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# ANNUAL FINANCIAL REPORT COCKE COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2010



**ANNUAL FINANCIAL REPORT  
COCKE COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2010**

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

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## COCKE COUNTY, TENNESSEE TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		6-7
<u>INTRODUCTORY SECTION</u>		8
Cocke County Officials		9
<u>FINANCIAL SECTION</u>		10
Independent Auditor's Report		11-13
BASIC FINANCIAL STATEMENTS:		14
Government-wide Financial Statements:		
Statement of Net Assets	A	15-16
Statement of Activities	B	17-18
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	19-20
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	21
Statement of Revenues, Expenditures, and Changes in Fund Balances	C-3	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	23
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	D	24
Notes to the Financial Statements		25-64
REQUIRED SUPPLEMENTARY INFORMATION:		65
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Fund	E-1	66-69
Highway/Public Works Fund	E-2	70
Schedule of Funding Progress – Pension Plan – Primary Government and Discretely Presented Cocke County School Department	E-3	71
Schedule of Funding Progress – Other Postemployment Benefits Plans – Primary Government and Discretely Presented Cocke County School Department	E-4	72
Notes to the Required Supplementary Information		73

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		74
Nonmajor Governmental Funds:		75-76
Combining Balance Sheet	F-1	77-78
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	79-80
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
Solid Waste/Sanitation Fund	F-3	81
Industrial/Economic Development Fund	F-4	82
Drug Control Fund	F-5	83
Sports and Recreation Fund	F-6	84
Rural Debt Service Fund	F-7	85
Major Governmental Fund:		86
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual and Budget:		
General Debt Service Fund	G	87
Fiduciary Funds:		88
Combining Statement of Fiduciary Assets and Liabilities	H-1	89
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	H-2	90-91
Component Unit:		
Discretely Presented Cocke County School Department:		92
Statement of Activities	I-1	93
Balance Sheet – Governmental Funds	I-2	94
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	I-3	95
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	I-4	96
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	I-5	97
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Purpose School Fund	I-6	98-99
School Federal Projects Fund	I-7	100
Central Cafeteria Fund	I-8	101
School Transportation Fund	I-9	102
Statement of Fiduciary Net Assets	I-10	103
Statement of Changes in Fiduciary Net Assets	I-11	104

	Exhibit	Page(s)
Miscellaneous Schedules:		105
Schedule of Changes in Long-term Notes, Other Loans, and Bonds – Primary Government and Discretely Presented Cocke County School Department	J-1	106-107
Schedule of Long-term Debt Requirements by Year – Primary Government and Discretely Presented Cocke County School Department	J-2	108-109
Schedule of Investments	J-3	110
Schedule of Transfers – Primary Government and Discretely Presented Cocke County School Department	J-4	111
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Cocke County School Department	J-5	112
Schedule of Detailed Revenues – All Governmental Fund Types	J-6	113-124
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Cocke County School Department	J-7	125-126
Schedule of Detailed Expenditures – All Governmental Fund Types	J-8	127-148
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Cocke County School Department	J-9	149-162
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	J-10	163
 <u>SINGLE AUDIT SECTION</u>		 164
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		165-166
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		167-169
Schedule of Expenditures of Federal Awards and State Grants		170-171
Schedule of Audit Findings Not Corrected		172
Schedule of Findings and Questioned Costs		173-178
Auditee Reporting Responsibilities		179

# ***Audit Highlights***

Annual Financial Report  
Cocke County, Tennessee  
For the Year Ended June 30, 2010

## ***Scope***

We have audited the basic financial statements of Cocke County as of and for the year ended June 30, 2010.

## ***Results***

Our report on the aggregate discretely presented component units is qualified because the financial statements do not include one component unit whose financial statements were not available from other auditors at the date of this report. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

Our audit resulted in five findings and recommendations, which we have reviewed with Cocke County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

## ***Findings and Best Practice***

The following are summaries of the audit findings and best practice:

### **OFFICE OF COUNTY MAYOR**

- ◆ The county mayor purchased county property that had not been declared surplus.
- 

### **OFFICE OF DIRECTOR OF SCHOOLS**

- ◆ American Recovery and Reinvestment Act Grant funds and Child Nutrition Cluster funds were used to purchase ovens based on an expired bid.
  - ◆ Competitive bids were not solicited for all applicable purchases.
- 

### **OFFICE OF TRUSTEE**

- ◆ Investment transactions were not posted to the general ledger.
-

## **OTHER FINDING**

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

## **BEST PRACTICE**

Cocke County does not have an Audit Committee. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted by the governing body to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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# INTRODUCTORY SECTION

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# Cocke County Officials

## June 30, 2010

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### **Officials**

Iliff McMahan, Jr., County Mayor  
John Holloway, Road Superintendent  
Manney Moore, Director of Schools  
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**

Norman Smith, Chairman  
Calvin Ball  
Clay Blazer  
Bill Costner  
Andrew Fowler, Jr.  
Henry Gregory  
Melinda Henderson

Phil Killion  
Jimmy Lindsey  
Scott McClure  
Lonnie Ottinger  
Tom Sutton  
David Taylor  
Bill Williamson

### **Highway Commission**

Ronald Blazer, Chairman  
Randy Dyke  
Danny Fish  
Kenneth Hall

Clifford Large  
Chuck Smithpeters  
Willard Taylor

### **Board of Education**

Randy Shults, Chairman  
Richard Coggins  
Marty Denton  
Dr. Ken Johnson

Rose Lovell  
Pat Proffitt  
Otha Rolan

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## **FINANCIAL SECTION**

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**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7841**

**INDEPENDENT AUDITOR'S REPORT**

December 22, 2010

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 the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cocke County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Cocke County's basic financial statements as listed in the table of contents. 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 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.

The financial statements of the Cocke County Emergency Communications District, a component unit requiring discrete presentation, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate discretely presented component units financial statements referred to above do not include amounts for the

Cocke County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Cocke County Emergency Communications District as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Cocke County, Tennessee, as of June 30, 2010, and the results of operations of the aggregate discretely presented component units, for the year ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, 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 Cocke County, Tennessee, as of June 30, 2010, 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 December 22, 2010, on our consideration of Cocke County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Cocke County has adopted the provisions of Governmental Accounting Standards Board Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which became effective for the year ended June 30, 2010.

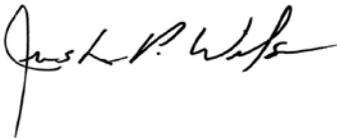
Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison, pension, and other postemployment benefits information on pages 66 through 73 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational,

economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Coke County, Tennessee  
Statement of Net Assets  
June 30, 2010

	Primary Government Governmental Activities	Component Unit Coke County School Department
<u>ASSETS</u>		
Cash	\$ 126,405	\$ 1,109,549
Equity in Pooled Cash and Investments	12,417,790	5,754,171
Investments	601,833	0
Accounts Receivable	67,772	91,118
Due from Other Governments	886,611	916,371
Property Taxes Receivable	8,560,720	4,419,456
Allowance for Uncollectible Property Taxes	(504,047)	(262,888)
Prepaid Item	4,102	0
Unamortized Discount on Debt	118,711	0
Deferred Charges - Debt Issuance Cost	414,158	0
Capital Assets:		
Assets Not Depreciated:		
Land	939,053	601,292
Construction in Progress	0	62,458
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	2,098,929	19,303,765
Other Capital Assets	1,705,298	3,106,379
Infrastructure	15,830,960	0
Total Assets	<u>\$ 43,268,295</u>	<u>\$ 35,101,671</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 335,699	\$ 87,434
Accrued Payroll	0	1,930
Payroll Deductions Payable	15,205	0
Accrued Interest Payable	150,902	1,096
Due to State of Tennessee	2,092	0
Derivative - Interest Rate Swap	614,292	0
Other Current Liabilities	0	1,105,566
Deferred Revenue - Current Property Taxes	7,707,264	3,979,479
Noncurrent Liabilities:		
Due Within One Year	1,632,310	42,147
Due in More than One Year (net of deferred amount on refunding and unamortized premium on debt)	31,896,260	3,917,297
Total Liabilities	<u>\$ 42,354,024</u>	<u>\$ 9,134,949</u>

(Continued)

Exhibit A

Cocke County, Tennessee  
Statement of Net Assets (Cont.)

	Primary Government <u>Governmental</u> <u>Activities</u>	<u>Component</u> <u>Unit</u> Cocke County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 7,446,596	\$ 23,017,825
Restricted for:		
Industrial Development	510,379	0
Drug Control	40,102	0
Sports and Recreation	11,698	0
Highway	1,197,259	0
School Transportation	0	416,134
Debt Service	7,073,368	0
Bridge Program	601,833	0
Capital Projects	2,237,926	0
State and Federal Financial Assistance Programs	0	1,554,810
Alcohol and Drug Treatment	2,936	0
Litigation Tax - Jail, Workhouse, or Courthouse	558,893	0
Automation Purposes	71,962	0
Other Purposes	5,591	0
Unrestricted	<u>(18,844,272)</u>	<u>977,953</u>
Total Net Assets	<u>\$ 914,271</u>	<u>\$ 25,966,722</u>

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

Exhibit B

Cocke County, Tennessee  
 Statement of Activities  
 For the Year Ended June 30, 2010

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets						Component Unit
	Program Revenues			Primary Government		Cocke County School Department	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities		
Primary Government:							
Governmental Activities:							
General Government	\$ 971,647	\$ 233,780	\$ 17,487	\$ 0	\$ (720,380)	\$ 0	
Finance	1,293,028	777,850	12,111	0	(503,067)	0	
Administration of Justice	1,065,018	663,137	11,500	0	(390,381)	0	
Public Safety	4,820,962	255,546	190,804	145,875	(4,228,737)	0	
Public Health and Welfare	1,796,797	70,454	226,391	0	(1,499,952)	0	
Social, Cultural, and Recreational Services	323,226	303,355	13,102	0	(6,769)	0	
Agriculture and Natural Resources	78,274	0	0	0	(78,274)	0	
Other Operations	1,518,309	1,195	0	0	(1,517,114)	0	
Highways	3,898,119	0	1,724,129	1,406,264	(767,726)	0	
Education	448,767	0	0	0	(448,767)	0	
Interest on Long-term Debt	1,424,494	0	0	0	(1,424,494)	0	
Debt Service	62,012	0	0	0	(62,012)	0	
<b>Total Primary Government</b>	<b>\$ 17,700,653</b>	<b>\$ 2,305,317</b>	<b>\$ 2,195,524</b>	<b>\$ 1,552,139</b>	<b>\$ (11,647,673)</b>	<b>\$ 0</b>	
Component Unit:							
Cocke County School Department	\$ 41,387,882	\$ 864,212	\$ 6,728,118	\$ 986,783	\$ 0	\$ (32,808,769)	
<b>Total Component Unit</b>	<b>\$ 41,387,882</b>	<b>\$ 864,212</b>	<b>\$ 6,728,118</b>	<b>\$ 986,783</b>	<b>\$ 0</b>	<b>\$ (32,808,769)</b>	

(Continued)

Exhibit B

Cocke County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		Component Unit Cocke County School Department
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Total Governmental Activities	Cocke County School Department	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes		\$ 6,136,174			\$ 2,832,912		
Property Taxes Levied for Development		348,345			0		
Property Taxes Levied for Highway/Public Works		626,442			0		
Property Taxes Levied for Transportation		0			1,251,751		
Property Taxes Levied for Debt Service		801,357			0		
Local Option Sales Taxes		1,733,650			3,079,069		
Hotel/Motel Tax		156,296			0		
Litigation Tax - General		34,492			0		
Litigation Tax - Special Purpose		3,794			0		
Litigation Tax - Jail, Workhouse, Courthouse		172,553			0		
Business Tax		246,646			0		
Mineral Severance Tax		67,879			0		
Wholesale Beer Tax		289,113			0		
Interstate Telecommunications Tax		815			3,984		
Other Local Taxes		58,782			55,403		
Grants and Contributions Not Restricted to Specific Programs		1,166,498			24,642,362		
Unrestricted Investment Income		162,455			32,931		
Investment Income (Loss) - Derivatives		(212,154)			0		
Miscellaneous		69,300			31,986		
Insurance Recovery		24,741			0		
Total General Revenues		\$ 11,887,178			\$ 31,930,398		
Change in Net Assets		\$ 239,505			\$ (878,371)		
Net Assets, July 1, 2009		1,076,904			26,845,093		
Prior-period Adjustment - Interest Rate Swap		(402,138)			0		
Net Assets, June 30, 2010		\$ 914,271			\$ 25,966,722		

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

Exhibit C-1

Cocke County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2010

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds		
\$	0	0	0	0	126,405	\$ 126,405
Equity in Pooled Cash and Investments	1,581,654	1,059,224	6,934,275	2,842,637		12,417,790
Investments	0	0	0	601,833		601,833
Accounts Receivable	62,332	150	0	5,290		67,772
Due from Other Governments	287,564	354,373	237,791	6,883		886,611
Due from Other Funds	476	0	0	0		476
Property Taxes Receivable	6,637,268	677,272	866,908	379,272		8,560,720
Allowance for Uncollectible Property Taxes	(390,796)	(39,877)	(51,043)	(22,331)		(504,047)
Prepaid Items	4,102	0	0	0		4,102
Total Assets	\$ 8,182,600	\$ 2,051,142	\$ 7,987,931	\$ 3,939,989	\$	\$ 22,161,662

ASSETS

Cash  
Equity in Pooled Cash and Investments  
Investments  
Accounts Receivable  
Due from Other Governments  
Due from Other Funds  
Property Taxes Receivable  
Allowance for Uncollectible Property Taxes  
Prepaid Items

Total Assets

LIABILITIES AND FUND BALANCES

Liabilities  
Accounts Payable  
Payroll Deductions Payable  
Due to Other Funds  
Due to State of Tennessee  
Deferred Revenue - Current Property Taxes  
Deferred Revenue - Delinquent Property Taxes  
Other Deferred Revenues  
Total Liabilities

\$	112,677	\$ 211,285	\$ 0	\$ 11,737	\$ 335,699
	13,253	1,543	0	409	15,205
	0	0	0	476	476
	2,092	0	0	0	2,092
	5,975,569	609,752	780,482	341,461	7,707,264
	220,977	22,548	28,862	12,627	285,014
	66,930	165,762	126,383	0	359,075
\$	\$ 6,391,498	\$ 1,010,890	\$ 935,727	\$ 366,710	\$ 8,704,825

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds		Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Governmental Funds	Governmental Funds	
\$	13,379	\$ 0	\$ 0	\$ 0	\$ 0	13,379
Reserved for Encumbrances	2,936	0	0	0	0	2,936
Reserved for Alcohol and Drug Treatment	558,893	0	0	0	0	558,893
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	1,755	0	0	0	0	1,755
Reserved for Sexual Offender Registration	968	0	0	0	0	968
Reserved for Courtroom Security	2,868	0	0	0	0	2,868
Reserved for Victims Assistance Programs	4,431	0	0	0	0	4,431
Reserved for Automation Purposes - Circuit Court	52,491	0	0	0	0	52,491
Reserved for Automation Purposes - General Sessions Court	4,049	0	0	0	0	4,049
Reserved for Automation Purposes - Juvenile Court	3,220	0	0	0	0	3,220
Reserved for Automation Purposes - Chancery Court	7,069	0	0	0	0	7,069
Reserved for Automation Purposes - Sheriff	702	0	0	0	0	702
Reserved for Automation Purposes - County Clerk	19,059	0	0	631,652	0	650,711
Unreserved, Reported In:						
General Fund	1,119,282	0	0	0	0	1,119,282
Special Revenue Funds	0	1,040,252	0	735,758	0	1,776,010
Debt Service Funds	0	0	7,052,204	16,821	0	7,069,025
Capital Projects Funds	0	0	0	2,189,048	0	2,189,048
<b>Total Fund Balances</b>	<b>\$ 1,791,102</b>	<b>\$ 1,040,252</b>	<b>\$ 7,052,204</b>	<b>\$ 3,573,279</b>	<b>\$ 0</b>	<b>\$ 13,456,837</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,182,600</b>	<b>\$ 2,051,142</b>	<b>\$ 7,987,931</b>	<b>\$ 3,939,989</b>	<b>\$ 0</b>	<b>\$ 22,161,662</b>

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

Exhibit C-2

Cocke County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Assets  
June 30, 2010

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)		\$ 13,456,837
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 939,053	
Add: infrastructure net of accumulated depreciation	15,830,960	
Add: buildings and improvements net of accumulated depreciation	2,098,929	
Add: other capital assets net of accumulated depreciation	<u>1,705,298</u>	20,574,240
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	\$ (428,571)	
Less: other loans payable	(2,148,894)	
Less: bonds payable	(30,565,000)	
Add: deferred amount on refunding	280,228	
Add: deferred charges - debt issuance costs	414,158	
Add: unamortized discount on debt	118,711	
Less: compensated absences payable	(7,398)	
Less: other postemployment benefits liability	(122,526)	
Less: landfill postclosure care costs	(132,641)	
Less: other deferred revenue - premium on debt	(403,768)	
Less: accrued interest on bonds, notes, and other loans payable	(150,902)	
Less: negative fair market value of interest rate swap	<u>(614,292)</u>	(33,760,895)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>644,089</u>
Net assets (deficit) of governmental activities (Exhibit A)		<u>\$ 914,271</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  
For the Year Ended June 30, 2010

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 7,735,920	\$ 722,870	\$ 2,123,223	\$ 360,320	\$ 10,942,333
Licenses and Permits	102,464	0	0	0	102,464
Fines, Forfeitures, and Penalties	141,903	0	0	2,649	144,552
Charges for Current Services	337,427	0	0	598,638	936,065
Other Local Revenues	54,087	30,437	142,247	52,396	279,167
Fees Received from County Officials	864,839	0	0	0	864,839
State of Tennessee	851,011	2,370,279	45,372	43,751	3,310,413
Federal Government	220,551	31,840	21,573	0	273,964
Other Governments and Citizens Groups	70,006	0	71,429	324,967	466,402
Total Revenues	<u>\$ 10,378,208</u>	<u>\$ 3,155,426</u>	<u>\$ 2,403,844</u>	<u>\$ 1,382,721</u>	<u>\$ 17,320,199</u>
<u>Expenditures</u>					
Current:					
General Government	\$ 935,876	\$ 0	\$ 0	\$ 0	\$ 935,876
Finance	773,076	0	0	500,254	1,273,330
Administration of Justice	1,024,829	0	0	29,681	1,054,510
Public Safety	4,472,544	0	0	1,169	4,473,713
Public Health and Welfare	300,556	0	0	1,270,956	1,571,512
Social, Cultural, and Recreational Services	262,554	0	0	43,484	306,038
Agriculture and Natural Resources	77,626	0	0	0	77,626
Other Operations	1,344,139	0	0	0	1,344,139
Highways	83,134	3,491,912	0	0	3,575,046
Debt Service:					
Principal on Debt	0	0	1,242,392	271,846	1,514,238
Interest on Debt	0	0	1,260,481	183,342	1,443,823
Other Debt Service	0	0	34,745	84,342	119,087
Capital Projects	0	0	0	650,093	650,093
Total Expenditures	<u>\$ 9,274,334</u>	<u>\$ 3,491,912</u>	<u>\$ 2,537,618</u>	<u>\$ 3,035,167</u>	<u>\$ 18,339,031</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 1,103,874</u>	<u>\$ (336,486)</u>	<u>\$ (133,774)</u>	<u>\$ (1,652,446)</u>	<u>\$ (1,018,832)</u>
<u>Other Financing Sources (Uses)</u>					
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 2,500,000	\$ 2,500,000
Premiums on Debt Issued	0	0	0	8,680	8,680
Insurance Recovery	14,910	8,695	0	1,136	24,741
Transfers In	0	554,310	0	1,158,900	1,713,210
Transfers Out	(1,158,900)	0	0	(554,310)	(1,713,210)
Total Other Financing Sources (Uses)	<u>\$ (1,143,990)</u>	<u>\$ 563,005</u>	<u>\$ 0</u>	<u>\$ 3,114,406</u>	<u>\$ 2,533,421</u>
Net Change in Fund Balances	\$ (40,116)	\$ 226,519	\$ (133,774)	\$ 1,461,960	\$ 1,514,589
Fund Balance, July 1, 2009	1,831,218	813,733	7,185,978	2,111,319	11,942,248
Fund Balance, June 30, 2010	<u>\$ 1,791,102</u>	<u>\$ 1,040,252</u>	<u>\$ 7,052,204</u>	<u>\$ 3,573,279</u>	<u>\$ 13,456,837</u>

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

Exhibit C-4

Cocke County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 1,514,589
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 840,912	
Less: current-year depreciation expense	<u>(1,834,661)</u>	(993,749)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated and capitalized		892,977
(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, 2010	\$ 644,089	
Less: deferred delinquent property taxes and other deferred June 30, 2009	<u>(729,694)</u>	(85,605)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the effect of these differences in the treatment of long-term debt related items:		
Less: bond proceeds	\$ (2,500,000)	
Add: change in deferred debt issuance costs	45,521	
Add: principal payments on bonds	1,395,000	
Add: principal payments on notes	82,391	
Add: principal payments on other loans	36,846	
Add: change in discount on debt issuances	11,555	
Less: change in deferred amount on refunding	(39,969)	
Add: change in premium on debt issuances	59,697	
Less: change in fair market value of derivatives - interest rate swap	<u>(212,154)</u>	(1,121,113)
(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	\$ (9,079)	
Change in compensated absences payable	117,707	
Change in other postemployment benefits liability	(92,988)	
Change in landfill postclosure care costs	<u>16,766</u>	32,406
Change in net assets of governmental activities (Exhibit B)		<u>\$ 239,505</u>

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

Exhibit D

Cocke County, Tennessee  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,911,696
Accounts Receivable	3,437
Due from Other Governments	593,264
Property Taxes Receivable	457,216
Allowance for Uncollectible Property Taxes	(26,921)
Cash Shortage	<u>40,340</u>
Total Assets	<u><u>\$ 2,979,032</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,023,559
Due to Litigants, Heirs, and Others	<u>1,955,473</u>
Total Liabilities	<u><u>\$ 2,979,032</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, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The following are the more significant accounting policies of 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) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

The 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 financial statements of the Cocke County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Cocke County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Cocke

County Emergency Communications District were not available in time for inclusion, as previously mentioned. 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. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Cocke County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Cocke County School Department component unit only reports governmental activities in the government-wide financial statements.

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

Cocke County issues all debt for the discretely presented Cocke County School Department. Net debt issues of \$448,767 were contributed by the county to the School Department during the year ended June 30, 2010.

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

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

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

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

Cocke County reports the following major governmental funds:

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

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

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

Additionally, Cocke County reports the following fund types:

**Capital Projects Funds** – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and the issuance of debt on behalf of the discretely presented Cocke County School Department.

**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.

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

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

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

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

Additionally, the Cocke County 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

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

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

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

**1. Deposits and Investments**

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Cocke County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. 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 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 3.2 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. In the discretely presented Cocke County School Department's General Purpose School Fund, the account Other Current Liabilities totaling \$1,105,566 represents the remaining balance in the teacher's insurance account.

**3. Prepaid Items**

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

**4. Capital Assets**

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), 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, improvements, and infrastructure; \$5,000 or more for machinery and other equipment; and an estimated useful life of more than two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Building Improvements	20
Vehicles and Other Capital Assets	3-15
Infrastructure:	
Roads	30
Bridges	30

**5. Compensated Absences**

Vacation leave benefits for employees of Cocke County and the discretely presented Cocke County School Department do not vest or accumulate and must be used within the year or lost.

During the year, it was the 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. Subsequent to June 30, 2010, the Road Department changed its policy and no longer allows payment for unused sick leave. For the remainder of Cocke County and the discretely presented School Department, the granting of sick leave has no guaranteed payment attached. A liability for sick leave pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt using the straight-line method. Debt issuance costs are reported as deferred charges and amortized over the term of the related debt. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

In the government-wide financial statements 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, 2010, Cocke County had \$16,499,070 in outstanding debt for capital purposes for the discretely presented Cocke County School Department. In accordance with state statutes, certain county school debt proceeds must be shared with other public school systems in the county (City of Newport School System) based on an average daily attendance proration. This debt is a liability of Cocke County, but the capital assets acquired are reported in the financial statements of the School Department and the City of Newport School System. Therefore, Cocke County has incurred a liability, significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

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. The following table reflects designations on June 30, 2010:

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

**8. Prior-period Adjustment**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010. This is further discussed in Note V.B. To implement the provisions of this statement required restating (increasing) liabilities of the prior year by \$402,138 for the governmental activities to recognize the negative fair value of an interest rate swap agreement. That agreement is discussed in Note IV.B.

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

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Assets**

**Primary Government**

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

**Discretely Presented Coker County School Department**

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide Statement of Net Assets.

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

**Primary Government**

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

## **Discretely Presented Cocke County School Department**

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide Statement of Activities.

### **III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

#### **A. Budgetary Information**

Annual budgets are adopted on the basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (special revenue fund), which is not budgeted, and the 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 County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Other Boards and Committees, County Mayor, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

#### **B. Cash Shortage from 1996-97**

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, 2010, Mr. Chesteen had paid \$11,482 toward liquidating the remaining shortage. A balance of \$40,340 is reflected as a cash shortage in the financial statements of this report.

**C. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Drug Court (\$2,511) and Victims Assistance Programs (\$5,013) major appropriation categories (the legal level of control) of the General Fund. Expenditures also exceeded appropriations in the Vocational Education Program major category of the School Department's School Federal Projects Fund (\$6,632). Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balances.

**IV. 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 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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase.

**Investment Balances.** As of June 30, 2010, Cocke County had the following investments carried at fair value or cost. Except for the investments of the Highway Capital Projects Fund, all investments are in the county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Cocke County and the discretely presented Cocke County School Department since both pool their deposits and investments through the county trustee.

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value or Cost</u>
Pooled Investments:		
Federal Home Loan Bank Discount Note	7-9-10	\$ 399,993
Federal Home Loan Bank	8-5-10	110,520
Federal Home Loan Bank	11-15-10	253,745
State of Mississippi Taxable General Obligation Port Improvement Refunding Bonds - Series C	9-1-10	(1) 160,445
Nonpooled Investments:		
Nonmajor Governmental Fund:		
Highway Capital Projects Fund:		
State Treasurer's Investment Pool	Daily	<u>601,833</u>
Total		<u>\$ 1,526,536</u>

(1) Not subject to optional redemption prior to maturity.

**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, 2010, Cocke County's investments in the Federal Home Loan Bank was rated AAA by both Moody's Investor Services and Standard and Poor's. Cocke County's investment in State of Mississippi General Obligation bonds was rated Aa2 by Moody's Investor Services and AA by Standard and Poor's. Cocke County's investment in the State Treasurer's Investment Pool was unrated.

**Concentration of Credit Risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Cocke County places no limit on the amount the county may invest in one issuer. As of June 30, 2010, Cocke County's investments consisted of three types of securities. Each type of security accounts for more than five percent of the county's investments as follows: Federal Home Loan Bank, 50.1 percent; State of Mississippi Taxable General Obligation Bonds, 10.5 percent; and the State Treasurer's Investment Pool, 39.4 percent.

**B. Derivative Instruments**

**Primary Government**

At June 30, 2010, Cocke County had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Trade Date (Novation Date)	Maturity Date	Terms
\$5.025M Swap	Pay fixed interest rate	Variable to synthetic fixed rate swap	\$ 5,025,000	2-11-10	6-1-21	Pay 3.825% receive 63% of LIBOR

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended as reported in the 2010 financial statements are as follows:

Type	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2010</u>		6-30-10
	Classification	Amount	Classification	Amount	Notional Amount
<b>Governmental Activities</b>					
Investment Derivative:					
Pay-fixed interest rate swaps:					
\$5.025M Swap	Interest and Investment Earnings	\$ (212,154)	Debt	\$ (614,292)	\$ 5,025,000
Totals		<u>\$ (212,154)</u>		<u>\$ (614,292)</u>	<u>\$ 5,025,000</u>

Interest rate swaps are classified as hedging derivative instruments if the hedging instruments meet effectiveness criteria established by Governmental Accounting Standards Board Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. The swap agreement described above did not meet that criteria and therefore is classified as an investment derivative.

### **Derivative Swap Agreement Detail**

#### **\$5.025M Swap:**

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

**Objective of the interest rate swap.** To protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$10 million Series IV-E-2 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. A portion of the Series IV-E-2 bonds have since been refunded with a portion of the proceeds of the Series 2009A bonds and the interest rate swap is now associated with the Series 2009A bonds.

**Terms.** Under the swap, the authority pays the counterparty a fixed payment of 3.825 percent and receives a variable payment computed as 63 percent of the five-year London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$5.025 million. In February 2009, Cocke County refinanced the variable rate bonds associated with this swap. This was due to lack of liquidity in the market and the inability to obtain a satisfactory liquidity facility to back the variable rate bonds. Therefore, per a resolution of the Cocke County legislative body, the variable-rate bonds were refinanced with two-year fixed-rate bonds, which will be due and payable in December 2011. Also per the resolution, the Cocke County legislative body

has said that the county expects to refinance these bonds with variable rate bonds with the exact amortization that was in place before. Therefore, with the completion of the December 2011 refinancing, at no time will the notional amount on the interest rate swap agreement exceed the outstanding principal on the associated hedged bonds. The related swap agreement matures on June 1, 2021. As of June 30, 2010, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest Rate Swap:		
Fixed payment to counterparty	Fixed	3.825 %
Variable payment from counterparty		<u>(1.697)</u>
Net interest rate swap payments		2.128 %
True Interest Cost (2009A Bonds)		<u>2.690</u>
 Total		 <u>4.818 %</u>

**Fair value.** As of June 30, 2010, the swap had a negative fair value of \$614,292. 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, 2010, 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, Morgan Keegan Financial Products (“MKFP”), was rated “A+” by Standard and Poor’s as of June 30, 2010, with its Credit Support Provider, Deutsche Bank, rated Aa3/A+/AA- by Moody’s, Standard and Poor’s and Fitch, respectively.

**Basis risk.** As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 63 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 63 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, 2010, net swap payments, assuming current interest rates remain the same, for the term were as follows. The table below reflects the assumptions, consistent with a resolution of the Cocke County legislative body, that upon maturity of the short-term fixed-rate bonds, they will be refinanced with variable-rate bonds with maturities matching those that were in place when the original bonds were issued. It should be noted that there is a balloon payment of \$5,010,000 due in 2011 for the Series 2009A short-term fixed-rate loans, which refunded the Series IV-E-2 loan. As rates vary, net swap payments will vary.

Fiscal Year Ending June 30	Estimated Requirements on Anticipated Issuance of Variable Rate Bonds		Net Interest	Total
	Principal	Interest	Rate Swap Payment	
2011	\$ 0	\$ 135,152	\$ 106,921	\$ 242,073
2012	0	135,152	106,921	242,073
2013	0	135,152	106,921	242,073
2014	0	135,152	106,921	242,073
2015	0	135,152	106,921	242,073
2016-2020	3,250,000	633,264	500,986	4,384,250
2021	1,775,000	47,740	37,768	1,860,508
Total	\$ 5,025,000	\$ 1,356,764	\$ 1,073,359	\$ 7,455,123

**Market-access risk.** Market-access risk is the risk that the county will not be able to enter credit markets or that credit will become more costly. The county is exposed to market-access risk because the county expects to refund the Series 2009A short-term debt; therefore, the county is exposed to market-access risk in anticipation of that issue. If the county is not able to refund the issue or is unable to refund with variable rates as planned, then the expected benefits of the swap may not be realized.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2010, was as follows:

## Primary Government

### Governmental Activities:

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 939,053	\$ 0	\$ 0	\$ 939,053
Total Capital Assets Not Depreciated	\$ 939,053	\$ 0	\$ 0	\$ 939,053
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,261,637	\$ 0	\$ 0	\$ 3,261,637
Roads and Bridges	30,050,455	1,503,899	0	31,554,354
Other Capital Assets	5,047,643	229,990	164,000	5,113,633
Total Capital Assets Depreciated	\$ 38,359,735	\$ 1,733,889	\$ 164,000	\$ 39,929,624
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,084,683	\$ 78,025	\$ 0	\$ 1,162,708
Roads and Bridges	14,691,452	1,031,942	0	15,723,394
Other Capital Assets	2,847,641	724,694	164,000	3,408,335
Total Accumulated Depreciation	\$ 18,623,776	\$ 1,834,661	\$ 164,000	\$ 20,294,437
Total Capital Assets Depreciated, Net	\$ 19,735,959	\$ (100,772)	\$ 0	\$ 19,635,187
Governmental Activities Capital Assets, Net	\$ 20,675,012	\$ (100,772)	\$ 0	\$ 20,574,240

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

### Governmental Activities:

General Government	\$ 30,278
Public Safety	312,988
Public Health and Welfare	237,657
Social, Cultural, and Recreational Services	15,742
Other Operations	3,070
Highways/Public Works	1,234,926
Total Depreciation Expense - Governmental Activities	<u>\$ 1,834,661</u>

**Discretely Presented Cocke County School Department**

**Governmental Activities:**

	Balance 7-1-09	Increases	Decreases	Balance 6-30-10
Capital Assets Not Depreciated:				
Land	\$ 601,694	\$ 0	\$ 402	\$ 601,292
Construction in Progress	129,890	62,721	130,153	62,458
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 731,584</b>	<b>\$ 62,721</b>	<b>\$ 130,555</b>	<b>\$ 663,750</b>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 33,909,451	\$ 636,153	\$ 0	\$ 34,545,604
Other Capital Assets	6,010,039	519,914	0	6,529,953
<b>Total Capital Assets Depreciated</b>	<b>\$ 39,919,490</b>	<b>\$ 1,156,067</b>	<b>\$ 0</b>	<b>\$ 41,075,557</b>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 14,098,456	\$ 1,143,383	\$ 0	\$ 15,241,839
Other Capital Assets	2,951,257	472,317	0	3,423,574
<b>Total Accumulated Depreciation</b>	<b>\$ 17,049,713</b>	<b>\$ 1,615,700</b>	<b>\$ 0</b>	<b>\$ 18,665,413</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 22,869,777</b>	<b>\$ (459,633)</b>	<b>\$ 0</b>	<b>\$ 22,410,144</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 23,601,361</b>	<b>\$ (396,912)</b>	<b>\$ 130,555</b>	<b>\$ 23,073,894</b>

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

**Governmental Activities:**

Instruction	\$ 1,179,672
Support Services	409,873
Operation of Non-Instructional Services	<u>26,155</u>
<b>Total Depreciation Expense - Governmental Activities</b>	<b><u>\$ 1,615,700</u></b>

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

The composition of interfund balances as of June 30, 2010, is as follows:

**Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 476

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, 2010, consisted of the following amounts:

**Primary Government**

<u>Transfers Out</u>	<u>Transfers In</u>	
	Highway/ Public Works Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 1,158,900
Nonmajor governmental funds	554,310	0
Total	<u>\$ 554,310</u>	<u>\$ 1,158,900</u>

**Discretely Presented Cocke County School Department**

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Purpose School Fund	School Federal Projects Fund
School Federal Projects Fund	\$ 21,544	\$ 0
General Purpose School Fund	0	100,000
Total	<u>\$ 21,544</u>	<u>\$ 100,000</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.

**E. Long-term Debt**

**Primary Government**

**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 and other loans. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 21 years for bonds, up to 7 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, 2010, will be retired from the General Debt Service, Rural Debt Service, and Industrial/Economic Development funds.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2010, for governmental activities are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
General Debt Service Fund:			
General Obligation Bonds -			
Refunding	3 to 5 %	\$ 27,540,000	\$ 25,835,000
Build America Bonds	3.44	2,500,000	2,500,000
Capital Outlay Notes	0	894,676	428,571
Rural Debt Service Fund:			
General Obligation Bonds -			
Refunding	2 to 3.9	3,215,000	2,230,000
Industrial/Economic Development Fund:			
Other Loans - City of Newport	2.15 to 4.5	2,299,614	2,148,894

In prior years, Cocke County entered into loan agreements with the Sevier County Public Building Authority and the Blount County Public Building Authority. All of those loan agreements have been refunded with other debt instruments. However, an interest rate swap agreement, which was associated with the Sevier County Public Building Authority Series IV-E-2 loan, is still in effect as of June 30, 2010. See Note IV.B. for details of this interest rate swap agreement.

Cocke County has also entered into the following agreements with the City of Newport 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 6-30-10	Interest Rates
<u>City of Newport-Newport Utilities</u>			
River Crest (A)	\$ 1,024,000	\$ 978,863	4.13%
River Crest (B)	300,000	285,724	4.38
Hartford	478,417	460,122	2.15
Hwy 25E	497,197	424,185	4.5
Total City of Newport - Newport Utilities		\$ 2,148,894	

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 and Hartford 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.

The annual requirements to amortize all general obligation bonds and notes outstanding as of June 30, 2010, including interest payments are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,510,000	\$ 1,236,666	\$ 2,746,666
2012	6,580,000	1,112,916	7,692,916
2013	1,740,000	987,266	2,727,266
2014	1,770,000	930,372	2,700,372
2015	1,835,000	856,593	2,691,593
2016-2020	6,470,000	3,017,115	9,487,115
2021-2025	5,570,000	1,977,543	7,547,543
2026-2030	5,090,000	542,020	5,632,020
Total	<u>\$ 30,565,000</u>	<u>\$ 10,660,491</u>	<u>\$ 41,225,491</u>

Amounts for the year ended June 30, 2012, include a balloon payment of \$5,010,000 for the Series 2009A refunding bonds. Management expects to refinance those bonds at or prior to maturity. The 2009A Series bonds refunded the Series IV-E-2 Sevier County Public Building Authority variable rate loan agreement. An interest rate swap agreement, which was associated with that loan agreement is still effective and is discussed in note IV.B.

The outstanding note payable is a zero interest note. Annual principal amounts are reflected in the following table:

Year Ending June 30	Notes
2011	\$ 71,428
2012	71,428
2013	71,428
2014	71,429
2015	71,429
2016	<u>71,429</u>
Total	<u>\$ 428,571</u>

The minimum annual requirements to amortize the loans payable outstanding as of June 30, 2010, to the City of Newport for the River Crest and Hartford projects, including interest payments, are presented in the following table. Annual requirements for the \$497,197 loan for the Highway 25E project 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 Loans - City of Newport		
	Principal	Interest	Total
2011	\$ 35,606	\$ 62,561	\$ 98,167
2012	37,571	61,434	99,005
2013	38,740	60,264	99,004
2014	39,941	59,064	99,005
2015	41,195	57,810	99,005
2016-2020	226,213	268,810	495,023
2021-2025	264,511	230,512	495,023
2026-2030	282,879	185,259	468,138
2031-2035	205,635	142,148	347,783
2036-2040	252,376	95,407	347,783
2041-2045	299,192	38,212	337,404
2046	850	37	887
Total	\$ 1,724,709	\$ 1,261,518	\$ 2,986,227

There is \$7,069,025 available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$929, based on the 2000 federal census for residents living outside the Newport School District and \$844 for residents living inside the Newport School District. Debt per capita, including bonds, notes, and other loans, totaled \$1,006, based on the 2000 federal census for residents living outside the Newport School District and \$921 for residents living inside the Newport School District.

#### Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

#### Governmental Activities:

	Bonds	Notes	Other Loans - City of Newport
Balance, July 1, 2009	\$ 29,460,000	\$ 510,962	\$ 2,185,740
Additions	2,500,000	0	0
Deductions	(1,395,000)	(82,391)	(36,846)
Balance, June 30, 2010	\$ 30,565,000	\$ 428,571	\$ 2,148,894
Balance Due Within One Year	\$ 1,510,000	\$ 71,428	\$ 35,606

	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2009	\$ 125,106	\$ 149,408
Additions	25,020	1,572
Deductions	<u>(142,728)</u>	<u>(18,339)</u>
Balance, June 30, 2010	<u>\$ 7,398</u>	<u>\$ 132,641</u>
Balance Due Within One Year	<u>\$ 7,398</u>	<u>\$ 7,877</u>

	Other Postemployment Benefits
Balance, July 1, 2009	\$ 29,537
Additions	117,070
Deductions	<u>(24,081)</u>
Balance, June 30, 2010	<u>\$ 122,526</u>
Balance Due Within One Year	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 33,405,030
Less: Balance Due Within One Year	(1,632,310)
Add: Unamortized Premium on Debt	403,768
Less: Deferred Amount on Refunding	<u>(280,228)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 31,896,260</u>
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Compensated absences will be paid from the employing fund, the Highway/Public Works Fund. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund. Other postemployment benefits will be paid by the employing funds.

## Discretely Presented Cocke County School Department

### Capital Outlay Notes

The county has issued capital outlay notes on behalf of the School Department to fund capital facilities and other capital outlay purchases, such as equipment.

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Capital outlay notes outstanding were issued for original terms of up to seven years. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All notes included in long-term debt as of June 30, 2010, will be retired from the General Purpose School Fund.

The capital outlay note outstanding as of June 30, 2010, for governmental activities is as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-10
Capital Outlay Note	5%	\$ 100,000	\$ 56,069

The annual requirements to amortize the note outstanding as of June 30, 2010, including interest payments are presented in the following table:

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 10,147	\$ 2,803	\$ 12,950
2012	10,654	2,296	12,950
2013	11,187	1,763	12,950
2014	11,747	1,204	12,951
2015	12,334	617	12,951
Total	\$ 56,069	\$ 8,683	\$ 64,752

### Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Cocke County School Department for the year ended June 30, 2010, was as follows:

Governmental Activities:	Note	Termination Benefits
Balance, July 1, 2009	\$ 65,733	\$ 400,000
Additions	0	64,000
Deductions	(9,664)	(40,000)
Balance, June 30, 2010	\$ 56,069	\$ 424,000
Balance Due Within One Year	\$ 10,147	\$ 32,000

	Other Postemployment Benefits
Balance, July 1, 2009	\$ 2,393,694
Additions	1,592,688
Deductions	(507,007)
Balance, June 30, 2010	\$ 3,479,375
Balance Due Within One Year	\$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2010	\$ 3,959,444
Less: Balance Due Within One Year	(42,147)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 3,917,297

Termination benefits will be retired from the General Purpose School Fund. Other postemployment benefits will be paid by the employing funds.

In addition to the long-term liabilities shown above, Coker County, the primary government, has issued rural school refunding bonds for the School Department for renovation and construction projects. The School Department provides funds to retire this debt issue; however, the rural school refunding bonds are direct obligations of, and pledge the full faith and credit of, the primary government. Therefore, the rural school refunding bonds are reported as long-term debt of the primary government. The repayment of the debt by the School Department is reflected as a contribution in the General Purpose School Fund. For the year ended June 30, 2010, the General Purpose School Fund paid \$317,730 on the debt, which consisted of principal (\$235,000) and interest (\$82,730). As of June 30, 2010, the balance remaining

on the rural school refunding bonds that the School Department plans to retire was \$2,230,000.

Also, Cocke County, the primary government, has a zero percent interest energy efficiency capital outlay note for the School Department. The School Department provides funds to retire this debt issue; however, this energy efficiency capital outlay note is a direct obligation of, and pledges the full faith and credit of, the primary government. Therefore, the energy efficiency capital outlay note is reported as long-term debt of the primary government. The repayment of the debt by the School Department is reflected as a contribution in the General Purpose School Fund. For the year ended June 30, 2010, the General Purpose School Fund paid \$71,429 on the debt. As of June 30, 2010, the balance remaining on the energy efficiency capital outlay note that the School Department plans to retire was \$428,571.

**F. Pledges of Future Revenues**

**Tax Incremental Revenues Pledged for Retirement of Industrial Board Debt**

In 2005, pursuant to Title 7, Chapter 53 of Tennessee Code Annotated, Cocke County, the City of Newport, and the Industrial Development Board of Cocke County (IDB) entered into a tax increment financing plan to fund infrastructure related to a development on Highway 321. This plan called for the IDB to issue debt not to exceed \$2,000,000 to fund the project. Cocke County and the City of Newport agreed to allocate and pay to the IDB the increment of real and personal property taxes generated by the development over the base year amount in 2004. The IDB 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 \$170,337 toward the agreement.

**Tax Incremental Revenues Pledged for Retirement of County Debt**

As discussed in Note IV.E., Cocke County has also pledged incremental real and personal property tax revenues from certain developments (River Crest, Hartford, and Highway 25E) toward the retirement of loan agreements entered into between the county and the City of Newport. The principal amount of these outstanding loans at June 30, 2010, was \$2,148,894. The details of the county's commitment and the annual principal and interest requirements are discussed in that note.

**G. On-Behalf Payments – Discretely Presented Cocke County School Department**

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Cocke County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual

Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2010, were \$166,317 and \$23,518, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

Cocke County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General (\$1,000,000) and School Transportation (\$250,000) funds. These notes were necessary because cash balances were not sufficient to meet current operations. Short-term debt activity for the year ended June 30, 2010, was as follows:

	Balance 7-1-09	Issued	Paid	Balance 6-30-10
Tax Anticipation Notes	\$ 0	\$ 1,250,000	\$ (1,250,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

**Primary Government**

The county is exposed to various risks related to general liability, property, casualty, and workers' compensation. The county participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

Cocke County participates in 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 (TCA), 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. State statute provides for the LGGIF to be self-sustaining through member premiums.

## **Discretely Presented Cocke County School Department**

It is the policy of the School Department to purchase commercial insurance for the risks of losses for general liability, property, and casualty. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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 participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

The School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF 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. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

### **B. Accounting Changes**

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets; and Statement No. 53, Accounting and Financial Reporting for Derivative Instruments became effective for the year ended June 30, 2010.

GASB Statement No. 51 establishes accounting and financial reporting requirements for intangible assets. Intangible assets have three characteristics: lack of physical substance; nonfinancial in nature; and a useful life that extends beyond a single reporting period. Assets that have these characteristics and are identifiable to the government should be recorded as capital assets and amortized over their useful lives. Easements, water rights, patents, and computer software are examples of intangible assets that should be recognized under GASB Statement No. 51. Cocke County had no assets that met the definition of intangible assets at June 30, 2010. However, it is reasonably expected that Cocke County may acquire intangible assets in subsequent years.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by county governments. Derivative instruments are financial arrangements used by governments as investments; hedges against identified financial

risks; or to lower the costs of borrowings. Interest rate swaps and locks, options, swaptions, forward contracts, and futures contracts are among the commonly used types of derivatives mentioned in GASB Statement No. 53. Derivative instruments associated with fluctuating financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. For the same reasons, derivative instruments can expose governments to significant risks and liabilities. The requirements of GASB Statement No. 53 are intended to help users of financial information evaluate the effectiveness and associated risks involved with Coker County's derivative transactions. GASB Statement No. 53 requires most derivatives to be reported at fair value in the Statement of Net Assets. Changes in fair value for derivative instruments that are intended for investment purposes or that are reported like investment derivative instruments because of ineffectiveness are reported as investment revenues in the Statement of Activities. Alternatively, the changes in fair value of derivative instruments that are classified as hedging (i.e., effective) derivative instruments are reported in the Statement of Net Assets as deferrals. Note IV.B., Derivative Instruments, describes derivative transactions of Coker County as of and for the year ended June 30, 2010.

**C. Subsequent Events**

The following table lists officials who left office on August 31, 2010, and their successors:

<u>Official</u>	<u>Office</u>	<u>Successor</u>
Iliff McMahan	County Mayor	Vaughn Moore
John Holloway	Road Superintendent	Kenneth Ford
Alfred Hogan	Trustee	Rob Mathis
Claude Strange	Sheriff	Armando Fontes

Subsequent to June 30, 2010, the primary government's General Fund borrowed \$1,500,000 from the General Debt Service Fund, and the School Department's Transportation Fund borrowed \$250,000 from the General Purpose School Fund. These loans were issued in the form of tax anticipation notes to provide temporary operating funds to the General and School Transportation funds.

Also, subsequent to June 30, 2010, the General Purpose School Fund transferred \$200,000 to the School Federal Projects Fund to provide cash flow.

In August, 2010, Coker County approved a resolution to issue Qualified School Construction Bonds not to exceed \$5,634,997.

On December 20, 2010, the County Commission approved an interfund loan of \$300,000 from the General Purpose School Fund to provide interim

financing for School Department capital project fund expenditures pending the receipt of debt proceeds.

**D. Contingent Liabilities**

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

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

**E. Landfill Closure/Postclosure Costs**

Cocke County has active permits on file with the State Department of Environment and Conservation for a sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require the county to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Cocke County closed its sanitary landfill in 2000. The \$132,641 reported as postclosure care liability at June 30, 2010, represents amounts based on what it would cost to perform all postclosure care in 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**F. Joint Venture**

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, Cocke, Grainger, Jefferson, and Sevier counties, and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF

come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Cocke County made no contributions to the DTF for the year ended June 30, 2010, 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 Organizations**

**Primary Government**

The East Tennessee Regional Agribusiness Marketing Authority was established through Title 64 of Tennessee Code Annotated (TCA), 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 of each county or the county mayor's 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's manager as an ex officio member, is in charge of the daily operation of the center.

**Discretely Presented Cocke County School Department**

The Upper East Tennessee Educational Cooperative was established through a contractual agreement between the Boards of Education of Cocke County and various other counties and cities in the Upper East Tennessee area. The cooperative was authorized through Chapter 49 of TCA. The cooperative 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. Funding for the cooperative is provided through state grants and member schools' contributions.

The Cocke County School Department is also a member of the Northeast Tennessee Cooperative. The Upper East Tennessee Educational Cooperative entered into an agreement to establish and operate the Northeast Tennessee Cooperative. The Northeast Tennessee Cooperative 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. Most members of the Upper East Tennessee Cooperative are also members of the Northeast Tennessee Cooperative. 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.

## **H. Retirement Commitments**

### **Employees**

#### **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 the Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Cocke County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at [www.tn.gov/treasury/tcrs/PS](http://www.tn.gov/treasury/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, 2010, was 12 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, 2010, Cocke County's annual pension cost of \$1,178,286 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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 postretirement 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, 2007, was eight years. An actuarial valuation was performed as of July 1, 2009, which established contribution rates effective July 1, 2010.

## Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-10	\$1,178,286	100%	\$0
6-30-09	1,122,619	100	0
6-30-08	1,070,821	100	0

## Funded Status and Funding Progress

As of July 1, 2009, the most recent actuarial valuation date, the plan was 83.14 percent funded. The actuarial accrued liability for benefits was \$26.68 million, and the actuarial value of assets was \$23.84 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.84 million. The covered payroll (annual payroll of active employees covered by the plan) was \$9.24 million, and the ratio of the UAAL to the covered payroll was 52.31 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The TCRS uses the frozen entry age cost method to calculate the annual required contribution. Effective July 1, 2009, the TCRS reestablished the unfunded accrued liabilities for all groups.

## **School Teachers**

### **Plan Description**

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

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

## **Funding Policy**

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the Cocke County School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2010, was 6.42 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, 2010, 2009, and 2008, were \$1,142,562, \$1,106,632, and \$1,042,413, respectively, equal to the required contributions for each year.

### **I. Other Postemployment Benefits (OPEB)**

#### Plan Description

Cocke County and the School Department participate in the state-administered Local Education Group Insurance Plan and the Local Government Group Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-302, Tennessee Code Annotated (TCA), for teachers and Section 8-27-207, TCA, for local governments. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tn.gov/finance/act/cafr.html>.

#### Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state does provide a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year ended June 30, 2010, Cocke County and the Cocke County School Department contributed \$24,081 and \$507,007, respectively, for postemployment health care.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 1,587,000	\$ 117,000
Interest on the NPO	107,716	1,329
Adjustment to the ARC	(102,028)	(1,259)
Annual OPEB cost	\$ 1,592,688	\$ 117,070
Amount of contribution	(507,007)	(24,081)
Increase/decrease in NPO	\$ 1,085,681	\$ 92,989
Net OPEB obligation, 7-1-09	2,393,694	29,537
Net OPEB obligation, 6-30-10	\$ 3,479,375	\$ 122,526

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Education Group	\$ 1,574,000	26 %	\$ 1,169,278
6-30-09	"	1,592,056	23	2,393,694
6-30-10	"	1,592,688	32	3,479,375
6-30-08	Local Government Group	46,591	70	14,165
6-30-09	"	47,027	67	29,537
6-30-10	"	117,070	21	122,526

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-09	7-1-09
Actuarial accrued liability (AAL)	\$ 13,575,000	\$ 925,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 13,575,000	\$ 925,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 22,861,224	\$ 5,894,808
UAAL as a % of covered payroll	59.38%	15.69%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2009, actuarial valuation for the Local Education plan, the projected unit credit actuarial cost method was used and the actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of four percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. The annual healthcare cost trend rate for the Local Government Plan was three percent for fiscal year 2010. The trend will rise to ten percent in fiscal year 2011 and then will be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning June 30, 2008.

#### **J. Termination Benefits**

To reward a teacher for long and meritorious service, the Cocke County Board of Education 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. 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. As of June 30, 2010, 50 employees are eligible for the benefit. The estimated cost of the cash payments, reported in the government-wide Statement of Net Assets, by function, is \$424,000. Of the amount reported in the government-wide Statement of Net Assets, \$32,000 is expected to be paid within one year.

**K. 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.

**L. Purchasing Laws**

Office of County Mayor and Road Superintendent

Purchasing procedures for the Offices of County Mayor and Road Superintendent are governed by the County Purchasing Law of 1957, 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.

Office of Director of Schools

Purchasing procedures for the discretely presented Cocke County School Department are governed by purchasing laws applicable to schools as set forth in Section 49-2-203, TCA, 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.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit E-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, 2010

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 7,735,920	\$ 0	\$ 7,735,920	\$ 7,402,607	\$ 7,402,607	\$ 333,313
Licenses and Permits	102,464	0	102,464	89,400	89,400	13,064
Fines, Forfeitures, and Penalties	141,903	0	141,903	107,350	107,350	34,553
Charges for Current Services	337,427	0	337,427	278,100	281,440	55,987
Other Local Revenues	54,087	0	54,087	16,030	36,011	18,076
Fees Received from County Officials	864,839	0	864,839	827,500	827,500	37,339
State of Tennessee	851,011	0	851,011	922,464	967,064	(116,053)
Federal Government	220,551	0	220,551	289,807	432,886	(212,335)
Other Governments and Citizens Groups	70,006	0	70,006	70,000	70,000	6
Total Revenues	\$ 10,378,208	\$ 0	\$ 10,378,208	\$ 10,003,258	\$ 10,214,258	\$ 163,950
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 70,733	\$ 0	\$ 70,733	\$ 95,410	\$ 95,410	\$ 24,677
Board of Equalization	5,810	0	5,810	5,200	6,700	890
Beer Board	4,896	0	4,896	5,410	5,410	514
Other Boards and Committees	64	0	64	1,500	1,500	1,436
County Mayor/Executive	191,094	0	191,094	193,570	195,483	4,389
County Attorney	25,064	0	25,064	30,000	30,000	4,936
Election Commission	146,614	0	146,614	165,394	165,394	18,780
Register of Deeds	187,036	0	187,036	218,581	218,581	31,545
Development	11,250	0	11,250	11,250	11,250	0
County Buildings	155,419	0	155,419	179,500	185,319	29,900
Other General Administration	87,155	0	87,155	88,000	88,000	845
Preservation of Records	50,741	0	50,741	52,398	57,398	6,657

(Continued)

Exhibit E-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 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance</u>						
Accounting and Budgeting	\$ 205,402	\$ 0	\$ 205,402	\$ 214,805	\$ 214,852	\$ 9,450
Property Assessor's Office	309,888	0	309,888	321,267	322,787	12,899
Reappraisal Program	26,642	0	26,642	73,700	70,680	44,038
County Trustee's Office	93,204	0	93,204	106,779	106,779	13,575
County Clerk's Office	137,940	7,000	144,940	144,137	147,297	2,357
<u>Administration of Justice</u>						
Circuit Court	363,649	0	363,649	372,338	372,338	8,689
General Sessions Court	366,557	0	366,557	394,485	394,485	27,928
Drug Court	5,240	0	5,240	2,729	2,729	(2,511)
Chancery Court	226,993	0	226,993	229,436	229,446	2,453
Juvenile Court	31,288	0	31,288	40,436	40,426	9,138
Judicial Commissioners	26,089	0	26,089	27,570	27,570	1,481
Victims Assistance Programs	5,013	0	5,013	0	0	(5,013)
<u>Public Safety</u>						
Sheriff's Department	2,040,695	6,379	2,047,074	2,149,066	2,173,772	126,698
Special Patrols	112,828	0	112,828	117,856	117,856	5,028
Administration of the Sexual Offender Registry	2,037	0	2,037	0	2,412	375
Jail	1,022,540	0	1,022,540	1,209,545	1,213,320	190,780
Juvenile Services	250,040	0	250,040	216,548	252,877	2,837
Fire Prevention and Control	826,253	0	826,253	868,670	871,266	45,013
Civil Defense	125,090	0	125,090	149,620	152,092	27,002
Inspection and Regulation	5,256	0	5,256	5,530	5,530	274
County Coroner/Medical Examiner	45,745	0	45,745	52,575	52,575	6,830
Other Public Safety	42,060	0	42,060	47,850	47,850	5,790

(Continued)

Exhibit E-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 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare</u>						
Local Health Center	\$ 215,001	\$ 0	\$ 215,001	\$ 233,590	\$ 269,590	\$ 54,589
Rabies and Animal Control	78,955	0	78,955	77,961	82,061	3,106
General Welfare Assistance	6,600	0	6,600	7,000	7,000	400
<u>Social, Cultural, and Recreational Services</u>						
Senior Citizens Assistance	3,600	0	3,600	3,600	3,600	0
Libraries	63,827	0	63,827	63,827	63,827	0
Other Social, Cultural, and Recreational	195,127	0	195,127	208,258	208,258	13,131
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	53,626	0	53,626	59,076	59,076	5,450
Soil Conservation	24,000	0	24,000	24,000	24,000	0
<u>Other Operations</u>						
Industrial Development	379,100	0	379,100	434,100	434,100	55,000
Veterans' Services	72,099	0	72,099	73,527	73,527	1,428
Other Charges	572,788	0	572,788	624,000	624,000	51,212
Contributions to Other Agencies	174,000	0	174,000	177,000	177,000	3,000
Employee Benefits	30,093	0	30,093	57,216	53,116	23,023
ARRA Grant No. 1	84,977	0	84,977	0	85,000	23
ARRA Grant No. 6	30,682	0	30,682	0	42,653	11,971
Miscellaneous	400	0	400	5,640	5,640	5,240
<u>Highways</u>						
Litter and Trash Collection	83,134	0	83,134	90,135	90,135	7,001
Total Expenditures	\$ 9,274,334	\$ 13,379	\$ 9,287,713	\$ 9,930,085	\$ 10,181,967	\$ 894,254
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,103,874	\$ (13,379)	\$ 1,090,495	\$ 73,173	\$ 32,291	\$ 1,058,204

(Continued)

Exhibit E-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 6/30/2010	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 14,910 \$	0 \$	14,910 \$	0 \$	3,097 \$	11,813
Transfers Out	(1,158,900)	0	(1,158,900)	(1,229,823)	(1,229,823)	70,923
Total Other Financing Sources (Uses)	\$ (1,143,990) \$	0 \$	(1,143,990) \$	(1,229,823) \$	(1,226,726) \$	82,736
Net Change in Fund Balance Fund Balance, July 1, 2009	\$ (40,116) \$	(13,379) \$	(53,495) \$	(1,156,650) \$	(1,194,435) \$	1,140,940
	1,831,218	0	1,831,218	1,830,250	1,830,250	968
Fund Balance, June 30, 2010	\$ 1,791,102 \$	(13,379) \$	1,777,723 \$	673,600 \$	635,815 \$	1,141,908

Exhibit E-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, 2010

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 722,870	\$ 0	\$ 722,870	\$ 680,545	\$ 680,545	\$ 42,325
Other Local Revenues	30,437	0	30,437	2,700	2,700	27,737
State of Tennessee	2,370,279	0	2,370,279	2,286,605	2,286,605	83,674
Federal Government	31,840	0	31,840	31,133	31,133	707
Total Revenues	\$ 3,155,426	\$ 0	\$ 3,155,426	\$ 3,000,983	\$ 3,000,983	\$ 154,443
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 244,949	\$ 0	\$ 244,949	\$ 247,018	\$ 247,618	\$ 2,669
Highway and Bridge Maintenance	1,692,244	(8,885)	1,683,359	1,920,840	1,930,190	246,831
Operation and Maintenance of Equipment	466,288	0	466,288	526,954	519,004	52,716
Quarry Operations	256,302	(59,981)	196,321	313,213	311,213	114,892
Other Charges	356,306	0	356,306	363,000	363,000	6,694
Employee Benefits	4,784	0	4,784	5,100	5,100	316
Capital Outlay	471,039	0	471,039	680,000	680,000	208,961
Total Expenditures	\$ 3,491,912	\$ (68,866)	\$ 3,423,046	\$ 4,056,125	\$ 4,056,125	\$ 633,079
Excess (Deficiency) of Revenues Over Expenditures	\$ (336,486)	\$ 68,866	\$ (267,620)	\$ (1,055,142)	\$ (1,055,142)	\$ 787,522
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 8,695	\$ 0	\$ 8,695	\$ 0	\$ 0	\$ 8,695
Transfers In	554,310	0	554,310	680,000	680,000	(125,690)
Total Other Financing Sources (Uses)	\$ 563,005	\$ 0	\$ 563,005	\$ 680,000	\$ 680,000	\$ (116,995)
Net Change in Fund Balance	\$ 226,519	\$ 68,866	\$ 295,385	\$ (375,142)	\$ (375,142)	\$ 670,527
Fund Balance, July 1, 2009	813,733	(68,866)	744,867	395,283	395,283	349,584
Fund Balance, June 30, 2010	\$ 1,040,252	\$ 0	\$ 1,040,252	\$ 20,141	\$ 20,141	\$ 1,020,111

Exhibit E-3

Coke County, Tennessee  
Schedule of Funding Progress – Pension Plan  
Primary Government and Discretely Presented Coke County School Department  
June 30, 2010

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-09	\$ 23,840	\$ 28,676	\$ 4,836	83.14	% \$ 9,245	52.31 %
7-1-07	21,787	26,019	4,232	83.73	8,660	48.87

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the frozen entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the frozen entry age actuarial cost method went into effect during the the year of the 2007 actuarial valuation; therefore, only the two most recent valuations are presented.

Exhibit E-4

Cocke County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plans  
Primary Government and Discretely Presented Cocke County School Department  
June 30, 2010

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date*	Actuarial Value of Assets (a)	Actuarial 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)
<u>PRIMARY GOVERNMENT</u>							
Local Government Group	7-1-07	\$ 0	\$ 328	\$ 328	0 %	\$ 5,865	5.6 %
"	7-1-09	0	925	925	0	5,895	15.7
<u>DISCRETELY PRESENTED COCKE COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-07	0	13,032	13,032	0	21,156	61.6
"	7-1-09	0	13,575	13,575	0	22,861	59.4

\*Data only available for two actuarial valuations.

**COCKE COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2010**

**A. 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 County Uniform Chart of Accounts as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, Beer Board, Other Boards and Committees, County Mayor/Executive, 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.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in the Drug Court (\$2,511) and Victims Assistance Programs (\$5,013) major appropriation categories (the legal level of control) of the General Fund. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by available fund balance.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions 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

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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.

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

# Capital Projects Funds

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

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

Exhibit F-1

Cooke County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2010

		Special Revenue Funds					
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	Total	
\$	0	0	0	0	126,405	\$ 126,405	
	59,704	494,899	40,102	12,244	0	606,949	
	0	0	0	0	0	0	
	2,990	0	0	0	2,300	5,290	
	6,883	0	0	0	0	6,883	
	0	379,272	0	0	0	379,272	
	0	(22,331)	0	0	0	(22,331)	
\$	69,577	851,840	40,102	12,244	128,705	\$ 1,102,468	

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Investments	
Accounts Receivable	
Due from Other Governments	
Property Taxes Receivable	
Allowance for Uncollectible Property Taxes	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>						
Accounts Payable	11,191	0	0	546	0	11,737
Payroll Deductions Payable	409	0	0	0	0	409
Due to Other Funds	0	0	0	0	476	476
Deferred Revenue - Current Property Taxes	0	341,461	0	0	0	341,461
Deferred Revenue - Delinquent Property Taxes	0	12,627	0	0	0	12,627
Total Liabilities	11,600	354,088	0	546	476	366,710
<u>Fund Balances</u>						
Reserved for Capital Outlay	0	0	0	0	0	0
Unreserved	57,977	497,752	40,102	11,698	128,229	735,758
Total Fund Balances	57,977	497,752	40,102	11,698	128,229	735,758
Total Liabilities and Fund Balances	69,577	851,840	40,102	12,244	128,705	1,102,468

(Continued)

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

	Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
		General Capital Projects	Highway Capital Projects	Total	
\$	0 \$	0 \$	0 \$	0 \$	0 \$
Equity in Pooled Cash and Investments	16,821	2,189,048	29,819	2,218,867	2,842,637
Investments	0	0	601,833	601,833	601,833
Accounts Receivable	0	0	0	0	5,290
Due from Other Governments	0	0	0	0	6,883
Property Taxes Receivable	0	0	0	0	379,272
Allowance for Uncollectible Property Taxes	0	0	0	0	(22,331)
Total Assets	\$ 16,821	\$ 2,189,048	\$ 631,652	\$ 2,820,700	\$ 3,939,989

ASSETS

Cash	
Equity in Pooled Cash and Investments	
Investments	
Accounts Receivable	
Due from Other Governments	
Property Taxes Receivable	
Allowance for Uncollectible Property Taxes	
Total Assets	

LIABILITIES AND FUND BALANCES

<u>Liabilities</u>				
Accounts Payable	0 \$	0 \$	0 \$	0 \$
Payroll Deductions Payable	0	0	0	409
Due to Other Funds	0	0	0	476
Deferred Revenue - Current Property Taxes	0	0	0	341,461
Deferred Revenue - Delinquent Property Taxes	0	0	0	12,627
Total Liabilities	0 \$	0 \$	0 \$	366,710
<u>Fund Balances</u>				
Reserved for Capital Outlay	0 \$	0 \$	631,652 \$	631,652 \$
Unreserved	16,821	2,189,048	0	2,941,627
Total Fund Balances	\$ 16,821	\$ 2,189,048	\$ 631,652	\$ 3,573,279
Total Liabilities and Fund Balances	\$ 16,821	\$ 2,189,048	\$ 631,652	\$ 3,939,989

Exhibit F-2

Cocke County, Tennessee  
 Combining Statement of Revenues, Expenditures,  
 and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2010

	Special Revenue Funds					Total
	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Sports and Recreation	Constitutional Officers - Fees	
<b>Revenues</b>						
Local Taxes	\$ 0	\$ 360,320	\$ 0	\$ 0	\$ 0	\$ 360,320
Fines, Forfeitures, and Penalties	0	0	2,649	0	0	2,649
Charges for Current Services	38,338	0	0	19,485	540,815	598,638
Other Local Revenues	32,116	0	0	9,066	0	41,182
State of Tennessee	23,900	19,851	0	0	0	43,751
Other Governments and Citizens Groups	0	0	0	7,237	0	7,237
<b>Total Revenues</b>	<b>\$ 94,354</b>	<b>\$ 380,171</b>	<b>\$ 2,649</b>	<b>\$ 35,788</b>	<b>\$ 540,815</b>	<b>\$ 1,053,777</b>
<b>Expenditures</b>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,254	\$ 500,254
Administration of Justice	0	0	0	0	29,681	29,681
Public Safety	0	0	1,169	0	0	1,169
Public Health and Welfare	1,270,956	0	0	0	0	1,270,956
Social, Cultural, and Recreational Services	0	0	0	43,484	0	43,484
Debt Service:						
Principal on Debt	0	36,846	0	0	0	36,846
Interest on Debt	0	100,612	0	0	0	100,612
Other Debt Service	0	0	0	0	0	0
Capital Projects	0	177,700	0	0	0	177,700
<b>Total Expenditures</b>	<b>\$ 1,270,956</b>	<b>\$ 315,158</b>	<b>\$ 1,169</b>	<b>\$ 43,484</b>	<b>\$ 529,935</b>	<b>\$ 2,160,702</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (1,176,602)</b>	<b>\$ 65,013</b>	<b>\$ 1,480</b>	<b>\$ (7,696)</b>	<b>\$ 10,880</b>	<b>\$ (1,106,925)</b>
<b>Other Financing Sources (Uses)</b>						
Bonds Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Premiums on Debt Issued	0	0	0	0	0	0
Insurance Recovery	1,136	0	0	0	0	1,136
Transfers In	1,155,000	0	0	3,900	0	1,158,900
Transfers Out	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 1,156,136</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 3,900</b>	<b>\$ 0</b>	<b>\$ 1,160,036</b>
<b>Net Change in Fund Balances</b>	<b>\$ (20,466)</b>	<b>\$ 65,013</b>	<b>\$ 1,480</b>	<b>\$ (3,796)</b>	<b>\$ 10,880</b>	<b>\$ 53,111</b>
<b>Fund Balance, July 1, 2009</b>	<b>78,443</b>	<b>432,739</b>	<b>38,622</b>	<b>15,494</b>	<b>117,349</b>	<b>682,647</b>
<b>Fund Balance, June 30, 2010</b>	<b>\$ 57,977</b>	<b>\$ 497,752</b>	<b>\$ 40,102</b>	<b>\$ 11,698</b>	<b>\$ 128,229</b>	<b>\$ 735,758</b>

(Continued)

Exhibit F-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		
<b>Revenues</b>						
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 360,320
Fines, Forfeitures, and Penalties	0	0	0	0	0	2,649
Charges for Current Services	0	0	0	0	0	598,638
Other Local Revenues	0	9,079	2,135	11,214	0	52,396
State of Tennessee	0	0	0	0	0	43,751
Other Governments and Citizens Groups	317,730	0	0	0	0	324,967
<b>Total Revenues</b>	<b>\$ 317,730</b>	<b>\$ 9,079</b>	<b>\$ 2,135</b>	<b>\$ 11,214</b>	<b>\$ 11,214</b>	<b>\$ 1,382,721</b>
<b>Expenditures</b>						
Current:						
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 500,254
Administration of Justice	0	0	0	0	0	29,681
Public Safety	0	0	0	0	0	1,169
Public Health and Welfare	0	0	0	0	0	1,270,956
Social, Cultural, and Recreational Services	0	0	0	0	0	43,484
Debt Service:						
Principal on Debt	235,000	0	0	0	0	271,846
Interest on Debt	82,730	0	0	0	0	183,342
Other Debt Service	0	84,342	0	84,342	0	84,342
Capital Projects	0	448,767	23,626	472,393	0	650,093
<b>Total Expenditures</b>	<b>\$ 317,730</b>	<b>\$ 533,109</b>	<b>\$ 23,626</b>	<b>\$ 556,735</b>	<b>\$ 556,735</b>	<b>\$ 3,035,167</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 0</b>	<b>\$ (524,030)</b>	<b>\$ (21,491)</b>	<b>\$ (545,521)</b>	<b>\$ (545,521)</b>	<b>\$ (1,652,446)</b>
<b>Other Financing Sources (Uses)</b>						
Bonds Issued	\$ 0	\$ 2,500,000	\$ 0	\$ 2,500,000	\$ 0	\$ 2,500,000
Premiums on Debt Issued	0	8,680	0	8,680	0	8,680
Insurance Recovery	0	0	0	0	0	1,136
Transfers In	0	0	0	0	0	1,158,900
Transfers Out	0	(554,310)	0	(554,310)	0	(554,310)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 0</b>	<b>\$ 1,954,370</b>	<b>\$ 0</b>	<b>\$ 1,954,370</b>	<b>\$ 3,114,406</b>	<b>\$ 3,114,406</b>
<b>Net Change in Fund Balances</b>	<b>\$ 0</b>	<b>\$ 1,430,340</b>	<b>\$ (21,491)</b>	<b>\$ 1,408,849</b>	<b>\$ 1,408,849</b>	<b>\$ 1,461,960</b>
<b>Fund Balance, July 1, 2009</b>	<b>16,821</b>	<b>758,708</b>	<b>653,143</b>	<b>1,411,851</b>	<b>1,411,851</b>	<b>2,111,319</b>
<b>Fund Balance, June 30, 2010</b>	<b>\$ 16,821</b>	<b>\$ 2,189,048</b>	<b>\$ 631,652</b>	<b>\$ 2,820,700</b>	<b>\$ 2,820,700</b>	<b>\$ 3,573,279</b>

Exhibit F-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 38,338	\$ 27,500	\$ 27,500	\$ 10,838
Other Local Revenues	32,116	21,600	21,600	10,516
State of Tennessee	23,900	23,900	23,900	0
Total Revenues	<u>\$ 94,354</u>	<u>\$ 73,000</u>	<u>\$ 73,000</u>	<u>\$ 21,354</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Management	\$ 400,590	\$ 451,014	\$ 451,014	\$ 50,424
Convenience Centers	870,366	930,332	930,332	59,966
Total Expenditures	<u>\$ 1,270,956</u>	<u>\$ 1,381,346</u>	<u>\$ 1,381,346</u>	<u>\$ 110,390</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,176,602)</u>	<u>\$ (1,308,346)</u>	<u>\$ (1,308,346)</u>	<u>\$ 131,744</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,136	\$ 0	\$ 0	\$ 1,136
Transfers In	1,155,000	1,229,823	1,229,823	(74,823)
Total Other Financing Sources (Uses)	<u>\$ 1,156,136</u>	<u>\$ 1,229,823</u>	<u>\$ 1,229,823</u>	<u>\$ (73,687)</u>
Net Change in Fund Balance	\$ (20,466)	\$ (78,523)	\$ (78,523)	\$ 58,057
Fund Balance, July 1, 2009	<u>78,443</u>	<u>78,523</u>	<u>78,523</u>	<u>(80)</u>
Fund Balance, June 30, 2010	<u>\$ 57,977</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,977</u>

Exhibit F-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 360,320	\$ 344,739	\$ 345,076	\$ 15,244
State of Tennessee	19,851	17,000	17,000	2,851
Total Revenues	<u>\$ 380,171</u>	<u>\$ 361,739</u>	<u>\$ 362,076</u>	<u>\$ 18,095</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 36,846	\$ 72,000	\$ 41,500	\$ 4,654
<u>Interest on Debt</u>				
General Government	100,612	78,000	101,000	388
<u>Capital Projects</u>				
Public Utility Projects	177,700	170,000	177,837	137
Total Expenditures	<u>\$ 315,158</u>	<u>\$ 320,000</u>	<u>\$ 320,337</u>	<u>\$ 5,179</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 65,013</u>	<u>\$ 41,739</u>	<u>\$ 41,739</u>	<u>\$ 23,274</u>
Net Change in Fund Balance	\$ 65,013	\$ 41,739	\$ 41,739	\$ 23,274
Fund Balance, July 1, 2009	432,739	382,959	382,959	49,780
Fund Balance, June 30, 2010	<u>\$ 497,752</u>	<u>\$ 424,698</u>	<u>\$ 424,698</u>	<u>\$ 73,054</u>

Exhibit F-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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 2,649	\$ 6,300	\$ 6,300	\$ (3,651)
Total Revenues	\$ 2,649	\$ 6,300	\$ 6,300	\$ (3,651)
<u>Expenditures</u>				
<u>Public Safety</u>				
Sheriff's Department	\$ 0	\$ 13,500	\$ 13,500	\$ 13,500
Drug Enforcement	1,169	11,700	11,700	10,531
Total Expenditures	\$ 1,169	\$ 25,200	\$ 25,200	\$ 24,031
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,480	\$ (18,900)	\$ (18,900)	\$ 20,380
Net Change in Fund Balance	\$ 1,480	\$ (18,900)	\$ (18,900)	\$ 20,380
Fund Balance, July 1, 2009	38,622	38,175	38,175	447
Fund Balance, June 30, 2010	\$ 40,102	\$ 19,275	\$ 19,275	\$ 20,827

Exhibit F-6

Cocke County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Sports and Recreation Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 19,485	\$ 27,100	\$ 27,100	\$ (7,615)
Other Local Revenues	9,066	5,700	5,700	3,366
Other Governments and Citizens Groups	7,237	11,000	11,000	(3,763)
Total Revenues	<u>\$ 35,788</u>	<u>\$ 43,800</u>	<u>\$ 43,800</u>	<u>\$ (8,012)</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Other Social, Cultural, and Recreational	\$ 43,484	\$ 48,030	\$ 48,030	\$ 4,546
Total Expenditures	<u>\$ 43,484</u>	<u>\$ 48,030</u>	<u>\$ 48,030</u>	<u>\$ 4,546</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,696)</u>	<u>\$ (4,230)</u>	<u>\$ (4,230)</u>	<u>\$ (3,466)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 3,900	\$ 3,900	\$ 3,900	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 3,900</u>	<u>\$ 3,900</u>	<u>\$ 3,900</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (3,796)	\$ (330)	\$ (330)	\$ (3,466)
Fund Balance, July 1, 2009	<u>15,494</u>	<u>10,786</u>	<u>10,786</u>	<u>4,708</u>
Fund Balance, June 30, 2010	<u>\$ 11,698</u>	<u>\$ 10,456</u>	<u>\$ 10,456</u>	<u>\$ 1,242</u>

Exhibit F-7

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Governments and Citizens Groups	\$ 317,730	\$ 317,730	\$ 317,730	\$ 0
Total Revenues	\$ 317,730	\$ 317,730	\$ 317,730	\$ 0
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 235,000	\$ 235,000	\$ 235,000	\$ 0
<u>Interest on Debt</u>				
Education	82,730	82,730	82,730	0
Total Expenditures	\$ 317,730	\$ 317,730	\$ 317,730	\$ 0
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 0	\$ 0
Fund Balance, July 1, 2009	16,821	16,821	16,821	0
Fund Balance, June 30, 2010	\$ 16,821	\$ 16,821	\$ 16,821	\$ 0

# **Major Governmental Fund**

## **General Debt Service Fund**

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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.

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Exhibit G

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, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,123,223	\$ 2,074,432	\$ 2,074,432	\$ 48,791
Other Local Revenues	142,247	250,000	250,000	(107,753)
State of Tennessee	45,372	40,000	40,000	5,372
Federal Government	21,573	27,000	27,000	(5,427)
Other Governments and Citizens Groups	71,429	0	71,429	0
Total Revenues	<u>\$ 2,403,844</u>	<u>\$ 2,391,432</u>	<u>\$ 2,462,861</u>	<u>\$ (59,017)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 39,139	\$ 40,000	\$ 40,000	\$ 861
Highways and Streets	262,034	265,000	265,000	2,966
Education	941,219	870,963	942,392	1,173
<u>Interest on Debt</u>				
General Government	88,338	93,000	93,000	4,662
Highways and Streets	396,907	405,000	405,000	8,093
Education	775,236	787,000	787,000	11,764
<u>Other Debt Service</u>				
General Government	34,745	47,000	47,000	12,255
Total Expenditures	<u>\$ 2,537,618</u>	<u>\$ 2,507,963</u>	<u>\$ 2,579,392</u>	<u>\$ 41,774</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (133,774)</u>	<u>\$ (116,531)</u>	<u>\$ (116,531)</u>	<u>\$ (17,243)</u>
Net Change in Fund Balance	\$ (133,774)	\$ (116,531)	\$ (116,531)	\$ (17,243)
Fund Balance, July 1, 2009	<u>7,185,978</u>	<u>7,183,536</u>	<u>7,183,536</u>	<u>2,442</u>
Fund Balance, June 30, 2010	<u>\$ 7,052,204</u>	<u>\$ 7,067,005</u>	<u>\$ 7,067,005</u>	<u>\$ (14,801)</u>

# Fiduciary Funds

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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.

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Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated 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 H-1

Cocke County, Tennessee  
Combining Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2010

	<u>Agency Funds</u>			<u>Total</u>
	<u>Cities - Sales Tax</u>	<u>City School ADA - Newport</u>	<u>Constitu- tional Officers - Agency</u>	
<b><u>ASSETS</u></b>				
Cash	\$ 0	\$ 0	\$ 1,911,696	\$ 1,911,696
Accounts Receivable	0	0	3,437	3,437
Due from Other Governments	497,543	95,721	0	593,264
Property Taxes Receivable	0	457,216	0	457,216
Allowance for Uncollectible Property Taxes	0	(26,921)	0	(26,921)
Cash Shortage	0	0	40,340	40,340
Total Assets	<u>\$ 497,543</u>	<u>\$ 526,016</u>	<u>\$ 1,955,473</u>	<u>\$ 2,979,032</u>
<b><u>LIABILITIES</u></b>				
Due to Other Taxing Units	\$ 497,543	\$ 526,016	\$ 0	\$ 1,023,559
Due to Litigants, Heirs, and Others	0	0	1,955,473	1,955,473
Total Liabilities	<u>\$ 497,543</u>	<u>\$ 526,016</u>	<u>\$ 1,955,473</u>	<u>\$ 2,979,032</u>

Exhibit H-2

Cocke County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,864,589	\$ 2,864,589	\$ 0
Due from Other Governments	494,014	497,543	494,014	497,543
Total Assets	\$ 494,014	\$ 3,362,132	\$ 3,358,603	\$ 497,543
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 494,014	\$ 3,362,132	\$ 3,358,603	\$ 497,543
Total Liabilities	\$ 494,014	\$ 3,362,132	\$ 3,358,603	\$ 497,543
<u>City School ADA - Newport Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 961,841	\$ 961,841	\$ 0
Due from Other Governments	94,651	95,721	94,651	95,721
Property Taxes Receivable	465,169	457,216	465,169	457,216
Allowance for Uncollectible Property Taxes	(23,760)	(26,921)	(23,760)	(26,921)
Total Assets	\$ 536,060	\$ 1,487,857	\$ 1,497,901	\$ 526,016
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 536,060	\$ 1,487,857	\$ 1,497,901	\$ 526,016
Total Liabilities	\$ 536,060	\$ 1,487,857	\$ 1,497,901	\$ 526,016
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 2,492,078	\$ 6,540,277	\$ 7,120,659	\$ 1,911,696
Accounts Receivable	3,437	0	0	3,437
Cash Shortage	41,315	0	975	40,340
Total Assets	\$ 2,536,830	\$ 6,540,277	\$ 7,121,634	\$ 1,955,473
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 2,536,830	\$ 6,540,277	\$ 7,121,634	\$ 1,955,473
Total Liabilities	\$ 2,536,830	\$ 6,540,277	\$ 7,121,634	\$ 1,955,473

(Continued)

Exhibit H-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	\$ 2,492,078	\$ 6,540,277	\$ 7,120,659	\$ 1,911,696
Equity in Pooled Cash and Investments	0	3,826,430	3,826,430	0
Accounts Receivable	3,437	0	0	3,437
Due from Other Governments	588,665	593,264	588,665	593,264
Property Taxes Receivable	465,169	457,216	465,169	457,216
Allowance for Uncollectible Property Taxes	(23,760)	(26,921)	(23,760)	(26,921)
Cash Shortage	41,315	0	975	40,340
Total Assets	\$ 3,566,904	\$ 11,390,266	\$ 11,978,138	\$ 2,979,032
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,030,074	\$ 4,849,989	\$ 4,856,504	\$ 1,023,559
Due to Litigants, Heirs, and Others	2,536,830	6,540,277	7,121,634	1,955,473
Total Liabilities	\$ 3,566,904	\$ 11,390,266	\$ 11,978,138	\$ 2,979,032

# Cocke County School Department

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

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

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

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

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

Endowment 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.

Exhibit I-1

Cooke County, Tennessee  
Statement of Activities  
Discretely Presented Cooke County School Department  
For the Year Ended June 30, 2010

Functions/Programs	Program Revenues			Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions		Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:							
Instruction	\$ 25,144,914	\$ 0	\$ 3,570,311	\$ 0	\$ 499,066	\$ (21,075,537)	
Support Services	12,231,479	117,531	305,527	117,531	448,767	(11,359,654)	
Operation of Non-Instructional Services	3,619,222	746,681	2,852,280	746,681	38,950	18,689	
Interest on Long-term Debt	3,108	0	0	0	0	(3,108)	
Other Debt Service	389,159	0	0	0	0	(389,159)	
<b>Total Governmental Activities</b>	<b>\$ 41,387,882</b>	<b>\$ 864,212</b>	<b>\$ 6,728,118</b>	<b>\$ 864,212</b>	<b>\$ 986,783</b>	<b>\$ (32,808,769)</b>	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes						\$ 2,832,912	
Property Taxes Levied for School Transportation						1,251,751	
Local Option Sales Taxes						3,079,069	
Other Local Taxes						59,387	
Grants and Contributions Not Restricted to Specific Programs						24,642,362	
Unrestricted Investment Income						32,931	
Miscellaneous						31,986	
<b>Total General Revenues</b>						<b>\$ 31,930,398</b>	
Change in Net Assets						\$ (878,371)	
Net Assets, July 1, 2009						26,845,093	
<b>Net Assets, June 30, 2010</b>						<b>\$ 25,966,722</b>	

Exhibit I-2

Cocke County, Tennessee  
 Balance Sheet - Governmental Funds  
 Discretely Presented Cocke County School Department  
 June 30, 2010

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Funds Central Cafeteria Fund	
<u>ASSETS</u>					
Cash	\$ 1,105,566	\$ 0	\$ 0	\$ 3,983	\$ 1,109,549
Equity in Pooled Cash and Investments	4,420,111	97,933	365,266	870,861	5,754,171
Accounts Receivable	85,210	0	5,901	7	91,118
Due from Other Governments	902,953	13,418	0	0	916,371
Property Taxes Receivable	3,064,842	0	1,354,614	0	4,419,456
Allowance for Uncollectible Property Taxes	(182,310)	0	(80,578)	0	(262,888)
<b>Total Assets</b>	<b>\$ 9,396,372</b>	<b>\$ 111,351</b>	<b>\$ 1,645,203</b>	<b>\$ 874,851</b>	<b>\$ 12,027,777</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 78,485	\$ 0	\$ 8,949	\$ 0	\$ 87,434
Accrued Payroll	1,566	0	364	0	1,930
Other Current Liabilities	1,105,566	0	0	0	1,105,566
Deferred Revenue - Current Property Taxes	2,759,723	0	1,219,756	0	3,979,479
Deferred Revenue - Delinquent Property Taxes	99,756	0	44,091	0	143,847
Other Deferred Revenues	300,916	0	0	0	300,916
<b>Total Liabilities</b>	<b>\$ 4,346,012</b>	<b>\$ 0</b>	<b>\$ 1,273,160</b>	<b>\$ 0</b>	<b>\$ 5,619,172</b>
<u>Fund Balances</u>					
Other Local Education Reserves	\$ 30,706	\$ 0	\$ 0	\$ 0	\$ 30,706
Reserved for Career Ladder - Extended Contract	23,847	0	0	0	23,847
Reserved for Career Ladder Program	948	0	0	0	948
Reserved for Basic Education Program	613,107	0	0	0	613,107
Reserved for Title I Grants to Local Education Agencies	0	3,907	0	0	3,907
Reserved for Special Education - Grants to States	0	7,444	0	0	7,444
Unreserved, Reported In:					
General Fund	4,381,752	0	0	0	4,381,752
Special Revenue Funds	0	100,000	372,043	874,851	1,346,894
<b>Total Fund Balances</b>	<b>\$ 5,050,360</b>	<b>\$ 111,351</b>	<b>\$ 372,043</b>	<b>\$ 874,851</b>	<b>\$ 6,408,605</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 9,396,372</b>	<b>\$ 111,351</b>	<b>\$ 1,645,203</b>	<b>\$ 874,851</b>	<b>\$ 12,027,777</b>

Exhibit I-3

Cocke County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
Discretely Presented Cocke County School Department  
June 30, 2010

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

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$ 6,408,605
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Add: land	\$ 601,292	
Add: construction in progress	62,458	
Add: buildings and improvements net of accumulated depreciation	19,303,765	
Add: other capital assets net of accumulated depreciation	<u>3,106,379</u>	23,073,894
(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	\$ (56,069)	
Less: accrued interest on note	(1,096)	
Less: termination benefits payable	(424,000)	
Less: other postemployment benefits liability	<u>(3,479,375)</u>	(3,960,540)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>444,763</u>
Net assets of governmental activities (Exhibit A)		<u>\$ 25,966,722</u>

Exhibit I-4

Cocke County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Cocke County School Department  
For the Year Ended June 30, 2010

	Major Funds			Nonmajor	Total
	General Purpose School	School Federal Projects	School Transportation	Funds Central Cafeteria Fund	
<u>Revenues</u>					
Local Taxes	\$ 6,006,391	\$ 0	\$ 1,350,422	\$ 0	\$ 7,356,813
Licenses and Permits	957	0	0	0	957
Charges for Current Services	158,709	0	104,867	598,401	861,977
Other Local Revenues	286,214	0	7,845	44,714	338,773
State of Tennessee	22,943,938	0	299,280	0	23,243,218
Federal Government	1,148,817	4,680,187	0	2,353,532	8,182,536
Other Governments and Citizens Groups	135,073	0	448,767	0	583,840
<b>Total Revenues</b>	<b>\$ 30,680,099</b>	<b>\$ 4,680,187</b>	<b>\$ 2,211,181</b>	<b>\$ 2,996,647</b>	<b>\$ 40,568,114</b>
<u>Expenditures</u>					
Current:					
Other Operations	\$ 132,846	\$ 0	\$ 0	\$ 0	\$ 132,846
Instruction	18,847,558	4,118,701	0	0	22,966,259
Support Services	9,074,148	850,976	2,185,078	0	12,110,202
Operation of Non-Instructional Services	894,503	0	0	2,796,761	3,691,264
Capital Outlay	564,458	0	0	0	564,458
Debt Service:					
Principal on Debt	9,664	0	0	0	9,664
Interest on Debt	3,287	0	0	0	3,287
Other Debt Service	389,159	0	0	0	389,159
<b>Total Expenditures</b>	<b>\$ 29,915,623</b>	<b>\$ 4,969,677</b>	<b>\$ 2,185,078</b>	<b>\$ 2,796,761</b>	<b>\$ 39,867,139</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 764,476	\$ (289,490)	\$ 26,103	\$ 199,886	\$ 700,975
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 101,942	\$ 0	\$ 4,218	\$ 0	\$ 106,160
Transfers In	21,544	100,000	0	0	121,544
Transfers Out	(100,000)	(21,544)	0	0	(121,544)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 23,486</b>	<b>\$ 78,456</b>	<b>\$ 4,218</b>	<b>\$ 0</b>	<b>\$ 106,160</b>
Net Change in Fund Balances	\$ 787,962	\$ (211,034)	\$ 30,321	\$ 199,886	\$ 807,135
Fund Balance, July 1, 2009	4,262,398	322,385	341,722	674,965	5,601,470
<b>Fund Balance, June 30, 2010</b>	<b>\$ 5,050,360</b>	<b>\$ 111,351</b>	<b>\$ 372,043</b>	<b>\$ 874,851</b>	<b>\$ 6,408,605</b>

Exhibit I-5

Cocke County, Tennessee  
Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities  
Discretely Presented Cocke County School Department  
For the Year Ended June 30, 2010

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

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	807,135
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period		\$	1,088,635
Less: current year depreciation expense			<u>(1,615,700)</u>
			(527,065)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: loss on disposal of capital assets			(402)
(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, 2010	\$	444,763	
Less: deferred delinquent property taxes and other deferred June 30, 2009		<u>(502,964)</u>	(58,201)
(4) The issuance of long-term debt (e.g., notes, 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 note			9,664
(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	\$	179	
Change in termination benefits		(24,000)	
Change in other postemployment benefits liability		<u>(1,085,681)</u>	<u>(1,109,502)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(878,371)</u>

Exhibit I-6

Cocke County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Discretely Presented Cocke County School Department  
 General Purpose School Fund  
 For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,006,391	\$ 6,183,352	\$ 5,866,600	\$ 139,791
Licenses and Permits	957	1,500	1,200	(243)
Charges for Current Services	158,709	183,381	174,381	(15,672)
Other Local Revenues	286,214	180,093	315,953	(29,739)
State of Tennessee	22,943,938	22,706,191	22,946,026	(2,088)
Federal Government	1,148,817	723,566	1,198,114	(49,297)
Other Governments and Citizens Groups	135,073	142,396	142,396	(7,323)
Total Revenues	<u>\$ 30,680,099</u>	<u>\$ 30,120,479</u>	<u>\$ 30,644,670</u>	<u>\$ 35,429</u>
<u>Expenditures</u>				
<u>Other Operations</u>				
Other Charges	\$ 132,846	\$ 142,396	\$ 142,396	\$ 9,550
<u>Instruction</u>				
Regular Instruction Program	15,752,724	16,987,526	17,489,841	1,737,117
Alternative Instruction Program	147,738	192,848	192,848	45,110
Special Education Program	1,543,107	1,542,312	1,556,525	13,418
Vocational Education Program	1,238,803	1,349,054	1,349,054	110,251
Student Body Education Program	35,966	38,282	38,282	2,316
Adult Education Program	129,220	142,209	142,209	12,989
<u>Support Services</u>				
Attendance	112,722	117,290	117,290	4,568
Health Services	303,353	336,908	336,908	33,555
Other Student Support	934,453	990,936	990,936	56,483
Regular Instruction Program	1,086,447	1,172,446	1,172,446	85,999
Special Education Program	158,860	144,562	159,562	702
Vocational Education Program	114,650	121,105	121,105	6,455
Adult Programs	2,980	3,847	3,847	867
Other Programs	189,835	0	189,835	0
Board of Education	378,473	443,165	443,165	64,692
Director of Schools	206,094	215,345	215,345	9,251
Office of the Principal	2,118,644	2,190,672	2,190,672	72,028
Fiscal Services	148,301	173,487	173,487	25,186
Operation of Plant	2,350,286	2,538,139	2,538,139	187,853
Maintenance of Plant	665,639	745,227	745,227	79,588
Transportation	76,195	81,408	81,408	5,213
Central and Other	227,216	253,664	266,628	39,412
<u>Operation of Non-Instructional Services</u>				
Food Service	77,791	67,910	77,910	119
Community Services	524,620	534,698	584,698	60,078
Early Childhood Education	292,092	295,645	295,645	3,553
<u>Capital Outlay</u>				
Regular Capital Outlay	564,458	1,506,265	1,236,128	671,670

(Continued)

Exhibit I-6

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Principal on Debt</u>				
Education	\$ 9,664	\$ 9,664	\$ 9,664	\$ 0
<u>Interest on Debt</u>				
Education	3,287	3,287	3,287	0
<u>Other Debt Service</u>				
Education	389,159	389,229	389,230	71
Total Expenditures	<u>\$ 29,915,623</u>	<u>\$ 32,729,526</u>	<u>\$ 33,253,717</u>	<u>\$ 3,338,094</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 764,476</u>	<u>\$ (2,609,047)</u>	<u>\$ (2,609,047)</u>	<u>\$ 3,373,523</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 101,942	\$ 15,000	\$ 15,000	\$ 86,942
Transfers In	21,544	36,220	36,220	(14,676)
Transfers Out	(100,000)	(100,000)	(100,000)	0
Total Other Financing Sources (Uses)	<u>\$ 23,486</u>	<u>\$ (48,780)</u>	<u>\$ (48,780)</u>	<u>\$ 72,266</u>
Net Change in Fund Balance	\$ 787,962	\$ (2,657,827)	\$ (2,657,827)	\$ 3,445,789
Fund Balance, July 1, 2009	<u>4,262,398</u>	<u>4,290,283</u>	<u>4,290,283</u>	<u>(27,885)</u>
Fund Balance, June 30, 2010	<u>\$ 5,050,360</u>	<u>\$ 1,632,456</u>	<u>\$ 1,632,456</u>	<u>\$ 3,417,904</u>

Exhibit I-7

Cocke County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Cocke County School Department  
School Federal Projects Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 4,680,187	\$ 7,815,419	\$ 7,828,363	\$ (3,148,176)
Total Revenues	\$ 4,680,187	\$ 7,815,419	\$ 7,828,363	\$ (3,148,176)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 2,277,131	\$ 3,260,885	\$ 3,266,279	\$ 989,148
Alternative Instruction Program	0	0	3,306	3,306
Special Education Program	1,645,709	2,562,855	2,633,581	987,872
Vocational Education Program	195,861	189,285	189,229	(6,632)
<u>Support Services</u>				
Other Student Support	297,785	1,130,590	1,114,590	816,805
Regular Instruction Program	410,821	708,005	728,306	317,485
Special Education Program	10,485	19,392	22,392	11,907
Vocational Education Program	7,563	9,923	9,923	2,360
Transportation	124,322	220,649	146,922	22,600
Total Expenditures	\$ 4,969,677	\$ 8,101,584	\$ 8,114,528	\$ 3,144,851
Excess (Deficiency) of Revenues Over Expenditures	\$ (289,490)	\$ (286,165)	\$ (286,165)	\$ (3,325)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 100,000	\$ 0	\$ 0	\$ 100,000
Transfers Out	(21,544)	(36,220)	(36,220)	14,676
Total Other Financing Sources (Uses)	\$ 78,456	\$ (36,220)	\$ (36,220)	\$ 114,676
Net Change in Fund Balance	\$ (211,034)	\$ (322,385)	\$ (322,385)	\$ 111,351
Fund Balance, July 1, 2009	322,385	322,385	322,385	0
Fund Balance, June 30, 2010	\$ 111,351	\$ 0	\$ 0	\$ 111,351

Exhibit I-8

Coke County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Coke County School Department  
Central Cafeteria Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 598,401	\$ 655,937	\$ 660,326	\$ (61,925)
Other Local Revenues	44,714	30,634	30,634	14,080
Federal Government	2,353,532	1,997,987	2,271,007	82,525
Total Revenues	<u>\$ 2,996,647</u>	<u>\$ 2,684,558</u>	<u>\$ 2,961,967</u>	<u>\$ 34,680</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,796,761	\$ 2,684,558	\$ 2,995,467	\$ 198,706
Total Expenditures	<u>\$ 2,796,761</u>	<u>\$ 2,684,558</u>	<u>\$ 2,995,467</u>	<u>\$ 198,706</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 199,886</u>	<u>\$ 0</u>	<u>\$ (33,500)</u>	<u>\$ 233,386</u>
Net Change in Fund Balance	\$ 199,886	\$ 0	\$ (33,500)	\$ 233,386
Fund Balance, July 1, 2009	<u>674,965</u>	<u>671,684</u>	<u>671,684</u>	<u>3,281</u>
Fund Balance, June 30, 2010	<u>\$ 874,851</u>	<u>\$ 671,684</u>	<u>\$ 638,184</u>	<u>\$ 236,667</u>

Exhibit I-9

Coke County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Discretely Presented Coke County School Department  
School Transportation Fund  
For the Year Ended June 30, 2010

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,350,422	\$ 1,408,089	\$ 1,270,389	\$ 80,033
Charges for Current Services	104,867	100,000	90,000	14,867
Other Local Revenues	7,845	11,600	6,600	1,245
State of Tennessee	299,280	293,385	293,385	5,895
Other Governments and Citizens Groups	448,767	448,767	448,767	0
Total Revenues	<u>\$ 2,211,181</u>	<u>\$ 2,261,841</u>	<u>\$ 2,109,141</u>	<u>\$ 102,040</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 27,009	\$ 26,500	\$ 27,500	\$ 491
Transportation	2,158,069	2,340,221	2,339,221	181,152
Total Expenditures	<u>\$ 2,185,078</u>	<u>\$ 2,366,721</u>	<u>\$ 2,366,721</u>	<u>\$ 181,643</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 26,103</u>	<u>\$ (104,880)</u>	<u>\$ (257,580)</u>	<u>\$ 283,683</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 4,218	\$ 2,500	\$ 2,500	\$ 1,718
Total Other Financing Sources (Uses)	<u>\$ 4,218</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>	<u>\$ 1,718</u>
Net Change in Fund Balance	\$ 30,321	\$ (102,380)	\$ (255,080)	\$ 285,401
Fund Balance, July 1, 2009	<u>341,722</u>	<u>334,766</u>	<u>334,766</u>	<u>6,956</u>
Fund Balance, June 30, 2010	<u>\$ 372,043</u>	<u>\$ 232,386</u>	<u>\$ 79,686</u>	<u>\$ 292,357</u>

Exhibit I-10

Cocke County, Tennessee  
Statement of Fiduciary Net Assets  
Discretely Presented Cocke County School Department  
Fiduciary Fund  
June 30, 2010

	Private - Purpose Trust Fund <hr/> Endowment Fund <hr/>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 392,419
Total Assets	<u>\$ 392,419</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 392,419</u>
Total Net Assets	<u><u>\$ 392,419</u></u>

Exhibit I-11

Cocke County, Tennessee  
Statement of Changes in Fiduciary Net Assets  
Discretely Presented Cocke County School Department  
Fiduciary Fund  
For the Year Ended June 30, 2010

	Private - Purpose Trust Fund <hr/> Endowment Fund <hr/>
<u>ADDITIONS</u>	
Investment Income	\$ 1,435
Total Additions	<hr/> \$ 1,435 <hr/>
Change in Net Assets	\$ 1,435
Net Assets, July 1, 2009	<hr/> 390,984 <hr/>
Net Assets, June 30, 2010	<hr/> <hr/> \$ 392,419 <hr/> <hr/>

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## MISCELLANEOUS SCHEDULES

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Exhibit J-1

Cocke County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
Primary Government and Discretely Presented Cocke County School Department  
For the Year Ended June 30, 2010

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<u>PRIMARY GOVERNMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
EPA Asbestos Abatement	\$ 394,676	0 %	5-1-1990	11-30-09	\$ 10,962	0 \$	10,962 \$	0
School Energy Conservation and Renovation	500,000	0	5-30-08	7-15-15	500,000	0	71,429	428,571
Total Payable through General Debt Service Fund					\$ 510,962	0 \$	82,391 \$	428,571
Total Notes Payable					\$ 510,962	0 \$	82,391 \$	428,571

<u>OTHER LOANS PAYABLE</u>								
<u>Payable through Industrial/Economic</u>								
<u>Development Fund</u>								
City of Newport - River Crest Project (A)	1,024,000	4.13	2-14-06	5-1-45	\$ 991,965	0 \$	13,102 \$	978,863
City of Newport - River Crest Project (B)	300,000	4.38	2-14-06	5-1-46	290,048	0	4,324	285,724
City of Newport - Hwy 25E Projects	497,197	4.5	7-13-06	(1)	425,848	0	1,663	424,185
City of Newport - Hartford Project	478,417	2.15	2-14-08	12-31-27	477,879	0	17,757	460,122
Total Payable through Industrial/ Economic Development Fund					\$ 2,185,740	0 \$	36,846 \$	2,148,894
Total Other Loans Payable					\$ 2,185,740	0 \$	36,846 \$	2,148,894

(Continued)

Exhibit J-1

Cocke County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, and Bonds  
Primary Government and Discretely Presented Cocke County School Department (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-09	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-10
<b>PRIMARY GOVERNMENT (Cont.)</b>								
<b>BONDS PAYABLE</b>								
<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 \$	615,000 \$	9,090,000
General Obligation Refunding Bonds, Series 2008	7,300,000	3 to 4.1	4-16-08	5-1-28	7,195,000	0	125,000	7,070,000
General Obligation Refunding Bonds, Series 2008B	5,525,000	4 to 5	12-15-08	5-1-28	5,085,000	0	420,000	4,665,000
General Obligation Refunding Bonds, Series 2009A	5,010,000	3	2-26-09	12-1-11	5,010,000	0	0	5,010,000
Build America Bonds, Series 2009B	2,500,000	3.44	10-20-09	6-1-30	0	2,500,000	0	2,500,000
Total Payable through General Debt Service Fund					\$ 26,995,000	\$ 2,500,000	\$ 1,160,000	\$ 28,335,000
<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	\$ 2,465,000	0 \$	235,000 \$	2,230,000
Total Payable through Rural Debt Service Fund					\$ 2,465,000	0 \$	235,000 \$	2,230,000
Total Bonds Payable					\$ 29,460,000	\$ 2,500,000	\$ 1,395,000	\$ 30,565,000
<b>DISCRETELY PRESENTED COCKE COUNTY SCHOOL DEPARTMENT</b>								
<b>NOTES PAYABLE</b>								
<u>Payable through General Purpose School Fund</u>								
Land	100,000	5	2-17-05	2-17-15	\$ 65,733	0 \$	9,664 \$	56,069
Total Payable through General Purpose School Fund					\$ 65,733	0 \$	9,664 \$	56,069
Total Notes Payable					\$ 65,733	0 \$	9,664 \$	56,069

(1) 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 J-2

Cocke County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Cocke County School Department

PRIMARY GOVERNMENT

Year Ending June 30	Note		
	Principal	Interest	Total
2011	\$ 71,428	\$ 0	\$ 71,428
2012	71,428	0	71,428
2013	71,428	0	71,428
2014	71,429	0	71,429
2015	71,429	0	71,429
2016	71,429	0	71,429
Total	<u>\$ 428,571</u>	<u>\$ 0</u>	<u>\$ 428,571</u>

Year Ending June 30	Other Loans - City of Newport		
	Principal (1)	Interest (1)	Total
2011	\$ 35,606	\$ 62,561	\$ 98,167
2012	37,571	61,434	99,005
2013	38,740	60,264	99,004
2014	39,941	59,064	99,005
2015	41,195	57,810	99,005
2016	42,484	56,521	99,005
2017	43,818	55,186	99,004
2018	45,189	53,815	99,004
2019	46,620	52,385	99,005
2020	48,102	50,903	99,005
2021	49,626	49,379	99,005
2022	51,202	47,802	99,004
2023	52,846	46,158	99,004
2024	54,538	44,467	99,005
2025	56,299	42,706	99,005
2026	58,112	40,893	99,005
2027 - 2046	982,820	420,170	1,402,990
Total	<u>\$ 1,724,709</u>	<u>\$ 1,261,518</u>	<u>\$ 2,986,227</u>

(1) Amounts included for Other Loans - City of Newport represent the minimum requirements for the River Crest and Hartford project loans. Annual requirements for the \$497,197 Highway 25E project loan are not included because the minimum payment schedule for this loan is dependent upon the amount of incremental tax revenues generated by the project.

(Continued)

Exhibit J-2

Cocke County, Tennessee  
Schedule of Long-term Debt Requirements by Year  
Primary Government and Discretely Presented Cocke County School Department (Cont.)

PRIMARY GOVERNMENT (CONT.)

Year Ending June 30	Bonds		
	Principal	Interest	Total
2011	\$ 1,510,000	\$ 1,236,666	\$ 2,746,666
2012	6,580,000	1,112,916	7,692,916
2013	1,740,000	987,266	2,727,266
2014	1,770,000	930,372	2,700,372
2015	1,835,000	856,593	2,691,593
2016	1,915,000	773,080	2,688,080
2017	2,005,000	684,603	2,689,603
2018	2,100,000	589,785	2,689,785
2019	225,000	489,892	714,892
2020	225,000	479,755	704,755
2021	230,000	469,493	699,493
2022	1,280,000	458,818	1,738,818
2023	1,310,000	406,365	1,716,365
2024	1,350,000	350,352	1,700,352
2025	1,400,000	292,515	1,692,515
2026	1,470,000	231,802	1,701,802
2027	1,525,000	167,618	1,692,618
2028	1,595,000	99,850	1,694,850
2029	250,000	28,500	278,500
2030	250,000	14,250	264,250
Total	\$ 30,565,000	\$ 10,660,491	\$ 41,225,491

DISCRETELY PRESENTED COCKE  
COUNTY SCHOOL DEPARTMENT

Year Ending June 30	Notes		
	Principal	Interest	Total
2011	\$ 10,147	\$ 2,803	\$ 12,950
2012	10,654	2,296	12,950
2013	11,187	1,763	12,950
2014	11,747	1,204	12,951
2015	12,334	617	12,951
Total	\$ 56,069	\$ 8,683	\$ 64,752

Exhibit J-3

Cocke County, Tennessee  
Schedule of Investments  
June 30, 2010

<u>Fund and Type</u>	<u>Amount</u>
<u>Highway Capital Projects Fund</u>	
State Treasurer's Investment Pool	<u>\$ 601,833</u>
Total Investments	<u><u>\$ 601,833</u></u>

Exhibit J-4

Cocke County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Cocke County School Department  
For the Year Ended June 30, 2010

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	Solid Waste/Sanitation	Operations	\$ 1,155,000
General	Sports and Recreation	Operations	3,900
General Capital Projects	Highway/Public Works	Capital projects	554,310
Total Transfers Primary Government			<u>\$ 1,713,210</u>
<u>DISCRETELY PRESENTED COCKE COUNTY SCHOOL DEPARTMENT</u>			
School Federal Projects	General Purpose School	Indirect costs	\$ 21,544
General Purpose School	School Federal Projects	Cash flow	100,000
Total Transfers Discretely Presented Cocke County School Department			<u>\$ 121,544</u>

Exhibit J-5

Cocke County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Cocke County School Department  
For the Year Ended June 30, 2010.

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u>	\$ 71,322	\$ 50,000	Ohio Casualty Insurance Company
Road Superintendent	Section 8-24-102, <u>TCA</u>	67,927	100,000	"
Director of Schools	State Board of Education and County Board of Education	98,646 (1)	50,000	Western Surety Company
Trustee	Section 8-24-102, <u>TCA</u>	61,751	1,072,000	Ohio Casualty Insurance Company
Assessor of Property	Section 8-24-102, <u>TCA</u>	61,751	10,000	"
Director of Accounts and Budgets	County Commission	61,751	25,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Circuit Court Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
General Sessions Court Clerk	Section 8-24-102, <u>TCA</u>	61,751	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	61,751 (2)	50,000	"
Register	and Chancery Court Judge	61,751	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	67,927 (3)	25,000	"
Employee Blanket Bonds				
Public Employee Dishonesty - County Departments			150,000	Tennessee Risk Management Trust
Public Employee Dishonesty - County Clerk Employees			40,000	Western Surety Company
Public Employee Dishonesty - School Department			150,000	Montgomery Mutual Insurance Company

- (1) Includes chief executive officer training supplement of \$1,000.
- (2) Does not include special commissioner fees of \$29,616.
- (3) Does not include a law enforcement training supplement of \$600.

Exhibit J-6

Cocke County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 For the Year Ended June 30, 2010

	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	\$ 5,750,927	\$ 0	\$ 328,627	\$ 0	\$ 0	\$ 0	\$ 586,824
Trustee's Collections - Prior Year	253,153	0	14,829	0	0	0	32,837
Circuit/Clerk & Master Collections - Prior Years	138,958	0	5,623	0	0	0	14,065
Interest and Penalty	49,910	0	2,909	0	0	0	6,195
Payments in-Lieu-of Taxes - T.V.A.	3,289	0	193	0	0	0	427
Payments in-Lieu-of Taxes - Local Utilities	98,764	0	5,644	0	0	0	10,078
Payments in-Lieu-of Taxes - Other	5,557	0	320	0	0	0	681
<u>County Local Option Taxes</u>							
Local Option Sales Tax	435,418	0	0	0	0	0	0
Hotel/Motel Tax	156,296	0	0	0	0	0	0
Litigation Tax - General	34,492	0	0	0	0	0	0
Litigation Tax - Special Purpose	3,794	0	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	172,553	0	0	0	0	0	0
Business Tax	246,646	0	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0	67,879
Other County Local Option Taxes	58,782	0	0	0	0	0	0
<u>Statutory Local Taxes</u>							
Bank Excise Tax	38,064	0	2,175	0	0	0	3,884
Wholesale Beer Tax	289,113	0	0	0	0	0	0
Interstate Telecommunications Tax	204	0	0	0	0	0	0
Total Local Taxes	\$ 7,735,920	\$ 0	\$ 360,320	\$ 0	\$ 0	\$ 0	\$ 722,870
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 1,088	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	94,377	0	0	0	0	0	0
<u>Permits</u>							
Beer Permits	6,999	0	0	0	0	0	0
Total Licenses and Permits	\$ 102,464	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-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>Circuit Court</u>							
Fines	\$ 11,296	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	8,036	0	0	0	0	0	0
Drug Control Fines	8,413	0	0	0	0	0	0
Drug Court Fees	1,338	0	0	0	0	0	0
Jail Fees	630	0	0	0	0	0	0
DUI Treatment Fines	1,959	0	0	0	0	0	0
Data Entry Fee - Circuit Court	724	0	0	0	0	0	0
Courtroom Security Fee	178	0	0	0	0	0	0
<u>General Sessions Court</u>							
Fines	33,608	0	0	0	0	0	0
Officers Costs	20,661	0	0	0	0	0	0
Game and Fish Fines	1,876	0	0	0	0	0	0
Drug Control Fines	0	0	0	2,649	0	0	0
Drug Court Fees	4,018	0	0	0	0	0	0
Jail Fees	31,023	0	0	0	0	0	0
DUI Treatment Fines	760	0	0	0	0	0	0
Data Entry Fee - General Sessions Court	6,012	0	0	0	0	0	0
Courtroom Security Fee	510	0	0	0	0	0	0
<u>Juvenile Court</u>							
Fines	20	0	0	0	0	0	0
Officers Costs	1,583	0	0	0	0	0	0
Drug Control Fines	180	0	0	0	0	0	0
Data Entry Fee - Juvenile Court	322	0	0	0	0	0	0
<u>Chancery Court</u>							
Officers Costs	548	0	0	0	0	0	0
Data Entry Fee - Chancery Court	566	0	0	0	0	0	0
<u>Other Courts - In-county</u>							
Fines for Littering	214	0	0	0	0	0	0
Officers Costs	61	0	0	0	0	0	0

(Continued)

Exhibit J-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 (Cont.)</u>							
<u>Judicial District Drug Program</u>							
Courtroom Security Fee	2	0	0	0	0	0	0
Victims Assistance Assessments	7,365	0	0	0	0	0	0
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 141,903</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,649</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	0	30,553	0	0	0	0	0
Solid Waste Disposal Fees	0	7,785	0	0	0	0	0
Work Release Charges for Board	12,915	0	0	0	0	0	0
Other General Service Charges	3,397	0	0	0	0	0	0
<u>Fees</u>							
Recreation Fees	286,079	0	0	0	17,276	0	0
Copy Fees	2,830	0	0	0	0	0	0
Telephone Commissions	13,692	0	0	0	0	0	0
Vending Machine Collections	496	0	0	0	1,014	0	0
Tourism Fees	0	0	0	0	1,195	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	0	511,199	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	29,616	0
Data Processing Fee - Register	10,352	0	0	0	0	0	0
Data Processing Fee - Sheriff	1,524	0	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	3,450	0	0	0	0	0	0
Data Processing Fee - County Clerk	2,692	0	0	0	0	0	0
<b>Total Charges for Current Services</b>	<b>\$ 337,427</b>	<b>\$ 38,338</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,485</b>	<b>\$ 540,815</b>	<b>\$ 0</b>
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	12,259	0	0	0	0	0	3,012
Lease/Rentals	4,830	0	0	0	0	0	0
Sale of Materials and Supplies	658	29,296	0	0	0	0	0
Commissary Sales	1,842	0	0	0	7,966	0	0

(Continued)

Exhibit J-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>Other Local Revenues (Cont.)</u>							
<u>Recurring Items (Cont.)</u>							
Sale of Recycled Materials	\$ 0	\$ 2,820	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Miscellaneous Refunds	34,371	0	0	0	1,100	0	27,425
<u>Nonrecurring Items</u>							
Sale of Equipment	127	0	0	0	0	0	0
<b>Total Other Local Revenues</b>	<b>\$ 54,087</b>	<b>\$ 32,116</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 9,066</b>	<b>\$ 0</b>	<b>\$ 30,437</b>
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 39,088	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	223,848	0	0	0	0	0	0
<u>Fees in-Lieu-of Salary</u>							
Circuit Court Clerk	210,127	0	0	0	0	0	0
General Sessions Court Clerk	212,017	0	0	0	0	0	0
Clerk and Master	52,746	0	0	0	0	0	0
Juvenile Court Clerk	14,014	0	0	0	0	0	0
Register	108,827	0	0	0	0	0	0
Sheriff	4,172	0	0	0	0	0	0
<b>Total Fees Received from County Officials</b>	<b>\$ 864,839</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 11,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	23,900	0	0	0	0	0
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	29,400	0	0	0	0	0	0
<u>Health and Welfare Grants</u>							
Health Department Programs	119,079	0	0	0	0	0	0
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	0	0	538,287
Litter Program	42,206	0	0	0	0	0	0

(Continued)

Exhibit J-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>State of Tennessee (Cont.)</u>							
<u>Other State Revenues</u>							
Income Tax	\$ 48,624	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Beer Tax	0	0	0	0	0	0	17,778
Alcoholic Beverage Tax	0	0	0	0	0	0	53,544
Mixed Drink Tax	6,283	0	0	0	0	0	0
State Revenue Sharing - T.V.A.	347,383	0	19,851	0	0	0	35,447
Board of Jurors	1,530	0	0	0	0	0	0
Prisoner Transportation	665	0	0	0	0	0	0
Contracted Prisoner Boarding	209,985	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,698,267
Petroleum Special Tax	0	0	0	0	0	0	26,956
Reappraisal Program Reimbursement	12,111	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0	0
Other State Grants	5,865	0	0	0	0	0	0
Total State of Tennessee	\$ 851,011	\$ 23,900	\$ 19,851	\$ 0	\$ 0	\$ 0	\$ 2,370,279
<u>Federal Government</u>							
<u>Federal Through State</u>							
USDA - Other	\$ 1,107	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	78,669	0	0	0	0	0	0
ARRA Grant No. 1	83,412	0	0	0	0	0	0
<u>Direct Federal Revenue</u>							
Forest Service	37,161	0	0	0	0	0	31,840
Tax Credit Bond Rebate	0	0	0	0	0	0	0
Other Direct Federal Revenue	20,202	0	0	0	0	0	0
Total Federal Government	\$ 220,551	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,840
<u>Other Governments and Citizens Groups</u>							
Other Governments Contributions	\$ 70,006	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-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
Other Governments and Citizens Groups (Cont.)							
Citizens Groups							
Donations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,400	\$ 0	\$ 0
Other	0	0	0	0	837	0	0
Total Other Governments and Citizens Groups	\$ 70,006	\$ 0	\$ 0	\$ 0	\$ 7,237	\$ 0	\$ 0
Total	\$ 10,378,208	\$ 94,354	\$ 380,171	\$ 2,649	\$ 35,788	\$ 540,815	\$ 3,155,426

(Continued)

Exhibit J-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	\$ 751,136	\$ 0	\$ 0	\$ 0	\$ 7,417,514		
Trustee's Collections - Prior Year	33,895	0	0	0	334,714		
Circuit/Clerk & Master Collections - Prior Years	18,003	0	0	0	176,649		
Interest and Penalty	6,650	0	0	0	65,664		
Payments in-Lieu-of Taxes - T.V.A.	440	0	0	0	4,349		
Payments in-Lieu-of Taxes - Local Utilities	12,900	0	0	0	127,386		
Payments in-Lieu-of Taxes - Other	726	0	0	0	7,284		
<u>County Local Option Taxes</u>							
Local Option Sales Tax	1,293,890	0	0	0	1,729,308		
Hotel/Motel Tax	0	0	0	0	156,296		
Litigation Tax - General	0	0	0	0	34,492		
Litigation Tax - Special Purpose	0	0	0	0	3,794		
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	172,553		
Business Tax	0	0	0	0	246,646		
Mineral Severance Tax	0	0	0	0	67,879		
Other County Local Option Taxes	0	0	0	0	58,782		
<u>Statutory Local Taxes</u>							
Bank Excise Tax	4,972	0	0	0	49,095		
Wholesale Beer Tax	0	0	0	0	289,113		
Interstate Telecommunications Tax	611	0	0	0	815		
Total Local Taxes	\$ 2,123,223	\$ 0	\$ 0	\$ 0	\$ 10,942,333		
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Marriage Licenses	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,088		
Cable TV Franchise	0	0	0	0	94,377		
<u>Permits</u>							
Beer Permits	0	0	0	0	6,999		
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 102,464		

(Continued)

Exhibit J-6

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

	Debt Service Funds			Capital Projects Funds			Total
	General Debt Service	Rural Debt Service	General Capital Projects	Highway Capital Projects			
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	11,296
Officers Costs	0	0	0	0	0	0	8,036
Drug Control Fines	0	0	0	0	0	0	8,413
Drug Court Fees	0	0	0	0	0	0	1,338
Jail Fees	0	0	0	0	0	0	630
DUI Treatment Fines	0	0	0	0	0	0	1,959
Data Entry Fee - Circuit Court	0	0	0	0	0	0	724
Courtroom Security Fee	0	0	0	0	0	0	178
<u>General Sessions Court</u>							
Fines	0	0	0	0	0	0	33,608
Officers Costs	0	0	0	0	0	0	20,661
Game and Fish Fines	0	0	0	0	0	0	1,876
Drug Control Fines	0	0	0	0	0	0	2,649
Drug Court Fees	0	0	0	0	0	0	4,018
Jail Fees	0	0	0	0	0	0	31,023
DUI Treatment Fines	0	0	0	0	0	0	760
Data Entry Fee - General Sessions Court	0	0	0	0	0	0	6,012
Courtroom Security Fee	0	0	0	0	0	0	510
<u>Juvenile Court</u>							
Fines	0	0	0	0	0	0	20
Officers Costs	0	0	0	0	0	0	1,583
Drug Control Fines	0	0	0	0	0	0	180
Data Entry Fee - Juvenile Court	0	0	0	0	0	0	322
<u>Chancery Court</u>							
Officers Costs	0	0	0	0	0	0	548
Data Entry Fee - Chancery Court	0	0	0	0	0	0	566
<u>Other Courts - In-county</u>							
Fines for Littering	0	0	0	0	0	0	214
Officers Costs	0	0	0	0	0	0	61

(Continued)

Exhibit J-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	General Capital Projects	Highway Capital Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>							
<u>Judicial District Drug Program</u>							
Courtroom Security Fee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2
Victims Assistance Assessments	0	0	0	0	0	0	7,365
<b>Total Fines, Forfeitures, and Penalties</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>144,552</b>
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Tipping Fees	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	30,553
Solid Waste Disposal Fees	0	0	0	0	0	0	7,785
Work Release Charges for Board	0	0	0	0	0	0	12,915
Other General Service Charges	0	0	0	0	0	0	3,397
<u>Fees</u>							
Recreation Fees	0	0	0	0	0	0	303,355
Copy Fees	0	0	0	0	0	0	2,830
Telephone Commissions	0	0	0	0	0	0	13,692
Vending Machine Collections	0	0	0	0	0	0	1,510
Tourism Fees	0	0	0	0	0	0	1,195
Constitutional Officers' Fees and Commissions	0	0	0	0	0	0	511,199
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0	29,616
Data Processing Fee - Register	0	0	0	0	0	0	10,352
Data Processing Fee - Sheriff	0	0	0	0	0	0	1,524
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	0	3,450
Data Processing Fee - County Clerk	0	0	0	0	0	0	2,692
<b>Total Charges for Current Services</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>936,065</b>
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 135,970	\$ 0	\$ 9,079	\$ 2,135	\$ 0	\$ 0	162,455
Lease/Rentals	0	0	0	0	0	0	4,830
Sale of Materials and Supplies	0	0	0	0	0	0	29,954
Commissary Sales	0	0	0	0	0	0	9,808

(Continued)

Exhibit J-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>Other Local Revenues (Cont.)</u>							
<u>Recurring Items (Cont.)</u>							
Sale of Recycled Materials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,820	
Miscellaneous Refunds	6,277	0	0	0	0	69,173	
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0	0	0	127	
<b>Total Other Local Revenues</b>	<b>\$ 142,247</b>	<b>\$ 0</b>	<b>\$ 9,079</b>	<b>\$ 2,135</b>	<b>\$ 0</b>	<b>\$ 279,167</b>	
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 39,088	
Trustee	0	0	0	0	0	223,848	
<u>Fees in-Lieu-of Salary</u>							
Circuit Court Clerk	0	0	0	0	0	210,127	
General Sessions Court Clerk	0	0	0	0	0	212,017	
Clerk and Master	0	0	0	0	0	52,746	
Juvenile Court Clerk	0	0	0	0	0	14,014	
Register	0	0	0	0	0	108,827	
Sheriff	0	0	0	0	0	4,172	
<b>Total Fees Received from County Officials</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 864,839</b>	
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,500	
Solid Waste Grants	0	0	0	0	0	23,900	
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	0	0	0	0	0	29,400	
<u>Health and Welfare Grants</u>							
Health Department Programs	0	0	0	0	0	119,079	
<u>Public Works Grants</u>							
State Aid Program	0	0	0	0	0	538,287	
Litter Program	0	0	0	0	0	42,206	

(Continued)

Exhibit J-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>State of Tennessee (Cont.)</u>							
<u>Other State Revenues</u>							
Income Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	48,624
Beer Tax	0	0	0	0	0	0	17,778
Alcoholic Beverage Tax	0	0	0	0	0	0	53,544
Mixed Drink Tax	0	0	0	0	0	0	6,283
State Revenue Sharing - T.V.A.	45,372	0	0	0	0	0	448,053
Board of Jurors	0	0	0	0	0	0	1,530
Prisoner Transportation	0	0	0	0	0	0	665
Contracted Prisoner Boarding	0	0	0	0	0	0	209,985
Gasoline and Motor Fuel Tax	0	0	0	0	0	0	1,698,267
Petroleum Special Tax	0	0	0	0	0	0	26,956
Reappraisal Program Reimbursement	0	0	0	0	0	0	12,111
Registrar's Salary Supplement	0	0	0	0	0	0	16,380
Other State Grants	0	0	0	0	0	0	5,865
Total State of Tennessee	\$ 45,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,310,413
<u>Federal Government</u>							
<u>Federal Through State</u>							
USDA - Other	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	1,107
Homeland Security Grants	0	0	0	0	0	0	78,669
ARRA Grant No. 1	0	0	0	0	0	0	83,412
<u>Direct Federal Revenue</u>							
Forest Service	0	0	0	0	0	0	69,001
Tax Credit Bond Rebate	21,573	0	0	0	0	0	21,573
Other Direct Federal Revenue	0	0	0	0	0	0	20,202
Total Federal Government	\$ 21,573	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 273,964
<u>Other Governments and Citizens Groups</u>							
Other Governments Contributions	\$ 71,429	\$ 317,730	\$ 0	\$ 0	\$ 0	\$ 0	\$ 459,165

(Continued)

Exhibit J-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			
Other Governments and Citizens Groups (Cont.)							
<u>Citizens Groups</u>							
Donations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	6,400
Other	0	0	0	0	0	0	837
Total Other Governments and Citizens Groups	\$ 71,429	\$ 317,730	\$ 0	\$ 0	\$ 0	\$ 0	466,402
Total	\$ 2,403,844	\$ 317,730	\$ 9,079	\$ 2,135	\$ 17,320,199		

Exhibit J-7

Cocke County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Cocke County School Department  
For the Year Ended June 30, 2010

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 2,632,257	\$ 0	\$ 0	\$ 1,163,466	\$ 3,795,723
Trustee's Collections - Prior Year	142,908	0	0	63,150	206,058
Circuit/Clerk & Master Collections - Prior Years	64,411	0	0	28,692	93,103
Interest and Penalty	23,666	0	0	10,459	34,125
Payments in-Lieu-of Taxes - T.V.A.	1,789	0	0	688	2,477
Payments in-Lieu-of Taxes - Local Utilities	45,601	0	0	20,156	65,757
Payments in-Lieu-of Taxes - Other	2,587	0	0	640	3,227
<u>County Local Option Taxes</u>					
Local Option Sales Tax	3,071,613	0	0	0	3,071,613
Other County Local Option Taxes	0	0	0	55,403	55,403
<u>Statutory Local Taxes</u>					
Bank Excise Tax	17,575	0	0	7,768	25,343
Interstate Telecommunications Tax	3,984	0	0	0	3,984
<b>Total Local Taxes</b>	<b>\$ 6,006,391</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,350,422</b>	<b>\$ 7,356,813</b>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Marriage Licenses	\$ 957	\$ 0	\$ 0	\$ 0	\$ 957
<b>Total Licenses and Permits</b>	<b>\$ 957</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 957</b>
<u>Charges for Current Services</u>					
<u>Education Charges</u>					
Lunch Payments - Children	\$ 0	\$ 0	\$ 298,771	\$ 0	\$ 298,771
Lunch Payments - Adults	0	0	61,441	0	61,441
Income from Breakfast	0	0	60,673	0	60,673
A la carte Sales	0	0	172,426	0	172,426
Contract for Instructional Services with Other LEAs	78,794	0	0	0	78,794
Receipts from Individual Schools	41,178	0	0	104,867	146,045
<u>Other Charges for Services</u>					
Other Charges for Services	38,737	0	5,090	0	43,827
<b>Total Charges for Current Services</b>	<b>\$ 158,709</b>	<b>\$ 0</b>	<b>\$ 598,401</b>	<b>\$ 104,867</b>	<b>\$ 861,977</b>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 0	\$ 0	\$ 32,931	\$ 0	\$ 32,931
Lease/Rentals	675	0	0	0	675
Sale of Materials and Supplies	1,560	0	0	0	1,560
Refund of Telecommunication and Internet Fees (E-Rate)	34,853	0	0	0	34,853
Miscellaneous Refunds	11,856	0	11,758	4,875	28,489
<u>Nonrecurring Items</u>					
Sale of Equipment	0	0	25	2,901	2,926
Sale of Property	452	0	0	0	452
Damages Recovered from Individuals	452	0	0	69	521
Contributions and Gifts	236,365	0	0	0	236,365
<u>Other Local Revenues</u>					
Other Local Revenues	1	0	0	0	1
<b>Total Other Local Revenues</b>	<b>\$ 286,214</b>	<b>\$ 0</b>	<b>\$ 44,714</b>	<b>\$ 7,845</b>	<b>\$ 338,773</b>

(Continued)

Exhibit J-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor- tation	Total
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
On-Behalf Contributions for OPEB	\$ 189,835	\$ 0	\$ 0	\$ 0	\$ 189,835
<u>State Education Funds</u>					
Basic Education Program	20,797,187	0	0	228,385	21,025,572
Basic Education Program - ARRA	870,900	0	0	0	870,900
Early Childhood Education	287,092	0	0	0	287,092
School Food Service	28,571	0	0	0	28,571
Driver Education	18,225	0	0	0	18,225
Other State Education Funds	112,859	0	0	0	112,859
Coordinated School Health - ARRA	95,000	0	0	0	95,000
Internet Connectivity - ARRA	13,850	0	0	0	13,850
Family Resource Centers - ARRA	31,200	0	0	0	31,200
Statewide Student Management System (SSMS) - ARRA	11,804	0	0	0	11,804
Career Ladder Program	229,673	0	0	0	229,673
Career Ladder - Extended Contract - ARRA	48,741	0	0	0	48,741
<u>Other State Revenues</u>					
State Revenue Sharing - T.V.A.	189,677	0	0	70,895	260,572
Safe Schools - ARRA	16,300	0	0	0	16,300
Other State Revenues	3,024	0	0	0	3,024
Total State of Tennessee	\$ 22,943,938	\$ 0	\$ 0	\$ 299,280	\$ 23,243,218
<u>Federal Government</u>					
<u>Federal Through State</u>					
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,489,631	\$ 0	\$ 1,489,631
USDA - Commodities	0	0	277,409	0	277,409
Breakfast	0	0	532,070	0	532,070
USDA - Other	0	0	15,472	0	15,472
USDA Food Service Equipment Grant - ARRA	0	0	38,950	0	38,950
Adult Education State Grant Program	96,041	0	0	0	96,041
Vocational Education - Basic Grants to States	0	236,651	0	0	236,651
Title I Grants to Local Education Agencies	0	2,378,406	0	0	2,378,406
Special Education - Grants to States	79,214	1,570,009	0	0	1,649,223
Special Education Preschool Grants	0	49,534	0	0	49,534
English Language Acquisition Grants	0	20,045	0	0	20,045
Safe and Drug-free Schools - State Grants	0	21,937	0	0	21,937
Rural Education	0	118,372	0	0	118,372
Eisenhower Professional Development State Grants	0	245,099	0	0	245,099
Other Federal through State	292,913	40,134	0	0	333,047
<u>Direct Federal Revenue</u>					
ROTC Reimbursement	86,063	0	0	0	86,063
Forest Service	95,520	0	0	0	95,520
Other Direct Federal Revenue	499,066	0	0	0	499,066
Total Federal Government	\$ 1,148,817	\$ 4,680,187	\$ 2,353,532	\$ 0	\$ 8,182,536
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Contributions	\$ 135,073	\$ 0	\$ 0	\$ 448,767	\$ 583,840
Total Other Governments and Citizens Groups	\$ 135,073	\$ 0	\$ 0	\$ 448,767	\$ 583,840
Total	\$ 30,680,099	\$ 4,680,187	\$ 2,996,647	\$ 2,211,181	\$ 40,568,114

Exhibit J-8

Cocke County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2010

General Fund

General Government

County Commission

Secretary to Board	\$	1,381	
Board and Committee Members Fees		33,900	
Social Security		2,593	
Audit Services		10,070	
Data Processing Services		275	
Dues and Memberships		20,624	
Legal Notices, Recording, and Court Costs		1,346	
Other Contracted Services		484	
Other Supplies and Materials		60	
Total County Commission			\$ 70,733

Board of Equalization

Board and Committee Members Fees	\$	5,810	
Total Board of Equalization			5,810

Beer Board

Board and Committee Members Fees	\$	4,160	
Legal Notices, Recording, and Court Costs		447	
Printing, Stationery, and Forms		289	
Total Beer Board			4,896

Other Boards and Committees

Evaluation and Testing	\$	64	
Total Other Boards and Committees			64

County Mayor/Executive

County Official/Administrative Officer	\$	71,322	
Assistant(s)		29,505	
Secretary(ies)		23,932	
Social Security		9,449	
State Retirement		14,559	
Employee and Dependent Insurance		18,058	
Unemployment Compensation		68	
Communication		7,388	
Maintenance and Repair Services - Office Equipment		250	
Travel		9,700	
Office Supplies		4,287	
Office Equipment		2,576	
Total County Mayor/Executive			191,094

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

County Official/Administrative Officer	\$ 25,064	
Total County Attorney		\$ 25,064

Election Commission

County Official/Administrative Officer	\$ 55,576	
Clerical Personnel	20,910	
Election Commission	2,600	
Election Workers	14,186	
Social Security	5,943	
State Retirement	8,926	
Employee and Dependent Insurance	12,038	
Unemployment Compensation	79	
Communication	1,064	
Dues and Memberships	175	
Legal Notices, Recording, and Court Costs	2,640	
Maintenance Agreements	11,640	
Maintenance and Repair Services - Equipment	348	
Printing, Stationery, and Forms	2,471	
Travel	2,847	
Other Contracted Services	4,896	
Office Equipment	275	
Total Election Commission		146,614

Register of Deeds

County Official/Administrative Officer	\$ 61,751	
Deputy(ies)	26,968	
Clerical Personnel	34,765	
Part-time Personnel	184	
Social Security	9,380	
State Retirement	14,052	
Employee and Dependent Insurance	22,044	
Unemployment Compensation	90	
Communication	1,549	
Data Processing Services	10,093	
Printing, Stationery, and Forms	5,941	
Furniture and Fixtures	219	
Total Register of Deeds		187,036

Development

Contracts with Government Agencies	\$ 11,250	
Total Development		11,250

(Continued)

Exhibit J-8

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Maintenance Agreements	\$	20,728	
Maintenance and Repair Services - Buildings		32,813	
Custodial Supplies		8,413	
Utilities		91,424	
Building Improvements		1,782	
Disabilities Act Improvements		259	
Total County Buildings			\$ 155,419

Other General Administration

Postal Charges	\$	47,953	
Printing, Stationery, and Forms		891	
Duplicating Supplies		38,311	
Total Other General Administration			87,155

Preservation of Records

Assistant(s)	\$	6,372	
Supervisor/Director		23,500	
Social Security		2,248	
State Retirement		2,742	
Employee and Dependent Insurance		6,020	
Unemployment Compensation		62	
Communication		522	
Office Supplies		743	
Other Supplies and Materials		1,852	
Office Equipment		6,680	
Total Preservation of Records			50,741

Finance

Accounting and Budgeting

Supervisor/Director	\$	61,751	
Accountants/Bookkeepers		85,479	
Social Security		11,070	
State Retirement		17,182	
Employee and Dependent Insurance		18,058	
Unemployment Compensation		144	
Dues and Memberships		1,500	
Legal Notices, Recording, and Court Costs		737	
Maintenance Agreements		7,362	
Printing, Stationery, and Forms		747	
Travel		528	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Office Supplies	\$ 844	
Total Accounting and Budgeting		\$ 205,402

Property Assessor's Office

County Official/Administrative Officer	\$ 61,751	
Assistant(s)	26,939	
Deputy(ies)	23,053	
Laborers	79,528	
Overtime Pay	1,661	
Social Security	13,009	
State Retirement	22,330	
Employee and Dependent Insurance	42,178	
Unemployment Compensation	239	
Communication	3,531	
Contracts with Private Agencies	24,340	
Data Processing Services	5,354	
Legal Notices, Recording, and Court Costs	165	
Maintenance and Repair Services - Vehicles	586	
Printing, Stationery, and Forms	280	
Travel	87	
Office Supplies	2,274	
Furniture and Fixtures	182	
Other Equipment	2,401	
Total Property Assessor's Office		309,888

Reappraisal Program

Overtime Pay	\$ 11,232	
Social Security	907	
State Retirement	1,495	
Unemployment Compensation	13	
Communication	1,052	
Data Processing Services	165	
Postal Charges	6,936	
Travel	1,874	
Gasoline	2,086	
Office Supplies	882	
Total Reappraisal Program		26,642

County Trustee's Office

In-Service Training	\$ 577	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Social Security	\$	15,583	
State Retirement		19,082	
Employee and Dependent Insurance		24,079	
Communication		2,778	
Data Processing Services		12,964	
Dues and Memberships		135	
Legal Notices, Recording, and Court Costs		462	
Maintenance Agreements		9,006	
Postal Charges		2,665	
Printing, Stationery, and Forms		1,907	
Office Supplies		1,901	
Office Equipment		2,065	
Total County Trustee's Office			\$ 93,204

County Clerk's Office

Social Security	\$	21,393	
State Retirement		30,390	
Employee and Dependent Insurance		60,514	
Unemployment Compensation		2,128	
Communication		3,433	
Maintenance and Repair Services - Office Equipment		13,859	
Printing, Stationery, and Forms		2,685	
Other Supplies and Materials		2,747	
Office Equipment		791	
Total County Clerk's Office			137,940

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		29,932	
Clerical Personnel		121,258	
Overtime Pay		4,460	
Jury and Witness Expense		26,375	
Social Security		16,031	
State Retirement		25,371	
Employee and Dependent Insurance		36,115	
Unemployment Compensation		216	
Communication		4,250	
Dues and Memberships		90	
Legal Notices, Recording, and Court Costs		825	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Maintenance and Repair Services - Office Equipment	\$	9,506	
Printing, Stationery, and Forms		10,156	
Office Supplies		2,980	
Office Equipment		14,333	
Total Circuit Court			\$ 363,649

General Sessions Court

County Official/Administrative Officer	\$	61,751	
Judge(s)		124,306	
Deputy(ies)		55,582	
Secretary(ies)		11,113	
Clerical Personnel		21,736	
Social Security		19,525	
State Retirement		32,032	
Employee and Dependent Insurance		33,617	
Unemployment Compensation		111	
Communication		1,795	
Maintenance and Repair Services - Office Equipment		642	
Printing, Stationery, and Forms		1,815	
Travel		85	
Office Supplies		1,772	
Office Equipment		675	
Total General Sessions Court			366,557

Drug Court

Other Charges	\$	5,240	
Total Drug Court			5,240

Chancery Court

County Official/Administrative Officer	\$	61,751	
Deputy(ies)		55,034	
Clerical Personnel		23,252	
Part-time Personnel		13,593	
Overtime Pay		258	
Social Security		11,562	
State Retirement		16,372	
Employee and Dependent Insurance		24,077	
Unemployment Compensation		179	
Communication		4,008	
Data Processing Services		6,394	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Legal Services	\$	805	
Maintenance and Repair Services - Office Equipment		498	
Printing, Stationery, and Forms		5,926	
Travel		1,731	
Office Equipment		1,553	
Total Chancery Court			\$ 226,993

Juvenile Court

Deputy(ies)	\$	20,342	
Social Security		1,522	
State Retirement		2,374	
Employee and Dependent Insurance		6,019	
Unemployment Compensation		36	
Communication		444	
Office Supplies		428	
Office Equipment		123	
Total Juvenile Court			31,288

Judicial Commissioners

Other Salaries and Wages	\$	21,600	
In-Service Training		750	
Social Security		1,652	
State Retirement		1,856	
Unemployment Compensation		36	
Printing, Stationery, and Forms		147	
Office Supplies		48	
Total Judicial Commissioners			26,089

Victims Assistance Programs

Contracts with Private Agencies	\$	5,013	
Total Victims Assistance Programs			5,013

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	67,927	
Assistant(s)		37,588	
Supervisor/Director		26,127	
Deputy(ies)		298,640	
Detective(s)		148,173	
Captain(s)		30,810	

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Lieutenant(s)	\$	88,487	
Sergeant(s)		154,942	
Salary Supplements		19,200	
Dispatchers/Radio Operators		108,972	
Guards		31,174	
Clerical Personnel		72,715	
Attendants		39,633	
Custodial Personnel		17,500	
Overtime Pay		126,974	
Other Salaries and Wages		42,870	
In-Service Training		13,035	
Social Security		98,206	
State Retirement		153,212	
Employee and Dependent Insurance		240,761	
Unemployment Compensation		1,485	
Communication		18,576	
Maintenance and Repair Services - Equipment		650	
Maintenance and Repair Services - Vehicles		30,452	
Medical and Dental Services		1,360	
Printing, Stationery, and Forms		452	
Travel		2,124	
Other Contracted Services		150	
Gasoline		118,364	
Law Enforcement Supplies		19,282	
Office Supplies		2,330	
Tires and Tubes		12,797	
Uniforms		11,456	
Other Supplies and Materials		1,680	
Other Charges		641	
Motor Vehicles		1,950	
Total Sheriff's Department			\$ 2,040,695

Special Patrols

Guards	\$	78,120	
Social Security		5,913	
State Retirement		10,642	
Employee and Dependent Insurance		18,058	
Unemployment Compensation		95	
Total Special Patrols			112,828

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Administration of the Sexual Offender Registry

Criminal Investigation of Applicants - TBI	\$	650	
Other Charges		141	
Data Processing Equipment		1,246	
Total Administration of the Sexual Offender Registry	\$		2,037

Jail

Assistant(s)	\$	24,237	
Supervisor/Director		29,517	
Medical Personnel		30,700	
Guards		216,817	
Secretary(ies)		20,089	
Clerical Personnel		17,776	
Cafeteria Personnel		43,877	
Part-time Personnel		111,098	
Overtime Pay		24,118	
In-Service Training		515	
Social Security		39,103	
State Retirement		40,084	
Employee and Dependent Insurance		108,012	
Unemployment Compensation		1,258	
Communication		10,038	
Maintenance and Repair Services - Buildings		27,410	
Maintenance and Repair Services - Equipment		4,575	
Medical and Dental Services		102,508	
Printing, Stationery, and Forms		451	
Travel		2,371	
Other Contracted Services		399	
Custodial Supplies		17,477	
Food Preparation Supplies		11,141	
Food Supplies		116,055	
Law Enforcement Supplies		141	
Office Supplies		5,603	
Prisoners Clothing		4,760	
Uniforms		5,878	
Data Processing Equipment		5,097	
Furniture and Fixtures		1,435	
Total Jail			1,022,540

Juvenile Services

Youth Service Officer(s)	\$	60,149	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Secretary(ies)	\$	26,968	
Overtime Pay		8,970	
Social Security		7,002	
State Retirement		11,213	
Employee and Dependent Insurance		18,058	
Unemployment Compensation		108	
Communication		8,179	
Contracts with Government Agencies		17,305	
Contracts with Private Agencies		630	
Dues and Memberships		910	
Maintenance and Repair Services - Office Equipment		2,650	
Medical and Dental Services		654	
Printing, Stationery, and Forms		788	
Travel		3,013	
Other Contracted Services		70,500	
Office Supplies		1,644	
Office Equipment		11,299	
Total Juvenile Services			\$ 250,040

Fire Prevention and Control

Salary Supplements	\$	10,200	
Overtime Pay		94,045	
Other Salaries and Wages		449,331	
In-Service Training		2,170	
Social Security		40,418	
State Retirement		73,040	
Employee and Dependent Insurance		100,375	
Unemployment Compensation		669	
Communication		2,099	
Contributions		1,000	
Maintenance and Repair Services - Buildings		7,110	
Maintenance and Repair Services - Equipment		8,049	
Maintenance and Repair Services - Vehicles		8,630	
Custodial Supplies		1,394	
Gasoline		7,356	
Office Supplies		48	
Uniforms		3,405	
Utilities		13,052	
Other Supplies and Materials		3,367	
Building Improvements		495	
Total Fire Prevention and Control			826,253

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Supervisor/Director	\$	34,135	
Clerical Personnel		8,147	
Social Security		3,153	
State Retirement		5,030	
Employee and Dependent Insurance		6,020	
Unemployment Compensation		45	
Communication		2,596	
Maintenance and Repair Services - Equipment		126	
Maintenance and Repair Services - Vehicles		2,887	
Gasoline		2,508	
Other Supplies and Materials		1,096	
Other Charges		59,347	
Total Civil Defense			\$ 125,090

Inspection and Regulation

Supervisor/Director	\$	3,200	
Social Security		243	
State Retirement		373	
Unemployment Compensation		4	
Travel		1,436	
Total Inspection and Regulation			5,256

County Coroner/Medical Examiner

Legal Services	\$	6,745	
Other Contracted Services		39,000	
Total County Coroner/Medical Examiner			45,745

Other Public Safety

Part-time Personnel	\$	28,976	
Social Security		2,217	
Unemployment Compensation		102	
Communication		388	
Maintenance and Repair Services - Equipment		3,709	
Rentals		6,327	
Other Supplies and Materials		341	
Total Other Public Safety			42,060

Public Health and Welfare

Local Health Center

Medical Personnel	\$	55,374	
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(Continued)

Exhibit J-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Clerical Personnel	\$	29,686	
Social Security		6,376	
State Retirement		5,918	
Employee and Dependent Insurance		12,500	
Unemployment Compensation		193	
Communication		2,816	
Contracts with Government Agencies		64,296	
Janitorial Services		5,700	
Maintenance and Repair Services - Buildings		3,770	
Medical and Dental Services		179	
Pest Control		480	
Postal Charges		1,240	
Travel		2,629	
Disposal Fees		397	
Natural Gas		1,319	
Office Supplies		1,031	
Utilities		6,942	
Other Charges		12,815	
Office Equipment		1,340	
Total Local Health Center			\$ 215,001

Rabies and Animal Control

Supervisor/Director	\$	18,991	
Overtime Pay		3,000	
Social Security		1,682	
State Retirement		2,566	
Employee and Dependent Insurance		4,049	
Unemployment Compensation		36	
Communication		1,463	
Contracts with Other Public Agencies		40,000	
Maintenance and Repair Services - Vehicles		772	
Travel		175	
Gasoline		4,246	
Uniforms		478	
Other Supplies and Materials		1,497	
Total Rabies and Animal Control			78,955

General Welfare Assistance

Contracts with Government Agencies	\$	6,500	
Pauper Burials		100	
Total General Welfare Assistance			6,600

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Senior Citizens Assistance

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

Libraries

Contributions	\$ 63,827	
Total Libraries		63,827

Other Social, Cultural, and Recreational

Supervisor/Director	\$ 28,701	
Laborers	61,935	
Part-time Personnel	21,960	
Overtime Pay	1,027	
Social Security	8,437	
State Retirement	10,697	
Employee and Dependent Insurance	24,077	
Unemployment Compensation	232	
Communication	3,520	
Contributions	7,000	
Maintenance and Repair Services - Buildings	2,923	
Maintenance and Repair Services - Equipment	2,210	
Custodial Supplies	1,107	
Gasoline	2,045	
Office Supplies	343	
Uniforms	380	
Utilities	11,798	
Other Supplies and Materials	188	
Other Charges	6,547	
Total Other Social, Cultural, and Recreational		195,127

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$ 41,095	
Social Security	2,259	
State Retirement	4,491	
Communication	3,719	
Travel	1,562	
Other Supplies and Materials	500	
Total Agriculture Extension Service		53,626

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Soil Conservation

Part-time Personnel	\$ 24,000	
Total Soil Conservation		\$ 24,000

Other Operations

Industrial Development

Contracts with Private Agencies	\$ 379,100	
Total Industrial Development		379,100

Veterans' Services

Supervisor/Director	\$ 27,701	
Secretary(ies)	20,638	
Social Security	3,534	
State Retirement	5,641	
Employee and Dependent Insurance	12,039	
Unemployment Compensation	72	
Communication	1,320	
Maintenance and Repair Services - Vehicles	653	
Travel	196	
Office Supplies	305	
Total Veterans' Services		72,099

Other Charges

Liability Insurance	\$ 241,883	
Premiums on Corporate Surety Bonds	400	
Refunds	6,746	
Trustee's Commission	149,949	
Workers' Compensation Insurance	146,744	
Liability Claims	27,066	
Total Other Charges		572,788

Contributions to Other Agencies

Contributions	\$ 174,000	
Total Contributions to Other Agencies		174,000

Employee Benefits

Employee and Dependent Insurance	\$ 30,093	
Total Employee Benefits		30,093

ARRA Grant No. 1

Other Contracted Services	\$ 84,977	
Total ARRA Grant No. 1		84,977

(Continued)

Exhibit J-8

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

General Fund (Cont.)

Other Operations (Cont.)

ARRA Grant No. 6

Contracts with Private Agencies	\$ 30,682	
Total ARRA Grant No. 6		\$ 30,682

Miscellaneous

Other Charges	\$ 400	
Total Miscellaneous		400

Highways

Litter and Trash Collection

Supervisor/Director	\$ 56,921	
Social Security	4,331	
State Retirement	3,337	
Employee and Dependent Insurance	6,019	
Unemployment Compensation	72	
Maintenance and Repair Services - Vehicles	1,059	
Gasoline	3,749	
Instructional Supplies and Materials	6,400	
Tires and Tubes	520	
Other Supplies and Materials	510	
Law Enforcement Equipment	216	
Total Litter and Trash Collection		<u>83,134</u>

Total General Fund		\$ 9,274,334
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Management

Supervisor/Director	\$ 31,638
Foremen	26,677
Laborers	107,246
Overtime Pay	5,957
Social Security	12,712
State Retirement	18,787
Employee and Dependent Insurance	42,974
Unemployment Compensation	2
Communication	442
Contracts with Government Agencies	2,075
Contracts with Private Agencies	31,730
Engineering Services	18,968
Other Contracted Services	1,711

(Continued)

Exhibit J-8

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.)

Custodial Supplies	\$	78	
Equipment and Machinery Parts		16,970	
Fertilizer, Lime, and Seed		287	
Gasoline		24,237	
Lubricants		423	
Office Supplies		435	
Tires and Tubes		1,108	
Utilities		8,898	
Other Supplies and Materials		1,838	
Trustee's Commission		377	
Vehicle and Equipment Insurance		18,606	
Workers' Compensation Insurance		23,889	
Other Construction		2,525	
Total Sanitation Management			\$ 400,590

Convenience Centers

Laborers	\$	254,576	
Social Security		19,478	
Unemployment Compensation		914	
Rentals		3,480	
Disposal Fees		565,516	
Other Supplies and Materials		6,972	
Solid Waste Equipment		19,430	
Total Convenience Centers			<u>870,366</u>

Total Solid Waste/Sanitation Fund \$ 1,270,956

Industrial/Economic Development Fund

Principal on Debt

General Government

Principal on Other Loans	\$	36,846	
Total General Government			\$ 36,846

Interest on Debt

General Government

Interest on Other Loans	\$	100,612	
Total General Government			100,612

(Continued)

Exhibit J-8

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

Industrial/Economic Development Fund (Cont.)

Capital Projects

Public Utility Projects

Contributions	\$ 170,337	
Trustee's Commission	7,363	
Total Public Utility Projects	<u>177,700</u>	\$ 177,700

Total Industrial/Economic Development Fund \$ 315,158

Drug Control Fund

Public Safety

Drug Enforcement

Other Supplies and Materials	\$ 746	
Trustee's Commission	24	
Law Enforcement Equipment	399	
Total Drug Enforcement	<u>1,169</u>	\$ 1,169

Total Drug Control Fund 1,169

Sports and Recreation Fund

Social, Cultural, and Recreational Services

Other Social, Cultural, and Recreational

Other Per Diem and Fees	\$ 14,129	
Communication	2,826	
Other Contracted Services	13,580	
Food Supplies	6,519	
Other Supplies and Materials	1,952	
Liability Insurance	3,071	
Trustee's Commission	183	
Other Charges	1,224	
Total Other Social, Cultural, and Recreational	<u>43,484</u>	\$ 43,484

Total Sports and Recreation Fund 43,484

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$ 208,385	
Total County Trustee's Office		\$ 208,385

County Clerk's Office

Constitutional Officers' Operating Expenses	\$ 291,869	
Total County Clerk's Office		291,869

(Continued)

Exhibit J-8

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	\$ 65	
Total General Sessions Court		\$ 65

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 29,616	
Total Chancery Court		<u>29,616</u>

Total Constitutional Officers - Fees Fund		\$ 529,935
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Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 67,927	
Assistant(s)	34,149	
Secretary(ies)	32,411	
Clerical Personnel	25,788	
Board and Committee Members Fees	16,900	
Social Security	13,235	
State Retirement	18,704	
Employee and Dependent Insurance	24,015	
Unemployment Compensation	223	
Data Processing Services	3,518	
Dues and Memberships	2,848	
Maintenance and Repair Services - Office Equipment	357	
Other Contracted Services	3,578	
Office Supplies	<u>1,296</u>	
Total Administration		\$ 244,949

Highway and Bridge Maintenance

Foremen	\$ 114,667
Equipment Operators	586,731
Overtime Pay	42,128
Social Security	55,359
State Retirement	84,026
Employee and Dependent Insurance	183,188
Unemployment Compensation	2,542
Matching Share	116,264
Other Contracted Services	21,213
Asphalt	60,375
Crushed Stone	17,245

(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

General Construction Materials	\$	3,624	
Pipe		25,210	
Road Signs		10,613	
Wood Products		187	
Other Supplies and Materials		3,998	
State Aid Projects		364,874	
Total Highway and Bridge Maintenance			\$ 1,692,244

Operation and Maintenance of Equipment

Foremen	\$	29,825	
Mechanic(s)		67,106	
Social Security		6,877	
State Retirement		10,140	
Employee and Dependent Insurance		23,390	
Unemployment Compensation		325	
Tow-in Services		50	
Diesel Fuel		125,840	
Equipment and Machinery Parts		106,519	
Garage Supplies		4,172	
Gasoline		39,049	
Lubricants		8,553	
Propane Gas		5,766	
Tires and Tubes		38,676	
Total Operation and Maintenance of Equipment			466,288

Quarry Operations

Foremen	\$	26,742	
Equipment Operators - Heavy		23,190	
Equipment Operators - Light		68,139	
Social Security		8,772	
State Retirement		13,657	
Employee and Dependent Insurance		24,015	
Unemployment Compensation		358	
Explosive and Drilling Services		59,981	
Maintenance and Repair Services - Equipment		29,022	
Fines, Assessments, and Penalties		2,426	
Total Quarry Operations			256,302

Other Charges

Communication	\$	10,508	
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(Continued)

Exhibit J-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Other Charges (Cont.)

Electricity	\$	31,393	
Trustee's Commission		31,893	
Vehicle and Equipment Insurance		111,638	
Workers' Compensation Insurance		170,874	
Total Other Charges			\$ 356,306

Employee Benefits

Employee and Dependent Insurance	\$	4,784	
Total Employee Benefits			4,784

Capital Outlay

Highway Equipment	\$	199,990	
Other Capital Outlay		271,049	
Total Capital Outlay			471,039

Total Highway/Public Works Fund \$ 3,491,912

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	39,139	
Total General Government			\$ 39,139

Highways and Streets

Principal on Bonds	\$	262,034	
Total Highways and Streets			262,034

Education

Principal on Bonds	\$	858,827	
Principal on Notes		82,392	
Total Education			941,219

Interest on Debt

General Government

Interest on Bonds	\$	77,138	
Interest on Other Loans		11,200	
Total General Government			88,338

Highways and Streets

Interest on Bonds	\$	361,297	
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(Continued)

Exhibit J-8

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

General Debt Service Fund (Cont.)

Interest on Debt (Cont.)

Highways and Streets (Cont.)

Interest on Other Loans	\$ 35,610	
Total Highways and Streets		\$ 396,907

Education

Interest on Bonds	\$ 712,779	
Interest on Other Loans	62,457	
Total Education		775,236

Other Debt Service

General Government

Trustee's Commission	\$ 31,505	
Other Debt Service	3,240	
Total General Government		34,745

Total General Debt Service Fund		\$ 2,537,618
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Rural Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 235,000	
Total Education		\$ 235,000

Interest on Debt

Education

Interest on Bonds	\$ 82,730	
Total Education		82,730

Total Rural Debt Service Fund		317,730
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General Capital Projects Fund

Other Debt Service

Highways and Streets

Underwriter's Discount	\$ 13,469	
Other Debt Issuance Charges	28,702	
Total Highways and Streets		\$ 42,171

Education

Underwriter's Discount	\$ 13,469	
Other Debt Issuance Charges	28,702	
Total Education		42,171

(Continued)

Exhibit J-8

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

<u>General Capital Projects Fund (Cont.)</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Contributions	\$	<u>448,767</u>	
Total Education Capital Projects			\$ <u>448,767</u>
Total General Capital Projects Fund			\$ 533,109
<u>Highway Capital Projects Fund</u>			
<u>Capital Projects</u>			
<u>Highway and Street Capital Projects</u>			
Bridge Construction	\$	<u>23,626</u>	
Total Highway and Street Capital Projects			\$ <u>23,626</u>
Total Highway Capital Projects Fund			<u>23,626</u>
Total Governmental Funds - Primary Government			<u>\$ 18,339,031</u>

Exhibit J-9

Coke County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Coke County School Department  
For the Year Ended June 30, 2010

General Purpose School Fund

Other Operations

Other Charges

Other Salaries and Wages	\$ 132,846	
Total Other Charges		\$ 132,846

Instruction

Regular Instruction Program

Teachers	\$ 10,432,060	
Career Ladder Program	145,245	
Career Ladder Extended Contracts	57,549	
Homebound Teachers	20,651	
Educational Assistants	203,895	
Other Salaries and Wages	38,927	
Certified Substitute Teachers	13,167	
Non-certified Substitute Teachers	146,393	
Social Security	641,257	
State Retirement	691,967	
Medical Insurance	1,574,238	
Employer Medicare	152,001	
Other Fringe Benefits	156,596	
Maintenance and Repair Services - Equipment	29,817	
Tuition	1,400	
Instructional Supplies and Materials	226,952	
Textbooks	365,053	
Other Supplies and Materials	25,940	
Other Charges	53,030	
Regular Instruction Equipment	776,586	
Total Regular Instruction Program		15,752,724

Alternative Instruction Program

Teachers	\$ 104,725	
Career Ladder Program	1,000	
Clerical Personnel	14,675	
Social Security	6,676	
State Retirement	7,272	
Medical Insurance	10,434	
Employer Medicare	1,561	
Instructional Supplies and Materials	1,395	
Total Alternative Instruction Program		147,738

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Special Education Program

Teachers	\$	746,690	
Career Ladder Program		18,965	
Homebound Teachers		19,882	
Educational Assistants		41,255	
Speech Pathologist		139,060	
Other Salaries and Wages		105,298	
Certified Substitute Teachers		382	
Non-certified Substitute Teachers		11,934	
Social Security		64,667	
State Retirement		71,470	
Medical Insurance		135,377	
Employer Medicare		15,160	
Contracts with Private Agencies		29,615	
Other Contracted Services		26,990	
Instructional Supplies and Materials		116,362	
Total Special Education Program			\$ 1,543,107

Vocational Education Program

Teachers	\$	887,214	
Career Ladder Program		6,600	
Certified Substitute Teachers		714	
Non-certified Substitute Teachers		16,230	
Social Security		53,064	
State Retirement		55,155	
Medical Insurance		124,940	
Employer Medicare		12,703	
Maintenance and Repair Services - Equipment		1,637	
Instructional Supplies and Materials		61,966	
Other Charges		5,780	
Vocational Instruction Equipment		12,800	
Total Vocational Education Program			1,238,803

Student Body Education Program

Other Salaries and Wages	\$	27,328	
Social Security		1,694	
State Retirement		1,987	
Employer Medicare		396	
Other Charges		4,561	
Total Student Body Education Program			35,966

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Adult Education Program

Teachers	\$	90,660	
Career Ladder Program		1,000	
Clerical Personnel		10,964	
Social Security		5,160	
State Retirement		5,168	
Medical Insurance		5,217	
Employer Medicare		1,479	
Instructional Supplies and Materials		9,572	
Total Adult Education Program			\$ 129,220

Support Services

Attendance

Supervisor/Director	\$	61,146	
Career Ladder Program		1,000	
Clerical Personnel		13,079	
Social Security		4,085	
State Retirement		5,516	
Medical Insurance		11,337	
Employer Medicare		955	
Travel		3,800	
Other Supplies and Materials		11,804	
Total Attendance			112,722

Health Services

Medical Personnel	\$	115,407	
Other Salaries and Wages		103,498	
Social Security		12,927	
State Retirement		13,920	
Medical Insurance		26,085	
Employer Medicare		3,125	
Travel		11,212	
Drugs and Medical Supplies		1,500	
Other Supplies and Materials		14,505	
Other Charges		1,174	
Total Health Services			303,353

Other Student Support

Career Ladder Program	\$	4,000	
Guidance Personnel		610,014	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Other Salaries and Wages	\$	53,272	
Social Security		39,250	
State Retirement		42,260	
Medical Insurance		98,880	
Employer Medicare		9,306	
Contracts with Government Agencies		70,006	
Travel		420	
Other Contracted Services		2,203	
Other Supplies and Materials		4,842	
Total Other Student Support			\$ 934,453

Regular Instruction Program

Supervisor/Director	\$	101,922	
Career Ladder Program		8,500	
Librarians		456,183	
Instructional Computer Personnel		36,446	
Secretary(ies)		31,111	
Clerical Personnel		12,685	
Educational Assistants		60,233	
Other Salaries and Wages		99,510	
Social Security		40,244	
State Retirement		52,147	
Medical Insurance		103,711	
Employer Medicare		10,973	
Travel		28,599	
Library Books/Media		9,664	
Periodicals		5,087	
Other Supplies and Materials		12,327	
In Service/Staff Development		17,031	
Other Charges		74	
Total Regular Instruction Program			1,086,447

Special Education Program

Supervisor/Director	\$	63,059
Secretary(ies)		32,573
Social Security		5,868
State Retirement		7,850
Medical Insurance		5,217
Employer Medicare		1,372

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Travel	\$	14,852	
In Service/Staff Development		15,069	
Other Charges		13,000	
Total Special Education Program			\$ 158,860

Vocational Education Program

Supervisor/Director	\$	63,144	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		600	
Other Salaries and Wages		15,110	
Social Security		5,061	
State Retirement		6,023	
Medical Insurance		5,217	
Employer Medicare		1,184	
Travel		10,529	
Other Supplies and Materials		2,500	
Other Charges		2,282	
Total Vocational Education Program			114,650

Adult Programs

Communication	\$	2,054	
Travel		583	
In Service/Staff Development		343	
Total Adult Programs			2,980

Other Programs

On-Behalf Payments to OPEB	\$	189,835	
Total Other Programs			189,835

Board of Education

Other Salaries and Wages	\$	13,079	
Board and Committee Members Fees		17,100	
Social Security		1,864	
State Retirement		1,526	
Life Insurance		12,689	
Medical Insurance		2,609	
Unemployment Compensation		12,750	
Employer Medicare		436	
Audit Services		7,000	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Board of Education (Cont.)

Dues and Memberships	\$	19,304	
Legal Services		3,215	
Travel		10,931	
Liability Insurance		17,270	
Trustee's Commission		141,298	
Workers' Compensation Insurance		104,374	
Other Charges		13,028	
Total Board of Education			\$ 378,473

Director of Schools

County Official/Administrative Officer	\$	98,646	
Secretary(ies)		29,754	
Clerical Personnel		12,684	
Social Security		8,730	
State Retirement		11,286	
Medical Insurance		16,554	
Employer Medicare		2,042	
Communication		15,228	
Postal Charges		5,765	
Travel		2,216	
Office Supplies		439	
Other Charges		2,750	
Total Director of Schools			206,094

Office of the Principal

Principals	\$	711,454	
Career Ladder Program		16,000	
Assistant Principals		333,214	
Secretary(ies)		428,137	
Other Salaries and Wages		25,000	
Social Security		91,534	
State Retirement		120,702	
Medical Insurance		218,078	
Employer Medicare		21,407	
Communication		60,158	
Travel		12,251	
Other Contracted Services		3,146	
Other Supplies and Materials		76,960	
Other Charges		603	
Total Office of the Principal			2,118,644

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Fiscal Services

Accountants/Bookkeepers	\$	43,768	
Clerical Personnel		47,868	
Other Salaries and Wages		14,042	
Social Security		6,480	
State Retirement		6,025	
Medical Insurance		10,434	
Employer Medicare		1,515	
Data Processing Services		6,528	
Other Contracted Services		7,020	
Data Processing Supplies		4,343	
Other Supplies and Materials		278	
Total Fiscal Services			\$ 148,301

Operation of Plant

Custodial Personnel	\$	670,260	
Other Salaries and Wages		6,400	
Social Security		41,272	
State Retirement		74,893	
Medical Insurance		155,014	
Employer Medicare		9,652	
Maintenance and Repair Services - Equipment		11,006	
Rentals		3,652	
Disposal Fees		1,173	
Other Contracted Services		104,004	
Custodial Supplies		74,848	
Electricity		803,682	
Natural Gas		212,887	
Water and Sewer		35,351	
Building and Contents Insurance		80,185	
Other Charges		66,007	
Total Operation of Plant			2,350,286

Maintenance of Plant

Supervisor/Director	\$	42,828	
Secretary(ies)		26,052	
Maintenance Personnel		142,571	
Other Salaries and Wages		12,862	
Social Security		13,903	
State Retirement		25,156	

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Maintenance of Plant (Cont.)

Medical Insurance	\$	41,736	
Employer Medicare		3,252	
Travel		968	
Other Contracted Services		81,075	
Equipment and Machinery Parts		28,961	
General Construction Materials		64,809	
Other Supplies and Materials		165,832	
Other Charges		634	
Maintenance Equipment		15,000	
Total Maintenance of Plant			\$ 665,639

Transportation

Bus Drivers	\$	46,800	
Social Security		2,831	
State Retirement		5,462	
Medical Insurance		10,434	
Employer Medicare		662	
Contracts with Vehicle Owners		10,006	
Total Transportation			76,195

Central and Other

Other Salaries and Wages	\$	140,585	
Social Security		8,536	
State Retirement		11,601	
Medical Insurance		9,543	
Employer Medicare		1,996	
Travel		1,201	
Office Supplies		1,295	
Other Supplies and Materials		27,847	
Other Charges		24,612	
Total Central and Other			227,216

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	57,880
Career Ladder Program		1,000
Social Security		3,649
State Retirement		3,780
Medical Insurance		629

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Food Service (Cont.)

Employer Medicare	\$	853	
Food Service Equipment		10,000	
Total Food Service			\$ 77,791

Community Services

Other Salaries and Wages	\$	286,462	
Social Security		15,544	
State Retirement		15,952	
Medical Insurance		42,011	
Employer Medicare		4,042	
Other Charges		160,609	
Total Community Services			524,620

Early Childhood Education

Teachers	\$	112,561	
Educational Assistants		41,842	
Other Salaries and Wages		20,974	
Non-certified Substitute Teachers		765	
Social Security		9,191	
State Retirement		11,903	
Medical Insurance		34,814	
Employer Medicare		2,430	
Travel		3,220	
Instructional Supplies and Materials		47,920	
Other Supplies and Materials		5,940	
In Service/Staff Development		532	
Total Early Childhood Education			292,092

Capital Outlay

Regular Capital Outlay

Architects	\$	24,251	
Building Improvements		540,207	
Total Regular Capital Outlay			564,458

Principal on Debt

Education

Principal on Notes	\$	9,664	
Total Education			9,664

(Continued)

Exhibit J-9

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

General Purpose School Fund (Cont.)

Interest on Debt

Education

Interest on Notes	\$ 3,287	
Total Education		\$ 3,287

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 389,159	
Total Education		<u>389,159</u>

Total General Purpose School Fund \$ 29,915,623

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 1,166,143	
Educational Assistants	296,848	
Other Salaries and Wages	90,193	
Certified Substitute Teachers	892	
Non-certified Substitute Teachers	32,716	
Social Security	92,775	
State Retirement	109,404	
Medical Insurance	285,736	
Employer Medicare	22,096	
Contracts with Other School Systems	14,817	
Tuition	5,821	
Instructional Supplies and Materials	78,194	
Other Supplies and Materials	4,364	
Regular Instruction Equipment	<u>77,132</u>	
Total Regular Instruction Program		\$ 2,277,131

Special Education Program

Teachers	\$ 678,124
Educational Assistants	367,706
Speech Pathologist	41,456
Other Salaries and Wages	1,650
Certified Substitute Teachers	280
Non-certified Substitute Teachers	5,278
Social Security	64,384
State Retirement	86,167
Medical Insurance	251,707

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Special Education Program (Cont.)

Employer Medicare	\$	15,071	
Evaluation and Testing		6,406	
Maintenance and Repair Services - Equipment		555	
Other Contracted Services		29,258	
Instructional Supplies and Materials		57,000	
Special Education Equipment		40,667	
Total Special Education Program			\$ 1,645,709

Vocational Education Program

Educational Assistants	\$	11,196	
Other Salaries and Wages		24,985	
Social Security		682	
State Retirement		558	
Medical Insurance		5,217	
Employer Medicare		522	
Instructional Supplies and Materials		1	
Other Supplies and Materials		67,805	
Other Charges		6,916	
Vocational Instruction Equipment		77,979	
Total Vocational Education Program			195,861

Support Services

Other Student Support

Guidance Personnel	\$	21,339	
Other Salaries and Wages		142,673	
Social Security		10,081	
State Retirement		10,530	
Medical Insurance		18,690	
Employer Medicare		2,358	
Travel		34,520	
In Service/Staff Development		200	
Other Charges		57,394	
Total Other Student Support			297,785

Regular Instruction Program

Supervisor/Director	\$	62,475	
Instructional Computer Personnel		59,349	
Secretary(ies)		14,042	
Other Salaries and Wages		88,383	

(Continued)

Exhibit J-9

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

In-Service Training	\$	29,893	
Social Security		14,380	
State Retirement		15,651	
Medical Insurance		24,380	
Employer Medicare		3,679	
Maintenance and Repair Services - Equipment		19,999	
Travel		11,812	
Other Supplies and Materials		41,674	
In Service/Staff Development		23,635	
Other Charges		1,469	
Total Regular Instruction Program			\$ 410,821

Special Education Program

Other Salaries and Wages	\$	8,109	
Social Security		503	
Employer Medicare		118	
In Service/Staff Development		1,755	
Total Special Education Program			10,485

Vocational Education Program

Supervisor/Director	\$	3,000	
Social Security		186	
State Retirement		193	
Employer Medicare		44	
Travel		1,649	
In Service/Staff Development		2,491	
Total Vocational Education Program			7,563

Transportation

Bus Drivers	\$	80,743	
Social Security		4,855	
State Retirement		7,966	
Medical Insurance		29,622	
Employer Medicare		1,136	
Total Transportation			124,322

Total School Federal Projects Fund \$ 4,969,677

(Continued)

Exhibit J-9

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Accountants/Bookkeepers	\$	27,892	
Cafeteria Personnel		755,160	
Other Salaries and Wages		63,580	
Social Security		50,673	
State Retirement		87,383	
Medical Insurance		255,166	
Unemployment Compensation		2,362	
Employer Medicare		11,851	
Communication		4,435	
Maintenance and Repair Services - Equipment		12,380	
Transportation - Other than Students		12,741	
Travel		3,219	
Other Contracted Services		154,451	
Food Supplies		797,619	
Office Supplies		8,026	
Uniforms		302	
USDA - Commodities		277,409	
Other Supplies and Materials		146,765	
In Service/Staff Development		857	
Food Service Equipment		124,490	
Total Food Service			\$ 2,796,761
Total Central Cafeteria Fund			\$ 2,796,761

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	27,009	
Total Board of Education			\$ 27,009

Transportation

Supervisor/Director	\$	42,903	
Mechanic(s)		110,157	
Bus Drivers		486,144	
Other Salaries and Wages		31,095	
Social Security		40,675	
State Retirement		73,593	
Medical Insurance		222,694	
Employer Medicare		9,513	

(Continued)

Exhibit J-9

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

School Transportation Fund (Cont.)

Support Services (Cont.)

Transportation (Cont.)

Communication	\$	3,474	
Contracts with Vehicle Owners		3,806	
Maintenance and Repair Services - Vehicles		4,800	
Medical and Dental Services		7,450	
Rentals		6,230	
Other Contracted Services		4,845	
Diesel Fuel		214,960	
Garage Supplies		5,741	
Gasoline		30,109	
Lubricants		5,615	
Tires and Tubes		25,079	
Vehicle Parts		327,354	
Other Supplies and Materials		10,650	
Vehicle and Equipment Insurance		40,477	
Other Charges		1,938	
Transportation Equipment		448,767	
Total Transportation			\$ <u>2,158,069</u>

Total School Transportation Fund \$ 2,185,078

Total Governmental Funds - Coke County School Department \$ 39,867,139

Exhibit J-10

Cocke County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Changes  
in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2010

	Cities - Sales Tax Fund	City School ADA - Newport Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 392,751	\$ 392,751
Trustee's Collections - Prior Years	0	20,872	20,872
Circuit/Clerk and Master Collections - Prior Years	0	3,183	3,183
Interest and Penalty	0	3,506	3,506
Payments in-Lieu-of Taxes - Local Utilities	0	6,805	6,805
Payments in-Lieu-of Taxes - Other	0	216	216
Local Option Sales Tax	2,864,589	531,331	3,395,920
Bank Excise Tax	0	2,622	2,622
Interstate Telecommunications Tax	0	357	357
Marriage Licenses	0	137	137
Other Local Revenues	0	61	61
Total Cash Receipts	<u>\$ 2,864,589</u>	<u>\$ 961,841</u>	<u>\$ 3,826,430</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,835,943	\$ 947,748	\$ 3,783,691
Trustee's Commission	28,646	14,093	42,739
Total Cash Disbursements	<u>\$ 2,864,589</u>	<u>\$ 961,841</u>	<u>\$ 3,826,430</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2009	0	0	0
Cash Balance, June 30, 2010	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-1402  
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

December 22, 2010

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cocke County, Tennessee, as of and for the year ended June 30, 2010, which collectively comprise Cocke County's basic financial statements and have issued our report thereon dated December 22, 2010. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Cocke County Emergency Communications District, which were not available from other auditors as of the date of this report. 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 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Cocke County'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant

deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 10.04.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 10.02 and 10.05.

#### Compliance and Other Matters

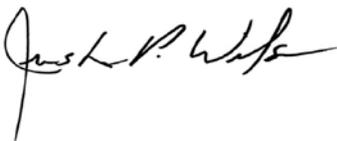
As part of obtaining reasonable assurance about whether Cocke County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 10.01 and 10.03.

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

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 the responses.

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, Board of County Commissioners, 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.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury

JPW/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 37243-1402  
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

December 22, 2010

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Cocke County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Cocke County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Cocke County's management. Our responsibility is to express an opinion on Cocke County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the 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 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 compliance with those requirements.

In our opinion, Cocke County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

#### Internal Control Over Compliance

The management of Cocke County 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cocke County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as items 10.02 and 10.06. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

#### Schedule of Expenditures of Federal Awards

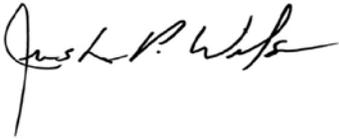
We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cocke County as of and for the year ended June 30, 2010, and have issued our report thereon dated December 22, 2010. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of

the Cocke County Emergency Communications District, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Cocke County'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 the responses.

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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical stroke at the end.

Justin P. Wilson  
Comptroller of the Treasury

JPW/sb

Cocke County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2010

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Distance Learning and Telemedicine Loans and Grants	10.855	N/A	\$ 499,066
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	532,070
National School Lunch Program	10.555	N/A	1,505,103 (3)
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	38,950
Passed-through State Department of Agriculture:			
Child Nutrition Cluster:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	277,409 (3)
Schools and Roads - Grants to States	10.665	N/A	127,360
Total U.S. Department of Agriculture			<u>\$ 2,979,958</u>
U.S. Department of Interior:			
Direct Program:			
Payments in-Lieu-of Taxes	15.226	N/A	\$ 37,161
Total U.S. Department of Interior			<u>\$ 37,161</u>
U.S. Department of Justice:			
Direct Program:			
Recovery Act - Edward Byrne Memorial Justice Assistance (JAG) Program/Grants to Units of Local Government	16.804	N/A	\$ 30,682
Passed-through State Department of Finance and Administration:			
Recovery Act - Edward Byrne Memorial Justice Assistance (JAG) Grant Program/Grants to States and Territories	16.803	4227	83,412
Total U.S. Department of Justice			<u>\$ 114,094</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Cluster:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,822,437
Title I Grants to Local Educational Agencies, Recovery Act	84.389	N/A	638,314
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,194,559
Special Education - Preschool Grants	84.173	N/A	42,801
Special Education - Grants to States, Recovery Act	84.391	N/A	611,056
Special Education - Preschool Grants, Recovery Act	84.392	N/A	11,315
Career and Technical Education - Basic Grants to States	84.048	N/A	236,651
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	(2)	28,404
Safe and Drug-free Schools and Communities - State Grants	84.186	(2)	21,937
Education Technology Cluster:			
Education Technology State Grants	84.318	(2)	16,197
Education Technology State Grants, Recovery Act	84.386	(2)	39,640
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	(2)	154,914
Reading First State Grants	84.357	GG-05-11254-00	88,283
Rural Education	84.358	N/A	137,412
English Language Acquisition Grants	84.365	N/A	20,045
Improving Teacher Quality State Grants	84.367	N/A	277,578
Education for Homeless Children and Youth, Recovery Act	84.387	N/A	494

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Education (Cont.):			
State Fiscal Stabilization Cluster:			
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	N/A	\$ 870,900
State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	N/A	216,895
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	Z-10-218498-00	96,041
Total U.S. Department of Education			<u>\$ 6,525,873</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Emergency Management Performance Grants	97.042	34101-4340	\$ 16,713
Homeland Security Grant Program	97.067	GG-08-02407-00	61,956
Total U.S. Department of Homeland Security			<u>\$ 78,669</u>
Total Expenditures of Federal Awards			<u>\$ 9,735,755</u>
		<u>Contract Number</u>	
<u>State Grants</u>			
Litter Program - State Department of Transportation	N/A	(2)	\$ 42,206
Solid Waste Grant - State Department of Environment and Conservation	N/A	(2)	23,900
Archives Grant - State Library and Archives	N/A	(2)	5,865
Juvenile Service Program - State Commission on Children and Youth	N/A	(2)	11,500
State Aid Program - State Department of Transportation	N/A	(2)	538,287
Adult Basic Education - State Department of Education	N/A	Z-10-218498-00	22,086
Early Childhood Education Pilot Project - State Department of Education	N/A	(2)	287,092
Connect TN - State Department of Education	N/A	(2)	3,296
ACT/Explore - State Department of Education	N/A	(2)	5,651
Lottery for Education - Afterschool Program (LEAP) - State Department of Education	N/A	119-09-2-010	81,826
Health Department Program - State Department of Health	N/A	(2)	119,079
State Reappraisal - Comptroller of the Treasury	N/A	(2)	12,111
Total State Grants			<u>\$ 1,152,899</u>

CFDA = Catalog of Federal Domestic Assistance  
 N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,782,512.

Cocke County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2010

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, for the year ended June 30, 2009, which have not been corrected.

**OFFICE OF TRUSTEE**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.01	196	Some investment transactions were not posted to the general ledger

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
09.02	196	Duties were not segregated adequately in the Offices of General Sessions Court Clerk, Register, and Sheriff

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**COCKE COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2010**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund and the remaining fund information is unqualified.
2. The audit of the financial statements of Cocke County disclosed significant deficiencies in internal control. One of the deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Cocke County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program, and National School Lunch Program, (CFDA Nos. 10.553 and 10.555); the Distance Learning and Telemedicine Loans and Grants Program (CFDA No. 10.855); the Title I Cluster: Title I Grants to Local Educational Agencies and Title I Grants to Local Education Agencies, Recovery Act (CFDA Nos. 84.010 and 84.389); the Special Education Cluster: Special Education – Grants to States, Special Education – Preschool Grants, Special Education – Grants to States, Recovery Act, and Special Education – Preschool Grants, Recovery Act (CFDA Nos. 84.027, 84.173, 84.391, and 84.392); and the State Fiscal Stabilization Cluster: State Fiscal Stabilization Fund – Education State Grants, Recovery Act and State Fiscal Stabilization Fund – Government Services, Recovery Act (CFDA Nos. 84.394 and 84.397) 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 did not qualify as a low-risk auditee.

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

Findings and recommendations, as a result of our examination, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response; the county mayor, director of accounts and budgets, and director of schools provided written responses to certain findings, which are paraphrased in this report.

### **OFFICE OF COUNTY MAYOR**

#### **FINDING 10.01      THE COUNTY MAYOR PURCHASED COUNTY PROPERTY THAT HAD NOT BEEN DECLARED SURPLUS (Noncompliance Under Government Auditing Standards)**

On March 30, 2010, the county mayor personally purchased a county owned laptop computer for \$2,712, which included sales tax. This laptop was originally purchased by Cocke County on September 16, 2009, for \$2,471. The laptop had not been presented to and declared surplus by the County Commission as required by state statute. Section 5-14-108, Tennessee Code Annotated, states that “all sales of county-owned property that has become surplus, obsolete or unusable, shall be based wherever possible on competitive bids.” Likewise, Section X of the Cocke County purchasing manual entitled Surplus Property states that “No department shall transfer, sell, trade-in, or otherwise dispose of supplies or equipment owned by Cocke County Government without written authorization of the Purchasing Agent” and further states that “if a transfer cannot be arranged, the methods of disposal are competitive bids or public auction.” This noncompliance was the result of management’s failure to comply with state statute and county policy.

#### **RECOMMENDATION**

Internal controls over the purchasing process should be strengthened to prevent employees from purchasing items that have not been declared surplus. All county property should be disposed of in compliance with state statute and county policy.

#### **MANAGEMENT’S RESPONSE – COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS**

The county did not follow the statutes and policies governing the disposition of surplus property because the county regarded the transaction not as a disposition of surplus equipment but rather as a correction of an initial miscommunication concerning the purchase of this computer.

The county mayor’s failing computer was replaced according to standard county purchasing policy. Only later was it determined that the county mayor’s full intention was to purchase this computer personally.

The county allowed the county mayor to pay the full and complete invoice cost including all accessories and sales tax as had always been his intent. The outcome was the county saved \$2,471.

The county mayor would also like to point out that he could have let this computer remain on the county's inventory and purchased a newer model directly instead of following through with the intention to own this computer. There would have been no audit finding; however, the county would have owned a computer not directly suited to its needs.

#### AUDITOR'S COMMENT

Governments are tax exempt entities and therefore should not use their tax exempt status and purchasing power for the personal benefit of its employees. The county should remit the sales tax to the state Department of Revenue. If the county mayor's intent was to purchase the computer from the beginning, it should not have taken six months for the mayor to pay for the computer. We are not aware of any statutory authority, which would permit a county official or employee to make a purchase through the county for personal use.

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#### OFFICE OF DIRECTOR OF SCHOOLS

FINDING 10.02      **AMERICAN RECOVERY AND REINVESTMENT ACT GRANT FUNDS AND CHILD NUTRITION CLUSTER FUNDS WERE USED TO PURCHASE OVENS BASED ON AN EXPIRED BID**  
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Cocke County utilized an expired bid to purchase two combi-ovens. Cocke County piggy-backed off of a bid solicited by the Metropolitan Government of Nashville and Davidson County (Metro) in May 2006; however, according to Metro, the bid lapsed December 31, 2006. One oven was purchased on August 11, 2009, with American Recovery and Reinvestment Act funds under a Child Nutrition Discretionary Grant, CFDA Number 10.579, for \$39,050. The second oven was purchased on December 3, 2009, with Child Nutrition Cluster funds, CFDA Numbers 10.553 and 10.555, for \$29,544. Grant administrators failed to confirm the validity of the bid prior to purchasing the equipment, which indicates a significant deficiency in internal controls. In effect, this internal control deficiency allowed the purchase of the equipment without accepting a valid bid and created a situation that could result in the United States Department of Agriculture requesting repayment for the purchase price of the equipment. Section 49-2-203, Tennessee Code Annotated, requires competitive bids for purchases over \$10,000. It was not possible to determine the amount, if any, that the actual purchase price exceeded (or was less than) the amount that would have been paid had current bids been accepted.

#### RECOMMENDATION

Grant administrators should not piggy-back off of bids solicited by other governments without confirming the validity of the bid. Grant administrators should contact the Tennessee Department of Education School Nutrition Program to determine whether further action is required.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

The Board of Education will refrain from making purchases from any expired bids in the future. We will take all necessary steps to inquire about the correct status of any bids from other governmental agencies from this day forward.

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FINDING 10.03      **COMPETITIVE BIDS WERE NOT SOLICITED FOR ALL APPLICABLE PURCHASES**  
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for cleaning and sealing the bus garage floor (\$13,250) and for cleaning and painting waste-water treatment tanks at Cosby High School (\$15,850) and Parrottsville Elementary School (\$15,575). Section 49-2-203, Tennessee Code Annotated, requires competitive bids for purchases over \$10,000. The failure to solicit competitive bids could result in the department paying more than the most competitive price. This noncompliance was the result of management's oversight.

RECOMMENDATION

Purchases exceeding \$10,000 should be competitively bid as required by state statute.

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OFFICE OF TRUSTEE

FINDING 10.04      **INVESTMENT TRANSACTIONS WERE NOT POSTED TO THE GENERAL LEDGER**  
(Internal Control – Material Weakness Under Government Auditing Standards)

The general ledger did not reflect the purchases, redemptions, and investment income/loss of the detailed investment transactions derived from debt proceeds. Therefore, the accounting records were understated by \$1,414,086 as of June 30, 2010. The investment was posted to the accounting records subsequent to June 30, 2010. This deficiency was the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

All investment activity should be posted to the general ledger.

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## **OTHER FINDING**

### **FINDING 10.05     **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 accounting records were also involved in receipting, depositing, and/or disbursing funds. Accounting standards provide that internal controls be designed to give reasonable assurance of the reliability in financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

### **RECOMMENDATION**

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

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## **BEST PRACTICE**

### **AN AUDIT COMMITTEE HAS NOT BEEN ESTABLISHED**

Cocke County does not have an Audit Committee. Sound business practices dictate that establishing an Audit Committee would significantly improve management oversight and accountability. The absence of an Audit Committee has been a management decision by the County Commission. The Division of County Audit strongly believes that an Audit Committee is a best practice that should be adopted to assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program National School Lunch Program	10.06	10.553 10.555	<u>Circular A-133</u> , Compliance Supplement, Part 3B.	Significant deficiency in Internal Control. See Finding 10.02. Nutrition Cluster Grant funds and American Recovery and Reinvestment Act funds were used to purchase ovens based on an expired bid.	\$ 29,544
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.06	10.579	<u>Circular A-133</u> , Compliance Supplement, Part 3B.	Significant deficiency in Internal Control. See Finding 10.02. Nutrition Cluster Grant funds and American Recovery and Reinvestment Act funds were used to purchase ovens based on an expired bid.	39,050

**COCKE COUNTY, TENNESSEE**  
**AUDITEE REPORTING RESPONSIBILITIES**  
**For the Year Ended June 30, 2010**

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

**Office of Director of Schools – Corrective Action Plan for Current-year's Findings**

**FINDINGS 10.02 and 10.06**

Contact person: Manney Moore, Director of Schools

Corrective action planned: Cocke County Board of Education will refrain from making purchases from any expired bids in the future. We will take all necessary steps to inquire about the correct status of any bids from other governmental agencies from this day forward.

Anticipated completion date: December 20, 2010