

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2006

KNOX COUNTY, INDIANA



FILED

12/12/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Auditor	Terry L. Ewer Sharon Duke	01-01-03 to 12-31-06 01-01-07 to 12-31-10
Treasurer	Cendy Joslin	01-01-03 to 12-31-08
Clerk	Brenda J. Hall	03-01-04 to 02-28-08
Sheriff	Stephen P. Luce	01-01-03 to 12-31-10
Recorder	Lisa Clark-Benock	01-01-04 to 12-31-07
President of the Board of County Commissioners	James W. Bobe James Parish	01-01-06 to 12-31-06 01-01-07 to 12-31-07
President of the County Council	Robert Lechner	01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF KNOX COUNTY, INDIANA

We were engaged to audit the accompanying financial statement of Knox County (County), as of and for the year ended December 31, 2006. This financial statement is the responsibility of the County's management.

The Treasurer made a large adjustment to the Treasurer's cashbook without support and the County's annual report did not include all funds. Due to these errors, corrections and adjustments, we are unable to apply other auditing procedures to satisfy ourselves as to the correctness of the ledger balances and annual report.

Since the County had numerous errors and corrections to the ledger and annual report, had a large adjustment to the Treasurer's cashbook without support, and did not include all funds in the annual report, we were not able to apply other auditing procedures to satisfy ourselves as to the accurate ledger balances and annual report. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

In accordance with Government Auditing Standards, we have also issued a report dated November 14, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic financial statement of the County taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement. We were unable to perform audit procedures to satisfy ourselves as to the completeness of the financial information presented in the accompanying Schedule of Expenditures of Federal awards due to the lack of documentation. Since the documentation was not maintained, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying schedule of expenditures of Federal Awards.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

The Schedules of Funding Progress, as listed in the Table of Contents, are not required parts of the basic financial statement but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The County has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statement.

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the County's basic financial statement. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statement. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statement and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 14, 2007



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

TO: THE OFFICIALS OF KNOX COUNTY, INDIANA

We were engaged to audit the financial statement of Knox County (County), as of and for the year ended December 31, 2006, and have issued our report thereon dated November 14, 2007. Since Knox County had numerous errors and corrections, an unsupported adjustment to the Treasurer's cashbook, and funds not included in the annual report, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statement.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in items 2006-1 and 2006-2 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1 and 2006-2 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1 and 2006-2.

The County's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the County's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County's management, County Council, County Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 14, 2007

KNOX COUNTY
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY TYPE FUNDS
 For The Year Ended December 31, 2006

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types		Totals
	General	Special Revenue	Capital Projects	Internal Service	Trust Funds	Agency Funds	(Memorandum Only)
Receipts:							
Taxes	\$ 4,814,050	\$ 6,201,411	\$ 423,814	\$ -	\$ -	\$ -	\$ 11,439,275
Licenses and permits	-	142,418	-	-	-	-	142,418
Intergovernmental	88,846	1,572,401	762,902	-	-	-	2,424,149
Charges for services	198,158	308,461	-	1,686,101	-	-	2,192,720
Fines and forfeits	13,986	992,817	-	-	-	-	1,006,803
Other	1,093,189	5,493,116	3,560,569	-	46,468	-	10,193,342
Total receipts	6,208,229	14,710,624	4,747,285	1,686,101	46,468	-	27,398,707
Disbursements:							
General government	5,828,218	2,890,144	-	1,826,839	-	-	10,545,201
Public safety	1,914,806	2,289,933	-	-	-	-	4,204,739
Highways and streets	-	2,230,927	-	-	-	-	2,230,927
Sanitation	-	80,115	-	-	-	-	80,115
Health and welfare	-	3,028,463	-	-	-	-	3,028,463
Culture and recreation	-	356,980	-	-	18	-	356,998
Retirement and pensions	-	-	-	-	45,185	-	45,185
Debt service:							
Principal	-	238,323	110,000	-	-	-	348,323
Interest	-	24,833	149,708	-	-	-	174,541
Capital outlay:							
Highways and streets	-	-	588,897	-	-	-	588,897
Total disbursements	7,743,024	11,139,718	848,605	1,826,839	45,203	-	21,603,389
Excess (deficiency) of receipts over disbursements	(1,534,795)	3,570,906	3,898,680	(140,738)	1,265	-	5,795,318
Other financing sources (uses):							
Interfund loan payments received	-	1,000,000	1,000,000	-	-	-	2,000,000
Interfund loan payments made	-	(1,000,000)	(1,000,000)	-	-	-	(2,000,000)
Agency fund additions	-	-	-	-	-	121,186,439	121,186,439
Agency fund deletions	-	-	-	-	-	(122,650,005)	(122,650,005)
Other receipts	2,107,107	-	282,572	-	-	-	2,389,679
Other disbursements	-	-	(4,083,251)	-	-	-	(4,083,251)
Total other financing sources (uses)	2,107,107	-	(3,800,679)	-	-	(1,463,566)	(3,157,138)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	572,312	3,570,906	98,001	(140,738)	1,265	(1,463,566)	2,638,180
Cash and investment fund balance - beginning	1,001,010	6,256,872	3,641,617	218,439	1,071,009	4,916,198	17,105,145
Cash and investment fund balance - ending	\$ 1,573,322	\$ 9,827,778	\$ 3,739,618	\$ 77,701	\$ 1,072,274	\$ 3,452,632	\$ 19,743,325

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

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT

I. Summary of Significant Accounting Policies

A. Reporting Entity

The County was established under the laws of the State of Indiana. The County operates under a Council-Commissioner form of government and provides the following services: public safety (police), highways and streets, health welfare and social services, culture and recreation, public improvements, planning and zoning, and general administrative services.

The County's financial reporting entity is composed of the following:

Primary Government: Knox County

In determining the financial reporting entity, the County complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

The County Hospital a discretely presented component unit has been omitted from this financial statement. Accordingly, the financial statement does not include the data of all of the County's component units necessary to fairly present the financial position of the County.

B. Fund Accounting

The County uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

The County has the following fund types:

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), and the acquisition or construction of general fixed assets (capital project funds). The general fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governmental units, or on behalf of other funds within the same governmental unit. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a non-expendable trust fund or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

C. Basis of Accounting

The accompanying financial statement is prepared on the basis of cash receipts and disbursements. Operating receipts and disbursements are cash inflows and outflows related to the daily operations of the County. Operating receipts are presented by source and operating disbursements are presented by functional purpose on the financial statement. The cash basis of accounting differs from accounting principles generally accepted in the United States in that receipts

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statement.

D. Assets and Cash and Investment Balances

1. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as interest receipts in the year of the sale of the investment.

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statement. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the County submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the County receives approval of the Indiana Department of Local Government Finance.

The County's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2006, disbursements exceeded budgeted appropriations. The exceeded appropriations were too numerous to list.

These disbursements were funded by property taxes.

KNOX COUNTY
 NOTES TO FINANCIAL STATEMENT
 (Continued)

C. Cash and Investment Balance Deficits

At December 31, 2006, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006
Solid Waste Management Planning	\$ (8,064)
Governor's Task Force	(1,424)
Drug Seizure	(51,987)
Victim Assistance	(7,567)
Juvenile Accountability	(6,059)
County Health Bioterrorism	(146)
Landfill/Closure	(156)
Tax Sale Redemption	(2,867)
County Sheriff	(3,129)
Sewer Tax	(1,219)

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

Deposits and Investments

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision.

B. Investments

Authorization for investment activity is stated in Indiana Code 5-13. The Sheriff's Merit Board has not established an investment policy for the Sheriff's Retirement and Benefit Pension Plan.

Investment Policies

Indiana Code 5-13-9 authorizes the County to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the County to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

IV. Other Information

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Medical Benefits to Employees

The County has chosen to establish a risk financing fund for risks associated with medical benefits to employees. The risk financing fund is accounted for in the Knox County Benefit Fund, an internal service fund, where assets are set aside for claim settlements. An excess policy through commercial insurance covers individual claims in excess of \$25,000 per year. Settled claims resulting from this risk did not exceed commercial insurance coverage in the past three years. Interfund premiums are paid into the fund by all affected funds and are available to pay claims, claim reserves, and administrative costs of the program. Interfund premiums are based upon an overall premium percentage which is applied to each affected fund and are reported as quasi-external interfund transactions.

B. Holding Corporation

The County has entered into a capital lease with the Knox County Holding Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the County. The lessor has been determined to be a related party of the County.

C. Administration of Welfare Programs

The County is required to provide certain funding for administrative costs of welfare programs, the Hospital Care for the Indigent Program, Medical Assistance to Wards and Children with Special Health Care Needs through local property tax levies. The County remits those taxes to the State, which pays the cost.

D. Pension Plans

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

The County contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

5-10.3) govern, through the PERF Board, most requirements of the system and give the County authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The County's annual pension cost and related information, as provided by the actuary, is presented in this note.

2. County Police Retirement Plan

Plan Description

The County contributes to the County Police Retirement Plan, which is a single-employer defined benefit pension plan. With the approval of the County's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides retirement, death, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the county sheriff.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Retirement Plan are established by state statute. The County's annual pension cost and related information, as provided by the actuary, is presented in this note.

3. County Police Benefit Plan

Plan Description

The County contributes to the County Police Benefit Plan which is a single-employer defined benefit pension plan. With the approval of the County's fiscal body, the plan is administered by the sheriff's department and an appointed trustee as authorized by state statute (IC 36-8-10-12) for full-time police officers. The plan provides dependent pensions, life insurance, and disability benefits to plan members and beneficiaries. The trustee issues a publicly available financial report that includes financial statements and required supplementary information of the plan. The report may be obtained by contacting the county sheriff.

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the County Police Benefit Plan are established by state statute. The County's annual pension cost and related information, as provided by the actuary, is presented in this note.

Actuarial Information for the Above Plans

	PERF	County Police Retirement Plan	County Police Benefit Plan
Annual required contribution	\$ 252,519		
Interest on net pension obligation	(10,779)		
Adjustment to annual required contribution	12,284		
Annual pension cost	254,024		
Contributions made	210,081		
Increase in net pension obligation	43,943		
Net pension obligation, beginning of year	(148,681)		
Net pension obligation, end of year	\$ (104,738)	*	*

*County Police Retirement and Benefit Plan information was not presented for audit in 2006.

	PERF	County Police Retirement Plan	County Police Benefit Plan
Contribution rates:			
County	5%	25%	1%
Plan members	3%	6%	6%
Actuarial valuation date	07-01-06	01-01-06	01-01-06
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed	Level percentage of projected payroll, closed
Amortization period	40 years	40 years	40 years
Amortization period (from date)	07-01-97	12-31-97	12-31-97
Asset valuation method	4 year smoothed market	4 year smoothed market	4 year smoothed market

KNOX COUNTY
NOTES TO FINANCIAL STATEMENT
(Continued)

Actuarial Assumptions	PERF	County Police Retirement Plan	County Police Benefit Plan
Investment rate of return	7.25%	7%	7%
Projected future salary increases:			
Total	5%	5%	5%
Attributed to inflation	4%	4%	4%
Attributed to merit/seniority	1%	1%	1%
Cost-of-living adjustments	2%	2%	0%

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 147,873	136%	\$ (140,194)
	06-30-05	198,501	104%	(148,681)
	06-30-06	254,024	106%	(104,738)
County Police Retirement Plan	12-31-04	64,163	106%	(54,743)
	12-31-05	80,977	44%	(6,163)
	12-31-06	**	**	**
County Police Benefit Plan	12-31-04	4,791	100%	-
	12-31-05	3,896	100%	-
	12-31-06	**	**	**

**County Police Retirement and Benefit Plan information was not presented for audit in 2006.

KNOX COUNTY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 3,517,098	\$ 3,761,817	\$ (244,719)	93%	\$ 3,804,629	(6%)
07-01-05	3,680,572	4,310,811	(630,239)	85%	4,045,774	(16%)
07-01-06	4,311,717	4,587,539	(275,822)	94%	4,148,161	(7%)

County Police Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-01	\$ 1,092,369	\$ 1,092,369	\$ -	100%	\$ 328,664	0%
07-01-02	1,087,292	1,087,292	-	100%	326,597	0%
07-01-03	1,057,212	1,057,212	-	100%	345,446	0%
07-01-04	1,049,221	1,049,221	-	100%	346,664	0%
07-01-05	1,080,961	1,080,961	-	100%	369,058	0%
07-01-06	**	**	**	**	**	**

**Information was not provided for audit.

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COMBINING SCHEDULES

The combining schedules, pages 18 through 38, present the cash receipts and disbursements and increases and decreases in the cash and investment balances by individual funds. Since there is only one general fund (General Fund), and one internal service fund (Knox County Benefit Fund), these funds are not included in this section.

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006

	County Highway	County Health	Local Road and Street	Property Reassessment	Accident Report	Firearms Training
Receipts:						
Taxes	\$ 2,464,946	\$ 100,303	\$ -	\$ 113,301	\$ -	\$ -
Licenses and permits	60,839	81,579	-	-	-	-
Intergovernmental	-	11,106	324,178	1,345	-	-
Charges for services	-	84,334	-	-	-	-
Fines and forfeits	-	-	-	-	933	6,660
Other	12,914	1,685	-	1,336,170	2,228	-
Total receipts	2,538,699	279,007	324,178	1,450,816	3,161	6,660
Disbursements:						
General government	-	-	-	1,236,005	-	-
Public safety	-	-	-	-	-	4,229
Highways and streets	2,040,667	-	190,260	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	188,730	-	-	-	-
Debt service:						
Principal	67,583	-	-	-	-	-
Interest	14,130	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	2,122,380	188,730	190,260	1,236,005	-	4,229
Excess (deficiency) of receipts over disbursements	416,319	90,277	133,918	214,811	3,161	2,431
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	416,319	90,277	133,918	214,811	3,161	2,431
Cash and investment fund balance - beginning	76,478	87,115	85,254	1,221,670	893	1,530
Cash and investment fund balance - ending	<u>\$ 492,797</u>	<u>\$ 177,392</u>	<u>\$ 219,172</u>	<u>\$ 1,436,481</u>	<u>\$ 4,054</u>	<u>\$ 3,961</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Surveyor's Corner Perpetuation	Adult Probation Services	Juvenile Probation Services	Recorder's Records Perpetuation	Emergency Planning Services	Knox County Law Enforcement
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	7,461	-	-	43,684	-	-
Fines and forfeits	-	148,664	2,255	-	-	-
Other	3,125	300	-	125,223	-	-
Total receipts	10,586	148,964	2,255	168,907	-	-
Disbursements:						
General government	10,466	-	-	158,900	-	-
Public safety	-	178,743	-	-	534	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	10,466	178,743	-	158,900	534	-
Excess (deficiency) of receipts over disbursements	120	(29,779)	2,255	10,007	(534)	-
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	120	(29,779)	2,255	10,007	(534)	-
Cash and investment fund balance - beginning	21,381	58,962	23,303	134,359	2,777	175
Cash and investment fund balance - ending	<u>\$ 21,501</u>	<u>\$ 29,183</u>	<u>\$ 25,558</u>	<u>\$ 144,366</u>	<u>\$ 2,243</u>	<u>\$ 175</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	County User Fee	Local Health Maintenance	Sheriff's Commissary	Drainage Maintenance	Victim Assistance Harbor House	Park and Recreation Nonreverting Operating
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	16,570	-	-	24,922	-
Charges for services	-	-	94,037	-	-	21,659
Fines and forfeits	12,488	-	-	-	-	-
Other	-	16,570	-	1,126,772	-	72,369
Total receipts	12,488	33,140	94,037	1,126,772	24,922	94,028
Disbursements:						
General government	13,383	-	-	932,860	-	-
Public safety	-	-	86,215	-	24,922	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	30,137	-	-	-	-
Debt service:						
Principal	-	-	4,974	-	-	-
Interest	-	-	621	-	-	-
Culture and recreation	-	-	-	-	-	110,897
Total disbursements	13,383	30,137	91,810	932,860	24,922	110,897
Excess (deficiency) of receipts over disbursements	(895)	3,003	2,227	193,912	-	(16,869)
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(895)	3,003	2,227	193,912	-	(16,869)
Cash and investment fund balance - beginning	2,564	27,788	4,823	418,408	-	93,245
Cash and investment fund balance - ending	<u>\$ 1,669</u>	<u>\$ 30,791</u>	<u>\$ 7,050</u>	<u>\$ 612,320</u>	<u>\$ -</u>	<u>\$ 76,376</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	County Drug Free Community	Solid Waste Management Planning	Disaster Public Assistance	Dare Program Knox County	Plat Book	White River Valley Drug Task Force
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	28,617	-	-	-	-	-
Other	-	70,783	-	3,000	-	-
	<u>28,617</u>	<u>70,783</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Total receipts	<u>28,617</u>	<u>70,783</u>	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	22,001	-	-	2,666	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	78,651	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>22,001</u>	<u>78,651</u>	<u>-</u>	<u>2,666</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>6,616</u>	<u>(7,868)</u>	<u>-</u>	<u>334</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	6,616	(7,868)	-	334	-	-
Cash and investment fund balance - beginning	<u>11,844</u>	<u>(196)</u>	<u>1,142</u>	<u>6,208</u>	<u>5,427</u>	<u>2</u>
Cash and investment fund balance - ending	<u>\$ 18,460</u>	<u>\$ (8,064)</u>	<u>\$ 1,142</u>	<u>\$ 6,542</u>	<u>\$ 5,427</u>	<u>\$ 2</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Guardian Ad Litem Court	Clerk's Record Perpetuation	Work Release Program	Jail Misdemeanant	Community Corrections	Governor's Task Force
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	522	-	-	-	550,506	3,250
Charges for services	-	-	-	57,286	-	-
Fines and forfeits	4,600	-	527,601	-	-	-
Other	-	13,256	-	-	16	3,415
	<u>5,122</u>	<u>13,256</u>	<u>527,601</u>	<u>57,286</u>	<u>550,522</u>	<u>6,665</u>
Total receipts						
Disbursements:						
General government	-	8,168	-	-	-	-
Public safety	5,122	-	518,699	28,658	585,026	4,955
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
	<u>5,122</u>	<u>8,168</u>	<u>518,699</u>	<u>28,658</u>	<u>585,026</u>	<u>4,955</u>
Total disbursements						
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>5,088</u>	<u>8,902</u>	<u>28,628</u>	<u>(34,504)</u>	<u>1,710</u>
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)						
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>5,088</u>	<u>8,902</u>	<u>28,628</u>	<u>(34,504)</u>	<u>1,710</u>
Cash and investment fund balance - beginning	<u>-</u>	<u>41,209</u>	<u>230,754</u>	<u>2,991</u>	<u>61,050</u>	<u>(3,134)</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 46,297</u>	<u>\$ 239,656</u>	<u>\$ 31,619</u>	<u>\$ 26,546</u>	<u>\$ (1,424)</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Hazard Substance Response	Tourism Commission	Enhanced 911	Drug Seizure	Park and Recreation	Pretrial Diversion
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 251,463	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	27,841	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	205,248	489,464	-	182	-
Total receipts	-	205,248	489,464	-	279,486	-
Disbursements:						
General government	-	214,000	-	-	-	-
Public safety	-	-	339,438	18,242	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	165,766	-	-	-
Interest	-	-	10,082	-	-	-
Culture and recreation	-	-	-	-	246,083	-
Total disbursements	-	214,000	515,286	18,242	246,083	-
Excess (deficiency) of receipts over disbursements	-	(8,752)	(25,822)	(18,242)	33,403	-
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(8,752)	(25,822)	(18,242)	33,403	-
Cash and investment fund balance - beginning	277	54,954	74,408	(33,745)	148,748	4,086
Cash and investment fund balance - ending	<u>\$ 277</u>	<u>\$ 46,202</u>	<u>\$ 48,586</u>	<u>\$ (51,987)</u>	<u>\$ 182,151</u>	<u>\$ 4,086</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Title IV-D Incentive Prosecutor	Area Plan Commission	Superior Court Group Home	Landfill Site	Adult Protective Services	Victim Assistance
Receipts:						
Taxes	\$ -	\$ 74,874	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	8,290	-	-	-	29,250
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	14,713	6,252	-	-	-	6,000
Total receipts	14,713	89,416	-	-	-	35,250
Disbursements:						
General government	-	78,277	-	-	-	-
Public safety	14,684	-	-	-	-	28,727
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	14,684	78,277	-	-	-	28,727
Excess (deficiency) of receipts over disbursements	29	11,139	-	-	-	6,523
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	29	11,139	-	-	-	6,523
Cash and investment fund balance - beginning	4,266	60,682	500	1,680	11,450	(14,090)
Cash and investment fund balance - ending	<u>\$ 4,295</u>	<u>\$ 71,821</u>	<u>\$ 500</u>	<u>\$ 1,680</u>	<u>\$ 11,450</u>	<u>\$ (7,567)</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Family and Children	Drug Task Force	Soil and Water Supplement	Education Plate Fee	Wastewater Planning Grant	EMS Grant
Receipts:						
Taxes	\$ 2,122,910	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	206,002	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	1,050,737	-	357	2,325	-	-
Total receipts	3,379,649	-	357	2,325	-	-
Disbursements:						
General government	-	-	176	4,463	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	2,251,682	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	2,251,682	-	176	4,463	-	-
Excess (deficiency) of receipts over disbursements	1,127,967	-	181	(2,138)	-	-
Other financing sources (uses):						
Interfund loan proceeds	500,000	-	-	-	-	-
Interfund loan payments received	(500,000)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,127,967	-	181	(2,138)	-	-
Cash and investment fund balance - beginning	688,208	670	(181)	2,175	423	2
Cash and investment fund balance - ending	\$ 1,816,175	\$ 670	\$ -	\$ 37	\$ 423	\$ 2

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Home Management Grant	Circuit Court Bail Agency	Superior I Bail Agency	Civil War Monument Restoration	Superior II Bail Agency	ISETS Incentive Clerk
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	1,870	3,800	13,047	22,945	51,305
Total receipts	-	1,870	3,800	13,047	22,945	51,305
Disbursements:						
General government	-	-	7,885	-	18,527	28,702
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	-	7,885	-	18,527	28,702
Excess (deficiency) of receipts over disbursements	-	1,870	(4,085)	13,047	4,418	22,603
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,870	(4,085)	13,047	4,418	22,603
Cash and investment fund balance - beginning	1	12,753	7,324	23,279	61,974	16,879
Cash and investment fund balance - ending	<u>\$ 1</u>	<u>\$ 14,623</u>	<u>\$ 3,239</u>	<u>\$ 36,326</u>	<u>\$ 66,392</u>	<u>\$ 39,482</u>

KNOX COUNTY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	<u>IDACS (E911)</u>	<u>Van-Go</u>	<u>Tobacco Master Settlement</u>	<u>Proslink Implementation Project</u>	<u>Juvenile Accountability</u>	<u>Probation - LCC</u>
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	287,387	22,023	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	4,800	-	1,400	-	-	3,000
Total receipts	<u>4,800</u>	<u>287,387</u>	<u>23,423</u>	<u>-</u>	<u>-</u>	<u>3,000</u>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	4,288	-	-	-	6,000	3,614
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	287,387	16,727	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	<u>4,288</u>	<u>287,387</u>	<u>16,727</u>	<u>-</u>	<u>6,000</u>	<u>3,614</u>
Excess (deficiency) of receipts over disbursements	<u>512</u>	<u>-</u>	<u>6,696</u>	<u>-</u>	<u>(6,000)</u>	<u>(614)</u>
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>512</u>	<u>-</u>	<u>6,696</u>	<u>-</u>	<u>(6,000)</u>	<u>(614)</u>
Cash and investment fund balance - beginning	<u>600</u>	<u>-</u>	<u>17,085</u>	<u>2,496</u>	<u>(59)</u>	<u>1,587</u>
Cash and investment fund balance - ending	<u>\$ 1,112</u>	<u>\$ -</u>	<u>\$ 23,781</u>	<u>\$ 2,496</u>	<u>\$ (6,059)</u>	<u>\$ 973</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Drug Abuse Prosecution Fund	Prosecutor "CARE" Grant	Supplemental Adult Probation	Supplemental Juvenile Probation	County Option Income Tax	Riverboat Wagering Revenue Tax
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,060,953	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	7,858	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	15,905	2,142	50,740	1,130	-	87,634
Total receipts	15,905	10,000	50,740	1,130	1,060,953	87,634
Disbursements:						
General government	-	-	-	-	-	98,642
Public safety	-	9,265	160	-	-	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	9,265	160	-	-	98,642
Excess (deficiency) of receipts over disbursements	15,905	735	50,580	1,130	1,060,953	(11,008)
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	500,000	-
Interfund loan payments received	-	-	-	-	(500,000)	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,905	735	50,580	1,130	1,060,953	(11,008)
Cash and investment fund balance - beginning	48,496	395	61,114	1,649	1,350,184	263,686
Cash and investment fund balance - ending	<u>\$ 64,401</u>	<u>\$ 1,130</u>	<u>\$ 111,694</u>	<u>\$ 2,779</u>	<u>\$ 2,411,137</u>	<u>\$ 252,678</u>

KNOX COUNTY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	County Health Bioterrorism	NRCS Grant for Soil and Water	Children's Psychiatric Services	SEMA First Responder	Rainy Day Fund	Homeland Security
Receipts:						
Taxes	\$ -	\$ -	\$ 12,661	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	49,944	-	1,407	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	541	22	368	11,979	-	81,572
Total receipts	50,485	22	14,436	11,979	-	81,572
Disbursements:						
General government	-	22	-	-	-	-
Public safety	-	-	-	11,979	-	82,822
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-
Health and welfare	56,502	-	149,574	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	56,502	22	149,574	11,979	-	82,822
Excess (deficiency) of receipts over disbursements	(6,017)	-	(135,138)	-	-	(1,250)
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,017)	-	(135,138)	-	-	(1,250)
Cash and investment fund balance - beginning	5,871	-	144,684	-	200,000	1,250
Cash and investment fund balance - ending	<u>\$ (146)</u>	<u>\$ -</u>	<u>\$ 9,546</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>

KNOX COUNTY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2006
(Continued)

	Court Appointed Special Advocate	Prosecutor's Users Fees	Alcohol and Drug Services	Probation Informal Juvenile Users Fees	Probation Home Monitoring	Solid Waste Fees Auditor
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	190,086	70,913	-	-	-
Other	-	6	16,684	-	97,970	13,128
Total receipts	-	190,092	87,597	-	97,970	13,128
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	125,418	94,284	-	64,542	-
Highways and streets	-	-	-	-	-	-
Sanitation	-	-	-	-	-	25
Health and welfare	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	-	125,418	94,284	-	64,542	25
Excess (deficiency) of receipts over disbursements	-	64,674	(6,687)	-	33,428	13,103
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	64,674	(6,687)	-	33,428	13,103
Cash and investment fund balance - beginning	1,832	216,577	98,779	99,130	(1,062)	4,684
Cash and investment fund balance - ending	\$ 1,832	\$ 281,251	\$ 92,092	\$ 99,130	\$ 32,366	\$ 17,787

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Solid Waste Fees Treasurer	Emergency Gas Award	State Welfare Excise	County Identity Security Program	Sheriff Donation	Insurance Settlement
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	3,283	-	47,505	15,510	27,762	302,781
Total receipts	3,283	-	47,505	15,510	27,762	302,781
Disbursements:						
General government	-	-	-	-	-	38,997
Public safety	-	-	-	-	24,700	-
Highways and streets	-	-	-	-	-	-
Sanitation	1,439	-	-	-	-	-
Health and welfare	-	-	47,505	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Total disbursements	1,439	-	47,505	-	24,700	38,997
Excess (deficiency) of receipts over disbursements	1,844	-	-	15,510	3,062	263,784
Other financing sources (uses):						
Interfund loan proceeds	-	-	-	-	-	-
Interfund loan payments received	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,844	-	-	15,510	3,062	263,784
Cash and investment fund balance - beginning	28	450	-	-	-	-
Cash and investment fund balance - ending	\$ 1,872	\$ 450	\$ -	\$ 15,510	\$ 3,062	\$ 263,784

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 SPECIAL REVENUE FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Civil Service Fees	Small Claims Service Fees	Pandemic Assessment Knox County	Soil and Water Grant	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 6,201,411
Licenses and permits	-	-	-	-	142,418
Intergovernmental	-	-	-	-	1,572,401
Charges for services	-	-	-	-	308,461
Fines and forfeits	-	-	-	-	992,817
Other	951	1,890	2,042	46,300	5,493,116
	<u>951</u>	<u>1,890</u>	<u>2,042</u>	<u>46,300</u>	<u>14,710,624</u>
Total receipts	<u>951</u>	<u>1,890</u>	<u>2,042</u>	<u>46,300</u>	<u>14,710,624</u>
Disbursements:					
General government	951	1,890	-	37,830	2,890,144
Public safety	-	-	-	-	2,289,933
Highways and streets	-	-	-	-	2,230,927
Sanitation	-	-	-	-	80,115
Health and welfare	-	-	219	-	3,028,463
Debt service:					
Principal	-	-	-	-	238,323
Interest	-	-	-	-	24,833
Culture and recreation	-	-	-	-	356,980
	<u>951</u>	<u>1,890</u>	<u>219</u>	<u>37,830</u>	<u>11,139,718</u>
Total disbursements	<u>951</u>	<u>1,890</u>	<u>219</u>	<u>37,830</u>	<u>11,139,718</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>1,823</u>	<u>8,470</u>	<u>3,570,906</u>
Other financing sources (uses):					
Interfund loan proceeds	-	-	-	-	1,000,000
Interfund loan payments received	-	-	-	-	(1,000,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>-</u>	<u>-</u>	<u>1,823</u>	<u>8,470</u>	<u>3,570,906</u>
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,329)</u>	<u>6,256,872</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,823</u>	<u>\$ 1,141</u>	<u>\$ 9,827,778</u>

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 CAPITAL PROJECTS FUNDS

As of and for the Year Ended December 31, 2006

	Cumulative Bridge	Park and Recreation Nonreverting	Major Moves	CEDIT	CEDIT New Jail	Totals
Receipts:						
Taxes	\$ 423,814	\$ -	\$ -	\$ -	\$ -	\$ 423,814
Intergovernmental	46,923	-	-	715,979	-	762,902
Other	186,635	6,122	565,551	-	2,802,261	3,560,569
Total receipts	657,372	6,122	565,551	715,979	2,802,261	4,747,285
Disbursements:						
Debt service:						
Principal	-	-	-	110,000	-	110,000
Interest	-	-	-	149,708	-	149,708
Capital outlay	58,367	-	-	530,530	-	588,897
Total disbursements	58,367	-	-	790,238	-	848,605
Excess (deficiency) of total receipts over total disbursements	599,005	6,122	565,551	(74,259)	2,802,261	3,898,680
Other financing sources (uses):						
Interfund loan payments received	-	-	-	1,000,000	-	1,000,000
Interfund loan payments made	-	-	-	(1,000,000)	-	(1,000,000)
Other receipts	-	-	-	264,517	18,055	282,572
Other disbursements	(653,267)	-	-	-	(3,429,984)	(4,083,251)
Total other financing sources (uses)	(653,267)	-	-	264,517	(3,411,929)	(3,800,679)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(54,262)	6,122	565,551	190,258	(609,668)	98,001
Cash and investment fund balance - beginning	1,233,042	8,080	-	1,790,827	609,668	3,641,617
Cash and investment fund balance - ending	\$ 1,178,780	\$ 14,202	\$ 565,551	\$ 1,981,085	\$ -	\$ 3,739,618

KNOX COUNTY
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 TRUST FUNDS
 For The Year Ended December 31, 2006

	Sheriff's Pension Trust	Emison Gift	Landfill/ Closure	Congressional Principal	Totals
Operating receipts:					
Other	\$ 45,185	\$ -	\$ -	\$ 1,283	\$ 46,468
Operating disbursements:					
Culture and recreation	-	18	-	-	18
Retirement and pensions	45,185	-	-	-	45,185
Total disbursements	45,185	18	-	-	45,203
Excess (deficiency) of total additions over total deductions	-	(18)	-	1,283	1,265
Cash and investment fund balance - beginning	1,027,171	93	(156)	43,901	1,071,009
Cash and investment fund balance - ending	<u>\$ 1,027,171</u>	<u>\$ 75</u>	<u>\$ (156)</u>	<u>\$ 45,184</u>	<u>\$ 1,072,274</u>

KNOX COUNTY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006

	<u>Tax Sale Redemption</u>	<u>Tax Sale Surplus</u>	<u>State Fees</u>	<u>Inheritance Tax</u>	<u>Surplus Tax</u>	<u>Congressional Interest</u>	<u>Sheriff's Inmate Trust</u>
Additions:							
Agency fund additions	\$ 34,436	\$ 477,028	\$ 145,860	\$ 876,604	\$ 172,371	\$ -	\$ 132,428
Deductions:							
Agency fund deductions	<u>27,959</u>	<u>186,805</u>	<u>209,717</u>	<u>763,682</u>	<u>107,813</u>	-	<u>132,739</u>
Excess (deficiency) of total additions over total deductions	6,477	290,223	(63,857)	112,922	64,558	-	(311)
Cash and investment fund balance - beginning	<u>(9,344)</u>	<u>39,129</u>	<u>122,640</u>	<u>364,884</u>	<u>125,057</u>	<u>38,165</u>	<u>705</u>
Cash and investment fund balance - ending	<u><u>\$ (2,867)</u></u>	<u><u>\$ 329,352</u></u>	<u><u>\$ 58,783</u></u>	<u><u>\$ 477,806</u></u>	<u><u>\$ 189,615</u></u>	<u><u>\$ 38,165</u></u>	<u><u>\$ 394</u></u>

KNOX COUNTY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Landfill Retainage	County Sheriff	Tax Distributions	County Payroll	Clerk of the Circuit Court	Welfare Trust	Sheriff Buy Money
Additions:							
Agency fund additions	\$ 68	\$ 798,880	\$ 54,337,943	\$ 2,387,940	\$ 5,081,969	\$ 32,155	\$ -
Deductions:							
Agency fund deductions	-	801,529	54,337,315	2,673,623	4,963,186	54,593	-
Excess (deficiency) of total additions over total deductions	68	(2,649)	628	(285,683)	118,783	(22,438)	-
Cash and investment fund balance - beginning	27,144	(480)	7,317	1,155,162	899,100	35,865	2,897
Cash and investment fund balance - ending	<u>\$ 27,212</u>	<u>\$ (3,129)</u>	<u>\$ 7,945</u>	<u>\$ 869,479</u>	<u>\$ 1,017,883</u>	<u>\$ 13,427</u>	<u>\$ 2,897</u>

KNOX COUNTY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	County Recorder	County Treasurer	Sewer Tax	City/Town Court Costs	Probation Department	In Lieu of Road Bonds
Additions:						
Agency fund additions	\$ 214,727	\$ 55,779,334	\$ 21,644	\$ 21,653	\$ 309,264	\$ -
Deductions:						
Agency fund deductions	232,226	57,478,095	21,604	-	300,599	-
Excess (deficiency) of total additions over total deductions	(17,499)	(1,698,761)	40	21,653	8,665	-
Cash and investment fund balance - beginning	17,549	1,983,904	(1,259)	48,908	16,499	6,864
Cash and investment fund balance - ending	<u>\$ 50</u>	<u>\$ 285,143</u>	<u>\$ (1,219)</u>	<u>\$ 70,561</u>	<u>\$ 25,164</u>	<u>\$ 6,864</u>

KNOX COUNTY
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Vehicle License	CAGIT	Financial Institution Tax	Special Death Benefits	Park and Recreation	Totals
Additions:						
Agency fund additions	\$ -	\$ -	\$ 334,550	\$ 3,215	\$ 24,370	\$ 121,186,439
Deductions:						
Agency fund deductions	-	-	334,550	-	23,970	122,650,005
Excess (deficiency) of total additions over total deductions	-	-	-	3,215	400	(1,463,566)
Cash and investment fund balance - beginning	255	33,297	-	1,840	100	4,916,198
Cash and investment fund balance - ending	<u>\$ 255</u>	<u>\$ 33,297</u>	<u>\$ -</u>	<u>\$ 5,055</u>	<u>\$ 500</u>	<u>\$ 3,452,632</u>

KNOX COUNTY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
2001 EDIT Lease Rental	\$ 1,890,000	\$ 25,000
2006 Sheriff's Cars	199,907	63,307
Notes and loans payable	459,303	248,712
Revenue bonds payable:		
2001 EDIT	<u>720,000</u>	<u>45,000</u>
Total governmental activities long-term debt	<u><u>\$ 3,269,210</u></u>	<u><u>\$ 382,019</u></u>

KNOX COUNTY
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual County offices listed below:

County Auditor
County Treasurer
County Sheriff

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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INDIANAPOLIS, INDIANA 46204-2769

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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF KNOX COUNTY, INDIANA

Compliance

We have audited the compliance of Knox County (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 December 31, 2006. The 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 the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Except as discussed in the following paragraph, 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 the 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 the County's compliance with those requirements.

We were unable to perform audit procedures to satisfy ourselves as to the completeness of the financial information presented in the accompanying Schedule of Expenditures of Federal Awards due to the lack of documentation.

The County was unable to provide sufficient documentation supporting the compliance of the Federal Transit – Capital Investment Grants and Child Support Enforcement regarding reporting. We were unable to satisfy ourselves as to the County's compliance with those requirements by other auditing procedures as described in item 2006-3.

As described in item 2006-3 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding reporting that are applicable to each of its federal programs. Compliance with such requirement is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the completeness of the Schedule of Expenditures of Federal Awards, and the County's compliance with the requirements of Federal Transit – Capital Investment Grants and Child Support Enforcement regarding reporting, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

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

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

A control deficiency in a County's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in item 2006-3 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider item 2006-3 to be a material weakness.

The County's response to the findings identified in our audit is described in the accompanying Corrective Action Plan section of the report. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the County's management, County Council, County Commissioners, 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. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

November 14, 2007

KNOX COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute			
Juvenile Accountability Incentive Block Grants FY 2006	16.523		\$ 11,715
Crime Victim Assistance	16.575		
Harbor House		05VA059 06VA061	24,922 35,818
Total for program			<u>60,740</u>
Total for federal grantor agency			<u>72,455</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation			
Federal Transit Cluster	20.500		
Federal Transit - Capital Investment Grants		18025470	<u>192,680</u>
Highway Safety Cluster	20.600		
State and Community Highway Safety			<u>4,995</u>
Total for federal grantor agency			<u>197,675</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Pass-Through Purdue University			
Injury Prevention and Control Research and State and Community Based Programs	93.136		<u>10,372</u>
Pass-Through Indiana State Department of Health			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	BPRS 141-2	<u>61,793</u>
Pass-Through Indiana Department of Child Services			
Child Support Enforcement	93.563		
County Prosecutor's Expenditures			66,066
County Clerk's Expenditures			30,179
Collection Incentive			34,912
Indirect Costs			<u>21,096</u>
Total for program			<u>152,253</u>
Total for federal grantor agency			<u>224,418</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security			
Homeland Security Cluster	97.004		
Homeland Security Grant Program FY 2006		FY2006	<u>94,620</u>
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>83,124</u>
Total for federal grantor agency			<u>177,744</u>
Total federal awards expended			<u>\$ 672,292</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

KNOX COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Knox County (County) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

II. Subrecipients

Of the federal expenditures presented in the schedule, the County provided federal awards to sub-recipients as follows for the year ended December 31, 2006:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>2006</u>
Federal Transit – Capital Investment Grants	20.500	<u>\$ 192,680</u>

KNOX COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	no

Type of auditor's report issued on compliance for major programs: Disclaimer

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
93.563	Federal Transit Cluster Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2006–1, CONDITION OF RECORDS

We noted the following deficiencies relating to recordkeeping:

- (1) There were a considerable number of posting errors in the accounting records, including receipts and checks being posted to the wrong fund.
- (2) Some transactions and ending cash balances shown on state and federal financial reports could not be verified to the county's records.
- (3) Files relating to the federal grants were not available for audit.

KNOX COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) Controls over the receipting, disbursing and accounting for the financial activities were insufficient. The County's annual report (CAR-1) contained numerous errors and the reliability of some funds receipts, disbursements and balances could not be validated. Some funds were not included on the CAR-1.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County Auditors, Chapter 14)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines for County Auditors, Chapter 14)

As a result, the County is unable to provide reasonable assurance regarding the reliability of financial information and records.

We recommended the County design and monitor procedures to ensure that adequate controls exist over receipting, disbursing, recording, and accounting for financial activities.

FINDING 2006-2, ERROR CORRECTION

Some corrections and adjustments were made in the records without retaining recommended audit trails. On July 31, 2006, the Treasurer made adjustments to cashbook in order to perform a depositary reconciliation of the fund balances to the bank account balances. The adjustments were for a net deduction of \$924,808.08 and were made without supporting documentation.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objective, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Treasurer's, Chapter 10)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Treasurers, Chapter 10)

As a result, the County is unable to provide reasonable assurance regarding the reliability of financial information and records.

We recommended that the County implement procedures to ensure that all adjustment reconciliations can be supported by underlying accounting records.

KNOX COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs

FINDING 2006–3, REPORTING

Federal Agency: U.S. Department of Transportation/U.S. Department of Health and Human Services
Federal Program: Federal Transit – Capital Investment Grants/Child Support Enforcement
CFDA Number: 20.500/93.563
Federal Award Number: 18025470/N/A
Pass-Through Entity: Indiana Department of Transportation/Indiana Department of Child Services

The County did not maintain adequate financial documentation to support the numbers presented on the Schedule of Expenditures of Federal Awards. The County could not provide the auditor with federal files which would support the grants obtained during the audit period. Therefore, the auditor is not confident that all federal funds were included on the Schedule of Expenditures of Federal Awards. The County's annual report (CAR-1) contained numerous errors and the reliability of some funds receipts, disbursements and balances could not be validated. Corrections were made to the County's records without proper documentation.

49CFR18 section 20(c) states: "An awarding agency may review the adequacy of the financial management system of any applicant for financial assistance as part of a pre-award review or at any time subsequent to award."

49CFR18 section states in Section 20(b) in part: "(2) Accounting Records: Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Failure to maintain adequate financial documentation prevents the state and federal agencies from monitoring the program in an effective manner and could result in a loss of revenue to the County.

We recommended that the County implement procedures to ensure that accounting records are properly maintained.

KNOX COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

KNOX COUNTY AUDITOR

SHARON K. DUKE

COURTHOUSE

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November 14, 2007

CORRECTIVE PLAN

Finding 2006-1, Condition of Records

I, Sharon Duke, as Knox County Auditor having been out of office since 2002, was unaware of the considerable number of posting errors in the accounting records until now. However, I have been working with the bookkeeper and staff on the understanding of how to correct posting errors. I have been searching for a better financial vendor. I feel the financial software that is in place at this time is very confusing and does not give adequate reports or correct data. In finding different financial software, I feel the reports will be understandable and the corrections will be easier to make due to the fact that they will be able to understand what the reports are telling them. However, due to the fact, this is November and I am just learning of the numerous posting errors from the previous administration, I now feel the need to have all corrections come before me for discussion before inputting the correction. This is to help all involved to better understand exactly what the correction is going to do which will cut down in posting errors. This year I have taken the time to explain a lot of the bookkeeping procedures with the bookkeeper and feel as a result things are beginning to improve.

Finding 2006-2, Error Correction

The Treasurer will be responsible for all internal controls in the Treasurer's Office and corrections and adjustments.

Finding 2006-1-Reporting

As I became aware of different problems during the year 2007, I have made an effort to improve the situations. I have been getting copies of all Grants that are going through this office. I plan to have more control over how the reports are confirmed as I work with my bookkeeper. There are numerous things that I hope to accomplish in the remainder of this year and next year. There will be a separate filing cabinet for grants like I used to have when I was in this position previously.

KNOX COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2007, with Sharon Duke, Auditor; James Parish, President of the Board of County Commissioners; and Robert Lechner, President of the County Council.