

**ANNUAL FINANCIAL REPORT**  
**LOUDON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2006**

**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, 2006**

*DEPARTMENT OF AUDIT*  
*JOHN G. MORGAN*  
*Comptroller of the Treasury*

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

*ARTHUR L. ALEXANDER*  
*Director*

*CLIFFORD TUCKER, CPA*  
*Audit Manager*

*LESTER TACKETT, CPA, CGFM*  
*Auditor 4*

*AMY E. MOORE, CGFM*  
*CONNIE COOK-AYTES*  
*CHRIS SIZEMORE*  
*JENI PALADENI*  
*State Auditors*

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

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# ***Audit Highlights***

Annual Financial Report  
Loudon County, Tennessee  
For the Year Ended June 30, 2006

## ***Scope***

We have audited the basic financial statements of Loudon County as of and for the year ended June 30, 2006.

## ***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 12 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.

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### **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.

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### **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.
  - ◆ Some payroll transactions were not channeled through the county's Central Accounting Office.
- 

## **OFFICES OF COUNTY MAYOR, DIRECTOR OF ACCOUNTS AND BUDGETS AND PURCHASING AGENT**

- ◆ Several deficiencies existed in transactions of the Solid Waste/Sanitation Fund.
- 

## **OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS**

- ◆ Nonprofit organizations that received county funds had not filed financial reports with the County Clerk's Office as required by state statute.
  - ◆ The county did not have a written agreement for processing payroll transactions for a nonprofit agency.
  - ◆ Financial activity of the public libraries was not audited, and the libraries were not subject to budgetary control of the County Commission.
- 

## **OFFICE OF GENERAL SESSIONS COURT CLERK**

- ◆ Deficiencies existed in the maintenance of the General Sessions Court bank account.
- 

## **OFFICE OF SHERIFF**

- ◆ Receipts for various fees were not issued at the time of collection, and some deposits were not made within three days of collection.
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## **OTHER FINDING**

- ◆ Duties were not segregated adequately among the officials and employees in the Offices of Clerk and Master and Sheriff.

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# INTRODUCTORY SECTION

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Loudon County Officials  
June 30, 2006

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**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**

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

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## FINANCIAL SECTION

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

**INDEPENDENT AUDITOR'S REPORT**

March 16, 2007

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, 2006, 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 amounts for 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 financial statements of the aggregate discretely presented component units are not reasonably determinable.

In our opinion, except for the effects of not including the financial statements of the Loudon County Emergency Communications District, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate discretely presented component units of Loudon County, Tennessee, as of June 30, 2006, and the results of operations of the aggregate discretely presented component units, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Additionally, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Loudon County, Tennessee, as of June 30, 2006, 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 16, 2007, 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 adopted the provisions of Governmental Accounting Standards Board Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries.

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 69 through 75 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, the

Education Debt Service Fund, and the General Capital Projects Fund, combining and individual fund financial statements of the Loudon County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds, the General Debt Service Fund, the Education Debt Service Fund, and the General Capital Projects 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/rc

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Loudon County, Tennessee  
Statement of Net Assets  
June 30, 2006

	Primary Government Governmental Activities	Component Unit Loudon County School Department
<u>ASSETS</u>		
Cash	\$ 55,121	\$ 0
Equity in Pooled Cash and Investments	11,208,525	8,551,626
Accounts Receivable	1,066,091	47
Due from Other Governments	1,525,456	835,205
Due from Primary Government	0	819,100
Due from Joint Ventures	31,911	0
Property Taxes Receivable	10,906,451	8,009,558
Allowance for Uncollectible Property Taxes	(202,425)	(153,152)
Prepaid Items	5,028	52,689
Notes Receivable - Long-term	2,867,855	0
Unamortized Debt Issuance Cost	438,176	0
Capital Assets		
Assets Not Depreciated:		
Land	6,284,416	1,748,517
Construction in Progress	1,247,314	2,741,281
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	10,890,490	22,269,364
Other Capital Assets	2,063,843	138,896
Infrastructure - Bridges, Railroad Spur, and Parking Lot	645,693	0
Total Assets	<u>\$ 49,033,945</u>	<u>\$ 45,013,131</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 116,437	\$ 296,261
Accrued Payroll	73,608	1,090
Accrued Interest Payable	107,947	0
Payroll Deductions Payable	6	199,343
Contracts Payable	318,469	1,600,938
Retainage Payable	77,144	349,358
Claims and Judgments Payable	42,057	0
Due to Component Units	819,100	0
Due to State of Tennessee	13,876	0
Due to Litigants, Heirs, and Others	21,861	0
Other Current Liabilities	0	1,831
Unamortized Premium on Bonds	14,351	0
Deferred Revenue - Property Taxes	10,493,709	7,691,830
Noncurrent Liabilities:		
Due Within One Year	1,915,380	263,233
Due in More than One Year (net of deferred amount on refunding)	28,427,775	2,604,622
Total Liabilities	<u>\$ 42,441,720</u>	<u>\$ 13,008,506</u>

(Continued)

Exhibit A

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

	Primary Government <u>Governmental Activities</u>	<u>Component Unit</u> Loudon County School Department
<u>NET ASSETS</u>		
Invested in Capital Assets, Net of Related Debt	\$ 7,789,903	\$ 24,030,203
Restricted for:		
Highway	789,276	0
Debt Service	2,000,525	0
Capital Projects	1,303,386	0
Sanitation/Solid Waste	197,954	0
Drug Control	47,128	0
Constitutional Officers' Data Processing Systems	43,727	0
Federal Assistance Programs	0	169,318
Other Purposes	44,287	0
Unrestricted	<u>(5,623,961)</u>	<u>7,805,104</u>
Total Net Assets	<u>\$ 6,592,225</u>	<u>\$ 32,004,625</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, 2006

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	\$ 2,124,356	\$ 1,113,885	\$ 84,169	\$ 201,500	\$ (724,802)	\$ 0
Finance	1,493,233	966,740	18,591	0	(507,902)	0
Administration of Justice	1,428,386	1,050,180	21,205	0	(357,001)	0
Public Safety	5,370,947	126,450	121,289	211,911	(4,911,297)	0
Public Health and Welfare	1,501,925	248,308	78,664	558,423	(616,530)	0
Social, Cultural, and Recreational Services	369,195	0	38,112	15,827	(315,256)	0
Agricultural and Natural Resources	155,157	0	0	0	(155,157)	0
Other Operations	1,056,034	0	159,521	0	(896,513)	0
Highways	2,581,372	14,368	1,583,401	352,258	(631,345)	0
Education	251,557	251,557	0	0	0	0
Debt Service:						
Interest on Long-term Debt	886,089	0	0	0	(886,089)	0
Other Debt Service	179,156	0	0	0	(179,156)	0
<b>Total Primary Government</b>	<b>\$ 17,397,407</b>	<b>\$ 3,771,488</b>	<b>\$ 2,104,952</b>	<b>\$ 1,339,919</b>	<b>\$ (10,181,048)</b>	<b>\$ 0</b>
Component Unit:						
Loudon County School Department	\$ 32,835,906	\$ 935,429	\$ 3,879,075	\$ 0	\$ 0	\$ (28,021,402)
<b>Total Component Unit</b>	<b>\$ 32,835,906</b>	<b>\$ 935,429</b>	<b>\$ 3,879,075</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (28,021,402)</b>

(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 Levied for General Purposes				\$ 7,740,722	\$ 7,546,543
	Property Taxes Levied for Solid Waste/Sanitation				166,504	0
	Property Taxes Levied for Highway/Public Works				392,189	0
	Property Taxes Levied for Debt Service				1,074,503	0
	Property Taxes Levied for Capital Projects				280,986	0
	Sales Taxes				687,038	2,878,213
	Other Taxes				1,075,838	7,763
	Grants and Contributions Not Restricted to Specific Programs				1,805,092	17,880,414
	Unrestricted Investment Income				508,012	244,501
	Miscellaneous				148,235	225,902
	Revenue from Joint Ventures				373,097	0
	Total General Revenues				<u>\$ 14,252,216</u>	<u>\$ 28,783,336</u>
	Change in Net Assets				\$ 4,071,168	\$ 761,934
	Net Assets, July 1, 2005				<u>2,521,057</u>	<u>31,242,691</u>
	Net Assets, June 30, 2006				<u>\$ 6,592,225</u>	<u>\$ 32,004,625</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, 2006

	Major Funds					Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>							
Cash	\$ 962	\$ 1,000	\$ 0	\$ 0	\$ 0	\$ 100	\$ 2,062
Equity in Pooled Cash and Investments	3,085,259	556,658	1,967,925	3,902,471	1,471,097	225,115	11,208,525
Accounts Receivable	184,519	0	49,875	819,100	0	12,597	1,066,091
Due from Other Governments	908,345	299,639	0	0	221,788	95,684	1,525,456
Due from Other Funds	100	1,270	0	0	0	0	1,370
Due from Joint Ventures	0	0	31,911	0	0	0	31,911
Property Taxes Receivable	7,749,272	369,777	1,165,314	1,190,978	306,662	124,448	10,906,451
Allowance for Uncollectible Property Taxes	(152,399)	(7,497)	(21,966)	(11,910)	(5,780)	(2,873)	(202,425)
Prepaid Items	3,310	590	0	0	0	1,128	5,028
Notes Receivable - Long-Term	0	0	0	2,867,855	0	0	2,867,855
<b>Total Assets</b>	<b>\$ 11,779,368</b>	<b>\$ 1,221,437</b>	<b>\$ 3,193,059</b>	<b>\$ 8,768,494</b>	<b>\$ 1,993,767</b>	<b>\$ 456,199</b>	<b>\$ 27,412,324</b>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>Liabilities</u>							
Accounts Payable	\$ 61,647	\$ 18,916	\$ 2,500	\$ 0	\$ 0	\$ 24,814	\$ 107,877
Accrued Payroll	44,937	24,158	0	0	0	4,513	73,608
Payroll Deductions Payable	6	0	0	0	0	0	6
Contracts Payable	0	0	0	0	318,469	0	318,469
Retainage Payable	0	0	0	0	77,144	0	77,144
Claims and Judgements Payable	42,057	0	0	0	0	0	42,057
Due to Other Funds	1,270	0	0	0	0	100	1,370
Due to Component Units	0	0	0	819,100	0	0	819,100
Due to State of Tennessee	13,876	0	0	0	0	0	13,876
Due to Litigants, Heirs, and Others	40	0	0	0	0	21,821	21,861
Deferred Revenue - Current Property Taxes	7,428,131	353,720	1,120,115	1,179,068	294,768	117,907	10,493,709
Deferred Revenue - Delinquent Property Taxes	146,242	7,419	20,135	0	5,299	3,179	182,274
Other Deferred Revenues	377,706	141,045	0	0	167,588	46,407	732,746
<b>Total Liabilities</b>	<b>\$ 8,115,912</b>	<b>\$ 545,258</b>	<b>\$ 1,142,750</b>	<b>\$ 1,998,168</b>	<b>\$ 863,268</b>	<b>\$ 218,741</b>	<b>\$ 12,884,097</b>
<u>Fund Balances</u>							
Reserved for Encumbrances	\$ 12,305	\$ 124,913	\$ 0	\$ 0	\$ 71,380	\$ 0	\$ 208,598

(Continued)

Exhibit C-1

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

	Major Funds					Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
Reserved for Sexual Offender Registration	\$ 1,898	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,898
Reserved for Courtroom Security	427	0	0	0	0	0	427
Reserved for Computer System - Register	28,389	0	0	0	0	0	28,389
Reserved for Automation Purposes - General Sessions Court	11,708	0	0	0	0	0	11,708
Reserved for Automation Purposes - Juvenile Court	3,196	0	0	0	0	0	3,196
Reserved for Automation Purposes - Chancery Court	434	0	0	0	0	0	434
Reserved for Long-Term Notes Receivable	0	0	0	2,867,855	0	0	2,867,855
Reserved for Other General Purposes	0	0	26,240	2,774,506	0	0	2,800,746
Unreserved, Reported In:							
General Fund	3,605,099	0	0	0	0	0	3,605,099
Special Revenue Funds	0	551,266	0	0	0	237,458	788,724
Debt Service Funds	0	0	2,024,069	1,127,965	0	0	3,152,034
Capital Projects Funds	0	0	0	0	1,059,119	0	1,059,119
Total Fund Balances	<u>\$ 3,663,456</u>	<u>\$ 676,179</u>	<u>\$ 2,050,309</u>	<u>\$ 6,770,326</u>	<u>\$ 1,130,499</u>	<u>\$ 237,458</u>	<u>\$ 14,528,227</u>
Total Liabilities and Fund Balances	<u>\$ 11,779,368</u>	<u>\$ 1,221,437</u>	<u>\$ 3,193,059</u>	<u>\$ 8,768,494</u>	<u>\$ 1,993,767</u>	<u>\$ 456,199</u>	<u>\$ 27,412,324</u>

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

Exhibit C-2

Loudon County, Tennessee  
Reconciliation of the Balance Sheet of Governmental Funds to  
the Statement of Net Assets  
June 30, 2006

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)		\$	14,528,227
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	6,284,416	
Add: construction in progress		1,247,314	
Add: infrastructure net of accumulated depreciation		645,693	
Add: buildings and improvements net of accumulated depreciation		10,890,490	
Add: other capital assets net of accumulated depreciation		<u>2,063,843</u>	21,131,756
(2) An internal service fund is used by management to charge the cost of employee dental insurance to individual funds. The assets and liabilities are included in governmental activities in the statement of net assets.			44,499
(3) 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.			
Less: notes payable	\$	(815,156)	
Less: leases payable		(101,250)	
Less: bonds payable		(6,088,000)	
Less: other loans payable		(23,308,874)	
Add: deferred amount on refunding		372,810	
Add: deferred charges - debt issuance costs		438,176	
Less: unamortized portion of debt premiums		(14,351)	
Less: accrued interest on notes, bonds, and other loans		(107,947)	
Less: compensated absences payable		<u>(402,685)</u>	(30,027,277)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>915,020</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>6,592,225</u></u>

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, 2006

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 9,350,913	\$ 496,385	\$ 1,112,349	\$ 0	\$ 281,590	\$ 627,593	\$ 11,868,830
Licenses and Permits	582,198	0	0	0	0	0	582,198
Fines, Forfeitures, and Penalties	354,534	0	0	0	0	152,131	506,665
Charges for Current Services	194,818	0	0	0	0	0	194,818
Other Local Revenues	396,222	14,372	31,911	200,203	363,443	103,851	1,110,002
Fees Received from County Officials	2,034,188	0	0	0	0	0	2,034,188
State of Tennessee	927,785	1,762,457	0	0	0	30,285	2,720,527
Federal Government	662,523	0	0	0	267,600	0	930,123
Other Governments and Citizens Groups	289,048	0	138,428	461,000	35,434	0	923,910
Total Revenues	\$ 14,792,229	\$ 2,273,214	\$ 1,282,688	\$ 661,203	\$ 948,067	\$ 913,860	\$ 20,871,261
<u>Expenditures</u>							
Current:							
General Government	\$ 2,067,172	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,067,172
Finance	1,210,531	0	0	0	0	0	1,210,531
Administration of Justice	1,140,037	0	0	0	120,701	0	1,260,738
Public Safety	4,634,856	0	0	0	22,701	79,060	4,736,617
Public Health and Welfare	440,362	0	0	0	200,960	698,551	1,339,873
Social, Cultural, and Recreational Services	297,245	0	0	0	66,097	5,260	368,602
Agricultural and Natural Resources	139,370	0	0	0	0	0	139,370
Other Operations	2,570,457	0	0	0	5,603	5,532	2,581,592
Highways	0	2,038,995	0	0	0	0	2,038,995
Debt Service:							
Principal on Debt	0	0	1,066,825	298,493	0	0	1,365,318
Interest on Debt	0	0	499,607	447,342	0	0	946,949
Other Debt Service	0	0	178,672	484	0	0	179,156
Capital Projects	0	0	0	0	1,934,555	0	1,934,555
Total Expenditures	\$ 12,500,030	\$ 2,038,995	\$ 1,745,104	\$ 746,319	\$ 2,350,617	\$ 788,403	\$ 20,169,468
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 2,292,199	\$ 234,219	\$ (462,416)	\$ (85,116)	\$ (1,402,550)	\$ 125,457	\$ 701,793
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 499,981	\$ 330,000	\$ 0	\$ 829,981
Other Loans Issued	0	0	0	2,451,367	964,794	0	3,416,161

(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	General Capital Projects	Other Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Insurance Recovery	\$ 15,714	\$ 5,942	\$ 0	\$ 0	\$ 0	\$ 0	\$ 21,656
Transfers In	15,000	0	131,366	0	0	0	146,366
Transfers Out	0	(105,126)	0	0	(26,240)	(15,000)	(146,366)
Total Other Financing Sources (Uses)	\$ 30,714	\$ (99,184)	\$ 131,366	\$ 2,951,348	\$ 1,268,554	\$ (15,000)	\$ 4,267,798
Net Change in Fund Balances	\$ 2,322,913	\$ 135,035	\$ (331,050)	\$ 2,866,232	\$ (133,996)	\$ 110,457	\$ 4,969,591
Fund Balance, July 1, 2005	1,340,543	541,144	2,381,359	3,904,094	1,264,495	127,001	9,558,636
Fund Balance, June 30, 2006	\$ 3,663,456	\$ 676,179	\$ 2,050,309	\$ 6,770,326	\$ 1,130,499	\$ 237,458	\$ 14,528,227

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, 2006

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)	\$	4,969,591
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital outlays in the current period	\$	2,120,660
Less: current year depreciation		<u>(591,330)</u>
		1,529,330
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		
Add: assets donated	\$	9,575
Less: net book value of assets disposed		<u>(7,041)</u>
		2,534
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Less: deferred delinquent property taxes and other deferred June 30, 2005	\$	(579,885)
Add: deferred delinquent property taxes and other deferred June 30, 2006		<u>915,020</u>
		335,135
(4) The issuance of long-term debt (e.g., notes, other loans, bonds) 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	\$	(3,416,161)
Less: capital outlay note proceeds		(829,981)
Add: principal payment on notes		14,825
Add: principal payment on leases		27,000
Add: principal payment on bonds		500,000
Add: principal payment on other loans		<u>850,493</u>
		(2,853,824)
(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: amortization of debt issuance premiums	\$	1,047
Add: issuance cost on current debt		129,499
Less: amortization of debt issuance costs		(27,522)
Less: deferred charge on refunding amortized during year		<u>(37,897)</u>
		65,127

(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	\$	(3,220)
Change in compensation absences and judgments		<u>(7,386)</u>
	\$	(10,606)
(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>33,881</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u><u>4,071,168</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, 2006

	Governmental Activities- Internal Service
	<u>Employee Dental Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 53,059
Total Assets	<u>\$ 53,059</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 8,560
Total Liabilities	<u>\$ 8,560</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 44,499</u>
Total Net Assets	<u><u>\$ 44,499</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, 2006

	Governmental Activities - Internal Service
	Employee Dental Insurance Fund
	<hr/>
<u>Operating Revenues</u>	
Self-Insurance Premiums	\$ 383,525
Total Operating Revenues	<hr/> \$ 383,525 <hr/>
<u>Operating Expenses</u>	
Medical Claims	\$ 349,644
Total Operating Expenses	<hr/> \$ 349,644 <hr/>
Operating Income (Loss)	<hr/> \$ 33,881 <hr/>
Change in Net Assets	\$ 33,881
Net Assets, July 1, 2005	<hr/> 10,618 <hr/>
Net Assets, June 30, 2006	<hr/> \$ 44,499 <hr/> <hr/>

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, 2006

	Governmental Activities- Internal Service
	Employee Dental Insurance Fund
	<hr/>
<u>Cash Flows From Operating Activities</u>	
Receipts for Self-Insurance Premiums	\$ 383,525
Payments for Claims	(359,030)
Net Cash Provided By (Used In) Operating Activities	<hr/> \$ 24,495
Increase (Decrease) in Cash	\$ 24,495
Cash, July 1, 2005	<hr/> 28,564
Cash, June 30, 2006	<hr/> <hr/> \$ 53,059
<u>Reconciliation of Operating Income (Loss)</u>	
<u>To Net Cash Provided By Operating Activities</u>	
Operating Income (Loss)	\$ 33,881
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/> (9,386)
Net Cash Provided By (Used In) Operating Activities	<hr/> <hr/> \$ 24,495

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, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 663,359
Equity in Pooled Cash and Investments	2,130,139
Accounts Receivable	7,980
Due from Other Governments	846,047
Taxes Receivable	3,654,281
Allowance for Uncollectible Taxes	<u>(69,875)</u>
Total Assets	<u>\$ 7,231,931</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,561,630
Due to Litigants, Heirs, and Others	668,521
Due to Joint Ventures	<u>2,001,780</u>
Total Liabilities	<u>\$ 7,231,931</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, 2006**

**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 ten-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  
9006 Highway 11 West  
Lenoir City, TN 37771

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the statement of activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of 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. Net debt issues (\$2,951,348) were contributed by the county to the School Department during the year ended June 30, 2006.

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

Fund financial statements of 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.

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

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.

**General Capital Projects Fund** – This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Additionally, Loudon County reports the following fund types:

**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, the School Department, and employee payroll deductions are placed in this fund for the payment of claims of county employees.

**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 the School Department’s 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.

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

Amounts reported as program revenues 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, an 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 (the 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 .77 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	40-65
Other Capital Assets	3-15
Infrastructure	30-50

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 county's policy 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 School Department 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, 2006. 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 applicable

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

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

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, 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.I. 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, 2006, Loudon County had \$16,452,855 in outstanding debt for capital purposes for the discretely presented Loudon County School Department. This debt is a liability of Loudon County, but the capital assets acquired are reported in the financial statements of the Loudon County 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, 2006:

<u>Fund/Purpose</u>	<u>Amount</u>
General:	
Cable Television	\$ 133,211
Planning	60,285

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

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

Primary Government

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

Discretely Presented Loudon County School Department

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

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. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Industrial Economic Development Fund (special revenue fund) and the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and the Education Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

**B. Net Assets Deficit/Fund Deficit**

The Education Capital Projects Fund had a fund deficit of \$326,871 at June 30, 2006. This fund deficit resulted from the unperformed portions of construction contracts of \$1,853,203 being reserved as encumbrances. Funding for these future expenditures is expected to be received from the issuance of previously authorized debt.

**C. 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	Tourism	\$ 3,995
General Capital Projects	Jail	1,101
General Capital Projects	Public Safety Grant Programs	3,900
General Capital Projects	Public Utility Projects	41,800
Discretely Presented		
Loudon County		
School Department:		
General Purpose School	Food Service	149,310

The \$41,800 overexpenditure in the General Capital Projects Fund was the result of the county's failure to properly budget for encumbrances recognized for construction contracts. The overexpenditure in the General Purpose School Fund resulted from the failure to amend the budget for additional U.S.D.A. funds received and distributed to individual school cafeterias. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by greater than anticipated revenues.

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

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

## Investments

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

**Investment Balances.** As of June 30, 2006, 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	\$ 446,499
Memphis Tennessee Electric System Revenue	12-1-17	1,000,000
Sevier County Tennessee Public Building Authority Series V-A1	10-1-25	150,000
Total		\$ 1,596,499

**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 investment policy that would further limit its investment choices. As of June 30, 2006, 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 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 (62.6%) and the Sevier County Public Building Authority (9.4%).

**B. Notes Receivable – Long-term**

Loudon County entered into an agreement with the discretely presented Loudon County School Department where the primary government has borrowed funds and loaned the proceeds to the School Department. The School Department has agreed to repay the primary government for principal and interest requirements on this debt. Long-term notes receivable are reflected in the primary government's Education Debt Service Fund (\$2,867,855) for future principal amounts due from the School Department.

These notes receivable are offset with reserved fund balance to indicate that the amounts are not available for appropriation. The total of notes not expected to be collected within one year is \$2,604,622.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2006, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 6,291,457	\$ 0	\$ (7,041)	\$ 6,284,416
Construction in Progress	353,440	1,336,761	(442,887)	1,247,314
<b>Total Capital Assets Not Depreciated</b>	<b>\$ 6,644,897</b>	<b>\$ 1,336,761</b>	<b>\$ (449,928)</b>	<b>\$ 7,531,730</b>
Capital Assets Depreciated:				
Buildings and Improvements Bridges, Railroad Spur, and Parking Lots	\$ 11,689,891	\$ 539,483	\$ (24,300)	\$ 12,205,074
Other Capital Assets	688,011	0	0	688,011
<b>Total Capital Assets Depreciated</b>	<b>\$ 11,689,891</b>	<b>\$ 539,483</b>	<b>\$ (24,300)</b>	<b>\$ 12,205,074</b>
<b>Total Capital Assets</b>	<b>\$ 16,079,931</b>	<b>\$ 1,236,361</b>	<b>\$ (86,937)</b>	<b>\$ 17,229,355</b>
Less Accumulated Depreciation For:				
Buildings and Improvements Bridges, Railroad Spur, and Parking Lots	\$ 1,202,240	\$ 136,644	\$ (24,300)	\$ 1,314,584
Other Capital Assets	26,260	16,058	0	42,318
<b>Total Accumulated Depreciation</b>	<b>\$ 1,228,500</b>	<b>\$ 152,702</b>	<b>\$ (24,300)</b>	<b>\$ 1,355,900</b>
<b>Total Capital Assets Depreciated, Net</b>	<b>\$ 12,954,995</b>	<b>\$ 645,031</b>	<b>\$ 0</b>	<b>\$ 13,600,026</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 19,599,892</b>	<b>\$ 1,981,792</b>	<b>\$ (449,928)</b>	<b>\$ 21,131,756</b>

The July 1, 2005, balances in the capital assets depreciated and accumulated depreciation for Other Capital Assets have increased by \$135,000 and \$6,750; respectively, due to management's omission of items purchased with a capital lease.

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	\$ 55,846
Finance	17,363
Administration of Justice	11,712
Public Safety	284,686
Public Health and Welfare	52,583
Social, Cultural, and Recreational Services	4,362
Other Operations	41,149
Highways/Public Works	<u>123,629</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 591,330</u></u>

**Discretely Presented Loudon County School Department**

**Governmental Activities:**

	Balance 7-1-05	Increases	Balance 6-30-06
Capital Assets Not Depreciated:			
Land	\$ 559,887	\$ 1,188,630	\$ 1,748,517
Construction in Progress	0	2,741,281	2,741,281
Total Capital Assets Not Depreciated	<u>\$ 559,887</u>	<u>\$ 3,929,911</u>	<u>\$ 4,489,798</u>
Capital Assets Depreciated:			
Buildings and Improvements	\$ 29,102,494	\$ 893,693	\$ 29,996,187
Other Capital Assets	187,364	57,672	245,036
Total Capital Assets Depreciated	<u>\$ 29,289,858</u>	<u>\$ 951,365</u>	<u>\$ 30,241,223</u>

**Governmental Activities (Cont.):**

	Balance 7-1-05	Increases	Balance 6-30-06
Less Accumulated Depreciation For:			
Buildings and Improvements	\$ 7,212,556	\$ 514,267	\$ 7,726,823
Other Capital Assets	89,717	16,423	106,140
Total Accumulated Depreciation	<u>\$ 7,302,273</u>	<u>\$ 530,690</u>	<u>\$ 7,832,963</u>
Total Capital Assets Depreciated, Net	<u>\$ 21,987,585</u>	<u>\$ 420,675</u>	<u>\$ 22,408,260</u>
Governmental Activities Capital Assets, Net	<u>\$ 22,547,472</u>	<u>\$ 4,350,586</u>	<u>\$ 26,898,058</u>

Depreciation expense of \$530,690 was charged by the discretely presented Loudon County School Department.

**D. Construction Commitments**

At June 30, 2006, the General Capital Projects Fund had uncompleted construction contracts totaling \$71,380 for the construction of various projects including a senior citizens center (\$7,595), Watts Bar Utility District waterlines (\$58,400), and library renovations (\$5,385). Future funding for the waterlines is expected to be received from a federal grant. Funding for the other projects has been provided through other grants and loans.

At June 30, 2006, the Education Capital Projects Fund had uncompleted construction contracts totaling \$1,853,203 for various projects including an energy efficiency upgrade and fire system renovations. Future funding for these projects are expected to be received from the issuance of previously authorized debt.

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

The composition of interfund balances as of June 30, 2006, is as follows:

**Due to/from other funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 100
Highway/Public Works	General	1,270
Discretely Presented School Department:		
General Purpose School	School Federal Projects	30,897

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:**

Receivable Fund	Payable Fund	Amount
Component unit: Loudon County School Department	Primary government: Education Debt Service	\$ 819,100

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In	
	General Fund	General Debt Service Fund
Nonmajor governmental fund	\$ 15,000	\$ 0
Highway/Public Works Fund	0	105,126
General Capital Projects Fund	0	26,240
<b>Total</b>	<b>\$ 15,000</b>	<b>\$ 131,366</b>

**Discretely Presented Loudon County School Department**

Transfers Out	Transfers In
	General Purpose School Fund
Nonmajor governmental fund	\$ 51,516
<b>Total</b>	<b>\$ 51,516</b>

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.

**F. Payables**

Most payables are disaggregated on the face of the financial statements. Retainage payable totaling \$77,144 in the General Capital Projects Fund and \$349,358 in the Education Capital Projects Fund represent amounts withheld from payments made to contractors on construction projects to ensure contract performance. These amounts are being held by the county trustee as Equity in Pooled Cash and Investments. Claims and judgments payable totaling \$42,057 in the General Fund represent an additional assessment from an insurance pool that had previously provided workers' compensation insurance for various years.

A total of \$21,821 in the nonmajor governmental funds Due to Litigants, Heirs, and Others account represents deposits from law enforcement seizures pending disposition by the Tennessee Department of Safety.

**G. Hospital Lease Agreements**

During June 2002, Loudon County entered into an agreement with Fort Sanders Medical Center (Covenant Health) to acquire a certificate of need from the Tennessee Health Facility Commission. Covenant Health agreed to build and operate a facility under a future lease agreement with Loudon County. During the previous 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.

**H. Capital Leases**

On April 1, 2005, Loudon County entered into a five-year lease-purchase agreement for solid waste compactors and containers. The terms of the agreement require total lease payments of \$135,000 (with no stated interest). Title to the compactors and containers transfers to Loudon County at the end of the lease period. The lease payments are made by the Solid Waste/Sanitation Fund.

Future minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Funds
2007	\$ 27,000
2008	27,000
2009	27,000
2010	<u>20,250</u>
Total Minimum Lease Payments	<u>\$ 101,250</u>

Management has not imputed an interest rate on this agreement to determine the net present value of these lease payments.

## I. Long-term Debt

### Primary Government

#### General Obligation Bonds, Notes, and Other Loans

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

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 40 years for bonds, up to seven years for notes, 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, capital outlay notes, and other loans included in long-term debt as of June 30, 2006, will be retired from the debt service funds.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	5 to 5.7 %	\$ 5,660,000	\$ 618,000
General Obligation Bonds - Refunding	1.8 to 4	7,185,000	5,470,000
Capital Outlay Notes	0 to 4.43	829,981	815,156
Other Loans - Variable Rate	variable	11,700,000	8,441,000

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
Other Loans - Synthetic			
Fixed Rate by Swap	variable %	\$ 12,500,000	\$ 12,500,000
Capital Leases	0	135,000	101,250
Loan Agreement - State School Bond Authority	0	4,129,500	2,367,874

On December 28, 2005, Loudon County entered into an interest-free loan agreement with the Tennessee State School Bond Authority. Under this agreement, the authority issued its interest-free qualified zone academy bonds and loaned proceeds of \$4,129,500 to Loudon County. As of June 30, 2006, Loudon County had drawn \$2,451,367 under the agreement. The authority credits interest earnings on the undrawn amount against Loudon County's required repayment schedule. The county reflects a liability of \$2,367,874 for the outstanding loan agreement as of June 30, 2006.

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 PBA loan agreements outstanding at June 30, 2006:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-06	Interest Type	Variable Interest Rates as of 6-30-06	Other Fees on Variable Rate Debt
<u>Montgomery County</u>					
<u>Public Building Authority</u>					
Various Purposes	\$ 5,000,000	\$ 4,191,000	Variable	4.1 %	0.54
<u>Sevier County</u>					
<u>Public Building Authority</u>					
Various Purposes	1,000,000	315,000	Variable	4	0.20
School Projects	2,700,000	1,085,000	Variable	4	0.24
School Projects	12,500,000	12,500,000	Synthetic Fixed by Swap	3.54	0.44
Various Purposes	3,000,000	<u>2,850,000</u>	Variable	3.91	0.41
Total		<u>\$20,941,000</u>			

The annual requirements to amortize all general obligation bonds, notes, and

other loans outstanding as of June 30, 2006, including interest payments and other fees, are presented in the following tables:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 305,000	\$ 224,505	\$ 132,392	\$ 12,734
2008	336,000	212,205	135,148	9,978
2009	366,000	198,315	138,029	7,097
2010	297,000	182,950	141,041	4,086
2011	333,000	175,200	125,695	1,007
2012-2016	2,169,000	682,475	142,851	0
2017-2020	2,282,000	228,740	0	0
<b>Total</b>	<b>\$ 6,088,000</b>	<b>\$ 1,904,390</b>	<b>\$ 815,156</b>	<b>\$ 34,902</b>

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2007	\$ 1,137,807	\$ 781,766	\$ 92,550	\$ 2,012,123
2008	1,260,300	744,483	88,882	2,093,665
2009	1,300,300	705,677	85,075	2,091,052
2010	1,250,300	665,330	81,114	1,996,744
2011	1,286,300	627,019	77,147	1,990,466
2012-2016	6,958,867	2,521,115	309,971	9,789,953
2017-2021	5,900,000	1,345,916	165,688	7,411,604
2022-2025	4,215,000	383,736	47,696	4,646,432
<b>Total</b>	<b>\$ 23,308,874</b>	<b>\$ 7,775,042</b>	<b>\$ 948,123</b>	<b>\$ 32,032,039</b>

There is \$3,152,034 unreserved fund balance and \$2,800,746 reserved for specific debt issues available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$156, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$382 for residents inside Lenoir City, and \$859 for residents outside Lenoir City, 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, 2006, 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>-3.50</u>
Net interest rate swap payments		-0.37
Variable-rate bond coupon payments		<u>3.91</u>
Synthetic interest rate on bonds		<u><u>3.54 %</u></u>

**Fair Value.** As of June 30, 2006, the swap had a positive fair value of \$627,481. The positive fair value of the swap may be countered by increases in total interest payments required under the variable-rate bond, creating higher 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, 2006, the county's exposure to credit risk is equal to the amount of the swap's positive fair value. However, should interest rates change and the fair value of the swap becomes negative, the county would no longer be exposed to credit risk. 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, 2006. 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 the 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.

**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, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30	Variable Rate Bonds		Net Interest Rate Swap Payment	Total
	Principal	Interest		
2007	\$ 155,000	\$ 488,750	\$(46,250)	\$ 597,500
2008	165,000	482,690	(45,677)	602,013
2009	180,000	476,238	(45,066)	611,172
2010	185,000	469,200	(44,400)	609,800
2011	505,000	461,967	(43,716)	923,251
2012-2016	3,035,000	1,987,453	(188,071)	4,834,382
2017-2021	4,060,000	1,318,648	(124,783)	5,253,865
2022-2025	4,215,000	423,844	(40,108)	4,598,736
<b>Total</b>	<b>\$ 12,500,000</b>	<b>\$ 6,108,790</b>	<b>\$(578,071)</b>	<b>\$ 18,030,719</b>

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Governmental Activities:	Bonds		Notes		Other Loans	
Balance, July 1, 2005	\$ 6,588,000	\$	0	\$	20,743,206	
Additions		0	829,981		3,416,161	
Deductions		(500,000)	(14,825)		(850,493)	
Balance, June 30, 2006	<u>\$ 6,088,000</u>	<u>\$</u>	<u>815,156</u>	<u>\$</u>	<u>23,308,874</u>	
Balance Due Within One Year	<u>\$ 305,000</u>	<u>\$</u>	<u>132,392</u>	<u>\$</u>	<u>1,137,807</u>	

Governmental Activities (Cont.):

	Capital Leases	Compensated Absences
Balance, July 1, 2005	\$ 128,250	\$ 395,299
Additions	0	320,567
Deductions	(27,000)	(313,181)
	<u>\$ 101,250</u>	<u>\$ 402,685</u>
Balance, June 30, 2006		
	<u>\$ 27,000</u>	<u>\$ 313,181</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2006	\$ 30,715,965
Less: Balance Due Within One Year	(1,915,380)
Less: Deferred Amount on Refunding	<u>(372,810)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 28,427,775</u>

During the year, the discretely presented Loudon County School Department paid \$461,000 to the primary government to apply toward the retirement of school debt.

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 a 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, 2006, the following outstanding bond is considered defeased:

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

**Discretely Presented Loudon County School Department**

**Capital Outlay Notes**

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

Capital outlay notes are direct obligations and pledge the full faith and credit of the government. Debt obligations outstanding were issued for original terms of up to 15 years for notes.

Capital outlay notes outstanding as of June 30, 2006, are as follows:

Purpose	Interest Rate	Original Amount of Issue	Balance 6-30-06
Energy Efficiency Projects	0 %	\$ 4,629,481 (1)	\$ 2,867,855

(1) A total of \$1,678,133 remains available for draws as of June 30, 2006. This amount is being loaned from the primary government from funds the primary government borrowed through capital outlay notes and QZAB Loans.

The capital outlay notes are to be retired from the General Purpose School Fund.

The annual requirements to amortize the notes outstanding as of June 30, 2006, are presented in the following table:

Year Ended June 30	Notes Principal
2007	\$ 263,233
2008	346,726
2009	346,726
2010	346,726
2011	346,726
2012-2016	1,217,718
<b>Total</b>	<b>\$ 2,867,855</b>

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the discretely presented Loudon County School Department for the year ended June 30, 2006:

	<u>Notes</u>
Balance, July 1, 2005	\$ 0
Additions	2,951,348
Deductions	<u>(83,493)</u>
Balance, June 30, 2006	<u>\$ 2,867,855</u>
Balance Due Within One Year	<u>\$ 263,233</u>

**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, 2006, was as follows:

	Balance 7-1-05	Issued	Redeemed	Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$ 1,500,000	\$ (1,500,000)	\$ 0

**V. OTHER INFORMATION**

**A. Risk Management**

Loudon County has chosen to establish the Employee Dental 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.

All full-time employees of the primary government and the Loudon County School Department are eligible to participate. A premium charge is allocated to each fund that accounts for full-time 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 totaled \$44,499 at June 30, 2006. 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 Employee Dental 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 incremental claim 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
2004-2005	\$ 32,911	\$ 333,289	\$ (348,254)	\$ 17,946
2005-2006	17,946	349,644	(359,030)	8,560

In prior years, 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 \$42,057 against Loudon County for these outstanding claims unpaid by Reliance Insurance Company. Management has questioned the legality and authorization of the assessment and has not paid the assessment. However, management 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 was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report 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 Changes**

At the beginning of the year, Loudon County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Loudon County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Loudon County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances

surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Loudon County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Loudon County will be required to disclose net assets restricted by enabling legislation in subsequent years.

The provisions of GASB Statement No. 47, Accounting for Termination Benefits became effective for the year ended June 30, 2006. GASB Statement No. 47 provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees who are involuntarily terminated. Statement No. 47 specifies when governments should recognize the cost of termination benefits they offer in accrual basis financial statements. Loudon County was not offering any termination benefits to employees as of June 30, 2006. But it is reasonably expected that Loudon County will offer termination benefits in subsequent years subject to the accounting and reporting requirements of GASB Statement No. 47.

**C. Subsequent Events**

On August 31, 2006, George Miller left the Office of County Mayor and was succeeded by Doyle Arp, and Don Palmer left the Office of Highway Superintendent and was succeeded by Sean Giles.

On September 18, 2006, Charles Jenkins was appointed Assessor of Property to fill the position vacated by Doyle Arp, the incumbent county mayor.

**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, 2006, future principal and interest requirements of these bonds were \$1,230,981 and \$971,979, 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, 2006, future principal and interest requirements of this loan were \$560,000 and \$391,200, 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. Joint Ventures**

Loudon County Solid Waste Disposal Commission (LCSWDC) is a joint venture formed 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 Center Board is a joint venture formed by an interlocal agreement between Loudon County and Lenoir City. In the prior annual financial report, the Board was erroneously referred to as the Loudoun County Economic Development Agency. The purpose of the Board is to provide for operation and maintenance of the Career Center Building jointly owned by Loudon County and Lenoir City. The Center Executive Board members are approved by the city and county legislative bodies. 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.

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. During the year, Loudon County Commission passed a motion to cease all activity in the Metro Narcotic Unit. At June 30, 2006, the funds for this joint venture were still

being held by the county. Financial information for the LCMNU may be requested through the Loudon County Sheriff's Department.

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

**F. 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](http://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, 2006, 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, 2006, Loudon County's annual pension cost of \$750,102 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, 2005, was ten years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

### **Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$750,102	100%	\$0
6-30-05	714,885	100	0
6-30-04	384,708	100	0

## Schedule of Funding Progress

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b) - (a)	(a/b)	(c)	((b-a)/c)
6-30-05	\$18,812	\$19,538	\$726	96.28%	\$8,956	8.11%
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

### 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](http://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, 2006, 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, 2006, 2005, and 2004, were \$851,898, \$834,561, and \$463,448, respectively, equal to the required contributions for each year.

### **G. Other Post-employment Benefits**

In addition to the retirement commitments described above, the Loudon County School Department provides and pays for a portion of post-retirement health care benefits and life insurance to retired employees who have been employed by the Board of Education as licensed teachers or administrators for the last 20 years of service prior to retirement. On June 30, 2006, 38 retirees met the eligibility requirements. During the year, expenditures of \$65,278 were recognized for post-employment health care.

The primary government also pays for a portion of post-retirement health care benefits and life insurance for employees who have retired from Loudon County with full benefits through the Tennessee Consolidated Retirement System. The number of participants and the amount of expenditures recognized for post-employment benefits during the year was not readily available for disclosure.

### **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, budgeting, and purchasing 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).

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 9,350,913	\$ 0	\$ 0	\$ 9,350,913	\$ 9,042,300	\$ 9,150,700	\$ 200,213
Licenses and Permits	582,198	0	0	582,198	333,500	553,500	28,698
Fines, Forfeitures, and Penalties	354,534	0	0	354,534	336,200	354,050	484
Charges for Current Services	194,818	0	0	194,818	139,100	187,600	7,218
Other Local Revenues	396,222	0	0	396,222	160,000	382,000	14,222
Fees Received from County Officials	2,034,188	0	0	2,034,188	1,806,000	1,993,000	41,188
State of Tennessee	927,785	0	0	927,785	647,000	935,300	(7,515)
Federal Government	662,523	0	0	662,523	52,160	444,263	218,260
Other Governments and Citizens Groups	289,048	0	0	289,048	243,761	248,361	40,687
<b>Total Revenues</b>	<b>\$ 14,792,229</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 14,792,229</b>	<b>\$ 12,760,021</b>	<b>\$ 14,248,774</b>	<b>\$ 543,455</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 77,968	\$ 0	\$ 0	\$ 77,968	\$ 85,634	\$ 85,634	\$ 7,666
Board of Equalization	850	0	0	850	1,000	1,000	150
Beer Board	3,850	0	0	3,850	2,000	4,000	150
Other Boards and Committees	7,050	0	0	7,050	7,000	7,000	(50)
County Mayor/Executive	154,144	0	0	154,144	142,009	158,609	4,465
County Attorney	100,013	0	0	100,013	266,500	155,000	54,987
Election Commission	369,552	0	0	369,552	162,675	373,255	3,703
Register of Deeds	225,742	0	0	225,742	234,591	234,591	8,849
Development	29,704	0	0	29,704	51,050	29,708	4
Planning	160,465	(1,768)	0	158,697	157,660	165,084	6,387
Building	190	0	0	190	0	6,700	6,510
Geographical Information Systems	51,886	0	0	51,886	53,660	54,660	2,774
County Buildings	885,758	(771)	0	884,987	898,901	916,823	31,836

(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 7/1/2005	Add: Encumbrances 6/30/2006	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	\$ 312,572	\$ 0	\$ 0	\$ 312,572	\$ 336,145	\$ 336,145	\$ 23,573
Purchasing	101,496	0	0	101,496	105,639	105,639	4,143
Property Assessor's Office	282,817	0	0	282,817	319,927	318,927	36,110
County Trustee's Office	220,008	0	0	220,008	209,878	224,858	4,850
County Clerk's Office	293,638	0	0	293,638	299,892	301,592	7,954
<u>Administration of Justice</u>							
Circuit Court	167,847	0	0	167,847	210,583	217,709	49,862
General Sessions Court	296,024	0	0	296,024	316,211	321,841	25,817
General Sessions Judge	184,464	0	0	184,464	183,626	186,326	1,862
Chancery Court	138,352	0	0	138,352	141,184	142,144	3,792
Juvenile Court	329,216	(6,518)	0	322,698	338,897	337,206	14,508
Other Administration of Justice	24,134	0	0	24,134	29,500	29,500	5,366
<u>Public Safety</u>							
Sheriff's Department	2,553,648	(5,883)	0	2,547,765	2,363,442	2,589,740	41,975
Special Patrols	22,000	0	0	22,000	10,000	22,000	0
Traffic Control	940	0	0	940	1,800	1,800	860
Administration of the Sexual Offender Registry	421	0	0	421	600	1,800	1,379
Jail	912,610	0	0	912,610	911,566	950,430	37,820
Juvenile Services	19,846	0	0	19,846	0	20,000	154
Civil Defense	224,565	(146,251)	0	78,314	79,992	80,872	2,558
Rescue Squad	89,000	0	0	89,000	85,000	89,000	0
Disaster Relief	16,459	0	0	16,459	0	18,872	2,413
Other Emergency Management	103,129	0	12,305	115,434	0	115,365	(69)
Inspection and Regulation	142,710	0	0	142,710	74,965	152,977	10,267
County Coroner/Medical Examiner	7,500	0	0	7,500	7,500	7,500	0
Public Safety Grant Programs	21,359	(1,012)	0	20,347	0	20,775	428

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Safety (Cont.)</u>							
Other Public Safety	\$ 520,669	\$ (1,682)	\$ 0	\$ 518,987	\$ 541,159	\$ 570,475	\$ 51,488
<u>Public Health and Welfare</u>							
Local Health Center	42,770	0	0	42,770	44,153	44,153	1,383
Rabies and Animal Control	149,276	0	0	149,276	155,359	162,059	12,783
Other Local Health Services	248,316	0	0	248,316	0	272,083	23,767
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	8,085	0	0	8,085	6,604	8,095	10
Senior Citizens Assistance	128,841	0	0	128,841	135,059	135,059	6,218
Libraries	160,319	0	0	160,319	160,685	168,160	7,841
<u>Agriculture &amp; Natural Resources</u>							
Agriculture Extension Service	122,361	0	0	122,361	123,870	125,785	3,424
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	14,009	0	0	14,009	14,002	14,002	(7)
Flood Control	2,000	0	0	2,000	2,000	2,000	0
<u>Other Operations</u>							
Tourism	138,995	0	0	138,995	135,000	135,000	(3,995)
Industrial Development	287,074	0	0	287,074	287,973	287,973	899
Housing and Urban Development	1,500	0	0	1,500	3,000	3,000	1,500
Veterans' Services	6,837	0	0	6,837	10,000	10,000	3,163
Contributions to Other Agencies	126,581	0	0	126,581	114,071	126,581	0
Employee Benefits	1,578,694	0	0	1,578,694	1,802,500	1,869,504	290,810
Miscellaneous	430,776	0	0	430,776	450,000	459,364	28,588
Total Expenditures	\$ 12,500,030	\$ (163,885)	\$ 12,305	\$ 12,348,450	\$ 12,075,462	\$ 13,179,375	\$ 830,925
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,292,199	\$ 163,885	\$ (12,305)	\$ 2,443,779	\$ 684,559	\$ 1,069,399	\$ 1,374,380

(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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 15,714	\$ 0	\$ 0	\$ 15,714	\$ 0	\$ 18,300	\$ (2,586)
Transfers In	15,000	0	0	15,000	0	15,000	0
Total Other Financing Sources (Uses)	\$ 30,714	\$ 0	\$ 0	\$ 30,714	\$ 0	\$ 33,300	\$ (2,586)
Net Change in Fund Balance	\$ 2,322,913	\$ 163,885	\$ (12,305)	\$ 2,474,493	\$ 684,559	\$ 1,102,699	\$ 1,371,794
Fund Balance, July 1, 2005	1,340,543	(163,885)	0	1,176,658	1,455,147	1,455,147	(278,489)
Fund Balance, June 30, 2006	\$ 3,663,456	\$ 0	\$ (12,305)	\$ 3,651,151	\$ 2,139,706	\$ 2,557,846	\$ 1,093,305

Exhibit F-2

Loudon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual (Budgetary Basis) and Budget  
Highway/Public Works Fund  
For the Year Ended June 30, 2006

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 496,385	\$ 0	\$ 496,385	\$ 459,850	\$ 484,970	\$ 11,415
Other Local Revenues	14,372	0	14,372	20,000	20,000	(5,628)
State of Tennessee	1,762,457	0	1,762,457	1,882,735	1,928,110	(165,653)
Total Revenues	\$ 2,273,214	\$ 0	\$ 2,273,214	\$ 2,362,585	\$ 2,433,080	\$ (159,866)
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 612,065	\$ 0	\$ 612,065	\$ 682,750	\$ 656,580	\$ 44,515
Highway and Bridge Maintenance	537,761	0	537,761	429,250	584,564	46,803
Operation and Maintenance of Equipment	184,108	0	184,108	234,150	223,086	38,978
Other Charges	145,492	0	145,492	150,700	163,700	18,208
Employee Benefits	297,756	0	297,756	347,240	350,893	53,137
Capital Outlay	261,813	124,913	386,726	410,170	503,752	117,026
Total Expenditures	\$ 2,038,995	\$ 124,913	\$ 2,163,908	\$ 2,254,260	\$ 2,482,575	\$ 318,667
Excess (Deficiency) of Revenues Over Expenditures	\$ 234,219	\$ (124,913)	\$ 109,306	\$ 108,325	\$ (49,495)	\$ 158,801
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 5,942	\$ 0	\$ 5,942	\$ 0	\$ 5,900	\$ 42
Transfers Out	(105,126)	0	(105,126)	(117,550)	(115,828)	10,702
Total Other Financing Sources (Uses)	\$ (99,184)	\$ 0	\$ (99,184)	\$ (117,550)	\$ (109,928)	\$ 10,744
Net Change in Fund Balance	\$ 135,035	\$ (124,913)	\$ 10,122	\$ (9,225)	\$ (159,423)	\$ 169,545
Fund Balance, July 1, 2005	541,144	0	541,144	376,069	376,069	165,075
Fund Balance, June 30, 2006	\$ 676,179	\$ (124,913)	\$ 551,266	\$ 366,844	\$ 216,646	\$ 334,620

**LOUDON COUNTY, TENNESSEE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2006**

**A. BUDGETARY INFORMATION**

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 GAAP basis is presented on the face of each budgetary schedule.

**B. EXPENDITURES EXCEEDED APPROPRIATIONS**

Expenditures exceeded appropriations approved by the County Commission in Tourism major appropriation category (the legal level of control) of the General Fund by \$3,995. Such overexpenditure is a violation of state statutes. This overexpenditure was funded by greater than anticipated revenues.

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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

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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 convenience centers maintained by the county.

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.

Exhibit G-1

Loudon County, Tennessee  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2006

	Special Revenue Funds							Total
	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue	Constitu- tional Officers - Fees	Nonmajor Governmental Funds	
<u>ASSETS</u>								
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	100	\$	100
Equity in Pooled Cash and Investments	8,380	115,189	18,213	67,896	15,437	0		225,115
Accounts Receivable	0	12,597	0	0	0	0		12,597
Due from Other Governments	0	95,684	0	0	0	0		95,684
Property Taxes Receivable	0	124,448	0	0	0	0		124,448
Allowance for Uncollectible Property Taxes	0	(2,873)	0	0	0	0		(2,873)
Prepaid Items	0	0	0	1,128	0	0		1,128
<b>Total Assets</b>	<b>\$ 8,380</b>	<b>\$ 345,045</b>	<b>\$ 18,213</b>	<b>\$ 69,024</b>	<b>\$ 15,437</b>	<b>\$ 100</b>	<b>\$</b>	<b>456,199</b>
<u>LIABILITIES AND FUND BALANCES</u>								
<u>Liabilities</u>								
Accounts Payable	\$ 68	\$ 24,671	\$ 0	\$ 75	\$ 0	\$ 0	\$	24,814
Accrued Payroll	0	4,513	0	0	0	0		4,513
Due to Other Funds	0	0	0	0	0	100		100
Due to Litigants, Heirs, and Others	0	0	0	21,821	0	0		21,821
Deferred Revenue - Current Property Taxes	0	117,907	0	0	0	0		117,907
Deferred Revenue - Delinquent Property Taxes	0	3,179	0	0	0	0		3,179
Other Deferred Revenues	0	46,407	0	0	0	0		46,407
<b>Total Liabilities</b>	<b>\$ 68</b>	<b>\$ 196,677</b>	<b>\$ 0</b>	<b>\$ 21,896</b>	<b>\$ 0</b>	<b>\$ 100</b>	<b>\$</b>	<b>218,741</b>
<u>Fund Balances</u>								
Unreserved	\$ 8,312	\$ 148,368	\$ 18,213	\$ 47,128	\$ 15,437	\$ 0	\$	237,458
<b>Total Fund Balances</b>	<b>\$ 8,312</b>	<b>\$ 148,368</b>	<b>\$ 18,213</b>	<b>\$ 47,128</b>	<b>\$ 15,437</b>	<b>\$ 0</b>	<b>\$</b>	<b>237,458</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,380</b>	<b>\$ 345,045</b>	<b>\$ 18,213</b>	<b>\$ 69,024</b>	<b>\$ 15,437</b>	<b>\$ 100</b>	<b>\$</b>	<b>456,199</b>

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, 2006

	Special Revenue Funds					Total Nonmajor Governmental Funds
	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue	
<u>Revenues</u>						
Local Taxes	\$ 5,672	\$ 621,921	\$ 0	\$ 0	\$ 0	\$ 627,593
Fines, Forfeitures, and Penalties	0	0	0	59,424	92,707	152,131
Other Local Revenues	0	76,445	7,913	19,493	0	103,851
State of Tennessee	0	30,285	0	0	0	30,285
Total Revenues	\$ 5,672	\$ 728,651	\$ 7,913	\$ 78,917	\$ 92,707	\$ 913,860
<u>Expenditures</u>						
Current:						
Public Safety	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,060	\$ 79,060
Public Health and Welfare	0	650,177	0	48,374	0	698,551
Social, Cultural, and Recreational Services	5,260	0	0	0	0	5,260
Other Operations	57	0	5,475	0	0	5,532
Total Expenditures	\$ 5,317	\$ 650,177	\$ 5,475	\$ 48,374	\$ 79,060	\$ 788,403
Excess (Deficiency) of Revenues Over Expenditures	\$ 355	\$ 78,474	\$ 2,438	\$ 30,543	\$ 13,647	\$ 125,457
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ 0	\$ 0	\$ 0	\$ 0	\$ (15,000)	\$ (15,000)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ (15,000)	\$ (15,000)
Net Change in Fund Balances	\$ 355	\$ 78,474	\$ 2,438	\$ 30,543	\$ (1,353)	\$ 110,457
Fund Balance, July 1, 2005	7,957	69,894	15,775	16,585	16,790	127,001
Fund Balance, June 30, 2006	\$ 8,312	\$ 148,368	\$ 18,213	\$ 47,128	\$ 15,437	\$ 237,458

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 5,672	\$ 2,000	\$ 2,000	\$ 3,672
Fines, Forfeitures, and Penalties	0	4,200	4,200	(4,200)
Total Revenues	<u>\$ 5,672</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ (528)</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 5,260	\$ 6,000	\$ 6,000	\$ 740
<u>Other Operations</u>				
Miscellaneous	57	100	100	43
Total Expenditures	<u>\$ 5,317</u>	<u>\$ 6,100</u>	<u>\$ 6,100</u>	<u>\$ 783</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 355</u>	<u>\$ 100</u>	<u>\$ 100</u>	<u>\$ 255</u>
Net Change in Fund Balance	\$ 355	\$ 100	\$ 100	\$ 255
Fund Balance, July 1, 2005	<u>7,957</u>	<u>7,957</u>	<u>7,957</u>	<u>0</u>
Fund Balance, June 30, 2006	<u><u>\$ 8,312</u></u>	<u><u>\$ 8,057</u></u>	<u><u>\$ 8,057</u></u>	<u><u>\$ 255</u></u>

Exhibit G-4

Loudon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Solid Waste/Sanitation Fund  
For the Year Ended June 30, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 621,921	\$ 560,050	\$ 600,765	\$ 21,156
Other Local Revenues	76,445	40,000	70,000	6,445
State of Tennessee	30,285	31,447	31,447	(1,162)
Total Revenues	<u>\$ 728,651</u>	<u>\$ 631,497</u>	<u>\$ 702,212</u>	<u>\$ 26,439</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 31,057	\$ 31,447	\$ 33,337	\$ 2,280
Convenience Centers	619,120	605,650	654,186	35,066
Total Expenditures	<u>\$ 650,177</u>	<u>\$ 637,097</u>	<u>\$ 687,523</u>	<u>\$ 37,346</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 78,474</u>	<u>\$ (5,600)</u>	<u>\$ 14,689</u>	<u>\$ 63,785</u>
Net Change in Fund Balance	\$ 78,474	\$ (5,600)	\$ 14,689	\$ 63,785
Fund Balance, July 1, 2005	<u>69,894</u>	<u>69,195</u>	<u>69,195</u>	<u>699</u>
Fund Balance, June 30, 2006	<u>\$ 148,368</u>	<u>\$ 63,595</u>	<u>\$ 83,884</u>	<u>\$ 64,484</u>

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 59,424	\$ 0	\$ 59,424	\$ 69,500	\$ 69,500	\$ (10,076)
Other Local Revenues	19,493	0	19,493	4,000	4,000	15,493
Total Revenues	<u>\$ 78,917</u>	<u>\$ 0</u>	<u>\$ 78,917</u>	<u>\$ 73,500</u>	<u>\$ 73,500</u>	<u>\$ 5,417</u>
<u>Expenditures</u>						
<u>Public Health and Welfare</u>						
Alcohol and Drug Programs	\$ 48,374	\$ (1,021)	\$ 47,353	\$ 73,500	\$ 73,500	\$ 26,147
Total Expenditures	<u>\$ 48,374</u>	<u>\$ (1,021)</u>	<u>\$ 47,353</u>	<u>\$ 73,500</u>	<u>\$ 73,500</u>	<u>\$ 26,147</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 30,543</u>	<u>\$ 1,021</u>	<u>\$ 31,564</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 31,564</u>
Net Change in Fund Balance	\$ 30,543	\$ 1,021	\$ 31,564	\$ 0	\$ 0	\$ 31,564
Fund Balance, July 1, 2005	<u>16,585</u>	<u>(1,021)</u>	<u>15,564</u>	<u>17,534</u>	<u>17,534</u>	<u>(1,970)</u>
Fund Balance, June 30, 2006	<u>\$ 47,128</u>	<u>\$ 0</u>	<u>\$ 47,128</u>	<u>\$ 17,534</u>	<u>\$ 17,534</u>	<u>\$ 29,594</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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Fines, Forfeitures, and Penalties	\$ 92,707	\$ 0	\$ 92,707	\$ 20,000	\$ 100,000	\$ (7,293)
Total Revenues	<u>\$ 92,707</u>	<u>\$ 0</u>	<u>\$ 92,707</u>	<u>\$ 20,000</u>	<u>\$ 100,000</u>	<u>\$ (7,293)</u>
<u>Expenditures</u>						
<u>Public Safety</u>						
Sheriff's Department	\$ 79,060	\$ (7,397)	\$ 71,663	\$ 20,000	\$ 86,000	\$ 14,337
Total Expenditures	<u>\$ 79,060</u>	<u>\$ (7,397)</u>	<u>\$ 71,663</u>	<u>\$ 20,000</u>	<u>\$ 86,000</u>	<u>\$ 14,337</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 13,647</u>	<u>\$ 7,397</u>	<u>\$ 21,044</u>	<u>\$ 0</u>	<u>\$ 14,000</u>	<u>\$ 7,044</u>
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (15,000)	\$ 0	\$ (15,000)	\$ 0	\$ (15,000)	\$ 0
Total Other Financing Sources (Uses)	<u>\$ (15,000)</u>	<u>\$ 0</u>	<u>\$ (15,000)</u>	<u>\$ 0</u>	<u>\$ (15,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ (1,353)	\$ 7,397	\$ 6,044	\$ 0	\$ (1,000)	\$ 7,044
Fund Balance, July 1, 2005	<u>16,790</u>	<u>(7,397)</u>	<u>9,393</u>	<u>7,402</u>	<u>7,402</u>	<u>1,991</u>
Fund Balance, June 30, 2006	<u>\$ 15,437</u>	<u>\$ 0</u>	<u>\$ 15,437</u>	<u>\$ 7,402</u>	<u>\$ 6,402</u>	<u>\$ 9,035</u>

# Major Governmental Funds

## Debt Service Funds

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

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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.

## Capital Projects Funds

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

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General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county funded either by the issuance of debt or other revenue including property tax.

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,112,349	\$ 1,064,650	\$ 1,098,980	\$ 13,369
Other Local Revenues	31,911	200,106	41,114	(9,203)
Other Governments and Citizens Groups	138,428	0	138,428	0
Total Revenues	<u>\$ 1,282,688</u>	<u>\$ 1,264,756</u>	<u>\$ 1,278,522</u>	<u>\$ 4,166</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,052,000	\$ 1,052,000	\$ 1,052,000	\$ 0
Highways and Streets	14,825	0	14,825	0
<u>Interest on Debt</u>				
General Government	496,007	696,430	696,430	200,423
Highways and Streets	3,600	0	3,600	0
<u>Other Debt Service</u>				
General Government	178,672	179,000	195,100	16,428
Total Expenditures	<u>\$ 1,745,104</u>	<u>\$ 1,927,430</u>	<u>\$ 1,961,955</u>	<u>\$ 216,851</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (462,416)</u>	<u>\$ (662,674)</u>	<u>\$ (683,433)</u>	<u>\$ 221,017</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 131,366	\$ 101,130	\$ 123,853	\$ 7,513
Total Other Financing Sources (Uses)	<u>\$ 131,366</u>	<u>\$ 101,130</u>	<u>\$ 123,853</u>	<u>\$ 7,513</u>
Net Change in Fund Balance	\$ (331,050)	\$ (561,544)	\$ (559,580)	\$ 228,530
Fund Balance, July 1, 2005	<u>2,381,359</u>	<u>2,372,584</u>	<u>2,372,584</u>	<u>8,775</u>
Fund Balance, June 30, 2006	<u>\$ 2,050,309</u>	<u>\$ 1,811,040</u>	<u>\$ 1,813,004</u>	<u>\$ 237,305</u>

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Other Local Revenues	\$ 200,203	\$ 100,000	\$ 100,000	\$ 100,203
Other Governments and Citizens Groups	461,000	461,000	461,000	0
Total Revenues	<u>\$ 661,203</u>	<u>\$ 561,000</u>	<u>\$ 561,000</u>	<u>\$ 100,203</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 298,493	\$ 215,000	\$ 298,493	\$ 0
<u>Interest on Debt</u>				
Education	447,342	633,100	633,100	185,758
<u>Other Debt Service</u>				
Education	484	10,000	10,000	9,516
Total Expenditures	<u>\$ 746,319</u>	<u>\$ 858,100</u>	<u>\$ 941,593</u>	<u>\$ 195,274</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (85,116)</u>	<u>\$ (297,100)</u>	<u>\$ (380,593)</u>	<u>\$ 295,477</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 499,981	\$ 0	\$ 499,981	\$ 0
Other Loans Issued	2,451,367	0	2,451,367	0
Total Other Financing Sources (Uses)	<u>\$ 2,951,348</u>	<u>\$ 0</u>	<u>\$ 2,951,348</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 2,866,232	\$ (297,100)	\$ 2,570,755	\$ 295,477
Fund Balance, July 1, 2005	<u>3,904,094</u>	<u>3,529,991</u>	<u>3,529,991</u>	<u>374,103</u>
Fund Balance, June 30, 2006	<u>\$ 6,770,326</u>	<u>\$ 3,232,891</u>	<u>\$ 6,100,746</u>	<u>\$ 669,580</u>

Exhibit H-3

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 281,590	\$ 0	\$ 0	\$ 281,590	\$ 278,250	\$ 278,700	\$ 2,890
Other Local Revenues	363,443	0	0	363,443	20,000	127,895	235,548
State of Tennessee	0	0	0	0	90,000	182,910	(182,910)
Federal Government	267,600	0	0	267,600	91,000	375,200	(107,600)
Other Governments and Citizens Groups	35,434	0	0	35,434	15,000	59,500	(24,066)
<b>Total Revenues</b>	<b>\$ 948,067</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 948,067</b>	<b>\$ 494,250</b>	<b>\$ 1,024,205</b>	<b>\$ (76,138)</b>
<u>Expenditures</u>							
<u>Administration of Justice</u>							
Juvenile Court	\$ 120,701	\$ (96,097)	\$ 0	\$ 24,604	\$ 58,000	\$ 62,200	\$ 37,596
<u>Public Safety</u>							
Jail	1,101	0	0	1,101	0	0	(1,101)
Public Safety Grant Programs	21,600	(17,700)	0	3,900	0	0	(3,900)
<u>Public Health and Welfare</u>							
Rabies and Animal Control	200,500	(200,000)	0	500	200,000	200,000	199,500
Other Public Health and Welfare	460	(460)	0	0	0	0	0
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	800	(800)	0	0	0	0	0
Libraries	65,297	0	5,385	70,682	100,000	79,800	9,118
<u>Other Operations</u>							
Miscellaneous	5,603	0	0	5,603	6,000	6,000	397
<u>Capital Projects</u>							
Administration of Justice Projects	700	0	0	700	0	18,813	18,113
Public Safety Projects	249,385	0	0	249,385	113,300	410,625	161,240
Public Health and Welfare Projects	2,474	0	0	2,474	121,300	121,300	118,826
Social, Cultural, and Recreation Projects	1,145,635	0	7,595	1,153,230	879,650	1,216,850	63,620
Public Utility Projects	221,304	(107,204)	58,400	172,500	0	130,700	(41,800)

(Continued)

Exhibit H-3

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 7/1/2005	Add: Encumbrances 6/30/2006	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	\$ 11,297	\$ 0	\$ 0	\$ 11,297	\$ 0	\$ 355,500	\$ 344,203
Highway & Street Capital Projects	303,760	0	0	303,760	0	303,760	0
Total Expenditures	\$ 2,350,617	\$ (422,261)	\$ 71,380	\$ 1,999,736	\$ 1,478,250	\$ 2,905,548	\$ 905,812
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (1,402,550)	\$ 422,261	\$ (71,380)	\$ (1,051,669)	\$ (984,000)	\$ (1,881,343)	\$ 829,674
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 330,000	\$ 0	\$ 0	\$ 330,000	\$ 0	\$ 330,000	\$ 0
Other Loans Issued	964,794	0	0	964,794	1,000,000	964,800	(6)
Transfers Out	(26,240)	0	0	(26,240)	0	(26,240)	0
Total Other Financing Sources (Uses)	\$ 1,268,554	\$ 0	\$ 0	\$ 1,268,554	\$ 1,000,000	\$ 1,268,560	\$ (6)
Net Change in Fund Balance	\$ (133,996)	\$ 422,261	\$ (71,380)	\$ 216,885	\$ 16,000	\$ (612,783)	\$ 829,668
Fund Balance, July 1, 2005	1,264,495	(422,261)	0	842,234	1,491,530	1,491,530	(649,296)
Fund Balance, June 30, 2006	\$ 1,130,499	\$ 0	\$ (71,380)	\$ 1,059,119	\$ 1,507,530	\$ 878,747	\$ 180,372

# Fiduciary Funds

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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.

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

City School ADA - 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.

Center Board Fund – The Center Board Fund (previously referred to as the Loudon County Economic Development Fund) is used to account for amounts handled in an agency capacity for the Center Board, a joint venture of the county and Lenoir City.

Joint Venture - Agency Fund – The Joint Venture - Agency Fund is used to account for amounts handled in an agency capacity for the Tellico Area Services System, a joint venture of Loudon and Monroe Counties.

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, 2006

	Agency Funds						Total
	Cities - Sales Tax	City School ADA - Lenoir City	Center Board	Constitu- tional Officers - Agency	Other Agency	Loudon County Metro Narcotic	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 660,541	\$ 0	\$ 2,818	\$ 663,359
Equity in Pooled Cash and Investments	0	131,177	53,186	0	1,908,665	37,111	2,130,139
Accounts Receivable	0	0	0	7,980	0	0	7,980
Due from Other Governments	612,377	233,670	0	0	0	0	846,047
Taxes Receivable	0	3,654,281	0	0	0	0	3,654,281
Allowance for Uncollectible Taxes	0	(69,875)	0	0	0	0	(69,875)
Total Assets	<u>\$ 612,377</u>	<u>\$ 3,949,253</u>	<u>\$ 53,186</u>	<u>\$ 668,521</u>	<u>\$ 1,908,665</u>	<u>\$ 39,929</u>	<u>\$ 7,231,931</u>
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 612,377	\$ 3,949,253	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,561,630
Due to Litigants, Heirs, and Others	0	0	0	668,521	0	0	668,521
Due to Joint Ventures	0	0	53,186	0	1,908,665	39,929	2,001,780
Total Liabilities	<u>\$ 612,377</u>	<u>\$ 3,949,253</u>	<u>\$ 53,186</u>	<u>\$ 668,521</u>	<u>\$ 1,908,665</u>	<u>\$ 39,929</u>	<u>\$ 7,231,931</u>

Exhibit I-2

Loudon County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2006

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,433,259	\$ 3,433,259	\$ 0
Due from Other Governments	542,130	612,377	542,130	612,377
Total Assets	\$ 542,130	\$ 4,045,636	\$ 3,975,389	\$ 612,377
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 542,130	\$ 4,045,636	\$ 3,975,389	\$ 612,377
Total Liabilities	\$ 542,130	\$ 4,045,636	\$ 3,975,389	\$ 612,377
<u>City School ADA - Lenoir City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 198,700	\$ 4,782,792	\$ 4,850,315	\$ 131,177
Accounts Receivable	2,304	0	2,304	0
Due from Other Governments	240,032	233,670	240,032	233,670
Due from Component Units	27,572	0	27,572	0
Taxes Receivable	2,868,319	3,654,281	2,868,319	3,654,281
Allowance for Uncollectible Taxes	(53,693)	(69,875)	(53,693)	(69,875)
Total Assets	\$ 3,283,234	\$ 8,600,868	\$ 7,934,849	\$ 3,949,253
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,283,234	\$ 8,600,868	\$ 7,934,849	\$ 3,949,253
Total Liabilities	\$ 3,283,234	\$ 8,600,868	\$ 7,934,849	\$ 3,949,253
<u>Center Board</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 49,455	\$ 123,243	\$ 119,512	\$ 53,186
Total Assets	\$ 49,455	\$ 123,243	\$ 119,512	\$ 53,186
<u>Liabilities</u>				
Due to Joint Ventures	\$ 49,455	\$ 123,243	\$ 119,512	\$ 53,186
Total Liabilities	\$ 49,455	\$ 123,243	\$ 119,512	\$ 53,186
<u>Joint Venture - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 370,000	\$ 370,000	\$ 0
Total Assets	\$ 0	\$ 370,000	\$ 370,000	\$ 0
<u>Liabilities</u>				
Due to Joint Venture	\$ 0	\$ 370,000	\$ 370,000	\$ 0
Total Liabilities	\$ 0	\$ 370,000	\$ 370,000	\$ 0

(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</u>				
<u>Assets</u>				
Cash	\$ 833,919	\$ 8,482,689	\$ 8,656,067	\$ 660,541
Accounts Receivable	2,151	7,980	2,151	7,980
Total Assets	<u>\$ 836,070</u>	<u>\$ 8,490,669</u>	<u>\$ 8,658,218</u>	<u>\$ 668,521</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 836,070	\$ 8,490,669	\$ 8,658,218	\$ 668,521
Total Liabilities	<u>\$ 836,070</u>	<u>\$ 8,490,669</u>	<u>\$ 8,658,218</u>	<u>\$ 668,521</u>
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,631,539	\$ 2,351,685	\$ 2,074,559	\$ 1,908,665
Total Assets	<u>\$ 1,631,539</u>	<u>\$ 2,351,685</u>	<u>\$ 2,074,559</u>	<u>\$ 1,908,665</u>
<u>Liabilities</u>				
Due to Joint Ventures	\$ 1,631,539	\$ 2,351,685	\$ 2,074,559	\$ 1,908,665
Total Liabilities	<u>\$ 1,631,539</u>	<u>\$ 2,351,685</u>	<u>\$ 2,074,559</u>	<u>\$ 1,908,665</u>
<u>Loudon County Metro Narcotic Unit</u>				
<u>Assets</u>				
Cash	\$ 2,138	\$ 3,000	\$ 2,320	\$ 2,818
Equity in Pooled Cash and Investments	22,061	30,577	15,527	37,111
Total Assets	<u>\$ 24,199</u>	<u>\$ 33,577</u>	<u>\$ 17,847</u>	<u>\$ 39,929</u>
<u>Liabilities</u>				
Due to Joint Ventures	\$ 24,199	\$ 33,577	\$ 17,847	\$ 39,929
Total Liabilities	<u>\$ 24,199</u>	<u>\$ 33,577</u>	<u>\$ 17,847</u>	<u>\$ 39,929</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 836,057	\$ 8,485,689	\$ 8,658,387	\$ 663,359
Equity in Pooled Cash and Investments	1,901,755	11,091,556	10,863,172	2,130,139
Accounts Receivable	4,455	7,980	4,455	7,980
Due from Other Governments	782,162	846,047	782,162	846,047
Due from Component Units	27,572	0	27,572	0
Taxes Receivable	2,868,319	3,654,281	2,868,319	3,654,281
Allowance for Uncollectible Taxes	(53,693)	(69,875)	(53,693)	(69,875)
Total Assets	<u>\$ 6,366,627</u>	<u>\$ 24,015,678</u>	<u>\$ 23,150,374</u>	<u>\$ 7,231,931</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,825,364	\$ 12,646,504	\$ 11,910,238	\$ 4,561,630
Due to Litigants, Heirs, and Others	836,070	8,490,669	8,658,218	668,521
Due to Joint Venture	1,705,193	2,878,505	2,581,918	2,001,780
Total Liabilities	<u>\$ 6,366,627</u>	<u>\$ 24,015,678</u>	<u>\$ 23,150,374</u>	<u>\$ 7,231,931</u>

# Loudon County School Department

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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.

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

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

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, 2006

	Major Funds		Nonmajor Fund	Total Govern- mental Funds
	General Purpose School	Education Capital Projects	School Federal Projects	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 5,709,881	\$ 2,716,193	\$ 125,552	\$ 8,551,626
Accounts Receivable	0	0	47	47
Due from Other Governments	752,218	0	82,987	835,205
Due from Other Funds	30,897	0	0	30,897
Due from Primary Government	0	819,100	0	819,100
Property Taxes Receivable	8,009,558	0	0	8,009,558
Allowance for Uncollectible Property Taxes	(153,152)	0	0	(153,152)
Prepaid Items	52,689	0	0	52,689
<b>Total Assets</b>	<b>\$ 14,402,091</b>	<b>\$ 3,535,293</b>	<b>\$ 208,586</b>	<b>\$ 18,145,970</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 191,615	\$ 58,665	\$ 45,981	\$ 296,261
Accrued Payroll	1,090	0	0	1,090
Payroll Deductions Payable	191,059	0	8,284	199,343
Contracts Payable	0	1,600,938	0	1,600,938
Retainage Payable	0	349,358	0	349,358
Due to Other Funds	0	0	30,897	30,897
Other Current Liabilities	1,831	0	0	1,831
Deferred Revenue - Current Property Taxes	7,691,830	0	0	7,691,830
Deferred Revenue - Delinquent Property Taxes	142,631	0	0	142,631
Other Deferred Revenues	262,782	0	0	262,782
<b>Total Liabilities</b>	<b>\$ 8,482,838</b>	<b>\$ 2,008,961</b>	<b>\$ 85,162</b>	<b>\$ 10,576,961</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 230,611	\$ 1,853,203	\$ 0	\$ 2,083,814
Reserved for Title I Grants to Local Education Agencies	0	0	65,922	65,922
Other Federal Reserves	45,894	0	57,502	103,396
Unreserved, Reported In:				
General Fund	5,642,748	0	0	5,642,748
Capital Projects Funds (Deficit)	0	(326,871)	0	(326,871)
<b>Total Fund Balances</b>	<b>\$ 5,919,253</b>	<b>\$ 1,526,332</b>	<b>\$ 123,424</b>	<b>\$ 7,569,009</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 14,402,091</b>	<b>\$ 3,535,293</b>	<b>\$ 208,586</b>	<b>\$ 18,145,970</b>

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, 2006

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)		\$	7,569,009
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,748,517	
Add: construction in progress		2,741,281	
Add: buildings and improvements net of accumulated depreciation		22,269,364	
Add: other capital assets net of accumulated depreciation		<u>138,896</u>	26,898,058
(2) Certain earned amounts are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			405,413
(3) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: notes payable			<u>(2,867,855)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>32,004,625</u></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, 2006

	Major Funds		Nonmajor Fund	Total Governmental Funds
	General Purpose School	Education Capital Projects	Other Govern- mental Fund	
			School Federal Projects	
<u>Revenues</u>				
Local Taxes	\$ 10,399,350	\$ 0	\$ 0	\$ 10,399,350
Licenses and Permits	1,601	0	0	1,601
Charges for Current Services	910,330	0	0	910,330
Other Local Revenues	413,100	0	0	413,100
State of Tennessee	18,237,286	0	0	18,237,286
Federal Government	1,562,796	0	1,938,441	3,501,237
Other Governments and Citizens Groups	83,493	0	0	83,493
Total Revenues	\$ 31,607,956	\$ 0	\$ 1,938,441	\$ 33,546,397
<u>Expenditures</u>				
Current:				
Instruction	\$ 18,977,170	\$ 0	\$ 1,639,825	\$ 20,616,995
Support Services	7,983,799	0	179,501	8,163,300
Operation of Non-Instructional Services	2,907,363	0	0	2,907,363
Capital Outlay	70,427	0	0	70,427
Debt Service:				
Principal on Debt	83,493	0	0	83,493
Other Debt Service	461,000	0	0	461,000
Capital Projects	0	5,027,710	0	5,027,710
Total Expenditures	\$ 30,483,252	\$ 5,027,710	\$ 1,819,326	\$ 37,330,288
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,124,704	\$ (5,027,710)	\$ 119,115	\$ (3,783,891)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 2,951,348	\$ 0	\$ 2,951,348
Insurance Recovery	1,638	58,665	0	60,303
Transfers In	51,516	0	0	51,516
Transfers Out	0	0	(51,516)	(51,516)
Total Other Financing Sources (Uses)	\$ 53,154	\$ 3,010,013	\$ (51,516)	\$ 3,011,651
Net Change in Fund Balances	\$ 1,177,858	\$ (2,017,697)	\$ 67,599	\$ (772,240)
Fund Balance, July 1, 2005	4,741,395	3,544,029	55,825	8,341,249
Fund Balance, June 30, 2006	\$ 5,919,253	\$ 1,526,332	\$ 123,424	\$ 7,569,009

Exhibit J-4

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, 2006

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)		\$	(772,240)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital outlays in the current period	\$	4,881,276	
Less: current-year depreciation		<u>(530,690)</u>	4,350,586
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2005	\$	(353,970)	
Add: deferred delinquent property taxes and other deferred June 30, 2006		<u>405,413</u>	51,443
(3) The issuance of long-term debt (e.g., notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net assets.			
Less: notes issued	\$	(2,951,348)	
Add: principal payment on notes		<u>83,493</u>	<u>(2,867,855)</u>
Change in net assets of governmental activities (Exhibit B)			<u>\$ 761,934</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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 10,399,350	\$ 0	\$ 0	\$ 10,399,350	\$ 9,955,780	\$ 9,955,780	\$ 443,570
Licenses and Permits	1,601	0	0	1,601	1,500	1,500	101
Charges for Current Services	910,330	0	0	910,330	840,074	939,632	(29,302)
Other Local Revenues	413,100	0	0	413,100	304,000	345,082	68,018
State of Tennessee	18,237,286	0	0	18,237,286	17,675,800	18,153,541	83,745
Federal Government	1,562,796	0	0	1,562,796	887,250	1,529,977	32,819
Other Governments and Citizens Groups	83,493	0	0	83,493	0	83,493	0
<b>Total Revenues</b>	<b>\$ 31,607,956</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 31,607,956</b>	<b>\$ 29,664,404</b>	<b>\$ 31,009,005</b>	<b>\$ 598,951</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 16,265,381	\$ (130,230)	\$ 0	\$ 16,135,151	\$ 17,523,546	\$ 17,093,977	\$ 958,826
Special Education Program	1,765,262	(919)	0	1,764,343	1,736,677	1,843,792	79,449
Vocational Education Program	946,527	(1,920)	0	944,607	970,639	970,639	26,032
<u>Support Services</u>							
Attendance	37,671	0	0	37,671	49,500	49,500	11,829
Health Services	53,381	0	0	53,381	67,687	67,687	14,306
Other Student Support	944,133	0	34,994	979,127	733,682	1,073,566	94,439
Regular Instruction Program	1,517,930	0	0	1,517,930	1,563,087	1,597,773	79,843
Special Education Program	305,820	0	0	305,820	260,329	308,833	3,013
Vocational Education Program	99,490	0	0	99,490	122,341	122,341	22,851
Other Programs	90,491	0	0	90,491	0	93,550	3,059
Board of Education	533,157	0	0	533,157	477,410	551,514	18,357
Director of Schools	250,167	(1,573)	0	248,594	241,793	286,415	37,821
Office of the Principal	750,284	0	0	750,284	776,841	776,841	26,557
Fiscal Services	43,612	0	0	43,612	63,765	60,543	16,931

(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 7/1/2005	Add: Encumbrances 6/30/2006	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	\$ 2,062,840	\$ (36,942)	\$ 195,060	\$ 2,220,958	\$ 1,970,285	\$ 2,294,505	\$ 73,547
Maintenance of Plant	161,203	(19,036)	557	142,724	180,000	180,000	37,276
Transportation	1,133,620	0	0	1,133,620	1,091,000	1,139,000	5,380
<u>Operation of Non-Instructional Services</u>							
Food Service	2,057,852	0	0	2,057,852	1,789,724	1,908,542	(149,310)
Community Services	301,357	0	0	301,357	56,792	306,617	5,260
Early Childhood Education	548,154	0	0	548,154	85,962	572,462	24,308
<u>Capital Outlay</u>							
Regular Capital Outlay	70,427	(39,569)	0	30,858	60,000	60,000	29,142
<u>Principal on Debt</u>							
Education	83,493	0	0	83,493	0	83,493	0
<u>Other Debt Service</u>							
Education	461,000	0	0	461,000	461,000	461,000	0
Total Expenditures	\$ 30,483,252	\$ (230,189)	\$ 230,611	\$ 30,483,674	\$ 30,282,060	\$ 31,902,590	\$ 1,418,916
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 1,124,704	\$ 230,189	\$ (230,611)	\$ 1,124,282	\$ (617,656)	\$ (893,585)	\$ 2,017,867
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 1,638	\$ 0	\$ 0	\$ 1,638	\$ 0	\$ 0	\$ 1,638
Transfers In	51,516	0	0	51,516	0	0	51,516
Total Other Financing Sources (Uses)	\$ 53,154	\$ 0	\$ 0	\$ 53,154	\$ 0	\$ 0	\$ 53,154
Net Change in Fund Balance	\$ 1,177,858	\$ 230,189	\$ (230,611)	\$ 1,177,436	\$ (617,656)	\$ (893,585)	\$ 2,071,021
Fund Balance, July 1, 2005	4,741,395	(230,189)	0	4,511,206	4,477,434	4,477,434	33,772
Fund Balance, June 30, 2006	\$ 5,919,253	\$ 0	\$ (230,611)	\$ 5,688,642	\$ 3,859,778	\$ 3,583,849	\$ 2,104,793

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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,938,441	\$ 0	\$ 1,938,441	\$ 1,836,891	\$ 1,855,172	\$ 83,269
Total Revenues	\$ 1,938,441	\$ 0	\$ 1,938,441	\$ 1,836,891	\$ 1,855,172	\$ 83,269
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 716,647	\$ (3,316)	\$ 713,331	\$ 723,892	\$ 729,039	\$ 15,708
Special Education Program	826,812	0	826,812	825,779	827,337	525
Vocational Education Program	96,366	0	96,366	93,837	96,377	11
<u>Support Services</u>						
Other Student Support	6,922	0	6,922	8,000	6,922	0
Regular Instruction Program	115,297	0	115,297	128,442	140,018	24,721
Special Education Program	17,443	0	17,443	17,000	17,000	(443)
Vocational Education Program	2,839	0	2,839	4,300	2,838	(1)
Transportation	37,000	0	37,000	37,000	37,000	0
Total Expenditures	\$ 1,819,326	\$ (3,316)	\$ 1,816,010	\$ 1,838,250	\$ 1,856,531	\$ 40,521
Excess (Deficiency) of Revenues Over Expenditures	\$ 119,115	\$ 3,316	\$ 122,431	\$ (1,359)	\$ (1,359)	\$ 123,790
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (51,516)	\$ 0	\$ (51,516)	\$ 0	\$ (51,516)	\$ 0
Total Other Financing Sources (Uses)	\$ (51,516)	\$ 0	\$ (51,516)	\$ 0	\$ (51,516)	\$ 0
Net Change in Fund Balance	\$ 67,599	\$ 3,316	\$ 70,915	\$ (1,359)	\$ (52,875)	\$ 123,790
Fund Balance, July 1, 2005	55,825	(3,316)	52,509	1,359	52,875	(366)
Fund Balance, June 30, 2006	\$ 123,424	\$ 0	\$ 123,424	\$ 0	\$ 0	\$ 123,424

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Loudon County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds  
Primary Government and Discretely Presented Loudon County School Department  
For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<b><u>PRIMARY GOVERNMENT</u></b>								
<b><u>NOTES PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Highway Capital Projects	\$ 330,000	4.43%	3-29-06	3-29-11	\$ 0	\$ 330,000	\$ 14,825	\$ 315,175
<b><u>Payable through Education Debt Service Fund</u></b>								
Local Government Energy Efficiency Loan Program	499,981	0	10-20-05	12-1-12	0	499,981	0	499,981
Total Notes Payable					<u>\$ 0</u>	<u>\$ 829,981</u>	<u>\$ 14,825</u>	<u>\$ 815,156</u>
<b><u>OTHER LOANS PAYABLE</u></b>								
<b><u>Payable through General Debt Service Fund</u></b>								
Sevier County PBA Loan Agreement Series II F-4	1,000,000	Variable	9-17-1997	6-1-09	\$ 410,000	\$ 0	\$ 95,000	\$ 315,000
Sevier County PBA Loan Agreement Series II E-3	2,700,000	Variable	1-6-1997	6-1-10	1,325,000	0	240,000	1,085,000
Montgomery County PBA Loan Agreement	5,000,000	Variable	5-8-03	5-25-18	4,473,000	0	282,000	4,191,000
Sevier County PBA Loan Agreement Series VI-C-4	3,000,000	Variable	10-21-04	6-1-20	2,035,206	964,794	150,000	2,850,000
<b><u>Payable through Education Debt Service Fund</u></b>								
Sevier County PBA Loan Agreement Series IV H-1	12,500,000	Variable (3)	10-25-01	6-1-25	12,500,000	0	0	12,500,000
Qualified Zone Academy Bonds - Energy Efficiency	(1)	0	12-28-05	12-1-20	0	2,451,367	83,493	2,367,874
Total Other Loans Payable					<u>\$ 20,743,206</u>	<u>\$ 3,416,161</u>	<u>\$ 850,493</u>	<u>\$ 23,308,874</u>
<b><u>CAPITAL LEASES</u></b>								
<b><u>Payable through Solid Waste/Sanitation Fund</u></b>								
Compactors and Containers (2)	135,000	0	7-1-05	3-31-10	\$ 128,250	\$ 0	\$ 27,000	\$ 101,250
Total Capital Leases					<u>\$ 128,250</u>	<u>\$ 0</u>	<u>\$ 27,000</u>	<u>\$ 101,250</u>

(Continued)

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-06
<u>PRIMARY GOVERNMENT (Cont.)</u>								
<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	\$ 158,000	\$ 0	\$ 10,000	\$ 148,000
General Obligation Public Improvement Series '99	5,360,000	5 to 5.7	12-1-1999	4-1-09	585,000	0	115,000	470,000
General Obligation Refunding Series '02	1,960,000	3.25 to 4	3-1-02	3-1-09	455,000	0	110,000	345,000
General Obligation Refunding Series '04	5,225,000	1.8 to 4	3-31-04	4-1-20	5,175,000	0	50,000	5,125,000
<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	215,000	0	215,000	0
Total Bonds Payable					<u>\$ 6,588,000</u>	<u>\$ 0</u>	<u>\$ 500,000</u>	<u>\$ 6,088,000</u>
<u>DISCRETELY PRESENTED LOUDON COUNTY SCHOOL DEPARTMENT</u>								
<u>NOTES PAYABLE</u>								
<u>Payable through General Purpose School Fund</u>								
Energy Efficiency Note - Borrowed from								
Primary Government	499,981	0	10-20-05	12-1-12	\$ 0	\$ 499,981	\$ 0	\$ 499,981
Energy Efficiency QZAB - Borrowed from								
Primary Government	(4)	0	12-28-05	12-1-20	0	2,451,367	83,493	2,367,874
Total Notes Payable					<u>\$ 0</u>	<u>\$ 2,951,348</u>	<u>\$ 83,493</u>	<u>\$ 2,867,855</u>

- (1) - Total amount available under this loan agreement was \$4,129,500, of which \$1,678,133 remains available for draws as of June 30, 2006.  
(2) - Management did not reflect this as a capital lease in the prior year.  
(3) - This issue was swapped from variable to synthetic fixed rate by execution of a swap agreement.  
(4) - Total amount available under this note agreement was \$4,129,500, of which \$1,678,133 remains available for draws as of June 30, 2006.

Exhibit K-2

Loudon County, Tennessee

Schedule of Bond and Interest Requirements by Year

Year Ending June 30	Bond Requirements	Interest Requirements	F.H.A. Bond Requirements	F.H.A. Interest Requirements	Total Requirements
2007	\$ 295,000	\$ 217,355	\$ 10,000	\$ 7,150	\$ 529,505
2008	325,000	205,580	11,000	6,625	548,205
2009	355,000	192,240	11,000	6,075	564,315
2010	285,000	177,450	12,000	5,500	479,950
2011	320,000	170,325	13,000	4,875	508,200
2012	345,000	160,725	13,000	4,225	522,950
2013	395,000	148,650	14,000	3,550	561,200
2014	425,000	134,825	15,000	2,825	577,650
2015	450,000	119,950	16,000	2,050	588,000
2016	480,000	104,425	16,000	1,250	601,675
2017	510,000	87,385	17,000	425	614,810
2018	550,000	68,515	0	0	618,515
2019	585,000	47,615	0	0	632,615
2020	620,000	24,800	0	0	644,800
<b>Total</b>	<b>\$ 5,940,000</b>	<b>\$ 1,859,840</b>	<b>\$ 148,000</b>	<b>\$ 44,550</b>	<b>\$ 7,992,390</b>

Exhibit K-3

Loudon County, Tennessee  
Schedule of Notes Receivable  
June 30, 2006

Description	Debtor	Original Amount of Notes	Date of Issue	Date of Maturity	Interest Rate	Balance
<u>Education Debt Service Fund</u>						
Payment of Capital Outlay Note	Loudon County School Department		10-20-05	12-01-12	0%	\$ 499,981
<u>Education Debt Service Fund</u>						
Payment of QZAB Loan	Loudon County School Department	(1)	12-28-05	12-01-20	0	<u>2,367,874</u>
Total Notes Receivable						<u>\$ 2,867,855</u>

The county borrows funds through the Tennessee Department of Economic and Community Development and the Tennessee State School Bond Authority and loans those amounts to the Loudon County School Department.

(1) Total amount approved was \$4,129,500, of which \$1,678,133 remains available for draws as of June 30, 2006.

Exhibit K-4

Loudon County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Loudon County School Department  
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>Primary Government</u>			
Other Special Revenue	General	To provide funds for equipment	\$ 15,000
Highway/Public Works	General Debt Service	To provide funds for retirement of debt	105,126
General Capital Projects	General Debt Service	To provide funds for retirement of debt	<u>26,240</u>
Total Transfers Primary Government			<u>\$ 146,366</u>
<u>Discretely Presented Loudon County School Department</u>			
School Federal Projects	General Purpose School	Indirect costs	<u>\$ 51,516</u>

Exhibit K-5

Loudon County, Tennessee  
Schedule of Salaries and Official Bonds of Principal Officials  
Primary Government and Discretely Presented Loudon County School Department  
For the Year Ended June 30, 2006

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor	Section 8-24-102, <u>TCA</u> , and County Commission	\$ 76,385	\$ 50,000	Western Surety Company
Highway Superintendent	Section 8-24-102, <u>TCA</u> , and County Commission	70,069 (1)	100,000	"
Director of Schools	State Board of Education and County Board of Education	89,250 (2)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	56,048	934,500	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,048	10,000	"
Director of Accounts and Budgets	County Commission	51,000	25,000	"
Purchasing Agent	County Commission	45,900	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	56,048	50,000	"
Register	Section 8-24-102, <u>TCA</u>	56,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	66,787 (3)	25,000	"
Employee Blanket Bonds - All County Employees:			250,000	Coregis Insurance Organization-Blanket Policy

(1) - Includes \$8,410 for county engineering services.

(2) - Includes \$1,000 chief executive officer training supplement.

(3) - Includes \$5,128 received as supervisor of the county workhouse.

Exhibit K-6

Loudon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

	<u>Special Revenue Funds</u>				
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>Local Taxes</u>					
<u>County Property Taxes</u>					
Current Property Tax	\$ 7,502,481	\$ 0	\$ 163,086	\$ 0	\$ 0
Trustee's Collections - Prior Year	117,307	0	0	0	0
Trustee's Collections - Bankruptcy	1,277	0	26	0	0
Circuit/Clerk & Master Collections - Prior Years	51,756	0	0	0	0
Interest and Penalty	26,872	0	213	0	0
Payments in-Lieu-of Taxes - Other	424,440	0	0	0	0
<u>County Local Option Taxes</u>					
Local Option Sales Tax	228,941	0	457,881	0	0
Hotel/Motel Tax	290,496	0	0	0	0
Litigation Tax - General	86,275	0	0	0	0
Litigation Tax - Special Purpose	137,933	5,672	0	0	0
Business Tax	343,026	0	0	0	0
Mineral Severance Tax	0	0	0	0	0
<u>Statutory Local Taxes</u>					
Bank Excise Tax	32,908	0	715	0	0
Wholesale Beer Tax	107,201	0	0	0	0
Total Local Taxes	<u>\$ 9,350,913</u>	<u>\$ 5,672</u>	<u>\$ 621,921</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Licenses and Permits</u>					
<u>Licenses</u>					
Animal Registration	\$ 35,202	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	205,893	0	0	0	0
<u>Permits</u>					
Beer Permits	2,826	0	0	0	0
Building Permits	263,295	0	0	0	0
Other Permits	74,982	0	0	0	0
Total Licenses and Permits	<u>\$ 582,198</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>					
<u>Circuit Court</u>					
Fines	\$ 2,681	\$ 0	\$ 0	\$ 0	\$ 0
Data Entry Fee - Circuit Court	443	0	0	0	0

(Continued)

Exhibit K-6

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

	<u>Special Revenue Funds</u>				
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>Fines, Forfeitures, and Penalties (Cont.)</u>					
<u>Criminal Court</u>					
Fines	\$ 19,757	\$ 0	\$ 0	\$ 0	\$ 0
Officers Costs	17,241	0	0	0	0
Drug Control Fines	2,367	0	0	0	2,367
Jail Fees	565	0	0	0	0
DUI Treatment Fines	3,789	0	0	0	0
Data Entry Fee - Criminal Court	656	0	0	0	0
Courtroom Security Fee	192	0	0	0	0
<u>General Sessions Court</u>					
Fines	85,627	0	0	0	0
Officers Costs	132,195	0	0	0	0
Game and Fish Fines	1,577	0	0	0	0
Drug Control Fines	8,881	0	0	0	11,308
Jail Fees	11,727	0	0	0	0
DUI Treatment Fines	16,716	0	0	0	0
Data Entry Fee - General Sessions Court	16,892	0	0	0	0
Courtroom Security Fee	236	0	0	0	0
<u>Juvenile Court</u>					
Drug Control Fines	3,734	0	0	0	0
DUI Treatment Fines	1,875	0	0	0	0
Data Entry Fee - Juvenile Court	961	0	0	0	0
<u>Chancery Court</u>					
Officers Costs	5,810	0	0	0	0
Data Entry Fee - Chancery Court	434	0	0	0	0
<u>Other Courts - In-county</u>					
Fines	20,178	0	0	0	0
<u>Judicial District Drug Program</u>					
Drug Task Force Forfeitures and Seizures	0	0	0	0	45,749
Total Fines, Forfeitures, and Penalties	<u>\$ 354,534</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,424</u>
<u>Charges for Current Services</u>					
<u>General Service Charges</u>					
Zoning Studies	\$ 7,300	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit K-6

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
<u>Charges for Current Services (Cont.)</u>					
<u>General Service Charges (Cont.)</u>					
Other General Service Charges	\$ 120,466	\$ 0	\$ 0	\$ 0	\$ 0
<u>Fees</u>					
Telephone Commissions	20,012	0	0	0	0
Vending Machine Collections	798	0	0	0	0
Data Processing Fee - Register	35,944	0	0	0	0
Data Processing Fee - Sheriff	8,593	0	0	0	0
Sexual Offender Registration Fees - Sheriff	1,705	0	0	0	0
Total Charges for Current Services	<u>\$ 194,818</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Local Revenues</u>					
<u>Recurring Items</u>					
Investment Income	\$ 307,809	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	4,200	0	0	7,913	0
Sale of Materials and Supplies	0	0	0	0	0
Commissary Sales	11,462	0	0	0	0
Sale of Maps	3,156	0	0	0	0
Sale of Recycled Materials	0	0	76,445	0	0
Miscellaneous Refunds	8,676	0	0	0	80
<u>Nonrecurring Items</u>					
Revenue from Joint Ventures	0	0	0	0	0
Contributions & Gifts	1,919	0	0	0	19,413
<u>Other Local Revenues</u>					
Other Local Revenues	59,000	0	0	0	0
Total Other Local Revenues	<u>\$ 396,222</u>	<u>\$ 0</u>	<u>\$ 76,445</u>	<u>\$ 7,913</u>	<u>\$ 19,493</u>
<u>Fees Received from County Officials</u>					
<u>Fees-In-Lieu of Salary</u>					
County Clerk	\$ 353,927	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	56,005	0	0	0	0
General Sessions Court Clerk	402,473	0	0	0	0
Clerk and Master	85,037	0	0	0	0
Register	507,185	0	0	0	0

(Continued)

Exhibit K-6

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
<u>Fees Received from County Officials (Cont.)</u>					
<u>Fees-In-Lieu of Salary (Cont.)</u>					
Sheriff	\$ 16,748	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	612,813	0	0	0	0
Total Fees Received from County Officials	\$ 2,034,188	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>					
<u>General Government Grants</u>					
Juvenile Services Program	\$ 11,205	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	38,112	0	0	0	0
State Reappraisal Grant	18,591	0	0	0	0
<u>Health and Welfare Grants</u>					
Health Department Programs	255,389	0	0	0	0
<u>Public Works Grants</u>					
State Aid Program	0	0	0	0	0
Litter Program	9,079	0	30,285	0	0
<u>Other State Revenues</u>					
Income Tax	475,351	0	0	0	0
Beer Tax	17,212	0	0	0	0
Alcoholic Beverage Tax	39,962	0	0	0	0
Mixed Drink Tax	5,737	0	0	0	0
Contracted Prisoner Boarding	40,767	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0
Total State of Tennessee	\$ 927,785	\$ 0	\$ 30,285	\$ 0	\$ 0
<u>Federal Government</u>					
<u>Federal Through State</u>					
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Civil Defense Reimbursement	14,647	0	0	0	0
Homeland Security Grants	357,889	0	0	0	0
Law Enforcement Grants	44,675	0	0	0	0
Other Federal through State	201,500	0	0	0	0

(Continued)

Exhibit K-6

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

	<u>Special Revenue Funds</u>				
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control
<u>Federal Government (Cont.)</u>					
<u>Direct Federal Revenue</u>					
Public Safety Partnership and Community Policing - COPS	\$ 43,812	\$ 0	\$ 0	\$ 0	\$ 0
Other Direct Federal Revenue	0	0	0	0	0
Total Federal Government	<u>\$ 662,523</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>					
<u>Other Governments</u>					
Prisoner Board	\$ 3,800	\$ 0	\$ 0	\$ 0	\$ 0
Contributions	32,111	0	0	0	0
Contracted Services	224,041	0	0	0	0
<u>Citizens Groups</u>					
Donations	15,827	0	0	0	0
<u>Other</u>					
Other	13,269	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 289,048</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 14,792,229</u>	<u>\$ 5,672</u>	<u>\$ 728,651</u>	<u>\$ 7,913</u>	<u>\$ 78,917</u>

(Continued)

Exhibit K-6

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

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital</u>	
	<u>Other</u>	<u>Highway /</u>	<u>General</u>	<u>Education</u>	<u>Projects</u>	
	<u>Special</u>	<u>Public</u>	<u>Debt</u>	<u>Debt</u>	<u>General</u>	
	<u>Revenue</u>	<u>Works</u>	<u>Service</u>	<u>Service</u>	<u>Capital</u>	<u>Total</u>
					<u>Projects</u>	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 380,535	\$ 1,032,926	\$ 0	\$ 271,809	\$ 9,350,837
Trustee's Collections - Prior Year	0	5,251	26,262	0	5,252	154,072
Trustee's Collections - Bankruptcy	0	64	185	0	47	1,599
Circuit/Clerk & Master Collections - Prior Years	0	2,370	13,015	0	2,171	69,312
Interest and Penalty	0	1,261	5,535	0	1,119	35,000
Payments in-Lieu-of Taxes - Other	0	0	29,895	0	0	454,335
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	686,822
Hotel/Motel Tax	0	0	0	0	0	290,496
Litigation Tax - General	0	0	0	0	0	86,275
Litigation Tax - Special Purpose	0	0	0	0	0	143,605
Business Tax	0	0	0	0	0	343,026
Mineral Severance Tax	0	105,235	0	0	0	105,235
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	1,669	4,531	0	1,192	41,015
Wholesale Beer Tax	0	0	0	0	0	107,201
Total Local Taxes	\$ 0	\$ 496,385	\$ 1,112,349	\$ 0	\$ 281,590	\$ 11,868,830
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 35,202
Cable TV Franchise	0	0	0	0	0	205,893
<u>Permits</u>						
Beer Permits	0	0	0	0	0	2,826
Building Permits	0	0	0	0	0	263,295
Other Permits	0	0	0	0	0	74,982
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 582,198
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,681
Data Entry Fee - Circuit Court	0	0	0	0	0	443

(Continued)

Exhibit K-6

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

	<u>Special Revenue Funds</u>		<u>Debt Service Funds</u>		<u>Capital</u>	<u>Total</u>
	<u>Other</u>	<u>Highway /</u>	<u>General</u>	<u>Education</u>	<u>Projects</u>	
	<u>Special</u>	<u>Public</u>	<u>Debt</u>	<u>Debt</u>	<u>General</u>	
	<u>Revenue</u>	<u>Works</u>	<u>Service</u>	<u>Service</u>	<u>Capital</u>	
					<u>Projects</u>	
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Criminal Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	19,757
Officers Costs	0	0	0	0	0	17,241
Drug Control Fines	0	0	0	0	0	4,734
Jail Fees	0	0	0	0	0	565
DUI Treatment Fines	0	0	0	0	0	3,789
Data Entry Fee - Criminal Court	0	0	0	0	0	656
Courtroom Security Fee	0	0	0	0	0	192
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	85,627
Officers Costs	0	0	0	0	0	132,195
Game and Fish Fines	0	0	0	0	0	1,577
Drug Control Fines	0	0	0	0	0	20,189
Jail Fees	0	0	0	0	0	11,727
DUI Treatment Fines	0	0	0	0	0	16,716
Data Entry Fee - General Sessions Court	0	0	0	0	0	16,892
Courtroom Security Fee	0	0	0	0	0	236
<u>Juvenile Court</u>						
Drug Control Fines	0	0	0	0	0	3,734
DUI Treatment Fines	0	0	0	0	0	1,875
Data Entry Fee - Juvenile Court	0	0	0	0	0	961
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	5,810
Data Entry Fee - Chancery Court	0	0	0	0	0	434
<u>Other Courts - In-county</u>						
Fines	0	0	0	0	0	20,178
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	92,707	0	0	0	0	138,456
Total Fines, Forfeitures, and Penalties	\$ 92,707	\$ 0	\$ 0	\$ 0	\$ 0	506,665
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Zoning Studies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	7,300

(Continued)

Exhibit K-6

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>Other Special Revenue</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>Charges for Current Services (Cont.)</u>						
<u>General Service Charges (Cont.)</u>						
Other General Service Charges	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	120,466
<u>Fees</u>						
Telephone Commissions	0	0	0	0	0	20,012
Vending Machine Collections	0	0	0	0	0	798
Data Processing Fee - Register	0	0	0	0	0	35,944
Data Processing Fee - Sheriff	0	0	0	0	0	8,593
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	1,705
<b>Total Charges for Current Services</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>194,818</b>
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	200,203	\$ 0	508,012
Lease/Rentals	0	0	0	0	0	12,113
Sale of Materials and Supplies	0	14,368	0	0	0	14,368
Commissary Sales	0	0	0	0	0	11,462
Sale of Maps	0	0	0	0	0	3,156
Sale of Recycled Materials	0	0	0	0	0	76,445
Miscellaneous Refunds	0	4	0	0	0	8,760
<u>Nonrecurring Items</u>						
Revenue from Joint Ventures	0	0	31,911	0	341,186	373,097
Contributions & Gifts	0	0	0	0	22,257	43,589
<u>Other Local Revenues</u>						
Other Local Revenues	0	0	0	0	0	59,000
<b>Total Other Local Revenues</b>	<b>\$ 0</b>	<b>\$ 14,372</b>	<b>\$ 31,911</b>	<b>\$ 200,203</b>	<b>\$ 363,443</b>	<b>\$ 1,110,002</b>
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	353,927
Circuit Court Clerk	0	0	0	0	0	56,005
General Sessions Court Clerk	0	0	0	0	0	402,473
Clerk and Master	0	0	0	0	0	85,037
Register	0	0	0	0	0	507,185

(Continued)

Exhibit K-6

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>Other Special Revenue</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>						
Sheriff	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,748
Trustee	0	0	0	0	0	612,813
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,034,188
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,205
Aging Programs	0	0	0	0	0	38,112
State Reappraisal Grant	0	0	0	0	0	18,591
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	255,389
<u>Public Works Grants</u>						
State Aid Program	0	184,670	0	0	0	184,670
Litter Program	0	0	0	0	0	39,364
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	475,351
Beer Tax	0	0	0	0	0	17,212
Alcoholic Beverage Tax	0	0	0	0	0	39,962
Mixed Drink Tax	0	0	0	0	0	5,737
Contracted Prisoner Boarding	0	0	0	0	0	40,767
Gasoline and Motor Fuel Tax	0	1,546,345	0	0	0	1,546,345
Petroleum Special Tax	0	31,442	0	0	0	31,442
Registrar's Salary Supplement	0	0	0	0	0	16,380
Total State of Tennessee	\$ 0	\$ 1,762,457	\$ 0	\$ 0	\$ 0	\$ 2,720,527
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	114,100	\$ 114,100
Civil Defense Reimbursement	0	0	0	0	0	14,647
Homeland Security Grants	0	0	0	0	0	357,889
Law Enforcement Grants	0	0	0	0	0	44,675
Other Federal through State	0	0	0	0	0	201,500

(Continued)

Exhibit K-6

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>Other Special Revenue</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>Federal Government (Cont.)</u>						
<u>Direct Federal Revenue</u>						
Public Safety Partnership and Community Policing - COPS	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	43,812
Other Direct Federal Revenue	0	0	0	0	153,500	153,500
<b>Total Federal Government</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 267,600</b>	<b>\$ 930,123</b>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,800
Contributions	0	0	0	461,000	0	493,111
Contracted Services	0	0	138,428	0	0	362,469
<u>Citizens Groups</u>						
Donations	0	0	0	0	35,434	51,261
<u>Other</u>						
Other	0	0	0	0	0	13,269
<b>Total Other Governments and Citizens Groups</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 138,428</b>	<b>\$ 461,000</b>	<b>\$ 35,434</b>	<b>\$ 923,910</b>
<b>Total</b>	<b>\$ 92,707</b>	<b>\$ 2,273,214</b>	<b>\$ 1,282,688</b>	<b>\$ 661,203</b>	<b>\$ 948,067</b>	<b>\$ 20,871,261</b>

Exhibit K-7

Loudon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
Discretely Presented Loudon County School Department  
For the Year Ended June 30, 2006

	General Purpose School	School Federal Projects	Total
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 7,317,155	\$ 0	\$ 7,317,155
Trustee's Collections - Prior Year	108,226	0	108,226
Trustee's Collections - Bankruptcy	1,243	0	1,243
Circuit/Clerk & Master Collections - Prior Years	48,807	0	48,807
Interest and Penalty	25,306	0	25,306
<u>County Local Option Taxes</u>			
Local Option Sales Tax	2,858,763	0	2,858,763
<u>Statutory Local Taxes</u>			
Bank Excise Tax	32,096	0	32,096
Interstate Telecommunications Tax	7,754	0	7,754
Total Local Taxes	\$ 10,399,350	\$ 0	\$ 10,399,350
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$ 1,601	\$ 0	\$ 1,601
Total Licenses and Permits	\$ 1,601	\$ 0	\$ 1,601
<u>Charges for Current Services</u>			
<u>Education Charges</u>			
School Based Health Services - FFS	\$ 5,000	\$ 0	\$ 5,000
Receipts from Individual Schools	795,763	0	795,763
Community Service Fees - Children	109,567	0	109,567
Total Charges for Current Services	\$ 910,330	\$ 0	\$ 910,330
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 244,501	\$ 0	\$ 244,501
Sale of Materials and Supplies	99	0	99
Miscellaneous Refunds	142,409	0	142,409
<u>Nonrecurring Items</u>			
Contributions & Gifts	1,091	0	1,091
<u>Other Local Revenues</u>			
Other Local Revenues	25,000	0	25,000
Total Other Local Revenues	\$ 413,100	\$ 0	\$ 413,100
<u>State of Tennessee</u>			
<u>State Education Funds</u>			
Basic Education Program	\$ 16,441,370	\$ 0	\$ 16,441,370
School Food Service	26,307	0	26,307
Driver Education	2,160	0	2,160
Other State Education Funds	561,778	0	561,778
Career Ladder Program	234,257	0	234,257
Career Ladder - Extended Contract	191,112	0	191,112
<u>Other State Revenues</u>			
Mixed Drink Tax	3,940	0	3,940
State Revenue Sharing - T.V.A.	776,362	0	776,362
Total State of Tennessee	\$ 18,237,286	\$ 0	\$ 18,237,286

(Continued)

Exhibit K-7

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>Federal Government</u>			
<u>Federal Through State</u>			
USDA School Lunch Program	\$ 756,105	\$ 0	\$ 756,105
Breakfast	255,378	0	255,378
USDA - Other	11,737	0	11,737
Vocational Education - Basic Grants to States	0	106,137	106,137
Title I Grants to Local Education Agencies	0	614,290	614,290
Innovative Education Program Strategies	0	13,901	13,901
Special Education - Grants to States	22,168	918,147	940,315
Special Education Preschool Grants	0	16,562	16,562
Eisenhower Professional Development State Grants	0	211,450	211,450
Other Federal through State	465,050	57,954	523,004
<u>Direct Federal Revenue</u>			
ROTC Reimbursement	52,171	0	52,171
Other Direct Federal Revenue	187	0	187
Total Federal Government	\$ 1,562,796	\$ 1,938,441	\$ 3,501,237
<u>Other Governments and Citizens Groups</u>			
<u>Other</u>			
Other	\$ 83,493	\$ 0	\$ 83,493
Total Other Governments and Citizens Groups	\$ 83,493	\$ 0	\$ 83,493
Total	\$ 31,607,956	\$ 1,938,441	\$ 33,546,397

Exhibit K-8

Loudon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2006

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	60,000	
Social Security		3,639	
State Retirement		2,786	
Employer Medicare		851	
Dues and Memberships		3,104	
Travel		2,632	
Office Supplies		2,404	
Other Supplies and Materials		1,922	
In Service/Staff Development		630	
Total County Commission			\$ 77,968

Board of Equalization

Board and Committee Members Fees	\$	850	
Total Board of Equalization			850

Beer Board

Board and Committee Members Fees	\$	3,850	
Total Beer Board			3,850

Other Boards and Committees

Board and Committee Members Fees	\$	7,050	
Total Other Boards and Committees			7,050

County Mayor/Executive

County Official/Administrative Officer	\$	76,385	
Secretary(ies)		34,000	
Overtime Pay		1,699	
Social Security		6,860	
State Retirement		8,675	
Employer Medicare		1,604	
Communication		3,001	
Dues and Memberships		1,500	
Licenses		35	
Travel		2,072	
Gasoline		733	
Office Supplies		917	
Premiums on Corporate Surety Bonds		175	
Motor Vehicles		16,488	
Total County Mayor/Executive			154,144

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

Legal Services	\$	86,878	
Other Contracted Services		13,135	
Total County Attorney			\$ 100,013

Election Commission

County Official/Administrative Officer	\$	47,640	
Secretary(ies)		30,310	
Temporary Personnel		410	
Overtime Pay		1,033	
Election Commission		11,908	
Election Workers		22,611	
Social Security		5,590	
State Retirement		6,113	
Employer Medicare		1,307	
Advertising		3,083	
Communication		4,369	
Dues and Memberships		250	
Maintenance & Repair Services - Equipment		704	
Postal Charges		3,250	
Printing, Stationery, and Forms		2,613	
Travel		2,123	
Other Contracted Services		15,243	
Office Supplies		2,314	
Office Equipment		1,971	
Voting Machines		206,710	
Total Election Commission			369,552

Register of Deeds

County Official/Administrative Officer	\$	56,048	
Clerical Personnel		107,608	
Social Security		9,548	
State Retirement		12,667	
Employer Medicare		2,233	
Communication		1,683	
Dues and Memberships		842	
Travel		1,240	
Other Contracted Services		26,341	
Office Supplies		7,432	
Premiums on Corporate Surety Bonds		100	
Total Register of Deeds			225,742

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Development

County Official/Administrative Officer	\$	13,609	
Board and Committee Members Fees		2,145	
Communication		557	
Dues and Memberships		1,274	
Legal Notices, Recording, and Court Costs		98	
Other Contracted Services		9,018	
Office Supplies		121	
Other Supplies and Materials		1,891	
Office Equipment		991	
Total Development			\$ 29,704

Planning

County Official/Administrative Officer	\$	62,340	
Secretary(ies)		51,560	
Social Security		6,946	
State Retirement		8,816	
Employer Medicare		1,625	
Communication		3,124	
Engineering Services		7,300	
Maintenance & Repair Services - Buildings		54	
Maintenance & Repair Services - Vehicles		680	
Travel		3,855	
Gasoline		1,024	
Office Supplies		5,419	
Utilities		2,598	
In Service/Staff Development		2,900	
Office Equipment		2,224	
Total Planning			160,465

Building

Other Supplies and Materials	\$	190	
Total Building			190

Geographical Information Systems

Supervisor/Director	\$	31,766	
Overtime Pay		1,879	
Social Security		1,980	
State Retirement		2,604	
Employer Medicare		463	
Travel		30	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Geographical Information Systems (Cont.)

Other Contracted Services	\$	12,825	
Office Supplies		339	
Total Geographical Information Systems			\$ 51,886

County Buildings

Supervisor/Director	\$	42,191	
Laborers		250,745	
Custodial Personnel		22,462	
Part-time Personnel		1,380	
Overtime Pay		3,120	
Social Security		18,960	
State Retirement		24,653	
Employer Medicare		4,434	
Communication		42,791	
Operating Lease Payments		52,100	
Maintenance & Repair Services - Buildings		50,040	
Maintenance & Repair Services - Equipment		739	
Maintenance & Repair Services - Vehicles		3,934	
Pest Control		4,377	
Other Contracted Services		101,489	
Custodial Supplies		6,013	
Duplicating Supplies		8,000	
Gasoline		13,514	
Office Supplies		1,214	
Tires and Tubes		639	
Uniforms		3,578	
Utilities		202,355	
Other Supplies and Materials		941	
In Service/Staff Development		532	
Furniture and Fixtures		771	
Maintenance Equipment		4,935	
Motor Vehicles		17,900	
Office Equipment		1,951	
Total County Buildings			885,758

Finance

Accounting and Budgeting

County Official/Administrative Officer	\$	51,000	
Accountants/Bookkeepers		182,064	
Overtime Pay		225	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Social Security	\$	14,097	
State Retirement		18,056	
Employer Medicare		3,297	
Audit Services		8,922	
Communication		3,706	
Dues and Memberships		135	
Travel		1,028	
Other Contracted Services		13,664	
Office Supplies		12,398	
In Service/Staff Development		2,927	
Office Equipment		1,053	
Total Accounting and Budgeting			\$ 312,572

Purchasing

County Official/Administrative Officer	\$	45,900	
Secretary(ies)		35,247	
Social Security		4,986	
State Retirement		6,281	
Employer Medicare		1,166	
Advertising		324	
Communication		1,906	
Dues and Memberships		345	
Travel		952	
Other Contracted Services		54	
Office Supplies		2,423	
Premiums on Corporate Surety Bonds		192	
In Service/Staff Development		552	
Office Equipment		1,168	
Total Purchasing			101,496

Property Assessor's Office

County Official/Administrative Officer	\$	56,048
Secretary(ies)		135,801
Overtime Pay		185
Social Security		11,455
State Retirement		14,864
Employer Medicare		2,679
Communication		4,090
Data Processing Services		7,326
Dues and Memberships		1,290

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Maintenance & Repair Services - Vehicles	\$	1,548	
Travel		1,201	
Other Contracted Services		38,708	
Gasoline		2,536	
Office Supplies		4,844	
Premiums on Corporate Surety Bonds		100	
Office Equipment		142	
Total Property Assessor's Office			\$ 282,817

County Trustee's Office

County Official/Administrative Officer	\$	56,048	
Clerical Personnel		82,700	
Part-time Personnel		10,572	
Social Security		8,989	
State Retirement		10,739	
Employer Medicare		2,102	
Communication		2,486	
Data Processing Services		3,500	
Dues and Memberships		567	
Printing, Stationery, and Forms		1,782	
Travel		1,492	
Other Contracted Services		17,917	
Office Supplies		15,449	
Premiums on Corporate Surety Bonds		4,922	
Office Equipment		743	
Total County Trustee's Office			220,008

County Clerk's Office

County Official/Administrative Officer	\$	56,048	
Clerical Personnel		164,818	
Part-time Personnel		8,882	
Social Security		13,371	
State Retirement		17,095	
Employer Medicare		3,127	
Communication		3,031	
Dues and Memberships		582	
Other Contracted Services		12,986	
Office Supplies		12,672	
Premiums on Corporate Surety Bonds		250	
Office Equipment		776	
Total County Clerk's Office			293,638

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,048	
Clerical Personnel		61,266	
Temporary Personnel		1,183	
Overtime Pay		4,105	
Social Security		7,503	
State Retirement		9,446	
Employer Medicare		1,755	
Communication		2,218	
Dues and Memberships		777	
Printing, Stationery, and Forms		997	
Travel		2,310	
Other Contracted Services		7,990	
Office Supplies		6,844	
Judgments		144	
Premiums on Corporate Surety Bonds		250	
In Service/Staff Development		697	
Office Equipment		4,314	
Total Circuit Court			\$ 167,847

General Sessions Court

Clerical Personnel	\$	178,345	
Temporary Personnel		7,279	
Part-time Personnel		13,560	
Overtime Pay		13,889	
Social Security		12,820	
State Retirement		14,936	
Employer Medicare		2,998	
Communication		1,601	
Dues and Memberships		200	
Printing, Stationery, and Forms		7,000	
Travel		1,920	
Other Contracted Services		6,946	
Office Supplies		10,247	
In Service/Staff Development		388	
Office Equipment		23,895	
Total General Sessions Court			296,024

General Sessions Judge

County Official/Administrative Officer	\$	110,305
Clerical Personnel		43,802

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Judge (Cont.)

Social Security	\$	8,293	
State Retirement		11,928	
Employer Medicare		2,197	
Communication		1,363	
Dues and Memberships		325	
Travel		2,313	
Other Contracted Services		3,400	
Office Supplies		538	
Total General Sessions Judge			\$ 184,464

Chancery Court

County Official/Administrative Officer	\$	56,048	
Clerical Personnel		50,718	
Social Security		6,185	
State Retirement		8,264	
Employer Medicare		1,446	
Communication		1,672	
Dues and Memberships		562	
Postal Charges		4,804	
Travel		1,197	
Office Supplies		3,588	
Premiums on Corporate Surety Bonds		250	
In Service/Staff Development		230	
Land		951	
Office Equipment		2,437	
Total Chancery Court			138,352

Juvenile Court

County Official/Administrative Officer	\$	56,971	
Social Workers		155,699	
Part-time Personnel		11,758	
Overtime Pay		4,588	
Social Security		13,848	
State Retirement		16,693	
Employer Medicare		3,239	
Communication		8,648	
Contracts with Government Agencies		4,200	
Maintenance & Repair Services - Equipment		518	
Maintenance & Repair Services - Vehicles		819	
Travel		4,273	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Juvenile Court (Cont.)

Other Contracted Services	\$	27,540	
Gasoline		2,975	
Office Supplies		1,491	
Tires and Tubes		302	
Other Supplies and Materials		2,500	
In Service/Staff Development		1,930	
Furniture and Fixtures		6,518	
Office Equipment		2,845	
Other Equipment		1,861	
Total Juvenile Court			\$ 329,216

Other Administration of Justice

Jury and Witness Fees	\$	15,572	
Other Contracted Services		8,562	
Total Other Administration of Justice			24,134

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	66,787	
Assistant(s)		52,996	
Deputy(ies)		812,644	
Investigator(s)		118,241	
Captain(s)		91,080	
Sergeant(s)		163,614	
Salary Supplements		18,154	
Secretary(ies)		56,776	
Clerical Personnel		49,068	
Part-time Personnel		41,624	
School Resource Officer		157,286	
Overtime Pay		85,937	
Other Salaries & Wages		2	
Social Security		103,332	
State Retirement		128,192	
Employer Medicare		24,166	
Communication		17,881	
Data Processing Services		200	
Dues and Memberships		2,040	
Maintenance Agreements		928	
Maintenance & Repair Services - Vehicles		91,637	
Travel		8,187	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Other Contracted Services	\$	8,944	
Drugs and Medical Supplies		39,699	
Gasoline		151,083	
Office Supplies		14,392	
Tires and Tubes		14,221	
Uniforms		12,261	
Vehicle Parts		11,525	
Other Supplies and Materials		5,925	
Judgments		8,939	
Premiums on Corporate Surety Bonds		125	
Vehicle and Equipment Insurance		21,000	
Workers' Compensation Insurance		22,890	
In Service/Staff Development		4,912	
Communication Equipment		5,489	
Motor Vehicles		137,763	
Office Equipment		3,708	
Total Sheriff's Department			\$ 2,553,648

Special Patrols

Contributions	\$	22,000	
Total Special Patrols			22,000

Traffic Control

Utilities	\$	940	
Total Traffic Control			940

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$	421	
Total Administration of the Sexual Offender Registry			421

Jail

Guards	\$	554,267	
Cafeteria Personnel		36,962	
Overtime Pay		30,103	
Social Security		37,725	
State Retirement		47,574	
Employer Medicare		8,823	
Travel		1,210	
Other Contracted Services		3,938	
Custodial Supplies		10,266	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Drugs and Medical Supplies	\$	99,178	
Food Supplies		56,397	
Office Supplies		6,081	
Uniforms		7,644	
Other Supplies and Materials		12,442	
Total Jail			\$ 912,610

Juvenile Services

Other Salaries & Wages	\$	14,811	
Other Per Diem & Fees		875	
Social Security		898	
State Retirement		1,123	
Employer Medicare		210	
Rentals		1,400	
Travel		229	
Other Supplies and Materials		300	
Total Juvenile Services			19,846

Civil Defense

County Official/Administrative Officer	\$	38,015	
Secretary(ies)		22,322	
Social Security		3,630	
State Retirement		4,670	
Employer Medicare		849	
Communication		2,600	
Maintenance & Repair Services - Vehicles		410	
Travel		252	
Other Contracted Services		1,403	
Gasoline		2,047	
Office Supplies		1,195	
Uniforms		501	
In Service/Staff Development		307	
Other Charges		146,364	
Total Civil Defense			224,565

Rescue Squad

Contributions	\$	89,000	
Total Rescue Squad			89,000

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Disaster Relief

County Official/Administrative Officer	\$	1,920	
Other Salaries & Wages		5,972	
Other Per Diem & Fees		1,075	
Social Security		231	
State Retirement		288	
Employer Medicare		54	
Other Contracted Services		5,500	
Gasoline		1,419	
Total Disaster Relief			\$ 16,459

Other Emergency Management

Communication	\$	2,059	
Printing, Stationery, and Forms		600	
Other Contracted Services		3,022	
Food Supplies		79	
Office Supplies		856	
Small Tools		908	
Other Supplies and Materials		6,676	
Communication Equipment		68,908	
Furniture and Fixtures		4,950	
Transportation Equipment		10,925	
Other Equipment		4,146	
Total Other Emergency Management			103,129

Inspection and Regulation

County Official/Administrative Officer	\$	43,370	
Assistant(s)		66,230	
Social Security		6,726	
State Retirement		8,483	
Employer Medicare		1,573	
Communication		5,021	
Dues and Memberships		265	
Maintenance & Repair Services - Vehicles		437	
Gasoline		3,621	
Office Supplies		2,963	
In Service/Staff Development		375	
Office Equipment		3,646	
Total Inspection and Regulation			142,710

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

County Coroner/Medical Examiner

Medical Personnel	\$ 7,500	
Total County Coroner/Medical Examiner		\$ 7,500

Public Safety Grant Programs

Other Salaries & Wages	\$ 4,648	
Social Security	276	
State Retirement	360	
Employer Medicare	65	
Travel	3,761	
Other Supplies and Materials	5,150	
Other Charges	7,099	
Total Public Safety Grant Programs		21,359

Other Public Safety

County Official/Administrative Officer	\$ 37,360	
Deputy(ies)	34,076	
Dispatchers/Radio Operators	302,539	
Part-time Personnel	41,487	
Overtime Pay	12,810	
In-Service Training	668	
Social Security	26,380	
State Retirement	29,862	
Employer Medicare	6,169	
Communication	3,055	
Travel	3,521	
Other Contracted Services	10,998	
Gasoline	281	
Office Supplies	4,707	
Uniforms	2,932	
In Service/Staff Development	3,824	
Total Other Public Safety		520,669

Public Health and Welfare

Local Health Center

Assistant(s)	\$ 18,458	
Social Security	1,144	
State Retirement	1,429	
Employer Medicare	268	
Communication	4,521	
Contributions	3,409	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Local Health Center (Cont.)

Postal Charges	\$	1,390	
Travel		235	
Other Contracted Services		5,335	
Drugs and Medical Supplies		2,000	
Office Supplies		3,871	
Other Supplies and Materials		710	
Total Local Health Center			\$ 42,770

Rabies and Animal Control

Part-time Personnel	\$	10,844	
Overtime Pay		4,213	
Other Salaries & Wages		73,621	
Social Security		5,315	
State Retirement		6,088	
Employer Medicare		1,243	
Communication		3,350	
Maintenance & Repair Services - Vehicles		7,864	
Rentals		4,473	
Travel		457	
Veterinary Services		14,731	
Animal Food and Supplies		270	
Custodial Supplies		2,578	
Gasoline		4,403	
Office Supplies		890	
Uniforms		1,000	
Utilities		4,580	
Other Supplies and Materials		2,390	
In Service/Staff Development		500	
Office Equipment		466	
Total Rabies and Animal Control			149,276

Other Local Health Services

Other Salaries & Wages	\$	210,719	
Social Security		12,977	
State Retirement		15,658	
Employer Medicare		3,035	
Travel		5,023	
Liability Insurance		904	
Total Other Local Health Services			248,316

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services

Adult Activities

Assistant(s)	\$	2,773	
Social Security		172	
State Retirement		100	
Employer Medicare		40	
Contributions		5,000	
Total Adult Activities			\$ 8,085

Senior Citizens Assistance

Assistant(s)	\$	28,875	
Secretary(ies)		24,098	
Part-time Personnel		9,522	
Other Salaries & Wages		36,688	
Social Security		5,868	
State Retirement		6,940	
Employer Medicare		1,372	
Communication		3,206	
Maintenance & Repair Services - Vehicles		600	
Travel		1,994	
Other Contracted Services		1,949	
Custodial Supplies		138	
Gasoline		1,495	
Office Supplies		1,013	
Utilities		4,468	
Other Supplies and Materials		615	
Total Senior Citizens Assistance			128,841

Libraries

Clerical Personnel	\$	109,560	
Temporary Personnel		9,158	
Part-time Personnel		22,235	
Overtime Pay		100	
Social Security		8,640	
State Retirement		8,606	
Employer Medicare		2,020	
Total Libraries			160,319

Agriculture & Natural Resources

Agriculture Extension Service

Communication	\$	5,362	
Contracts with Government Agencies		112,368	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture & Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Other Contracted Services	\$ 2,089	
Office Supplies	859	
Other Supplies and Materials	500	
Office Equipment	1,183	
Total Agriculture Extension Service	\$ 122,361	\$ 122,361

Forest Service

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

Soil Conservation

Clerical Personnel	\$ 10,545	
Social Security	654	
Employer Medicare	153	
Communication	657	
Contributions	2,000	
Total Soil Conservation	14,009	14,009

Flood Control

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

Other Operations

Tourism

Contributions	\$ 138,995	
Total Tourism		138,995

Industrial Development

Other Salaries & Wages	\$ 135,052	
Social Security	8,345	
State Retirement	9,226	
Employer Medicare	1,952	
Contributions	132,499	
Total Industrial Development	287,074	287,074

Housing and Urban Development

Contributions	\$ 1,500	
Total Housing and Urban Development		1,500

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services

Other Salaries & Wages	\$	5,808	
Social Security		360	
Employer Medicare		84	
Communication		557	
Travel		28	
Total Veterans' Services			\$ 6,837

Contributions to Other Agencies

Contributions	\$	126,581	
Total Contributions to Other Agencies			126,581

Employee Benefits

Employee and Dependent Insurance	\$	1,406,529	
Unemployment Compensation		11,111	
Workers' Compensation Insurance		158,860	
Fines, Assessments, and Penalties		2,194	
Total Employee Benefits			1,578,694

Miscellaneous

Building and Contents Insurance	\$	224,339	
Trustee's Commission		187,756	
Other Charges		18,681	
Total Miscellaneous			430,776

Total General Fund \$ 12,500,030

Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Library Books/Media	\$	5,260	
Total Libraries			\$ 5,260

Other Operations

Miscellaneous

Trustee's Commission	\$	57	
Total Miscellaneous			57

Total Law Library Fund 5,317

(Continued)

Exhibit K-8

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	\$	12,181	
Social Security		799	
State Retirement		997	
Employer Medicare		187	
Maintenance & Repair Services - Vehicles		872	
Gasoline		1,403	
Uniforms		758	
Other Supplies and Materials		7,147	
Other Charges		2,940	
Motor Vehicles		3,773	
Total Sanitation Education/Information	\$		31,057

Convenience Centers

Supervisor/Director	\$	33,659
Salary Supplements		4,000
Laborers		146,927
Part-time Personnel		44,398
Overtime Pay		5,660
Social Security		14,228
State Retirement		13,621
Employer Medicare		3,327
Communication		4,570
Contracts with Private Agencies		48,408
Dues and Memberships		420
Legal Notices, Recording, and Court Costs		90
Maintenance & Repair Services - Equipment		3,117
Maintenance & Repair Services - Vehicles		5,016
Rentals		10,419
Disposal Fees		174,050
Penalties		10
Other Contracted Services		18,548
Custodial Supplies		2,361
Fuel Oil		1,083
Gasoline		231
Office Supplies		787
Tires and Tubes		662
Uniforms		2,921
Utilities		7,490
Other Supplies and Materials		13,072
Trustee's Commission		7,646

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Convenience Centers (Cont.)

In Service/Staff Development	\$	399	
Principal on Capital Leases		27,000	
Motor Vehicles		25,000	
Total Convenience Centers			\$ 619,120

Total Solid Waste/Sanitation Fund \$ 650,177

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Contracted Services	\$	5,396	
Total Industrial Development			\$ 5,396

Miscellaneous

Trustee's Commission	\$	79	
Total Miscellaneous			79

Total Industrial/Economic Development Fund 5,475

Drug Control Fund

Public Health and Welfare

Alcohol and Drug Programs

Other Salaries & Wages	\$	1,465	
Social Security		91	
State Retirement		113	
Employer Medicare		21	
Advertising		252	
Communication		1,441	
Contributions		3,625	
Dues and Memberships		375	
Maintenance & Repair Services - Vehicles		736	
Travel		1,180	
Veterinary Services		499	
Remittance of Revenue Collected		541	
Other Contracted Services		1,423	
Animal Food and Supplies		391	
Law Enforcement Supplies		2,201	
Other Supplies and Materials		6,911	
Trustee's Commission		131	
In Service/Staff Development		2,038	

(Continued)

Exhibit K-8

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.)

Motor Vehicles	\$	22,961	
Office Equipment		1,979	
Total Alcohol and Drug Programs			\$ 48,374

Total Drug Control Fund \$ 48,374

Other Special Revenue Fund

Public Safety

Sheriff's Department

Other Contracted Services	\$	6,000	
Law Enforcement Supplies		22,120	
Other Supplies and Materials		31,020	
Motor Vehicles		19,920	
Total Sheriff's Department			\$ 79,060

Total Other Special Revenue Fund 79,060

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	61,659	
Salary Supplements		8,410	
Foremen		70,184	
Mechanic(s)		58,945	
Equipment Operators		134,045	
Truck Drivers		206,400	
Secretary(ies)		28,793	
Clerical Personnel		23,887	
Overtime Pay		12,038	
Advertising		519	
Dues and Memberships		3,270	
Legal Services		742	
Maintenance & Repair Services - Office Equipment		95	
Postal Charges		242	
Printing, Stationery, and Forms		84	
Travel		1,348	
Office Supplies		1,404	
Total Administration			\$ 612,065

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance

Engineering Services	\$	15,234	
Rentals		1,036	
Other Contracted Services		21,480	
Asphalt - Cold Mix		14,212	
Asphalt - Hot Mix		443,429	
Concrete		2,960	
Crushed Stone		9,603	
Pipe		17,981	
Road Signs		8,451	
Chemicals		3,375	
Total Highway and Bridge Maintenance			\$ 537,761

Operation and Maintenance of Equipment

Maintenance & Repair Services - Vehicles	\$	12,661	
Tow-in Services		368	
Disposal Fees		20,109	
Diesel Fuel		43,417	
Equipment Parts - Heavy		9,778	
Equipment Parts - Light		44,415	
Gasoline		24,479	
Lubricants		5,349	
Small Tools		1,936	
Tires and Tubes		15,012	
Other Supplies and Materials		6,535	
Other Charges		49	
Total Operation and Maintenance of Equipment			184,108

Other Charges

Communication	\$	3,200	
Pest Control		300	
Other Contracted Services		9,353	
Drugs and Medical Supplies		248	
Electricity		10,131	
Garage Supplies		4,431	
Ice		354	
Uniforms		9,416	
Liability Insurance		81,000	
Premiums on Corporate Surety Bonds		350	
Trustee's Commission		26,709	
Total Other Charges			145,492

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Employee Benefits

Social Security	\$	35,804	
State Retirement		46,127	
Employee and Dependent Insurance		1,832	
Life Insurance		1,922	
Medical Insurance		129,872	
Dental Insurance		7,886	
Disability Insurance		544	
Unemployment Compensation		1,742	
Employer Medicare		8,374	
Workers' Compensation Insurance		63,653	
Total Employee Benefits			\$ 297,756

Capital Outlay

Matching Share	\$	62,443	
Highway Equipment		14,700	
State Aid Projects		184,670	
Total Capital Outlay			261,813

Total Highway/Public Works Fund \$ 2,038,995

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$	285,000	
Principal on Other Loans		767,000	
Total General Government			\$ 1,052,000

Highways and Streets

Principal on Notes	\$	14,825	
Total Highways and Streets			14,825

Interest on Debt

General Government

Interest on Bonds	\$	235,780	
Interest on Other Loans		260,227	
Total General Government			496,007

Highways and Streets

Interest on Notes	\$	3,600	
Total Highways and Streets			3,600

(Continued)

Exhibit K-8

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

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Trustee's Commission	\$ 22,205	
Other Debt Service	156,467	
Total General Government	\$ 178,672	

Total General Debt Service Fund \$ 1,745,104

Education Debt Service Fund

Principal on Debt

Education

Principal on Bonds	\$ 215,000	
Principal on Other Loans	83,493	
Total Education	\$ 298,493	

Interest on Debt

Education

Interest on Bonds	\$ 8,062	
Interest on Other Loans	439,280	
Total Education	447,342	

Other Debt Service

Education

Trustee's Commission	\$ 2	
Other Debt Service	482	
Total Education	484	

Total Education Debt Service Fund 746,319

General Capital Projects Fund

Administration of Justice

Juvenile Court

Engineering Services	\$ 3,210	
Building Construction	117,491	
Total Juvenile Court	\$ 120,701	

Public Safety

Jail

Engineering Services	\$ 1,101	
Total Jail	1,101	

(Continued)

Exhibit K-8

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

General Capital Projects Fund (Cont.)

Public Safety (Cont.)

Public Safety Grant Programs

Engineering Services	\$ 21,600	
Total Public Safety Grant Programs		\$ 21,600

Public Health and Welfare

Rabies and Animal Control

Building Construction	\$ 200,500	
Total Rabies and Animal Control		200,500

Other Public Health and Welfare

Other Contracted Services	\$ 460	
Total Other Public Health and Welfare		460

Social, Cultural, and Recreational Services

Senior Citizens Assistance

Engineering Services	\$ 800	
Total Senior Citizens Assistance		800

Libraries

Architects	\$ 6,200	
Building Construction	59,097	
Total Libraries		65,297

Other Operations

Miscellaneous

Trustee's Commission	\$ 5,603	
Total Miscellaneous		5,603

Capital Projects

Administration of Justice Projects

Engineering Services	\$ 700	
Total Administration of Justice Projects		700

Public Safety Projects

Other Construction	\$ 249,385	
Total Public Safety Projects		249,385

Public Health and Welfare Projects

Other Contracted Services	\$ 1,513	
Other Supplies and Materials	961	
Total Public Health and Welfare Projects		2,474

(Continued)

Exhibit K-8

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

General Capital Projects Fund (Cont.)

<u>Capital Projects (Cont.)</u>		
<u>Social, Cultural, and Recreation Projects</u>		
Engineering Services	\$	9,935
Legal Notices, Recording, and Court Costs		272
Building Construction		1,025,428
Site Development		110,000
Total Social, Cultural, and Recreation Projects	\$	1,145,635
 <u>Public Utility Projects</u>		
Other Construction	\$	107,204
Other Capital Outlay		114,100
Total Public Utility Projects		221,304
 <u>Other General Government Projects</u>		
Engineering Services	\$	5,900
Maintenance Agreements		2,500
Other Construction		2,897
Total Other General Government Projects		11,297
 <u>Highway &amp; Street Capital Projects</u>		
Highway Construction	\$	303,760
Total Highway & Street Capital Projects		303,760
 Total General Capital Projects Fund		<u>\$ 2,350,617</u>
 Total Governmental Funds - Primary Government		<u>\$ 20,169,468</u>

Exhibit K-9

Loudon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
Discretely Presented Loudon County School Department  
For the Year Ended June 30, 2006

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 10,391,039	
Career Ladder Program	160,275	
Career Ladder Extended Contracts	141,000	
Homebound Teachers	13,800	
Educational Assistants	747,113	
Custodial Personnel	2,135	
Other Salaries & Wages	45,174	
Certified Substitute Teachers	40,278	
Non-certified Substitute Teachers	158,695	
Social Security	699,690	
State Retirement	633,695	
Life Insurance	61,453	
Medical Insurance	1,734,039	
Dental Insurance	101,068	
Unemployment Compensation	16,858	
Employer Medicare	163,865	
Maintenance & Repair Services - Equipment	46,849	
Other Contracted Services	59,925	
Instructional Supplies and Materials	558,894	
Textbooks	382,367	
Other Supplies and Materials	2,850	
Withholding Tax	1,786	
Other Charges	25,356	
Regular Instruction Equipment	77,177	
Total Regular Instruction Program		\$ 16,265,381

Special Education Program

Teachers	\$ 1,012,590
Career Ladder Program	12,000
Career Ladder Extended Contracts	4,000
Homebound Teachers	10,485
Educational Assistants	105,414
Other Salaries & Wages	21,857
Certified Substitute Teachers	740
Non-certified Substitute Teachers	19,440
Social Security	70,898
State Retirement	66,125
Life Insurance	5,586
Medical Insurance	162,485

(Continued)

Exhibit K-9

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.)

Special Education Program (Cont.)

Dental Insurance	\$	8,090	
Employer Medicare		16,581	
Other Contracted Services		208,823	
Instructional Supplies and Materials		27,478	
Other Charges		12,670	
Total Special Education Program			\$ 1,765,262

Vocational Education Program

Teachers	\$	625,098	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		4,000	
Educational Assistants		24,278	
Certified Substitute Teachers		250	
Non-certified Substitute Teachers		6,750	
Social Security		39,254	
State Retirement		36,975	
Life Insurance		3,024	
Medical Insurance		114,884	
Dental Insurance		4,899	
Employer Medicare		9,236	
Maintenance & Repair Services - Equipment		3,500	
Instructional Supplies and Materials		65,379	
Total Vocational Education Program			946,527

Support Services

Attendance

Travel	\$	581	
Other Contracted Services		23,890	
Other Charges		13,200	
Total Attendance			37,671

Health Services

Medical Personnel	\$	36,063	
Social Security		2,204	
State Retirement		2,791	
Life Insurance		336	
Dental Insurance		255	
Employer Medicare		515	
Other Contracted Services		2,145	

(Continued)

Exhibit K-9

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.)

Health Services (Cont.)

Drugs and Medical Supplies	\$	4,183	
In Service/Staff Development		2,457	
Other Charges		2,432	
Total Health Services			\$ 53,381

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		475,167	
Career Ladder Extended Contracts		10,000	
Clerical Personnel		83,058	
Social Security		34,545	
State Retirement		33,498	
Life Insurance		1,960	
Medical Insurance		52,869	
Dental Insurance		2,525	
Employer Medicare		8,079	
Evaluation and Testing		27,343	
Other Contracted Services		27,251	
Other Supplies and Materials		634	
Other Charges		180,204	
Total Other Student Support			944,133

Regular Instruction Program

Supervisor/Director	\$	259,430	
Career Ladder Program		11,000	
Career Ladder Extended Contracts		10,000	
Librarians		367,962	
Instructional Computer Personnel		179,251	
Secretary(ies)		217,454	
Social Security		63,028	
State Retirement		65,318	
Life Insurance		4,536	
Medical Insurance		132,980	
Dental Insurance		6,618	
Employer Medicare		14,751	
Maintenance & Repair Services - Equipment		53	
Travel		18,027	
Other Contracted Services		49,494	
Library Books/Media		39,440	

(Continued)

Exhibit K-9

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.)

Regular Instruction Program (Cont.)

In Service/Staff Development	\$	78,527	
Other Charges		61	
Total Regular Instruction Program			\$ 1,517,930

Special Education Program

Supervisor/Director	\$	65,890	
Career Ladder Program		4,000	
Psychological Personnel		172,460	
Career Ladder Extended Contracts		4,000	
Social Security		15,253	
State Retirement		13,549	
Life Insurance		798	
Medical Insurance		17,792	
Dental Insurance		956	
Employer Medicare		3,567	
Travel		7,555	
Total Special Education Program			305,820

Vocational Education Program

Career Ladder Extended Contracts	\$	1,000	
Clerical Personnel		30,272	
Other Salaries & Wages		41,402	
Social Security		4,416	
State Retirement		4,675	
Life Insurance		504	
Medical Insurance		14,371	
Dental Insurance		764	
Employer Medicare		1,033	
Travel		1,053	
Total Vocational Education Program			99,490

Other Programs

Supervisor/Director	\$	56,661	
Social Security		3,015	
State Retirement		3,414	
Life Insurance		336	
Medical Insurance		9,512	
Dental Insurance		509	
Employer Medicare		705	

(Continued)

Exhibit K-9

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.)

Communication	\$	664	
Travel		768	
Other Contracted Services		6,415	
Instructional Supplies and Materials		378	
In Service/Staff Development		8,114	
Total Other Programs			\$ 90,491

Board of Education

Board and Committee Members Fees	\$	36,240	
Social Security		2,247	
State Retirement		1,118	
Life Insurance		840	
Dental Insurance		1,018	
Employer Medicare		525	
Audit Services		8,500	
Dues and Memberships		14,935	
Legal Services		36,411	
Other Contracted Services		8,000	
Liability Insurance		14,130	
Trustee's Commission		222,811	
Workers' Compensation Insurance		186,382	
Total Board of Education			533,157

Director of Schools

County Official/Administrative Officer	\$	88,250	
Career Ladder Program		1,000	
Secretary(ies)		38,934	
Social Security		7,604	
State Retirement		7,922	
Life Insurance		336	
Medical Insurance		12,783	
Dental Insurance		509	
Employer Medicare		1,778	
Communication		35,053	
Postal Charges		1,852	
Travel		31,062	
Other Contracted Services		12,577	
Office Supplies		3,545	
Other Charges		6,962	
Total Director of Schools			250,167

(Continued)

Exhibit K-9

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

Principals	\$	547,775	
Career Ladder Program		9,000	
Career Ladder Extended Contracts		11,000	
Social Security		34,040	
State Retirement		31,228	
Life Insurance		1,512	
Medical Insurance		53,996	
Dental Insurance		2,291	
Employer Medicare		7,993	
Communication		51,042	
Other Contracted Services		144	
Other Charges		263	
Total Office of the Principal			\$ 750,284

Fiscal Services

Accountants/Bookkeepers	\$	34,874	
Social Security		2,162	
State Retirement		2,250	
Life Insurance		126	
Medical Insurance		3,502	
Dental Insurance		192	
Employer Medicare		506	
Total Fiscal Services			43,612

Operation of Plant

Custodial Personnel	\$	477,597	
Other Salaries & Wages		35,000	
Social Security		27,442	
State Retirement		33,207	
Life Insurance		2,327	
Medical Insurance		68,931	
Dental Insurance		4,165	
Employer Medicare		6,424	
Janitorial Services		9,795	
Other Contracted Services		269,143	
Custodial Supplies		61,456	
Electricity		663,440	
Natural Gas		153,881	
Water and Sewer		72,893	

(Continued)

Exhibit K-9

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	\$ 175,000	
Other Charges	<u>2,139</u>	
Total Operation of Plant		\$ 2,062,840

Maintenance of Plant

Maintenance & Repair Services - Buildings	\$ <u>161,203</u>	
Total Maintenance of Plant		161,203

Transportation

Contracts with Parents	\$ 19,092	
Contracts with Vehicle Owners	1,084,732	
Travel	2,864	
Vehicle and Equipment Insurance	17,325	
Other Charges	<u>9,607</u>	
Total Transportation		1,133,620

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 56,670	
Clerical Personnel	31,893	
Cafeteria Personnel	653,026	
Social Security	42,792	
State Retirement	48,627	
Life Insurance	3,391	
Medical Insurance	72,459	
Dental Insurance	6,147	
Employer Medicare	10,008	
Payments to Schools - Breakfast	258,946	
Payments to Schools - Lunch	756,105	
Payments to Schools - Other	10,999	
Travel	1,300	
Other Contracted Services	575	
Food Supplies	100,933	
In Service/Staff Development	3,009	
Other Charges	<u>972</u>	
Total Food Service		2,057,852

Community Services

Supervisor/Director	\$ 37,089	
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(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Operation of Non-Instructional Services (Cont.)

Community Services (Cont.)

Teachers	\$	25,155	
Clerical Personnel		9,810	
Educational Assistants		32,645	
Part-time Personnel		16,030	
Other Salaries & Wages		113,710	
Social Security		13,845	
State Retirement		8,669	
Life Insurance		770	
Medical Insurance		16,367	
Dental Insurance		896	
Employer Medicare		3,253	
Travel		4,066	
Other Contracted Services		10,785	
Instructional Supplies and Materials		4,185	
Other Supplies and Materials		1,628	
Other Charges		2,454	
Total Community Services			\$ 301,357

Early Childhood Education

Teachers	\$	272,364	
Career Ladder Extended Contracts		6,000	
Educational Assistants		91,556	
Social Security		21,394	
State Retirement		21,556	
Life Insurance		1,806	
Medical Insurance		55,821	
Dental Insurance		2,749	
Employer Medicare		5,003	
Instructional Supplies and Materials		24,805	
Other Supplies and Materials		2,026	
In Service/Staff Development		2,692	
Other Equipment		40,382	
Total Early Childhood Education			548,154

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$	70,427	
Total Regular Capital Outlay			70,427

(Continued)

Exhibit K-9

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

General Purpose School Fund (Cont.)

Principal on Debt

Education

Principal on Notes	\$ 83,493	
Total Education		\$ 83,493

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 461,000	
Total Education		<u>461,000</u>

Total General Purpose School Fund		\$ 30,483,252
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 513,620	
Educational Assistants	23,562	
Certified Substitute Teachers	742	
Non-certified Substitute Teachers	3,825	
Social Security	32,540	
State Retirement	29,159	
Life Insurance	1,974	
Medical Insurance	48,592	
Dental Insurance	2,483	
Employer Medicare	7,610	
Other Contracted Services	8,172	
Instructional Supplies and Materials	12,516	
Other Supplies and Materials	9,902	
Regular Instruction Equipment	<u>21,950</u>	
Total Regular Instruction Program		\$ 716,647

Special Education Program

Teachers	\$ 197,998
Educational Assistants	297,184
Other Salaries & Wages	6,000
Social Security	29,810
State Retirement	34,222
Life Insurance	5,054
Medical Insurance	122,005
Dental Insurance	6,810
Employer Medicare	6,972

(Continued)

Exhibit K-9

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.)

Special Education Program (Cont.)

Other Contracted Services	\$	84,489	
Instructional Supplies and Materials		<u>36,268</u>	
Total Special Education Program			\$ 826,812

Vocational Education Program

Travel	\$	3,000	
Other Supplies and Materials		1,850	
Other Charges		16,598	
Vocational Instruction Equipment		<u>74,918</u>	
Total Vocational Education Program			96,366

Support Services

Other Student Support

In Service/Staff Development	\$	<u>6,922</u>	
Total Other Student Support			6,922

Regular Instruction Program

Supervisor/Director	\$	28,797	
Secretary(ies)		9,568	
Social Security		2,157	
State Retirement		2,324	
Employer Medicare		505	
Travel		984	
Other Supplies and Materials		503	
In Service/Staff Development		64,511	
Other Charges		<u>5,948</u>	
Total Regular Instruction Program			115,297

Special Education Program

In Service/Staff Development	\$	<u>17,443</u>	
Total Special Education Program			17,443

Vocational Education Program

In-Service Training	\$	539	
Travel		<u>2,300</u>	
Total Vocational Education Program			2,839

Transportation

Contracts with Parents	\$	2,000	
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(Continued)

Exhibit K-9

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

<u>School Federal Projects Fund (Cont.)</u>		
<u>Support Services (Cont.)</u>		
<u>Transportation (Cont.)</u>		
Contracts with Vehicle Owners	\$ 35,000	
Total Transportation		\$ 37,000
Total School Federal Projects Fund		\$ 1,819,326
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Engineering Services	\$ 141,396	
Other Contracted Services	2,500	
Underwriter's Discount	103,238	
Other Debt Issuance Charges	26,261	
Building Improvements	111,016	
Heating and Air Conditioning Equipment	10,000	
Land	1,188,630	
Other Construction	58,665	
Other Capital Outlay	3,386,004	
Total Education Capital Projects		\$ 5,027,710
Total Education Capital Projects Fund		<u>5,027,710</u>
Total Governmental Funds - Loudon County School Department		<u>\$ 37,330,288</u>

Exhibit K-10

Loudon County, Tennessee  
Schedule of Detailed Receipts, Disbursements, and Changes  
in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2006

	Cities - Sales Tax Fund	City School ADA - Lenoir City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 3,328,356	\$ 3,328,356
Trustee's Collections - Prior Years	0	53,438	53,438
Trustee's Collections - Bankruptcy	0	569	569
Circuit/Clerk and Master Collections - Prior Years	0	22,283	22,283
Interest and Penalty	0	11,545	11,545
Payments in-Lieu-of Taxes - Other	0	2,304	2,304
Local Option Sales Tax	3,433,259	1,316,683	4,749,942
Bank Excise Tax	0	14,643	14,643
Interstate Telecommunications Tax	0	3,550	3,550
Income Tax	0	27,572	27,572
Mixed Drink Tax	0	1,849	1,849
Total Cash Receipts	<u>\$ 3,433,259</u>	<u>\$ 4,782,792</u>	<u>\$ 8,216,051</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,398,926	\$ 4,768,254	\$ 8,167,180
Trustee's Commission	34,333	82,061	116,394
Total Cash Disbursements	<u>\$ 3,433,259</u>	<u>\$ 4,850,315</u>	<u>\$ 8,283,574</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ (67,523)	\$ (67,523)
Cash Balance, July 1, 2005	0	198,700	198,700
Cash Balance, June 30, 2006	<u>\$ 0</u>	<u>\$ 131,177</u>	<u>\$ 131,177</u>

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## **SINGLE AUDIT SECTION**

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STATE OF TENNESSEE  
**COMPTROLLER OF THE TREASURY**  
DEPARTMENT OF AUDIT  
DIVISION OF COUNTY AUDIT  
SUITE 1500  
JAMES K. POLK STATE OFFICE BUILDING  
NASHVILLE, TENNESSEE 37243-0269  
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 16, 2007

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, 2006, which collectively comprise Loudon County's basic financial statements and have issued our report thereon dated March 16, 2007. 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 06.01, 06.02, 06.06(D), 06.08, 06.10, and 06.12.

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 items 06.06(D) and 06.10 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Loudon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and 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 06.03, 06.04, 06.05, 06.06(A,B,C), 06.07, 06.09, and 06.11.

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/rc



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

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

March 16, 2007

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, 2006. 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, 2006.

#### 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.

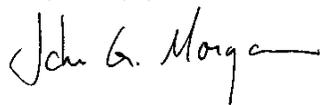
Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce 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, 2006, and have issued our report thereon dated March 16, 2007. 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. 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/rc

Loudon County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2006

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	\$ 100,933
Water and Waste Disposal Systems for Rural Communities	10.760	N/A	153,500
Passed-through State Department of Agriculture:			
Food Donation (Noncash Assistance)	10.550	N/A	2,831
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	255,378
National School Lunch Program	10.555	N/A	767,842
Total U.S. Department of Agriculture			\$ 1,280,484
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grant/States Program	14.228	GG-05-11803-00	\$ 114,100
Total U.S. Department of Housing and Urban Development			\$ 114,100
U.S. Department of Justice:			
Direct Programs:			
Public Safety Partnership and Community Policing Grants	16.710	(2)	\$ 43,812
Passed-through State Office of Criminal Justice Programs:			
Byrne Formula Grant Program	16.579	Z-99-088437-00	44,675
Total U.S. Department of Justice			\$ 88,487
U.S. Department of Military:			
Passed-through State Department of Military:			
Off-site Emergency Planning and Response	81.502	(3)	\$ 14,647
Total U.S. Department of Military			\$ 14,647
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 549,726
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	886,861
Special Education - Preschool Grants	84.173	N/A	16,562
Vocational Education - Basic Grants to States	84.048	N/A	106,126
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	20,378
Fund for the Improvement of Education	84.215	(2)	249,253
Twenty-First Century Community Learning Centers	84.287	(2)	103,154
State Grants for Innovative Programs	84.298	N/A	13,901
English Language Acquisition Grants	84.365	N/A	27,774
Improving Teacher Quality State Grants	84.367	N/A	264,051
Hurricane Relief Fund	84.938	(2)	9,756
Total U.S. Department of Education			\$ 2,247,542

(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 Election Assistance Commission			
Passed-through State Secretary of State:			
Help America Vote Act Requirement Payments	90.401	(2)	\$ 201,500
Total U.S. Department of Election Assistance Commission			\$ 201,500
U.S. Department of Homeland Security:			
Passed through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022467-00	\$ 339,290
Disaster Grants - Public Assistance	97.036	(2)	18,872
Total U.S. Department of Homeland Security			\$ 358,162
Total Expenditures of Federal Awards			\$ 4,304,922
<u>State Grants</u>		<u>Contract Number</u>	
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 11,205
Aging Program - State Office on Aging	N/A	(2)	38,112
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	18,591
Health Department Grants - State Department of Health	N/A	(2)	302,606
Litter Program - State Department of Transportation	N/A	(2)	39,364
Coordinated School Health - State Department of Education	N/A	(2)	88,558
Early Childhood Development - State Department of Education	N/A	(2)	65,000
Lottery for Education - Preschool	N/A	(2)	324,191
Family Resource - State Department of Education	N/A	(2)	33,300
Lottery for Education After school Program-State Department of Education	N/A	(2)	21,454
Safe Schools Grant - State Department of Education	N/A	(2)	29,275
Total State Grants			\$ 922,339

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) - GG-06-12437-00: \$4,733; GG-05-11700-00 \$9,914.

Loudon County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2006

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, 2005, which have not been corrected.

**OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	174	General ledger accounts were not reconciled monthly

**OFFICE OF PURCHASING AGENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.03	175	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>
05.04	175	The director of accounts and budgets did not maintain accounting records for the Highway Department

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.05	176	Purchases were not made through the county purchasing agent

**OTHER FINDING**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.07	177	Duties were not segregated adequately in the Offices of Clerk and Master and Sheriff

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**LOUDON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2006**

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

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.
2. The audit of the financial statements of Loudon County disclosed reportable conditions in internal control. Two of these conditions were considered to be material weaknesses.
3. The audit disclosed three 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), the Special Education Cluster: the Special Education Grants to States and the Special Education - Preschool Grants (CFDA Nos. 84.027 and 84.173), and the State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) 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 county mayor, director of schools, and general sessions court clerk 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 06.01**      **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.

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### **OFFICE OF PURCHASING AGENT**

**FINDING 06.02**      **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 purchases and by obtaining documentation that goods have been received or services rendered before invoices are paid.

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OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND HIGHWAY SUPERINTENDENT

FINDING 06.03      **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.

MANAGEMENT'S RESPONSE – DOYLE ARP – CURRENT COUNTY MAYOR

Beginning July 1, 2006, the director of accounts and budgets began maintaining the accounting records for the Highway Department as required by the Fiscal Control Acts of 1957.

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OFFICE OF DIRECTOR OF SCHOOLS

FINDING 06.04      **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 various 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 on a one-time basis during the year for: improving science laboratories, improving 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 and accounted. 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 the principal is held accountable for all activities in the school is a more efficient use of funds. In order for this 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.

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## FINDING 06.05      **SOME PAYROLL TRANSACTIONS WERE NOT CHANNELED THROUGH THE COUNTY'S CENTRAL ACCOUNTING OFFICE** (Noncompliance Under Government Auditing Standards)

An investigative audit performed by the State Comptroller of the Treasury, Division of Municipal Audit, revealed that certain salary supplements were paid from school activity funds maintained by an individual school rather than the funds being forwarded to the county and the disbursements made through the county's payroll system. This practice violates the County Fiscal Procedure Law of 1957. Section 5-13-105, Tennessee Code Annotated requires the director of accounts and budgets to pre-audit all payrolls before payment and maintain complete earnings records of each employee.

RECOMMENDATION

All payroll disbursements should be made through the Office of Director of Accounts and Budgets in compliance with the County Fiscal Procedure Law of 1957.

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OFFICES OF COUNTY MAYOR, DIRECTOR OF ACCOUNTS AND BUDGETS, AND PURCHASING AGENT

FINDING 06.06      **DEFICIENCIES EXISTED IN TRANSACTIONS OF THE SOLID WASTE/SANITATION FUND**

(A., B., and C. – Material Noncompliance Under Government Auditing Standards); D. Internal Control – Material Weakness Under Government Auditing Standards)

The following deficiencies were noted in our review of transactions in the Solid Waste/Sanitation Fund:

- A. The director of the Recycling Center signed five long-term rental agreements for forklifts. These agreements are summarized below:

<u>Date</u>	<u>Term (months)</u>	<u>Monthly Payments</u>	<u>Total Payments</u>
10-19-2005	42	\$670	\$28,140 (1)
11-16-2005	30	190	5,700
4-7-2006	36	246	8,856
5-26-2006	48	695	33,360
6-14-2006	72	330	23,760 (1)

(1) The 42-month agreement dated 10-19-2005, was replaced with the 72-month agreement dated 6-14-2006.

Section 5-14-105, Tennessee Code Annotated (TCA), requires that the purchasing agent make all purchases for the county and that the purchasing agent enter into all contracts for the county. Section 5-14-108, TCA, requires that all purchases exceeding \$5,000 be made based on competitive bids. Further, Section 7-51-904, TCA, requires that all leases, lease-purchases, and other contracts for tangible personal property be approved by the County Commission. These agreements were neither bid, entered into by the purchasing agent, nor approved by the County Commission.

- B. The director of the Recycling Center signed an agreement for the sale of the county's recyclable items during June 2006. The agreement had not been bid

by the purchasing agent as required by Section 5-14-108, TCA. That agreement was subsequently cancelled and recyclables were sold to another vendor. However, no written agreement could be located regarding the second vendor, nor had the purchasing agent solicited bids for sales to the second vendor.

- C. During February 2005, the Purchasing Department solicited bids and awarded a lease-purchase agreement for compactors for the convenience centers and recycling center. However, the agreement was not presented to the Loudon County Commission for approval as required by Section 7-51-904, TCA. The Accounting Office also failed to record the agreement as a capital lease in the prior-year financial statements.
- D. Food purchases exceeding \$4,500 were paid from the Solid Waste/Sanitation Fund during the year ended June 30, 2006. Subsequent to June 30, 2006, food purchases exceeding \$4,300 were paid from the fund. A freezer was maintained at the county's recycling center to store food, and an inventory of food items taken in November 2006, noted food with an approximate cost of \$1,200 in the freezer.

The need for and use of these food items was unclear. Reimbursement requests were filed for a majority of these purchases during the 2005-06 year under the state litter grant program. Litter grant guidelines provide that food may be provided to inmates who participate in the litter crews. However, the amount of food purchased appeared excessive, and some items purchased did not seem reasonable. For example, purchases included seven packages of ribeye steaks for \$86 during May 2006. We were also advised that the Sheriff's Department routinely prepared sack lunches for inmates who participated in the litter crews. These sack lunches were paid for from the sheriff's budget and not the above-noted funds.

## RECOMMENDATION

All contracts for rentals, leases, and lease-purchases should be entered into by the purchasing agent as required by Section 5-14-105, TCA, should be based on competitive bids as required by Section 5-14-108, TCA, and should be approved by County Commission as required by Section 7-51-904, TCA. All sales of county property, including recyclables, should be based on competitive bids solicited by the purchasing agent as required by Section 5-14-108, TCA. Furthermore, the purchase of food items through the Solid Waste/Sanitation Fund should be more closely monitored and its distribution documented.

## MANAGEMENT'S RESPONSE – DOYLE ARP – CURRENT COUNTY MAYOR

When the preceding findings became evident to county officials, immediate corrective actions were taken. The previous director has been replaced with an interim director who strives to comply with requirements of referenced TCA sections. Strengthened internal controls provide additional monitoring and help to ensure compliance with proper accounting and purchasing guidelines, as well as compliance with State Litter Grant funds.

**OFFICES OF COUNTY MAYOR AND DIRECTOR OF ACCOUNTS AND BUDGETS**

**FINDING 06.07      CONTRIBUTIONS TO NONPROFIT ORGANIZATIONS WERE NOT MADE IN COMPLIANCE WITH STATE STATUTE  
(Noncompliance Under Government Auditing Standards)**

Nonprofit organizations that received county funds had not filed financial reports with the county. Section 5-9-109, Tennessee Code Annotated, provides for all nonprofit organizations receiving county funds to file a financial report with the county. This statute further provides for these financial reports to be filed with the county clerk.

**RECOMMENDATION**

County officials should require all nonprofit organizations receiving county funds to file financial reports with the county clerk.

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**FINDING 06.08      THE COUNTY DID NOT HAVE A WRITTEN AGREEMENT FOR PROCESSING PAYROLL TRANSACTIONS FOR A NONPROFIT AGENCY  
(Internal Control – Reportable Condition Under Government Auditing Standards)**

Three employees of the Loudon County Economic Development Agency, a nonprofit agency, were paid through the county's General Fund. The agency then reimbursed the county for the costs of the payroll including the matching share of benefits (insurance, social security and medicare, retirement, etc.). However, there was no written agreement between the agency and the county establishing the nature of this arrangement, the county's responsibility, or the county's liability.

**RECOMMENDATION**

The County Commission should adopt written guidelines governing the payroll arrangement with the nonprofit agency.

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**FINDING 06.09      FINANCIAL ACTIVITY OF THE PUBLIC LIBRARIES WAS NOT AUDITED, AND THE LIBRARY WAS NOT SUBJECT TO BUDGETARY CONTROL OF THE COUNTY COMMISSION  
(Material Noncompliance Under Government Auditing Standards)**

The libraries in Loudon County operate as a department within the county's General Fund. A significant portion of the libraries' expenditures for the year was paid through the county's General Fund (\$160,319), which is included in the financial statements of this report. However, the various libraries maintained checking and savings accounts outside of the county's control to deposit various revenues and to pay certain operating and capital

expenses. The funds channeled through the checking and savings accounts did not flow through the county's budgetary process, have not been audited, and are not included in the financial statements of this report. We do not consider the exclusion of these amounts to be material to the financial statements of this report.

Section 5-9-401, Tennessee Code Annotated (TCA), states that "All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices and agencies of county governments shall be appropriated to such use by the county legislative bodies." Sections 5-13-107 and 5-14-105, TCA, require all invoices be reviewed by the director of accounts and budgets prior to disbursement, and all purchases be made through the Office of Purchasing Agent. Also, Section 10-3-106, TCA, states that "All library accounts of every character shall be audited annually by or under the county legislative body and/or city governing body."

### RECOMMENDATION

The libraries in Loudon County should remit all collections to the county's General Fund or contract for an audit of their accounts. All revenues and expenditures related to the libraries' operation should be audited and subject to the budgetary control of the County Commission as required by state statutes.

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## OFFICE OF GENERAL SESSIONS COURT CLERK

### FINDING 06.10      **DEFICIENCIES EXISTED IN THE ADMINISTRATION OF THE GENERAL SESSIONS COURT BANK ACCOUNT** (Internal Control – Material Weakness Under Government Auditing Standards)

Bank statements were not reconciled monthly, and collection efforts to recover money from numerous deposited checks returned for insufficient funds were not made on a current basis. Bank statements for the year ended June 30, 2006, were not reconciled with the general ledger until audit fieldwork began in January 2007. Also, as of June 30, 2006, returned checks totaling \$5,462 remained uncollected in this court. This amount is reflected as an accounts receivable in the financial statements of this report.

### RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly. Any errors identified during the reconciliation process should be corrected promptly. Immediate steps should be taken to collect all deposited checks returned for insufficient funds.

### MANAGEMENT'S RESPONSE – GENERAL SESSIONS COURT CLERK

In April 2005, we became a Beta Site in our General Sessions Court for the new State Court Clerk's software. The Beta Site title represented the fact we were the first court to have data converted to the new software. Also, features were being developed daily as we

worked through the application. Many bookkeeping areas were strained and fell behind due to the overall conversion process.

The Circuit Court Clerk is responsible for the operation of Circuit, Criminal, General Sessions, Juvenile, and Probate Courts. The bookkeeping is divided into two divisions: Circuit and General Sessions. Please note no audit findings were noted for the Circuit division.

As of March 16, 2007, our bank statements are reconciled to date and are being reconciled monthly. Returned checks have been addressed, and efforts to collect them are being made. To date our records indicate we have collected \$2,636.50.

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### **OFFICE OF SHERIFF**

**FINDING 06.11**      **RECEIPTS FOR VARIOUS FEES WERE NOT ISSUED AT THE TIME OF COLLECTION, AND SOME DEPOSITS WERE NOT MADE WITHIN THREE DAYS OF COLLECTION**  
(Noncompliance Under Government Audit Standards)

Various fees collected by the department were not receipted at the time of collection. Instead, these fees were receipted when preparing the bank deposit. In addition, our audit revealed that some collections were not deposited within three days of collection as required by Section 5-8-207, Tennessee Code Annotated.

### **RECOMMENDATION**

Receipts should be issued at the time of collection for all funds received, and collections should be deposited to the office bank account within three days of receipt as required by state statute.

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### **OTHER FINDING**

**FINDING 06.12**      **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF 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 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, 2006**

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