

**KNOX COUNTY, TENNESSEE**  
SINGLE AUDIT REPORT AND FINDINGS AND RECOMMENDATIONS  
For the Year Ended June 30, 2006

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- ▶ CERTIFIED PUBLIC ACCOUNTANTS
- ▶ BUSINESS ADVISORS
- ▶ TECHNOLOGY CONSULTANTS

**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***

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County Mayor and  
County Commissioners of  
Knox County, Tennessee

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 Knox County, Tennessee, as of and for the year ended June 30, 2006, which collectively comprise Knox County, Tennessee's basic financial statements and have issued our report thereon December 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Knox County, Tennessee's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Knox County, Tennessee'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 are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 06-01 and 06-02.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rodefer Moeck & Co, PLLC*

Knoxville, Tennessee  
December 8, 2006



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

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County Mayor and  
County Commissioners of  
Knox County, Tennessee

Compliance

We have audited the compliance of Knox County, Tennessee, which includes the Knox County Board of Education, a discretely presented component unit, collectively referred to throughout this report as “Knox County”, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Knox County’s major federal programs are identified in the summary of auditors’ results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements and laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Knox County’s management. Our responsibility is to express an opinion on Knox 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 Knox County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Knox County’s compliance with those requirements.

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

Internal Control Over Compliance

The management of Knox 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 Knox County’s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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 Knox County, Tennessee, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 8, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Knox County, Tennessee'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.

The report is intended solely for the information and use of the audit committee, management, the Board of 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.

*Rodefer Moss & Co, PLLC*

Knoxville, Tennessee  
December 8, 2006

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
Passed through Tennessee Department of Health:			
Women, Infants, and Children (WIC)	10.557	GG-05-11518-00	216,454
Women, Infants, and Children (WIC)	10.557	GG-06-12167-00	<u>591,055</u>
Total U.S. Department of Agriculture			<u>807,509</u>
U.S. Department of Housing and Urban Development Direct Programs:			
Community Development Block Grant	14.218	B-05-UC-47-0001	1,066,075
HOME Investment Partnerships Programs	14.239	M-00-UC-47-0204	9,100
HOME Investment Partnerships Programs	14.239	M-01-UC-47-0204	350,000
HOME Investment Partnerships Programs	14.239	M-02-UC-47-0204	29,119
HOME Investment Partnerships Programs	14.239	M-03-UC-47-0204	75,000
HOME Investment Partnerships Programs	14.239	M-04-UC-47-0204	87,664
HOME Investment Partnerships Programs	14.239	M-05-UC-47-0204	58,835
House Mountain Park	N/A	B03SPTN0744	33,634
Economic Development Initiative Special Projects	N/A	B04SPTN0749	<u>370,795</u>
Total U.S. Department of Housing and Urban Development Direct Programs			<u>2,080,222</u>



**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development Programs:			
Passed through the City of Knoxville, Tennessee:			
Empowerment Zone Program - Knoxville Cultural Heritage	14.244	C-06-0139	<u>29,220</u>
Total Passed through the City of Knoxville, Tennessee			<u>29,220</u>
Total U.S. Department of Housing and Urban Development Programs			<u>2,109,442</u>
U.S. Department of Justice Direct Programs:			
Drug Court	16.579	Z-99-088465-00	28,680
Edward Byrne Memorial Justice Assistance Grant	16.579	2005-DJ-BX-0234	96,500
Edward Byrne Memorial Justice Assistance Grant	16.579	2006-DJ-BX-0729	7,864
Methamphetamine Task Force	16.579	2005-DD-BX-1144	703
Drug Court Women's Treatment	16.585	2005-DC-BX-0030	15,407
Local Law Enforcement Block Grant	16.592	2003-LB-BX-1637	82,168
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0189	18,000
State Criminal Alien Assistance Program	16.606	2006-AP-BX-0534	6,375
Cops Universal	16.710	2002-UL-WX-0041	16,021
Cops in Schools	16.710	2002-SH-WX-0723	131,424
Cops in Schools	16.710	2003-SH-WX-0139	487,971

**KNOX COUNTY, TENNESSEE**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)  
 For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice Direct Programs (continued):			
Cops in Schools	16.710	2004-SH-WX-0155	160,752
Organized Crime Drug Enforcement Task Forces	N/A	N/A	44,713
District Attorney General's CATS Program	N/A	N/A	<u>16,103</u>
Total U.S. Department of Justice Direct Programs			<u>1,112,681</u>
Passed through Tennessee Dept of Finance and Administration:			
Drug Prosecution	16.579	Z-99-088324-00	69,289
Public Defender Byrne	16.579	Z-99-088323-00	72,158
Volunteer Service Expansion	16.579	Z-99-088335-00	29,802
Electronic Fingerprint Imaging	16.579	Z-06-027056-00	15,000
Focused Alternative Treatment	16.579	Z-99-088466-00	<u>73,185</u>
Total Passed through Tennessee Dept of Finance and Administration			<u>259,434</u>
Passed through the Tennessee Department of Children's Services:			
Juvenile Court Accountability Incentive Grant	16.523	GG-05-11451-00	17,303
Juvenile Court Accountability Incentive Grant	16.523	GG-06-12202-00	42,808
Public Defender - Commission on Children & Youth	16.540	GG-05-11394-00	10,455
Public Defender - Commission on Children & Youth	16.540	GG-06-12232-00	<u>33,077</u>



**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FEDERAL AWARDS (Continued)**  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Total U.S. Department of Justice (continued):			
Passed through the Tennessee Department of Children's Services (continued):			
Total Passed through the Tennessee Department of Children's Services			<u>103,643</u>
Total U.S. Department of Justice			<u>1,475,758</u>
Department of Transportation Federal Highway Administration:			
Passed through Tennessee Dept. of Environment & Conservation:			
Halls Greenway	20.205	STP-EN-4700(29)	2,052
French Park Greenway	20.205	STP-EN-4700(37)	42,555
Ten Mile Creek Greenway	20.205	STP-EN-4700(27)	<u>6,170</u>
Total Passed through Tennessee Dept. of Environment & Conservation			<u>50,777</u>
Total Department of Transportation Federal Highway Administration			<u>50,777</u>
National Foundation on the Arts and the Humanities:			
Passed through Tennessee Secretary of State:			
Library Services	45.310	GG-06-12043-00	<u>2,500</u>
Total Passed through Tennessee Secretary of State			<u>2,500</u>
Total National Foundation on the Arts and the Humanities			<u>2,500</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FEDERAL AWARDS (Continued)**  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Environmental Protection Agency Direct Programs:			
Air Pollution Control Section 105	66.001	A-00408305-0	71,385
Air Pollution Control Section 105	66.001	A-00408306-0	145,952
Air Pollution Section 103 Clean Air Monitoring	66.001	PM-97476003-1	13,721
Air Pollution Section 103 Clean Air Monitoring	66.001	PM-96437805-1	170,601
Brownfield Cleanup	66.818	BF-96414904-0	<u>128,940</u>
Total Environmental Protection Agency Direct Programs			<u>530,599</u>
Total Environmental Protection Agency			<u>530,599</u>
U. S. Department of Health and Human Services:			
Passed through Tennessee Department of Health:			
Tuberculosis Nursing	93.116	GG-06-11843-00	143,000
Health Community Development	93.130	GG-06-11972-00	109,274
Rape Prevention	93.136	GG-06-11972-00	16,091
Drug Court CSAT	93.243	1-H79-T114194-01	271,035
Immunization	93.268	GG-05-11756-00	40,179
Immunization	93.268	GG-06-12377-00	53,672
Bioterrorism	93.283	GG-06-12110-00	592,905

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FEDERAL AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services (continued):			
Passed through Tennessee Department of Health (continued):			
Tobacco Prevention	93.283	GG-06-11972-00	69,394
Breast and Cervical Cancer	93.399	GG-06-11857-00	41,927
HIV Consortia and Case Management Services	93.917	GG-05-11846-00	234,374
HIV Consortia and Case Management Services	93.917	GG-06-12361-00	84,663
HIV Prevention	93.940	Z-05-024060-00	44,404
HIV Prevention	93.940	Z-06-031123-00	43,226
Community Prevention	93.959	GG-06-12285-00	124,665
Health Promotion	93.991	GG-06-11972-00	61,500
Children's Special Services	93.994	GG-06-11845-00	53,501
Family Planning Services	93.994	GG-06-03283-00	586,800
Infertility Youth Screening Project	93.977	GG-05-11590-00	28,529
Infertility Youth Screening Project	93.977	GG-06-12493-00	33,886
Sexually Transmitted Disease	93.977	Z-05-024060-00	41,738
Sexually Transmitted Disease	93.977	Z-06-031123-00	93,080

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FEDERAL AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services (continued):			
Passed through Tennessee Department of Health (continued):			
Help Us Grow Successfully	93.994	GG-06-11750-00	<u>52,211</u>
Total Passed through Tennessee Department of Health			<u>2,820,054</u>
Passed through Tennessee Department of Human Services:			
Child Support Enforcement   IV-D	93.563	GG-05-11380-00	33,965
Child Support Enforcement   IV-D	93.563	GG-06-12091-00	<u>292,604</u>
Total Passed through Tennessee Department of Human Services			<u>326,569</u>
Passed through the University of South Florida:			
Friendly Access and Workforce Development	93.283	6314-037-LO-H	<u>17,201</u>
Total Passed through the University of South Florida			<u>17,201</u>
Total U. S. Department of Health and Human Services			<u>3,163,824</u>
U.S. Department of Federal Emergency Management Agency			
Passed through Tennessee Emergency Management Agency			
Hurricane Katrina	97.036	Z-06-030962-00	<u>256,553</u>
Total Passed through Tennessee Emergency Management Agency			<u>256,553</u>
Total U.S. Department of Federal Emergency Management Agency			<u>256,553</u>



**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FEDERAL AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S Department of Homeland Security			
Passed through Tennessee Department of Military			
Homeland Security	97.004	Z-03-017768-00	31,476
Homeland Security First Responder's Enhancements	97.006	Z-04-019755-00	29,643
Homeland Security 2004	97.004	Z-04-022461-00	1,480,708
Homeland Security	97.004	Z-04-020113-00	526,989
Homeland Security	97.007	Z-04-020188-00	12,755
Homeland Security	97.067	Z-05-025176-00	<u>418,579</u>
Total Passed through Tennessee Department of Military			<u>2,500,150</u>
Total U.S. Department of Homeland Security			<u>2,500,150</u>
Office of National Drug Control Policy			
Passed through Laurel County, Kentucky			
High Intensity Drug Trafficking Areas	N/A	I6PAPP501Z	<u>14,000</u>
Total Passed through Office of National Drug Control Policy			<u>14,000</u>
Total Office of National Drug Control Policy			<u>14,000</u>
Total Federal Financial Assistance			<u><u>\$ 10,911,112</u></u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
For the Fiscal Year Ended June 30, 2006

Program Title	Identifying Number	State Expenditures
Tennessee Department of Corrections:		
Community Corrections (CAPP)	Z-05-020611-00	<u>506,416</u>
Total Tennessee Department of Corrections		<u>506,416</u>
Tennessee Department of Agriculture:		
Farmers Market Promotion	Z-06-031144-00	<u>1,000</u>
Total Tennessee Department of Agriculture		<u>1,000</u>
Tennessee Commission on Children and Youth:		
Children Services - Youth Officer	Z-06-002613-00	<u>9,000</u>
Total Tennessee Commission on Children and Youth		<u>9,000</u>
Tennessee Comptroller of the Treasury:		
Reappraisal	30711	<u>169,856</u>
Total Tennessee Comptroller of the Treasury		<u>169,856</u>
Tennessee District Attorney General's Conference:		
Parental Responsibility Truancy Program	Z-99-088347-00	<u>82,515</u>
Total Tennessee District Attorney General's Conference		<u>82,515</u>
Tennessee Environment and Conservation:		
Waste Tire Storage	Z-03-011371-03	493,813
Used Oil	Z-05-024427-00	10,000

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2006

Program Title	Identifying Number	State Expenditures
Tennessee Environment and Conservation (continued):		
Used Oil	Z-05-024428-00	9,894
Total Tennessee Environment and Conservation		<u>513,707</u>
Tennessee Department of Health:		
Tuberculosis Nursing	GG-06-11843-00	183,000
Immunization	GG-05-11756-00	47,167
Immunization	GG-06-12377-00	63,007
HIV Prevention	Z-05-024060-00	4,934
HIV Prevention	Z-06-031123-00	4,803
Sexually Transmitted Disease	Z-05-024060-00	4,845
Sexually Transmitted Disease	Z-06-031123-00	10,804
Community Prevention	GG-06-11972-00	40,100
Family Planning	GG-06-03283-00	172,983
Oral Health	GG-06-11841-00	200,982
Adolescent Pregnancy	GG-06-11750-00	50,000
Families First	GG-06-03280-00	74,950

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS (Continued)**  
For the Fiscal Year Ended June 30, 2006

Program Title	Identifying Number	State Expenditures
Tennessee Department of Health (continued):		
Vitamin Supplement	354	20,957
EPSDT Tenndercare	GG-06-11834-00	298,627
Children's Special Services	GG-06-11845-00	47,206
Flu Pandemic Preparedness	GG-06-1249900	1,836
Help Us Grow Successfully	GG-06-11750-00	<u>46,444</u>
Total Tennessee Department of Health		<u>1,272,645</u>
Tennessee Secretary of State:		
General Library Services	GG-06-12043-00	<u>45,500</u>
Total Tennessee Secretary of State		<u>45,500</u>
Tennessee Department of Transportation:		
Litter Grant	Z-06-027977-00	<u>126,730</u>
Total Tennessee Department of Transportation		<u>126,730</u>
Tennessee Department of Veterans Affairs:		
Veterans Affairs	N/A	<u>1,154</u>
Total Tennessee Department of Veterans Affairs		<u>1,154</u>
Total State Financial Assistance		<u><u>\$ 2,728,523</u></u>



**KNOX COUNTY, TENNESSEE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2006

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Knox County and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the Comprehensive Annual Financial Report.

**Note 2. Loans Outstanding**

Knox County had the following loan funding balances and loan balances outstanding at June 30, 2006. These 2006 loan funding balances are also included in the federal expenditures

Cluster / Program Title	CFDA Number	FY 06 Loan Funding	Outstanding Balance
Community Development Block Grants - Entitlement Grants	14.218	\$ 108,046	\$1,383,496
HOME Investment Partnership Programs	14.239	\$ 87,149	\$1,143,926

**Note 3. Subrecipients**

Of the federal expenditures presented in the schedule, Knox County provided federal awards to subrecipients as follows:

Cluster / Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grants - Entitlement Grants	14.218	\$ 364,512
HOME Investment Partnership Programs	14.239	563,626
Prevention and Treatment of Substance Abuse - Block Grant	93.959	124,665
Prevention and Treatment of Substance Abuse - Block Grant	93.283	<u>32,000</u>
Total Subrecipient Awards		<u>\$ 1,084,803</u>

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture :			
Passed through Tennessee Department of Agriculture:			
USDA School Breakfast Program	10.553	-	\$ 2,133,026
USDA School Lunch Program	10.555	-	<u>6,876,923</u>
Total U.S. Department of Agriculture			<u>9,009,949</u>
U.S. Department of Housing and Urban Development:			
Passed through City of Knoxville:			
Youth Academy of Finance	14.244	C-06-0172	29,552
Passed through Pellissippi State Technical Community College:			
Diploma Power	14.244	-	<u>36,237</u>
Total U.S. Department of Housing and Urban Development			<u>65,789</u>
U.S. Department of Education:			
Passed through Tennessee Department of Education:			
Adult Basic Education	84.002	Z-06-027790-00	324,162
Adult Basic Education	84.002	Z-05-022237-00	19,944
ESEA Chapter I of Title I	84.010A	2006.01	8,587,732
ESEA Chapter I of Title I	84.010A	2005.01	218,843

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Passed through Tennessee Department of Education (continued):			
ESEA Chapter I of Title I	84.010A	2004.21	1,139,762
ESEA Chapter I of Title I	84.010A	2005.21	469,788
Title I School Improvement	84.010A	2006	300,000
Title I School Improvement	84.010A	2005	84,000
Individuals with Disabilities Education Act Part B	84.027	2005.01	963,051
Individuals with Disabilities Education Act Part B	84.027A	2006.01	8,605,012
Individuals with Disabilities Education Act Part B	84.027	2004.21	1,003,400
Individuals with Disabilities Education Act Part B	84.027	2005.21	292,396
Sliver	84.027	2005.01	13,044
Carl Perkins	84.048	-	1,417,259
Case Manager	84.126	GG-04-10250-02	24,901
Preschool	84.173A	2006.01	295,208
Preschool	84.173	2005.01	42,356
Preschool	84.173	2004.21	2,408
Preschool	84.173	2005.21	3,547

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Passed through Tennessee Department of Education (continued):			
Governors Alliance for Drug Free School	84.186A	2006.01	227,923
Governors Alliance for Drug Free School	84.186A	2005.01	38,609
Governors Alliance for Drug Free School	84.186A	2005.21	37,378
Hurricane Relief Title IV Subtitle A	84.186A	2006	627,073
Youth Violence and Drug Prevention	84.186B	190-06-1-4	45,654
Homeless Education	84.196A	2006	95,935
Homeless Education	84.196A	2005	4,298
Title V, Part B, No Child Left Behind	84.282A	GG-05-11690-00	7,000
Title V	84.298A	2005.01	6,002
Title V	84.298A	2004.21	99,344
Title V	84.298A	2005.21	19,897
Title V	84.298A	2006.01	406,277
Title II Part D	84.318X	2006.01	62,773
Title II Part D - Orbit	84.318X	2005	77,131
Title II Part D	84.318X	2005.21	184,784



**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Passed through Tennessee Department of Education (continued):			
Title II Part D	84.318X	2004.21	4,347
Comprehensive School Reform Demonstration	84.332A	Z-03-012892-00	14,592
Comprehensive School Reform Demonstration - Inskip	84.332A	-	68,421
Reading First	84.357	GG-05-11254-00	819,852
Title III	84.365A	2006.01	70,360
Title III	84.365A	2005.01	84,827
Title III	84.365A	2005.21	8,207
Title II Part A	84.367A	2006.01	1,453,594
Title II Part A	84.367A	2005.21	386,098
Title II Part A	84.367A	2005.01	275,994
Title II Part A	84.367A	2004.21	<u>419,496</u>
Total passed through Tennessee Department of Education			<u>29,352,679</u>
Passed through University of Tennessee:			
English Literacy and Civics	84.002	OR 7035-001.15	10,004
Mathematics and Science Partnership	84.366	OR 5273-001.01	<u>56,378</u>
Total passed through University of Tennessee			66,382

**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Education (continued):			
Passed through Pellissippi State Technical Community College:			
Tech Prep	84.243A	-	5,126
Passed through Minnesota Learning Resource Center:			
Charter Schools S.M.A.R.T. Program	84.282F	-	<u>3,462</u>
Total U.S. Department of Education			<u>29,427,649</u>
U.S. Department of Health and Human Services:			
Passed through Tennessee Department of Human Services:			
Child Care Certificate Program	93.596	-	1,049
Passed through Tennessee Department of Education:			
School Health	93.938	2006	<u>10,000</u>
Total U.S. Department of Health and Human Services			<u>11,049</u>
Corporation for National and Community Service:			
Passed through Tennessee Department of Education:			
Learn & Serve	94.004	GG-05-11352-00	<u>21,945</u>
Total Corporation for National and Community Service			<u>21,945</u>
Total Federal Financial Assistance			<u><u>\$ 38,536,381</u></u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FEDERAL NON-CASH ASSISTANCE**  
For the Year Ended June 30, 2006

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Entity Identifying Number	Commodities Used
U.S. Department of Agriculture:			
Passed through Tennessee Department of Agriculture:			
USDA Food Distribution ( Commodities )	10.550	-	<u>\$ 786,066</u>

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
For the Year Ended June 30, 2006

Program Title	Identifying Number	State Expenditures
Tennessee Department of Education:		
Safe Schools	2005-2006	\$ 79,774
Safe Schools	2004-2005	113,894
Early Childhood	2006	130,000
Family Resource Center	2006	<u>33,300</u>
Total Tennessee Department of Education		<u>356,968</u>
Tennessee Department of Labor and Workforce Development:		
Adult Basic Education	Z-06-027790-00	90,235
Adult Basic Education	Z-05-022237-00	<u>5,302</u>
Total Tennessee Department of Labor and Workforce Development		<u>95,537</u>
Tennessee Department of Human Services:		
Case Manager	GG-04-10250-02	<u>32,895</u>
Total State Financial Assistance		<u><u>\$ 485,400</u></u>



**KNOX COUNTY, TENNESSEE**  
DISCRETELY PRESENTED COMPONENT UNIT  
KNOX COUNTY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2006

**Note 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Knox County Board of Education, a discretely presented component unit of Knox County, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the Comprehensive Annual Financial Report.

**KNOX COUNTY, TENNESSEE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended June 30, 2006

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:	UNQUALIFIED	
Internal control over financial reporting:	YES	NO
Material weakness identified?		X
Reportable condition identified that is not considered to be a material weakness?		X
Non compliance material to financial statements noted?		X

Federal Awards

Type of auditors' report issued for major federal programs:	UNQUALIFIED	
Internal control over major federal programs:	YES	NO
Material weakness identified?		X
Reportable condition identified that is not considered to be a material weakness?		X
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		X

Major federal programs for Knox County for the fiscal year ended June 30, 2006 are:

Program Name	CFDA #
USDA School Breakfast and Lunch Programs/Child Nutrition Cluster	10.553/10.555
Homeland Security	97.004
Title II Part A	84.367A

Dollar threshold used to distinguish between Type A and Type B Programs      \$ 1,507,007

	YES	NO
Auditee qualified as a low-risk auditee?	X	

**KNOX COUNTY, TENNESSEE**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Year Ended June 30, 2006

II. Financial Statement findings.

**Finding 06-01:**

**Noncompliance**

Program: Deposit procedures for the County Clerk's Office.

Criteria: Deposits of funds should be made within three days of receiving the funds.

Condition: Certain deposits received by this office were not deposited within three days.

The County Clerk's Office is in violation due to Hotel/Motel tax deposits being deposited more than three days after the funds were received in the office.

Effect: Not depositing funds within three days violates TCA 5-8-207 as it relates to County officials.

Recommendation: The County Clerk's Office should attempt to correct procedures that are causing them to be in violation of the three-day deposit rule.

Management's Response: We have hired several people involved in processing the Hotel Motel Tax. We now have an employee in the position that has been learning the process and I believe she will be doing a better job at getting the checks to us on time. I have also talked with the Audit Department and the employee that does the deposit for the Clerks' accounts and told them that they money must go in the bank in three days. With the volume of checks and cash we receive from the clerks at the satellite offices, it is very difficult to check out each clerk and get the figure correct if the money and checks are not available. We have hired an additional person in the Audit Department to help them maintain their quality of work.

**Finding 06-02:**

**Noncompliance**

Program: Cash reconciliation procedures in the Trustee's Office.

Criteria: Cash should be reconciled between the amount on deposit with the bank and the amount shown per the general ledger.

Condition: Cash accounts were not properly reconciled between the amounts shown on the monthly bank statements to the amounts shown per the general ledger.

**KNOX COUNTY, TENNESSEE**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
For the Year Ended June 30, 2006

II. Financial Statement findings (continued):

**Finding 06-02:**

**Noncompliance (continued)**

Effect: Reconciling the bank balances to the general ledger balances helps to ensure that all items posted to the general ledger and items posted to the bank statement are legitimate entries and have been accounted for in the financial records.

Recommendation: The Trustee's Office should institute procedures to ensure that the bank balance is reconciled to the general ledger balance on a timely basis.

Management's Response: Over the past twenty years, there has not been an audit finding for our office. The Trustee's Office being the "County bank", we consider the bank balances to be the controlling factor. It is our finding that the Lawson Software Accounting program set-up was not complete and all entries are not posting to the general ledger. We have addressed the problem and are waiting for a Lawson representative to make the necessary corrections. Corrections to the software should produce valid ledger balances that will reconcile to the bank balances.



**KNOX COUNTY, TENNESSEE**  
DISPOSITION OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2006

Corrective action regarding the following prior year findings and questioned costs for the year ended June 30, 2005, have not been fully implemented. This finding has been reported in Section II of the Schedule of Findings and Questioned Costs for the year ended June 30, 2006.

<b>Prior Year Finding Number</b>	<b>Finding</b>	<b>Current Year Finding Number</b>
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05-01	County-wide deposit procedures-Three-day deposit rule violations.	06-01
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The prior year audit finding pertained to amounts received by various County offices and transferred to other offices for recording and deposit. During the fiscal year ended June 30, 2004, the County established and implemented new cash receipts and deposits procedures that require each department receiving funds to prepare and make its own bank deposit within three days of the initial receipt. Although, corrective action has been taken, the compliance with the new procedures has not been fully implemented by the Office of the County Clerk for the Hotel Motel tax receipts.

**KNOX COUNTY, TENNESSEE**  
**CORRECTIVE ACTION PLAN**  
For the Year Ended June 30, 2006

II. Financial Statement finding

Finding  
Number

06-01	Name of contact person:	Mike Padgett, Knox County Clerk
	Corrective action:	Implement changes in the cash remittance process to decrease the number of days between time cash is collected until it is deposited by the County Clerk's Office.
	Proposed completion date:	Procedures designed to ensure timely deposits were implemented upon notification of the finding in fiscal year 2007.
06-02	Name of contact person:	Mike Lowe, Knox County Trustee
	Corrective action:	Implement changes in the cash reconciliation process to ensure proper reconciliation between cash balances and general ledger balances.
	Proposed completion date:	Action has been taken upon notification of the finding during the fiscal year 2007 to ensure proper reconciliation of accounts.