$	<u>4,901</u>	
Total Employee Benefits			4,901

Capital Outlay

Highway Equipment	\$	17,000	
Other Capital Outlay		<u>524,895</u>	
Total Capital Outlay			<u>541,895</u>

Total Highway/Public Works Fund \$ 3,775,805

General Debt Service Fund

Principal on Debt

General Government

Principal on Other Loans	\$	<u>50,610</u>	
Total General Government			\$ 50,610

Highways and Streets

Principal on Other Loans	\$	<u>132,497</u>	
Total Highways and Streets			132,497

Education

Principal on Notes	\$	641,968	
Principal on Other Loans		<u>176,893</u>	
Total Education			818,861

(Continued)

Exhibit H-7

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

General Debt Service Fund (Cont.)

Interest on Debt

General Government

Interest on Other Loans	\$ 96,654	
Total General Government		\$ 96,654

Highways and Streets

Interest on Other Loans	\$ 206,368	
Total Highways and Streets		206,368

Education

Interest on Bonds	\$ 419,169	
Interest on Notes	40,645	
Interest on Other Loans	218,753	
Total Education		678,567

Other Debt Service

General Government

Trustee's Commission	\$ 36,157	
Other Debt Issuance Charges	658	
Total General Government		36,815

Highways and Streets

Other Debt Issuance Charges	\$ 68,470	
Total Highways and Streets		68,470

Education

Other Debt Issuance Charges	\$ 31,512	
Other Debt Service	5,063	
Total Education		36,575

Total General Debt Service Fund		\$ 2,125,417
---------------------------------	--	--------------

Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 215,000	
Total Education		\$ 215,000

Interest on Debt

Education

Interest on Bonds	\$ 96,493	
Total Education		96,493

Total Rural Debt Service Fund		311,493
-------------------------------	--	---------

(Continued)

Exhibit H-7

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

<u>General Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Other General Government Projects</u>			
Engineering Services	\$	32,500	
Legal Notices, Recording, and Court Costs		520	
Other Construction		<u>394,267</u>	
Total Other General Government Projects			\$ 427,287
 <u>Education Capital Projects</u>			
Contributions	\$	<u>393,165</u>	
Total Education Capital Projects			<u>393,165</u>
Total General Capital Projects Fund			\$ 820,452
 <u>Highway Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Highway & Street Capital Projects</u>			
Bridge Construction	\$	<u>256,950</u>	
Total Highway & Street Capital Projects			<u>\$ 256,950</u>
Total Highway Capital Projects Fund			<u>256,950</u>
Total Governmental Funds - Primary Government			<u>\$ 18,943,137</u>

Exhibit H-8

Cocke County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balances - City Agency Funds
For the Year Ended June 30, 2007

	Cities - Sales Tax Fund	City School ADA - Newport Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 365,282	\$ 365,282
Trustee's Collections - Prior Years	0	11,488	11,488
Circuit/Clerk and Master Collections - Prior Years	0	5,219	5,219
Interest and Penalty	0	1,901	1,901
Payments in-Lieu-of Taxes - Local Utilities	0	6,735	6,735
Payments in-Lieu-of Taxes - Other	0	3	3
Local Option Sales Tax	3,024,944	531,693	3,556,637
Bank Excise Tax	0	3,520	3,520
Interstate Telecommunications Tax	0	727	727
Marriage Licenses	0	195	195
Other Local Revenues	0	524	524
Total Cash Receipts	<u>\$ 3,024,944</u>	<u>\$ 927,287</u>	<u>\$ 3,952,231</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,994,695	\$ 922,418	\$ 3,917,113
Trustee's Commission	30,249	13,016	43,265
Total Cash Disbursements	<u>\$ 3,024,944</u>	<u>\$ 935,434</u>	<u>\$ 3,960,378</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ (8,147)	\$ (8,147)
Cash Balance, July 1, 2006	0	8,669	8,669
Cash Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 522</u>	<u>\$ 522</u>

ANNUAL FINANCIAL REPORT
COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

MARK TREECE, CPA, CGFM
Auditor 4

MEGAN ANDERSON
DOUG SANDIDGE, CISA, CFE
State Auditors

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

**COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
TABLE OF CONTENTS**

	Exhibit	Page(s)
Audit Highlights		1
<u>INTRODUCTORY SECTION</u>		3
Cocke County School Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13
Statement of Activities	B	14
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	18
Fiduciary Fund:		
Statement of Fiduciary Net Assets	D-1	19
Statement of Changes in Fiduciary Net Assets	D-2	20
Notes to the Financial Statements		21-38
REQUIRED SUPPLEMENTARY INFORMATION:		39
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	E-1	41-42
School Transportation Fund	E-2	43
Notes to the Required Supplementary Information		45

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		47
Nonmajor Governmental Fund:		49
Combining Balance Sheet	F-1	51
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	52
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
School Federal Projects Fund	F-3	53
Central Cafeteria Fund	F-4	54
Miscellaneous Schedules:		55
Schedule of Changes in Long-term Notes and Capital Leases	G-1	57
Schedule of Transfers	G-2	58
Schedule of Salaries and Official Bonds of Principal Officials	G-3	59
Schedule of Detailed Revenues – All Governmental Fund Types	G-4	60-61
Schedule of Detailed Expenditures – All Governmental Fund Types	G-5	62-73

Audit Highlights

Annual Financial Report
Cocke County School Department
For the Year Ended June 30, 2007

Scope

We have audited the basic financial statements of the Cocke County School Department as of and for the year ended June 30, 2007.

Results

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

INTRODUCTORY SECTION

Cocke County School Officials
June 30, 2007

Official

Larry Blazer, Director of Schools

Board of Education

Pat Proffitt, Chairman
Jerry Ramsey
Richard Coggins
Marty Denton

Dr. Ken Johnson
Otha Rolen
Randy Shults

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

January 7, 2008

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

To the Director of Schools and Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department, a component unit of Cocke County, Tennessee, as of and for the year ended June 30, 2007, which collectively comprise the Cocke County School Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Cocke County School Department's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department as

of June 30, 2007, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2008, on our consideration of the Cocke County School Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The budgetary comparison information on pages 41 through 45 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Cocke County, Tennessee
Statement of Net Assets
Cocke County School Department
June 30, 2007

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash	\$ 952,125
Equity in Pooled Cash and Investments	3,409,849
Accounts Receivable	30,923
Due from Other Governments	1,151,860
Property Taxes Receivable	4,064,838
Allowance for Uncollectible Property Taxes	(128,594)
Capital Assets	
Assets Not Depreciated:	
Land	601,694
Construction in Progress	58,293
Assets Net of Accumulated Depreciation:	
Buildings and Improvements	20,753,126
Machinery and Equipment	2,191,167
Total Assets	<u>\$ 33,085,281</u>
<u>LIABILITIES</u>	
Accounts Payable	\$ 71,381
Accrued Payroll	735
Accrued Interest Payable	1,536
Payroll Deductions Payable	95
Deferred Revenue - Current Property Taxes	3,784,907
Other Current Liabilities	947,077
Noncurrent Liabilities:	
Due Within One Year	59,187
Due in More than One Year	475,837
Total Liabilities	<u>\$ 5,340,755</u>
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	\$ 23,477,256
Restricted for:	
State and Federal Financial Assistance Programs	1,350,593
School Transportation	464,063
Unrestricted	<u>2,452,614</u>
Total Net Assets	<u>\$ 27,744,526</u>

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

Exhibit B

Cocke County, Tennessee
Statement of Activities
Cocke County School Department
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction	\$ 21,260,328	\$ 0	\$ 3,579,138	\$ 0	\$ (17,681,190)
Support Services	10,440,004	0	0	0	(10,440,004)
Operation of Non-Instructional Services	3,302,944	713,219	2,017,804	393,165	(178,756)
Interest on Long-term Debt	7,927	0	0	0	(7,927)
Other Debt Service	311,492	0	0	0	(311,492)
Total Governmental Activities	<u>\$ 35,322,695</u>	<u>\$ 713,219</u>	<u>\$ 5,596,942</u>	<u>\$ 393,165</u>	<u>\$ (28,619,369)</u>
<u>General Revenues:</u>					
<u>Taxes:</u>					
Property Taxes Levied for General Purposes					\$ 2,690,182
Property Taxes Levied for School Transportation					1,196,083
Local Option Sales Taxes					3,081,013
Other Local Taxes					109,385
Grants and Contributions Not Restricted to Specific Programs					20,922,160
Unrestricted Investment Income					19,164
Miscellaneous					64,551
Gain on Disposal of Capital Assets					3,929
Insurance Recovery					23,459
Total General Revenues					<u>\$ 28,109,926</u>
Change in Net Assets					\$ (509,443)
Net Assets, July 1, 2006					<u>28,253,969</u>
Net Assets, June 30, 2007					<u>\$ 27,744,526</u>

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

Exhibit C-1

Cocke County, Tennessee
Balance Sheet - Governmental Funds
Cocke County School Department
June 30, 2007

	Major Funds		Nonmajor Funds	Total Govern- mental Funds
	General Purpose School	School Transpor- tation	Other Govern- mental Funds	
<u>ASSETS</u>				
Cash	\$ 947,077	\$ 0	\$ 5,048	\$ 952,125
Equity in Pooled Cash and Investments	2,514,889	413,050	481,910	3,409,849
Accounts Receivable	21,251	9,657	15	30,923
Due from Other Governments	963,758	0	188,102	1,151,860
Property Taxes Receivable	2,811,191	1,253,647	0	4,064,838
Allowance for Uncollectible Property Taxes	(88,934)	(39,660)	0	(128,594)
Total Assets	<u>\$ 7,169,232</u>	<u>\$ 1,636,694</u>	<u>\$ 675,075</u>	<u>\$ 9,481,001</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 65,605	\$ 5,269	\$ 507	\$ 71,381
Accrued Payroll	685	50	0	735
Payroll Deductions Payable	95	0	0	95
Other Current Liabilities	947,077	0	0	947,077
Deferred Revenue - Current Property Taxes	2,617,595	1,167,312	0	3,784,907
Deferred Revenue - Delinquent Property Taxes	83,734	37,342	0	121,076
Other Deferred Revenues	276,373	0	0	276,373
Total Liabilities	<u>\$ 3,991,164</u>	<u>\$ 1,209,973</u>	<u>\$ 507</u>	<u>\$ 5,201,644</u>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 323,519	\$ 0	\$ 0	\$ 323,519
Other Local Education Reserves	45,228	0	0	45,228
Reserved for Career Ladder - Extended Contract	15,102	0	0	15,102
Reserved for Career Ladder Program	5,760	0	0	5,760
Reserved for Basic Education Program	609,935	0	0	609,935
Reserved for Title I Grants to Local Education Agencies	0	0	102,790	102,790
Reserved for Special Education - Grants to States	0	0	17,258	17,258
Other Federal Reserves	0	0	30,345	30,345
Unreserved, Reported In:				
General Fund	2,178,524	0	0	2,178,524
Special Revenue Funds	0	426,721	524,175	950,896
Total Fund Balances	<u>\$ 3,178,068</u>	<u>\$ 426,721</u>	<u>\$ 674,568</u>	<u>\$ 4,279,357</u>
Total Liabilities and Fund Balances	<u>\$ 7,169,232</u>	<u>\$ 1,636,694</u>	<u>\$ 675,075</u>	<u>\$ 9,481,001</u>

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

Exhibit C-2

Coke County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
Coke County School Department
June 30, 2007

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)		\$	4,279,357
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	601,694	
Add: construction in progress		58,293	
Add: building and improvements net of accumulated depreciation		20,753,126	
Add: machinery and equipment net of accumulated depreciation		<u>2,191,167</u>	23,604,280
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: note payable	\$	(83,702)	
Less: capital lease payable		(43,322)	
Less: accrued interest on note and capital lease		(1,536)	
Less: termination benefits payable		<u>(408,000)</u>	(536,560)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>397,449</u>
Net assets of governmental activities (Exhibit A)			<u>\$ 27,744,526</u>

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

Exhibit C-3

Cocke County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Cocke County School Department
For the Year Ended June 30, 2007

	Major Funds		Nonmajor	Total
	General	School	Funds	
			Other	
Purpose	Transpor- tation	Govern- mental	Governmental	
	School		Funds	Funds
<u>Revenues</u>				
Local Taxes	\$ 5,838,080	\$ 1,310,125	\$ 0	\$ 7,148,205
Licenses and Permits	1,228	0	0	1,228
Charges for Current Services	52,970	79,274	569,591	701,835
Other Local Revenues	61,224	19,648	32,472	113,344
State of Tennessee	19,986,954	283,460	0	20,270,414
Federal Government	1,141,697	14,033	4,736,170	5,891,900
Other Governments and Citizens Groups	0	393,165	0	393,165
Total Revenues	<u>\$ 27,082,153</u>	<u>\$ 2,099,705</u>	<u>\$ 5,338,233</u>	<u>\$ 34,520,091</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 17,414,341	\$ 0	\$ 2,466,577	\$ 19,880,918
Support Services	7,597,302	1,965,982	686,795	10,250,079
Operation of Non-Instructional Services	1,087,802	0	2,329,598	3,417,400
Capital Outlay	340,529	0	0	340,529
Debt Service:				
Principal on Debt	40,957	0	0	40,957
Interest on Debt	8,081	0	0	8,081
Other Debt Service	311,492	0	0	311,492
Total Expenditures	<u>\$ 26,800,504</u>	<u>\$ 1,965,982</u>	<u>\$ 5,482,970</u>	<u>\$ 34,249,456</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 281,649</u>	<u>\$ 133,723</u>	<u>\$ (144,737)</u>	<u>\$ 270,635</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 20,999	\$ 2,460	\$ 0	\$ 23,459
Transfers In	18,835	0	0	18,835
Transfers Out	0	0	(18,835)	(18,835)
Total Other Financing Sources (Uses)	<u>\$ 39,834</u>	<u>\$ 2,460</u>	<u>\$ (18,835)</u>	<u>\$ 23,459</u>
Net Change in Fund Balances	\$ 321,483	\$ 136,183	\$ (163,572)	\$ 294,094
Fund Balance, July 1, 2006	<u>2,856,585</u>	<u>290,538</u>	<u>838,140</u>	<u>3,985,263</u>
Fund Balance, June 30, 2007	<u>\$ 3,178,068</u>	<u>\$ 426,721</u>	<u>\$ 674,568</u>	<u>\$ 4,279,357</u>

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

Exhibit C-4

Coke County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Coke County School Department
For the Year Ended June 30, 2007

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)		\$ 294,094
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 558,772	
Less: current year depreciation expense	<u>(1,415,425)</u>	(856,653)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on disposal of capital assets	\$ 3,929	
Less: proceeds received from disposals of capital assets	<u>(16,404)</u>	(12,475)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2007	\$ 397,449	
Less: deferred delinquent property taxes and other deferred June 30, 2006	<u>(370,569)</u>	26,880
(4) The issuance of long-term debt (e.g., notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.		
Add: principal payments on notes	\$ 8,348	
Add: principal payments on capital leases	<u>32,609</u>	40,957
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in accrued interest payable	\$ 154	
Change in termination benefits	<u>(2,400)</u>	<u>(2,246)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (509,443)</u>

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

Exhibit D-1

Coke County, Tennessee
Statement of Fiduciary Net Assets
Fiduciary Fund
Coke County School Department
June 30, 2007

	<u>Private - Purpose Trust Fund</u> <u>Endowment Fund</u>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 393,000
Total Assets	<u>\$ 393,000</u>
<u>NET ASSETS</u>	
Held in Trust for Scholarships	<u><u>\$ 393,000</u></u>

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

Exhibit D-2

Cocke County, Tennessee
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Cocke County School Department
For the Year Ended June 30, 2007

	Private - Purpose Trust Fund <hr/> Endowment Fund <hr/>
<u>ADDITIONS</u>	
Investment Income:	
Interest	\$ 7,100
Contribution	<u>50,000</u>
Total Additions	<u>\$ 57,100</u>
Change in Net Assets	\$ 57,100
Net Assets, July 1, 2006	<u>335,900</u>
Net Assets, June 30, 2007	<u><u>\$ 393,000</u></u>

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

COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

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

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

Cocke County issues all debt for the School Department. Net debt issues (\$393,165) were contributed by the county to the School Department during the year ended June 30, 2007.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Separate financial statements are provided for governmental funds and the fiduciary fund. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The fiduciary fund in total is 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 School Department considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. The School Department considers grants and similar revenues to be available if they are collected within 60 days after year end. Expenditures are generally recognized under the

modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are recognized as fund liabilities when due or when amounts have been accumulated in the fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable business taxes, litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the School Department receives cash.

The fiduciary fund financial statement is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The School Department reports the following major governmental funds:

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

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

Additionally, the School Department reports the following fund type:

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

2. Receivables and Payables

All property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 1.67 percent of the total taxes levied.

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

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

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

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

3. Capital Assets

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

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

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

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

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

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

4. Compensated Absences

Vacation benefits for employees of the School Department do not vest or accumulate and must be used within the year or they are lost. There is no liability for unpaid accumulated sick leave since the School Department does not have a policy to pay any amounts when employees separate from service with the government.

5. Long-term Obligation

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets.

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

6. Net Assets and Fund Equity

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

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

As of June 30, 2007, Coker County had outstanding debt for capital purposes of the School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Newport School System) based on an average daily attendance proration. This debt is a liability of Coker County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Newport School System. Therefore, Coker County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets. The School Department received assets significantly increasing its unrestricted net assets with no corresponding increase in the School Department's liabilities.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$692,762 of the unreserved fund balance in the General Purpose School Fund for post-employment benefits.

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

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

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

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

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

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount

of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

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

Investments

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

The county had no pooled investments at June 30, 2007.

B. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Balance 7-01-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 601,694	\$ 0	\$ 0	\$ 601,694
Construction in Progress	31,232	27,061	0	58,293
Total Capital Assets Not Depreciated	<u>\$ 632,926</u>	<u>\$ 27,061</u>	<u>\$ 0</u>	<u>\$ 659,987</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 32,562,776	\$ 138,546	\$ 0	\$ 32,701,322
Machinery and Equipment	4,610,680	393,165	328,392	4,675,453
Total Capital Assets Depreciated	<u>\$ 37,173,456</u>	<u>\$ 531,711</u>	<u>\$ 328,392</u>	<u>\$ 37,376,775</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 10,889,000	\$ 1,059,196	\$ 0	\$ 11,948,196
Machinery and Equipment	2,443,974	356,229	315,917	2,484,286
Total Accumulated Depreciation	<u>\$ 13,332,974</u>	<u>\$ 1,415,425</u>	<u>\$ 315,917</u>	<u>\$ 14,432,482</u>
Total Capital Assets Depreciated, Net	<u>\$ 23,840,482</u>	<u>\$ (883,714)</u>	<u>\$ 12,475</u>	<u>\$ 22,944,293</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,473,408</u>	<u>\$ (856,653)</u>	<u>\$ 12,475</u>	<u>\$ 23,604,280</u>

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

Governmental Activities:

Instruction	\$ 1,063,542
Support Services	328,471
Operation of Non-Instructional Services	<u>23,412</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,415,425</u>

C. Interfund Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following amount:

Transfers Out	Transfers In General Purpose School Fund
Nonmajor governmental funds	\$ 18,835
Total	<u>\$ 18,835</u>

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

D. Other Current Liabilities

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

E. Capital Leases

The School Department entered into a ten-year lease-purchase agreement for HVAC equipment. The terms of the agreement require total lease payments of \$285,070 plus interest of 5.45 percent. Title to the equipment transfers to the School Department at the end of the lease period. The lease payments are made by the General Purpose School Fund.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 36,088
2009	9,021
Total Minimum Lease Payments	\$ 45,109
Amount Representing Interest	<u>(1,787)</u>
Present Value of Minimum Lease Payments	<u>\$ 43,322</u>

F. Long-term Debt

Notes

Capital outlay notes are issued to fund capital outlay purchases, such as equipment. The capital outlay note is a direct obligation and pledges the full faith and credit of the government. The capital outlay note outstanding was issued for an original term of ten years. Repayment terms are structured with increasing amounts of principal maturing as interest requirements decrease over the term of the note. The note included in long-term debt as of June 30, 2007, will be retired from the General Purpose School Fund.

The capital outlay note and capital lease outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Capital Outlay Note	5 %	\$ 100,000	\$ 83,702
Capital Lease	5.45	285,070	43,322

The annual requirements to amortize the note outstanding as of June 30, 2007, including interest payments, are presented in the following table:

Year Ending June 30	Note	
	Principal	Interest
2008	\$ 8,765	\$ 4,185
2009	9,204	3,747
2010	9,664	3,287
2011	10,147	2,803
2012	10,654	2,296
2013-2015	35,268	3,584
Total	<u>\$ 83,702</u>	<u>\$ 19,902</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

Governmental Activities:

	Note	Capital Lease	Termination Benefits
Balance, July 1, 2006	\$ 92,050	\$ 75,931	\$ 405,600
Additions	0	0	106,400
Deductions	(8,348)	(32,609)	(104,000)
Balance, June 30, 2007	<u>\$ 83,702</u>	<u>\$ 43,322</u>	<u>\$ 408,000</u>
Balance Due Within One Year	<u>\$ 8,765</u>	<u>\$ 34,422</u>	<u>\$ 16,000</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 535,024
Less: Balance Due Within One Year	<u>(59,187)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 475,837</u>

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

In addition to the debt reflected above, the School Department is providing funding to Cocke County, the primary government, for the retirement of the rural school refunding bonds. During the year, the School Department contributed \$311,492 to Cocke County to be applied toward the retirement of those bonds and the related interest charges.

G. Donor-restricted Endowments

The School Department accounts for an endowment in a private-purpose trust fund, the Endowment Fund. The principal amount (\$374,000) must remain intact while interest earned on the principal may be expended for the Chess Club or scholarships to students. During the year ended June 30, 2007, interest earned totaled \$7,100.

V. OTHER INFORMATION

A. Risk Management

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

The School Department joined the Local Government Group Insurance (LGGIF), which is a public entity risk pool to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was 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.

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

B. Subsequent Events

Subsequent to June 30, 2007, Cocke County borrowed funds totaling \$525,812 under a public building authority loan agreement and contributed those funds to the Cocke County School Department for the purchase of school buses. Cocke County also borrowed \$250,000 under a public building authority loan agreement and contributed those funds to the Cocke County School Department for HVAC equipment.

C. Contingent Liabilities

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

D. Jointly Governed Organizations

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Cocke County, Bristol City, Carter County, Elizabethton City, Greeneville City, Greene County, Hamblen County, Hancock County, Hawkins County, Johnson City, Johnson County, Kingsport City, Newport City, Rogersville City, Sullivan County, Unicoi County, and Washington County. The cooperative was authorized through Chapter 49 of Tennessee Code Annotated and was established to provide the First Tennessee Virginia Development District

with educational programs and services of higher quality, greater scope, and greater accessibility. The cooperative is governed by a board of control, consisting of one board member and the director of schools from each of the systems. The executive committee consists of the chairman and vice chairman of the Board of Control and the member directors of schools. Funding for the cooperative is provided through state grants and member schools' contributions.

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

E. Retirement Commitments

Employees

Plan Description

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

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

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

School Teachers

Plan Description

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Cocke County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for the Cocke County School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2007, 2006, and 2005, were \$983,434, \$837,875, and \$795,085, respectively, equal to the required contributions for each year.

F. Other Post-employment Benefits

In addition to the retirement commitments described above, the School Department provides post-retirement health care benefits, in accordance with contract provisions, to all certified teachers who retire from the School Department with at least ten years of service in Cocke County and have a minimum of 30 years of credited membership in the Tennessee Consolidated Retirement System, or who have attained age 60 or older and have ten years of credited membership in the Tennessee Consolidated Retirement System. Currently, 38 individuals participate in the program. The School Department will continue to provide insurance coverage to the retirees until age 65. During the year, expenditures of \$98,456 were recognized for post-employment health care.

The School Department also provides post-retirement health care benefits to all noncertified personnel who retire on or after attaining age 60 and have a minimum of ten years of service with the department. The benefits are provided for five years or until the retiree reaches the age of 65, whichever comes first. Currently, 11 individuals participate in the program. During the year, expenditures of \$39,326 were recognized for post-employment health care.

G. Termination Benefits

To reward a teacher for long and meritorious service, the Cocke County School Board pays a one-time amount of \$8,000 at the end of 30 years of service or thereafter to each retiring teacher who has a minimum of 15 years of service in the Cocke County School System. The request for the benefit must be made known to the director by May 1 preceding the year the teacher plans to retire. Those eligible to receive the benefit, may elect to receive payment in a lump sum upon retirement or in a lump sum the following January 1 of the subsequent year of that teacher's retirement. Fifty-two employees are eligible for the benefit and have filed their notification with the director as of June 30, 2007. The estimated cost of the cash payments,

reported in the government-wide statement of net assets, by function, is \$408,000. The School Department determined this liability based on the number of teachers who have notified the director as of May 1, 2007, multiplied by the one-time amount. Of the amount reported in the government-wide statement of net assets, \$16,000 is reflected as a current liability in the governmental funds.

H. Purchasing Law

Purchasing procedures for the School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, Tennessee Code Annotated, which provides for the county Board of Education, through its executive committee (director of schools and chairman of the Board of Education), to make all purchases. This statute also requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit E-1

Cocke County, Tennessee
 Schedule of Revenues, Expenditures, and Changes
 in Fund Balance - Actual (Budgetary Basis) and Budget
 Cocke County School Department
 General Purpose School Fund
 For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,838,080	\$ 0	\$ 0	\$ 5,838,080	\$ 5,646,411	\$ 5,646,411	\$ 191,669
Licenses and Permits	1,228	0	0	1,228	1,300	1,300	(72)
Charges for Current Services	52,970	0	0	52,970	89,250	29,000	23,970
Other Local Revenues	61,224	0	0	61,224	212,995	50,040	11,184
State of Tennessee	19,986,954	0	0	19,986,954	20,066,668	19,913,691	73,263
Federal Government	1,141,697	0	0	1,141,697	551,675	1,149,617	(7,920)
Total Revenues	\$ 27,082,153	\$ 0	\$ 0	\$ 27,082,153	\$ 26,568,299	\$ 26,790,059	\$ 292,094
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 14,090,457	\$ 0	\$ 230,148	\$ 14,320,605	\$ 15,257,503	\$ 15,336,261	\$ 1,015,656
Alternative Instruction Program	185,802	0	0	185,802	152,988	207,131	21,329
Special Education Program	1,869,392	0	0	1,869,392	1,895,868	1,922,449	53,057
Vocational Education Program	1,127,663	0	0	1,127,663	1,162,797	1,168,655	40,992
Student Body Education Program	2,262	0	0	2,262	124,275	124,275	122,013
Adult Education Program	138,765	0	0	138,765	138,299	138,892	127
<u>Support Services</u>							
Attendance	85,557	0	0	85,557	87,076	87,369	1,812
Health Services	143,169	0	0	143,169	137,705	146,455	3,286
Other Student Support	853,884	0	0	853,884	874,202	876,595	22,711
Regular Instruction Program	936,876	0	0	936,876	1,022,261	1,010,214	73,338
Special Education Program	148,782	0	0	148,782	152,389	152,682	3,900
Vocational Education Program	106,753	0	0	106,753	108,484	108,777	2,024
Adult Programs	5,597	0	0	5,597	7,653	7,353	1,756
Board of Education	392,032	0	0	392,032	438,623	415,123	23,091
Director of Schools	187,091	0	0	187,091	193,416	196,534	9,443

(Continued)

Exhibit E-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Office of the Principal	\$ 1,854,931	\$ 0	\$ 0	\$ 1,854,931	\$ 1,892,622	\$ 1,920,664	\$ 65,733
Fiscal Services	119,873	0	0	119,873	123,232	124,732	4,859
Operation of Plant	2,164,462	0	0	2,164,462	2,230,092	2,250,092	85,630
Maintenance of Plant	521,489	(13,820)	0	507,669	537,554	540,554	32,885
Transportation	76,806	0	0	76,806	72,764	78,764	1,958
<u>Operation of Non-Instructional Services</u>							
Food Service	64,806	0	0	64,806	64,557	64,850	44
Community Services	752,438	0	0	752,438	705,225	781,225	28,787
Early Childhood Education	270,558	0	0	270,558	274,802	274,802	4,244
<u>Capital Outlay</u>							
Regular Capital Outlay	340,529	(48,425)	93,371	385,475	606,355	558,055	172,580
<u>Principal on Debt</u>							
Education	40,957	0	0	40,957	255,957	40,957	0
<u>Interest on Debt</u>							
Education	8,081	0	0	8,081	104,576	8,083	2
<u>Other Debt Service</u>							
Education	311,492	0	0	311,492	0	311,492	0
Total Expenditures	\$ 26,800,504	\$ (62,245)	\$ 323,519	\$ 27,061,778	\$ 28,621,275	\$ 28,853,035	\$ 1,791,257
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 281,649	\$ 62,245	\$ (323,519)	\$ 20,375	\$ (2,052,976)	\$ (2,062,976)	\$ 2,083,351
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 20,999	\$ 0	\$ 0	\$ 20,999	\$ 0	\$ 10,000	\$ 10,999
Transfers In	18,835	0	0	18,835	22,079	22,079	(3,244)
Total Other Financing Sources (Uses)	\$ 39,834	\$ 0	\$ 0	\$ 39,834	\$ 22,079	\$ 32,079	\$ 7,755
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 2,856,585	(62,245)	0	2,794,340	2,030,897	2,030,897	763,443
Fund Balance, June 30, 2007	\$ 3,178,068	\$ 0	\$ (323,519)	\$ 2,854,549	\$ 0	\$ 0	\$ 2,854,549

Exhibit E-2

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Cocke County School Department
School Transportation Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,310,125	\$ 1,308,246	\$ 1,308,246	\$ 1,879
Charges for Current Services	79,274	70,000	70,000	9,274
Other Local Revenues	19,648	10,000	5,000	14,648
State of Tennessee	283,460	274,385	274,385	9,075
Federal Government	14,033	0	14,033	0
Other Governments and Citizens Groups	393,165	0	393,165	0
Total Revenues	<u>\$ 2,099,705</u>	<u>\$ 1,662,631</u>	<u>\$ 2,064,829</u>	<u>\$ 34,876</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 25,882	\$ 26,000	\$ 26,000	\$ 118
Transportation	1,940,100	2,123,311	2,137,344	197,244
Total Expenditures	<u>\$ 1,965,982</u>	<u>\$ 2,149,311</u>	<u>\$ 2,163,344</u>	<u>\$ 197,362</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 133,723</u>	<u>\$ (486,680)</u>	<u>\$ (98,515)</u>	<u>\$ 232,238</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 393,165	\$ 0	\$ 0
Insurance Recovery	2,460	0	5,000	(2,540)
Total Other Financing Sources (Uses)	<u>\$ 2,460</u>	<u>\$ 393,165</u>	<u>\$ 5,000</u>	<u>\$ (2,540)</u>
Net Change in Fund Balance	\$ 136,183	\$ (93,515)	\$ (93,515)	\$ 229,698
Fund Balance, July 1, 2006	<u>290,538</u>	<u>93,515</u>	<u>93,515</u>	<u>197,023</u>
Fund Balance, June 30, 2007	<u>\$ 426,721</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 426,721</u>

COCKE COUNTY SCHOOL DEPARTMENT
A COMPONENT UNIT OF COCKE COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

BUDGETARY INFORMATION

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

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

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

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

Exhibit F-1

Cocke County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Cocke County School Department
June 30, 2007

	<u>Special Revenue Funds</u>		Total
	School Federal Projects	Central Cafeteria	Nonmajor Governmental Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 5,048	\$ 5,048
Equity in Pooled Cash and Investments	150,900	331,010	481,910
Accounts Receivable	0	15	15
Due from Other Governments	0	188,102	188,102
Total Assets	<u>\$ 150,900</u>	<u>\$ 524,175</u>	<u>\$ 675,075</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	\$ 507	\$ 0	\$ 507
Total Liabilities	<u>\$ 507</u>	<u>\$ 0</u>	<u>\$ 507</u>
<u>Fund Balances</u>			
Reserved for Title I Grants to Local Education Agencies	\$ 102,790	\$ 0	\$ 102,790
Reserved for Special Education - Grants to States	17,258	0	17,258
Other Federal Reserves	30,345	0	30,345
Unreserved	0	524,175	524,175
Total Fund Balances	<u>\$ 150,393</u>	<u>\$ 524,175</u>	<u>\$ 674,568</u>
Total Liabilities and Fund Balances	<u>\$ 150,900</u>	<u>\$ 524,175</u>	<u>\$ 675,075</u>

Exhibit F-2

Cocke County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Cocke County School Department
For the Year Ended June 30, 2007

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 569,591	\$ 569,591
Other Local Revenues	0	32,472	32,472
Federal Government	3,003,408	1,732,762	4,736,170
Total Revenues	<u>\$ 3,003,408</u>	<u>\$ 2,334,825</u>	<u>\$ 5,338,233</u>
<u>Expenditures</u>			
Current:			
Instruction	\$ 2,466,577	\$ 0	\$ 2,466,577
Support Services	686,795	0	686,795
Operation of Non-Instructional Services	0	2,329,598	2,329,598
Total Expenditures	<u>\$ 3,153,372</u>	<u>\$ 2,329,598</u>	<u>\$ 5,482,970</u>
Excess (Deficiency) of Revenues			
Over Expenditures	<u>\$ (149,964)</u>	<u>\$ 5,227</u>	<u>\$ (144,737)</u>
<u>Other Financing Sources (Uses)</u>			
Transfers Out	\$ (18,835)	\$ 0	\$ (18,835)
Total Other Financing Sources (Uses)	<u>\$ (18,835)</u>	<u>\$ 0</u>	<u>\$ (18,835)</u>
Net Change in Fund Balances	\$ (168,799)	\$ 5,227	\$ (163,572)
Fund Balance, July 1, 2006	319,192	518,948	838,140
Fund Balance, June 30, 2007	<u>\$ 150,393</u>	<u>\$ 524,175</u>	<u>\$ 674,568</u>

Exhibit F-3

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Cocke County School Department
School Federal Projects Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 3,003,408	\$ 3,833,775	\$ 3,833,775	\$ (830,367)
Total Revenues	\$ 3,003,408	\$ 3,833,775	\$ 3,833,775	\$ (830,367)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,483,380	\$ 1,731,135	\$ 1,802,334	\$ 318,954
Special Education Program	910,567	1,278,868	1,295,719	385,152
Vocational Education Program	72,630	67,727	72,630	0
<u>Support Services</u>				
Other Student Support	114,898	168,536	137,201	22,303
Regular Instruction Program	400,448	657,764	621,567	221,119
Vocational Education Program	1,704	3,000	1,704	0
Transportation	169,745	223,857	202,275	32,530
Total Expenditures	\$ 3,153,372	\$ 4,130,887	\$ 4,133,430	\$ 980,058
Excess (Deficiency) of Revenues Over Expenditures	\$ (149,964)	\$ (297,112)	\$ (299,655)	\$ 149,691
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (18,835)	\$ (22,080)	\$ (19,537)	\$ 702
Total Other Financing Sources (Uses)	\$ (18,835)	\$ (22,080)	\$ (19,537)	\$ 702
Net Change in Fund Balance	\$ (168,799)	\$ (319,192)	\$ (319,192)	\$ 150,393
Fund Balance, July 1, 2006	319,192	319,192	319,192	0
Fund Balance, June 30, 2007	\$ 150,393	\$ 0	\$ 0	\$ 150,393

Exhibit F-4

Cocke County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Cocke County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 569,591	\$ 526,400	\$ 526,400	\$ 43,191
Other Local Revenues	32,472	30,286	30,286	2,186
Federal Government	1,732,762	1,680,381	1,680,381	52,381
Total Revenues	<u>\$ 2,334,825</u>	<u>\$ 2,237,067</u>	<u>\$ 2,237,067</u>	<u>\$ 97,758</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,329,598	\$ 2,751,450	\$ 2,751,450	\$ 421,852
Total Expenditures	<u>\$ 2,329,598</u>	<u>\$ 2,751,450</u>	<u>\$ 2,751,450</u>	<u>\$ 421,852</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 5,227</u>	<u>\$ (514,383)</u>	<u>\$ (514,383)</u>	<u>\$ 519,610</u>
Net Change in Fund Balance	\$ 5,227	\$ (514,383)	\$ (514,383)	\$ 519,610
Fund Balance, July 1, 2006	<u>518,948</u>	<u>514,383</u>	<u>514,383</u>	<u>4,565</u>
Fund Balance, June 30, 2007	<u>\$ 524,175</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 524,175</u>

MISCELLANEOUS SCHEDULES

Exhibit G-1

Coke County, Tennessee
Schedule of Changes in Long-term Notes and Capital Leases
Coke County School Department
For the Year Ended June 30, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Paid and/or Matured During Period	Outstanding 6-30-07
<u>NOTES PAYABLE</u>							
<u>Payable through General Purpose School Fund</u>							
Land	\$ 100,000	5 %	2-17-05	2-17-15	\$ 92,050	\$ 8,348	\$ 83,702
Total Notes Payable					<u>\$ 92,050</u>	<u>\$ 8,348</u>	<u>\$ 83,702</u>
<u>CAPITAL LEASES</u>							
<u>Payable through General Purpose School Fund</u>							
HVAC	285,070	5.45	10-1-1998	10-1-08	\$ 75,931	\$ 32,609	\$ 43,322
Total Capital Leases					<u>\$ 75,931</u>	<u>\$ 32,609</u>	<u>\$ 43,322</u>

Exhibit G-2

Cocke County, Tennessee
Schedule of Transfers
Cocke County School Department
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
School Federal Projects	General Purpose School	Indirect costs	\$ 18,835
Total Transfers			<u>\$ 18,835</u>

Exhibit G-3

Cocke County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Cocke County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
Director of Schools	State Board of Education and County Board of Education	\$ 107,495 (1)	\$ 50,000	Western Surety Company
Employee Blanket Bond	Public Employee Dishonesty - School Department		150,000	Indiana Insurance Company

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

Exhibit G-4

Cocke County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Cocke County School Department
 For the Year Ended June 30, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,522,386	\$ 0	\$ 0	\$ 1,125,214	\$ 3,647,600
Trustee's Collections - Prior Year	78,889	0	0	32,316	111,205
Circuit/Clerk & Master Collections - Prior Years	33,982	0	0	12,806	46,788
Interest and Penalty	13,841	0	0	5,836	19,677
Payments in-Lieu-of Taxes - T.V.A.	1,859	0	0	724	2,583
Payments in-Lieu-of Taxes - Local Utilities	46,286	0	0	20,642	66,928
Payments in-Lieu-of Taxes - Other	22	0	0	10	32
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,109,010	0	0	0	3,109,010
Other County Local Option Taxes	0	0	0	101,784	101,784
<u>Statutory Local Taxes</u>					
Bank Excise Tax	24,204	0	0	10,793	34,997
Interstate Telecommunications Tax	7,601	0	0	0	7,601
Total Local Taxes	\$ 5,838,080	\$ 0	\$ 0	\$ 1,310,125	\$ 7,148,205
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 1,228	\$ 0	\$ 0	\$ 0	\$ 1,228
Total Licenses and Permits	\$ 1,228	\$ 0	\$ 0	\$ 0	\$ 1,228
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 287,996	\$ 0	\$ 287,996
Lunch Payments - Adults	0	0	62,714	0	62,714
Income from Breakfast	0	0	60,769	0	60,769
A la carte Sales	0	0	157,629	0	157,629
Contract for Non-Instructional Services with Other LEAs	0	0	0	3,600	3,600
Receipts from Individual Schools	52,680	0	0	75,674	128,354
<u>Other Charges for Services</u>					
Other Charges for Services	290	0	483	0	773
Total Charges for Current Services	\$ 52,970	\$ 0	\$ 569,591	\$ 79,274	\$ 701,835
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 19,164	\$ 0	\$ 19,164
Lease/Rentals	675	0	0	0	675
Sale of Materials and Supplies	1,200	0	0	0	1,200
Miscellaneous Refunds	13,877	0	13,058	1,201	28,136
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	250	18,393	18,643
Damages Recovered from Individuals	1,475	0	0	54	1,529
Contributions & Gifts	11,350	0	0	0	11,350
<u>Other Local Revenues</u>					
Other Local Revenues	32,647	0	0	0	32,647
Total Other Local Revenues	\$ 61,224	\$ 0	\$ 32,472	\$ 19,648	\$ 113,344

(Continued)

Exhibit G-4

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>State of Tennessee</u>					
<u>Public Safety Grants</u>					
Safe and Drug - Free Schools and Communities	\$ 28,937	\$ 0	\$ 0	\$ 0	\$ 28,937
<u>State Education Funds</u>					
Basic Education Program	18,925,396	0	0	228,385	19,153,781
Early Childhood Education	271,388	0	0	0	271,388
School Food Service	29,745	0	0	0	29,745
Driver Education	19,994	0	0	0	19,994
Other State Education Funds	151,374	0	0	0	151,374
Career Ladder Program	264,202	0	0	0	264,202
Career Ladder - Extended Contract	76,838	0	0	0	76,838
Other Vocational	200	0	0	0	200
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	141,466	0	0	55,075	196,541
Other State Revenues	77,414	0	0	0	77,414
Total State of Tennessee	\$ 19,986,954	\$ 0	\$ 0	\$ 283,460	\$ 20,270,414
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,263,676	\$ 0	\$ 1,263,676
Breakfast	0	0	469,086	0	469,086
Adult Education State Grant Program	77,764	0	0	0	77,764
Vocational Education - Basic Grants to States	0	144,477	0	0	144,477
Title I Grants to Local Education Agencies	0	1,267,000	0	0	1,267,000
Innovative Education Program Strategies	0	187,843	0	0	187,843
Special Education - Grants to States	220,504	1,001,901	0	0	1,222,405
Special Education Preschool Grants	13,299	54,263	0	0	67,562
Eisenhower Professional Development State Grants	0	312,932	0	0	312,932
Other Federal through State	751,183	34,992	0	14,033	800,208
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	47,717	0	0	0	47,717
Forest Service	31,230	0	0	0	31,230
Total Federal Government	\$ 1,141,697	\$ 3,003,408	\$ 1,732,762	\$ 14,033	\$ 5,891,900
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 0	\$ 0	\$ 0	\$ 393,165	\$ 393,165
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 0	\$ 393,165	\$ 393,165
Total	\$ 27,082,153	\$ 3,003,408	\$ 2,334,825	\$ 2,099,705	\$ 34,520,091

Exhibit G-5

Cocke County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Cocke County School Department
For the Year Ended June 30, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,600,476	
Career Ladder Program	157,590	
Career Ladder Extended Contracts	68,001	
Educational Assistants	199,267	
Other Salaries & Wages	28,411	
Certified Substitute Teachers	9,495	
Non-certified Substitute Teachers	131,292	
Social Security	603,133	
State Retirement	608,584	
Medical Insurance	1,387,806	
Employer Medicare	141,056	
Other Fringe Benefits	137,783	
Maintenance & Repair Services - Equipment	24,119	
Instructional Supplies and Materials	259,922	
Textbooks	322,148	
Other Supplies and Materials	24,000	
Other Charges	25,736	
Regular Instruction Equipment	361,638	
Total Regular Instruction Program		\$ 14,090,457

Alternative Instruction Program

Teachers	\$ 150,936	
Career Ladder Program	1,000	
Social Security	8,886	
State Retirement	9,288	
Medical Insurance	12,593	
Employer Medicare	2,078	
Instructional Supplies and Materials	1,021	
Total Alternative Instruction Program		185,802

Special Education Program

Teachers	\$ 1,104,644
Career Ladder Program	20,920
Homebound Teachers	48,872
Educational Assistants	106,285
Speech Pathologist	168,930
Certified Substitute Teachers	1,148
Non-certified Substitute Teachers	15,772
Social Security	86,378

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

State Retirement	\$	91,601	
Medical Insurance		204,641	
Employer Medicare		20,201	
Total Special Education Program			\$ 1,869,392

Vocational Education Program

Teachers	\$	816,210	
Career Ladder Program		9,000	
Other Salaries & Wages		11,692	
Non-certified Substitute Teachers		8,865	
Social Security		50,010	
State Retirement		51,302	
Medical Insurance		119,112	
Employer Medicare		11,696	
Maintenance & Repair Services - Equipment		1,488	
Instructional Supplies and Materials		47,728	
Other Charges		560	
Total Vocational Education Program			1,127,663

Student Body Education Program

Other Charges	\$	2,262	
Total Student Body Education Program			2,262

Adult Education Program

Teachers	\$	92,625	
Career Ladder Program		1,000	
Clerical Personnel		10,200	
Social Security		6,406	
State Retirement		4,940	
Medical Insurance		4,711	
Employer Medicare		1,498	
Instructional Supplies and Materials		17,385	
Total Adult Education Program			138,765

Support Services

Attendance

Supervisor/Director	\$	55,982	
Career Ladder Program		1,000	
Other Salaries & Wages		7,202	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Attendance (Cont.)

Social Security	\$	3,492	
State Retirement		4,319	
Medical Insurance		9,060	
Employer Medicare		817	
Travel		3,685	
Total Attendance			\$ 85,557

Health Services

Medical Personnel	\$	101,056	
Social Security		6,221	
State Retirement		6,269	
Medical Insurance		14,118	
Employer Medicare		1,455	
Travel		10,450	
Drugs and Medical Supplies		1,500	
Other Supplies and Materials		2,100	
Total Health Services			143,169

Other Student Support

Career Ladder Program	\$	10,000	
Guidance Personnel		563,079	
Other Salaries & Wages		43,000	
Social Security		36,734	
State Retirement		37,766	
Medical Insurance		76,035	
Employer Medicare		8,591	
Contracts with Government Agencies		72,201	
Evaluation and Testing		86	
Other Supplies and Materials		6,392	
Total Other Student Support			853,884

Regular Instruction Program

Supervisor/Director	\$	92,397
Career Ladder Program		8,925
Career Ladder Extended Contracts		600
Librarians		432,058
Education Media Personnel		9,936
Instructional Computer Personnel		50,072
Secretary(ies)		29,224

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Educational Assistants	\$	41,223	
Other Salaries & Wages		33,150	
Social Security		40,807	
State Retirement		46,528	
Medical Insurance		85,995	
Employer Medicare		9,543	
Travel		21,668	
Periodicals		4,960	
Other Supplies and Materials		14,113	
In Service/Staff Development		15,435	
Other Charges		242	
Total Regular Instruction Program			\$ 936,876

Special Education Program

Supervisor/Director	\$	56,066	
Secretary(ies)		30,576	
Social Security		5,316	
State Retirement		6,944	
Medical Insurance		4,711	
Employer Medicare		1,243	
Travel		23,207	
In Service/Staff Development		13,207	
Other Charges		7,512	
Total Special Education Program			148,782

Vocational Education Program

Supervisor/Director	\$	58,442	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Other Salaries & Wages		14,042	
Social Security		4,666	
State Retirement		5,414	
Medical Insurance		4,711	
Employer Medicare		1,091	
Travel		10,933	
Other Supplies and Materials		1,572	
Other Charges		2,282	
Total Vocational Education Program			106,753

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Adult Programs

Supervisor/Director	\$	2,022	
Travel		600	
In Service/Staff Development		2,975	
Total Adult Programs			\$ 5,597

Board of Education

Other Salaries & Wages	\$	5,417	
Board and Committee Members Fees		17,100	
Social Security		1,396	
Life Insurance		4,450	
Medical Insurance		1,919	
Unemployment Compensation		2,061	
Employer Medicare		326	
Audit Services		3,850	
Dues and Memberships		16,859	
Legal Services		18,406	
Travel		9,104	
Judgments		20,000	
Liability Insurance		13,180	
Trustee's Commission		138,496	
Workers' Compensation Insurance		125,794	
Other Charges		13,674	
Total Board of Education			392,032

Director of Schools

County Official/Administrative Officer	\$	107,495	
Secretary(ies)		27,248	
Social Security		7,614	
State Retirement		9,715	
Medical Insurance		9,422	
Employer Medicare		1,913	
Communication		15,536	
Postal Charges		4,481	
Travel		1,098	
Office Supplies		469	
Other Charges		2,100	
Total Director of Schools			187,091

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal

Principals	\$	676,227	
Career Ladder Program		17,000	
Assistant Principals		339,219	
Secretary(ies)		353,343	
Social Security		80,684	
State Retirement		101,773	
Medical Insurance		171,991	
Employer Medicare		18,870	
Communication		22,322	
Travel		5,400	
Other Contracted Services		3,000	
Other Supplies and Materials		64,372	
Other Charges		730	
Total Office of the Principal			\$ 1,854,931

Fiscal Services

Accountants/Bookkeepers	\$	35,630	
Clerical Personnel		31,325	
Other Salaries & Wages		14,456	
Social Security		5,007	
State Retirement		6,565	
Medical Insurance		8,244	
Employer Medicare		1,171	
Data Processing Services		5,210	
Travel		157	
Data Processing Supplies		4,256	
Other Supplies and Materials		352	
Administration Equipment		7,500	
Total Fiscal Services			119,873

Operation of Plant

Custodial Personnel	\$	598,501
Social Security		35,826
State Retirement		58,505
Medical Insurance		126,582
Employer Medicare		8,379
Maintenance & Repair Services - Equipment		3,000
Rentals		3,355
Disposal Fees		770

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Other Contracted Services	\$	85,385	
Custodial Supplies		62,347	
Electricity		699,828	
Natural Gas		295,358	
Water and Sewer		46,719	
Building and Contents Insurance		85,742	
Other Charges		54,165	
Total Operation of Plant			\$ 2,164,462

Maintenance of Plant

Supervisor/Director	\$	40,373	
Secretary(ies)		19,968	
Maintenance Personnel		155,459	
Social Security		13,377	
State Retirement		23,929	
Medical Insurance		39,605	
Employer Medicare		3,128	
Travel		173	
Other Contracted Services		45,663	
Other Supplies and Materials		174,754	
Other Charges		598	
Maintenance Equipment		4,462	
Total Maintenance of Plant			521,489

Transportation

Bus Drivers	\$	46,144	
Social Security		2,861	
State Retirement		5,270	
Medical Insurance		9,422	
Employer Medicare		669	
Contracts with Vehicle Owners		12,440	
Total Transportation			76,806

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	55,442	
Career Ladder Program		1,000	
Social Security		3,464	
State Retirement		3,460	

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Medical Insurance	\$	630	
Employer Medicare		810	
Total Food Service			\$ 64,806

Community Services

Other Salaries & Wages	\$	325,083	
Social Security		19,589	
State Retirement		20,424	
Medical Insurance		37,826	
Employer Medicare		4,581	
Instructional Supplies and Materials		76,000	
Other Charges		268,935	
Total Community Services			752,438

Early Childhood Education

Teachers	\$	102,486	
Career Ladder Program		3,000	
Educational Assistants		33,556	
Other Salaries & Wages		25,845	
Non-certified Substitute Teachers		180	
Social Security		9,815	
State Retirement		10,548	
Medical Insurance		33,791	
Employer Medicare		2,296	
Travel		4,542	
Instructional Supplies and Materials		31,954	
Other Equipment		12,545	
Total Early Childhood Education			270,558

Capital Outlay

Regular Capital Outlay

Architects	\$	103,776	
Building Improvements		236,753	
Total Regular Capital Outlay			340,529

Principal on Debt

Education

Principal on Notes	\$	8,348	
Principal on Capital Leases		32,609	
Total Education			40,957

(Continued)

Exhibit G-5

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Notes	\$ 4,602	
Interest on Capital Leases	<u>3,479</u>	
Total Education		\$ 8,081

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 311,492	
Total Education		<u>311,492</u>

Total General Purpose School Fund \$ 26,800,504

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 869,498	
Educational Assistants	193,215	
Certified Substitute Teachers	608	
Non-certified Substitute Teachers	10,732	
Social Security	64,953	
State Retirement	75,057	
Medical Insurance	189,818	
Employer Medicare	15,040	
Instructional Supplies and Materials	48,076	
Other Supplies and Materials	15,987	
Other Charges	<u>396</u>	
Total Regular Instruction Program		\$ 1,483,380

Special Education Program

Teachers	\$ 29,549
Educational Assistants	324,229
Other Salaries & Wages	99,536
Social Security	27,112
State Retirement	42,654
Medical Insurance	123,819
Employer Medicare	6,341
Contracts with Private Agencies	90,000
Evaluation and Testing	22,197
Maintenance & Repair Services - Equipment	268
Other Contracted Services	73,271

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Instructional Supplies and Materials	\$ 71,591	
Total Special Education Program		\$ 910,567

Vocational Education Program

Instructional Supplies and Materials	\$ 60,727	
Vocational Instruction Equipment	11,903	
Total Vocational Education Program		72,630

Support Services

Other Student Support

Other Salaries & Wages	\$ 67,276	
Social Security	3,931	
State Retirement	4,124	
Medical Insurance	10,237	
Employer Medicare	919	
Travel	6,221	
Other Supplies and Materials	7,895	
In Service/Staff Development	4,929	
Other Charges	9,366	
Total Other Student Support		114,898

Regular Instruction Program

Supervisor/Director	\$ 56,987	
Instructional Computer Personnel	13,207	
Secretary(ies)	14,456	
Other Salaries & Wages	129,377	
In-Service Training	26,636	
Social Security	14,585	
State Retirement	15,347	
Medical Insurance	27,541	
Employer Medicare	3,408	
Travel	651	
Library Books/Media	7,998	
Other Supplies and Materials	61,795	
In Service/Staff Development	27,617	
Other Charges	843	
Total Regular Instruction Program		400,448

(Continued)

Exhibit G-5

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Vocational Education Program

Travel	\$ 1,704	
Total Vocational Education Program		\$ 1,704

Transportation

Bus Drivers	\$ 111,142	
Social Security	6,689	
State Retirement	12,664	
Medical Insurance	37,686	
Employer Medicare	1,564	
Total Transportation		<u>169,745</u>

Total School Federal Projects Fund		\$ 3,153,372
------------------------------------	--	--------------

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$ 32,058	
Cafeteria Personnel	738,141	
Other Salaries & Wages	56,250	
Social Security	49,227	
State Retirement	83,842	
Medical Insurance	216,551	
Employer Medicare	11,513	
Communication	5,494	
Maintenance & Repair Services - Equipment	11,425	
Transportation - Other than Students	12,238	
Travel	2,184	
Other Contracted Services	163,598	
Food Preparation Supplies	2,276	
Food Supplies	774,484	
Office Supplies	5,406	
Other Supplies and Materials	107,234	
In Service/Staff Development	992	
Food Service Equipment	56,685	
Total Food Service		<u>\$ 2,329,598</u>

Total Central Cafeteria Fund		2,329,598
------------------------------	--	-----------

(Continued)

Exhibit G-5

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

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$ 25,882	
Total Board of Education		\$ 25,882

Transportation

Supervisor/Director	\$ 40,373	
Mechanic(s)	96,404	
Bus Drivers	455,818	
Other Salaries & Wages	39,388	
Social Security	37,904	
State Retirement	67,062	
Medical Insurance	174,542	
Employer Medicare	8,865	
Communication	2,893	
Contracts with Vehicle Owners	3,972	
Maintenance & Repair Services - Vehicles	9,197	
Medical and Dental Services	5,337	
Rentals	5,334	
Other Contracted Services	10,134	
Diesel Fuel	206,764	
Garage Supplies	3,230	
Gasoline	23,841	
Lubricants	4,965	
Tires and Tubes	31,761	
Vehicle Parts	259,409	
Other Supplies and Materials	14,410	
Vehicle and Equipment Insurance	37,212	
Other Charges	4,370	
Transportation Equipment	396,915	
Total Transportation		<u>1,940,100</u>

Total School Transportation Fund \$ 1,965,982

Total Governmental Funds - Cocke County School Department \$ 34,249,456

SINGLE AUDIT REPORT
COCKE COUNTY, TENNESSEE
AND
COCKE COUNTY SCHOOL DEPARTMENT
FOR THE YEAR ENDED JUNE 30, 2007

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CLIFFORD TUCKER, CPA
Audit Manager

MARK TREECE, CPA, CGFM
Auditor 4

JOEY BARNARD, CGFM, CFE
MEGAN ANDERSON
DOUG SANDIDGE, CISA, CFE
State Auditors

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

SINGLE AUDIT REPORT TABLE OF CONTENTS

	Page(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 <u>Government Auditing Standards</u>	1-3
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>	5-7
Schedule of Expenditures of Federal Awards and State Grants	9-11
Schedule of Audit Findings Not Corrected	13
Schedule of Findings and Questioned Costs	15-20
Auditee Reporting Responsibilities	21



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

January 7, 2008

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

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

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cocke County, Tennessee, and the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department as of and for the year ended June 30, 2007, which collectively comprise a portion of Cocke County's and the Cocke County School Department's basic financial statements and have issued our reports thereon dated January 7, 2008. Our report on the financial statements of Cocke County expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Cocke County School Department is unqualified. 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 Cocke County's and the Cocke County School Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements,

but not for the purpose of expressing an opinion on the effectiveness of Cocke County's and the Cocke County School Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cocke County's and the Cocke County School Department's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.02 (A,B,D,E,G,H) and 07.03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Cocke County's and the Cocke County School Department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

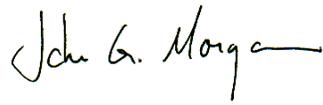
As part of obtaining reasonable assurance about whether Cocke County's and the Cocke County School Department's financial statements are free of material misstatement, we performed tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 07.01 and 07.02 (C,F,I).

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

Coker County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Coker County's responses and, accordingly, we express no opinion on them.

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

Very truly yours,

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

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

January 7, 2008

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

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

Compliance

We have audited the compliance of Cocke County and the Cocke County School Department with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of their major federal programs for the year ended June 30, 2007. Cocke County's and the Cocke County School Department's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of their major federal programs is the responsibility of Cocke County's and the Cocke County School Department's management. Our responsibility is to express an opinion on Cocke County's and the Cocke County School Department's compliance based on our audit.

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

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

In our opinion, Cocke County and the Cocke County School Department complied, in all material respects, with the requirements referred to above that are applicable to each of their major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Cocke County and the Cocke County School Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Cocke County's and Cocke County School Department's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cocke County's and Cocke County School Department's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of each major fund and the aggregate remaining fund information of Cocke County and the governmental activities, each major fund, and the aggregate remaining fund information of the Cocke County School Department as of

and for the year ended June 30, 2007, and have issued our reports thereon dated January 7, 2008. Our report on the financial statements of Cocke County, Tennessee, expresses an adverse opinion because the government-wide financial statements are not presented in accordance with Governmental Accounting Standards Board Statement No. 34. Our report on the financial statements of the Cocke County School Department is unqualified. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Cocke County's and Cocke County School Department's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Cocke County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Cocke County's responses and, accordingly, we express no opinion on them.

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

Yours very truly,



John G. Morgan
Comptroller of the Treasury

JGM/sb

Cocke County, Tennessee, and the Cocke County School Department
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2007

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Watershed Protection and Flood Prevention	10.904	(3)	\$ 222,623
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	255,297
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	469,086
National School Lunch Program	10.555	N/A	1,263,676
Total U.S. Department of Agriculture			<u>\$ 2,210,682</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency:			
HOME Investment Partnerships Program	14.239	HM-03-21	\$ 132,904
Total U.S. Department of Housing and Urban Development			<u>\$ 132,904</u>
U.S. Department of the Interior:			
Direct Program:			
Payments in Lieu of Taxes	15.226	N/A	\$ 71,495
Total U.S. Department of Interior			<u>\$ 71,495</u>
U.S. Department of Labor:			
Passed-through Walters State Community College:			
WIA Youth Activities	17.259	(2)	\$ 61,777
Total U.S. Department of Labor			<u>\$ 61,777</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-07-033683-00	\$ 77,764
Title I Grants to Local Educational Agencies	84.010	N/A	1,381,020
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,111,692 (7)
Special Education - Preschool Grants	84.173	N/A	49,469 (8)
Vocational Education - Basic Grants to States	84.048	N/A	144,477
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	27,470
Twenty-First Century Community Learning Centers	84.287	(2)	73,704
State Grants for Innovative Programs	84.298	N/A	7,998
Education Technology State Grants	84.318	(2)	15,027
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(2)	196,000
Reading First State Grants	84.357	GG-05-11246-00	216,970
Rural Education	84.358	(2)	157,591
English Language Acquisition Grants	84.365	N/A	7,522
Improving Teacher Quality State Grants	84.367	N/A	350,788
Hurricane Education Recovery	84.938	(2)	14,033

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
Passed-through the City of Newport:			
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	\$ 139,656 (7)
Special Education - Preschool Grants	84.173	N/A	13,299 (8)
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation			
Grants to States	84.126	GG-07-12490-00	<u>95,233</u>
Total U.S. Department of Education			<u>\$ 4,079,713</u>
U.S. Election Assistance Commission:			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	Z-07-037398-00	<u>\$ 3,875</u>
Total U.S. Election Assistance Commission			<u>\$ 3,875</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Labor and			
Workforce Development:			
Temporary Assistance For Needy Families	93.558	Z-07-034209-00	\$ 10,530
Passed-through State Department of Health:			
Block Grants for Prevention and Treatment			
of Substance Abuse	93.959	(2)	<u>63,860</u>
Total U.S. Department of Health and Human Services			<u>\$ 74,390</u>
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	EMW-2005-FG-15603	\$ 65,678
Passed-through State Department of the Military:			
Homeland Security Cluster:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	79,516
Homeland Security Grant Program	97.067	(5)	120,810
Disaster Grants - Public Assistance (Presidentially			
Declared Disasters)	97.036	N/A	<u>4,332</u>
Total U.S. Department of Homeland Security			<u>\$ 270,336</u>
Total Expenditures of Federal Awards			<u>\$ 6,905,172</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	\$ 11,475
Health Department Program - State Department of Health	N/A	(2)	161,091
Litter Grant - State Department of Transportation	N/A	(2)	31,174
Solid Waste Grants - State Department of Environment and Conservation	N/A	(2)	26,500
Fast Track Infrastructure Development Program - State Department of Economic and Community Development	N/A	(6)	212,912
Temporary Assistance for Needy Families - State Department of Labor and Workforce Development	N/A	Z-07-034209-00	12,692
Adult Basic Education - State Department of Education	N/A	Z-07-033683-00	25,921
Safe Schools Act Grant - State Department of Education	N/A	(2)	28,937
Driver's Education - State Department of Education	N/A	(2)	19,994
Families Resource Center Grant - State Department of Education	N/A	(2)	33,109
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	271,388
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	<u>14,223</u>
Total State Grants			<u>\$ 849,416</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) EWP-TN-5046: \$64,858; EWP-TN-5050: \$157,765.
- (4) GG-05-21479-00: \$5,221; Z-06-023871-00: \$18,921; Z-04-022049-00: \$55,374
- (5) Z-07-020363-00: \$18,921; Z-05-025144-01: \$101,889
- (6) GG-06-12104-00: \$187,396; GG-07-12916-00: \$25,516.
- (7) Total for CFDA No. 84.027 is \$1,251,348.
- (8) Total for CFDA No. 84.173 is \$62,768.

Cocke County, Tennessee, and the Cocke County School Department
Schedule of Audit Findings Not Corrected
June 30, 2007

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Cocke County, Tennessee, and the Cocke County School Department for the year ended June 30, 2006, which have not been corrected.

COCKE COUNTY

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	14	Government-wide financial statements were not presented in accordance with generally accepted accounting principles

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.04	16	Duties were not segregated adequately in the Offices of General Sessions Court Clerk, Register, and Sheriff

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of Cocke County, and an unqualified opinion was issued on the financial statements of the Cocke County School Department.
2. The audit of the financial statements of Cocke County disclosed significant deficiencies in internal control. None of these conditions was considered to be a material weakness. The audit of the financial statements of the Cocke County School Department disclosed no significant deficiencies in internal control
3. The audit disclosed one instance of noncompliance that is material to the financial statements of Cocke County and no instance of noncompliance that is material to the financial statements of the Cocke County School Department.
4. The audit disclosed no significant deficiencies in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Reading First State Grants (84.357) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Cocke County and the Cocke County School Department did not qualify as low-risk auditees.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

COCKE COUNTY

FINDING 07.01 GOVERNMENT-WIDE FINANCIAL STATEMENTS WERE NOT PRESENTED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES
(Material Noncompliance Under Government Auditing Standards)

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

The Office of the Comptroller of the Treasury, State of Tennessee, requires governments that do not implement GASB Statement No. 34 to issue a financial report in compliance with Financial Reporting Standards for County Governments, Component Units of County Governments, and Special School Districts That Do Not Implement Governmental Accounting Standards Board Statement No. 34, established by the Comptroller of the Treasury. Cocke County’s financial statements are presented in compliance with these requirements.

RECOMMENDATION

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

MANAGEMENTS' RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS

We have begun the process of identifying and determining the historical value of our capital assets and expect this process to be completed by June 30, 2008. Other compliance issues have already been addressed. For the year ended June 30, 2007, we have budgeted and recorded employee benefits on a departmental basis to comply with the functional reporting requirement of GASB Statement No. 34.

RECREATION DEPARTMENT

FINDING 07.02 THE RECREATION DEPARTMENT HAD DEFICIENCIES IN ACCOUNTING FOR FUNDS

(A., B., D., E., G., and H. – Internal Control – Significant Deficiency Under Government Auditing Standards; C., F., and I. – Noncompliance Under Government Auditing Standards)

In March 2000, Cocke County adopted Chapter 95 of the Private Acts of 2000 that provided for the Cocke County Recreation Department to maintain a bank account for its activity funds outside the Office of Trustee. Cocke County officials contracted for the audit of this account for the years ended June 30, 2003, and 2004. However, since the county had not contracted for audits of this bank account for the years ended June 30, 2005, 2006, and 2007, the Division of County Audit decided to audit the financial statements of the Recreation Department in conjunction with our audit of the primary government for the year ended June 30, 2007. Our examination revealed the following deficiencies:

- A. Management of the Recreation Department did not maintain a general ledger for the accumulation of all accounting information. In addition, the department's check register was not adequately maintained. The check register did not include balances and deposits, and in several instances, the amount of the check had not been recorded. To conduct our audit with summary financial information, the director of accounts and budgets prepared a trial balance of Recreation Department transactions based on available source documents.
- B. Bank statements had not been reconciled with any cash control record.
- C. Most funds were not deposited within three days of collection as required by Section 5-8-207, Tennessee Code Annotated (TCA).
- D. The Recreation Department did not maintain daily summary reports or any other adequate documentation to account for gate receipts and concession sales. Without these summary reports or other adequate documentation, we could not determine if all collections had been reported.
- E. Receipts were issued for funds received at the Recreation Department office. However, dates, amounts, and the payee were omitted in several instances.

- F. Disbursements were made from the cash collections of gate receipts and concessions. These disbursements were for payments to referees and other support staff, purchases of supplies, and reimbursements. Section 5-9-307, TCA, requires counties to make all disbursements by prenumbered warrants or checks.
- G. A significant portion of Recreation Department funds were paid to, and expended by, the various team coaches. Management of the Recreation Department required coaches to seek sponsorships from area businesses and organizations to assist in the costs of the programs. Generally, the sponsors made a donation to the coach in the form of a check that was payable to the Coker County Recreation Department, and the coach remitted the check to the Recreation Department. The Recreation Department would then receipt the sponsorship monies and issue a department check to the coach for the same amount as the sponsorship. The Recreation Department also paid the coaches a portion of the registration fees received from participants. The monies paid to the coaches were to be expended for purchase of uniforms, equipment, and other items necessary for participation in that particular sport. However, no documentation was obtained by the Recreation Department as to how the funds were ultimately expended by the coaches. By processing the sponsorship monies and participant fees in this manner, there is no assurance that the monies are expended for the intended purposes.
- H. Documentation was not on file to support several invoices paid by check from the Recreation Department checking account.
- I. The Recreation Department failed to issue Internal Revenue Service Form 1099 to individuals receiving payments for services from the department.

RECOMMENDATION

County officials should ensure that audited financial statements are obtained for the Recreation Department. Also, officials should take immediate steps to develop improved internal control procedures over the operation of the Recreation Department and correct the above-noted deficiencies.

MANAGEMENTS' RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS

To efficiently address the deficiencies in operations of the Recreation Department, Coker County amended Chapter 95, Private Acts of 2000, to provide for the funds collected by the Recreation Department to be deposited with the county trustee. This change also provided for centralization of budgeting and accounting through the county finance department. Changes in operations addressing the noted deficiencies were implemented on July 1, 2007.

OTHER FINDING

FINDING 07.03 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF GENERAL SESSIONS COURT CLERK, REGISTER, AND SHERIFF**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal programs.

**COCKE COUNTY, TENNESSEE, AND THE
COCKE COUNTY SCHOOL DEPARTMENT
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007**

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