

ANNUAL FINANCIAL REPORT
LOUDON COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2005

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

ANNUAL FINANCIAL REPORT
LOUDON COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2005

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

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Audit Highlights

Annual Financial Report
Loudon County, Tennessee
For the Year Ended June 30, 2005

Scope

We have audited the basic financial statements of Loudon County as of and for the year ended June 30, 2005.

Results

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

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

Findings

The following are summaries of the audit findings:

OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS

- ◆ General ledger accounts were not reconciled monthly.
- ◆ Expenditures and encumbrances exceeded appropriations approved by the County Commission in three funds' major appropriations categories (the legal level of control).

OFFICE OF PURCHASING AGENT

- ◆ Purchase orders were not issued in some required instances. In several instances, invoices were paid without documentation that goods had been received or services had been rendered.

OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND HIGHWAY SUPERINTENDENT

- ◆ The director of accounts and budgets did not maintain accounting records for the Highway Department as required by the Fiscal Control Acts of 1957.
-

OFFICE OF DIRECTOR OF SCHOOLS

- ◆ Certain School Department purchases were not made by the county purchasing agent.
-

OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND SHERIFF

- ◆ Travel advances paid in the prior year had not been documented.
-

OTHER FINDING

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

INTRODUCTORY SECTION

Loudon County Officials
June 30, 2005

Officials:

George Miller, County Mayor
Don Palmer, Highway Superintendent
Edward Headlee, Director of Schools
Estelle Herron, Trustee
Doyle Arp, Assessor of Property
Riley Wampler, County Clerk
Lisa Niles, Circuit and General Sessions Courts Clerk
Fred Chaney, Clerk and Master
Tracie Littleton, Register
Tim Guider, Sheriff
Tracy Blair, Director of Accounts and Budgets
Leo Bradshaw, Purchasing Agent

Board of County Commissioners:

Roy Bledsoe, Chairman	Earlena Maples
Harold Duff	Nancy Marcus
Bob Franke	David Meers
Ed Harold	Don Miller
Charles Jenkins	Van Shaver

Board of Education:

Leroy Tate, Chairman	Larry Bass
Bobby Johnson Jr.	June Klinstiver
Bill Marcus	Scott Newman
Nancy Paule	Larry Proaps
Freddie Gene Walker	Alan Williams

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

March 3, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Loudon County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Loudon County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Loudon County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

included to conform to accounting principles generally accepted in the United States of America. The effects on the basic financial statements are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Loudon County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Loudon County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Loudon County, Tennessee, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 3, 2006, on our consideration of Loudon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Loudon County has implemented Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures, which modifies the county's disclosures for custodial credit risk and adds disclosures about other types of risk.

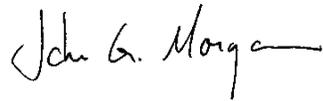
Management did not prepare the management's discussion and analysis. The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison information on pages 65 through 70 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Loudon County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund,

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

Very truly yours,

A handwritten signature in cursive script that reads "John G. Morgan". The signature is written in black ink and includes a long horizontal flourish at the end.

John G. Morgan
Comptroller of the Treasury

JGM/rd

BASIC FINANCIAL STATEMENTS

Exhibit A

Loudon County, Tennessee
Statement of Net Assets
June 30, 2005

	Primary Government Governmental Activities	Component Unit Loudon County School Department
<u>ASSETS</u>		
Cash	\$ 38,049	\$ 1,215
Equity in Pooled Cash and Investments	9,044,000	8,126,733
Accounts Receivable	265,673	21,244
Due from Other Governments	1,234,284	724,776
Due from Component Units	12,956	0
Due from Joint Ventures	76,985	0
Property Taxes Receivable	8,016,984	6,240,347
Allowance for Uncollectible Property Taxes	(157,824)	(116,814)
Prepaid Items	3,679	7,900
Unamortized Debt Issuance Cost	336,199	0
Capital Assets		
Assets Not Depreciated:		
Land	6,291,457	559,887
Construction in Progress	353,440	0
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	10,487,651	21,889,938
Other Capital Assets	1,677,343	97,647
Infrastructure - Bridges, Railroad Spur, and Parking Lot	661,751	0
Total Assets	<u>\$ 38,342,627</u>	<u>\$ 37,552,873</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 238,813	\$ 52,365
Accrued Payroll	27,951	4,748
Accrued Interest Payable	104,726	0
Payroll Deductions Payable	3,558	194,732
Contracts Payable	207,451	0
Retainage Payable	73,692	0
Claims and Judgments Payable	39,167	0
Due to Primary Government	0	40,528
Due to State of Tennessee	10,701	0
Due to Litigants, Heirs, and Others	76,045	0
Unamortized Premium on Bonds	15,398	0
Deferred Revenue - Property Taxes	7,708,269	6,017,809
Noncurrent Liabilities:		
Due Within One Year	1,512,825	0
Due in More than One Year	25,802,974	0
Total Liabilities	<u>\$ 35,821,570</u>	<u>\$ 6,310,182</u>

(Continued)

Exhibit A

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

	<u>Primary Government</u> <u>Governmental Activities</u>	<u>Component Unit</u> <u>Loudon County School Department</u>
<u>NET ASSETS</u>		
Invested in Capital Assets, net of related debt	\$ 6,740,364	\$ 0
Invested in Capital Assets	0	22,547,472
Restricted for:		
Highways	647,062	0
Debt Service	2,337,545	0
Capital Projects	1,269,206	2,341,529
Other Purposes	171,256	52,509
Unrestricted	<u>(8,654,124)</u>	<u>6,301,181</u>
Total Net Assets	<u>\$ 2,521,057</u>	<u>\$ 31,242,691</u>

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

Exhibit B

Loudon County, Tennessee
Statement of Activities
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Loudon County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 2,204,182	\$ 865,543	\$ 36,385	\$ 15,000	\$ (1,287,254)	\$ 0
Finance	1,391,843	869,650	18,324	0	(503,869)	0
Administration of Justice	1,130,961	957,496	56,478	0	(116,987)	0
Public Safety	4,807,372	161,155	359,555	356,441	(3,930,221)	0
Public Health and Welfare	1,562,914	222,269	228,940	110,617	(1,001,088)	0
Social, Cultural, and Recreational Services	375,655	0	53,170	11,222	(311,263)	0
Agricultural and Natural Resources	136,572	0	0	0	(136,572)	0
Other Operations	997,068	0	0	0	(997,068)	0
Highways	2,346,114	13,251	1,577,236	240,534	(515,093)	0
Education	238,728	238,728	0	0	0	0
Debt Service:						
Interest on Long-Term Debt	757,334	0	0	0	(757,334)	0
Other Debt Service	189,064	0	0	0	(189,064)	0
Total Primary Government	\$ 16,137,807	\$ 3,328,092	\$ 2,330,088	\$ 733,814	\$ (9,745,813)	\$ 0
Component Unit:						
Loudon County School Department	\$ 31,173,707	\$ 770,396	\$ 4,081,217	\$ 0	\$ 0	\$ (26,322,094)
Total Component Unit	\$ 31,173,707	\$ 770,396	\$ 4,081,217	\$ 0	\$ 0	\$ (26,322,094)

(Continued)

Exhibit B

Loudon County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Loudon County School Department
General Revenues:						
Taxes:						
Property Taxes					\$ 8,090,280	\$ 5,666,101
Sales Taxes					298,174	2,956,128
Other Taxes					856,595	107,843
Grants and Contributions not restricted to specific programs					1,319,762	16,622,802
Unrestricted Investment Income					355,164	2,890
Gain on Sale of Capital Assets					133,600	0
Miscellaneous					170,370	268,613
Revenue from Joint Ventures					25,429	0
Total General Revenues					<u>\$ 11,249,374</u>	<u>\$ 25,624,377</u>
Change in Net Assets					\$ 1,503,561	\$ (697,717)
Net Assets, July 1, 2004					760,106	31,940,408
Restatement of Prior Year					<u>257,390</u>	<u>0</u>
Net Assets, June 30, 2005					<u>\$ 2,521,057</u>	<u>\$ 31,242,691</u>

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

Exhibit C-1

Loudon County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2005

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 8,385	\$ 1,000	\$ 0	\$ 0	\$ 100	\$ 9,485
Equity in Pooled Cash and Investments	643,692	371,428	2,343,605	3,896,019	1,789,256	9,044,000
Accounts Receivable	242,560	4,196	2,064	8,075	8,778	265,673
Due from Other Governments	816,555	372,628	0	0	45,101	1,234,284
Due from Other Funds	17,335	42,969	0	0	17,977	78,281
Due from Component Units	12,956	0	0	0	0	12,956
Due from Joint Ventures	0	0	76,985	0	0	76,985
Property Taxes Receivable	6,422,775	324,747	899,446	0	370,016	8,016,984
Allowance for Uncollectible Property Taxes	(123,351)	(5,895)	(22,231)	0	(6,347)	(157,824)
Prepaid Items	3,554	0	0	0	125	3,679
Total Assets	\$ 8,044,461	\$ 1,111,073	\$ 3,299,869	\$ 3,904,094	\$ 2,225,006	\$ 18,584,503
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 83,744	\$ 91,234	\$ 491	\$ 0	\$ 45,398	\$ 220,867
Accrued Payroll	0	24,570	0	0	3,381	27,951
Payroll Deductions Payable	1,412	275	0	0	1,871	3,558
Contracts Payable	0	0	0	0	207,451	207,451
Retainage Payable	0	0	0	0	73,692	73,692
Claims and Judgements Payable	39,167	0	0	0	0	39,167
Due to Other Funds	17,977	0	42,969	0	17,335	78,281
Due to State of Tennessee	10,701	0	0	0	0	10,701
Due to Litigants, Heirs, and Others	0	0	0	0	76,045	76,045
Deferred Revenue - Current Property Taxes	6,184,541	313,708	851,495	0	358,525	7,708,269
Deferred Revenue - Delinquent Property Taxes	105,213	4,711	23,555	0	4,711	138,190
Other Deferred Revenues	261,163	135,431	0	0	45,101	441,695
Total Liabilities	\$ 6,703,918	\$ 569,929	\$ 918,510	\$ 0	\$ 833,510	\$ 9,025,867
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 163,885	\$ 0	\$ 0	\$ 0	\$ 431,379	\$ 595,264
Reserved for Sexual Offender Registration	614	0	0	0	0	614

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern- mental Funds	
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Reserved for Computer System - Register	\$ 18,325	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,325
Reserved for Automation Purposes - Criminal Court	642	0	0	0	0	642
Reserved for Automation Purposes - General Sessions Court	17,887	0	0	0	0	17,887
Reserved for Automation Purposes - Juvenile Court	6,787	0	0	0	0	6,787
Reserved for Other General Purposes	0	0	0	3,213,786	0	3,213,786
Unreserved, Reported In:						
General Fund	1,132,403	0	0	0	0	1,132,403
Special Revenue Funds	0	541,144	0	0	117,883	659,027
Debt Service Funds	0	0	2,381,359	690,308	0	3,071,667
Capital Projects Funds	0	0	0	0	842,234	842,234
Total Fund Balances	\$ 1,340,543	\$ 541,144	\$ 2,381,359	\$ 3,904,094	\$ 1,391,496	\$ 9,558,636
Total Liabilities and Fund Balances	\$ 8,044,461	\$ 1,111,073	\$ 3,299,869	\$ 3,904,094	\$ 2,225,006	\$ 18,584,503

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

Loudon County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	\$	9,558,636	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			19,471,642
(2) Internal service funds are used by management to charge the cost of employee dental benefits to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.			10,618
(3) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			579,885
(4) Debt premiums are reported when received in the governmental funds. The unamortized portion of these premiums is reflected on the statement of net assets.			(15,398)
(5) Debt issuance costs are expensed when paid in the governmental funds. The unamortized portion of these charges is reflected on the statement of net assets.			336,199
(6) Interest costs of long-term debt are expensed when due in the governmental funds. Interest costs incurred as of the balance sheet date are accrued in the statement of net assets.			(104,726)
(7) Long-term liabilities, including other loans payable, are not due and payable in the current period and therefore are not reported in the governmental funds.			
Other loans payable	\$	20,743,206	
Bonds payable		6,588,000	
Less: Deferred charge on refunding (to be amortized as interest expense)		(410,706)	
Compensated absences		395,299	(27,315,799)
		395,299	(27,315,799)
Net assets of governmental activities (Exhibit A)	\$		2,521,057

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

Exhibit C-3

Loudon County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2005

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern- mental Funds	
<u>Revenues</u>						
Local Taxes	\$ 7,534,598	\$ 379,819	\$ 1,515,188	\$ 146	\$ 284,749	\$ 9,714,500
Licenses and Permits	346,599	0	0	0	0	346,599
Fines, Forfeitures, and Penalties	368,757	0	0	0	61,432	430,189
Charges for Current Services	196,711	0	0	0	37	196,748
Other Local Revenues	658,505	17,089	25,429	57,226	122,911	881,160
Fees Received from County Officials	1,846,551	0	0	0	0	1,846,551
State of Tennessee	801,714	1,816,273	0	0	0	2,617,987
Federal Government	569,852	0	0	0	8,700	578,552
Other Governments and Citizens Groups	230,022	0	125,684	189,000	53,384	598,090
Total Revenues	\$ 12,553,309	\$ 2,213,181	\$ 1,666,301	\$ 246,372	\$ 531,213	\$ 17,210,376
<u>Expenditures</u>						
Current:						
General Government	\$ 1,980,846	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,980,846
Finance	1,217,978	0	0	0	37	1,218,015
Administration of Justice	999,469	0	0	0	312,237	1,311,706
Public Safety	4,473,084	0	0	0	407,980	4,881,064
Public Health and Welfare	297,723	0	0	0	1,072,454	1,370,177
Social, Cultural, and Recreational Services	294,799	0	0	0	41,463	336,262
Agricultural and Natural Resources	136,572	0	0	0	0	136,572
Other Operations	2,289,520	0	0	0	7,525	2,297,045
Highways	0	1,932,308	0	0	228,121	2,160,429
Debt Service:						
Principal	0	0	852,000	205,000	0	1,057,000
Interest	0	0	425,711	274,905	0	700,616
Other Debt Service	0	0	165,847	718	35,206	201,771
Capital Projects	0	0	0	0	538,589	538,589
Total Expenditures	\$ 11,689,991	\$ 1,932,308	\$ 1,443,558	\$ 480,623	\$ 2,643,612	\$ 18,190,092
Excess (Deficiency) of Revenues Over Expenditures	\$ 863,318	\$ 280,873	\$ 222,743	\$ (234,251)	\$ (2,112,399)	\$ (979,716)
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,035,206	\$ 2,035,206
Transfers In	0	0	474,531	0	540,000	1,014,531

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>						
Transfers Out	\$ (540,000)	\$ (74,531)	\$ 0	\$ 0	\$ (400,000)	\$ (1,014,531)
Total Other Financing Sources (Uses)	\$ (540,000)	\$ (74,531)	\$ 474,531	\$ 0	\$ 2,175,206	\$ 2,035,206
Net Change in Fund Balances	\$ 323,318	\$ 206,342	\$ 697,274	\$ (234,251)	\$ 62,807	\$ 1,055,490
Fund Balance, July 1, 2004	1,017,225	334,802	1,684,085	4,138,345	1,328,689	8,503,146
Fund Balance, June 30, 2005	\$ 1,340,543	\$ 541,144	\$ 2,381,359	\$ 3,904,094	\$ 1,391,496	\$ 9,558,636

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

Exhibit C-4

Loudon County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	1,055,490
(1) Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The amount that capital outlays exceeded depreciation is itemized as follows:			
Add: Capital outlays in the current period	\$	1,805,611	
Less: Current year depreciation		<u>(469,308)</u>	1,336,303
(2) Governmental funds only report the disposal of capital assets to the extent proceeds are received from the disposal. In the statement of activities, gains or losses are recorded for disposals.			
Less: Proceeds received from disposals of capital assets	\$	(146,875)	
Add: Gain on disposal of capital assets		<u>133,600</u>	(13,275)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
For the year ended June 30, 2004	\$	(375,393)	
For the year ended June 30, 2005		<u>579,885</u>	204,492
(4) The issuance of long-term debt (e.g., notes, other loans) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.			
Less: Other loans issued	\$	(2,035,206)	
Add: Principal payment on bonds		469,000	
Add: Principal payment on other loans		<u>588,000</u>	(978,206)
(5) Governmental funds report the effect of issuance costs, premiums, discounts, and similar items related to long-term debt issuance when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This adjustment reflects transactions relating to debt issuance cost, premiums, and other similar items during the year.			
Add: Debt issuance cost incurred during year	\$	35,206	
Add: Debt premiums amortized during year		1,047	
Less: Debt issuance costs amortized during year		(22,499)	
Less: Deferred charge on refunding amortized during year		<u>(38,211)</u>	(24,457)

(Continued)

Exhibit C-4

Loudon County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities (Cont.)

(6) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	(18,506)	
Change in compensation absences and judgments		<u>(37,896)</u>	\$ (56,402)
(7) The internal service fund is used by management to charge the cost of employee dental benefits to individual funds. The net expense of certain activities of the internal service fund is reported with governmental activities in the statement of activities.			<u>(20,384)</u>
Change in net assets of governmental activities (Exhibit B)	\$		<u><u>1,503,561</u></u>

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

Loudon County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2005

	Governmental Activities- Internal Service
	<u>Employee Dental Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 28,564
Total Assets	<u>\$ 28,564</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 17,946
Total Liabilities	<u>\$ 17,946</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 10,618</u>
Total Net Assets	<u><u>\$ 10,618</u></u>

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

Exhibit D-2

Loudon County, Tennessee
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2005

	Governmental Activities - Internal Service
	Employee Dental Insurance Fund
<u>Operating Revenues</u>	
Self-Insurance Premiums	\$ 312,905
Total Operating Revenues	<u>\$ 312,905</u>
<u>Operating Expenses</u>	
Medical Claims	\$ 333,289
Total Operating Expenses	<u>\$ 333,289</u>
Operating Income (Loss)	<u>\$ (20,384)</u>
Change in Net Assets	\$ (20,384)
Net Assets, July 1, 2004	<u>31,002</u>
Net Assets, June 30, 2005	<u><u>\$ 10,618</u></u>

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

Exhibit D-3

Loudon County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2005

	Governmental Activities- Internal Service
	Employee Dental Insurance Fund
	<hr/>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Receipts for self-insurance premiums	\$ 312,905
Payments for claims	(348,254)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ (35,349)
Increase (Decrease) in Cash and Cash Equivalents	\$ (35,349)
Cash and Cash Equivalents, July 1, 2004	<hr/> 63,913
Cash and Cash Equivalents, June 30, 2005	<hr/> <hr/> \$ 28,564
<u>RECONCILIATION OF OPERATING INCOME (LOSS)</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	
Operating income (loss)	\$ (20,384)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities:	
Changes in Assets and Liabilities:	
Increase (decrease) in other current liabilities	<hr/> (14,965)
Net cash provided by (used in) operating activities	<hr/> <hr/> \$ (35,349)

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

Exhibit E

Loudon County, Tennessee
Statement of Fiduciary Assets and Liabilities
June 30, 2005

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 836,057
Equity in Pooled Cash and Investments	1,901,755
Accounts Receivable	4,455
Due from Other Governments	782,162
Due from Component Units	27,572
Taxes Receivable	2,868,319
Allowance for Uncollectible Taxes	<u>(53,693)</u>
Total Assets	<u>\$ 6,366,627</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 3,825,364
Due to Litigants, Heirs, and Others	836,070
Due to Joint Ventures	<u>1,705,193</u>
Total Liabilities	<u>\$ 6,366,627</u>

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

LOUDON COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

Loudon County is a public municipal corporation governed by an elected 10-member board. As required by GAAP, these financial statements present Loudon County (the primary government) and its component units. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

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

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

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

The Loudon County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Loudon County, and the Loudon County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Loudon County Emergency Communications District were not available from other auditors in time for inclusion in this report.

The Loudon County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Loudon County School Department are included in this report as listed in the table of contents. Although required by GAAP, the financial statements of the Loudon County Emergency Communications District were not available in time for inclusion, as previously mentioned. Complete financial statements of the Loudon County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Loudon County Emergency Communications District
P.O. Box 189
Loudon, TN 37774

B. Government-wide and Fund Financial Statements

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

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

Loudon County issues all debt for the discretely presented Loudon County School Department. However, no debt was contributed by the county to the School Department during the year ended June 30, 2005.

Separate financial statements are provided for governmental funds, proprietary funds (internal service), and fiduciary funds. The internal service fund is reported with the governmental activities in the government-wide

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

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

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

Fund financial statements of Loudon County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental category. Loudon County only reports one proprietary fund, an internal service fund. It has no enterprise funds to report. Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service fund and the fiduciary funds in total are reported in single columns by fund type.

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

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Loudon County reports the following major governmental funds:

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

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

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

Education Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal, interest, and other related costs on certain long-term education debt of the county.

Additionally, Loudon County reports the following fund types:

Capital Projects Funds – These funds account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Internal Service Fund – The Employee Dental Insurance Fund is used to account for the county’s self-insured dental health programs. Premiums charged to the various county funds and the School Department, and employee payroll deductions, are placed in this fund for the payment of claims.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Loudon County, the city school system’s share of educational revenues, and assets held in a custodial capacity for joint ventures. Agency funds are custodial in nature (assets equal liabilities) and do not involve

measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

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

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

Education Capital Projects Fund – This fund is used to account for School Department building construction and renovations.

Additionally, the Loudon County School Department reports the following fund type:

Special Revenue Fund –The School Federal Projects Fund accounts for restricted federal revenues which must be expended on specific education programs.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, the internal service fund used to account for the employees' dental insurance program. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the county's internal service fund are charges for services. Operating expenses for the internal service fund consist of dental claims.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

For purposes of the statement of cash flows of the Internal Service Fund (Employee Dental Insurance Fund), cash includes demand deposits.

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and

obligations guaranteed by the U.S. government or any of its agencies; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; the county's own legally issued bonds or notes; the State Treasurer's Investment Pool; and repurchase agreements.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Loudon County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General and Education Debt Service Funds. Loudon County and the Loudon County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

2. Receivables and Payables

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

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

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

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the

period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred revenue as of June 30.

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

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

3. Prepaid Items

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

4. Capital Assets

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

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	65
Other Capital Assets	3-40
Infrastructure	45

Loudon County has recognized infrastructure assets acquired after July 1, 2002, in the financial statements of this report, and plans to retroactively report infrastructure assets acquired between July 1, 1980, and June 30, 2002, by the fiscal year ending June 30, 2007.

5. Compensated Absences

It is the policy of the county and School Department to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since Loudon County does not have a policy to pay any amounts when employees separate from service with the government. Accumulated vacation benefits of the School Department apply to administrative staff only. Other employees must use their vacation benefits within the year earned. The liability for School Department administrative staff accumulated vacation benefits is considered immaterial at June 30, 2005. All vacation pay is accrued when incurred in the government-wide financial statements for the county and its discretely presented component units. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

6. Long-term Obligations

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

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

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

The county has entered into an interest rate swap agreement to modify interest rates on certain outstanding debt. Other than the net interest expenditure resulting from the agreement, no amounts are recorded in the financial statements. See Note IV.J. for details of the swap agreement.

7. Net Assets and Fund Equity

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

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

As of June 30, 2005, Loudon County had \$14,040,000 in outstanding debt for capital purposes for the discretely presented Loudon County School Department. The debt is a liability of Loudon County, but the capital assets acquired are reported in the financial statements of the School Department. Therefore, Loudon County has incurred a

liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. In the Education Debt Service Fund, the Reserved for Other General Purpose represents funds reserved for a specific debt issue. Designations of fund balance represent tentative management plans that are subject to change. The following table reflects designations on June 30, 2005:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Juvenile	\$ 10,000
Cable Television	133,207
Planning	43,000

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Primary Government

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

Discretely Presented Loudon County School Department

The discretely presented Loudon County School Department's Exhibit J-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds to the government-wide statement of net assets.

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

Primary Government

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

Discretely Presented Loudon County School Department

The discretely presented Loudon County School Department's Exhibit J-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) for the following funds:

<u>Fund</u>	<u>Major Category</u>	<u>Amount</u>
Primary Government:		
General	Local Health Center	\$ 1,201
General	Sanitation Management	438
General	Agriculture Extension Service	1,153
General	Industrial Development	6,377
General	Miscellaneous	777
General Capital Projects	Other Public Health and Welfare	404
General Capital Projects	Administration of Justice Projects	5,621
General Capital Projects	Public Utility Projects	91,099
Discretely Presented		
Loudon County		
School Department:		
General Purpose School	Food Service	4,496

The \$91,099 amount in the General Capital Projects Fund was the result of the county's failure to properly budget for encumbrances totaling \$107,204 as of June 30, 2005. These overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

B. Charges Against Sheriff's Department Deputies Were Dismissed

As detailed in the prior year audit's footnotes, two Sheriff's Department deputies were indicted on charges of extortion stemming from a Drug Control Fund transaction. The court dismissed the indictments during the current year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

Investments

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

Investment Balances. As of June 30, 2005, Loudon County had the following investments carried at fair value or cost. All investments are in the

county trustee's investment pool. Separate disclosures concerning pooled investments cannot be made for Loudon County and the discretely presented Loudon County School Department since both pool their deposits and investments through the county trustee.

Investment	Maturities	Fair Value Or Cost
State Treasurer's Investment Pool	Daily	\$ 429,420
Memphis Tennessee Electric System Revenue	12-1-17	1,000,000
Sevier County Tennessee Public Building Authority Series V-A1	10-1-25	1,050,000
Blount County Tennessee Public Building Authority Series B-A-A	6-1-28	250,000
Coffee County Tennessee Public Building Authority Series Z1-B	6-1-38	750,000
Total		\$ 3,479,420

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. State statutes limit the maturities of certain investments as previously disclosed. Loudon County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. All of the investments above, with the exception of the State Treasurer's Investment Pool, are variable rate debt instruments of the issuers.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes limit the ratings of certain investments as previously explained. Loudon County has no formal investment policy that would further limit its investment choices. As of June 30, 2005, Loudon County's investment in the State Treasurer's Investment Pool was unrated. Loudon County's investment in Memphis Tennessee Electric System was rated AAA by Standard & Poor's. Loudon County's investments in the Sevier County, Blount County and Coffee County Tennessee Public Building Authorities were rated Aaa by Moody's Investor Service.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the county's investment in a single issuer. Loudon County places no limit on the amount the county may invest in one issuer. More than five percent of the county's investments are in the Memphis Tennessee Electric System (28.7%), the Sevier County Public Building Authority (30.2%), Blount County Public Building Authority (7.2%), and the Coffee County Public Building Authority (21.6%).

B. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 6,304,732	\$ 0	\$ (13,275)	\$ 6,291,457
Construction in Progress	4,745,756	861,271	(5,253,587)	353,440
Total Capital Assets Not Depreciated	\$ 11,050,488	\$ 861,271	\$ (5,266,862)	\$ 6,644,897
Capital Assets Depreciated:				
Buildings and Improvements Bridges, Railroad Spur, and Parking Lots	\$ 6,051,341	\$ 5,638,550	\$ 0	\$ 11,689,891
Other Capital Assets	605,027	82,984	0	688,011
Total Capital Assets Depreciated	\$ 3,111,648	\$ 476,393	\$ (21,012)	\$ 3,567,029
Less Accumulated Depreciation For:				
Buildings and Improvements Bridges, Railroad Spur, and Parking Lots	\$ 1,068,638	\$ 133,602	\$ 0	\$ 1,202,240
Other Capital Assets	12,815	13,445	0	26,260
Total Accumulated Depreciation	\$ 1,588,437	\$ 322,261	\$ (21,012)	\$ 1,889,686
Total Capital Assets Depreciated, Net	\$ 7,098,126	\$ 5,728,619	\$ 0	\$ 12,826,745
Governmental Activities Capital Assets, Net	\$ 18,148,614	\$ 6,589,890	\$ (5,266,862)	\$ 19,471,642

The July 1, 2004, balance of the construction in progress has been restated by \$257,390 to correct errors in amounts previously reported. Since construction in progress is a non-depreciable asset, the total of the governmental activities capital assets, net has been restated by the same amount.

The above table does not include capital assets of a hospital facility titled to Loudon County but used in the operations of Fort Loudoun Medical Center.

The construction of that facility was funded by Fort Loudoun Medical Center and, pursuant to an agreement with the county, the facility was titled to the county, and then leased to Fort Loudoun Medical Center. Those assets are used pursuant to a lease agreement by Fort Loudoun Medical Center for a nominal rental of \$100 per year. The lease is further discussed in Note IV.G.

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

Governmental Activities:

General Government	\$ 44,458
Finance	17,363
Administration of Justice	10,674
Public Safety	215,926
Public Health and Welfare	17,717
Social, Cultural, and Recreational Services	3,591
Other Operations	41,149
Highways/Public Works	<u>118,430</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 469,308</u></u>

Discretely Presented Loudon County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	\$ 559,887	\$ 0	\$ 0	\$ 559,887
Construction in Progress	1,848,324	530,414	(2,378,738)	0
Total Capital Assets Not Depreciated	<u>\$ 2,408,211</u>	<u>\$ 530,414</u>	<u>\$ (2,378,738)</u>	<u>\$ 559,887</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 26,723,756	\$ 2,378,738	\$ 0	\$ 29,102,494
Other Capital Assets	187,364	0	0	187,364
Total Capital Assets Depreciated	<u>\$ 26,911,120</u>	<u>\$ 2,378,738</u>	<u>\$ 0</u>	<u>\$ 29,289,858</u>

Governmental Activities: (cont.)

	Balance		Balance	
	7-1-04	Increases	Decreases	6-30-05
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 6,721,434	\$ 491,122	\$ 0	\$ 7,212,556
Other Capital Assets	75,946	13,771	0	89,717
Total Accumulated Depreciation	\$ 6,797,380	\$ 504,893	\$ 0	\$ 7,302,273
Total Capital Assets				
Depreciated, Net	\$ 20,113,740	\$ 1,873,845	\$ 0	\$ 21,987,585
Governmental Activities				
Capital Assets, Net	\$ 22,521,951	\$ 2,404,259	\$ (2,378,738)	\$ 22,547,472

Depreciation expense of \$504,893 was charged by the discretely presented Loudon County School Department.

C. Construction Commitments

At June 30, 2005, the General Capital Projects Fund had uncompleted construction contracts totaling \$222,261 for the construction of various projects including a juvenile center (\$96,097), Tellico Area Service System waterlines (\$107,204), and other projects (\$18,960). Future funding for the waterlines is expected to be received from a federal grant. Funding for the other projects has been provided through other loans.

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 17,335
Highway/Public Works	General Debt Service	42,969
Nonmajor governmental	General	17,977
Discretely Presented School Department:		
Education Capital Projects	General Purpose School	1,200,000

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

Due to/from primary government and component units:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary government:	Component unit:	
General	Loudon County School	
Fiduciary	Department	\$ 12,956
	Loudon County School	
	Department	27,572

Interfund Transfers:

Interfund transfers for the year ended June 30, 2005, consisted of the following amounts:

Primary Government

<u>Transfers Out</u>	<u>Transfers In</u>	
	General Debt Service Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 540,000
Highway/Public Works Fund	74,531	0
Nonmajor governmental funds	400,000	0
Total	<u>\$ 474,531</u>	<u>\$ 540,000</u>

Discretely Presented Loudon County School Department

<u>Transfers Out</u>	<u>Transfers In</u>
	Education Capital Projects Fund
General Purpose School Fund	<u>\$ 1,200,000</u>
Total	<u>\$ 1,200,000</u>

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

The discretely presented School Department made a one-time transfer of \$1,200,000 from the General Purpose School Fund to the Education Capital Projects Fund to provide partial funding for certain education capital projects.

E. Payables

Most payables are disaggregated on the face of the financial statements. Retainage payable totaling \$73,692 in the General Capital Projects Fund represents amounts withheld from payments made to contractors on construction projects to ensure contract performance. This amount is being held by the county trustee as Equity in Pooled Cash and Investments. Claims and judgments payable totaling \$39,167 in the General Fund represent an additional assessment from an insurance pool that had previously provided workers' compensation insurance for various years.

Due to litigants, heirs, and others, totaling \$76,045, in the nonmajor governmental funds represent deposits from law enforcement seizures pending disposition by the Tennessee Department of Safety.

F. Hospital Lease Agreements

The Fort Sanders Medical Center entered into a lease agreement with Loudon County, Tennessee, on December 21, 1988, to lease substantially all of the assets of the Loudon County Memorial Hospital. This lease, as amended, covered a period of 16 years and ended December 31, 2004. Under the terms of this lease, Fort Sanders Medical Center agreed to operate the Loudon County Memorial Hospital for the term of the lease and to pay certain lease payments to the county. The lease revenues for this operating lease for the year ended June 30, 2005, was \$60,916. Subsequent to termination of this lease on December 31, 2004, Loudon County sold the facility to a third party for \$133,600.

During June 2002, Loudon County entered into an agreement with Fort Sanders Medical Center (Covenant Health) whereby the county agreed to acquire a certificate of need from the Tennessee Health Facility Commission, and Covenant Health agreed to build a facility and to operate the facility under a future lease agreement with Loudon County. During this year, the facility was completed and ownership was transferred to Loudon County. Loudon County has leased the facility to Fort Loudoun Medical Center, of which Covenant Health is the sole member. Fort Loudoun Medical Center has entered into an agreement to lease the property from Loudon County for a period of 20 years, commencing October 4, 2004, for a nominal annual

charge of \$100. The agreement provides for two renewal terms for five years each at the option of Fort Loudoun Medical Center. This lease agreement also includes provisions for Fort Loudoun Medical Center to expend additional amounts during the original lease term for capital outlay, recruitment, and/or other community benefits projects.

G. Humane Society Agreement

During the year, Loudon County entered into an agreement with the Loudon County Humane Society whereby the Humane Society will build a facility on county property to be used as an animal shelter/animal control facility. Upon completion of the construction, the county has agreed to pay the Humane Society \$200,000 and to use the building for at least ten years as an animal shelter/animal control facility. If after ten years it is no longer used as such, the Humane Society has the first option to purchase the property at the current fair market value of the vacant property. The \$200,000 commitment is reflected as a reserve for encumbrances in the financial statements of the General Capital Projects Fund (a nonmajor governmental fund).

H. Contribution from the School Department to the Primary Government

During the year, the Loudon County School Department contributed \$189,000 from the General Purpose School Fund to the primary government's Education Debt Service Fund to be applied toward the retirement of general obligation debt that was issued by the county for school capital purposes.

I. Long-term Debt

Primary Government

General Obligation Bonds and Other Loans

The county issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities. In addition, general obligation bonds and other loans have been issued to refund other general obligation debt.

General obligation bonds and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds and other loans outstanding were issued for original terms of up to 40 years for bonds and up to 24 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds and other loans included in long-term debt as of June 30, 2005, will be retired from the debt service funds.

General obligation bonds and other loans outstanding as of June 30, 2005, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	3.25 to 5.7 %	\$ 6,475,000	\$ 958,000
General Obligation Bonds - Refunding	1.8 to 4	7,185,000	5,630,000
Other Loans	variable	24,200,000	20,743,206

Loudon County has entered into various loan agreements with Public Building Authorities (PBAs) to finance various capital projects for the county and the discretely presented Loudon County School Department. The following table summarizes loan agreements outstanding at June 30, 2005:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-05	Variable Interest Rates as of 6-30-05	Other Fees on Variable Rate Debt
<u>Montgomery County</u>				
<u>Public Building Authority</u>				
Various Purpose	\$ 5,000,000	\$ 4,473,000	2.28 %	0.38 %
<u>Sevier County</u>				
<u>Public Building Authority</u>				
Various Purpose	1,000,000	410,000	2.3	0.24
School Projects	2,700,000	1,325,000	2.3	0.28
School Projects	12,500,000	12,500,000	3.08	0.44
Various Purpose	3,000,000	<u>2,035,206</u>	2.31	0.41
Total		<u>\$ 20,743,206</u>		

In prior years, Loudon County entered into a loan agreement with the Montgomery County Public Building Authority for \$5,000,000. Also in prior years, Loudon County entered into various loan agreements with the Sevier County Public Building Authority totaling \$16,200,000. These loan agreements provided for the authorities to loan funds to Loudon County for various renovations, construction projects, and to provide funds for retirement of bond anticipation notes. During the current year, Loudon County entered into a separate loan agreement with the Sevier County Public Building Authority for \$3,000,000. Loudon County has drawn \$2,035,206 of this amount, leaving an available balance of \$964,794. All

other loans are repayable at interest rates that are tax-exempt variable rates determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with these loans as reflected in the above table.

The annual requirements to amortize all general obligation bonds and other loans outstanding as of June 30, 2005, including interest payments, are presented in the following table:

Year Ending June 30	Bonds	
	Principal	Interest
2006	\$ 500,000	\$ 244,093
2007	305,000	224,755
2008	336,000	212,480
2009	366,000	198,590
2010	297,000	183,250
2011-2015	2,006,000	753,775
2016-2020	2,778,000	335,240
Total	\$ 6,588,000	\$ 2,152,183

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2006	\$ 767,000	\$ 573,903	\$ 85,036	\$ 1,340,903
2007	946,000	556,303	82,449	1,502,303
2008	985,000	533,379	79,106	1,518,379
2009	1,025,000	509,482	75,631	1,534,482
2010	975,000	484,550	72,012	1,459,550
2011-2015	5,601,000	2,017,652	298,022	7,618,652
2016-2020	5,319,206	1,220,145	175,904	6,539,351
2021-2025	5,125,000	491,722	70,246	5,616,722
Total	\$ 20,743,206	\$ 6,387,136	\$ 938,406	\$ 27,130,342

There is \$6,285,453 available in the General Debt Service Fund and the Education Debt Service Fund to service long-term debt. Bonded debt per capita amounted to \$169, based on the 2000 federal census. Total debt per capita, including bonds and other loans, amounted to \$699, based on the 2000 federal census.

Under its loan agreement, the Public Building Authority of Sevier County, Tennessee, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series IV-H-1.

Objective of the interest rate swap: In order to protect against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its \$12.5 million Series IV-H-1 variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 3.13 percent and receives a variable payment computed as 59 percent of the three-month London Interbank Offered Rate (LIBOR) plus 35 basis points. The swap has a notional amount of \$12.5 million, and the associated variable-rate bond has a \$12.5 million principal amount. The interest rate swap agreement is based on the same amortization schedule as the outstanding principal of the Series IV-H-1 Bonds. The bonds' variable-rates have historically approximated the Bond Market Association Municipal Index™ (BMA). The bonds and the related swap agreement mature on June 1, 2025. As of June 30, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.13 %
Variable payment from counterparty		<u>-2.31</u>
Net interest rate swap payments		0.82
Variable-rate bond coupon payments		<u>2.26</u>
Synthetic interest rate on bonds		<u><u>3.08 %</u></u>

Fair value. As of June 30, 2005, the swap had a negative fair value of \$117,082. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable-rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates and then discounts those cash flows at their present value.

Credit risk. As of June 30, 2005, the county was not exposed to credit risk because the swap had a negative fair value. However, if interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was unrated at the time of the swap. In order to mitigate the potential for credit risk, the authority, on behalf of the county, received a Financial Guarantee Insurance Policy for the swap agreement from Ambac Assurance Corporation, which was rated AAA by Standard and Poor's and Fitch and Aaa by Moody's Investor Service as of June 30, 2005. If Ambac's

credit rating is downgraded, the counterparty is required to post collateral with a third-party custodian.

Basis risk. As noted above, the swap exposes the county to basis risk if BMA increases to above 59 percent of LIBOR plus 35 basis points, thus increasing the synthetic rate on the bonds. If a change occurs that results in the BMA to be below 59 percent of LIBOR plus 35 basis points, then the synthetic rate on the bonds will decrease. The effect of this difference in basis points is indicated by the difference between the rate paid to the counterparty of 3.13 percent and the synthetic rates of 3.08 percent as of June 30, 2005. Also, as of June 30, 2005, the BMA rate was 2.26 percent whereas 59 percent of LIBOR plus 35 basis points was 2.31 percent.

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

Swap payments and associated debt. As of June 30, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate	
	Principal	Interest	Swap Payment	Total
2006	\$ 0	\$ 282,500	\$ 102,500	385,000
2007	155,000	282,500	102,500	540,000
2008	165,000	278,997	101,229	545,226
2009	180,000	275,268	99,876	555,144
2010	185,000	271,200	98,400	554,600
2011-2015	2,860,000	1,213,394	440,258	4,513,652
2016-2020	3,830,000	848,743	307,951	4,986,694
2021-2025	5,125,000	360,809	130,913	5,616,722
	<u>\$ 12,500,000</u>	<u>\$ 3,813,411</u>	<u>\$ 1,383,627</u>	<u>17,697,038</u>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

Governmental Activities:

	Bonds	Other Loans	Compensated Absences
Balance, July 1, 2004	\$ 7,057,000	\$ 19,296,000	\$ 357,404
Additions	0	2,035,206	305,627
Deductions	(469,000)	(588,000)	(267,732)
Balance, June 30, 2005	<u>\$ 6,588,000</u>	<u>\$ 20,743,206</u>	<u>\$ 395,299</u>
Balance Due Within One Year	<u>\$ 500,000</u>	<u>\$ 767,000</u>	<u>\$ 245,825</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2005	\$ 27,726,505
Less: Balance Due Within One Year	(1,512,825)
Less: Deferred Amount on Refunding	<u>(410,706)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 25,802,974</u>

Compensated absences payable will be paid from the employing funds, primarily the General Fund and the Highway/Public Works Fund.

Defeasance of Prior Debt

In the previous year, Loudon County defeased certain outstanding general obligation bonds by placing the proceeds of new bonds into an irrevocable trust to provide for all future debt service payments on the defeased bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2005, the following outstanding bond is considered defeased:

	<u>Amount</u>
1999 General Obligation Public Improvement (callable 4-1-09)	\$4,675,000

J. Short-term Debt

Loudon County issued interfund notes from the Education Debt Service Fund in advance of property tax collections and deposited the proceeds to the General Fund. These notes were in the form of tax anticipation notes and were necessary to provide cash flow for the General Fund until funds became available through the current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance			Balance
	7-1-04	Issued	Redeemed	6-30-05
Tax Anticipation Notes	\$ 0	\$ 1,500,000	\$ (1,500,000)	\$ 0

K. Prior Year Restatement

The prior year construction in progress portion of the capital assets for June 30, 2004, has been restated by \$257,390 due to omissions of certain cost of capital projects started in previous years and completed during the current year.

V. OTHER INFORMATION

A. Risk Management

Loudon County has chosen to establish the Employee Dental Health Insurance Fund for risks associated with the employees' dental health plan. The Employee Dental Insurance Fund is accounted for as an internal service fund where assets are set aside for claim settlements.

An estimated liability for outstanding medical claims of \$17,946 has been recorded in the financial statements of the Employee Dental Insurance Fund.

All full-time employees of the primary government and the discretely presented Loudon County School Department are eligible to participate in the dental program. A premium charge for the dental program is allocated to each fund that accounts for employees. This charge is based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for unanticipated losses. That reserve amounted to \$10,618 at June 30, 2005. Liabilities of this fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The self-insurance fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. Claims liabilities include specific, incremental claims adjustment expenditures/expenses, if any. In addition, estimated recoveries, if any, on settled claims have been deducted from the liability for unpaid claims. The

process used to compute claims liabilities does not necessarily result in an exact amount. Changes in the balance of claims liabilities during the past two fiscal years are as follows:

	Beginning of Fiscal Year Liability	Current-year Claims and Estimates	Payments	Balance at Fiscal Year-end
2003-2004	\$ 26,123	\$ 312,826	\$ (306,038)	\$ 32,911
2004-2005	32,911	333,289	(348,254)	17,946

Loudon County and several other counties, cities, and local government entities were members of the Local Government Insurance Cooperative (LOGIC) for their workers' compensation insurance. LOGIC obtained their excess coverage insurance from Reliance Insurance Company for their claims that exceeded specific amounts. Reliance Insurance Company is now in insolvency proceedings and is unable to pay the claims presented to them by LOGIC for the fiscal years 1996-97, 1997-98, and 1999-2000. The Board of Directors for LOGIC met on October 14, 2003, and approved a formal assessment of \$39,167 against Loudon County for these outstanding claims unpaid by Reliance Insurance Company. Management has questioned the legality and authorization of the assessment but has booked the liability in the General Fund at year end.

The discretely presented Loudon County School Department participated in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report for the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums. The primary government provides health insurance coverage for its employees through a commercial insurance company.

Loudon County and the discretely presented Loudon County School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by the Tennessee School Boards Association, an association of member school districts. The county and the School Department pay annual premiums to the TSB-RMT for their general liability, property, casualty, and workers' compensation coverage. The creation of the TSB-RMT provides for it to be self sustaining through member premiums.

B. Accounting Change

During the year, Loudon County adopted the provisions of Governmental Accounting Standards Board Statement No. 40, Deposit and Investment Risk Disclosures. These provisions modified the county's previous custodial risk disclosures for deposits and investments and related collateral. These provisions also added disclosures about other types of risk, including credit risk, interest rate risk, foreign currency risk, and concentrations of credit risk. Governments are also required to provide brief disclosures about their deposit and investment policies that are related to any of the risks required to be disclosed.

C. Subsequent Events

On August 9, 2005, Loudon County entered into a capital lease totaling \$20,000 for portable classrooms.

Subsequent to June 30, 2005, the county's Education Debt Service Fund issued a \$1,500,000 tax anticipation note to the General Fund to provide temporary operating funds.

Subsequent to June 30, 2005, Loudon County School Department entered into a contract, totaling \$4,498,437 to renovate various school facilities. To fund these renovations, Loudon County requested and received approval of \$4,129,500 of Qualified Zone Academy Bonds (QZAB) and an Economic Community Development Loan of \$499,981.

Also, subsequent to June 30, 2005, Loudon County received a Rural Utilities Service loan totaling \$370,000 related to a construction project on behalf of the Tellico Area Services System.

D. Contingent Liabilities

Loudon County is contingently liable for certain revenue and tax bonds of a joint venture, Tellico Area Service System (TASS). Loudon County would become liable for the bonds and interest thereon, in the event of default by TASS. As of June 30, 2005, future principal and interest requirements of these bonds were \$916,755 and \$667,710, respectively.

Loudon County is also contingently liable for a public building authority loan agreement of TASS. Loudon County would become liable for this loan agreement in the event of default by TASS. As of June 30, 2005, future principal and interest requirements of this loan were \$560,000 and \$416,400, respectively.

The county is involved in several pending lawsuits. Management estimates that the potential claims against the county not covered by insurance

resulting from such litigation would not materially affect the county's financial statements.

E. Changes in Administration

Nancy Richesin retired from the position of director of accounts and budgets on December 31, 2004. Ms. Richesin also served as the purchasing agent. Tracy Blair was appointed director of accounts and budgets effective January 4, 2005, and Leo Bradshaw was appointed purchasing agent effective February 22, 2005.

F. Joint Ventures

Loudon County Solid Waste Disposal Commission (LCSWDC) was created by an interlocal governmental agreement between Loudon County, the City of Loudon, and Lenoir City. The joint venture operates the Loudon County regional landfill. The LCSWDC is governed by a seven-member board appointed by the participating governments. The commission generates its revenues from tipping fees charged to users of the landfill. The county and cities do not retain an equity interest in the entity. Financial statements for the LCSWDC can be obtained from its administrative office at the following address:

Administrative Office:

Loudon County Solid Waste Disposal Commission
101 Mulberry Street, Suite 102
Loudon, TN 37774

The Loudon County Economic Development Agency (LCEDA) is a joint venture formed by an interlocal agreement between Loudon County and Lenoir City. The purpose of the LCEDA is to provide for operation and maintenance of the Career Center Building jointly owned by Loudon County and Lenoir City. A Center Executive Board, whose members are approved by the city and county legislative bodies, governs the LCEDA. The interlocal agreement calls for any excess revenue over the operational and maintenance cost to be remitted back to the county and city based on the percentage of prior construction costs provided by each entity. However, the county and city may be required to compensate the federal government for its fair share based on contributions made by federal grants. The financial transactions of this joint venture are channeled through the county Trustee's Office and the county accounts for these transactions in an agency fund. Financial statements for the LCEDA may be requested through the Loudon County Mayor's Office.

The Loudon County Metro Narcotic Unit (LCMNU) is a joint venture formed by an interlocal agreement between Loudon County and certain law enforcement agencies located within the county. The purpose of the LCMNU is to provide multi-jurisdictional law enforcement to promote the

investigation and prosecution of drug-related activities. Funds for the operations of the LCMNU come primarily from drug fines and the forfeiture of drug related assets to the LCMNU. The interlocal agreement calls for LCMNU to be governed by a Board of Directors comprised of the district attorney general, as a legal advisor, the sheriff, and police chiefs of participating law enforcement agencies. Loudon County does not have any equity interest in this joint venture. The financial transactions of this joint venture are channeled through the county Trustee's Office and the county accounts for these transactions in an agency fund. Financial information for the LCMNU may be requested through its administrative office at the following address:

Administrative Office:

Loudon County Metro Narcotic Unit
12680 Hwy. 11-W, Suite 1
Loudon, TN 37774.

The Tellico Area Services System (TASS), a regional water, sewer, and solid waste system is jointly owned by Monroe County and Loudon County. TASS comprises the county Boards of Public Utilities of each of the counties. Loudon County has control over budgeting and financing the joint venture only to the extent of representation by its county Board of Public Utility. As discussed in Note V.D., Loudon County is contingently liable for certain debt issued by the county on behalf of this joint venture; however, the counties do not retain an equity interest in the entity. Complete financial statements for TASS can be obtained through its administrative office at the following address:

Administrative Office:

Tellico Area Services System
P.O. Box 277
Vonore, TN 37885-0277.

G. Retirement Commitments

Plan Description

Employees of Loudon County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment.

There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of Tennessee Code Annotated. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Loudon County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Loudon County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 7.74 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Loudon County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Loudon County's annual pension cost of \$714,885 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Loudon County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 12 years.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	\$714,885	100%	\$0
6-30-04	384,708	100	0
6-30-03	332,692	100	0

Required Supplementary Information
Schedule of Funding Progress for Loudon County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	\$16,710	\$17,528	\$818	95.33%	\$7,820	10.46%
6-30-01	15,124	15,950	826	94.82	6,629	12.46
6-30-99	13,109	13,547	438	96.77	6,004	7.29

SCHOOL TEACHERS

Plan Description

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

July based on the percentage change in the Consumer Price Index (CPI) during the previous calendar year. No COLA is granted if the CPI increases less than one-half percent. The annual COLA is capped at three percent.

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for Loudon County is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for Loudon County is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were \$834,561, \$463,448, and \$456,929, respectively, equal to the required contributions for each year.

H. Office of Director of Accounts and Budgets

Loudon County operates under the provisions of the Fiscal Control Acts of 1957. These acts provide for a central system of accounting and budgeting covering all funds administered by the county mayor, highway superintendent, and director of schools. The accounting functions of funds, with the exception of the Highway Department, were maintained in the Office of the Director of Accounts and Budgets under the supervision of the director of accounts and budgets. The accounting functions of the Highway Department were maintained by an employee under the supervision of the highway superintendent.

I. Purchasing Laws

Purchasing procedures for the Offices of County Mayor, Highway Superintendent, and the Director of Schools are governed by the County Purchasing Act of 1957, Section 5-14-101, et seq. and the Uniform Road Law, Section 54-7-113, Tennessee Code Annotated. Sealed bids are required to be solicited on purchases exceeding \$5,000 (\$10,000 for the Highway Department).

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 7,534,598	\$ 0	\$ 0	\$ 7,534,598	\$ 6,512,000	\$ 7,326,750	\$ 207,848
Licenses and Permits	346,599	0	0	346,599	317,500	333,700	12,899
Fines, Forfeitures, and Penalties	368,757	0	0	368,757	359,400	342,700	26,057
Charges for Current Services	196,711	0	0	196,711	51,600	183,100	13,611
Other Local Revenues	658,505	0	0	658,505	469,600	584,175	74,330
Fees Received from County Officials	1,846,551	0	0	1,846,551	1,740,000	1,699,000	147,551
State of Tennessee	801,714	0	0	801,714	458,000	519,909	281,805
Federal Government	569,852	0	0	569,852	18,000	907,542	(337,690)
Other Governments and Citizens Groups	230,022	0	0	230,022	105,000	221,580	8,442
Total Revenues	\$ 12,553,309	\$ 0	\$ 0	\$ 12,553,309	\$ 10,031,100	\$ 12,118,456	\$ 434,853
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 139,192	\$ 0	\$ 0	\$ 139,192	\$ 91,450	\$ 143,734	\$ 4,542
Board of Equalization	980	0	0	980	2,000	2,000	1,020
Beer Board	2,195	0	0	2,195	3,000	3,000	805
Other Boards and Committees	6,700	0	0	6,700	3,000	8,050	1,350
County Mayor	134,647	0	0	134,647	121,633	138,323	3,676
County Attorney	228,627	0	0	228,627	205,000	266,500	37,873
Election Commission	171,397	0	0	171,397	178,560	198,031	26,634
Register of Deeds	215,295	0	0	215,295	209,542	233,699	18,404
Development	51,002	0	0	51,002	49,750	51,050	48
Planning	156,897	0	1,768	158,665	150,153	160,750	2,085
Engineering	1,800	0	0	1,800	5,000	5,000	3,200
Geographical Information Systems	38,912	0	0	38,912	38,386	43,331	4,419
County Buildings	833,202	(24,543)	771	809,430	808,868	846,145	36,715

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance</u>							
Accounting and Budgeting	\$ 305,103	\$ 0	\$ 0	\$ 305,103	\$ 276,353	\$ 315,519	\$ 10,416
Purchasing	77,444	0	0	77,444	76,813	81,014	3,570
Property Assessor's Office	314,332	(2,360)	0	311,972	259,758	327,479	15,507
County Trustee's Office	212,945	0	0	212,945	201,133	221,505	8,560
County Clerk's Office	308,154	0	0	308,154	282,796	312,876	4,722
<u>Administration of Justice</u>							
Circuit Court	137,360	(1,200)	0	136,160	127,370	138,786	2,626
General Sessions Court	194,866	0	0	194,866	167,332	212,616	17,750
General Sessions Judge	179,115	0	0	179,115	159,336	185,080	5,965
Chancery Court	134,608	0	0	134,608	113,017	136,058	1,450
Juvenile Court	330,136	0	6,518	336,654	293,786	352,783	16,129
Other Administration of Justice	23,384	0	0	23,384	28,500	28,500	5,116
<u>Public Safety</u>							
Sheriff's Department	2,192,495	(4,218)	5,883	2,194,160	1,834,536	2,208,694	14,534
Special Patrols	10,000	0	0	10,000	10,000	10,000	0
Traffic Control	1,401	0	0	1,401	1,600	1,600	199
Drug Enforcement	47,384	0	0	47,384	0	47,600	216
Administration of the Sexual Offender Registry	106	0	0	106	0	200	94
Jail	918,497	0	0	918,497	830,260	940,428	21,931
Civil Defense	409,424	(44,322)	146,251	511,353	72,014	614,239	102,886
Rescue Squad	77,000	0	0	77,000	77,000	77,000	0
Inspection and Regulation	70,364	0	0	70,364	62,729	72,034	1,670
County Coroner/Medical Examiner	6,500	0	0	6,500	6,500	6,500	0
Public Safety Grant Programs	214,479	0	1,012	215,491	0	218,215	2,724
Other Public Safety	525,434	(3,560)	1,682	523,556	437,850	539,697	16,141

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare</u>							
Local Health Center	\$ 44,087	\$ 0	\$ 0	\$ 44,087	\$ 32,197	\$ 42,886	\$ (1,201)
Rabies and Animal Control	127,653	0	0	127,653	126,204	143,225	15,572
Other Local Health Services	88,212	0	0	88,212	56,000	231,000	142,788
Sanitation Management	37,771	0	0	37,771	42,000	37,333	(438)
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	23,025	0	0	23,025	23,200	23,200	175
Senior Citizens Assistance	123,502	0	0	123,502	107,935	127,473	3,971
Libraries	148,272	0	0	148,272	145,253	150,930	2,658
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	120,692	0	0	120,692	133,539	119,539	(1,153)
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	12,880	0	0	12,880	12,527	13,392	512
Flood Control	2,000	0	0	2,000	2,000	2,000	0
<u>Other Operations</u>							
Tourism	117,091	0	0	117,091	137,500	137,500	20,409
Industrial Development	279,776	0	0	279,776	112,849	273,399	(6,377)
Housing and Urban Development	500	0	0	500	3,000	3,000	2,500
Veterans' Services	7,476	0	0	7,476	10,000	10,000	2,524
Contributions to Other Agencies	75,000	0	0	75,000	68,000	75,000	0
Employee Benefits	1,383,900	0	0	1,383,900	2,177,323	1,434,658	50,758
Miscellaneous	425,777	0	0	425,777	435,000	425,000	(777)
Total Expenditures	\$ 11,689,991	\$ (80,203)	\$ 163,885	\$ 11,773,673	\$ 10,810,552	\$ 12,398,571	\$ 624,898
Excess (Deficiency) of Revenues Over Expenditures	\$ 863,318	\$ 80,203	\$ (163,885)	\$ 779,636	\$ (779,452)	\$ (280,115)	\$ 1,059,751

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (540,000)	\$ 0	\$ 0	\$ (540,000)	\$ 0	\$ (540,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (540,000)	\$ 0	\$ 0	\$ (540,000)	\$ 0	\$ (540,000)	\$ 0
Net Change in Fund Balance	\$ 323,318	\$ 80,203	\$ (163,885)	\$ 239,636	\$ (779,452)	\$ (820,115)	\$ 1,059,751
Fund Balance, July 1, 2004	1,017,225	(80,203)	0	937,022	990,597	990,597	(53,575)
Fund Balance, June 30, 2005	\$ 1,340,543	\$ 0	\$ (163,885)	\$ 1,176,658	\$ 211,145	\$ 170,482	\$ 1,006,176

Exhibit F-2

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 379,819	\$ 406,300	\$ 341,300	\$ 38,519
Other Local Revenues	17,089	20,500	20,500	(3,411)
State of Tennessee	1,816,273	1,882,735	1,882,735	(66,462)
Total Revenues	\$ 2,213,181	\$ 2,309,535	\$ 2,244,535	\$ (31,354)
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 613,537	\$ 673,232	\$ 673,232	\$ 59,695
Highway and Bridge Maintenance	440,600	461,968	472,468	31,868
Operation and Maintenance of Equipment	153,852	171,465	208,715	54,863
Other Charges	134,791	132,700	149,700	14,909
Employee Benefits	309,970	332,500	362,500	52,530
Capital Outlay	279,558	420,170	393,420	113,862
Total Expenditures	\$ 1,932,308	\$ 2,192,035	\$ 2,260,035	\$ 327,727
Excess (Deficiency) of Revenues Over Expenditures	\$ 280,873	\$ 117,500	\$ (15,500)	\$ 296,373
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (74,531)	\$ (117,500)	\$ (117,500)	\$ 42,969
Total Other Financing Sources (Uses)	\$ (74,531)	\$ (117,500)	\$ (117,500)	\$ 42,969
Net Change in Fund Balance	\$ 206,342	\$ 0	\$ (133,000)	\$ 339,342
Fund Balance, July 1, 2004	334,802	334,802	334,802	0
Fund Balance, June 30, 2005	\$ 541,144	\$ 334,802	\$ 201,802	\$ 339,342

LOUDON COUNTY, TENNESSEE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2005

A. BUDGETARY INFORMATION

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

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

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

B. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the following major appropriation categories (the legal level of control) for the General Fund:

<u>Major Category</u>	<u>Amount</u>
Local Health Center	\$ 1,201
Sanitation Management	438
Agriculture Extension Service	1,153
Industrial Development	6,377
Miscellaneous	777

These overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Law Library Fund – The Law Library Fund is used to account for a special tax levied by a private act on litigation. Proceeds of the tax must be expended for the benefit of the county's law library.

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation Fund is used to account for transactions related to the garbage pickup service.

Industrial/Economic Development Fund – The Industrial /Economic Development Fund is used to account for transactions related to the Centre 75 Business Park.

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

Other Special Revenue Fund – The Other Special Revenue Fund is used to account for revenues received from federal drug-related forfeitures and seizures.

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

Capital Projects Funds

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

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

Highway Capital Projects Fund – The Highway Capital Projects Fund is used to account for transactions related to various county road and street improvements.

Exhibit G-1

Loudon County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2005

	Special Revenue Funds						Capital Projects Fund	Total Nonmajor Governmental Funds	
	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	General Capital Projects		
ASSETS									
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	100 \$	100 \$	0 \$	100
Equity in Pooled Cash and Investments	8,404	96,048	15,775	97,039	17,760	0	235,026	1,554,230	1,789,256
Accounts Receivable	0	2,212	0	0	0	0	2,212	6,566	8,778
Due from Other Governments	0	45,101	0	0	0	0	45,101	0	45,101
Due from Other Funds	0	0	0	11,859	0	0	11,859	6,118	17,977
Property Taxes Receivable	0	135,805	0	0	0	0	135,805	234,211	370,016
Allowance for Uncollectible Property Taxes	0	(1,358)	0	0	0	0	(1,358)	(4,989)	(6,347)
Prepaid Items	0	0	0	125	0	0	125	0	125
Total Assets	\$ 8,404	\$ 277,808	\$ 15,775	\$ 109,023	\$ 17,760	\$ 100	\$ 428,870	\$ 1,796,136	\$ 2,225,006
LIABILITIES AND FUND BALANCES									
<u>Liabilities</u>									
Accounts Payable	\$ 447	\$ 22,069	\$ 0	\$ 203	\$ 970	\$ 0	\$ 23,689	\$ 21,709	\$ 45,398
Accrued Payroll	0	0	0	3,381	0	0	3,381	0	3,381
Payroll Deductions Payable	0	1,871	0	0	0	0	1,871	0	1,871
Contracts Payable	0	0	0	0	0	0	0	207,451	207,451
Retainage Payable	0	0	0	0	0	0	0	73,692	73,692
Due to Other Funds	0	4,426	0	12,809	0	100	17,335	0	17,335
Due to Litigants, Heirs, and Others	0	0	0	76,045	0	0	76,045	0	76,045
Deferred Revenue - Current Property Taxes	0	134,447	0	0	0	0	134,447	224,078	358,525
Deferred Revenue - Delinquent Property Taxes	0	0	0	0	0	0	0	4,711	4,711
Other Deferred Revenues	0	45,101	0	0	0	0	45,101	0	45,101
Total Liabilities	\$ 447	\$ 207,914	\$ 0	\$ 92,438	\$ 970	\$ 100	\$ 301,869	\$ 531,641	\$ 833,510
<u>Fund Balances</u>									
Reserved for Encumbrances	\$ 0	\$ 700	\$ 0	\$ 1,021	\$ 7,397	\$ 0	\$ 9,118	\$ 422,261	\$ 431,379
Unreserved	7,957	69,194	15,775	15,564	9,393	0	117,883	842,234	960,117
Total Fund Balances	\$ 7,957	\$ 69,894	\$ 15,775	\$ 16,585	\$ 16,790	\$ 0	\$ 127,001	\$ 1,264,495	\$ 1,391,496
Total Liabilities and Fund Balances	\$ 8,404	\$ 277,808	\$ 15,775	\$ 109,023	\$ 17,760	\$ 100	\$ 428,870	\$ 1,796,136	\$ 2,225,006

Exhibit G-2

Loudon County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2005

	Special Revenue Funds				
	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>Revenues</u>					
Local Taxes	\$ 6,490	\$ 0	\$ 0	\$ 0	\$ 0
Fines, Forfeitures, and Penalties	0	0	0	44,556	16,876
Charges for Current Services	0	0	0	0	0
Other Local Revenues	0	47,224	7,200	25,891	0
Federal Government	0	0	0	8,700	0
Other Governments and Citizens Groups	0	0	0	0	0
Total Revenues	<u>\$ 6,490</u>	<u>\$ 47,224</u>	<u>\$ 7,200</u>	<u>\$ 79,147</u>	<u>\$ 16,876</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Administration of Justice	0	0	0	0	0
Public Safety	0	0	0	0	11,804
Public Health and Welfare	0	520,385	0	87,459	0
Social, Cultural, and Recreational Services	5,881	0	0	0	0
Other Operations	0	0	1,669	0	0
Highways	0	0	0	0	0
Debt Service:					
Other Debt Service	0	0	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	<u>\$ 5,881</u>	<u>\$ 520,385</u>	<u>\$ 1,669</u>	<u>\$ 87,459</u>	<u>\$ 11,804</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 609</u>	<u>\$ (473,161)</u>	<u>\$ 5,531</u>	<u>\$ (8,312)</u>	<u>\$ 5,072</u>
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers In	0	540,000	0	0	0
Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 540,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 609	\$ 66,839	\$ 5,531	\$ (8,312)	\$ 5,072
Fund Balance, July 1, 2004	7,348	3,055	10,244	24,897	11,718
Fund Balance, June 30, 2005	<u>\$ 7,957</u>	<u>\$ 69,894</u>	<u>\$ 15,775</u>	<u>\$ 16,585</u>	<u>\$ 16,790</u>

(Continued)

Exhibit G-2

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

	Special Revenue Funds (Cont.)		Capital Projects Funds			Total Nonmajor Governmental Funds
	Constitu - tional - Officers - Fees	Total	General Capital Projects	Highway Capital Projects	Total	
<u>Revenues</u>						
Local Taxes	\$ 0	\$ 6,490	\$ 278,259	\$ 0	\$ 278,259	\$ 284,749
Fines, Forfeitures, and Penalties	0	61,432	0	0	0	61,432
Charges for Current Services	37	37	0	0	0	37
Other Local Revenues	0	80,315	42,596	0	42,596	122,911
Federal Government	0	8,700	0	0	0	8,700
Other Governments and Citizens Groups	0	0	53,384	0	53,384	53,384
Total Revenues	\$ 37	\$ 156,974	\$ 374,239	\$ 0	\$ 374,239	\$ 531,213
<u>Expenditures</u>						
Current:						
Finance	\$ 37	\$ 37	\$ 0	\$ 0	\$ 0	\$ 37
Administration of Justice	0	0	312,237	0	312,237	312,237
Public Safety	0	11,804	396,176	0	396,176	407,980
Public Health and Welfare	0	607,844	464,610	0	464,610	1,072,454
Social, Cultural, and Recreational Services	0	5,881	35,582	0	35,582	41,463
Other Operations	0	1,669	5,856	0	5,856	7,525
Highways	0	0	0	228,121	228,121	228,121
Debt Service:						
Other Debt Service	0	0	35,206	0	35,206	35,206
Capital Projects	0	0	538,589	0	538,589	538,589
Total Expenditures	\$ 37	\$ 627,235	\$ 1,788,256	\$ 228,121	\$ 2,016,377	\$ 2,643,612
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ (470,261)	\$ (1,414,017)	\$ (228,121)	\$ (1,642,138)	\$ (2,112,399)
<u>Other Financing Sources (Uses)</u>						
Other Loans Issued	\$ 0	\$ 0	\$ 2,035,206	\$ 0	\$ 2,035,206	\$ 2,035,206
Transfers In	0	540,000	0	0	0	540,000
Transfers Out	0	0	(400,000)	0	(400,000)	(400,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 540,000	\$ 1,635,206	\$ 0	\$ 1,635,206	\$ 2,175,206
Net Change in Fund Balances	\$ 0	\$ 69,739	\$ 221,189	\$ (228,121)	\$ (6,932)	\$ 62,807
Fund Balance, July 1, 2004	0	57,262	1,043,306	228,121	1,271,427	1,328,689
Fund Balance, June 30, 2005	\$ 0	\$ 127,001	\$ 1,264,495	\$ 0	\$ 1,264,495	\$ 1,391,496

Exhibit G-3

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Law Library Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,490	\$ 300	\$ 300	\$ 6,190
Fines, Forfeitures, and Penalties	0	5,700	5,700	(5,700)
Total Revenues	<u>\$ 6,490</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 490</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 5,881	\$ 6,000	\$ 6,000	\$ 119
Total Expenditures	<u>\$ 5,881</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 119</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 609</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 609</u>
Net Change in Fund Balance	\$ 609	\$ 0	\$ 0	\$ 609
Fund Balance, July 1, 2004	<u>7,348</u>	<u>7,348</u>	<u>7,348</u>	<u>0</u>
Fund Balance, June 30, 2005	<u><u>\$ 7,957</u></u>	<u><u>\$ 7,348</u></u>	<u><u>\$ 7,348</u></u>	<u><u>\$ 609</u></u>

Exhibit G-4

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Other Local Revenues	\$ 47,224	\$ 0	\$ 47,224	\$ 60,000	\$ 40,000	\$ 7,224
Total Revenues	\$ 47,224	\$ 0	\$ 47,224	\$ 60,000	\$ 40,000	\$ 7,224
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Sanitation Education/Information	\$ 520,385	\$ 700	\$ 521,085	\$ 500,000	\$ 560,000	\$ 38,915
Total Expenditures	\$ 520,385	\$ 700	\$ 521,085	\$ 500,000	\$ 560,000	\$ 38,915
Excess (Deficiency) of Revenues Over Expenditures	\$ (473,161)	\$ (700)	\$ (473,861)	\$ (440,000)	\$ (520,000)	\$ 46,139
<u>Other Financing Sources (Uses)</u>						
Transfers In	\$ 540,000	\$ 0	\$ 540,000	\$ 440,000	\$ 540,000	\$ 0
Total Other Financing Sources (Uses)	\$ 540,000	\$ 0	\$ 540,000	\$ 440,000	\$ 540,000	\$ 0
Net Change in Fund Balance	\$ 66,839	\$ (700)	\$ 66,139	\$ 0	\$ 20,000	\$ 46,139
Fund Balance, July 1, 2004	3,055	0	3,055	3,055	3,055	0
Fund Balance, June 30, 2005	\$ 69,894	\$ (700)	\$ 69,194	\$ 3,055	\$ 23,055	\$ 46,139

Exhibit G-5

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 44,556	\$ 0	\$ 44,556	\$ 50,000	\$ 69,500	\$ (24,944)
Other Local Revenues	25,891	0	25,891	0	4,000	21,891
Federal Government	8,700	0	8,700	0	8,700	0
Total Revenues	<u>\$ 79,147</u>	<u>\$ 0</u>	<u>\$ 79,147</u>	<u>\$ 50,000</u>	<u>\$ 82,200</u>	<u>\$ (3,053)</u>
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Alcohol and Drug Programs	\$ 87,459	\$ 1,021	\$ 88,480	\$ 50,000	\$ 98,210	\$ 9,730
Total Expenditures	<u>\$ 87,459</u>	<u>\$ 1,021</u>	<u>\$ 88,480</u>	<u>\$ 50,000</u>	<u>\$ 98,210</u>	<u>\$ 9,730</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ (8,312)	\$ (1,021)	\$ (9,333)	\$ 0	\$ (16,010)	\$ 6,677
Net Change in Fund Balance	\$ (8,312)	\$ (1,021)	\$ (9,333)	\$ 0	\$ (16,010)	\$ 6,677
Fund Balance, July 1, 2004	24,897	0	24,897	24,897	24,897	0
Fund Balance, June 30, 2005	<u>\$ 16,585</u>	<u>\$ (1,021)</u>	<u>\$ 15,564</u>	<u>\$ 24,897</u>	<u>\$ 8,887</u>	<u>\$ 6,677</u>

Exhibit G-6

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 16,876	\$ 0	\$ 16,876	\$ 0	\$ 20,000	\$ (3,124)
Total Revenues	\$ 16,876	\$ 0	\$ 16,876	\$ 0	\$ 20,000	\$ (3,124)
<u>Expenditures</u>						
<u>Public Safety</u>						
Sheriff's Department	\$ 11,804	\$ 7,397	\$ 19,201	\$ 0	\$ 20,000	\$ 799
Total Expenditures	\$ 11,804	\$ 7,397	\$ 19,201	\$ 0	\$ 20,000	\$ 799
Excess (Deficiency) of Revenues Over Expenditures	\$ 5,072	\$ (7,397)	\$ (2,325)	\$ 0	\$ 0	\$ (2,325)
Net Change in Fund Balance	\$ 5,072	\$ (7,397)	\$ (2,325)	\$ 0	\$ 0	\$ (2,325)
Fund Balance, July 1, 2004	11,718	0	11,718	0	11,718	0
Fund Balance, June 30, 2005	\$ 16,790	\$ (7,397)	\$ 9,393	\$ 0	\$ 11,718	\$ (2,325)

Exhibit G-7

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Capital Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 278,259	\$ 0	\$ 0	\$ 278,259	\$ 269,700	\$ 269,000	\$ 9,259
Other Local Revenues	42,596	0	0	42,596	9,500	41,000	1,596
State of Tennessee	0	0	0	0	90,000	0	0
Federal Government	0	0	0	0	91,096	153,500	(153,500)
Other Governments and Citizens Groups	53,384	0	0	53,384	152,189	67,839	(14,455)
Total Revenues	\$ 374,239	\$ 0	\$ 0	\$ 374,239	\$ 612,485	\$ 531,339	\$ (157,100)
<u>Expenditures</u>							
<u>Administration of Justice</u>							
Juvenile Court	\$ 312,237	\$ 0	\$ 96,097	\$ 408,334	\$ 300,000	\$ 414,827	\$ 6,493
<u>Public Safety</u>							
Jail	392,276	(389,158)	0	3,118	418,500	360,500	357,382
Public Safety Grant Programs	3,900	0	17,700	21,600	135,000	21,700	100
<u>Public Health and Welfare</u>							
Local Health Center	70,438	(40,375)	0	30,063	374,700	30,200	137
Rabies and Animal Control	0	0	200,000	200,000	200,000	200,000	0
Convenience Centers	365,528	(285,758)	0	79,770	304,500	365,125	285,355
Other Public Health and Welfare	28,644	0	460	29,104	150,000	28,700	(404)
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	35,582	0	800	36,382	750,000	36,460	78
<u>Other Operations</u>							
Miscellaneous	5,856	0	0	5,856	5,000	6,000	144
<u>Other Debt Service</u>							
General Government	35,206	0	0	35,206	0	35,206	0
<u>Capital Projects</u>							
Administration of Justice Projects	5,621	0	0	5,621	0	0	(5,621)
Public Utility Projects	506,696	(2,431)	107,204	611,469	160,525	520,370	(91,099)

(Continued)

Exhibit G-7

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Capital Projects (Cont.)</u>							
Other General Government Projects	\$ 26,272	\$ 0	\$ 0	\$ 26,272	\$ 25,000	\$ 37,795	\$ 11,523
Total Expenditures	\$ 1,788,256	\$ (717,722)	\$ 422,261	\$ 1,492,795	\$ 2,823,225	\$ 2,056,883	\$ 564,088
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,414,017)	\$ 717,722	\$ (422,261)	\$ (1,118,556)	\$ (2,210,740)	\$ (1,525,544)	\$ 406,988
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 2,035,206	\$ 0	\$ 0	\$ 2,035,206	\$ 3,000,000	\$ 2,405,206	\$ (370,000)
Transfers Out	(400,000)	0	0	(400,000)	0	(400,000)	0
Total Other Financing Sources (Uses)	\$ 1,635,206	\$ 0	\$ 0	\$ 1,635,206	\$ 3,000,000	\$ 2,005,206	\$ (370,000)
Net Change in Fund Balance	\$ 221,189	\$ 717,722	\$ (422,261)	\$ 516,650	\$ 789,260	\$ 479,662	\$ 36,988
Fund Balance, July 1, 2004	1,043,306	(717,722)	0	325,584	1,718,306	1,718,306	(1,392,722)
Fund Balance, June 30, 2005	\$ 1,264,495	\$ 0	\$ (422,261)	\$ 842,234	\$ 2,507,566	\$ 2,197,968	\$ (1,355,734)

Major Governmental Funds

Debt Service Funds

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

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

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

Exhibit H-1

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,515,188	\$ 1,557,000	\$ 1,457,165	\$ 58,023
Other Local Revenues	25,429	0	23,445	1,984
Other Governments and Citizens Groups	125,684	0	125,684	0
Total Revenues	\$ 1,666,301	\$ 1,557,000	\$ 1,606,294	\$ 60,007
<u>Expenditures</u>				
<u>Principal</u>				
General Government	\$ 852,000	\$ 0	\$ 852,000	\$ 0
<u>Interest</u>				
General Government	425,711	0	677,866	252,155
<u>Other Debt Service</u>				
General Government	165,847	0	167,500	1,653
Total Expenditures	\$ 1,443,558	\$ 0	\$ 1,697,366	\$ 253,808
Excess (Deficiency) of Revenues Over Expenditures	\$ 222,743	\$ 1,557,000	\$ (91,072)	\$ 313,815
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 474,531	\$ 0	\$ 450,668	\$ 23,863
Total Other Financing Sources (Uses)	\$ 474,531	\$ 0	\$ 450,668	\$ 23,863
Net Change in Fund Balance	\$ 697,274	\$ 1,557,000	\$ 359,596	\$ 337,678
Fund Balance, July 1, 2004	1,684,085	1,769,823	1,769,823	(85,738)
Fund Balance, June 30, 2005	\$ 2,381,359	\$ 3,326,823	\$ 2,129,419	\$ 251,940

Exhibit H-2

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Education Debt Service Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 146	\$ 21,500	\$ 0	\$ 146
Other Local Revenues	57,226	251,779	55,000	2,226
Other Governments and Citizens Groups	189,000	226,721	189,000	0
Total Revenues	<u>\$ 246,372</u>	<u>\$ 500,000</u>	<u>\$ 244,000</u>	<u>\$ 2,372</u>
<u>Expenditures</u>				
<u>Principal</u>				
Education	\$ 205,000	\$ 430,000	\$ 205,000	\$ 0
<u>Interest</u>				
Education	274,905	717,225	639,725	364,820
<u>Other Debt Service</u>				
Education	718	10,000	10,000	9,282
Total Expenditures	<u>\$ 480,623</u>	<u>\$ 1,157,225</u>	<u>\$ 854,725</u>	<u>\$ 374,102</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (234,251)</u>	<u>\$ (657,225)</u>	<u>\$ (610,725)</u>	<u>\$ 376,474</u>
Net Change in Fund Balance	\$ (234,251)	\$ (657,225)	\$ (610,725)	\$ 376,474
Fund Balance, July 1, 2004	<u>4,138,345</u>	<u>4,194,194</u>	<u>4,194,194</u>	<u>(55,849)</u>
Fund Balance, June 30, 2005	<u>\$ 3,904,094</u>	<u>\$ 3,536,969</u>	<u>\$ 3,583,469</u>	<u>\$ 320,625</u>

Fiduciary Funds

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

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

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

Loudon County Economic Development Fund – The Loudon County Economic Development Fund is used to account for transactions of the Loudon County Economic Development Agency, a joint venture of the county and Lenoir City. Transactions of the Loudon County Economic Development Agency are channeled through the Trustee’s Office and the county accounts for these transactions in an agency capacity.

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

Other Agency Fund – The Other Agency Fund is used to account for the transactions of the Loudon County Solid Waste Disposal Commission, a joint venture of the county and cities. Transactions of the Loudon County Solid Waste Disposal Commission are channeled through the Trustee’s Office, and the county accounts for those transactions in an agency capacity.

Loudon County Metro Narcotic Unit Fund – The Loudon County Metro Narcotic Unit Fund is used for transactions of the Loudon County Metro Narcotic Unit, a joint venture of the county and other various law enforcement agencies within the county. Transactions of the Loudon County Metro Narcotic Unit are channeled through the Trustee’s Office, and the county accounts for these transactions in an agency capacity.

Exhibit I-1

Loudon County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Agency Funds						Total
	Cities - Sales Tax	City School ADA - Lenoir City	Loudon County Economic Development Agency	Constitu- tional Officers - Agency	Other Agency	Loudon County Metro Narcotic	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 833,919	\$ 0	\$ 2,138	\$ 836,057
Equity in Pooled Cash and Investments	0	198,700	49,455	0	1,631,539	22,061	1,901,755
Accounts Receivable	0	2,304	0	2,151	0	0	4,455
Due from Other Governments	542,130	240,032	0	0	0	0	782,162
Due from Component Units	0	27,572	0	0	0	0	27,572
Taxes Receivable	0	2,868,319	0	0	0	0	2,868,319
Allowance for Uncollectible Taxes	0	(53,693)	0	0	0	0	(53,693)
Total Assets	\$ 542,130	\$ 3,283,234	\$ 49,455	\$ 836,070	\$ 1,631,539	\$ 24,199	\$ 6,366,627
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 542,130	\$ 3,283,234	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,825,364
Due to Litigants, Heirs, and Others	0	0	0	836,070	0	0	836,070
Due to Joint Ventures	0	0	49,455	0	1,631,539	24,199	1,705,193
Total Liabilities	\$ 542,130	\$ 3,283,234	\$ 49,455	\$ 836,070	\$ 1,631,539	\$ 24,199	\$ 6,366,627

Exhibit I-2

Loudon County, Tennessee
Combining Statement of Changes in Assets
and Liabilities - All Agency Funds
For the Year Ended June 30, 2005

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,075,559	\$ 3,075,559	\$ 0
Due From Other Governments	527,397	542,130	527,397	542,130
Total Assets	\$ 527,397	\$ 3,617,689	\$ 3,602,956	\$ 542,130
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 527,397	\$ 3,617,689	\$ 3,602,956	\$ 542,130
Total Liabilities	\$ 527,397	\$ 3,617,689	\$ 3,602,956	\$ 542,130
<u>City School ADA - Lenoir City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 153,216	\$ 4,080,435	\$ 4,034,951	\$ 198,700
Accounts Receivable	0	2,304	0	2,304
Due from Other Governments	232,132	240,032	232,132	240,032
Due from Component Units	37,378	27,572	37,378	27,572
Taxes Receivable	2,630,619	2,868,319	2,630,619	2,868,319
Allowance for Uncollectible Taxes	(50,223)	(53,693)	(50,223)	(53,693)
Total Assets	\$ 3,003,122	\$ 7,164,969	\$ 6,884,857	\$ 3,283,234
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,003,122	\$ 7,164,969	\$ 6,884,857	\$ 3,283,234
Total Liabilities	\$ 3,003,122	\$ 7,164,969	\$ 6,884,857	\$ 3,283,234
<u>Loudon County Economic Development</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 3,307	\$ 116,215	\$ 70,067	\$ 49,455
Total Assets	\$ 3,307	\$ 116,215	\$ 70,067	\$ 49,455
<u>Liabilities</u>				
Due to Other Funds	\$ 1,984	\$ 0	\$ 1,984	\$ 0
Due to Cities	1,323	0	1,323	0
Due to Joint Ventures	0	116,215	66,760	49,455
Total Liabilities	\$ 3,307	\$ 116,215	\$ 70,067	\$ 49,455
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 813,404	\$ 8,393,688	\$ 8,373,173	\$ 833,919
Accounts Receivable	2,951	2,151	2,951	2,151
Total Assets	\$ 816,355	\$ 8,395,839	\$ 8,376,124	\$ 836,070

(Continued)

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 816,355	\$ 8,395,839	\$ 8,376,124	\$ 836,070
Total Liabilities	\$ 816,355	\$ 8,395,839	\$ 8,376,124	\$ 836,070
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,552,501	\$ 1,928,316	\$ 1,849,278	\$ 1,631,539
Total Assets	\$ 1,552,501	\$ 1,928,316	\$ 1,849,278	\$ 1,631,539
<u>Liabilities</u>				
Due to Joint Ventures	\$ 1,552,501	\$ 1,928,316	\$ 1,849,278	\$ 1,631,539
Total Liabilities	\$ 1,552,501	\$ 1,928,316	\$ 1,849,278	\$ 1,631,539
<u>Loudon County Metro Narcotic Unit</u>				
<u>Assets</u>				
Cash	\$ 2,469	\$ 4,000	\$ 4,331	\$ 2,138
Equity in Pooled Cash and Investments	24,412	46,183	48,534	22,061
Total Assets	\$ 26,881	\$ 50,183	\$ 52,865	\$ 24,199
<u>Liabilities</u>				
Due to Joint Ventures	\$ 26,881	\$ 50,183	\$ 52,865	\$ 24,199
Total Liabilities	\$ 26,881	\$ 50,183	\$ 52,865	\$ 24,199
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 815,873	\$ 8,397,688	\$ 8,377,504	\$ 836,057
Equity in Pooled Cash and Investments	1,733,436	9,246,708	9,078,389	1,901,755
Accounts Receivable	2,951	4,455	2,951	4,455
Due From Other Governments	759,529	782,162	759,529	782,162
Due from Component Units	37,378	27,572	37,378	27,572
Taxes Receivable	2,630,619	2,868,319	2,630,619	2,868,319
Allowance for Uncollectible Taxes	(50,223)	(53,693)	(50,223)	(53,693)
Total Assets	\$ 5,929,563	\$ 21,273,211	\$ 20,836,147	\$ 6,366,627
<u>Liabilities</u>				
Due to Other Funds	\$ 1,984	\$ 0	\$ 1,984	\$ 0
Due to Cities	1,323	0	1,323	0
Due to Other Taxing Units	3,530,519	10,782,658	10,487,813	3,825,364
Due to Litigants, Heirs, and Others	816,355	8,395,839	8,376,124	836,070
Due to Joint Venture	1,579,382	2,094,714	1,968,903	1,705,193
Total Liabilities	\$ 5,929,563	\$ 21,273,211	\$ 20,836,147	\$ 6,366,627

Loudon County School Department

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

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

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

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building construction and renovations of the School Department.

Exhibit J-1

Loudon County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Loudon County School Department
June 30, 2005

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Governmental Fund - School Federal Projects	
<u>ASSETS</u>				
Cash	\$ 1,215	\$ 0	\$ 0	\$ 1,215
Equity in Pooled Cash and Investments	5,716,524	2,344,029	66,180	8,126,733
Accounts Receivable	21,244	0	0	21,244
Due from Other Governments	724,776	0	0	724,776
Due from Other Funds	0	1,200,000	0	1,200,000
Property Taxes Receivable	6,240,347	0	0	6,240,347
Allowance for Uncollectible Property Taxes	(116,814)	0	0	(116,814)
Prepaid Items	7,900	0	0	7,900
Total Assets	\$ 12,595,192	\$ 3,544,029	\$ 66,180	\$ 16,205,401
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 51,689	\$ 0	\$ 676	\$ 52,365
Accrued Payroll	4,748	0	0	4,748
Payroll Deductions Payable	185,053	0	9,679	194,732
Due to Other Funds	1,200,000	0	0	1,200,000
Due to Primary Government	40,528	0	0	40,528
Deferred Revenue - Current Property Taxes	6,017,809	0	0	6,017,809
Deferred Revenue - Delinquent Property Taxes	96,825	0	0	96,825
Other Deferred Revenues	257,145	0	0	257,145
Total Liabilities	\$ 7,853,797	\$ 0	\$ 10,355	\$ 7,864,152
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 230,189	\$ 2,500	\$ 3,316	\$ 236,005
Reserved for Title I Grants to Local Education Agencies	0	0	1,358	1,358
Other Federal Reserves	0	0	51,151	51,151
Unreserved, Reported In:				
General Fund	4,511,206	0	0	4,511,206
Capital Projects Funds	0	3,541,529	0	3,541,529
Total Fund Balances	\$ 4,741,395	\$ 3,544,029	\$ 55,825	\$ 8,341,249
Total Liabilities and Fund Balances	\$ 12,595,192	\$ 3,544,029	\$ 66,180	\$ 16,205,401

Exhibit J-2

Loudon County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets
Discretely Presented Loudon County School Department
June 30, 2005

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

Total fund balances - balance sheet - governmental funds (Exhibit J-1)	\$ 8,341,249
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	22,547,472
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.	<u>353,970</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 31,242,691</u>

Exhibit J-3

Loudon County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Loudon County School Department
For the Year Ended June 30, 2005

	Major Funds		Nonmajor	Total
	General	Education	Fund	
	Purpose	Capital	Other	
	School	Projects	School	Governmental
			Fund -	Funds
			Projects	
<u>Revenues</u>				
Local Taxes	\$ 8,775,739	\$ 0	\$ 0	\$ 8,775,739
Licenses and Permits	1,539	0	0	1,539
Charges for Current Services	768,857	0	0	768,857
Other Local Revenues	271,503	0	0	271,503
State of Tennessee	17,277,078	0	0	17,277,078
Federal Government	1,697,944	0	1,698,227	3,396,171
Other Governments and Citizens Groups	930	0	0	930
Total Revenues	<u>\$ 28,793,590</u>	<u>\$ 0</u>	<u>\$ 1,698,227</u>	<u>\$ 30,491,817</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 18,993,275	\$ 0	\$ 1,615,774	\$ 20,609,049
Support Services	7,452,981	0	183,989	7,636,970
Operation of Non-Instructional Services	2,058,189	0	0	2,058,189
Capital Outlay	44,913	0	0	44,913
Debt Service:				
Other Debt Service	189,000	0	0	189,000
Capital Projects	0	650,029	0	650,029
Total Expenditures	<u>\$ 28,738,358</u>	<u>\$ 650,029</u>	<u>\$ 1,799,763</u>	<u>\$ 31,188,150</u>
Excess (Deficiency) of Revenues				
Over Expenditures	\$ 55,232	\$ (650,029)	\$ (101,536)	\$ (696,333)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 1,200,000	\$ 0	\$ 1,200,000
Transfers Out	(1,200,000)	0	0	(1,200,000)
Total Other Financing Sources (Uses)	<u>\$ (1,200,000)</u>	<u>\$ 1,200,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (1,144,768)	\$ 549,971	\$ (101,536)	\$ (696,333)
Fund Balance, July 1, 2004	5,886,163	2,994,058	157,361	9,037,582
Fund Balance, June 30, 2005	<u>\$ 4,741,395</u>	<u>\$ 3,544,029</u>	<u>\$ 55,825</u>	<u>\$ 8,341,249</u>

Loudon County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Loudon County School Department
For the Year Ended June 30, 2005

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

Net change in fund balances - total governmental funds (Exhibit J-3)		\$	(696,333)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as			
Add: Capital outlays in the current period	\$	530,414	
Less: Current-year depreciation		<u>(504,893)</u>	25,521
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
For the year ended June 30, 2004	\$	(380,875)	
For the year ended June 30, 2005		<u>353,970</u>	<u>(26,905)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(697,717)</u></u>

Exhibit J-5

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Loudon County School Department
General Purpose School Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 8,775,739	\$ 0	\$ 0	\$ 8,775,739	\$ 8,865,000	\$ 8,700,500	\$ 75,239
Licenses and Permits	1,539	0	0	1,539	0	1,500	39
Charges for Current Services	768,857	0	0	768,857	792,300	797,300	(28,443)
Other Local Revenues	271,503	0	0	271,503	167,000	244,422	27,081
State of Tennessee	17,277,078	0	0	17,277,078	16,898,200	17,502,859	(225,781)
Federal Government	1,697,944	0	0	1,697,944	766,000	1,686,513	11,431
Other Governments and Citizens Groups	930	0	0	930	0	0	930
Total Revenues	\$ 28,793,590	\$ 0	\$ 0	\$ 28,793,590	\$ 27,488,500	\$ 28,933,094	\$ (139,504)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 16,627,099	\$ (19,730)	\$ 130,230	\$ 16,737,599	\$ 15,832,400	\$ 17,106,141	\$ 368,542
Special Education Program	1,444,343	0	919	1,445,262	1,418,204	1,512,656	67,394
Vocational Education Program	921,833	(4,628)	1,920	919,125	950,970	950,970	31,845
<u>Support Services</u>							
Attendance	52,449	0	0	52,449	47,300	60,234	7,785
Health Services	51,309	(24)	0	51,285	54,390	62,790	11,505
Other Student Support	965,634	(870)	0	964,764	689,810	1,067,945	103,181
Regular Instruction Program	1,455,265	0	0	1,455,265	1,473,224	1,477,824	22,559
Special Education Program	247,007	0	0	247,007	303,540	253,740	6,733
Vocational Education Program	113,018	0	0	113,018	115,660	115,660	2,642
Other Programs	88,961	(1,714)	0	87,247	0	88,550	1,303
Board of Education	436,026	0	0	436,026	438,410	438,410	2,384
Director of Schools	218,703	0	1,573	220,276	239,940	241,830	21,554
Office of the Principal	729,350	0	0	729,350	801,330	760,130	30,780
Fiscal Services	58,970	0	0	58,970	56,970	59,820	850

(Continued)

Exhibit J-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,863,463	\$ (6,671)	\$ 36,942	\$ 1,893,734	\$ 1,851,590	\$ 1,933,090	\$ 39,356
Maintenance of Plant	138,359	(69,133)	19,036	88,262	220,000	146,000	57,738
Transportation	1,034,467	(595)	0	1,033,872	1,016,000	1,056,500	22,628
<u>Operation of Non-Instructional Services</u>							
Food Service	1,875,025	(6,229)	0	1,868,796	1,623,200	1,864,300	(4,496)
Community Services	183,164	0	0	183,164	55,070	202,720	19,556
<u>Capital Outlay</u>							
Regular Capital Outlay	44,913	(25,292)	39,569	59,190	60,000	60,000	810
<u>Other Debt Service</u>							
Education	189,000	0	0	189,000	226,721	189,000	0
Total Expenditures	\$ 28,738,358	\$ (134,886)	\$ 230,189	\$ 28,833,661	\$ 27,474,729	\$ 29,648,310	\$ 814,649
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 55,232	\$ 134,886	\$ (230,189)	\$ (40,071)	\$ 13,771	\$ (715,216)	\$ 675,145
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (1,200,000)	\$ 0	\$ 0	\$ (1,200,000)	\$ 0	\$ (1,200,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (1,200,000)	\$ 0	\$ 0	\$ (1,200,000)	\$ 0	\$ (1,200,000)	\$ 0
Net Change in Fund Balance							
Fund Balance, July 1, 2004	\$ (1,144,768)	\$ 134,886	\$ (230,189)	\$ (1,240,071)	\$ 13,771	\$ (1,915,216)	\$ 675,145
Fund Balance, June 30, 2005	\$ 4,741,395	\$ 0	\$ (230,189)	\$ 4,511,206	\$ 6,147,771	\$ 4,218,784	\$ 292,422

Exhibit J-6

Loudon County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Loudon County School Department
School Federal Projects Fund
For the Year Ended June 30, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Federal Government	\$ 1,698,227	\$ 0	\$ 0	\$ 1,698,227	\$ 1,785,396	\$ 1,795,027	\$ (96,800)
Total Revenues	\$ 1,698,227	\$ 0	\$ 0	\$ 1,698,227	\$ 1,785,396	\$ 1,795,027	\$ (96,800)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 747,248	\$ (10,218)	\$ 3,316	\$ 740,346	\$ 737,159	\$ 739,886	\$ (460)
Special Education Program	796,289	0	0	796,289	787,163	796,224	(65)
Vocational Education Program	72,237	(1,197)	0	71,040	70,983	73,472	2,432
<u>Support Services</u>							
Other Student Support	3,164	0	0	3,164	4,000	3,164	0
Regular Instruction Program	118,532	(362)	0	118,170	122,145	119,988	1,818
Special Education Program	20,000	0	0	20,000	20,000	20,000	0
Vocational Education Program	2,293	0	0	2,293	3,946	2,293	0
Transportation	40,000	0	0	40,000	40,000	40,000	0
Total Expenditures	\$ 1,799,763	\$ (11,777)	\$ 3,316	\$ 1,791,302	\$ 1,785,396	\$ 1,795,027	\$ 3,725
Excess (Deficiency) of Revenues Over Expenditures	\$ (101,536)	\$ 11,777	\$ (3,316)	\$ (93,075)	\$ 0	\$ 0	\$ (93,075)
Net Change in Fund Balance Fund Balance, July 1, 2004	\$ (101,536)	\$ 11,777	\$ (3,316)	\$ (93,075)	\$ 0	\$ 0	\$ (93,075)
Fund Balance, July 1, 2004	157,361	(11,777)	0	145,584	0	0	145,584
Fund Balance, June 30, 2005	\$ 55,825	\$ 0	\$ (3,316)	\$ 52,509	\$ 0	\$ 0	\$ 52,509

MISCELLANEOUS SCHEDULES

Exhibit K-1

Loudon County, Tennessee

Schedule of Changes in Other Loans and Bonds

For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>OTHER LOANS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Sevier County PBA Loan Agreement Series II F-4	\$ 1,000,000	Variable	9-17-1997	6-1-09	\$ 500,000	\$ 0	\$ 90,000	\$ 410,000
Sevier County PBA Loan Agreement Series II E-3	2,700,000	Variable	1-6-1977	6-1-10	1,550,000	0	225,000	1,325,000
Montgomery County PBA Loan Agreement	5,000,000	Variable	5-8-03	5-25-18	4,746,000	0	273,000	4,473,000
Sevier County PBA Loan Agreement Series VI-C-4	(1)	Variable	10-21-04	6-1-20	0	2,035,206	0	2,035,206
Total Payable through General Debt Service Fund					\$ 6,796,000	\$ 2,035,206	\$ 588,000	\$ 8,243,206
<u>Payable through Education Debt Service Fund</u>								
Sevier County PBA Loan Agreement Series IV H-1	12,500,000	Variable	10-25-01	6-1-25	\$ 12,500,000	\$ 0	\$ 0	\$ 12,500,000
Total Payable through Education Debt Service Fund					\$ 12,500,000	\$ 0	\$ 0	\$ 12,500,000
Total Other Loans Payable					\$ 19,296,000	\$ 2,035,206	\$ 588,000	\$ 20,743,206
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park, F.H.A.	300,000	5%	1-1-1977	1-1-17	\$ 167,000	\$ 0	\$ 9,000	\$ 158,000
General Obligation Public Improvement Series '99	5,360,000	5 to 5.7	12-1-1999	4-1-09	685,000	0	100,000	585,000
General Obligation Refunding Series '02	1,960,000	3.25 to 4	3-1-02	3-1-09	560,000	0	105,000	455,000
General Obligation Refunding Series '04	5,225,000	1.8 to 4	3-31-04	4-1-20	5,225,000	0	50,000	5,175,000
Total Payable through General Debt Service Fund					\$ 6,637,000	\$ 0	\$ 264,000	\$ 6,373,000

(Continued)

Exhibit K-1

Loudon County, Tennessee
Schedule of Changes in Other Loans and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-05
<u>BONDS PAYABLE (CONT.)</u>								
<u>Payable through Education Debt Service Fund</u>								
General Obligation Public Improvement Series '02	\$ 815,000	3.25 to 4%	3-1-02	3-1-06	\$ 420,000	\$ 0	\$ 205,000	\$ 215,000
Total Payable through Education Debt Service Fund					<u>\$ 420,000</u>	<u>\$ 0</u>	<u>\$ 205,000</u>	<u>\$ 215,000</u>
Total Bonds Payable					<u>\$ 7,057,000</u>	<u>\$ 0</u>	<u>\$ 469,000</u>	<u>\$ 6,588,000</u>

(1) - Total amount available under this Public Building Authority of Sevier County Loan Agreement is \$3,000,000, of which \$964,794 had not been drawn as of June 30, 2005.

Exhibit K-2

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

Year Ending June 30	Payable through General Debt Service Fund					Payable through Education Debt Service Fund			Total All Requirements
	Bond Requirements	Interest Requirements	F.H.A. Bond Requirements	F.H.A. Interest Requirements	Total Requirements	Bond Requirements	Interest Requirements	Total Requirements	
2006	\$ 275,000	\$ 228,130	\$ 10,000	\$ 7,900	\$ 521,030	\$ 215,000	\$ 8,063	\$ 223,063	\$ 744,093
2007	295,000	217,355	10,000	7,400	529,755	0	0	0	529,755
2008	325,000	205,580	11,000	6,900	548,480	0	0	0	548,480
2009	355,000	192,240	11,000	6,350	564,590	0	0	0	564,590
2010	285,000	177,450	12,000	5,800	480,250	0	0	0	480,250
2011	320,000	170,325	13,000	5,200	508,525	0	0	0	508,525
2012	345,000	160,725	13,000	4,550	523,275	0	0	0	523,275
2013	395,000	148,650	14,000	3,900	561,550	0	0	0	561,550
2014	425,000	134,825	15,000	3,200	578,025	0	0	0	578,025
2015	450,000	119,950	16,000	2,450	588,400	0	0	0	588,400
2016	480,000	104,425	16,000	1,650	602,075	0	0	0	602,075
2017	510,000	87,385	17,000	850	615,235	0	0	0	615,235
2018	550,000	68,515	0	0	618,515	0	0	0	618,515
2019	585,000	47,615	0	0	632,615	0	0	0	632,615
2020	620,000	24,800	0	0	644,800	0	0	0	644,800
Total	\$ 6,215,000	\$ 2,087,970	\$ 158,000	\$ 56,150	\$ 8,517,120	\$ 215,000	\$ 8,063	\$ 223,063	\$ 8,740,183

Exhibit K-3

Loudon County, Tennessee
Schedule of Transfers - All Funds and Discretely Presented Loudon County School Department
For the Year Ended June 30, 2005

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
General	Solid Waste/Sanitation	To provide funds for operations	\$ 540,000
Highway/Public Works	General Debt Service	To provide funds for retirement of debt	74,531
General Capital Projects	General Debt Service	To provide funds for retirement of debt	<u>400,000</u>
Total Transfers Primary Government			<u>\$ 1,014,531</u>
<u>Discretely Presented Loudon County School Department</u>			
General Purpose School	Education Capital Projects	To provide funds for education capital projects	<u>\$ 1,200,000</u>

Exhibit K-4

Loudon County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
For the Year Ended June 30, 2005

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 73,055	\$ 50,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u> , and County Commission	61,165 (1)	100,000	"
Director of Schools	State Board of Education and County Board of Education	88,000 (2)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	53,969	934,500	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	53,969	10,000	"
Director of Accounts and Budgets/Supervisor of Purchasing Department Nancy Richardson (7-1-04 through 12-31-04)	County Commission	41,645 (3)	250,000	Coregis Insurance Organization-Blanket Policy
Director of Accounts and Budgets Tracy Blair (1-4-05 through 6-30-05)	County Commission	22,500	25,000	Western Surety Company
Purchasing Agent Leo Bradshaw (2-22-05 through 6-30-05)	County Commission	15,866	250,000	Coregis Insurance Organization-Blanket Policy (5)
County Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	Western Surety Company
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	53,969	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	53,969	50,000	"
Register	Section 8-24-102, <u>TCA</u>	53,969	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> and County Commission	64,344 (4)	25,000	"
Employee Blanket Bonds - All County Employees:			250,000	Coregis Insurance Organization-Blanket Policy

- (1) - Includes \$1,800 for County Engineering Services.
- (2) - Includes \$1,000 chief executive officer training supplement.
- (3) - Includes \$9,000 for acting as Supervisor of Purchasing Department, \$1,500 for an educational incentive supplement, and \$6,122 for accrued leave.
- (4) - Includes \$4,979 received as supervisor of the county workhouse.
- (5) - A separate surety bond in the amount of \$50,000 was obtained subsequent to June 30, 2005.

Exhibit K-5

Loudon County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2005

	Special Revenue Funds					Other Special Revenue
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 5,921,561	\$ 0	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	149,116	0	0	0	0	0
Trustee's Collections - Bankruptcy	492	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	81,145	0	0	0	0	0
Interest and Penalty	31,443	0	0	0	0	0
Payments in Lieu of Taxes - Other	427,132	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	251,365	0	0	0	0	0
Hotel/Motel Tax	231,516	0	0	0	0	0
Litigation Tax - General	100,598	0	0	0	0	0
Litigation Tax - Special Purpose	106,093	6,490	0	0	0	0
Business Tax	114,697	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	9,764	0	0	0	0	0
Wholesale Beer Tax	109,676	0	0	0	0	0
Total Local Taxes	\$ 7,534,598	\$ 6,490	\$ 0	\$ 0	\$ 0	0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 31,057	\$ 0	\$ 0	\$ 0	\$ 0	0
Cable TV Franchise	195,810	0	0	0	0	0
<u>Permits</u>						
Beer Permits	3,528	0	0	0	0	0
Building Permits	64,419	0	0	0	0	0
Other Permits	51,785	0	0	0	0	0
Total Licenses and Permits	\$ 346,599	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 8,792	\$ 0	\$ 0	\$ 0	\$ 0	0
Data Entry Fee - Circuit Court	352	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Criminal Court</u>						
Fines	\$ 7,081	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	14,905	0	0	0	0	0
Drug Control Fines	0	0	0	0	2,025	0
Jail Fees	659	0	0	0	0	0
DUI Treatment Fines	3,451	0	0	0	0	0
Data Entry Fee - Criminal Court	642	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	97,721	0	0	0	0	0
Officers Costs	132,041	0	0	0	0	0
Game and Fish Fines	1,082	0	0	0	0	0
Drug Control Fines	13,596	0	0	0	13,595	0
Jail Fees	11,816	0	0	0	0	0
DUI Treatment Fines	21,376	0	0	0	0	0
Data Entry Fee - General Sessions Court	17,436	0	0	0	0	0
<u>Juvenile Court</u>						
Drug Control Fines	2,751	0	0	0	0	0
DUI Treatment Fines	900	0	0	0	0	0
Data Entry Fee - Juvenile Court	6,787	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	5,384	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	21,985	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	28,936	16,876
Total Fines, Forfeitures, and Penalties	\$ 368,757	\$ 0	\$ 0	\$ 0	\$ 44,556	\$ 16,876
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Other General Service Charges	\$ 136,788	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fees</u>						
Telephone Commissions	21,709	0	0	0	0	0
Vending Machine Collections	496	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Constitutional Officers' Fees and Commissions	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Data Processing Fee - Register	30,974	0	0	0	0	0
Data Processing Fee - Sheriff	6,024	0	0	0	0	0
Sexual Offender Registration Fee	720	0	0	0	0	0
Total Charges for Current Services	\$ 196,711	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 297,938	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	67,391	0	0	7,200	0	0
Sale of Materials and Supplies	0	0	0	0	0	0
Commissary Sales	15,169	0	0	0	0	0
Sale of Maps	2,408	0	0	0	0	0
Sale of Recycled Materials	0	0	47,224	0	0	0
Miscellaneous Refunds	8,358	0	0	0	0	0
<u>Nonrecurring Items</u>						
Revenue from Joint Ventures	0	0	0	0	0	0
Insurance Recovery	11,643	0	0	0	0	0
Sale of Property	166,675	0	0	0	0	0
Contributions & Gifts	14,923	0	0	0	25,891	0
<u>Other Local Revenues</u>	74,000	0	0	0	0	0
Total Other Local Revenues	\$ 658,505	\$ 0	\$ 47,224	\$ 7,200	\$ 25,891	\$ 0
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 344,378	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	44,780	0	0	0	0	0
General Sessions Court Clerk	393,731	0	0	0	0	0
Clerk and Master	88,796	0	0	0	0	0
Register	437,071	0	0	0	0	0
Sheriff	13,019	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees In Lieu of Salary (Cont.)</u>						
Trustee	\$ 524,776	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fees Received from County Officials	\$ 1,846,551	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 10,890	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	53,170	0	0	0	0	0
State Reappraisal Grant	18,324	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	17,117	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	72,233	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	0
State Aid Program	0	0	0	0	0	0
Litter Program	24,869	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	489,247	0	0	0	0	0
Mixed Drink Tax	5,439	0	0	0	0	0
Contracted Prisoner Boarding	93,632	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Revenues	413	0	0	0	0	0
Total State of Tennessee	\$ 801,714	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 10,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Homeland Security Grants	210,463	0	0	0	0	0
Law Enforcement Grants	44,263	0	0	0	0	0
Other Federal through State	25,651	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Public Safety Partnership and Community Policing - COPS	\$ 279,475	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Direct Federal Revenue	0	0	0	0	8,700	0
Total Federal Government	\$ 569,852	\$ 0	\$ 0	\$ 0	\$ 8,700	\$ 0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 2,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	20,402	0	0	0	0	0
Contracted Services	190,098	0	0	0	0	0
<u>Citizens Groups</u>						
Donations	11,222	0	0	0	0	0
<u>Other</u>						
Other	5,700	0	0	0	0	0
Total Other Governments and Citizens Groups	\$ 230,022	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 12,553,309	\$ 6,490	\$ 47,224	\$ 7,200	\$ 79,147	\$ 16,876

(Continued)

Exhibit K-5

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 265,150	\$ 1,325,811	\$ 0	\$ 264,485	\$ 7,777,007
Trustee's Collections - Prior Year	0	6,884	39,004	5	7,548	202,557
Trustee's Collections - Bankruptcy	0	22	123	1	22	660
Circuit/Clerk & Master Collections - Prior Years	0	3,745	21,223	0	3,745	109,858
Interest and Penalty	0	1,440	7,929	3	1,440	42,255
Payments in Lieu of Taxes - Other	0	358	32,132	137	341	460,100
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	251,365
Hotel/Motel Tax	0	0	0	0	0	231,516
Litigation Tax - General	0	0	0	0	0	100,598
Litigation Tax - Special Purpose	0	0	0	0	0	112,583
Business Tax	0	6,183	85,847	0	0	206,727
Mineral Severance Tax	0	95,495	0	0	0	95,495
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	542	3,119	0	678	14,103
Wholesale Beer Tax	0	0	0	0	0	109,676
Total Local Taxes	\$ 0	\$ 379,819	\$ 1,515,188	\$ 146	\$ 278,259	\$ 9,714,500
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 31,057
Cable TV Franchise	0	0	0	0	0	195,810
<u>Permits</u>						
Beer Permits	0	0	0	0	0	3,528
Building Permits	0	0	0	0	0	64,419
Other Permits	0	0	0	0	0	51,785
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 346,599
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,792
Data Entry Fee - Circuit Court	0	0	0	0	0	352

(Continued)

Exhibit K-5

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	Total
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Criminal Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,081
Officers Costs	0	0	0	0	0	14,905
Drug Control Fines	0	0	0	0	0	2,025
Jail Fees	0	0	0	0	0	659
DUI Treatment Fines	0	0	0	0	0	3,451
Data Entry Fee - Criminal Court	0	0	0	0	0	642
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	97,721
Officers Costs	0	0	0	0	0	132,041
Game and Fish Fines	0	0	0	0	0	1,082
Drug Control Fines	0	0	0	0	0	27,191
Jail Fees	0	0	0	0	0	11,816
DUI Treatment Fines	0	0	0	0	0	21,376
Data Entry Fee - General Sessions Court	0	0	0	0	0	17,436
<u>Juvenile Court</u>						
Drug Control Fines	0	0	0	0	0	2,751
DUI Treatment Fines	0	0	0	0	0	900
Data Entry Fee - Juvenile Court	0	0	0	0	0	6,787
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	5,384
<u>Other Courts - In-county</u>						
Fines	0	0	0	0	0	21,985
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	0	45,812
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	430,189
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Other General Service Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	136,788
<u>Fees</u>						
Telephone Commissions	0	0	0	0	0	21,709
Vending Machine Collections	0	0	0	0	0	496

(Continued)

Exhibit K-5

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Total
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Constitutional Officers' Fees and Commissions	\$ 37	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37
Data Processing Fee - Register	0	0	0	0	0	30,974
Data Processing Fee - Sheriff	0	0	0	0	0	6,024
Sexual Offender Registration Fee	0	0	0	0	0	720
Total Charges for Current Services	\$ 37	\$ 0	\$ 0	\$ 0	\$ 0	\$ 196,748
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 57,226	\$ 0	\$ 355,164
Lease/Rentals	0	0	0	0	0	74,591
Sale of Materials and Supplies	0	13,251	0	0	0	13,251
Commissary Sales	0	0	0	0	0	15,169
Sale of Maps	0	0	0	0	0	2,408
Sale of Recycled Materials	0	0	0	0	0	47,224
Miscellaneous Refunds	0	0	0	0	0	8,358
<u>Nonrecurring Items</u>						
Revenue from Joint Ventures	0	0	25,429	0	0	25,429
Insurance Recovery	0	3,838	0	0	0	15,481
Sale of Property	0	0	0	0	0	166,675
Contributions & Gifts	0	0	0	0	42,596	83,410
<u>Other Local Revenues</u>	0	0	0	0	0	74,000
Total Other Local Revenues	\$ 0	\$ 17,089	\$ 25,429	\$ 57,226	\$ 42,596	\$ 881,160
<u>Fees Received from County Officials</u>						
<u>Fees In Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 344,378
Circuit Court Clerk	0	0	0	0	0	44,780
General Sessions Court Clerk	0	0	0	0	0	393,731
Clerk and Master	0	0	0	0	0	88,796
Register	0	0	0	0	0	437,071
Sheriff	0	0	0	0	0	13,019

(Continued)

Exhibit K-5

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

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital Projects Fund</u>	
	<u>Constitutional Officers - Fees</u>	<u>Highway / Public Works</u>	<u>General Debt Service</u>	<u>Education Debt Service</u>	<u>General Capital Projects</u>	<u>Total</u>
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees In Lieu of Salary (Cont.)</u>						
Trustee	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 524,776
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,846,551
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,890
Aging Programs	0	0	0	0	0	53,170
State Reappraisal Grant	0	0	0	0	0	18,324
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	17,117
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	72,233
<u>Public Works Grants</u>						
Bridge Program	0	82,780	0	0	0	82,780
State Aid Program	0	157,754	0	0	0	157,754
Litter Program	0	0	0	0	0	24,869
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	489,247
Mixed Drink Tax	0	0	0	0	0	5,439
Contracted Prisoner Boarding	0	0	0	0	0	93,632
Gasoline and Motor Fuel Tax	0	1,544,297	0	0	0	1,544,297
Petroleum Special Tax	0	31,442	0	0	0	31,442
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Revenues	0	0	0	0	0	413
Total State of Tennessee	\$ 0	\$ 1,816,273	\$ 0	\$ 0	\$ 0	\$ 2,617,987
<u>Federal Government</u>						
<u>Federal Through State</u>						
Civil Defense Reimbursement	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,000
Homeland Security Grants	0	0	0	0	0	210,463
Law Enforcement Grants	0	0	0	0	0	44,263
Other Federal through State	0	0	0	0	0	25,651

(Continued)

Exhibit K-5

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

	Special Revenue Funds		Debt Service Funds		Capital Projects Fund	
	Constitu- tional Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Total
<u>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Public Safety Partnership and Community Policing - COPS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 279,475
Other Direct Federal Revenue	0	0	0	0	0	8,700
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 578,552
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,600
Contributions	0	0	0	189,000	0	209,402
Contracted Services	0	0	125,684	0	34,000	349,782
<u>Citizens Groups</u>						
Donations	0	0	0	0	0	11,222
<u>Other</u>						
Other	0	0	0	0	19,384	25,084
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 125,684	\$ 189,000	\$ 53,384	\$ 598,090
Total	\$ 37	\$ 2,213,181	\$ 1,666,301	\$ 246,372	\$ 374,239	\$ 17,210,376

Exhibit K-6

Loudon County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Loudon County School Department
For the Year Ended June 30, 2005

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 5,449,916	\$ 0	\$ 5,449,916
Trustee's Collections - Prior Year	141,420	0	141,420
Trustee's Collections - Bankruptcy	449	0	449
Circuit/Clerk & Master Collections - Prior Years	78,411	0	78,411
Interest and Penalty	29,603	0	29,603
Payments in Lieu of Taxes - Other	2,028	0	2,028
<u>County Local Option Taxes</u>			
Local Option Sales Tax	2,956,128	0	2,956,128
Business Tax	100,363	0	100,363
<u>Statutory Local Taxes</u>			
Bank Excise Tax	9,941	0	9,941
Interstate Telecommunications Tax	7,480	0	7,480
Total Local Taxes	\$ 8,775,739	\$ 0	\$ 8,775,739
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,539	\$ 0	\$ 1,539
Total Licenses and Permits	\$ 1,539	\$ 0	\$ 1,539
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
School Based Health Services - FFS	\$ 4,307	\$ 0	\$ 4,307
Receipts from Individual Schools	764,550	0	764,550
Total Charges for Current Services	\$ 768,857	\$ 0	\$ 768,857
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 2,890	\$ 0	\$ 2,890
Miscellaneous Refunds	244,115	0	244,115
<u>Nonrecurring Items</u>			
Insurance Recovery	9,498	0	9,498
<u>Other Local Revenues</u>			
Other Local Revenues	15,000	0	15,000
Total Other Local Revenues	\$ 271,503	\$ 0	\$ 271,503
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 15,538,618	\$ 0	\$ 15,538,618
School Food Service	26,752	0	26,752
Driver Education	2,700	0	2,700
Other State Education Funds	183,262	0	183,262
Career Ladder Program	263,270	0	263,270
Career Ladder - Extended Contract	191,191	0	191,191
<u>Other State Revenues</u>			
Income Tax	60,000	0	60,000
Beer Tax	11,467	0	11,467
Alcoholic Beverage Tax	24,720	0	24,720
Mixed Drink Tax	3,727	0	3,727

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Total
<u>State of Tennessee (Cont.)</u>			
<u>Other State Revenues (Cont.)</u>			
State Revenue Sharing - T.V.A.	\$ 756,673	\$ 0	\$ 756,673
Other State Grants	214,698	0	214,698
Total State of Tennessee	<u>\$ 17,277,078</u>	<u>\$ 0</u>	<u>\$ 17,277,078</u>
<u>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 659,940	\$ 0	\$ 659,940
Breakfast	218,496	0	218,496
USDA - Other	5,363	0	5,363
Vocational Education - Basic Grants to States	0	84,946	84,946
Other Vocational	20,000	0	20,000
Title I Grants to Local Education Agencies	0	471,380	471,380
Innovative Education Program Strategies	0	21,251	21,251
Special Education - Grants to States	18,733	839,480	858,213
Special Education Preschool Grants	0	16,744	16,744
Eisenhower Professional Development State Grants	0	215,634	215,634
Other Federal through State	726,407	48,792	775,199
<u>Direct Federal Revenue</u>			
ROTC Reimbursement	49,005	0	49,005
Total Federal Government	<u>\$ 1,697,944</u>	<u>\$ 1,698,227</u>	<u>\$ 3,396,171</u>
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 930	\$ 0	\$ 930
Total Other Governments and Citizens Groups	<u>\$ 930</u>	<u>\$ 0</u>	<u>\$ 930</u>
Total	<u>\$ 28,793,590</u>	<u>\$ 1,698,227</u>	<u>\$ 30,491,817</u>

Exhibit K-7

Loudon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2005

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	60,000	
Social Security		3,639	
State Retirement		3,135	
Employer Medicare		851	
Audit Services		9,484	
Dues and Memberships		6,667	
Travel		1,025	
Other Contracted Services		47,531	
Office Supplies		2,979	
Other Supplies and Materials		3,881	
Total County Commission			\$ 139,192

Board of Equalization

Board and Committee Members Fees	\$	980	
Total Board of Equalization			980

Beer Board

Board and Committee Members Fees	\$	2,195	
Total Beer Board			2,195

Other Boards and Committees

Board and Committee Members Fees	\$	6,700	
Total Other Boards and Committees			6,700

County Mayor

County Official/Administrative Officer	\$	73,055	
Secretary(s)		35,000	
Social Security		6,641	
State Retirement		8,364	
Employer Medicare		1,553	
Communication		2,675	
Dues and Memberships		1,700	
Maintenance & Repair Services- Vehicles		1,012	
Travel		2,213	
Gasoline		439	
Office Supplies		1,820	
Premiums on Corporate Surety Bonds		175	
Total County Mayor			134,647

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

Legal Services	\$	97,511	
Other Contracted Services		131,116	
Total County Attorney			\$ 228,627

Election Commission

County Official/Administrative Officer	\$	43,175	
Secretary(s)		32,234	
Election Commission		12,000	
Election Workers		30,665	
Social Security		5,373	
State Retirement		5,864	
Employer Medicare		1,257	
Communication		4,866	
Dues and Memberships		225	
Maintenance & Repair Services- Equipment		1,747	
Printing, Stationery, and Forms		3,076	
Travel		4,214	
Other Contracted Services		15,132	
Office Supplies		11,158	
Office Equipment		411	
Total Election Commission			171,397

Register of Deeds

County Official/Administrative Officer	\$	53,969	
Clerical Personnel		101,800	
Social Security		9,238	
State Retirement		12,057	
Employer Medicare		2,161	
Communication		1,697	
Dues and Memberships		536	
Travel		899	
Other Contracted Services		21,666	
Office Supplies		11,172	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			215,295

Development

County Official/Administrative Officer	\$	36,204	
Board and Committee Members Fees		2,000	
In-Service Training		3,130	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Development (Cont.)

Communication	\$	464	
Dues and Memberships		1,039	
Travel		480	
Other Contracted Services		6,551	
Office Supplies		821	
Other Supplies and Materials		78	
Office Equipment		235	
Total Development			\$ 51,002

Planning

County Official/Administrative Officer	\$	61,117	
Secretary(s)		49,640	
In-Service Training		1,329	
Social Security		6,774	
State Retirement		8,281	
Employer Medicare		1,584	
Communication		3,343	
Engineering Services		5,700	
Maintenance & Repair Services- Vehicles		1,834	
Travel		2,251	
Gasoline		692	
Office Supplies		5,813	
Utilities		2,333	
Other Charges		3,892	
Office Equipment		2,314	
Total Planning			156,897

Engineering

Engineering Services	\$	1,800	
Total Engineering			1,800

Geographical Information Systems

Supervisor/Director	\$	32,042	
Social Security		1,919	
State Retirement		2,480	
Employer Medicare		449	
Other Contracted Services		1,800	
Office Supplies		222	
Total Geographical Information Systems			38,912

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Supervisor/Director	\$	42,451	
Laborers		257,232	
Custodial Personnel		21,598	
Other Salaries & Wages		3,713	
Social Security		19,264	
State Retirement		24,611	
Employer Medicare		4,505	
Communication		51,381	
Operating Lease Payments		48,299	
Maintenance & Repair Services- Buildings		47,843	
Maintenance & Repair Services- Equipment		1,130	
Maintenance & Repair Services- Vehicles		1,341	
Pest Control		5,558	
Other Contracted Services		82,521	
Custodial Supplies		5,971	
Duplicating Supplies		6,469	
Gasoline		11,123	
Office Supplies		610	
Tires and Tubes		583	
Uniforms		4,753	
Utilities		172,077	
Other Supplies and Materials		877	
Maintenance Equipment		1,659	
Motor Vehicles		17,633	
Total County Buildings			\$ 833,202

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	55,145
Accountants/Bookkeepers		181,808
In-Service Training		2,471
Social Security		14,325
State Retirement		18,340
Employer Medicare		3,350
Communication		5,056
Data Processing Services		9,985
Dues and Memberships		35
Travel		2,201
Other Contracted Services		200
Office Supplies		12,087

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Premiums on Corporate Surety Bonds	\$ 100	
Total Accounting and Budgeting		\$ 305,103

Purchasing

County Official/Administrative Officer	\$ 24,866	
Secretary(s)	34,556	
In-Service Training	456	
Social Security	3,656	
State Retirement	4,599	
Employer Medicare	855	
Advertising	591	
Communication	2,014	
Dues and Memberships	390	
Travel	341	
Other Contracted Services	2,151	
Office Supplies	1,637	
Premiums on Corporate Surety Bonds	175	
Office Equipment	1,157	
Total Purchasing		77,444

Property Assessor's Office

County Official/Administrative Officer	\$ 53,969	
Secretary(s)	140,073	
In-Service Training	180	
Social Security	11,759	
State Retirement	14,731	
Employer Medicare	2,750	
Communication	4,391	
Data Processing Services	7,396	
Dues and Memberships	1,290	
Maintenance & Repair Services- Vehicles	892	
Travel	1,976	
Other Contracted Services	64,641	
Gasoline	1,883	
Office Supplies	5,941	
Premiums on Corporate Surety Bonds	100	
Office Equipment	2,360	
Total Property Assessor's Office		314,332

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

County Official/Administrative Officer	\$	53,969	
Clerical Personnel		78,459	
Social Security		7,979	
State Retirement		9,471	
Employer Medicare		1,866	
Communication		2,685	
Data Processing Services		3,151	
Dues and Memberships		646	
Printing, Stationery, and Forms		1,415	
Travel		1,639	
Other Contracted Services		16,072	
Office Supplies		12,421	
Premiums on Corporate Surety Bonds		4,923	
Office Equipment		18,249	
Total County Trustee's Office			\$ 212,945

County Clerk's Office

County Official/Administrative Officer	\$	53,969	
Clerical Personnel		172,914	
Social Security		13,203	
State Retirement		16,408	
Employer Medicare		3,088	
Communication		4,326	
Dues and Memberships		486	
Other Contracted Services		10,294	
Office Supplies		10,486	
Premiums on Corporate Surety Bonds		250	
Office Equipment		22,730	
Total County Clerk's Office			308,154

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	53,969
Clerical Personnel		46,780
Other Salaries & Wages		1,162
In-Service Training		481
Social Security		6,250
State Retirement		7,888
Employer Medicare		1,462
Communication		1,494

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Dues and Memberships	\$	541	
Printing, Stationery, and Forms		1,134	
Travel		1,639	
Other Contracted Services		8,735	
Office Supplies		4,651	
Judgments		234	
Premiums on Corporate Surety Bonds		250	
Office Equipment		690	
Total Circuit Court			\$ 137,360

General Sessions Court

Clerical Personnel	\$	144,366	
Other Salaries & Wages		2,930	
In-Service Training		135	
Social Security		9,198	
State Retirement		10,021	
Employer Medicare		2,056	
Communication		972	
Dues and Memberships		100	
Printing, Stationery, and Forms		4,169	
Travel		693	
Other Contracted Services		11,183	
Office Supplies		8,740	
Office Equipment		303	
Total General Sessions Court			194,866

General Sessions Judge

County Official/Administrative Officer	\$	107,405	
Clerical Personnel		42,943	
Social Security		8,093	
State Retirement		11,637	
Employer Medicare		2,139	
Communication		1,437	
Dues and Memberships		195	
Travel		2,079	
Other Contracted Services		2,846	
Office Supplies		341	
Total General Sessions Judge			179,115

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court

County Official/Administrative Officer	\$	53,969	
Clerical Personnel		49,317	
In-Service Training		200	
Social Security		6,206	
State Retirement		7,994	
Employer Medicare		1,451	
Communication		1,855	
Dues and Memberships		541	
Postal Charges		4,999	
Travel		1,187	
Office Supplies		4,532	
Premiums on Corporate Surety Bonds		250	
Office Equipment		2,107	
Total Chancery Court			\$ 134,608

Juvenile Court

County Official/Administrative Officer	\$	55,854	
Social Workers		174,040	
In-Service Training		1,319	
Social Security		13,938	
State Retirement		16,768	
Employer Medicare		3,260	
Communication		7,628	
Maintenance & Repair Services- Vehicles		1,292	
Travel		4,802	
Other Contracted Services		24,170	
Gasoline		2,046	
Office Supplies		1,414	
Other Supplies and Materials		1,443	
Other Charges		22,162	
Total Juvenile Court			330,136

Other Administration of Justice

Jury and Witness Fees	\$	16,505	
Other Contracted Services		6,879	
Total Other Administration of Justice			23,384

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	64,344	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Assistant(s)	\$	51,995	
Deputy(ies)		1,021,439	
Investigator(s)		116,092	
Captain(s)		85,686	
Sergeant(s)		120,178	
Computer Programmer(s)		53,418	
Secretary(s)		55,663	
Other Salaries & Wages		37,787	
In-Service Training		2,775	
Social Security		97,136	
State Retirement		119,573	
Employer Medicare		22,717	
Communication		17,706	
Data Processing Services		699	
Dues and Memberships		1,500	
Maintenance & Repair Services- Vehicles		58,461	
Travel		5,849	
Other Contracted Services		7,358	
Drugs and Medical Supplies		24,610	
Gasoline		116,046	
Office Supplies		15,998	
Tires and Tubes		16,275	
Uniforms		10,187	
Other Supplies and Materials		3,083	
Liability Insurance		20,000	
Premiums on Corporate Surety Bonds		125	
Vehicle and Equipment Insurance		21,000	
Communication Equipment		3,205	
Office Equipment		21,590	
Total Sheriff's Department		<u>21,590</u>	\$ 2,192,495

Special Patrols

Contributions	\$	<u>10,000</u>	
Total Special Patrols			10,000

Traffic Control

Utilities	\$	<u>1,401</u>	
Total Traffic Control			1,401

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Drug Enforcement

In-Service Training	\$	41,073	
Social Security		2,538	
State Retirement		3,179	
Employer Medicare		594	
Total Drug Enforcement			\$ 47,384

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$	106	
Total Administration of the Sexual Offender Registry			106

Jail

Guards	\$	639,274	
Cafeteria Personnel		26,780	
Social Security		40,656	
State Retirement		50,104	
Employer Medicare		9,508	
Travel		189	
Other Contracted Services		10,852	
Custodial Supplies		7,661	
Drugs and Medical Supplies		55,326	
Food Supplies		60,635	
Office Supplies		3,044	
Uniforms		7,754	
Other Supplies and Materials		6,714	
Total Jail			918,497

Civil Defense

County Official/Administrative Officer	\$	38,000	
Secretary(s)		21,464	
Other Salaries & Wages		505	
Social Security		3,624	
State Retirement		4,642	
Employer Medicare		848	
Communication		2,581	
Maintenance & Repair Services- Vehicles		651	
Travel		520	
Other Contracted Services		1,031	
Gasoline		1,347	
Office Supplies		1,315	
Uniforms		909	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense (Cont.)

Other Charges	\$ 331,987	
Total Civil Defense		\$ 409,424

Rescue Squad

Contributions	\$ 65,000	
Other Contracted Services	12,000	
Total Rescue Squad		77,000

Inspection and Regulation

County Official/Administrative Officer	\$ 36,139	
Assistant(s)	19,925	
Secretary(s)	290	
Social Security	3,472	
State Retirement	4,242	
Employer Medicare	812	
Communication	2,190	
Dues and Memberships	100	
Maintenance & Repair Services- Vehicles	347	
Travel	315	
Gasoline	735	
Office Supplies	1,643	
Office Equipment	154	
Total Inspection and Regulation		70,364

County Coroner/Medical Examiner

Medical Personnel	\$ 6,500	
Total County Coroner/Medical Examiner		6,500

Public Safety Grant Programs

Other Charges	\$ 214,479	
Total Public Safety Grant Programs		214,479

Other Public Safety

County Official/Administrative Officer	\$ 35,024
Deputy(ies)	34,403
Dispatchers/Radio Operators	363,845
In-Service Training	5,904
Social Security	26,708
State Retirement	29,815
Employer Medicare	6,246

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Communication	\$	2,603	
Travel		3,768	
Other Contracted Services		8,582	
Office Supplies		6,040	
Uniforms		2,496	
Total Other Public Safety			\$ 525,434

Public Health and Welfare

Local Health Center

Assistant(s)	\$	15,441	
Social Security		947	
State Retirement		1,195	
Employer Medicare		221	
Contributions		17,876	
Other Contracted Services		8,407	
Total Local Health Center			44,087

Rabies and Animal Control

Other Salaries & Wages	\$	78,027	
Social Security		4,810	
State Retirement		5,430	
Employer Medicare		1,125	
Communication		3,254	
Maintenance & Repair Services- Vehicles		672	
Rentals		5,964	
Travel		446	
Veterinary Services		14,859	
Animal Food and Supplies		67	
Custodial Supplies		998	
Gasoline		2,922	
Office Supplies		490	
Tires and Tubes		404	
Uniforms		1,280	
Utilities		4,818	
Other Supplies and Materials		1,787	
In Service/Staff Development		300	
Total Rabies and Animal Control			127,653

Other Local Health Services

Other Salaries & Wages	\$	74,757	
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(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Health Services (Cont.)

Social Security	\$	4,621	
State Retirement		5,786	
Employer Medicare		1,081	
Travel		1,967	
Total Other Local Health Services			\$ 88,212

Sanitation Management

Supervisor/Director	\$	22,072	
Social Security		1,369	
State Retirement		1,708	
Employer Medicare		320	
Other Supplies and Materials		5,687	
Other Charges		6,615	
Total Sanitation Management			37,771

Social, Cultural, and Recreational Services

Adult Activities

Assistant(s)	\$	15,447	
Social Security		958	
State Retirement		1,196	
Employer Medicare		224	
Contributions		5,200	
Total Adult Activities			23,025

Senior Citizens Assistance

Assistant(s)	\$	28,309	
Secretary(s)		23,171	
Other Salaries & Wages		43,946	
Social Security		5,650	
State Retirement		6,664	
Employer Medicare		1,321	
Communication		3,268	
Maintenance & Repair Services- Vehicles		104	
Travel		1,639	
Other Contracted Services		3,186	
Gasoline		1,105	
Office Supplies		1,238	
Utilities		3,601	
Office Equipment		300	
Total Senior Citizens Assistance			123,502

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries

Clerical Personnel	\$	130,795	
Social Security		7,569	
State Retirement		8,138	
Employer Medicare		1,770	
Total Libraries			\$ 148,272

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	94,760	
State Retirement		17,500	
Communication		6,596	
Other Contracted Services		1,673	
Office Supplies		163	
Total Agriculture Extension Service			120,692

Forest Service

Contributions	\$	1,000	
Total Forest Service			1,000

Soil Conservation

Clerical Personnel	\$	9,585	
Social Security		594	
Employer Medicare		139	
Communication		562	
Other Contracted Services		2,000	
Total Soil Conservation			12,880

Flood Control

Contributions	\$	2,000	
Total Flood Control			2,000

Other Operations

Tourism

Contributions	\$	117,091	
Total Tourism			117,091

Industrial Development

Other Salaries & Wages	\$	131,445	
Social Security		8,129	
State Retirement		8,929	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development (Cont.)

Employer Medicare	\$	1,901	
Contracts with Private Agencies		9,600	
Contributions		119,772	
Total Industrial Development			\$ 279,776

Housing and Urban Development

Contributions	\$	500	
Total Housing and Urban Development			500

Veterans' Services

Other Salaries & Wages	\$	5,808	
Social Security		360	
Employer Medicare		84	
Contributions		1,224	
Total Veterans' Services			7,476

Contributions to Other Agencies

Contributions	\$	75,000	
Total Contributions to Other Agencies			75,000

Employee Benefits

Employee and Dependent Insurance	\$	1,309,778	
Unemployment Compensation		10,467	
Workers' Compensation Insurance		61,782	
Fines, Assessments and Penalties		1,873	
Total Employee Benefits			1,383,900

Miscellaneous

Building and Contents Insurance	\$	274,700	
Trustee's Commission		151,077	
Total Miscellaneous			425,777

Total General Fund \$ 11,689,991

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Library Books/Media	\$	5,816	
Trustee's Commission		65	
Total Libraries			\$ 5,881

Total Law Library Fund 5,881

(Continued)

Exhibit K-7

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

Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Supervisor/Director	\$	19,506	
Laborers		181,353	
Other Salaries & Wages		4,000	
Social Security		12,431	
State Retirement		12,182	
Employer Medicare		2,908	
Communication		3,764	
Contracts with Private Agencies		253,616	
Maintenance & Repair Services- Equipment		6,337	
Maintenance & Repair Services- Vehicles		208	
Other Contracted Services		5,575	
Custodial Supplies		1,325	
Fuel Oil		478	
Uniforms		2,989	
Utilities		4,999	
Other Supplies and Materials		7,464	
Furniture and Fixtures		1,250	
Total Sanitation Education/Information			\$ 520,385

Total Solid Waste/Sanitation Fund \$ 520,385

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Contracted Services	\$	1,597	
Total Industrial Development			\$ 1,597

Miscellaneous

Trustee's Commission	\$	72	
Total Miscellaneous			72

Total Industrial/Economic Development Fund 1,669

Drug Control Fund

Public Health and Welfare

Alcohol and Drug Programs

Other Salaries & Wages	\$	5,860	
Social Security		363	
State Retirement		454	
Employer Medicare		85	

(Continued)

Exhibit K-7

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

Drug Control Fund (Cont.)

Public Health and Welfare (Cont.)

Alcohol and Drug Programs (Cont.)

Advertising	\$	1,625	
Communication		1,576	
Contributions		14,800	
Dues and Memberships		465	
Maintenance & Repair Services- Vehicles		3,138	
Travel		4,110	
Veterinary Services		967	
Other Contracted Services		2,903	
Animal Food and Supplies		382	
Law Enforcement Supplies		10,593	
Other Supplies and Materials		1,148	
Trustee's Commission		560	
In Service/Staff Development		2,649	
Other Charges		20,076	
Law Enforcement Equipment		8,525	
Office Equipment		7,180	
Total Alcohol and Drug Programs		<u>87,459</u>	\$ <u>87,459</u>

Total Drug Control Fund \$ 87,459

Other Special Revenue Fund

Public Safety

Sheriff's Department

Law Enforcement Supplies	\$	5,468	
Other Supplies and Materials		6,336	
Total Sheriff's Department		<u>11,804</u>	\$ <u>11,804</u>

Total Other Special Revenue Fund 11,804

Constitutional Officers - Fees Fund

Finance

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	37	
Total County Clerk's Office		<u>37</u>	\$ <u>37</u>

Total Constitutional Officers - Fees Fund 37

(Continued)

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

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,365	
Foremen		68,829	
Mechanic(s)		57,797	
Equipment Operators		160,655	
Truck Drivers		195,378	
Secretary(s)		28,206	
Clerical Personnel		21,630	
Overtime Pay		13,198	
In-Service Training		190	
Advertising		260	
Dues and Memberships		2,762	
Legal Services		1,248	
Maintenance & Repair Services- Office Equipment		95	
Postal Charges		275	
Printing, Stationery, and Forms		66	
Travel		1,598	
Office Supplies		834	
Office Equipment		1,151	
Total Administration			\$ 613,537

Highway and Bridge Maintenance

Engineering Services	\$	3,678	
Explosive and Drilling Services		150	
Rentals		773	
Other Contracted Services		28,738	
Asphalt - Cold Mix		7,807	
Asphalt - Hot Mix		353,521	
Concrete		576	
Crushed Stone		9,602	
Pipe		24,038	
Road Signs		10,930	
Chemicals		787	
Total Highway and Bridge Maintenance			440,600

Operation and Maintenance of Equipment

Maintenance & Repair Services- Vehicles	\$	3,590	
Tow-in Services		1,040	
Disposal Fees		39	
Diesel Fuel		31,631	
Equipment Parts - Heavy		10,080	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Equipment Parts - Light	\$	62,746	
Gasoline		20,301	
Lubricants		2,677	
Tires and Tubes		8,378	
Other Supplies and Materials		12,690	
Other Charges		680	
Total Operation and Maintenance of Equipment			\$ 153,852

Other Charges

Communication	\$	2,259	
Pest Control		360	
Other Contracted Services		10,596	
Drugs and Medical Supplies		288	
Electricity		8,409	
Garage Supplies		3,859	
Ice		304	
Uniforms		9,028	
Liability Insurance		74,000	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		25,338	
Total Other Charges			134,791

Employee Benefits

Social Security	\$	36,241	
State Retirement		47,514	
Employee and Dependent Insurance		2,251	
Life Insurance		1,959	
Medical Insurance		148,049	
Dental Insurance		8,956	
Disability Insurance		2,410	
Unemployment Compensation		2,004	
Employer Medicare		8,476	
Workers' Compensation Insurance		52,110	
Total Employee Benefits			309,970

Capital Outlay

Matching Share	\$	45,997	
Bridge Construction		74,055	
Highway Equipment		1,753	
State Aid Projects		157,753	
Total Capital Outlay			279,558

Total Highway/Public Works Fund \$ 1,932,308

(Continued)

Exhibit K-7

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

General Debt Service Fund

Principal

General Government

Principal on Bonds	\$ 264,000	
Principal on Other Loans Payable	588,000	
Total General Government	<u>852,000</u>	\$ 852,000

Interest

General Government

Interest on Bonds	\$ 246,174	
Interest on Other Loans Payable	179,537	
Total General Government	<u>425,711</u>	425,711

Other Debt Service

General Government

Trustee's Commission	\$ 31,942	
Other Debt Service	133,905	
Total General Government	<u>165,847</u>	165,847

Total General Debt Service Fund \$ 1,443,558

Education Debt Service Fund

Principal

Education

Principal on Bonds	\$ 205,000	
Total Education	<u>205,000</u>	\$ 205,000

Interest

Education

Interest on Bonds	\$ 14,725	
Interest on Other Loans Payable	260,180	
Total Education	<u>274,905</u>	274,905

Other Debt Service

Education

Trustee's Commission	\$ 235	
Other Debt Service	483	
Total Education	<u>718</u>	718

Total Education Debt Service Fund 480,623

(Continued)

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

General Capital Projects Fund

Administration of Justice

Juvenile Court

Engineering Services	\$	37,486	
Legal Notices, Recording, and Court Costs		106	
Other Contracted Services		2,250	
Building Construction		187,899	
Land		1,000	
Other Capital Outlay		83,496	
Total Juvenile Court			\$ 312,237

Public Safety

Jail

Engineering Services	\$	3,118	
Building Construction		389,158	
Total Jail			392,276

Public Safety Grant Programs

Engineering Services	\$	3,900	
Total Public Safety Grant Programs			3,900

Public Health and Welfare

Local Health Center

Engineering Services	\$	1,644	
Building Construction		55,776	
Furniture and Fixtures		13,018	
Total Local Health Center			70,438

Convenience Centers

Engineering Services	\$	15,312	
Utilities		1,705	
Other Construction		348,511	
Total Convenience Centers			365,528

Other Public Health and Welfare

Other Contracted Services	\$	28,564	
Other Supplies and Materials		80	
Total Other Public Health and Welfare			28,644

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Engineering Services	\$	35,473	
Legal Notices, Recording, and Court Costs		109	
Total Senior Citizens Assistance			35,582

(Continued)

Exhibit K-7

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

General Capital Projects Fund (Cont.)

Other Operations

Miscellaneous

Trustee's Commission	\$ 5,856	
Total Miscellaneous		\$ 5,856

Other Debt Service

General Government

Other Debt Issuance Charges	\$ 35,206	
Total General Government		35,206

Capital Projects

Administration of Justice Projects

Engineering Services	\$ 5,621	
Total Administration of Justice Projects		5,621

Public Utility Projects

Contributions	\$ 12,781	
Engineering Services	5,623	
Legal Services	9,417	
Legal Notices, Recording, and Court Costs	342	
Other Construction	478,533	
Total Public Utility Projects		506,696

Other General Government Projects

Engineering Services	\$ 1,858	
Other Contracted Services	16,589	
Other Charges	7,825	
Total Other General Government Projects		26,272

Total General Capital Projects Fund		\$ 1,788,256
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Highway Capital Projects Fund

Highways

Capital Outlay

Highway Construction	\$ 228,121	
Total Capital Outlay		\$ 228,121

Total Highway Capital Projects Fund		228,121
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Total Governmental Funds - Primary Government		<u>\$ 18,190,092</u>
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Exhibit K-8

Loudon County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Loudon County School Department
For the Year Ended June 30, 2005

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 10,740,481	
Career Ladder Program	176,813	
Career Ladder Extended Contracts	146,000	
Educational Assistants	772,280	
Other Salaries & Wages	167,557	
Certified Substitute Teachers	167,805	
Social Security	728,242	
State Retirement	666,785	
Life Insurance	58,338	
Medical Insurance	1,581,778	
Dental Insurance	100,053	
Unemployment Compensation	6,189	
Employer Medicare	170,307	
Maintenance & Repair Services- Equipment	49,374	
Other Contracted Services	185,982	
Instructional Supplies and Materials	515,284	
Textbooks	245,019	
Other Supplies and Materials	10,000	
Other Charges	39,473	
Regular Instruction Equipment	99,339	
Total Regular Instruction Program		\$ 16,627,099

Special Education Program

Teachers	\$ 857,246	
Career Ladder Program	10,125	
Educational Assistants	59,075	
Other Salaries & Wages	20,495	
Certified Substitute Teachers	21,138	
Social Security	59,657	
State Retirement	52,971	
Life Insurance	4,984	
Medical Insurance	135,898	
Dental Insurance	6,932	
Employer Medicare	13,952	
Other Contracted Services	172,108	
Instructional Supplies and Materials	13,020	
Other Charges	16,742	
Total Special Education Program		1,444,343

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Instruction (Cont.)

Vocational Education Program

Teachers	\$	604,380	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		3,000	
Educational Assistants		22,427	
Certified Substitute Teachers		9,978	
Social Security		38,476	
State Retirement		35,802	
Life Insurance		3,010	
Medical Insurance		108,521	
Dental Insurance		5,016	
Employer Medicare		8,998	
Instructional Supplies and Materials		72,225	
Total Vocational Education Program			\$ 921,833

Support Services

Attendance

Travel	\$	14,576	
Other Contracted Services		24,000	
Other Supplies and Materials		500	
Other Charges		13,373	
Total Attendance			52,449

Health Services

Medical Personnel	\$	33,438	
Social Security		2,044	
State Retirement		2,588	
Life Insurance		294	
Dental Insurance		188	
Employer Medicare		478	
Other Contracted Services		3,000	
Drugs and Medical Supplies		4,869	
Other Supplies and Materials		4,410	
Total Health Services			51,309

Other Student Support

Career Ladder Program	\$	8,000	
Guidance Personnel		422,345	
Career Ladder Extended Contracts		4,000	
Clerical Personnel		80,135	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Student Support (Cont.)

Social Security	\$	30,924	
State Retirement		30,366	
Life Insurance		1,540	
Medical Insurance		49,185	
Dental Insurance		2,725	
Employer Medicare		7,232	
Evaluation and Testing		19,191	
Other Contracted Services		24,250	
Other Charges		284,871	
Other Equipment		870	
Total Other Student Support	\$		965,634

Regular Instruction Program

Supervisor/Director	\$	259,213	
Career Ladder Program		11,000	
Career Ladder Extended Contracts		4,000	
Librarians		352,399	
Instructional Computer Personnel		118,964	
Secretary(s)		208,671	
Other Salaries & Wages		28,419	
Social Security		59,584	
State Retirement		61,945	
Life Insurance		4,564	
Medical Insurance		119,672	
Dental Insurance		6,479	
Employer Medicare		13,934	
Maintenance & Repair Services- Equipment		5,000	
Travel		8,566	
Other Contracted Services		48,421	
Library Books/Media		38,672	
Other Supplies and Materials		906	
In Service/Staff Development		97,866	
Other Charges		2,990	
Other Equipment		4,000	
Total Regular Instruction Program			1,455,265

Special Education Program

Supervisor/Director	\$	64,900	
Career Ladder Program		4,000	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Special Education Program (Cont.)

Psychological Personnel	\$	127,661	
Career Ladder Extended Contracts		2,000	
Social Security		12,414	
State Retirement		11,031	
Life Insurance		658	
Medical Insurance		14,574	
Dental Insurance		871	
Employer Medicare		2,903	
Travel		5,995	
Total Special Education Program			\$ 247,007

Vocational Education Program

Career Ladder Program	\$	2,000	
Career Ladder Extended Contracts		2,000	
Clerical Personnel		25,549	
Other Salaries & Wages		55,128	
Social Security		5,187	
State Retirement		5,230	
Life Insurance		462	
Medical Insurance		13,499	
Dental Insurance		760	
Employer Medicare		1,213	
Travel		1,298	
In Service/Staff Development		692	
Total Vocational Education Program			113,018

Other Programs

Supervisor/Director	\$	56,719	
Certified Substitute Teachers		450	
Social Security		3,017	
State Retirement		3,433	
Life Insurance		308	
Medical Insurance		8,970	
Dental Insurance		530	
Employer Medicare		706	
Communication		368	
Travel		2,920	
Other Contracted Services		5,313	
Instructional Supplies and Materials		784	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Other Programs (Cont.)

In Service/Staff Development	\$ 5,443	
Total Other Programs		\$ 88,961

Board of Education

Board and Committee Members Fees	\$ 35,040	
Social Security	2,173	
State Retirement	1,316	
Life Insurance	927	
Dental Insurance	1,303	
Employer Medicare	508	
Audit Services	8,625	
Dues and Memberships	13,018	
Legal Services	1,956	
Other Contracted Services	4,927	
Liability Insurance	20,000	
Trustee's Commission	191,834	
Workers' Compensation Insurance	154,399	
Total Board of Education		436,026

Director of Schools

County Official/Administrative Officer	\$ 88,000	
Career Ladder Program	1,000	
Secretary(s)	35,078	
Social Security	7,360	
State Retirement	7,610	
Life Insurance	308	
Medical Insurance	12,000	
Dental Insurance	510	
Employer Medicare	1,721	
Communication	19,224	
Postal Charges	1,790	
Travel	21,115	
Other Contracted Services	12,960	
Office Supplies	1,933	
Other Charges	8,094	
Total Director of Schools		218,703

Office of the Principal

Principals	\$ 528,277	
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(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Office of the Principal (Cont.)

Career Ladder Program	\$	9,000	
Career Ladder Extended Contracts		7,000	
Social Security		32,705	
State Retirement		29,956	
Life Insurance		1,344	
Medical Insurance		55,304	
Dental Insurance		2,321	
Employer Medicare		7,649	
Communication		47,973	
Other Contracted Services		5,963	
Other Charges		1,858	
Total Office of the Principal			\$ 729,350

Fiscal Services

Accountants/Bookkeepers	\$	45,080	
Other Salaries & Wages		1,800	
Social Security		2,904	
State Retirement		3,602	
Life Insurance		154	
Medical Insurance		4,500	
Dental Insurance		251	
Employer Medicare		679	
Total Fiscal Services			58,970

Operation of Plant

Custodial Personnel	\$	462,498	
Other Salaries & Wages		33,390	
Social Security		26,525	
State Retirement		31,189	
Life Insurance		2,213	
Medical Insurance		53,627	
Dental Insurance		3,559	
Employer Medicare		6,204	
Janitorial Services		11,817	
Other Contracted Services		254,307	
Custodial Supplies		49,836	
Electricity		603,999	
Natural Gas		105,703	
Water and Sewer		70,146	

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)

Support Services (Cont.)

Operation of Plant (Cont.)

Building and Contents Insurance	\$ 146,950	
Other Charges	1,500	
Total Operation of Plant		\$ 1,863,463

Maintenance of Plant

Maintenance & Repair Services- Buildings	\$ 130,859	
Equipment and Machinery Parts	7,500	
Total Maintenance of Plant		138,359

Transportation

Contracts with Parents	\$ 15,028	
Contracts with Vehicle Owners	989,101	
Travel	2,208	
Vehicle and Equipment Insurance	19,850	
Other Charges	8,280	
Total Transportation		1,034,467

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 50,459	
Clerical Personnel	31,259	
Cafeteria Personnel	610,300	
Social Security	40,555	
State Retirement	43,284	
Life Insurance	3,099	
Medical Insurance	75,157	
Dental Insurance	5,916	
Employer Medicare	9,485	
Payments to Schools - Breakfast	221,216	
Payments to Schools - Lunch	662,315	
Payments to Schools - Other	565	
Travel	1,162	
Other Contracted Services	330	
Food Supplies	110,888	
In Service/Staff Development	816	
Other Charges	8,219	
Total Food Service		1,875,025

(Continued)

Exhibit K-8

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

<u>General Purpose School Fund (Cont.)</u>			
<u>Operation of Non-Instructional Services (Cont.)</u>			
<u>Community Services</u>			
Supervisor/Director	\$	39,355	
Clerical Personnel		33,855	
Other Salaries & Wages		52,790	
Social Security		7,502	
State Retirement		7,735	
Life Insurance		439	
Medical Insurance		10,676	
Dental Insurance		641	
Employer Medicare		1,755	
Travel		3,504	
Other Contracted Services		14,019	
Other Supplies and Materials		10,325	
In Service/Staff Development		568	
Total Community Services			\$ 183,164
<u>Capital Outlay</u>			
<u>Regular Capital Outlay</u>			
Other Capital Outlay	\$	44,913	
Total Regular Capital Outlay			44,913
<u>Other Debt Service</u>			
<u>Education</u>			
Other Debt Service	\$	189,000	
Total Education			189,000
Total General Purpose School Fund			\$ 28,738,358
<u>School Federal Projects Fund</u>			
<u>Instruction</u>			
<u>Regular Instruction Program</u>			
Teachers	\$	463,151	
Educational Assistants		22,947	
Certified Substitute Teachers		4,473	
Social Security		29,891	
State Retirement		26,403	
Life Insurance		2,571	
Medical Insurance		50,140	
Dental Insurance		3,007	
Unemployment Compensation		6,776	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Instruction (Cont.)

Regular Instruction Program (Cont.)

Employer Medicare	\$	6,996	
Other Contracted Services		8,329	
Instructional Supplies and Materials		50,134	
Other Supplies and Materials		13,548	
Other Charges		30,434	
Regular Instruction Equipment		28,448	
Total Regular Instruction Program			\$ 747,248

Special Education Program

Teachers	\$	179,776	
Educational Assistants		278,858	
Other Salaries & Wages		11,500	
Social Security		28,399	
State Retirement		32,240	
Life Insurance		4,704	
Medical Insurance		123,650	
Dental Insurance		6,750	
Employer Medicare		6,644	
Other Contracted Services		102,089	
Instructional Supplies and Materials		21,679	
Total Special Education Program			796,289

Vocational Education Program

Instructional Supplies and Materials	\$	62,399	
T&I Construction Materials		4,687	
Other Supplies and Materials		2,054	
Other Charges		1,900	
Vocational Instruction Equipment		1,197	
Total Vocational Education Program			72,237

Support Services

Other Student Support

Travel	\$	2,166	
In Service/Staff Development		998	
Total Other Student Support			3,164

Regular Instruction Program

Supervisor/Director	\$	27,962	
Secretary(s)		9,378	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)

Support Services (Cont.)

Regular Instruction Program (Cont.)

Other Salaries & Wages	\$	500	
Social Security		2,084	
State Retirement		2,303	
Employer Medicare		488	
Travel		2,032	
Other Contracted Services		24,548	
Other Supplies and Materials		277	
In Service/Staff Development		43,590	
Other Charges		5,370	
Total Regular Instruction Program			\$ 118,532

Special Education Program

In Service/Staff Development	\$	20,000	
Total Special Education Program			20,000

Vocational Education Program

In-Service Training	\$	890	
Travel		1,403	
Total Vocational Education Program			2,293

Transportation

Contracts with Parents	\$	5,000	
Contracts with Vehicle Owners		35,000	
Total Transportation			40,000

Total School Federal Projects Fund \$ 1,799,763

Education Capital Projects Fund

Capital Projects

Education Capital Projects

Architects	\$	6,021	
Other Contracted Services		40,325	
Other Charges		9,498	
Building Construction		575,710	
Furniture and Fixtures		18,475	
Total Education Capital Projects			\$ 650,029

Total Education Capital Projects Fund 650,029

Total Governmental Funds - Loudon County School Department \$ 31,188,150

Exhibit K-9

Loudon County, Tennessee
Schedule of Detailed Receipts, Disbursements, and Changes
in Cash Balances - City Agency Funds
For the Year Ended June 30, 2005

	Cities - Sales Tax Fund	City School ADA - Lenoir City Fund	Total Memorandum Only
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 2,500,903	\$ 2,500,903
Trustee's Collections - Prior Years	0	71,308	71,308
Trustee's Collections - Bankruptcy	0	203	203
Circuit/Clerk and Master Collections - Prior Years	0	35,362	35,362
Interest and Penalty	0	13,606	13,606
Local Option Sales Tax	3,075,559	1,381,408	4,456,967
Business Tax	0	46,131	46,131
Bank Excise Tax	0	4,569	4,569
Interstate Telecommunications Tax	0	5,260	5,260
Beer Tax	0	8,643	8,643
Alcoholic Beverage Tax	0	11,323	11,323
Mixed Drink Tax	0	1,719	1,719
Total Cash Receipts	\$ 3,075,559	\$ 4,080,435	\$ 7,155,994
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,044,803	\$ 3,967,895	\$ 7,012,698
Trustee's Commission	30,756	67,056	97,812
Total Cash Disbursements	\$ 3,075,559	\$ 4,034,951	\$ 7,110,510
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 45,484	\$ 45,484
Cash Balance, July 1, 2004	0	153,216	153,216
Cash Balance, June 30, 2005	\$ 0	\$ 198,700	\$ 198,700

STATISTICAL SECTION

Table 1

Loudon County, Tennessee
Uncollected Taxes Filed in Chancery Court
June 30, 2005

Year	Amount
1996	\$ 142
1997	1,332
1998	2,734
1999	2,440
2000	5,406
2001	7,977
2002	43,359
2003	89,761
Total	\$ 153,151

Table 2

Loudon County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	\$ 0.87	\$ 0.84	\$ 0.67	\$ 0.67	\$ 0.70	\$ 0.70	\$ 0.61	\$ 0.65	\$ 0.65	\$ 0.67
Highway/Public Works	0.04	0.04	0.04	0.04	0.04	0.04	0.03	0.03	0.03	0.03
General Purpose School	1.25	1.25	1.07	1.07	1.07	1.07	0.90	0.90	0.90	0.90
General Debt Service	0.28	0.28	0.23	0.23	0.23	0.23	0.21	0.17	0.17	0.15
General Capital Projects	0.00	0.00	0.05	0.05	0.05	0.05	0.03	0.03	0.03	0.03
Total Inside Tax Rates	\$ 2.44	\$ 2.41	\$ 2.06	\$ 2.06	\$ 2.09	\$ 2.09	\$ 1.78	\$ 1.78	\$ 1.78	\$ 1.78
Education Debt Service	0.17	0.12	0.05	0.05	0.02	0.02	0.02	0.02	0.00	0.00
Total Tax Rates	\$ 2.61	\$ 2.53	\$ 2.11	\$ 2.11	\$ 2.11	\$ 2.11	\$ 1.80	\$ 1.80	\$ 1.78	\$ 1.78
<u>Assessed Valuation</u>										
Real and Personal	\$ 383,911,233	\$ 416,070,283	\$ 517,707,136	\$ 574,177,297	\$ 604,686,297	\$ 643,458,977	\$ 798,488,200	\$ 833,216,662	\$ 849,583,312	\$ 879,395,961
Public Utilities	21,901,532	23,710,797	24,925,734	25,927,914	25,292,207	26,655,546	27,941,281	27,406,974	24,713,912	25,967,907
Total Assessed Valuation	\$ 405,812,765	\$ 439,781,080	\$ 542,632,870	\$ 600,105,211	\$ 629,978,504	\$ 670,114,523.00	\$ 826,429,481	\$ 860,623,636	\$ 874,297,224	\$ 905,363,868

SINGLE AUDIT SECTION



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

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

March 3, 2006

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

To the County Mayor and Board of County Commissioners:

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Loudon County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Loudon County's basic financial statements and have issued our report thereon dated March 3, 2006. Our report on the aggregate discretely presented component units financial statements was qualified due to not including the financial statements of the Loudon County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Loudon County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable

conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Loudon County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03, 05.06, and 05.07.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05.06 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Loudon County's 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 05.02, 05.04, and 05.05.

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

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 3, 2006

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

To the County Mayor and Board of County Commissioners:

Compliance

We have audited the compliance of Loudon 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, 2005. Loudon 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 Loudon County's management. Our responsibility is to express an opinion on Loudon County's compliance based on our audit.

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

In our opinion, Loudon 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, 2005.

Internal Control Over Compliance

The management of Loudon 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 Loudon 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.

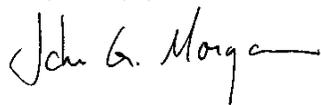
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce 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 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 Loudon County, Tennessee, as of and for the year ended June 30, 2005, and have issued our report thereon dated March 3, 2006. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Loudon County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,



John G. Morgan
Comptroller of the Treasury

JGM/rd

Loudon County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2005

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Commodities Letter of Credit	10.55A	N/A	\$ 108,100
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	(2)	11,078
Urban and Community Forestry Program	10.675	Z-05-02195-00	3,892
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	(2)	218,496
National School Lunch Program	10.555	(2)	665,303
Total U.S. Department of Agriculture			<u>\$ 1,006,869</u>
U.S. Department of Justice:			
Direct Programs:			
Local Law Enforcement Block Grants Program	16.592	N/A	\$ 44,263
Bulletproof Vest Partnership Program	16.607	N/A	8,700
Public Safety Partnership and Community Policing Grants	16.710	N/A	279,475
Passed-through State Commission on Children and Youth:			
Juvenile Accountability Incentive Block Grants	16.523	GG-04-10458-00	1,108
Enforcing Underage Drinking Laws Program	16.727	GG-05-11088-00	20,651
Total U.S. Department of Justice			<u>\$ 354,197</u>
U.S. Department of Military:			
Passed-through State Department of Military:			
Off-site Emergency Planning and Response	81.502	GG-04-10578-00	\$ 10,000
Total U.S. Department of Military			<u>\$ 10,000</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 572,839
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	895,821
Special Education - Preschool Grants	84.173	N/A	16,744
Vocational Education - Basic Grants to States	84.048	N/A	106,143
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	78,968
Fund for the Improvement of Education	84.215	(2)	287,807
Assistive Technology	84.224	N/A	3,801
Twenty-First Century Community Learning Centers	84.287	(2)	86,845
State Grants for Innovative Programs	84.298	N/A	21,251
Education Technology State Grants	84.318	(2)	125,126
School Renovation Grant	84.352	Z-02-011006-00	43,700
English Language Acquisition Grants	84.365	N/A	27,983
Improving Teacher Quality State Grants	84.367	N/A	199,360
Total Passed-through U.S. Department of Education			<u>\$ 2,466,388</u>

(Continued)

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

Federal/Pass-through Agency/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(3)	\$ 69,531
State and Local Domestic Preparedness Training Program	97.005	Z-04-020082-00	117,258
Emergency Management Performance Grants	97.042	Z-04-020298-00/ Z-05-025374-00	23,401
Total U.S. Department of Homeland Security			<u>\$ 210,190</u>
Total Expenditures of Federal Awards			<u>\$ 4,047,644</u>
<u>State Grants</u>			
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 11,998
Aging Program - State Office on Aging	N/A	(2)	53,170
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	18,324
Law Enforcement Training Programs	N/A	(2)	19,192
Health Department Grants - State Department of Health	N/A	(2)	110,956
Litter Program - State Department of Transportation	N/A	(2)	33,948
Coordinated School Health - State Department of Education	N/A	(2)	88,550
Early Childhood Development - State Department of Education	N/A	(2)	65,000
Family Resource - State Department of Education	N/A	(2)	33,300
Safe Schools Grant - State Department of Education	N/A	(2)	<u>27,848</u>
Total State Grants			<u>\$ 397,118</u>

CFDA - Catalog of Federal Domestic Assistance

N/A - Not Applicable

(1) - Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.

(2) - Information not available.

(3) - Z-03-017774-00 and Z-04-022467-00

Loudon County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2005

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Loudon County, Tennessee, for the year ended June 30, 2004, which have not been corrected.

OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.01 (A)	160	Bank accounts were not reconciled properly
04.02 (B,C,D)	161	Budget operations had deficiencies
04.03 (A,B)	162-163	The office had deficiencies in purchasing procedures

OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND HIGHWAY SUPERINTENDENT

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.04	163	Accounting functions for the Highway Department were not performed in accordance with the Fiscal Control Acts of 1957

OFFICE OF DIRECTOR OF SCHOOLS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.05	164	Purchases were not made through the county purchasing agent

OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.07(C)	166-167	Travel advances paid to Sheriff's Department employees had not been settled

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
04.11	170	Duties were not segregated adequately in the Offices of Circuit and General Sessions Courts Clerk, Clerk and Master, and Sheriff

LOUDON COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Loudon County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Loudon County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Education Agencies (CFDA No. 84.010), and the Special Education Cluster: the Special Education Grants to States and the Special Education - Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A threshold of \$300,000 was used to distinguish between Type A and Type B federal programs.
9. Loudon County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS

FINDING 05.01 GENERAL LEDGER ACCOUNTS WERE NOT RECONCILED MONTHLY
(Internal Control – Reportable Condition Under Government Auditing Standards)

The payroll bank account for the School Department and general government employees and the bank account for claims paid for the Employee Dental Insurance Fund were not reconciled with general ledger accounts monthly. The failure to regularly reconcile the bank accounts with the general ledger accounts allows errors to remain undiscovered and uncorrected.

RECOMMENDATION

General ledger accounts should be reconciled monthly with bank accounts, and errors should be corrected promptly.

FINDING 05.02 EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS
(Noncompliance Under Government Auditing Standards)

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the following funds' major appropriation categories (the legal level of control):

<u>Fund/Major Category</u>	<u>Amount</u>
Primary Government:	
General:	
Local Health Center	\$ 1,201
Sanitation Management	438
Agriculture Extension Service	1,153
Industrial Development	6,377
Miscellaneous	777
General Capital Projects:	
Other Public Health & Welfare	404
Administration of Justice Projects	5,621
Public Utility Projects	91,099

<u>Fund/Major Category (cont.)</u>	<u>Amount</u>
Discretely Presented Loudon County School Department: General Purpose School Food Service	4,496

RECOMMENDATION

Expenditures and encumbrances should be held within appropriations approved by the County Commission.

OFFICE OF PURCHASING AGENT

FINDING 05.03 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In several instances, invoices were paid without documentation that goods had been received or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services were rendered.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable county purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid.

OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND HIGHWAY SUPERINTENDENT

FINDING 05.04 **THE DIRECTOR OF ACCOUNTS AND BUDGETS DID NOT MAINTAIN ACCOUNTING RECORDS FOR THE HIGHWAY DEPARTMENT**
(Material Noncompliance Under Government Auditing Standards)

Loudon County operates under the provisions of the Fiscal Control Acts of 1957, Section 5-13-101, et seq., Tennessee Code Annotated, which requires the director of accounts and budgets to maintain accounting records for funds administered by the county mayor,

highway superintendent, and director of schools. However, the director of accounts and budgets did not maintain the accounting records of the Highway Department. Instead, personnel of the Highway Department maintained their own records.

RECOMMENDATION

The director of accounts and budgets should maintain the accounting records for the Highway Department as required by the Fiscal Control Acts of 1957.

OFFICE OF DIRECTOR OF SCHOOLS

FINDING 05.05 **PURCHASES WERE NOT MADE THROUGH THE COUNTY PURCHASING AGENT**
(Noncompliance Under Government Auditing Standards)

During the year, the School Department disbursed funds to the various individual schools' activity accounts and allowed the individual schools to make purchases of equipment and other items. This practice does not comply with the County Purchasing Law of 1957, Section 5-14-101 et seq., Tennessee Code Annotated, which requires the county purchasing agent to make all purchases for the various county departments.

RECOMMENDATION

School Department purchases should be made in compliance with the County Purchasing Law of 1957.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

Each year we allocate funds to schools based on a per student allocation for such items as library books and materials, instructional materials and supplies, per teacher allocation, telephone, duty-free lunch, staff development, and data entry services. Additional funds were distributed to the schools during the year for improving science laboratories, and fine arts programs and additional instructional materials. These funds were distributed to each school during the school year and were audited by a firm selected by the Loudon County Board of Education. This audit firm verifies that these funds were properly expended. Additionally, copies of invoices for major expenditures are submitted to the business manager as justification for these funds.

We feel strongly that the site-based management in which principals are held accountable for all activities in the schools is a more efficient use of funds. In order for the process to be conducted for all nine schools centrally, we would need to employ an additional person to handle this paperwork. To centralize the purchasing of all school supplies and materials would seriously affect the efficiency and quality of the process.

REBUTTAL

This method of channeling funds to the individual schools violates state statutes. Loudon County operates under provisions of the County Purchasing Law of 1957 which requires the purchasing agent to make all purchases.

OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND SHERIFF

FINDING 05.06 TRAVEL ADVANCES PAID IN THE PRIOR YEAR HAD NOT BEEN DOCUMENTED

(Internal Control – Material Weakness Under Government Auditing Standards)

As discussed in the prior year audit findings and recommendations (Finding 04.07(C)), the Office of Central Accounting, Budgeting, and Purchasing, at the request of the Sheriff's Department, paid travel advances totaling \$2,500 to one employee and \$500 each to two other employees. We requested that documentation be filed and a settlement reached on those payments; however, no further documentation has been filed in the accounting office related to the use of those funds.

RECOMMENDATION

The Office of Central Accounting, Budgeting, and Purchasing and the Sheriff's Department should monitor travel advances to ensure that an accounting for actual expenses is filed within a reasonable amount of time. Employees should return any unused advance payments. A settlement should be reached immediately with the employees regarding the travel advances totaling \$3,500 discussed above.

MANAGEMENT'S RESPONSE – SHERIFF

As stated in the 2003-04 audit response, it was acknowledged that the employees did receive travel advances. Those employees receiving the advances have previously stated that they turned in the receipts to the Accounting Department upon returning from their trips. I have no reason to believe otherwise since that is not the first time that receipts have been lost or misplaced. It must also be noted that the \$2,500 disbursed to one employee was for a trip to an area that was almost completely destroyed by Hurricane Katrina last year, and I doubt we will be able to obtain receipts from the area. I will meet with the employees and the director of accounts and budgets to attempt to resolve these issues.

OTHER FINDING

FINDING 05.07 DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, AND SHERIFF

(Internal Control – Reportable Condition Under Government Auditing Standards)

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

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

There were no findings and questioned costs for federal awards.

LOUDON COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2005

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