



**ANNUAL FINANCIAL REPORT  
LOUDON COUNTY, TENNESSEE**



**FOR THE YEAR ENDED JUNE 30, 2007**



**ANNUAL FINANCIAL REPORT**  
**LOUDON COUNTY, TENNESSEE**  
**FOR THE YEAR ENDED JUNE 30, 2007**

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

***DIVISION OF COUNTY AUDIT***  
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***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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# LOUDON COUNTY, TENNESSEE

## TABLE OF CONTENTS

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	Exhibit	Page(s)
Audit Highlights		1-2
<u>INTRODUCTORY SECTION</u>		3
Loudon County Officials		5
<u>FINANCIAL SECTION</u>		7
Independent Auditor's Report		9-10
BASIC FINANCIAL STATEMENTS:		11
Government-wide Financial Statements:		
Statement of Net Assets	A	13-14
Statement of Activities	B	15-16
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C-1	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	C-2	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	C-3	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C-4	20-21
Proprietary Fund:		
Statement of Net Assets	D-1	22
Statement of Revenues, Expenses, and Changes in Net Assets	D-2	23
Statement of Cash Flows	D-3	24
Fiduciary Funds:		
Statement of Fiduciary Assets and Liabilities	E	25
Notes to the Financial Statements		27-65
REQUIRED SUPPLEMENTARY INFORMATION:		67
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Actual (Budgetary Basis) and Budget:		
General Fund	F-1	69-72
Schedule of Funding Progress – Pension Plan	F-2	73
Notes to the Required Supplementary Information		75

	Exhibit	Page(s)
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES:		77
Nonmajor Governmental Funds:		79-80
Combining Balance Sheet	G-1	81-82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	G-2	83-84
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
Law Library Fund	G-3	85
Solid Waste/Sanitation Fund	G-4	86
Drug Control Fund	G-5	87
Other Special Revenue Fund	G-6	88
Highway/Public Works Fund	G-7	89
General Capital Projects Fund	G-8	90
Major Governmental Funds:		91
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual and Budget:		
General Debt Service Fund	H-1	93
Education Debt Service Fund	H-2	94
Fiduciary Funds:		95
Combining Statement of Fiduciary Assets and Liabilities	I-1	97
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	I-2	98-99
Component Unit:		
Discretely Presented Loudon County School Department:		101
Statement of Activities	J-1	103
Balance Sheet – Governmental Funds	J-2	104
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	J-3	105
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	J-4	106
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	J-5	107
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Actual (Budgetary Basis) and Budget:		
General Purpose School Fund	J-6	108-109
School Federal Projects Fund	J-7	110
Miscellaneous Schedules:		111
Schedule of Changes in Long-term Notes, Other Loans, Capital Leases, and Bonds – Primary Government and Discretely Presented Loudon County School Department	K-1	113-114
Schedule of Bond and Interest Requirements by Year	K-2	115
Schedule of Notes Receivable	K-3	116
Schedule of Transfers – Primary Government and Discretely Presented Loudon County School Department	K-4	117

	Exhibit	Page(s)
Schedule of Salaries and Official Bonds of Principal Officials – Primary Government and Discretely Presented Loudon County School Department	K-5	118
Schedule of Detailed Revenues – All Governmental Fund Types	K-6	119-128
Schedule of Detailed Revenues – All Governmental Fund Types – Discretely Presented Loudon County School Department	K-7	129-130
Schedule of Detailed Expenditures – All Governmental Fund Types	K-8	131-157
Schedule of Detailed Expenditures – All Governmental Fund Types – Discretely Presented Loudon County School Department	K-9	158-168
Schedule of Detailed Receipts, Disbursements, and Changes in Cash Balances – City Agency Funds	K-10	169
 <u>SINGLE AUDIT SECTION</u>		 171
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>		173-175
Auditor’s Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With <u>OMB Circular A-133</u>		177-179
Schedule of Expenditures of Federal Awards and State Grants		181-182
Schedule of Audit Findings Not Corrected		183-184
Schedule of Findings and Questioned Costs		185-193
Auditee Reporting Responsibilities		195

# ***Audit Highlights***

Annual Financial Report  
Loudon County, Tennessee  
For the Year Ended June 30, 2007

## ***Scope***

We have audited the basic financial statements of Loudon County as of and for the year ended June 30, 2007.

## ***Results***

Our report on Loudon County's financial statements is unqualified.

Our audit resulted in 11 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**

- ◆ Certain bank accounts were not reconciled with the general ledger monthly.
- ◆ General ledger payroll liability accounts were not reconciled with the general ledger monthly.

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

- ◆ Accounts receivable were not currently monitored in the Solid Waste/Sanitation Fund.

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### **OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND THE PURCHASING AGENT**

- ◆ The offices had deficiencies in purchasing procedures.
-

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

- ◆ The county did not have a written agreement to process 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 DIRECTOR OF SCHOOLS**

- ◆ Some purchases were not made through the county purchasing agent.
- 

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

- ◆ Deficiencies existed in the administration of the General Sessions Court bank account.
  - ◆ The docket trial balance was not reconciled with cash control records.
  - ◆ Short-term account activity had not been properly posted to the accounting records.
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## **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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# INTRODUCTORY SECTION

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Loudon County Officials  
June 30, 2007

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**Officials**

Doyle Arp, County Mayor  
Sean Giles, Highway Superintendent  
Edward Headlee, Director of Schools  
Estelle Herron, Trustee  
Charles Jenkins, 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	Nancy Marcus
Harold Duff	David Meers
Bob Franke	Don Miller
Wayne Gardin	Chris Park
Earlena Maples	Shirley Reno

**Board of Education**

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

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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

April 10, 2008

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, 2007, 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 did not audit the financial statements of the discretely presented Loudon County Emergency Communications District, which represent 2.1 percent and 2.2 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Loudon County Emergency Communications District, is based on the report of the other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 June 30, 2007, 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.

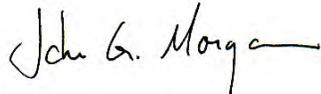
In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2008, on our consideration of Loudon County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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.

The management of Loudon County did not prepare a management's discussion and analysis. The management's discussion and analysis section 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 and pension information on pages 69 through 75 are not required parts of the basic financial statements but they do provide 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 and the debt service funds, the combining and individual fund financial statements of the Loudon County School Department (a discretely presented component unit), and the miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and debt service funds, the 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 by us 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 by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,



John G. Morgan  
Comptroller of the Treasury

JGM/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Loudon County, Tennessee  
Statement of Net Assets  
June 30, 2007

	Primary Governmental Activities	Component Units	
		Loudon County School Department	Emergency Communica- tions District
<u>ASSETS</u>			
Cash	\$ 35,633	\$ 0	\$ 475,456
Equity in Pooled Cash and Investments	14,369,829	4,664,533	0
Accounts Receivable	268,722	20,824	167,760
Due from Other Governments	2,294,426	1,299,052	0
Property Taxes Receivable	12,652,044	8,148,417	0
Allowance for Uncollectible Property Taxes	(204,239)	(140,129)	0
Prepaid Items	610,162	41,053	0
Notes Receivable - Long-term	4,254,256	0	0
Unamortized Debt Issuance Cost	406,309	0	0
Capital Assets:			
Assets Not Depreciated:			
Land	6,251,164	3,957,127	0
Construction in Progress	9,936	972,903	140,006
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	12,049,994	26,328,337	0
Other Capital Assets	1,919,116	206,110	181,643
Infrastructure - Roads, Streets, and Bridges	29,432,844	0	0
Total Assets	<u>\$ 84,350,196</u>	<u>\$ 45,498,227</u>	<u>\$ 964,865</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 185,492	\$ 179,632	\$ 4,651
Accrued Payroll	127,157	1,632	0
Accrued Interest Payable	99,137	0	0
Payroll Deductions Payable	3,021	231,303	0
Contracts Payable	152,177	47,473	0
Retainage Payable	0	16,938	0
Claims and Judgments Payable	43,318	0	0
Due to State of Tennessee	19,354	0	0
Due to Litigants, Heirs, and Others	74,108	0	0
Other Current Liabilities	0	1,433	63,866
Deferred Revenue - Property Taxes	12,235,949	7,851,981	0
Noncurrent Liabilities:			
Due Within One Year	1,990,285	255,114	0
Due in More than One Year (net of deferred amount on refunding and unamortized premium on debt)	29,158,589	3,999,142	0
Total Liabilities	<u>\$ 44,088,587</u>	<u>\$ 12,584,648</u>	<u>\$ 68,517</u>

(Continued)

Exhibit A

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

	Primary Governmental Activities	Component Units	
		Loudon County School Department	Emergency Communica- tions District
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 36,534,654	\$ 27,210,221	\$ 0
Invested in Capital Assets	0	0	321,649
Restricted for:			
Highways	1,253,062	0	0
Debt Service	1,734,381	0	0
Capital Projects	1,170,145	0	0
Sanitation/Solid Waste	305,633	0	0
Drug Control	142,346	0	0
Constitutional Officers' Data Processing Systems	66,989	0	0
Federal Assistance Programs	110,970	227,520	0
Other Purposes	57,394	0	0
Unrestricted	<u>(1,113,965)</u>	<u>5,475,838</u>	<u>574,699</u>
Total Net Assets	<u>\$ 40,261,609</u>	<u>\$ 32,913,579</u>	<u>\$ 896,348</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, 2007

Functions/Programs						Net (Expense) Revenue and Changes in Net Assets		
	Program Revenues				Primary	Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Total Activities	Loudon County School Department	Emergency Communications District	
Primary Government:								
Governmental Activities:								
General Government	\$ 2,860,069	\$ 1,551,770	\$ 77,596	\$ 9,260	\$ (1,221,443)	\$ 0	\$ 0	
Finance	1,562,116	1,041,427	18,924	0	(501,765)	0	0	
Administration of Justice	1,393,246	1,266,350	0	0	(126,896)	0	0	
Public Safety	5,659,597	208,325	574,785	0	(4,876,487)	0	0	
Public Health and Welfare	1,749,116	237,113	558,121	279,774	(674,108)	0	0	
Social, Cultural, and Recreational Services	591,505	0	152,306	0	(439,199)	0	0	
Agriculture and Natural Resources	146,588	0	0	0	(146,588)	0	0	
Other Operations	1,418,898	7,121	165,835	0	(1,245,942)	0	0	
Highways	2,393,835	16,098	1,613,745	276,250	(487,742)	0	0	
Education	281,639	281,639	0	0	0	0	0	
Debt Service:								
Interest on Long-term Debt	1,109,913	0	0	0	(1,109,913)	0	0	
Other Debt Service	203,276	0	0	0	(203,276)	0	0	
<b>Total Primary Government</b>	<b>\$ 19,369,798</b>	<b>\$ 4,609,843</b>	<b>\$ 3,161,312</b>	<b>\$ 565,284</b>	<b>\$ (11,033,359)</b>	<b>\$ 0</b>	<b>\$ 0</b>	
Component Units:								
Loudon County School Department	\$ 35,920,525	\$ 1,029,435	\$ 4,388,244	\$ 0	\$ 0	\$ (30,502,846)	\$ 0	
Emergency Communications District	349,455	326,764	0	451,215	0	0	428,524	
<b>Total Component Units</b>	<b>\$ 36,269,980</b>	<b>\$ 1,356,199</b>	<b>\$ 4,388,244</b>	<b>\$ 451,215</b>	<b>\$ 0</b>	<b>\$ (30,502,846)</b>	<b>\$ 428,524</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	Component Units	
					Governmental Activities	Loudon County School Department	Emergency Communica-tions District
				Total			
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 7,576,147	\$ 7,889,722	\$ 0	
Property Taxes Levied for Solid Waste/Sanitation				119,787	0	0	
Property Taxes Levied for Highway/Public Works				360,789	0	0	
Property Taxes Levied for General Debt Service				1,145,734	0	0	
Property Taxes Levied for Education Debt Service				1,046,554	0	0	
Property Taxes Levied for Capital Projects				300,895	0	0	
Sales Taxes				723,011	2,947,815	0	
Other Taxes				1,249,952	90,064	0	
Grants and Contributions Not Restricted to Specific Programs				2,252,322	19,063,847	0	
Unrestricted Investment Income				780,084	356,538	14,408	
Miscellaneous				12,952	73,084	4,200	
Revenue from Joint Ventures				186,916	0	0	
Gain on Disposal of Property				47,645	0	0	
<b>Total General Revenues</b>				<b>\$ 15,802,788</b>	<b>\$ 30,421,070</b>	<b>\$ 18,608</b>	
Change in Net Assets				\$ 4,769,429	\$ (81,776)	\$ 447,132	
Net Assets, July 1, 2006				6,592,225	32,004,625	449,216	
Restatement for the Inclusion of Infrastructure				29,341,298	0	0	
Prior-Period Adjustment				(441,343)	990,730	0	
<b>Net Assets, June 30, 2007</b>				<b>\$ 40,261,609</b>	<b>\$ 32,913,579</b>	<b>\$ 896,348</b>	

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, 2007

	Major Funds			Nonmajor	Total
	General	General Debt Service	Education Debt Service	Other Governmental Funds	
<u>ASSETS</u>					
Cash	\$ 932	\$ 0	\$ 0	\$ 1,040	\$ 1,972
Equity in Pooled Cash and Investments	4,975,569	1,632,702	5,059,374	2,702,184	14,369,829
Accounts Receivable	164,821	61,133	29,713	13,055	268,722
Due from Other Governments	1,719,862	0	0	574,564	2,294,426
Due from Other Funds	2,722	85,612	0	2,000	90,334
Property Taxes Receivable	9,334,210	1,270,054	1,178,795	868,985	12,652,044
Allowance for Uncollectible Property Taxes	(147,940)	(21,085)	(20,787)	(14,427)	(204,239)
Prepaid Items	490,536	0	0	119,626	610,162
Notes Receivable - Long-term	0	0	4,254,256	0	4,254,256
<b>Total Assets</b>	<b>\$ 16,540,712</b>	<b>\$ 3,028,416</b>	<b>\$ 10,501,351</b>	<b>\$ 4,267,027</b>	<b>\$ 34,337,506</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 128,643	\$ 2,500	\$ 0	\$ 45,869	\$ 177,012
Accrued Payroll	110,468	0	0	16,689	127,157
Payroll Deductions Payable	2,797	0	0	224	3,021
Contracts Payable	0	0	0	152,177	152,177
Claims and Judgments Payable	43,318	0	0	0	43,318
Due to Other Funds	0	0	0	90,334	90,334
Due to State of Tennessee	19,354	0	0	0	19,354
Due to Litigants, Heirs, and Others	40	0	0	74,068	74,108
Deferred Revenue - Current Property Taxes	9,036,305	1,226,355	1,134,204	839,085	12,235,949
Deferred Revenue - Delinquent Property Taxes	134,895	20,342	21,781	13,918	190,936
Other Deferred Revenues	522,406	10,000	0	201,696	734,102
<b>Total Liabilities</b>	<b>\$ 9,998,226</b>	<b>\$ 1,259,197</b>	<b>\$ 1,155,985</b>	<b>\$ 1,434,060</b>	<b>\$ 13,847,468</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 28,795	\$ 0	\$ 0	\$ 637,066	\$ 665,861
Reserved for Sexual Offender Registration	3,986	0	0	0	3,986
Reserved for Computer System - Register	37,279	0	0	0	37,279
Reserved for Automation Purposes - General Sessions Court	16,053	0	0	0	16,053
Reserved for Automation Purposes - Juvenile Court	1,627	0	0	0	1,627
Reserved for Automation Purposes - Chancery Court	1,658	0	0	0	1,658
Reserved for Automation Purposes - Sheriff	10,372	0	0	0	10,372
Reserved for Long-term Notes Receivable	0	0	4,254,256	0	4,254,256
Reserved for Other General Purposes	21,300	0	2,315,131	0	2,336,431
Unreserved, Reported In:					
General Fund	6,421,416	0	0	0	6,421,416
Special Revenue Funds	0	0	0	1,653,852	1,653,852
Debt Service Funds	0	1,769,219	2,775,979	0	4,545,198
Capital Projects Funds	0	0	0	542,049	542,049
<b>Total Fund Balances</b>	<b>\$ 6,542,486</b>	<b>\$ 1,769,219</b>	<b>\$ 9,345,366</b>	<b>\$ 2,832,967</b>	<b>\$ 20,490,038</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,540,712</b>	<b>\$ 3,028,416</b>	<b>\$ 10,501,351</b>	<b>\$ 4,267,027</b>	<b>\$ 34,337,506</b>

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, 2007

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)		\$	20,490,038
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	6,251,164	
Add: construction in progress		9,936	
Add: infrastructure net of accumulated depreciation		29,432,844	
Add: buildings and improvements net of accumulated depreciation		12,049,994	
Add: other capital assets net of accumulated depreciation		<u>1,919,116</u>	49,663,054
(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.			25,181
(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	\$	(682,764)	
Less: capital leases payable		(74,250)	
Less: bonds payable		(5,645,000)	
Less: other loans payable		(24,628,297)	
Add: deferred amount on refunding		335,102	
Add: deferred charges - debt issuance costs		406,309	
Less: unamortized portion of debt premiums		(13,304)	
Less: accrued interest on notes, bonds, and other loans		(99,137)	
Less: compensated absences payable		<u>(440,361)</u>	(30,841,702)
(4) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>925,038</u>
Net assets of governmental activities (Exhibit A)		\$	<u>40,261,609</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, 2007

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	General Debt Service	Education Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 9,428,663	\$ 1,185,682	\$ 1,036,848	\$ 1,395,016	\$ 13,046,209
Licenses and Permits	1,069,964	0	0	0	1,069,964
Fines, Forfeitures, and Penalties	414,717	0	0	137,710	552,427
Charges for Current Services	201,429	0	0	4,203	205,632
Other Local Revenues	423,013	300,994	325,720	145,901	1,195,628
Fees Received from County Officials	2,229,350	0	0	0	2,229,350
State of Tennessee	1,791,048	0	0	1,864,442	3,655,490
Federal Government	224,434	0	0	792,755	1,017,189
Other Governments and Citizens Groups	339,516	154,926	461,000	26,609	982,051
<b>Total Revenues</b>	<b>\$ 16,122,134</b>	<b>\$ 1,641,602</b>	<b>\$ 1,823,568</b>	<b>\$ 4,366,636</b>	<b>\$ 23,953,940</b>
<u>Expenditures</u>					
Current:					
General Government	\$ 2,707,706	\$ 0	\$ 0	\$ 0	\$ 2,707,706
Finance	1,523,511	0	0	0	1,523,511
Administration of Justice	1,342,888	0	0	4,040	1,346,928
Public Safety	5,232,622	0	0	270,994	5,503,616
Public Health and Welfare	740,969	0	0	629,816	1,370,785
Social, Cultural, and Recreational Services	381,929	0	0	3,989	385,918
Agriculture and Natural Resources	144,552	0	0	0	144,552
Other Operations	1,571,680	0	0	18,227	1,589,907
Highways	0	0	0	1,759,097	1,759,097
Debt Service:					
Principal on Debt	23,747	1,294,966	446,732	27,000	1,792,445
Interest on Debt	3,658	586,115	459,375	0	1,049,148
Other Debt Service	0	182,722	20,554	0	203,276
Capital Projects	0	0	0	724,083	724,083
<b>Total Expenditures</b>	<b>\$ 13,673,262</b>	<b>\$ 2,063,803</b>	<b>\$ 926,661</b>	<b>\$ 3,437,246</b>	<b>\$ 20,100,972</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,448,872	\$ (422,201)	\$ 896,907	\$ 929,390	\$ 3,852,968
<u>Other Financing Sources (Uses)</u>					
Other Loans Issued	\$ 390,000	\$ 0	\$ 1,678,133	\$ 0	\$ 2,068,133
Insurance Recovery	25,158	0	0	15,552	40,710
Transfers In	15,000	141,111	0	0	156,111
Transfers Out	0	0	0	(156,111)	(156,111)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 430,158</b>	<b>\$ 141,111</b>	<b>\$ 1,678,133</b>	<b>\$ (140,559)</b>	<b>\$ 2,108,843</b>
Net Change in Fund Balances	\$ 2,879,030	\$ (281,090)	\$ 2,575,040	\$ 788,831	\$ 5,961,811
Fund Balance, July 1, 2006	3,663,456	2,050,309	6,770,326	2,044,136	14,528,227
Fund Balance, June 30, 2007	\$ 6,542,486	\$ 1,769,219	\$ 9,345,366	\$ 2,832,967	\$ 20,490,038

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, 2007

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)	\$	5,961,811	
(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	\$	992,328	
Less: current year depreciation expense		<u>(1,678,752)</u>	(686,424)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.			
Less: net book value of assets disposed			(123,576)
(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, 2006	\$	(915,020)	
Add: deferred delinquent property taxes and other deferred June 30, 2007		<u>925,038</u>	10,018
(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	\$	(2,068,133)	
Add: principal payments on notes		132,392	
Add: principal payments on capital leases		27,000	
Add: principal payments on bonds		443,000	
Add: principal payments on other loans		<u>1,190,053</u>	(275,688)
(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	
Less: amortization of debt issuance costs		(31,867)	
Less: deferred charge on refunding amortized during year		<u>(37,708)</u>	(68,528)

(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	\$	8,810
Change in compensation absences		<u>(37,676)</u>
	\$	(28,866)
(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>(19,318)</u>
Change in net assets of governmental activities (Exhibit B)	\$	<u>4,769,429</u>

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

Exhibit D-1

Loudon County, Tennessee  
Statement of Net Assets  
Proprietary Fund  
June 30, 2007

	Governmental Activities - Internal Service
	<u>Employee Dental Insurance Fund</u>
<u>ASSETS</u>	
Current Assets:	
Cash	\$ 33,661
Total Assets	<u>\$ 33,661</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 8,480
Total Liabilities	<u>\$ 8,480</u>
<u>NET ASSETS</u>	
Unrestricted	<u>\$ 25,181</u>
Total Net Assets	<u><u>\$ 25,181</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, 2007

	Governmental Activities - Internal Service
	<u>Employee Dental Insurance Fund</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 395,183
Total Operating Revenues	<u>\$ 395,183</u>
<u>Operating Expenses</u>	
Medical and Dental Services	\$ 414,501
Total Operating Expenses	<u>\$ 414,501</u>
Operating Income (Loss)	<u>\$ (19,318)</u>
Change in Net Assets	\$ (19,318)
Net Assets, July 1, 2006	<u>44,499</u>
Net Assets, June 30, 2007	<u><u>\$ 25,181</u></u>

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

Exhibit D-3

Loudon County, Tennessee  
Statement of Cash Flows  
Proprietary Fund  
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service <hr/> Employee Dental Insurance Fund <hr/>
<u>Cash Flows From Operating Activities</u>	
Receipts for Self-Insurance Premiums	\$ 395,183
Payments for Claims	(414,581)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (19,398)</u>
Increase (Decrease) in Cash	\$ (19,398)
Cash, July 1, 2006	<u>53,059</u>
Cash, June 30, 2007	<u><u>\$ 33,661</u></u>
<u>Reconciliation of Net Operating Income (Loss)</u>	
<u>to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ (19,318)
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	<u>(80)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (19,398)</u></u>

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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,356,799
Equity in Pooled Cash and Investments	2,323,520
Accounts Receivable	4,505
Due from Other Governments	826,550
Due from Joint Ventures	64
Taxes Receivable	3,640,381
Allowance for Uncollectible Taxes	<u>(62,604)</u>
Total Assets	<u>\$ 8,089,215</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 4,532,387
Due to Litigants, Heirs, and Others	1,360,436
Due to Joint Ventures	2,196,328
Other Current Liabilities	<u>64</u>
Total Liabilities	<u>\$ 8,089,215</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, 2007**

**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 Loudon County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of

the School Department are included in this report as listed in the table of contents. 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. The county issued debt of \$1,678,133 for the benefit of the School Department during the year ended June 30, 2007.

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 adequate facilities taxes, 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.

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

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

Additionally, Loudon County reports the following fund types:

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

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

**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. Income from these pooled investments is allocated to various funds based on their cash balances at the time the income is received. Loudon County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value.

**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 .89 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. The majority of these payments consisted of payments for insurance coverage for the 2007-08 fiscal year.

**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

**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 Loudon County 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, 2007. 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, 2007, Loudon County had \$17,434,256 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 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. The School Department has executed a note payable to Loudon County to repay \$4,254,256 of the debt issued by the county on behalf of the School Department.

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 Purposes account represents funds reserved for a specific debt issue. Designations of fund balance represent tentative management plans that are subject to change. Management has designated \$43,884 for Planning in the General Fund.

**8. Prior-Period Adjustment and Restatement for Inclusion of Infrastructure**

**Primary Government**

On July 1, 2006, Loudon County retroactively recognized \$29,341,298 in infrastructure assets acquired between July 1, 1980, and June 30, 2002.

Loudon County had previously failed to recognize a long-term commitment (under a tax incentive financing agreement) with the City of Loudon as long-term debt. The net effect was a decrease in beginning net assets of \$441,343.

**Discretely Presented Loudon County School Department**

The beginning balance in Capital Assets Depreciated has been increased from the prior year reported ending balances by a net of \$990,730 for a building that had not been capitalized in the previous year.

## 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-3 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-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net assets of governmental activities reported in the government-wide statement of activities.

## III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on 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 discretely presented 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. Expenditures Exceeded Appropriations**

Expenditures exceeded appropriations approved by the County Commission in the Food Service major appropriation category (the legal level of control) in the General Purpose School Fund by \$89,276. This resulted from the failure to properly amend the budget for additional USDA revenue received and distributed to individual school cafeterias. Such overexpenditures are a violation of state statutes.

**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, 2007, Loudon County had the following investments carried at 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	Cost
State Treasurer's Investment Pool	Daily	\$ 5,565,221

**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.

**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, 2007, Loudon County's investment in the State Treasurer's Investment Pool was unrated.

**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 (\$4,254,256) 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 \$3,999,142.

**C. Capital Assets**

Capital assets activity for the year ended June 30, 2007, was as follows:

**Primary Government**

**Governmental Activities:**

	Adjusted Balance 7-1-06 *	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 6,284,416	\$ 74,165	\$ (107,417)	\$ 6,251,164

**Governmental Activities (Cont.):**

	Adjusted			Balance
	Balance			
	7-1-06 *	Increases	Decreases	6-30-07
Capital Assets Not Depreciated:				
Construction in Progress	\$ 1,247,314	\$ 16,914	\$ (1,254,292)	\$ 9,936
Total Capital Assets Not Depreciated	\$ 7,531,730	\$ 91,079	\$ (1,361,709)	\$ 6,261,100
Capital Assets Depreciated:				
Buildings and Improvements	\$ 12,205,074	\$ 1,380,017	\$ 0	\$ 13,585,091
*Infrastructure	44,727,134	378,512	0	45,105,646
Other Capital Assets	4,336,270	397,012	(43,972)	4,689,310
Total Capital Assets Depreciated	\$ 61,268,478	\$ 2,155,541	\$ (43,972)	\$ 63,380,047
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 1,314,584	\$ 220,513	\$ 0	\$ 1,535,097
*Infrastructure	14,740,143	932,659	0	15,672,802
Other Capital Assets	2,272,427	525,580	(27,813)	2,770,194
Total Accumulated Depreciation	\$ 18,327,154	\$ 1,678,752	\$ (27,813)	\$ 19,978,093
Total Capital Assets Depreciated, Net	\$ 42,941,324	\$ 476,789	\$ (16,159)	\$ 43,401,954
Governmental Activities Capital Assets, Net	\$ 50,473,054	\$ 567,868	\$ (1,377,868)	\$ 49,663,054

\*As previously noted in Note I.8., the beginning balances in infrastructure and accumulated depreciation for infrastructure have been increased from the prior year ending balances by \$44,039,123 and \$14,697,825, respectively, (net effect of increasing capital assets by \$29,341,298).

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	\$ 150,006
Finance	9,773
Administration of Justice	14,435
Public Safety	321,058
Public Health and Welfare	75,431
Social, Cultural, and Recreational Services	31,865
Other Operations	31,550
Highways/Public Works	<u>1,044,634</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 1,678,752</u></u>

**Discretely Presented Loudon County School Department**

**Governmental Activities:**

	Adjusted			
	Balance		Decreases	Balance
	7-1-06 *	Increases		6-30-07
Capital Assets Not Depreciated:				
Land	\$ 1,748,517	\$ 2,208,610	\$ 0	\$ 3,957,127
Construction in Progress	<u>2,741,281</u>	<u>1,946,547</u>	<u>(3,714,925)</u>	<u>972,903</u>
Total Capital Assets Not Depreciated	<u>\$ 4,489,798</u>	<u>\$ 4,155,157</u>	<u>\$ (3,714,925)</u>	<u>\$ 4,930,030</u>
 Capital Assets Depreciated:				
*Buildings and Improvements	\$ 31,384,823	\$ 3,733,408	\$ 0	\$ 35,118,231
Other Capital Assets	<u>245,036</u>	<u>88,413</u>	<u>0</u>	<u>333,449</u>
Total Capital Assets Depreciated	<u>\$ 31,629,859</u>	<u>\$ 3,821,821</u>	<u>\$ 0</u>	<u>\$ 35,451,680</u>
 Less Accumulated Depreciation For:				
*Buildings and Improvements	\$ 8,124,729	\$ 665,165	\$ 0	\$ 8,789,894
Other Capital Assets	<u>106,140</u>	<u>21,199</u>	<u>0</u>	<u>127,339</u>
Total Accumulated Depreciation	<u>\$ 8,230,869</u>	<u>\$ 686,364</u>	<u>\$ 0</u>	<u>\$ 8,917,233</u>

**Governmental Activities (Cont.):**

	Adjusted			Balance
	7-1-06 *	Increases	Decreases	6-30-07
Total Capital Assets				
Depreciated, Net	\$ 23,398,990	\$ 3,135,457	\$ 0	\$ 26,534,447
Governmental Activities				
Capital Assets, Net	\$ 27,888,788	\$ 7,290,614	\$ (3,714,925)	\$ 31,464,477

\*As previously noted in Note I.8., the beginning balances in building and improvements and accumulated depreciation for buildings and improvements have been increased from the prior year ending balances by \$1,388,636 and \$397,906, respectively, (net effect of increasing capital assets by \$990,730).

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

**Governmental Activities:**

Support Services	\$ 672,907
Operation of Non-Instructional Services	<u>13,457</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 686,364</u>

**D. Construction Commitments**

At June 30, 2007, the General Capital Projects Fund had uncompleted construction contracts totaling \$606,126 for the construction of Watts Bar Utility District waterlines. Funding for the waterlines is being provided by a federal grant.

At June 30, 2007, the discretely presented Education Capital Projects Fund had uncompleted architectural and construction contracts totaling \$370,683 for various projects including fire system renovations and developing blueprints for school renovations and improvements. Funding has been provided for these future expenditures.

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

The composition of interfund balances as of June 30, 2007, is as follows:

**Due to/from Other Funds:**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 2,722
General Debt Service	"	85,612
Nonmajor governmental	"	2,000
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	3,609

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.

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

**Primary Government**

Transfers Out	<u>Transfers In</u>	
	General Fund	General Debt Service Fund
Nonmajor governmental fund	\$ 15,000	\$ 141,110
Total	<u>\$ 15,000</u>	<u>\$ 141,110</u>

**Discretely Presented Loudon County School Department**

Transfers Out	<u>Transfers In</u>
	Education Capital Project Fund
General Purpose School Fund	<u>\$ 1,904,520</u>
Total	<u>\$ 1,904,520</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

**F. Payables**

Most payables are disaggregated on the face of the financial statements. Retainage payable totaling \$16,938 in the discretely presented Education Capital Projects Fund represents 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 \$43,318 in the General Fund represents an additional assessment from an insurance pool that had previously provided workers' compensation insurance for various years.

A total of \$74,068 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. 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, 2007, were as follows:

Year Ending June 30	Governmental Funds
2008	\$ 27,000
2009	27,000
2010	<u>20,250</u>
Total Minimum Lease Payments	<u>\$ 74,250</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 16 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, 2007, will be retired from the debt service funds.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2007, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
General Obligation Bonds	5 to 5.7 %	\$ 5,360,000	\$ 335,000
General Obligation Bonds - Refunding	1.8 to 4	7,185,000	5,310,000
Capital Outlay Notes	0 to 4.43	815,156	682,764
Other Loans - City of Loudon	variable	865,000	807,596

Type	Interest Rate	Original Amount of Issue	Balance 6-30-07
Other Loans - PBA Variable Rate	variable %	\$ 11,700,000	\$ 7,650,000
Other Loans - PBA Synthetic Fixed Rate by Swap	variable	12,500,000	12,345,000
Loan Agreement - State School Bond Authority	0	4,129,500	3,825,701
Capital Leases	0	135,000	74,250

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, 2007, Loudon County had drawn down the entire proceeds. Prior to the loan being fully drawn, the authority credited interest earnings on the undrawn amount against Loudon County's required repayment schedule. The county reflects a liability of \$3,825,701 for the outstanding loan agreement as of June 30, 2007.

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, 2007:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Type	Variable Interest Rates as of 6-30-07	Other Fees on Variable Rate Debt
<u>Montgomery County</u>					
<u>Public Building Authority</u>					
Various Purposes	\$ 5,000,000	\$ 3,900,000	Variable	3.95 %	0.54 %
<u>Sevier County</u>					
<u>Public Building Authority</u>					
Various Purposes	1,000,000	215,000	Variable	3.76	0.15
School Projects	2,700,000	835,000	Variable	3.83	0.2
School Projects	12,500,000	12,345,000	Synthetic Fixed by Swap	3.45	0.44
Various Purposes	3,000,000	<u>2,700,000</u>	Variable	3.81	0.39
Total		<u>\$ 19,995,000</u>			

Loudon County has also entered into the following agreements with the City of Loudon to provide funding for infrastructure improvements for two business developments. These agreements are reflected as other loans in this report.

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-07	Interest Rates
<u>City of Loudon</u>			
Highlands Business Center	\$ 475,000	\$ 431,636	0 %
Tennessee National Drive	390,000	375,960	4.0
Total City of Loudon		\$ 807,596	

Under the Highlands Business Center agreement, the county must pay its incremental tax revenues (excess of current taxes over base year amounts), from properties within the developments, toward the retirement of this obligation. The maximum amount they are required to pay is \$475,000 (with no interest accruing and no stated maturity date). The Tennessee National Drive agreement requires minimum payments (based on the city's amortization schedule on the debt) to the city each year. The interest rate on this obligation is a variable rate determined under the city's loan agreement with its creditor. The annual requirements for interest for this obligation reflected in the following table are based on an estimated rate of four percent rather than the actual rate at June 30, 2007. The difference in this estimated rate and the actual rate at June 30, 2007, is not considered material to the government-wide financial statements.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2007, including interest payments and other fees, are presented in the following tables:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 325,000	\$ 205,580	\$ 135,148	\$ 9,978
2009	355,000	192,240	138,028	7,097
2010	285,000	177,450	141,041	4,086
2011	320,000	170,325	125,695	1,007
2012	345,000	160,725	71,426	0
2013-2017	2,260,000	595,235	71,426	0
2018-2020	1,755,000	140,930	0	0
Total	\$ 5,645,000	\$ 1,642,485	\$ 682,764	\$ 22,168

Year Ending June 30	Other Loans -PBA & QZAB			Total
	Principal	Interest	Other Fees	
2008	\$ 1,168,688	\$ 728,235	\$ 89,036	\$ 1,985,959
2009	1,300,300	690,880	85,437	2,076,617
2010	1,250,300	652,041	81,691	1,984,032
2011	1,286,300	615,053	77,902	1,979,255
2012	1,332,300	577,888	73,224	1,983,412
2013-2017	7,574,500	2,263,476	287,405	10,125,381
2018-2022	6,658,313	1,126,541	144,186	7,929,040
2023-2025	3,250,000	249,954	29,150	3,529,104
<b>Total</b>	<b>\$ 23,820,701</b>	<b>\$ 6,904,068</b>	<b>\$ 868,031</b>	<b>\$ 31,592,800</b>

The minimum annual requirements to amortize the other loans payable outstanding as of June 30, 2007, to the City of Loudon for the Tennessee National Drive Project, including interest payments, are presented in the following table. Annual requirements for the \$431,636 other loan payable for the Highlands Business Center project are not included in the schedule since the loan is to be repaid with tax increment revenues only and there is no defined payment schedule.

Year Ending June 30	Other Loan - City of Loudon		Total
	Principal	Interest	
2008	\$ 14,690	\$ 15,038	\$ 29,728
2009	15,210	14,451	29,661
2010	15,860	13,842	29,702
2011	16,510	13,208	29,718
2012	17,160	12,513	29,673
2013-2017	96,460	51,886	148,346
2018-2022	117,650	30,966	148,616
2023-2025	82,420	6,682	89,102
<b>Total</b>	<b>\$ 375,960</b>	<b>\$ 158,586</b>	<b>\$ 534,546</b>

There is \$4,545,198 unreserved fund balance and \$2,315,131 reserved for specific debt issues available in the debt service funds to service long-term debt. Bonded debt per capita totaled \$144, based on the 2000 federal census. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$369 for residents inside Lenoir City, and \$884 for residents outside Lenoir City, based on the 2000 federal census.

### **SWAP AGREEMENT**

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.** 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, 2007, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	3.13 %
Variable payment from counterparty	% of LIBOR	<u>-3.49</u>
Net interest rate swap payments		-0.36 %
Variable-rate bond coupon payments		<u>3.81</u>
Synthetic interest rate on bonds		<u><u>3.45 %</u></u>

**Fair Value.** As of June 30, 2007, the swap had a positive fair value of \$512,470. 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, 2007, the county's exposure to credit risk is equal to the amount of the swap's positive fair value. However, if 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. 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, 2007. 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, 2007, 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	Total
	Principal	Interest	Swap Payment	
2008	\$ 165,000	\$ 470,345	(44,294) \$	591,051
2009	180,000	464,058	(43,702)	600,356
2010	185,000	457,200	(43,056)	599,144
2011	505,000	450,152	(42,392)	912,760
2012	540,000	430,911	(40,580)	930,331
2013-2017	3,215,000	1,820,990	(171,488)	4,864,502
2018-2022	4,305,000	1,130,237	(106,438)	5,328,799
2023-2025	3,250,000	252,413	(23,771)	3,478,642
Total	\$ 12,345,000	\$ 5,476,306	(515,721) \$	17,305,585

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2007, was as follows:

	Bonds	Notes	Other Loans - City of Loudon *
Balance, July 1, 2006	\$ 6,088,000	\$ 815,156	\$ 441,343
Additions	0	0	390,000
Deductions	(443,000)	(132,392)	(23,747)
Balance, June 30, 2007	\$ 5,645,000	\$ 682,764	\$ 807,596
Balance Due Within One Year	\$ 325,000	\$ 135,148	\$ 14,690

	Other Loans - PBA & QZAB	Capital Leases	Compensated Absences
Balance, July 1, 2006	\$ 23,308,874	\$ 101,250	\$ 402,685
Additions	1,678,133	0	357,435
Deductions	(1,166,306)	(27,000)	(319,759)
Balance, June 30, 2007	\$ 23,820,701	\$ 74,250	\$ 440,361
Balance Due Within One Year	\$ 1,168,688	\$ 27,000	\$ 319,759

\* As noted in Note I.8., the July 1, 2006, balance of the City of Loudon loan had not been reflected in the previous report.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2007	\$ 31,470,672
Less: Balance Due Within One Year	(1,990,285)
Less: Deferred Amount on Refunding	(335,102)
Add: Unamortized Premium on Debt	13,304
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	\$ 29,158,589

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 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, 2007, 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, 2007, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-07</u>
Energy Efficiency Projects	0 %	\$ 4,629,481	\$ 4,254,256

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, 2007, are presented in the following table:

<u>Year Ended June 30</u>	<u>Notes - Principal</u>
2008	\$ 255,114
2009	346,726
2010	346,726
2011	346,726
2012	346,726
2013-2017	1,447,926
2018-2021	<u>1,164,312</u>
Total	<u>\$ 4,254,256</u>

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, 2007:

	<u>Notes</u>
Balance, July 1, 2006	\$ 2,867,855
Additions	1,678,133
Deductions	<u>(291,732)</u>
Balance, June 30, 2007	<u>\$ 4,254,256</u>
Balance Due Within One Year	<u>\$ 255,114</u>

**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 \$25,181 at June 30, 2007. 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
2005-2006	\$ 17,946	\$	349,644	\$	(359,030)	\$	8,560
2006-2007	8,560		414,501		(414,581)		8,480

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 against Loudon County for these outstanding claims unpaid by Reliance Insurance Company. This assessment, including interest amounted to \$43,318 at June 30, 2007. 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 Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county and School Department pay annual premiums to the TN-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

**B. Subsequent Event**

Subsequent to June 30, 2007, the County Commission authorized \$3,000,000 in capital outlay notes to be issued on behalf of the School Department. These notes have not been issued as of the date of this report.

**C. 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, 2007, future principal and interest requirements of these bonds were \$1,174,036 and \$913,936, 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, 2007, future principal and interest requirements of this loan were \$530,000 and \$350,100, 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.

**D. Changes in Administration**

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. Also, because Doyle Arp left the Office of Property Assessor to become county mayor, Jane Smith served as interim assessor of property from September 1, 2006, until September 17, 2006, when the County Commission appointed Charles Jenkins to the Office of Assessor of Property.

**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. 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) was a joint venture formed by an interlocal agreement between Loudon County and certain law enforcement agencies located within the county to promote the investigation and prosecution of drug-related activities. The financial transactions of this joint venture were channeled through the county Trustee's Office and the county accounted for these transactions in an agency fund. During the prior year, the Loudon County Commission passed a motion to cease all activity in the Metro Narcotic Unit. At June 30, 2007, residual 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.C., 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

The Loudon County Economic Development Agency, Inc., was designated to function as the Joint Economic and Community Development Board under Public Chapter 1101. Under this role, the agency is responsible for coordinating governmental and private industrial development and economic development activities in Loudon County. The agency is a joint venture between Loudon County and the cities of Loudon and Lenior City, and Lenior City Industrial Committee of 100, in which each provide financial support. The agency is governed by an eight-member board comprising one member from the three governments and the remaining members from other various community organizations. Loudon County provided the agency \$141,355 in financial support during the 2006-07 year. Financial statements for the agency can be obtained from its administrative office at the following address:

Administrative Office:

Loudon County Economic Development Agency, Inc.  
274 Blair Bend Drive  
Loudon, Tennessee 37774

**F. Retirement Commitments**

**Employees**

**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 <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, 2007, was 9.47 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, 2007, Loudon County's annual pension cost of \$990,014 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2005, 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 Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-07	\$990,014	100%	\$0
6-30-06	750,102	100	0
6-30-05	714,885	100	0

## 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 SETHEPP. 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 <http://www.treasury.state.tn.us>.

### **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, 2007, was 6.13 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, 2007, 2006, and 2005, were \$994,071, \$851,898, and \$834,561, 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, 2007, 38 retirees met the eligibility requirements and participated in the healthcare benefits and 59 retirees met the eligibility requirements and participated in the life insurance benefits. During the year, expenditures of \$66,600 and \$10,799, respectively, were recognized for post-employment health care and life insurance benefits.

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. On June 30, 2007, 11 retirees met the eligibility requirement and participated in the healthcare benefits and 19 retirees met the eligibility requirements and participated in the life insurance benefits. During the

year, expenditures of \$24,623 and \$673, respectively, were recognized for post-employment health care and life insurance benefits.

**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 were maintained in the Office of the Director of Accounts and Budgets.

**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). It should be noted that the County Purchasing Act of 1957, as amended, allows for the bid limit amount to be increased up to \$10,000 if approved by the County Commission. Subsequent to June 30, 2007, the Board of County Commissioners approved raising the county-wide bid requirement to \$10,000.

**VI. OTHER NOTES – DISCRETELY PRESENTED LOUDON COUNTY EMERGENCY COMMUNICATIONS DISTRICT**

**A. Summary of Significant Accounting Policies**

**1. Nature of Business**

The Loudon County Emergency Communications District was established to provide services under the Emergency Communications District Law, Tennessee Code Annotated, Chapter 86. The district was created by a resolution of the Loudon County Commissioners on September 12, 1989, and subsequently approved by public referendum. Under its enabling legislation, the district is a municipality with powers of perpetual success but without any power to levy or collect taxes. Charges for services authorized shall not be considered as taxes. The powers of the district are vested in and exercised by a majority of the members of the board of directors of the district who are appointed by the district's primary government.

The district is a discretely presented component unit of Loudon County, Tennessee, and the financial statements are presented in both the district's separate financial report and within the Loudon County, Tennessee, report. The district is considered a discretely presented component unit of Loudon County, Tennessee, as defined under the criteria set forth in Governmental Accounting Standards Board

Statement No. 14 because the district is unable to issue debt without going through Loudon County, Tennessee.

**2. Basis of Accounting**

The financial statements of the district are reported on the accrual basis. In accordance with the Accounting and Financial Reporting Manual for Tennessee Emergency Communications Districts issued by the Tennessee Office of the Comptroller of the Treasury, the district is required to apply all pronouncements of the Governmental Accounting Standards Board (GASB) and pronouncements of the Financial Accounting Standards Board (FASB) issued prior to November 30, 1989, that do not conflict with those of the Governmental Accounting Standards Board. After November 30, 1989, the district is required to follow only GASB guidance and not to follow any FASB guidance issued after that date.

**3. Cash and Cash Equivalents**

The district considers all unrestricted deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

**4. Receivables**

The accounts receivable balance of \$167,760 primarily represents amounts due from BellSouth for the surcharge on Loudon County telephone services for the month of June 2007, wireless commissions due from the State of Tennessee for March through June 2007, equipment reimbursement grant due from the State of Tennessee, and a Homeland Security grant passed through Loudon County.

**5. Capital Assets**

Capital assets consist of property and equipment and are stated at cost, less accumulated depreciation computed on the straight-line method over their estimated useful lives as follows: buildings – 40 years; equipment and furnishings – three to seven years; building improvements – 20 years. When assets are retired or otherwise disposed of, the average cost is removed from the asset account and the accumulated depreciation account. Removal cost, less any salvage value, is charged or credited to the accumulated depreciation account. The cost of maintenance and repairs is charged to earnings as incurred.

**6. Deferred Revenue**

Deferred revenue consists of resources that have been received or are due to be received and recorded as receivable, but not yet earned.

**7. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

**8. Tax Status**

Because the district was incorporated as a political subdivision under the Tennessee Communications District Law, it is exempt from federal income taxes.

**B. Deposits**

Custodial credit risk for the district's deposits is the risk that in the event of a bank failure, the district's deposits may not be returned to it. As of June 30, 2007, the carrying amount of deposits was \$475,456, and the bank balances were \$553,988. As required by state statutes, the district's policy is to require financial institutions holding its deposits to be members of the Tennessee Collateral Pool or pledge collateral for deposits in excess of federal depository insurance. At June 30, 2007, none of the district's bank balances was exposed to credit risk.

**C. Revenue**

The district's primary sources of revenues are from surcharges imposed on Loudon County telephone services (net of administrative fees paid to the telephone companies) and from surcharges imposed on cell phone services, which are collected and disbursed by the Tennessee Emergency Communications Board.

**D. Risk Management**

The district is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. To minimize its costs, the district insures itself against potential losses associated with these risks through the purchase of commercial insurance. There were no significant reductions in limits of liability or coverage of insurance policies in effect during 2007 from those in effect in 2006. In addition, there have been no losses in excess of insurance coverage during the past three fiscal years.

**E. Capital Assets**

A summary of capital assets as of June 30, 2007, follows:

Cost	Balance 7-1-06	Additions	Retirements	Balance 6-30-07
Capital Assets, not being depreciated:				
Land	\$ 41,637	\$ 0	\$ (41,637)	\$ 0
Capital Assets, being depreciated:				
Buildings and improvements	204,963	0	(204,963)	0
Vehicles	0	33,955	0	33,955
Furniture and fixtures	10,756	3,196	13,593	27,545
Office equipment	58,204	40,975	0	99,179
Communication equipment	275,074	29,113	0	304,187
Construction in progress	0	140,006	0	140,006
Total capital assets	<u>\$ 590,634</u>	<u>\$ 247,245</u>	<u>\$ (233,007)</u>	<u>\$ 604,872</u>
<u>Accumulated Depreciation</u>				
Buildings and improvements	\$ 10,371	\$ 1,495	\$ (11,866)	\$ 0
Vehicles	0	4,508	0	4,508
Furniture and fixtures	7,354	3,705	694	11,753
Office equipment	48,831	12,280	0	61,111
Communication equipment	180,878	24,973	0	205,851
Total accumulated depreciation	<u>\$ 247,434</u>	<u>\$ 46,961</u>	<u>\$ (11,172)</u>	<u>\$ 283,223</u>

**F. Long-term Debt**

	Balance 7-1-06	Retirements	Balance 6-30-07
Changes in long-term debt:			
Notes Payable	\$ 185,443	\$ (185,443)	\$ 0

In fiscal year 2007, the district retired the following debt balances outstanding at June 30, 2006:

- 1) Note payable to First National Bank in monthly installment of \$1,292 with interest at 4.75 percent and a final balloon payment on November 10, 2006, unsecured. The note dated November 18, 2003, in the amount of \$200,000 was used to purchase real property. In October 2006, the note balance of \$181,190 was retired with the proceeds from the sale of land and building to Loudon County, Tennessee.
- 2) Note payable to First National Bank in monthly installment of \$1,102 with interest at 5.5 percent through September 27, 2006, unsecured. The note dated August 25, 2004, totaling \$25,000 was used to purchase equipment.

**G. Management Agreement**

Effective March 1, 1997, the district entered into a management agreement with the Loudon County Law Enforcement Agency. Pursuant to the terms of the agreement, the district assumed all management and supervisory authority and control of the county radio communications system including the dispatching center located at the Loudon County Justice Center. All personnel of the communications system are to remain employees of Loudon County, which shall be responsible for continued payment of the employees on a basis consistent with other county employees. The payment amount may be increased during the term of the agreement by mutual consent of the parties.

The original term of this agreement was five years and was extended for an additional five years. Beginning March 1, 2007, the agreement is extended on a year-by-year basis at \$45,000 per year.

The total amount expensed by the district during the year ended June 30, 2007, relating to this agreement was \$45,000.

**H. Agreement for Office Space**

The district entered into an agreement with Loudon County, Tennessee, in which it received a \$140,000 contribution in October 2006 to be used for the construction of an E-911 center. In return, upon completion of that construction, the district will make available to Loudon County offices and emergency operations space for the Emergency Management Agency (EMA), a subsidiary of Loudon County, Tennessee, for up to 30 years, with an extension possible upon mutual agreement of both parties.

**I. Operating Lease**

During fiscal year 2005, the district sold its Mobile 911 Center to Loudon County, Tennessee, and then entered into an agreement with Loudon County, Tennessee, to lease the facility for one dollar per year.

During fiscal year 2006, the district approved an agreement to lease the vacant house behind the 911 Mobile Center to a non-profit organization for \$250 per month. The district received \$3,000 from this agreement in 2007.

**J. Commitment**

The district has begun the construction of a new building to house its operations. The contract for this new facility totals \$1,447,400 and is to be funded from a \$140,000 contribution from Loudon County, Tennessee, (as per Note 8.) and an agreement with the USDA Rural Development for up to \$1,500,000 in a community facilities direct loan that has not been issued as of the release of this report.

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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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 9,428,663	\$ 0	\$ 0	\$ 9,428,663	\$ 8,716,900	\$ 9,121,730	\$ 306,933
Licenses and Permits	1,069,964	0	0	1,069,964	658,500	1,038,500	31,464
Fines, Forfeitures, and Penalties	414,717	0	0	414,717	355,350	388,050	26,667
Charges for Current Services	201,429	0	0	201,429	153,300	195,000	6,429
Other Local Revenues	423,013	0	0	423,013	292,000	402,405	20,608
Fees Received from County Officials	2,229,350	0	0	2,229,350	1,880,000	2,098,600	130,750
State of Tennessee	1,791,048	0	0	1,791,048	935,300	1,206,105	584,943
Federal Government	224,434	0	0	224,434	204,549	251,049	(26,615)
Other Governments and Citizens Groups	339,516	0	0	339,516	254,040	302,914	36,602
<b>Total Revenues</b>	<b>\$ 16,122,134</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 16,122,134</b>	<b>\$ 13,449,939</b>	<b>\$ 15,004,353</b>	<b>\$ 1,117,781</b>
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 101,313	\$ 0	\$ 0	\$ 101,313	\$ 86,672	\$ 101,313	\$ 0
Board of Equalization	650	0	0	650	2,000	2,000	1,350
Beer Board	3,300	0	0	3,300	5,000	5,000	1,700
Other Boards and Committees	6,150	0	0	6,150	9,200	9,200	3,050
County Mayor/Executive	194,933	0	0	194,933	181,230	195,953	1,020
County Attorney	118,422	0	0	118,422	155,000	132,370	13,948
Election Commission	257,116	0	0	257,116	260,786	278,716	21,600
Register of Deeds	280,974	0	0	280,974	240,822	291,988	11,014
Development	133,211	0	0	133,211	0	133,211	0
Planning	191,774	0	0	191,774	180,702	196,903	5,129
Engineering	58,989	0	0	58,989	0	59,000	11
Codes Compliance	277,336	0	0	277,336	252,689	281,935	4,599
Geographical Information Systems	59,276	0	1,289	60,565	59,835	70,747	10,182
County Buildings	1,024,262	0	450	1,024,712	955,915	1,049,006	24,294

(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 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 391,084	\$ 0	\$ 0	\$ 391,084	\$ 347,586	\$ 400,992	\$ 9,908
Purchasing	121,859	0	415	122,274	118,891	134,887	12,613
Property Assessor's Office	342,012	0	0	342,012	334,266	378,558	36,546
County Trustee's Office	285,033	0	0	285,033	244,395	295,116	10,083
County Clerk's Office	383,523	0	0	383,523	316,143	395,452	11,929
Data Processing	0	0	0	0	0	5,858	5,858
<u>Administration of Justice</u>							
Circuit Court	212,552	0	0	212,552	190,008	215,790	3,238
General Sessions Court	361,400	0	0	361,400	307,900	380,604	19,204
General Sessions Judge	208,483	0	0	208,483	196,272	218,202	9,719
Chancery Court	174,977	0	0	174,977	146,843	180,233	5,256
Juvenile Court	371,029	0	1,996	373,025	368,731	405,327	32,302
Other Administration of Justice	14,447	0	0	14,447	29,500	29,500	15,053
<u>Public Safety</u>							
Sheriff's Department	3,065,716	0	6,794	3,072,510	2,658,963	3,316,546	244,036
Special Patrols	15,000	0	0	15,000	15,000	15,000	0
Traffic Control	842	0	0	842	1,800	1,800	958
Administration of the Sexual Offender Registry	72	0	0	72	1,800	1,800	1,728
Jail	1,137,567	0	0	1,137,567	1,015,989	1,278,059	140,492
Juvenile Services	18,397	0	0	18,397	20,000	20,275	1,878
Civil Defense	102,666	0	0	102,666	83,587	105,510	2,844
Rescue Squad	95,000	0	0	95,000	95,000	95,000	0
Other Emergency Management	156,578	(12,305)	17,851	162,124	140,829	173,579	11,455
County Coroner/Medical Examiner	22,000	0	0	22,000	29,000	29,000	7,000
Public Safety Grant Programs	17,287	0	0	17,287	19,152	19,152	1,865
Other Public Safety	601,497	0	0	601,497	608,153	686,321	84,824

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Public Health and Welfare</u>							
Local Health Center	\$ 58,555	\$ 0	\$ 0	\$ 58,555	\$ 48,518	\$ 62,705	\$ 4,150
Rabies and Animal Control	188,086	0	0	188,086	155,610	205,192	17,106
Other Local Health Services	329,673	0	0	329,673	310,300	370,700	41,027
Other Local Welfare Services	164,655	0	0	164,655	0	194,767	30,112
<u>Social, Cultural, and Recreational Services</u>							
Adult Activities	5,000	0	0	5,000	5,000	5,000	0
Senior Citizens Assistance	180,801	0	0	180,801	165,926	188,135	7,334
Libraries	196,128	0	0	196,128	171,440	198,527	2,399
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	124,781	0	0	124,781	129,244	129,244	4,463
Forest Service	1,000	0	0	1,000	1,000	1,000	0
Soil Conservation	14,271	0	0	14,271	14,391	14,391	120
Flood Control	2,000	0	0	2,000	2,000	2,000	0
Storm Water Management	2,500	0	0	2,500	0	2,500	0
<u>Other Operations</u>							
Tourism	135,000	0	0	135,000	135,000	135,000	0
Industrial Development	306,831	0	0	306,831	309,106	310,750	3,919
Housing and Urban Development	3,000	0	0	3,000	3,000	3,000	0
Other Economic and Community Development	390,000	0	0	390,000	0	390,000	0
Veterans' Services	7,674	0	0	7,674	8,139	8,139	465
Contributions to Other Agencies	135,690	0	0	135,690	142,690	135,690	0
Employee Benefits	203,626	0	0	203,626	2,067,730	854,667	651,041
Miscellaneous	389,859	0	0	389,859	470,000	470,000	80,141
<u>Principal on Debt</u>							
General Government	23,747	0	0	23,747	9,500	23,747	0

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Interest on Debt</u>							
General Government	\$ 3,658	\$ 0	\$ 0	\$ 3,658	\$ 0	\$ 3,660	\$ 2
Total Expenditures	\$ 13,673,262	\$ (12,305)	\$ 28,795	\$ 13,689,752	\$ 13,828,253	\$ 15,298,717	\$ 1,608,965
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,448,872	\$ 12,305	\$ (28,795)	\$ 2,432,382	\$ (378,314)	\$ (294,364)	\$ 2,726,746
<u>Other Financing Sources (Uses)</u>							
Other Loans Issued	\$ 390,000	\$ 0	\$ 0	\$ 390,000	\$ 0	\$ 390,000	\$ 0
Insurance Recovery	25,158	0	0	25,158	0	25,150	8
Transfers In	15,000	0	0	15,000	15,000	15,000	0
Total Other Financing Sources (Uses)	\$ 430,158	\$ 0	\$ 0	\$ 430,158	\$ 15,000	\$ 430,150	\$ 8
Net Change in Fund Balance	\$ 2,879,030	\$ 12,305	\$ (28,795)	\$ 2,862,540	\$ (363,314)	\$ 135,786	\$ 2,726,754
Fund Balance, July 1, 2006	3,663,456	(12,305)	0	3,651,151	3,402,200	3,402,200	248,951
Fund Balance, June 30, 2007	\$ 6,542,486	\$ 0	\$ (28,795)	\$ 6,513,691	\$ 3,038,886	\$ 3,537,986	\$ 2,975,705

Exhibit F-2

Loudon County, Tennessee  
Schedule of Funding Progress – Pension Plan  
June 30, 2007

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 18,812	\$ 19,538	726	96.29 %	\$ 8,956	8.10 %
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

**LOUDON COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2007**

**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 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, County Mayor/Executive, County Attorney, Election Commission, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

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

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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.

Highway/Public Works Fund – The Highway/Public Works Fund accounts for transactions of the county's Highway Department.

# Capital Projects Fund

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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 G-1

Loudon County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007

	Special Revenue Funds				
	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Equity in Pooled Cash and Investments	11,163	222,312	21,201	217,128	109,704
Accounts Receivable	0	12,527	0	0	0
Due from Other Governments	0	93,287	0	0	0
Due from Other Funds	0	0	0	0	2,000
Property Taxes Receivable	0	133,690	0	0	0
Allowance for Uncollectible Property Taxes	0	(2,219)	0	0	0
Prepaid Items	0	0	0	2,362	0
<b>Total Assets</b>	<b>\$ 11,163</b>	<b>\$ 459,597</b>	<b>\$ 21,201</b>	<b>\$ 219,490</b>	<b>\$ 111,704</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 256	\$ 19,706	\$ 0	\$ 1,076	\$ 734
Accrued Payroll	0	4,982	0	0	0
Payroll Deductions Payable	0	0	0	0	0
Contracts Payable	0	0	0	0	0
Due to Other Funds	0	186	0	2,000	0
Due to Litigants, Heirs, and Others	0	0	0	74,068	0
Deferred Revenue - Current Property Taxes	0	129,090	0	0	0
Deferred Revenue - Delinquent Property Taxes	0	2,142	0	0	0
Other Deferred Revenues	0	53,338	0	0	0
<b>Total Liabilities</b>	<b>\$ 256</b>	<b>\$ 209,444</b>	<b>\$ 0</b>	<b>\$ 77,144</b>	<b>\$ 734</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,323
Unreserved	10,907	250,153	21,201	142,346	96,647
<b>Total Fund Balances</b>	<b>\$ 10,907</b>	<b>\$ 250,153</b>	<b>\$ 21,201</b>	<b>\$ 142,346</b>	<b>\$ 110,970</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,163</b>	<b>\$ 459,597</b>	<b>\$ 21,201</b>	<b>\$ 219,490</b>	<b>\$ 111,704</b>

(Continued)

Exhibit G-1

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

	<u>Special Revenue Funds (Cont.)</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Constitu -</u> <u>tional</u> <u>Officers -</u> <u>Fees</u>	<u>Highway /</u> <u>Public</u> <u>Works</u>	<u>Total</u>	<u>General</u> <u>Capital</u> <u>Projects</u>	
<u>ASSETS</u>					
Cash	\$ 100	\$ 940	\$ 1,040	\$ 0	\$ 1,040
Equity in Pooled Cash and Investments	0	965,519	1,547,027	1,155,157	2,702,184
Accounts Receivable	528	0	13,055	0	13,055
Due from Other Governments	0	313,262	406,549	168,015	574,564
Due from Other Funds	0	0	2,000	0	2,000
Property Taxes Receivable	0	401,070	534,760	334,225	868,985
Allowance for Uncollectible Property Taxes	0	(6,659)	(8,878)	(5,549)	(14,427)
Prepaid Items	0	117,264	119,626	0	119,626
<b>Total Assets</b>	<b>\$ 628</b>	<b>\$ 1,791,396</b>	<b>\$ 2,615,179</b>	<b>\$ 1,651,848</b>	<b>\$ 4,267,027</b>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 0	\$ 19,204	\$ 40,976	\$ 4,893	\$ 45,869
Accrued Payroll	0	11,707	16,689	0	16,689
Payroll Deductions Payable	0	224	224	0	224
Contracts Payable	0	0	0	152,177	152,177
Due to Other Funds	628	85,612	88,426	1,908	90,334
Due to Litigants, Heirs, and Others	0	0	74,068	0	74,068
Deferred Revenue - Current Property Taxes	0	387,270	516,360	322,725	839,085
Deferred Revenue - Delinquent Property Taxes	0	6,423	8,565	5,353	13,918
Other Deferred Revenues	0	148,358	201,696	0	201,696
<b>Total Liabilities</b>	<b>\$ 628</b>	<b>\$ 658,798</b>	<b>\$ 947,004</b>	<b>\$ 487,056</b>	<b>\$ 1,434,060</b>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 14,323	\$ 622,743	\$ 637,066
Unreserved	0	1,132,598	1,653,852	542,049	2,195,901
<b>Total Fund Balances</b>	<b>\$ 0</b>	<b>\$ 1,132,598</b>	<b>\$ 1,668,175</b>	<b>\$ 1,164,792</b>	<b>\$ 2,832,967</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 628</b>	<b>\$ 1,791,396</b>	<b>\$ 2,615,179</b>	<b>\$ 1,651,848</b>	<b>\$ 4,267,027</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, 2007

	Special Revenue Funds				
	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>Revenues</u>					
Local Taxes	\$ 6,650	\$ 600,996	\$ 0	\$ 6,132	\$ 0
Fines, Forfeitures, and Penalties	0	0	0	137,710	0
Charges for Current Services	0	0	0	163	0
Other Local Revenues	0	73,276	7,121	35,703	0
State of Tennessee	0	17,356	0	0	0
Federal Government	0	0	0	0	231,527
Other Governments and Citizens Groups	0	0	0	0	0
Total Revenues	<u>\$ 6,650</u>	<u>\$ 691,628</u>	<u>\$ 7,121</u>	<u>\$ 179,708</u>	<u>\$ 231,527</u>
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Safety	0	0	0	0	130,994
Public Health and Welfare	0	555,326	0	74,490	0
Social, Cultural, and Recreational Services	3,989	0	0	0	0
Other Operations	66	7,517	4,133	0	0
Highways	0	0	0	0	0
Debt Service:					
Principal on Debt	0	27,000	0	0	0
Capital Projects	0	0	0	0	0
Total Expenditures	<u>\$ 4,055</u>	<u>\$ 589,843</u>	<u>\$ 4,133</u>	<u>\$ 74,490</u>	<u>\$ 130,994</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,595</u>	<u>\$ 101,785</u>	<u>\$ 2,988</u>	<u>\$ 105,218</u>	<u>\$ 100,533</u>
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	(10,000)	(5,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (10,000)</u>	<u>\$ (5,000)</u>
Net Change in Fund Balances	\$ 2,595	\$ 101,785	\$ 2,988	\$ 95,218	\$ 95,533
Fund Balance, July 1, 2006	8,312	148,368	18,213	47,128	15,437
Fund Balance, June 30, 2007	<u>\$ 10,907</u>	<u>\$ 250,153</u>	<u>\$ 21,201</u>	<u>\$ 142,346</u>	<u>\$ 110,970</u>

(Continued)

Exhibit G-2

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

	<u>Special Revenue Funds (Cont.)</u>			<u>Capital</u> <u>Projects</u> <u>Fund</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
	<u>Constitu -</u> <u>tional</u> <u>Officers -</u> <u>Fees</u>	<u>Highway /</u> <u>Public</u> <u>Works</u>	<u>Total</u>	<u>General</u> <u>Capital</u> <u>Projects</u>	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 478,159	\$ 1,091,937	\$ 303,079	\$ 1,395,016
Fines, Forfeitures, and Penalties	0	0	137,710	0	137,710
Charges for Current Services	4,040	0	4,203	0	4,203
Other Local Revenues	0	16,098	132,198	13,703	145,901
State of Tennessee	0	1,846,818	1,864,174	268	1,864,442
Federal Government	0	0	231,527	561,228	792,755
Other Governments and Citizens Groups	0	0	0	26,609	26,609
Total Revenues	\$ 4,040	\$ 2,341,075	\$ 3,461,749	\$ 904,887	\$ 4,366,636
<u>Expenditures</u>					
Current:					
Administration of Justice	\$ 4,040	\$ 0	\$ 4,040	\$ 0	\$ 4,040
Public Safety	0	0	130,994	140,000	270,994
Public Health and Welfare	0	0	629,816	0	629,816
Social, Cultural, and Recreational Services	0	0	3,989	0	3,989
Other Operations	0	0	11,716	6,511	18,227
Highways	0	1,759,097	1,759,097	0	1,759,097
Debt Service:					
Principal on Debt	0	0	27,000	0	27,000
Capital Projects	0	0	0	724,083	724,083
Total Expenditures	\$ 4,040	\$ 1,759,097	\$ 2,566,652	\$ 870,594	\$ 3,437,246
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 581,978	\$ 895,097	\$ 34,293	\$ 929,390
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 0	\$ 15,552	\$ 15,552	\$ 0	\$ 15,552
Transfers Out	0	(141,111)	(156,111)	0	(156,111)
Total Other Financing Sources (Uses)	\$ 0	\$ (125,559)	\$ (140,559)	\$ 0	\$ (140,559)
Net Change in Fund Balances	\$ 0	\$ 456,419	\$ 754,538	\$ 34,293	\$ 788,831
Fund Balance, July 1, 2006	0	676,179	913,637	1,130,499	2,044,136
Fund Balance, June 30, 2007	\$ 0	\$ 1,132,598	\$ 1,668,175	\$ 1,164,792	\$ 2,832,967

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,650	\$ 6,200	\$ 6,200	\$ 450
Total Revenues	<u>\$ 6,650</u>	<u>\$ 6,200</u>	<u>\$ 6,200</u>	<u>\$ 450</u>
<u>Expenditures</u>				
<u>Social, Cultural, and Recreational Services</u>				
Libraries	\$ 3,989	\$ 6,000	\$ 6,000	\$ 2,011
<u>Other Operations</u>				
Miscellaneous	66	0	0	(66)
Total Expenditures	<u>\$ 4,055</u>	<u>\$ 6,000</u>	<u>\$ 6,000</u>	<u>\$ 1,945</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,595</u>	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 2,395</u>
Net Change in Fund Balance	\$ 2,595	\$ 200	\$ 200	\$ 2,395
Fund Balance, July 1, 2006	8,312	8,312	8,312	0
Fund Balance, June 30, 2007	<u>\$ 10,907</u>	<u>\$ 8,512</u>	<u>\$ 8,512</u>	<u>\$ 2,395</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 600,996	\$ 610,900	\$ 610,900	\$ (9,904)
Other Local Revenues	73,276	50,000	50,000	23,276
State of Tennessee	17,356	31,447	31,447	(14,091)
Total Revenues	<u>\$ 691,628</u>	<u>\$ 692,347</u>	<u>\$ 692,347</u>	<u>\$ (719)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Sanitation Education/Information	\$ 15,389	\$ 33,337	\$ 33,337	\$ 17,948
Convenience Centers	539,937	607,088	627,142	87,205
<u>Other Operations</u>				
Miscellaneous	7,517	7,500	7,500	(17)
<u>Principal on Debt</u>				
General Government	27,000	45,000	27,000	0
Total Expenditures	<u>\$ 589,843</u>	<u>\$ 692,925</u>	<u>\$ 694,979</u>	<u>\$ 105,136</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 101,785</u>	<u>\$ (578)</u>	<u>\$ (2,632)</u>	<u>\$ 104,417</u>
Net Change in Fund Balance	\$ 101,785	\$ (578)	\$ (2,632)	\$ 104,417
Fund Balance, July 1, 2006	<u>148,368</u>	<u>147,879</u>	<u>147,879</u>	<u>489</u>
Fund Balance, June 30, 2007	<u><u>\$ 250,153</u></u>	<u><u>\$ 147,301</u></u>	<u><u>\$ 145,247</u></u>	<u><u>\$ 104,906</u></u>

Exhibit G-5

Loudon County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
Drug Control Fund  
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,132	\$ 0	\$ 6,000	\$ 132
Fines, Forfeitures, and Penalties	137,710	61,500	120,224	17,486
Charges for Current Services	163	0	200	(37)
Other Local Revenues	35,703	15,000	34,000	1,703
Total Revenues	<u>\$ 179,708</u>	<u>\$ 76,500</u>	<u>\$ 160,424</u>	<u>\$ 19,284</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Alcohol and Drug Programs	\$ 74,490	\$ 66,400	\$ 74,215	\$ (275)
Total Expenditures	<u>\$ 74,490</u>	<u>\$ 66,400</u>	<u>\$ 74,215</u>	<u>\$ (275)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 105,218</u>	<u>\$ 10,100</u>	<u>\$ 86,209</u>	<u>\$ 19,009</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (10,000)	\$ (10,000)	\$ (14,000)	\$ 4,000
Total Other Financing Sources (Uses)	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>\$ (14,000)</u>	<u>\$ 4,000</u>
Net Change in Fund Balance	\$ 95,218	\$ 100	\$ 72,209	\$ 23,009
Fund Balance, July 1, 2006	<u>47,128</u>	<u>47,090</u>	<u>47,090</u>	<u>38</u>
Fund Balance, June 30, 2007	<u><u>\$ 142,346</u></u>	<u><u>\$ 47,190</u></u>	<u><u>\$ 119,299</u></u>	<u><u>\$ 23,047</u></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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 231,527	\$ 0	\$ 231,527	\$ 40,000	\$ 175,000	\$ 56,527
Total Revenues	\$ 231,527	\$ 0	\$ 231,527	\$ 40,000	\$ 175,000	\$ 56,527
<u>Expenditures</u>						
<u>Public Safety</u>						
Sheriff's Department	\$ 130,994	\$ 14,323	\$ 145,317	\$ 35,000	\$ 172,700	\$ 27,383
Total Expenditures	\$ 130,994	\$ 14,323	\$ 145,317	\$ 35,000	\$ 172,700	\$ 27,383
Excess (Deficiency) of Revenues Over Expenditures	\$ 100,533	\$ (14,323)	\$ 86,210	\$ 5,000	\$ 2,300	\$ 83,910
<u>Other Financing Sources (Uses)</u>						
Transfers Out	\$ (5,000)	\$ 0	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ 0
Total Other Financing Sources (Uses)	\$ (5,000)	\$ 0	\$ (5,000)	\$ (5,000)	\$ (5,000)	\$ 0
Net Change in Fund Balance	\$ 95,533	\$ (14,323)	\$ 81,210	\$ 0	\$ (2,700)	\$ 83,910
Fund Balance, July 1, 2006	15,437	0	15,437	15,437	15,437	0
Fund Balance, June 30, 2007	\$ 110,970	\$ (14,323)	\$ 96,647	\$ 15,437	\$ 12,737	\$ 83,910

Exhibit G-7

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 478,159	\$ 0	\$ 478,159	\$ 439,100	\$ 439,100	\$ 39,059
Other Local Revenues	16,098	0	16,098	20,000	20,000	(3,902)
State of Tennessee	1,846,818	0	1,846,818	1,882,735	1,891,235	(44,417)
Total Revenues	<u>\$ 2,341,075</u>	<u>\$ 0</u>	<u>\$ 2,341,075</u>	<u>\$ 2,341,835</u>	<u>\$ 2,350,335</u>	<u>\$ (9,260)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 602,349	\$ 0	\$ 602,349	\$ 599,262	\$ 610,992	\$ 8,643
Highway and Bridge Maintenance	211,255	0	211,255	431,250	437,750	226,495
Operation and Maintenance of Equipment	208,877	0	208,877	220,716	232,216	23,339
Other Charges	129,853	0	129,853	163,200	163,200	33,347
Employee Benefits	265,078	0	265,078	333,779	334,902	69,824
Capital Outlay	341,685	(124,913)	216,772	436,912	476,912	260,140
Total Expenditures	<u>\$ 1,759,097</u>	<u>\$ (124,913)</u>	<u>\$ 1,634,184</u>	<u>\$ 2,185,119</u>	<u>\$ 2,255,972</u>	<u>\$ 621,788</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 581,978</u>	<u>\$ 124,913</u>	<u>\$ 706,891</u>	<u>\$ 156,716</u>	<u>\$ 94,363</u>	<u>\$ 612,528</u>
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 15,552	\$ 0	\$ 15,552	\$ 0	\$ 14,370	\$ 1,182
Transfers Out	(141,111)	0	(141,111)	(170,320)	(144,080)	2,969
Total Other Financing Sources (Uses)	<u>\$ (125,559)</u>	<u>\$ 0</u>	<u>\$ (125,559)</u>	<u>\$ (170,320)</u>	<u>\$ (129,710)</u>	<u>\$ 4,151</u>
Net Change in Fund Balance	\$ 456,419	\$ 124,913	\$ 581,332	\$ (13,604)	\$ (35,347)	\$ 616,679
Fund Balance, July 1, 2006	676,179	(124,913)	551,266	548,496	548,496	2,770
Fund Balance, June 30, 2007	<u>\$ 1,132,598</u>	<u>\$ 0</u>	<u>\$ 1,132,598</u>	<u>\$ 534,892</u>	<u>\$ 513,149</u>	<u>\$ 619,449</u>

Exhibit G-8

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 303,079	\$ 0	\$ 0	\$ 303,079	\$ 288,750	\$ 288,750	\$ 14,329
Other Local Revenues	13,703	0	0	13,703	22,000	22,000	(8,297)
State of Tennessee	268	0	0	268	0	0	268
Federal Government	561,228	0	0	561,228	3,000,000	1,199,845	(638,617)
Other Governments and Citizens Groups	26,609	0	0	26,609	0	26,600	9
<b>Total Revenues</b>	<b>\$ 904,887</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 904,887</b>	<b>\$ 3,310,750</b>	<b>\$ 1,537,195</b>	<b>\$ (632,308)</b>
<u>Expenditures</u>							
<u>Public Safety</u>							
Other Emergency Management	\$ 140,000	\$ 0	\$ 0	\$ 140,000	\$ 140,000	\$ 140,000	\$ 0
<u>Other Operations</u>							
Miscellaneous	6,511	0	0	6,511	6,000	6,000	(511)
<u>Capital Projects</u>							
General Administration Projects	9,668	0	0	9,668	0	19,500	9,832
Administration of Justice Projects	0	0	0	0	10,400	10,400	10,400
Public Safety Projects	187,310	0	0	187,310	354,000	339,391	152,081
Public Health and Welfare Projects	10,253	(5,385)	0	4,868	123,726	125,826	120,958
Social, Cultural, and Recreation Projects	181,908	(7,595)	0	174,313	34,848	228,303	53,990
Public Utility Projects	279,774	(45,230)	606,126	840,670	3,010,000	895,900	55,230
Other General Government Projects	54,902	0	16,617	71,519	0	82,200	10,681
Highway and Street Capital Projects	268	0	0	268	0	0	(268)
<b>Total Expenditures</b>	<b>\$ 870,594</b>	<b>\$ (58,210)</b>	<b>\$ 622,743</b>	<b>\$ 1,435,127</b>	<b>\$ 3,678,974</b>	<b>\$ 1,847,520</b>	<b>\$ 412,393</b>
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 34,293	\$ 58,210	\$ (622,743)	\$ (530,240)	\$ (368,224)	\$ (310,325)	\$ (219,915)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2006	\$ 1,130,499	(58,210)	0	1,072,289	1,129,683	1,129,683	(57,394)
<b>Fund Balance, June 30, 2007</b>	<b>\$ 1,164,792</b>	<b>\$ 0</b>	<b>\$ (622,743)</b>	<b>\$ 542,049</b>	<b>\$ 761,459</b>	<b>\$ 819,358</b>	<b>\$ (277,309)</b>

# 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.

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,185,682	\$ 1,104,550	\$ 1,174,870	\$ 10,812
Other Local Revenues	300,994	52,000	245,062	55,932
Other Governments and Citizens Groups	154,926	162,875	162,875	(7,949)
Total Revenues	<u>\$ 1,641,602</u>	<u>\$ 1,319,425</u>	<u>\$ 1,582,807</u>	<u>\$ 58,795</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 1,234,000	\$ 1,086,000	\$ 1,235,249	\$ 1,249
Highways and Streets	60,966	60,967	60,967	1
<u>Interest on Debt</u>				
General Government	573,381	657,593	657,593	84,212
Highways and Streets	12,734	12,735	12,735	1
<u>Other Debt Service</u>				
General Government	182,722	200,373	200,373	17,651
Total Expenditures	<u>\$ 2,063,803</u>	<u>\$ 2,017,668</u>	<u>\$ 2,166,917</u>	<u>\$ 103,114</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (422,201)</u>	<u>\$ (698,243)</u>	<u>\$ (584,110)</u>	<u>\$ 161,909</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 141,111	\$ 170,318	\$ 144,078	\$ (2,967)
Total Other Financing Sources (Uses)	<u>\$ 141,111</u>	<u>\$ 170,318</u>	<u>\$ 144,078</u>	<u>\$ (2,967)</u>
Net Change in Fund Balance	\$ (281,090)	\$ (527,925)	\$ (440,032)	\$ 158,942
Fund Balance, July 1, 2006	<u>2,050,309</u>	<u>2,037,242</u>	<u>2,037,242</u>	<u>13,067</u>
Fund Balance, June 30, 2007	<u>\$ 1,769,219</u>	<u>\$ 1,509,317</u>	<u>\$ 1,597,210</u>	<u>\$ 172,009</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,036,848	\$ 969,000	\$ 978,490	\$ 58,358
Other Local Revenues	325,720	100,000	320,000	5,720
Other Governments and Citizens Groups	461,000	807,426	807,426	(346,426)
Total Revenues	<u>\$ 1,823,568</u>	<u>\$ 1,876,426</u>	<u>\$ 2,105,916</u>	<u>\$ (282,348)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
Education	\$ 446,732	\$ 501,426	\$ 501,426	\$ 54,694
<u>Interest on Debt</u>				
Education	459,375	500,000	500,000	40,625
<u>Other Debt Service</u>				
Education	20,554	10,000	35,000	14,446
Total Expenditures	<u>\$ 926,661</u>	<u>\$ 1,011,426</u>	<u>\$ 1,036,426</u>	<u>\$ 109,765</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 896,907</u>	<u>\$ 865,000</u>	<u>\$ 1,069,490</u>	<u>\$ (172,583)</u>
<u>Other Financing Sources (Uses)</u>				
Other Loans Issued	\$ 1,678,133	\$ 0	\$ 1,678,133	\$ 0
Total Other Financing Sources (Uses)	<u>\$ 1,678,133</u>	<u>\$ 0</u>	<u>\$ 1,678,133</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 2,575,040	\$ 865,000	\$ 2,747,623	\$ (172,583)
Fund Balance, July 1, 2006	<u>6,770,326</u>	<u>3,902,471</u>	<u>6,770,326</u>	<u>0</u>
Fund Balance, June 30, 2007	<u>\$ 9,345,366</u>	<u>\$ 4,767,471</u>	<u>\$ 9,517,949</u>	<u>\$ (172,583)</u>

# 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 is used to account for amounts handled in an agency capacity for the Center Board, a joint venture of the county and Lenoir City.

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, 2007

	Agency Funds						Total
	Cities - Sales Tax	City School ADA - Lenoir City	Center Board	Constitu- tional Officers - Agency	Other Agency	Loudon County Metro Narcotic Unit	
<u>ASSETS</u>							
Cash	\$ 0	\$ 0	\$ 0	\$ 1,355,931	\$ 0	\$ 868	\$ 1,356,799
Equity in Pooled Cash and Investments	0	128,060	0	0	2,135,653	59,807	2,323,520
Accounts Receivable	0	0	0	4,505	0	0	4,505
Due from Other Governments	601,332	225,218	0	0	0	0	826,550
Due from Joint Ventures	0	0	64	0	0	0	64
Taxes Receivable	0	3,640,381	0	0	0	0	3,640,381
Allowance for Uncollectible Taxes	0	(62,604)	0	0	0	0	(62,604)
Total Assets	<u>\$ 601,332</u>	<u>\$ 3,931,055</u>	<u>\$ 64</u>	<u>\$ 1,360,436</u>	<u>\$ 2,135,653</u>	<u>\$ 60,675</u>	<u>\$ 8,089,215</u>
<u>LIABILITIES</u>							
Due to Other Taxing Units	\$ 601,332	\$ 3,931,055	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,532,387
Due to Litigants, Heirs, and Others	0	0	0	1,360,436	0	0	1,360,436
Due to Joint Ventures	0	0	0	0	2,135,653	60,675	2,196,328
Other Current Liabilities	0	0	64	0	0	0	64
Total Liabilities	<u>\$ 601,332</u>	<u>\$ 3,931,055</u>	<u>\$ 64</u>	<u>\$ 1,360,436</u>	<u>\$ 2,135,653</u>	<u>\$ 60,675</u>	<u>\$ 8,089,215</u>

## Exhibit I-2

Loudon County, Tennessee  
Combining Statement of Changes in Assets  
and Liabilities - All Agency Funds  
For the Year Ended June 30, 2007

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,543,552	\$ 3,543,552	\$ 0
Due from Other Governments	612,377	601,332	612,377	601,332
Total Assets	\$ 612,377	\$ 4,144,884	\$ 4,155,929	\$ 601,332
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 612,377	\$ 4,144,884	\$ 4,155,929	\$ 601,332
Total Liabilities	\$ 612,377	\$ 4,144,884	\$ 4,155,929	\$ 601,332
<u>City School ADA - Lenoir City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 131,177	\$ 4,881,944	\$ 4,885,061	\$ 128,060
Due from Other Governments	233,670	225,218	233,670	225,218
Taxes Receivable	3,654,281	3,640,381	3,654,281	3,640,381
Allowance for Uncollectible Taxes	(69,875)	(62,604)	(69,875)	(62,604)
Total Assets	\$ 3,949,253	\$ 8,684,939	\$ 8,703,137	\$ 3,931,055
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 3,949,253	\$ 8,684,939	\$ 8,703,137	\$ 3,931,055
Total Liabilities	\$ 3,949,253	\$ 8,684,939	\$ 8,703,137	\$ 3,931,055
<u>Center Board</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 53,186	\$ 139,579	\$ 192,765	\$ 0
Due from Joint Ventures	0	64	0	64
Total Assets	\$ 53,186	\$ 139,643	\$ 192,765	\$ 64
<u>Liabilities</u>				
Due to Joint Ventures	\$ 53,186	\$ 139,579	\$ 192,765	\$ 0
Other Current Liabilities	0	64	0	64
Total Liabilities	\$ 53,186	\$ 139,643	\$ 192,765	\$ 64
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 660,541	\$ 10,058,851	\$ 9,363,461	\$ 1,355,931
Accounts Receivable	7,980	4,505	7,980	4,505
Total Assets	\$ 668,521	\$ 10,063,356	\$ 9,371,441	\$ 1,360,436

(Continued)

## Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Constitutional Officers - Agency Fund (Cont.)</u>				
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 668,521	\$ 10,063,356	\$ 9,371,441	\$ 1,360,436
Total Liabilities	\$ 668,521	\$ 10,063,356	\$ 9,371,441	\$ 1,360,436
<u>Other Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 1,908,665	\$ 2,494,552	\$ 2,267,564	\$ 2,135,653
Total Assets	\$ 1,908,665	\$ 2,494,552	\$ 2,267,564	\$ 2,135,653
<u>Liabilities</u>				
Due to Joint Ventures	\$ 1,908,665	\$ 2,494,552	\$ 2,267,564	\$ 2,135,653
Total Liabilities	\$ 1,908,665	\$ 2,494,552	\$ 2,267,564	\$ 2,135,653
<u>Loudon County Metro Narcotic Unit</u>				
<u>Assets</u>				
Cash	\$ 2,818	\$ 4,216	\$ 6,166	\$ 868
Equity in Pooled Cash and Investments	37,111	22,850	154	59,807
Total Assets	\$ 39,929	\$ 27,066	\$ 6,320	\$ 60,675
<u>Liabilities</u>				
Due to Joint Ventures	\$ 39,929	\$ 27,066	\$ 6,320	\$ 60,675
Total Liabilities	\$ 39,929	\$ 27,066	\$ 6,320	\$ 60,675
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 663,359	\$ 10,063,067	\$ 9,369,627	\$ 1,356,799
Equity in Pooled Cash and Investments	2,130,139	11,082,477	10,889,096	2,323,520
Accounts Receivable	7,980	4,505	7,980	4,505
Due from Other Governments	846,047	826,550	846,047	826,550
Due from Joint Ventures	0	64	0	64
Taxes Receivable	3,654,281	3,640,381	3,654,281	3,640,381
Allowance for Uncollectible Taxes	(69,875)	(62,604)	(69,875)	(62,604)
Total Assets	\$ 7,231,931	\$ 25,554,440	\$ 24,697,156	\$ 8,089,215
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 4,561,630	\$ 12,829,823	\$ 12,859,066	\$ 4,532,387
Due to Litigants, Heirs, and Others	668,521	10,063,356	9,371,441	1,360,436
Due to Joint Venture	2,001,780	2,661,197	2,466,649	2,196,328
Other Current Liabilities	0	64	0	64
Total Liabilities	\$ 7,231,931	\$ 25,554,440	\$ 24,697,156	\$ 8,089,215

# 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  
Statement of Activities  
Discretely Presented Loudon County School Department  
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
Governmental Activities:					
Instruction	\$ 21,913,183	\$ 1,434	\$ 3,229,717	\$ 0	\$ (18,682,032)
Support Services	10,345,473	0	0	0	(10,345,473)
Operation of Non-Instructional Services	3,200,869	1,028,001	1,158,527	0	(1,014,341)
Other Debt Service	461,000	0	0	0	(461,000)
<b>Total Governmental Activities</b>	<b>\$ 35,920,525</b>	<b>\$ 1,029,435</b>	<b>\$ 4,388,244</b>	<b>\$ 0</b>	<b>\$ (30,502,846)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$	7,889,722
Local Option Sales Taxes					2,947,815
Other Local Taxes					90,064
Grants and Contributions Not Restricted for Specific Programs					19,063,847
Unrestricted Investment Income					356,538
Miscellaneous					73,084
<b>Total General Revenues</b>				<b>\$</b>	<b>30,421,070</b>
Change in Net Assets				\$	(81,776)
Net Assets - July 1, 2006					32,004,625
Prior-Period Adjustment					990,730
<b>Net Assets - June 30, 2007</b>				<b>\$</b>	<b>32,913,579</b>

Exhibit J-2

Loudon County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Loudon County School Department  
June 30, 2007

	<u>Major Funds</u>		<u>Nonmajor Fund</u>	
	<u>General Purpose School</u>	<u>Education Capital Projects</u>	<u>Other Governmental Fund School Federal Projects</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 3,733,188	\$ 790,232	\$ 141,113	\$ 4,664,533
Accounts Receivable	20,824	0	0	20,824
Due from Other Governments	1,183,096	0	115,956	1,299,052
Due from Other Funds	3,609	0	0	3,609
Property Taxes Receivable	8,148,417	0	0	8,148,417
Allowance for Uncollectible Property Taxes	(140,129)	0	0	(140,129)
Prepaid Items	40,903	0	150	41,053
<b>Total Assets</b>	<b>\$ 12,989,908</b>	<b>\$ 790,232</b>	<b>\$ 257,219</b>	<b>\$ 14,037,359</b>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 130,501	\$ 5,362	\$ 43,769	\$ 179,632
Accrued Payroll	1,632	0	0	1,632
Payroll Deductions Payable	224,727	0	6,576	231,303
Contracts Payable	0	47,473	0	47,473
Retainage Payable	0	16,938	0	16,938
Due to Other Funds	0	0	3,609	3,609
Other Current Liabilities	1,433	0	0	1,433
Deferred Revenue - Current Property Taxes	7,851,981	0	0	7,851,981
Deferred Revenue - Delinquent Property Taxes	140,599	0	0	140,599
Other Deferred Revenues	264,379	0	0	264,379
<b>Total Liabilities</b>	<b>\$ 8,615,252</b>	<b>\$ 69,773</b>	<b>\$ 53,954</b>	<b>\$ 8,738,979</b>
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 16,544	\$ 370,683	\$ 29,417	\$ 416,644
Reserved for Title I Grants to Local Education Agencies	0	0	97,085	97,085
Other Federal Reserves	24,255	0	76,763	101,018
Unreserved, Reported In:				
General Fund	4,333,857	0	0	4,333,857
Capital Projects Funds	0	349,776	0	349,776
<b>Total Fund Balances</b>	<b>\$ 4,374,656</b>	<b>\$ 720,459</b>	<b>\$ 203,265</b>	<b>\$ 5,298,380</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,989,908</b>	<b>\$ 790,232</b>	<b>\$ 257,219</b>	<b>\$ 14,037,359</b>

Exhibit J-3

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, 2007

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-2)		\$	5,298,380
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	3,957,127	
Add: construction in progress		972,903	
Add: buildings and improvements net of accumulated depreciation		26,328,337	
Add: other capital assets net of accumulated depreciation		<u>206,110</u>	31,464,477
(2) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			404,978
(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>(4,254,256)</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>32,913,579</u></u>

Exhibit J-4

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, 2007

	<u>Major Funds</u>		<u>Nonmajor</u> <u>Fund</u> <u>Other</u> <u>Govern-</u> <u>mental</u> <u>Fund</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
	<u>General</u> <u>Purpose</u> <u>School</u>	<u>Education</u> <u>Capital</u> <u>Projects</u>	<u>School</u> <u>Federal</u> <u>Projects</u>	
<u>Revenues</u>				
Local Taxes	\$ 10,928,036	\$ 0	\$ 0	\$ 10,928,036
Licenses and Permits	1,434	0	0	1,434
Charges for Current Services	1,028,001	0	0	1,028,001
Other Local Revenues	429,090	532	0	429,622
State of Tennessee	19,839,813	0	0	19,839,813
Federal Government	1,801,814	0	1,763,808	3,565,622
Other Governments and Citizens Groups	46,656	0	0	46,656
<b>Total Revenues</b>	<b>\$ 34,074,844</b>	<b>\$ 532</b>	<b>\$ 1,763,808</b>	<b>\$ 35,839,184</b>
<u>Expenditures</u>				
Current:				
Instruction	\$ 20,418,349	\$ 0	\$ 1,499,518	\$ 21,917,867
Support Services	9,329,667	0	184,449	9,514,116
Operation of Non-Instructional Services	3,187,412	0	0	3,187,412
Capital Outlay	31,445	0	0	31,445
Debt Service:				
Principal on Debt	291,732	0	0	291,732
Other Debt Service	461,000	0	0	461,000
Capital Projects	0	4,389,058	0	4,389,058
<b>Total Expenditures</b>	<b>\$ 33,719,605</b>	<b>\$ 4,389,058</b>	<b>\$ 1,683,967</b>	<b>\$ 39,792,630</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 355,239	\$ (4,388,526)	\$ 79,841	\$ (3,953,446)
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 1,678,133	\$ 0	\$ 1,678,133
Insurance Recovery	4,684	0	0	4,684
Transfers In	0	1,904,520	0	1,904,520
Transfers Out	(1,904,520)	0	0	(1,904,520)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (1,899,836)</b>	<b>\$ 3,582,653</b>	<b>\$ 0</b>	<b>\$ 1,682,817</b>
Net Change in Fund Balances	\$ (1,544,597)	\$ (805,873)	\$ 79,841	\$ (2,270,629)
Fund Balance, July 1, 2006	5,919,253	1,526,332	123,424	7,569,009
Fund Balance, June 30, 2007	\$ 4,374,656	\$ 720,459	\$ 203,265	\$ 5,298,380

Exhibit J-5

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, 2007

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-4)		\$ (2,270,629)
(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	\$ 4,262,053	
Less: current-year depreciation expense	<u>(686,364)</u>	3,575,689
(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, 2006	\$ (405,413)	
Add: deferred delinquent property taxes and other deferred June 30, 2007	<u>404,978</u>	(435)
(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	\$ (1,678,133)	
Add: principal payments on notes	<u>291,732</u>	<u>(1,386,401)</u>
Change in net assets of governmental activities (Exhibit B)		<u>\$ (81,776)</u>

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  
General Purpose School Fund  
For the Year Ended June 30, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 10,928,036	\$ 0	\$ 0	\$ 10,928,036	\$ 10,698,780	\$ 10,722,165	\$ 205,871
Licenses and Permits	1,434	0	0	1,434	1,500	1,500	(66)
Charges for Current Services	1,028,001	0	0	1,028,001	840,074	960,152	67,849
Other Local Revenues	429,090	0	0	429,090	304,000	308,540	120,550
State of Tennessee	19,839,813	0	0	19,839,813	19,329,999	19,733,177	106,636
Federal Government	1,801,814	0	0	1,801,814	1,107,000	1,866,355	(64,541)
Other Governments and Citizens Groups	46,656	0	0	46,656	0	46,656	0
<b>Total Revenues</b>	<b>\$ 34,074,844</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 34,074,844</b>	<b>\$ 32,281,353</b>	<b>\$ 33,638,545</b>	<b>\$ 436,299</b>
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 17,375,508	\$ 0	\$ 0	\$ 17,375,508	\$ 17,522,207	\$ 17,792,181	\$ 416,673
Special Education Program	1,932,422	0	8,645	1,941,067	2,028,569	2,096,471	155,404
Vocational Education Program	1,110,419	0	0	1,110,419	1,051,125	1,114,715	4,296
<u>Support Services</u>							
Attendance	38,914	0	0	38,914	46,000	46,000	7,086
Health Services	54,692	0	0	54,692	70,119	70,119	15,427
Other Student Support	1,410,727	(34,994)	0	1,375,733	954,858	1,453,626	77,893
Regular Instruction Program	1,585,598	0	0	1,585,598	1,613,278	1,609,778	24,180
Special Education Program	316,152	0	0	316,152	302,752	333,502	17,350
Vocational Education Program	142,600	0	0	142,600	144,509	144,509	1,909
Other Programs	96,257	0	0	96,257	0	98,550	2,293
Board of Education	498,598	0	0	498,598	516,092	531,352	32,754
Director of Schools	283,514	0	0	283,514	272,394	307,394	23,880
Office of the Principal	772,822	0	0	772,822	802,778	812,054	39,232
Fiscal Services	52,721	0	0	52,721	53,326	53,326	605

(Continued)

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  
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	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	\$ 2,308,922	\$ (195,060)	\$ 0	\$ 2,113,862	\$ 1,829,157	\$ 2,320,624	\$ 206,762
Maintenance of Plant	225,820	(557)	0	225,263	270,000	286,086	60,823
Transportation	1,210,713	0	0	1,210,713	1,281,000	1,286,000	75,287
Central and Other	331,617	0	0	331,617	245,000	339,844	8,227
<u>Operation of Non-Instructional Services</u>							
Food Service	2,275,545	0	0	2,275,545	2,052,988	2,186,269	(89,276)
Community Services	342,898	0	0	342,898	59,912	344,790	1,892
Early Childhood Education	568,969	0	6,250	575,219	497,554	593,806	18,587
<u>Capital Outlay</u>							
Regular Capital Outlay	31,445	0	1,649	33,094	60,000	60,000	26,906
<u>Principal on Debt</u>							
Education	291,732	0	0	291,732	333,659	291,732	0
<u>Other Debt Service</u>							
Education	461,000	0	0	461,000	474,067	461,000	0
Total Expenditures	\$ 33,719,605	\$ (230,611)	\$ 16,544	\$ 33,505,538	\$ 32,481,344	\$ 34,633,728	\$ 1,128,190
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 355,239	\$ 230,611	\$ (16,544)	\$ 569,306	\$ (199,991)	\$ (995,183)	\$ 1,564,489
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 4,684	\$ 0	\$ 0	\$ 4,684	\$ 0	\$ 0	\$ 4,684
Transfers Out	(1,904,520)	0	0	(1,904,520)	0	(1,904,520)	0
Total Other Financing Sources (Uses)	\$ (1,899,836)	\$ 0	\$ 0	\$ (1,899,836)	\$ 0	\$ (1,904,520)	\$ 4,684
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ (1,544,597)	\$ 230,611	\$ (16,544)	\$ (1,330,530)	\$ (199,991)	\$ (2,899,703)	\$ 1,569,173
	5,919,253	(230,611)	0	5,688,642	5,279,137	5,279,137	409,505
Fund Balance, June 30, 2007							
	\$ 4,374,656	\$ 0	\$ (16,544)	\$ 4,358,112	\$ 5,079,146	\$ 2,379,434	\$ 1,978,678

Exhibit J-7

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, 2007

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Federal Government	\$ 1,763,808	\$ 0	\$ 1,763,808	\$ 1,753,464	\$ 1,780,221	\$ (16,413)
Total Revenues	\$ 1,763,808	\$ 0	\$ 1,763,808	\$ 1,753,464	\$ 1,780,221	\$ (16,413)
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 652,060	\$ 5,690	\$ 657,750	\$ 643,290	\$ 669,514	\$ 11,764
Special Education Program	774,226	23,727	797,953	816,127	816,127	18,174
Vocational Education Program	73,232	0	73,232	70,710	73,234	2
<u>Support Services</u>						
Other Student Support	1,835	0	1,835	4,000	1,835	0
Regular Instruction Program	120,534	0	120,534	178,270	178,802	58,268
Special Education Program	21,939	0	21,939	22,000	22,000	61
Vocational Education Program	3,141	0	3,141	3,500	3,141	0
Transportation	37,000	0	37,000	37,000	37,000	0
Total Expenditures	\$ 1,683,967	\$ 29,417	\$ 1,713,384	\$ 1,774,897	\$ 1,801,653	\$ 88,269
Excess (Deficiency) of Revenues Over Expenditures	\$ 79,841	\$ (29,417)	\$ 50,424	\$ (21,433)	\$ (21,432)	\$ 71,856
Net Change in Fund Balance	\$ 79,841	\$ (29,417)	\$ 50,424	\$ (21,433)	\$ (21,432)	\$ 71,856
Fund Balance, July 1, 2006	123,424	0	123,424	213,379	213,379	(89,955)
Fund Balance, June 30, 2007	\$ 203,265	\$ (29,417)	\$ 173,848	\$ 191,946	\$ 191,947	\$ (18,099)

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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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<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	\$ 315,175	\$ 0	\$ 60,966	\$ 254,209
<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	499,981	0	71,426	428,555
Total Notes Payable					<u>\$ 815,156</u>	<u>\$ 0</u>	<u>\$ 132,392</u>	<u>\$ 682,764</u>
<b><u>OTHER LOANS PAYABLE</u></b>								
<b><u>Payable through General Fund</u></b>								
City of Loudon - Highlands Business Center (1)	475,000	0	5-01-00	(2)	\$ 441,343	\$ 0	\$ 9,707	\$ 431,636
City of Loudon - Tennessee National Drive	390,000	Variable	9-14-05	5-25-25	0	390,000	14,040	375,960
Total Payable through General Fund					<u>\$ 441,343</u>	<u>\$ 390,000</u>	<u>\$ 23,747</u>	<u>\$ 807,596</u>
<b><u>Payable through General Debt Service Fund</u></b>								
Sevier County PBA Loan Agreement Series II F-4	1,000,000	Variable	9-17-97	6-1-09	\$ 315,000	\$ 0	\$ 100,000	\$ 215,000
Sevier County PBA Loan Agreement Series II E-3	2,700,000	Variable	4-24-97	6-1-10	1,085,000	0	250,000	835,000
Montgomery County PBA Loan Agreement	5,000,000	Variable	5-8-03	5-25-18	4,191,000	0	291,000	3,900,000
Sevier County PBA Loan Agreement Series VI-C-4	3,000,000	Variable	10-21-04	6-1-20	2,850,000	0	150,000	2,700,000
Total Payable through General Debt Service Fund					<u>\$ 8,441,000</u>	<u>\$ 0</u>	<u>\$ 791,000</u>	<u>\$ 7,650,000</u>
<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	\$ 155,000	\$ 12,345,000
Qualified Zone Academy Bonds - Energy Efficiency	4,129,500	0	12-28-05	12-1-20	2,367,874	1,678,133	220,306	3,825,701
Total Payable through Education Debt Service Fund					<u>\$ 14,867,874</u>	<u>\$ 1,678,133</u>	<u>\$ 375,306</u>	<u>\$ 16,170,701</u>
Total Other Loans Payable					<u>\$ 23,750,217</u>	<u>\$ 2,068,133</u>	<u>\$ 1,190,053</u>	<u>\$ 24,628,297</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 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>PRIMARY GOVERNMENT (CONT.)</u>								
<u>CAPITAL LEASES</u>								
<u>Payable through Solid Waste/Sanitation Fund</u>								
Compactors and Containers	\$ 135,000	0 %	7-1-05	3-31-10	\$ 101,250	\$ 0	\$ 27,000	\$ 74,250
Total Capital Leases					\$ 101,250	\$ 0	\$ 27,000	\$ 74,250
<u>BONDS PAYABLE</u>								
<u>Payable through General Debt Service Fund</u>								
Industrial Park, F.H.A.	300,000	5	1-1-1977	3-6-07	\$ 148,000	\$ 0	\$ 148,000	\$ 0
General Obligation Public Improvement Series '99	5,360,000	5 to 5.7	12-1-1999	4-1-09	470,000	0	135,000	335,000
General Obligation Refunding Series '02	1,960,000	3.25 to 4	3-1-02	3-1-09	345,000	0	110,000	235,000
General Obligation Refunding Series '04	5,225,000	1.8 to 4	3-31-04	4-1-20	5,125,000	0	50,000	5,075,000
Total Bonds Payable					\$ 6,088,000	\$ 0	\$ 443,000	\$ 5,645,000
<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	\$ 499,981	\$ 0	\$ 71,426	\$ 428,555
Energy Efficiency QZAB - Borrowed from								
Primary Government	4,129,500	0	12-28-05	12-1-20	2,367,874	1,678,133	220,306	3,825,701
Total Notes Payable					\$ 2,867,855	\$ 1,678,133	\$ 291,732	\$ 4,254,256

- (1) - In prior years, this issue was inadvertently omitted from the Schedule of Changes in Long-term Notes, Other Loans, and Bonds.
- (2) - The county has pledged its incremental tax revenues (excess of current taxes over base year amounts) from properties within the development toward the retirement of this obligation. The agreement requires only the payment of the tax increment each year (with no interest accruing on the unpaid balance). Therefore, no maturity date can be established.
- (3) - This issue was swapped from variable to synthetic fixed rate by execution of a swap agreement.

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2008	\$ 325,000	\$ 205,580	\$ 530,580
2009	355,000	192,240	547,240
2010	285,000	177,450	462,450
2011	320,000	170,325	490,325
2012	345,000	160,725	505,725
2013	395,000	148,650	543,650
2014	425,000	134,825	559,825
2015	450,000	119,950	569,950
2016	480,000	104,425	584,425
2017	510,000	87,385	597,385
2018	550,000	68,515	618,515
2019	585,000	47,615	632,615
2020	620,000	24,800	644,800
Total	\$ 5,645,000	\$ 1,642,485	\$ 7,287,485

Exhibit K-3

Loudon County, Tennessee  
Schedule of Notes Receivable  
June 30, 2007

Description	Debtor	Original Amount of Notes	Interest Rate	Date of Issue	Date of Maturity	Balance
<u>Education Debt Service Fund</u>						
Payment of Capital Outlay Note	Loudon County School Department	\$ 499,981	0%	10-20-05	12-01-12	\$ 428,555
<u>Education Debt Service Fund</u>						
Payment of QZAB Loan	Loudon County School Department	4,129,500	0	12-28-05	12-01-20	<u>3,825,701</u>
Total Notes Receivable						<u>\$ 4,254,256</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.

Exhibit K-4

Loudon County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Loudon County School Department  
For the Year Ended June 30, 2007

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Drug Control	General	Equipment	\$ 10,000
Other Special Revenue	General	Equipment	5,000
Highway/Public Works	General Debt Service	Retirement of debt	<u>141,111</u>
Total Transfers Primary Government			<u>\$ 156,111</u>
<u>DISCRETELY PRESENTED LOUDON COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	Education Capital Projects	Capital projects	<u>\$ 1,904,520</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, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Mayor:	Section 8-24-102, <u>TCA</u> ,			
George Miller (7-1-06 through 8-31-06)	and County Commission	13,113	50,000	Western Surety Company
Doyle Arp (9-1-06 through 6-30-07)		60,192	50,000	"
Highway Superintendent:	Section 8-24-102, <u>TCA</u> ,		100,000	"
Don Palmer (7-1-06 through 8-31-06)	and County Commission	12,026 (1)		
Sean Giles (9-1-06 through 6-30-07)		56,850 (2)		
Director of Schools	State Board of Education and County Board of Education	90,500 (3)	50,000	"
Trustee	Section 8-24-102, <u>TCA</u>	58,069	934,500	"
Assessor of Property:	Section 8-24-102, <u>TCA</u>			
Doyle Arp (7-1-06 through 8-31-06)		9,678	10,000	"
Jane Smith (9-1-06 through 9-17-06)		1,601	-	
Charles Jenkins (9-18-06 through 6-30-07)		45,972	10,000	"
Director of Accounts and Budgets	County Commission	55,069	25,000	"
Purchasing Agent	County Commission	50,000	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	58,069	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	58,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	62,109 (4)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	58,069	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u> , and County Commission	68,791 (5)	25,000	"
Employee Blanket Bonds - All County Employees:			250,000	Coregis Insurance Organization-Blanket Policy

- (1) - Includes county engineering services fee of \$1,380.
- (2) - Includes county engineering services fee of \$3,620.
- (3) - Includes chief executive officer training supplement of \$1,000.
- (4) - Includes special commissioner fees of \$4,040.
- (5) - Includes county workhouse supervisor pay of \$4,915.

Exhibit K-6

Loudon County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

	Special Revenue Funds					
	General	Law Library	Solid Waste / Sanitation	Industrial / Economic Development	Drug Control	Other Special Revenue
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 7,341,905	\$ 0	\$ 116,551	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	151,099	0	3,285	0	0	0
Trustee's Collections - Bankruptcy	2,058	0	9	0	0	0
Circuit/Clerk & Master Collections - Prior Years	58,885	0	314	0	0	0
Interest and Penalty	33,547	0	665	0	0	0
Payments in-Lieu-of Taxes - Other	424,771	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	239,639	0	479,277	0	0	0
Hotel/Motel Tax	378,580	0	0	0	0	0
Litigation Tax - General	100,669	0	0	0	0	0
Litigation Tax - Special Purpose	168,807	6,650	0	0	0	0
Business Tax	374,420	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	0
Adequate Facilities/Development Tax	0	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	56,400	0	895	0	0	0
Wholesale Beer Tax	97,883	0	0	0	0	0
Other Statutory Local Taxes	0	0	0	0	6,132	0
Total Local Taxes	\$ 9,428,663	\$ 6,650	\$ 600,996	\$ 0	\$ 6,132	\$ 0
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 40,365	\$ 0	\$ 0	\$ 0	\$ 0	0
Cable TV Franchise	413,212	0	0	0	0	0
<u>Permits</u>						
Beer Permits	2,280	0	0	0	0	0
Building Permits	554,420	0	0	0	0	0
Other Permits	59,687	0	0	0	0	0
Total Licenses and Permits	\$ 1,069,964	\$ 0	\$ 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	Other Special Revenue
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 2,666	\$ 0	\$ 0	\$ 0	\$ 0	0
Data Entry Fee - Circuit Court	386	0	0	0	0	0
<u>Criminal Court</u>						
Fines	15,444	0	0	0	0	0
Officers Costs	28,568	0	0	0	0	0
Game and Fish Fines	900	0	0	0	0	0
Drug Control Fines	3,111	0	0	0	3,491	0
Jail Fees	1,419	0	0	0	0	0
DUI Treatment Fines	3,587	0	0	0	0	0
Data Entry Fee - Criminal Court	1,071	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	88,534	0	0	0	0	0
Officers Costs	146,889	0	0	0	0	0
Game and Fish Fines	2,005	0	0	0	0	0
Drug Control Fines	16,651	0	0	0	19,099	0
Jail Fees	13,107	0	0	0	0	0
DUI Treatment Fines	17,551	0	0	0	0	0
Data Entry Fee - General Sessions Court	17,209	0	0	0	0	0
Courtroom Security Fee	1,551	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	1,568	0	0	0	0	0
Drug Control Fines	1,902	0	0	0	0	0
DUI Treatment Fines	4,000	0	0	0	0	0
Data Entry Fee - Juvenile Court	1,760	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	5,549	0	0	0	0	0
Data Entry Fee - Chancery Court	1,224	0	0	0	0	0
<u>Other Courts - In-county</u>						
Fines	16,763	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	73,396	0
Courtroom Security Fee	2	0	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	Other Special Revenue
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 41,724	\$ 0
Other Fines, Forfeitures, and Penalties	21,300	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 414,717	\$ 0	\$ 0	\$ 0	\$ 137,710	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Zoning Studies	\$ 3,200	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other General Service Charges	123,472	0	0	0	0	0
<u>Fees</u>						
Copy Fees	100	0	0	0	0	0
Telephone Commissions	27,833	0	0	0	163	0
Vending Machine Collections	224	0	0	0	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	0	0
Data Processing Fee - Register	31,750	0	0	0	0	0
Data Processing Fee - Sheriff	12,690	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	2,160	0	0	0	0	0
Total Charges for Current Services	\$ 201,429	\$ 0	\$ 0	\$ 0	\$ 163	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 340,422	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	5,100	0	0	7,121	0	0
Sale of Materials and Supplies	0	0	0	0	0	0
Commissary Sales	11,114	0	0	0	0	0
Sale of Maps	3,156	0	0	0	0	0
Sale of Recycled Materials	0	0	73,276	0	0	0
Miscellaneous Refunds	1,186	0	0	0	0	0
<u>Nonrecurring Items</u>						
Revenue from Joint Ventures	0	0	0	0	0	0
Sale of Property	0	0	0	0	0	0
Damages Recovered from Individuals	719	0	0	0	0	0
Contributions and Gifts	2,316	0	0	0	35,703	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	Other Special Revenue
<u>Other Local Revenues (Cont.)</u>						
<u>Other Local Revenues</u>						
Other Local Revenues	\$ 59,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Local Revenues	<u>\$ 423,013</u>	<u>\$ 0</u>	<u>\$ 73,276</u>	<u>\$ 7,121</u>	<u>\$ 35,703</u>	<u>\$ 0</u>
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 379,726	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Circuit Court Clerk	90,334	0	0	0	0	0
General Sessions Court Clerk	528,143	0	0	0	0	0
Clerk and Master	91,406	0	0	0	0	0
Register	468,094	0	0	0	0	0
Sheriff	13,102	0	0	0	0	0
Trustee	658,545	0	0	0	0	0
Total Fees Received from County Officials	<u>\$ 2,229,350</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 10,620	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aging Programs	47,427	0	0	0	0	0
State Reappraisal Grant	18,924	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	40,354	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Health Department Programs	432,743	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	0
State Aid Program	0	0	0	0	0	0
Litter Program	0	0	17,356	0	0	0
Other Public Works Grants	0	0	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	956,485	0	0	0	0	0
Beer Tax	18,753	0	0	0	0	0
Alcoholic Beverage Tax	43,831	0	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	Other Special Revenue
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Mixed Drink Tax	\$ 3,791	\$ 0	\$ 0	\$ 0	\$ 0	0
Contracted Prisoner Boarding	53,200	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	0
Petroleum Special Tax	0	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	0	0	0	0	0	0
Other State Revenues	148,540	0	0	0	0	0
Total State of Tennessee	<u>\$ 1,791,048</u>	<u>\$ 0</u>	<u>\$ 17,356</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Civil Defense Reimbursement	13,063	0	0	0	0	0
Homeland Security Grants	157,503	0	0	0	0	0
Law Enforcement Grants	44,608	0	0	0	0	0
Other Federal through State	9,260	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Asset Forfeiture Funds	0	0	0	0	0	231,527
Other Direct Federal Revenue	0	0	0	0	0	0
Total Federal Government	<u>\$ 224,434</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>231,527</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 1,200	\$ 0	\$ 0	\$ 0	\$ 0	0
Contributions	32,111	0	0	0	0	0
Contracted Services	267,905	0	0	0	0	0
<u>Citizens Groups</u>						
Donations	17,896	0	0	0	0	0
<u>Other</u>						
Other	20,404	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 339,516</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Total	<u>\$ 16,122,134</u>	<u>\$ 6,650</u>	<u>\$ 691,628</u>	<u>\$ 7,121</u>	<u>\$ 179,708</u>	<u>231,527</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 Projects Fund</u>	
	Constituti- onal Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 0	\$ 349,635	\$ 1,107,092	\$ 1,023,227	\$ 291,315	\$ 10,229,725
Trustee's Collections - Prior Year	0	7,664	20,803	0	5,474	188,325
Trustee's Collections - Bankruptcy	0	95	425	0	89	2,676
Circuit/Clerk & Master Collections - Prior Years	0	2,722	11,937	0	2,711	76,569
Interest and Penalty	0	1,669	5,270	1,546	1,252	43,949
Payments in-Lieu-of Taxes - Other	0	0	31,650	0	0	456,421
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	718,916
Hotel/Motel Tax	0	0	0	0	0	378,580
Litigation Tax - General	0	0	0	0	0	100,669
Litigation Tax - Special Purpose	0	0	0	0	0	175,457
Business Tax	0	0	0	0	0	374,420
Mineral Severance Tax	0	113,688	0	0	0	113,688
Adequate Facilities/Development Tax	0	0	0	3,123	0	3,123
<u>Statutory Local Taxes</u>						
Bank Excise Tax	0	2,686	8,505	8,952	2,238	79,676
Wholesale Beer Tax	0	0	0	0	0	97,883
Other Statutory Local Taxes	0	0	0	0	0	6,132
Total Local Taxes	\$ 0	\$ 478,159	\$ 1,185,682	\$ 1,036,848	\$ 303,079	\$ 13,046,209
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Animal Registration	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 40,365
Cable TV Franchise	0	0	0	0	0	413,212
<u>Permits</u>						
Beer Permits	0	0	0	0	0	2,280
Building Permits	0	0	0	0	0	554,420
Other Permits	0	0	0	0	0	59,687
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,069,964

(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>	
	Constitu - tional - Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	2,666
Data Entry Fee - Circuit Court	0	0	0	0	0	386
<u>Criminal Court</u>						
Fines	0	0	0	0	0	15,444
Officers Costs	0	0	0	0	0	28,568
Game and Fish Fines	0	0	0	0	0	900
Drug Control Fines	0	0	0	0	0	6,602
Jail Fees	0	0	0	0	0	1,419
DUI Treatment Fines	0	0	0	0	0	3,587
Data Entry Fee - Criminal Court	0	0	0	0	0	1,071
<u>General Sessions Court</u>						
Fines	0	0	0	0	0	88,534
Officers Costs	0	0	0	0	0	146,889
Game and Fish Fines	0	0	0	0	0	2,005
Drug Control Fines	0	0	0	0	0	35,750
Jail Fees	0	0	0	0	0	13,107
DUI Treatment Fines	0	0	0	0	0	17,551
Data Entry Fee - General Sessions Court	0	0	0	0	0	17,209
Courtroom Security Fee	0	0	0	0	0	1,551
<u>Juvenile Court</u>						
Fines	0	0	0	0	0	1,568
Drug Control Fines	0	0	0	0	0	1,902
DUI Treatment Fines	0	0	0	0	0	4,000
Data Entry Fee - Juvenile Court	0	0	0	0	0	1,760
<u>Chancery Court</u>						
Officers Costs	0	0	0	0	0	5,549
Data Entry Fee - Chancery Court	0	0	0	0	0	1,224
<u>Other Courts - In-county</u>						
Fines	0	0	0	0	0	16,763
<u>Judicial District Drug Program</u>						
Drug Task Force Forfeitures and Seizures	0	0	0	0	0	73,396
Courtroom Security Fee	0	0	0	0	0	2

(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>	
	Constitu - tional - Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	41,724
Other Fines, Forfeitures, and Penalties	0	0	0	0	0	21,300
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	552,427
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Zoning Studies	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	3,200
Other General Service Charges	0	0	0	0	0	123,472
<u>Fees</u>						
Copy Fees	0	0	0	0	0	100
Telephone Commissions	0	0	0	0	0	27,996
Vending Machine Collections	0	0	0	0	0	224
Special Commissioner Fees/Special Master Fees	4,040	0	0	0	0	4,040
Data Processing Fee - Register	0	0	0	0	0	31,750
Data Processing Fee - Sheriff	0	0	0	0	0	12,690
Sexual Offender Registration Fees - Sheriff	0	0	0	0	0	2,160
Total Charges for Current Services	\$ 4,040	\$ 0	\$ 0	\$ 0	\$ 0	205,632
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	113,942	325,720	\$ 0	780,084
Lease/Rentals	0	0	0	0	0	12,221
Sale of Materials and Supplies	0	16,098	0	0	0	16,098
Commissary Sales	0	0	0	0	0	11,114
Sale of Maps	0	0	0	0	0	3,156
Sale of Recycled Materials	0	0	0	0	0	73,276
Miscellaneous Refunds	0	0	0	0	0	1,186
<u>Nonrecurring Items</u>						
Revenue from Joint Ventures	0	0	31,990	0	0	31,990
Sale of Property	0	0	155,062	0	0	155,062
Damages Recovered from Individuals	0	0	0	0	0	719
Contributions and Gifts	0	0	0	0	13,703	51,722

(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>	
	Constitu - tional - Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Other Local Revenues</u>						
Other Local Revenues	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 59,000
Total Other Local Revenues	\$ 0	\$ 16,098	\$ 300,994	\$ 325,720	\$ 13,703	\$ 1,195,628
<u>Fees Received from County Officials</u>						
<u>Fees-In-Lieu of Salary</u>						
County Clerk	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 379,726
Circuit Court Clerk	0	0	0	0	0	90,334
General Sessions Court Clerk	0	0	0	0	0	528,143
Clerk and Master	0	0	0	0	0	91,406
Register	0	0	0	0	0	468,094
Sheriff	0	0	0	0	0	13,102
Trustee	0	0	0	0	0	658,545
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,229,350
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,620
Aging Programs	0	0	0	0	0	47,427
State Reappraisal Grant	0	0	0	0	0	18,924
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	0	0	0	0	0	40,354
<u>Health and Welfare Grants</u>						
Health Department Programs	0	0	0	0	0	432,743
<u>Public Works Grants</u>						
Bridge Program	0	104,553	0	0	0	104,553
State Aid Program	0	135,833	0	0	0	135,833
Litter Program	0	0	0	0	0	17,356
Other Public Works Grants	0	0	0	0	268	268
<u>Other State Revenues</u>						
Income Tax	0	0	0	0	0	956,485
Beer Tax	0	0	0	0	0	18,753
Alcoholic Beverage Tax	0	0	0	0	0	43,831

(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>	
	Constitu - tional - Officers - Fees	Highway / Public Works	General Debt Service	Education Debt Service	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Mixed Drink Tax	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,791
Contracted Prisoner Boarding	0	0	0	0	0	53,200
Gasoline and Motor Fuel Tax	0	1,566,396	0	0	0	1,566,396
Petroleum Special Tax	0	31,442	0	0	0	31,442
Registrar's Salary Supplement	0	0	0	0	0	16,380
Other State Grants	0	8,594	0	0	0	8,594
Other State Revenues	0	0	0	0	0	148,540
Total State of Tennessee	\$ 0	\$ 1,846,818	\$ 0	\$ 0	\$ 268	\$ 3,655,490
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	279,774	\$ 279,774
Civil Defense Reimbursement	0	0	0	0	0	13,063
Homeland Security Grants	0	0	0	0	0	157,503
Law Enforcement Grants	0	0	0	0	0	44,608
Other Federal through State	0	0	0	0	188,184	197,444
<u>Direct Federal Revenue</u>						
Asset Forfeiture Funds	0	0	0	0	0	231,527
Other Direct Federal Revenue	0	0	0	0	93,270	93,270
Total Federal Government	\$ 0	\$ 0	\$ 0	\$ 0	\$ 561,228	\$ 1,017,189
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Prisoner Board	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,200
Contributions	0	0	0	461,000	0	493,111
Contracted Services	0	0	154,926	0	0	422,831
<u>Citizens Groups</u>						
Donations	0	0	0	0	11,609	29,505
<u>Other</u>						
Other	0	0	0	0	15,000	35,404
Total Other Governments and Citizens Groups	\$ 0	\$ 0	\$ 154,926	\$ 461,000	\$ 26,609	\$ 982,051
Total	\$ 4,040	\$ 2,341,075	\$ 1,641,602	\$ 1,823,568	\$ 904,887	\$ 23,953,940

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, 2007

	General Purpose School	School Federal Projects	Education Capital Projects	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 7,652,337	\$ 0	\$ 0	\$ 7,652,337
Trustee's Collections - Prior Year	148,466	0	0	148,466
Trustee's Collections - Bankruptcy	1,928	0	0	1,928
Circuit/Clerk & Master Collections - Prior Years	55,431	0	0	55,431
Interest and Penalty	33,592	0	0	33,592
<u>County Local Option Taxes</u>				
Local Option Sales Tax	2,946,218	0	0	2,946,218
<u>Statutory Local Taxes</u>				
Bank Excise Tax	58,784	0	0	58,784
Interstate Telecommunications Tax	31,280	0	0	31,280
<b>Total Local Taxes</b>	<b>\$ 10,928,036</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 10,928,036</b>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 1,434	\$ 0	\$ 0	\$ 1,434
<b>Total Licenses and Permits</b>	<b>\$ 1,434</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,434</b>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Receipts from Individual Schools	\$ 896,109	\$ 0	\$ 0	\$ 896,109
Community Service Fees - Children	131,892	0	0	131,892
<b>Total Charges for Current Services</b>	<b>\$ 1,028,001</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,028,001</b>
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 356,006	\$ 0	\$ 532	\$ 356,538
Miscellaneous Refunds	73,084	0	0	73,084
<b>Total Other Local Revenues</b>	<b>\$ 429,090</b>	<b>\$ 0</b>	<b>\$ 532</b>	<b>\$ 429,622</b>
<u>State of Tennessee</u>				
<u>State Education Funds</u>				
Basic Education Program	\$ 17,621,908	\$ 0	\$ 0	\$ 17,621,908
School Food Service	27,790	0	0	27,790
Other State Education Funds	775,136	0	0	775,136
Career Ladder Program	231,291	0	0	231,291
Career Ladder - Extended Contract	191,033	0	0	191,033
<u>Other State Revenues</u>				
Mixed Drink Tax	2,620	0	0	2,620
State Revenue Sharing - T.V.A.	849,572	0	0	849,572
Other State Grants	58,749	0	0	58,749
Other State Revenues	81,714	0	0	81,714
<b>Total State of Tennessee</b>	<b>\$ 19,839,813</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 19,839,813</b>
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 826,219	\$ 0	\$ 0	\$ 826,219
Breakfast	292,354	0	0	292,354
USDA - Other	12,164	0	0	12,164

(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	Education Capital Projects	Total
<u>Federal Government (Cont.)</u>				
<u>Federal Through State (Cont.)</u>				
Vocational Education - Basic Grants to States	\$ 0	\$ 78,210	\$ 0	\$ 78,210
Title I Grants to Local Education Agencies	0	536,132	0	536,132
Innovative Education Program Strategies	0	6,959	0	6,959
Special Education - Grants to States	0	861,754	0	861,754
Special Education Preschool Grants	0	14,995	0	14,995
Eisenhower Professional Development State Grants	0	204,440	0	204,440
Other Federal through State	604,012	61,318	0	665,330
<u>Direct Federal Revenue</u>				
ROTC Reimbursement	67,065	0	0	67,065
Total Federal Government	\$ 1,801,814	\$ 1,763,808	\$ 0	\$ 3,565,622
<u>Other Governments and Citizens Groups</u>				
<u>Citizens Groups</u>				
Donations	\$ 19,479	\$ 0	\$ 0	\$ 19,479
<u>Other</u>				
Other	27,177	0	0	27,177
Total Other Governments and Citizens Groups	\$ 46,656	\$ 0	\$ 0	\$ 46,656
Total	\$ 34,074,844	\$ 1,763,808	\$ 532	\$ 35,839,184

Exhibit K-8

Loudon County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2007

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	59,750	
Social Security		3,623	
State Retirement		3,386	
Life Insurance		317	
Medical Insurance		11,316	
Dental Insurance		2,913	
Employer Medicare		847	
Consultants		4,909	
Dues and Memberships		3,494	
Travel		3,136	
Other Contracted Services		101	
Office Supplies		2,307	
Other Supplies and Materials		3,409	
In Service/Staff Development		1,805	
Total County Commission			\$ 101,313

Board of Equalization

Board and Committee Members Fees	\$	650	
Total Board of Equalization			650

Beer Board

Board and Committee Members Fees	\$	3,300	
Total Beer Board			3,300

Other Boards and Committees

Board and Committee Members Fees	\$	6,150	
Total Other Boards and Committees			6,150

County Mayor/Executive

County Official/Administrative Officer	\$	73,305	
Assistant(s)		34,360	
Secretary(ies)		30,149	
Temporary Personnel		2,028	
Overtime Pay		2,021	
Social Security		8,712	
State Retirement		13,178	
Life Insurance		177	
Medical Insurance		9,981	
Dental Insurance		855	
Employer Medicare		2,037	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Communication	\$	3,661	
Consultants		2,332	
Dues and Memberships		1,700	
Maintenance and Repair Services - Vehicles		64	
Travel		1,288	
Other Contracted Services		4,970	
Gasoline		948	
Office Supplies		2,353	
Premiums on Corporate Surety Bonds		175	
Office Equipment		639	
Total County Mayor/Executive			\$ 194,933

County Attorney

Legal Services	\$	30,940	
Other Contracted Services		87,482	
Total County Attorney			118,422

Election Commission

County Official/Administrative Officer	\$	52,262	
Secretary(ies)		31,148	
Overtime Pay		2,768	
Election Commission		12,000	
Election Workers		57,588	
Social Security		5,997	
State Retirement		8,134	
Life Insurance		123	
Medical Insurance		7,112	
Dental Insurance		509	
Employer Medicare		1,403	
Advertising		7,427	
Communication		4,199	
Dues and Memberships		275	
Licenses		3,015	
Maintenance and Repair Services - Equipment		125	
Postal Charges		6,633	
Printing, Stationery, and Forms		1,600	
Travel		3,603	
Other Contracted Services		15,516	
Office Supplies		4,364	
Office Equipment		26,063	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Election Commission (Cont.)

Voting Machines	\$ 5,252	
Total Election Commission		\$ 257,116

Register of Deeds

County Official/Administrative Officer	\$ 58,069	
Clerical Personnel	110,843	
Social Security	10,035	
State Retirement	15,901	
Life Insurance	335	
Medical Insurance	39,798	
Dental Insurance	2,425	
Employer Medicare	2,347	
Communication	1,924	
Dues and Memberships	953	
Travel	893	
Other Contracted Services	23,765	
Office Supplies	9,052	
Premiums on Corporate Surety Bonds	134	
Office Equipment	4,500	
Total Register of Deeds		280,974

Development

Other Contracted Services	\$ 133,211	
Total Development		133,211

Planning

Supervisor/Director	\$ 64,210
Secretary(ies)	52,732
Social Security	7,135
State Retirement	11,029
Life Insurance	137
Medical Insurance	10,314
Dental Insurance	1,213
Employer Medicare	1,669
Communication	3,091
Engineering Services	3,200
Maintenance and Repair Services - Vehicles	298
Travel	2,374
Gasoline	2,128
Office Supplies	5,677

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Utilities	\$	2,020	
In Service/Staff Development		3,308	
Motor Vehicles		20,000	
Office Equipment		1,239	
Total Planning			\$ 191,774

Engineering

Other Contracted Services	\$	58,989	
Total Engineering			58,989

Codes Compliance

Assistant(s)	\$	88,836	
Supervisor/Director		50,000	
Secretary(ies)		26,781	
Social Security		10,038	
State Retirement		15,585	
Life Insurance		273	
Medical Insurance		26,024	
Dental Insurance		2,425	
Employer Medicare		2,348	
Communication		6,120	
Dues and Memberships		340	
Maintenance and Repair Services - Vehicles		1,045	
Gasoline		6,584	
Office Supplies		3,970	
Uniforms		468	
In Service/Staff Development		400	
Motor Vehicles		35,901	
Office Equipment		198	
Total Codes Compliance			277,336

Geographical Information Systems

Supervisor/Director	\$	35,020	
Overtime Pay		773	
Social Security		2,105	
State Retirement		3,359	
Life Insurance		68	
Medical Insurance		6,758	
Dental Insurance		606	
Employer Medicare		492	

(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.)

Travel	\$	167	
Other Contracted Services		6,273	
Office Supplies		360	
In Service/Staff Development		30	
Office Equipment		3,265	
Total Geographical Information Systems			\$ 59,276

County Buildings

Supervisor/Director	\$	39,656	
Laborers		262,788	
Custodial Personnel		23,137	
Overtime Pay		4,968	
Social Security		19,542	
State Retirement		31,019	
Life Insurance		682	
Medical Insurance		78,986	
Dental Insurance		5,594	
Employer Medicare		4,570	
Communication		42,389	
Operating Lease Payments		43,800	
Maintenance Agreements		2,644	
Maintenance and Repair Services - Buildings		67,123	
Maintenance and Repair Services - Equipment		517	
Maintenance and Repair Services - Vehicles		4,808	
Pest Control		6,216	
Rentals		2,460	
Other Contracted Services		121,264	
Custodial Supplies		7,630	
Duplicating Supplies		9,000	
Gasoline		14,967	
Office Supplies		619	
Tires and Tubes		674	
Uniforms		3,795	
Utilities		218,189	
Other Supplies and Materials		483	
In Service/Staff Development		838	
Maintenance Equipment		4,400	
Office Equipment		1,504	
Total County Buildings			1,024,262

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Supervisor/Director	\$	55,069	
Accountants/Bookkeepers		201,723	
Overtime Pay		2,830	
Social Security		15,639	
State Retirement		24,286	
Life Insurance		452	
Medical Insurance		40,540	
Dental Insurance		2,723	
Employer Medicare		3,657	
Audit Services		8,922	
Communication		3,690	
Printing, Stationery, and Forms		2,742	
Travel		630	
Other Contracted Services		12,653	
Office Supplies		11,118	
Premiums on Corporate Surety Bonds		34	
In Service/Staff Development		2,319	
Office Equipment		2,057	
Total Accounting and Budgeting			\$ 391,084

Purchasing

Supervisor/Director	\$	50,000	
Purchasing Personnel		36,306	
Social Security		5,245	
State Retirement		8,142	
Life Insurance		137	
Medical Insurance		11,425	
Dental Insurance		861	
Employer Medicare		1,227	
Advertising		801	
Communication		2,317	
Dues and Memberships		405	
Travel		864	
Other Contracted Services		500	
Office Supplies		2,432	
Premiums on Corporate Surety Bonds		192	
In Service/Staff Development		565	
Office Equipment		440	
Total Purchasing			121,859

(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

County Official/Administrative Officer	\$	57,251	
Secretary(ies)		134,161	
Overtime Pay		692	
Social Security		11,486	
State Retirement		18,079	
Life Insurance		393	
Medical Insurance		37,693	
Dental Insurance		3,352	
Employer Medicare		2,686	
Communication		3,066	
Dues and Memberships		1,470	
Maintenance Agreements		6,389	
Maintenance and Repair Services - Vehicles		1,709	
Travel		1,126	
Other Contracted Services		50,805	
Gasoline		1,413	
Office Supplies		6,806	
Premiums on Corporate Surety Bonds		175	
In Service/Staff Development		445	
Office Equipment		2,815	
Total Property Assessor's Office			\$ 342,012

County Trustee's Office

County Official/Administrative Officer	\$	58,069
Clerical Personnel		102,424
Part-time Personnel		11,909
Social Security		10,286
State Retirement		15,107
Life Insurance		322
Medical Insurance		26,713
Dental Insurance		2,830
Employer Medicare		2,406
Communication		3,096
Data Processing Services		86
Dues and Memberships		588
Maintenance Agreements		9,000
Printing, Stationery, and Forms		561
Travel		1,552
Other Contracted Services		21,611
Office Supplies		6,181

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Premiums on Corporate Surety Bonds	\$	6,337	
Office Equipment		<u>5,955</u>	
Total County Trustee's Office			\$ 285,033

County Clerk's Office

County Official/Administrative Officer	\$	58,069	
Clerical Personnel		185,226	
Part-time Personnel		12,208	
Social Security		14,998	
State Retirement		22,800	
Life Insurance		515	
Medical Insurance		48,974	
Dental Insurance		3,446	
Employer Medicare		3,508	
Communication		2,999	
Dues and Memberships		700	
Travel		203	
Other Contracted Services		16,302	
Office Supplies		11,669	
Premiums on Corporate Surety Bonds		250	
Office Equipment		<u>1,656</u>	
Total County Clerk's Office			383,523

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	58,069
Clerical Personnel		89,042
Temporary Personnel		2,770
Overtime Pay		3,556
Social Security		9,437
State Retirement		14,178
Life Insurance		292
Medical Insurance		9,472
Dental Insurance		762
Employer Medicare		2,207
Communication		2,194
Dues and Memberships		658
Printing, Stationery, and Forms		2,412
Travel		1,616
Other Contracted Services		8,831

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Office Supplies	\$	6,026	
Premiums on Corporate Surety Bonds		192	
In Service/Staff Development		838	
Total Circuit Court			\$ 212,552

General Sessions Court

Clerical Personnel	\$	216,604	
Temporary Personnel		11,376	
Part-time Personnel		7,510	
Overtime Pay		6,725	
Social Security		14,566	
State Retirement		20,806	
Life Insurance		522	
Medical Insurance		30,346	
Dental Insurance		3,593	
Employer Medicare		3,407	
Communication		1,909	
Consultants		5,398	
Dues and Memberships		205	
Legal Services		4,328	
Printing, Stationery, and Forms		4,368	
Travel		1,512	
Other Contracted Services		10,090	
Office Supplies		8,816	
In Service/Staff Development		1,973	
Office Equipment		7,346	
Total General Sessions Court			361,400

General Sessions Judge

County Official/Administrative Officer	\$	123,951
Clerical Personnel		45,119
Social Security		9,052
State Retirement		15,972
Life Insurance		130
Medical Insurance		4,613
Dental Insurance		861
Employer Medicare		2,423
Communication		1,128
Dues and Memberships		661
Travel		2,373

(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.)

Other Contracted Services	\$	1,050	
Office Supplies		1,150	
Total General Sessions Judge			\$ 208,483

Chancery Court

County Official/Administrative Officer	\$	58,069	
Clerical Personnel		57,210	
Social Security		6,833	
State Retirement		10,867	
Life Insurance		137	
Medical Insurance		23,344	
Dental Insurance		1,213	
Employer Medicare		1,598	
Communication		1,708	
Dues and Memberships		583	
Postal Charges		5,494	
Travel		1,377	
Office Supplies		4,387	
Premiums on Corporate Surety Bonds		219	
In Service/Staff Development		465	
Office Equipment		1,473	
Total Chancery Court			174,977

Juvenile Court

Supervisor/Director	\$	58,680	
Social Workers		157,084	
Part-time Personnel		8,503	
Overtime Pay		5,891	
Social Security		13,992	
State Retirement		20,843	
Life Insurance		388	
Medical Insurance		25,472	
Dental Insurance		2,616	
Employer Medicare		3,272	
Communication		8,458	
Maintenance and Repair Services - Vehicles		577	
Travel		4,763	
Other Contracted Services		28,085	
Gasoline		2,971	
Office Supplies		3,112	

(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 Supplies and Materials	\$	1,428	
In Service/Staff Development		4,620	
Motor Vehicles		<u>20,274</u>	
Total Juvenile Court	\$		371,029

Other Administration of Justice

Jury and Witness Fees	\$	9,034	
Other Contracted Services		<u>5,413</u>	
Total Other Administration of Justice			14,447

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	68,791	
Assistant(s)		104,071	
Deputy(ies)		879,853	
Investigator(s)		146,898	
Captain(s)		91,064	
Sergeant(s)		126,618	
Salary Supplements		22,200	
Secretary(ies)		57,898	
Clerical Personnel		53,849	
Part-time Personnel		41,440	
School Resource Officer		154,058	
Overtime Pay		102,690	
Social Security		112,570	
State Retirement		168,804	
Life Insurance		2,819	
Medical Insurance		291,171	
Dental Insurance		21,617	
Employer Medicare		26,328	
Communication		16,628	
Dues and Memberships		1,755	
Legal Services		7,687	
Maintenance Agreements		2,268	
Maintenance and Repair Services - Vehicles		95,067	
Travel		8,590	
Other Contracted Services		5,977	
Drugs and Medical Supplies		409	
Gasoline		156,837	
Office Supplies		16,845	

(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.)

Tires and Tubes	\$	15,268	
Uniforms		14,048	
Vehicle Parts		23,630	
Other Supplies and Materials		4,529	
Premiums on Corporate Surety Bonds		125	
Vehicle and Equipment Insurance		21,000	
Workers' Compensation Insurance		21,261	
In Service/Staff Development		5,785	
Communication Equipment		2,138	
Furniture and Fixtures		1,391	
Motor Vehicles		171,056	
Office Equipment		683	
Total Sheriff's Department			\$ 3,065,716

Special Patrols

Contributions	\$	15,000	
Total Special Patrols			15,000

Traffic Control

Utilities	\$	842	
Total Traffic Control			842

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$	72	
Total Administration of the Sexual Offender Registry			72

Jail

Guards	\$	541,511	
Cafeteria Personnel		46,897	
Overtime Pay		34,782	
Social Security		37,773	
State Retirement		58,358	
Life Insurance		1,161	
Medical Insurance		123,893	
Dental Insurance		8,842	
Employer Medicare		8,834	
Legal Services		10,246	
Travel		3,548	
Other Contracted Services		9,502	
Custodial Supplies		10,058	

(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	\$	149,928	
Food Supplies		64,617	
Office Supplies		5,408	
Uniforms		8,835	
Other Supplies and Materials		13,374	
Total Jail			\$ 1,137,567

Juvenile Services

Other Salaries and Wages	\$	14,136	
Other Per Diem and Fees		1,046	
Social Security		861	
State Retirement		1,339	
Employer Medicare		201	
Other Supplies and Materials		814	
Total Juvenile Services			18,397

Civil Defense

Supervisor/Director	\$	50,000	
Secretary(ies)		22,994	
Social Security		4,402	
State Retirement		6,893	
Life Insurance		123	
Medical Insurance		7,112	
Dental Insurance		509	
Employer Medicare		1,029	
Communication		2,565	
Maintenance and Repair Services - Vehicles		428	
Travel		586	
Other Contracted Services		389	
Gasoline		2,496	
Office Supplies		1,937	
Uniforms		564	
Other Supplies and Materials		119	
In Service/Staff Development		520	
Total Civil Defense			102,666

Rescue Squad

Contributions	\$	95,000	
Total Rescue Squad			95,000

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Emergency Management

Contributions	\$	80,000	
Other Contracted Services		30,939	
Food Supplies		229	
Office Supplies		446	
Small Tools		250	
Other Supplies and Materials		3,913	
Communication Equipment		30,535	
Office Equipment		10,266	
Total Other Emergency Management			\$ 156,578

County Coroner/Medical Examiner

Medical Personnel	\$	9,000	
Drugs and Medical Supplies		13,000	
Total County Coroner/Medical Examiner			22,000

Public Safety Grant Programs

Other Salaries and Wages	\$	4,725	
Social Security		280	
State Retirement		448	
Employer Medicare		65	
Travel		3,618	
Other Contracted Services		3,600	
Other Supplies and Materials		4,551	
Total Public Safety Grant Programs			17,287

Other Public Safety

Supervisor/Director	\$	50,000	
Deputy(ies)		33,483	
Dispatchers/Radio Operators		308,864	
Part-time Personnel		32,990	
Overtime Pay		16,734	
Social Security		27,212	
State Retirement		38,208	
Life Insurance		843	
Medical Insurance		54,291	
Dental Insurance		3,760	
Employer Medicare		6,364	
Communication		2,499	
Travel		4,959	
Other Contracted Services		10,246	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Gasoline	\$	782	
Office Supplies		3,346	
Uniforms		2,885	
In Service/Staff Development		4,031	
Total Other Public Safety			\$ 601,497

Public Health and Welfare

Local Health Center

Assistant(s)	\$	20,283	
Social Security		1,258	
State Retirement		1,903	
Medical Insurance		9,828	
Dental Insurance		606	
Employer Medicare		294	
Communication		4,830	
Contributions		3,496	
Postal Charges		3,287	
Travel		184	
Other Contracted Services		7,110	
Drugs and Medical Supplies		1,753	
Office Supplies		2,682	
Other Supplies and Materials		1,041	
Total Local Health Center			58,555

Rabies and Animal Control

Temporary Personnel	\$	1,215	
Part-time Personnel		17,920	
Overtime Pay		3,997	
Other Salaries and Wages		85,731	
Social Security		6,578	
State Retirement		7,870	
Life Insurance		217	
Medical Insurance		23,999	
Dental Insurance		1,619	
Employer Medicare		1,538	
Communication		3,538	
Maintenance and Repair Services - Vehicles		947	
Travel		192	
Veterinary Services		14,606	
Custodial Supplies		1,900	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control (Cont.)

Gasoline	\$	4,425	
Office Supplies		1,530	
Uniforms		1,000	
Utilities		5,304	
Other Supplies and Materials		3,520	
In Service/Staff Development		440	
Total Rabies and Animal Control			\$ 188,086

Other Local Health Services

Other Salaries and Wages	\$	233,311	
Social Security		13,952	
State Retirement		21,634	
Life Insurance		249	
Medical Insurance		45,290	
Dental Insurance		3,644	
Employer Medicare		3,364	
Travel		6,630	
Other Supplies and Materials		77	
Liability Insurance		1,522	
Total Other Local Health Services			329,673

Other Local Welfare Services

Supervisor/Director	\$	25,827	
Clerical Personnel		18,111	
Temporary Personnel		12,364	
Overtime Pay		81	
Other Salaries and Wages		8,626	
Social Security		4,012	
State Retirement		4,140	
Life Insurance		88	
Medical Insurance		4,558	
Dental Insurance		340	
Employer Medicare		938	
Advertising		191	
Communication		780	
Maintenance Agreements		1,796	
Postal Charges		120	
Printing, Stationery, and Forms		387	
Travel		1,434	
Tuition		37,152	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Other Local Welfare Services (Cont.)

Office Supplies	\$	1,730	
Other Supplies and Materials		40,789	
In Service/Staff Development		1,191	
Total Other Local Welfare Services			\$ 164,655

Social, Cultural, and Recreational Services

Adult Activities

Contributions	\$	5,000	
Total Adult Activities			5,000

Senior Citizens Assistance

Assistant(s)	\$	35,000	
Secretary(ies)		26,323	
Part-time Personnel		9,808	
Other Salaries and Wages		40,489	
Social Security		6,686	
State Retirement		9,584	
Life Insurance		266	
Medical Insurance		7,112	
Dental Insurance		2,074	
Employer Medicare		1,564	
Communication		3,644	
Maintenance and Repair Services - Vehicles		46	
Travel		2,568	
Other Contracted Services		1,548	
Custodial Supplies		65	
Gasoline		1,081	
Office Supplies		2,207	
Utilities		13,408	
Other Supplies and Materials		477	
Motor Vehicles		16,851	
Total Senior Citizens Assistance			180,801

Libraries

Clerical Personnel	\$	112,851	
Temporary Personnel		2,101	
Part-time Personnel		31,616	
Social Security		8,995	
State Retirement		10,441	
Life Insurance		319	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Social, Cultural, and Recreational Services (Cont.)

Libraries (Cont.)

Medical Insurance	\$	20,627	
Dental Insurance		2,074	
Employer Medicare		2,104	
Contributions		5,000	
Total Libraries			\$ 196,128

Agriculture and Natural Resources

Agriculture Extension Service

Communication	\$	5,730	
Contracts with Government Agencies		114,433	
Other Contracted Services		2,114	
Office Supplies		490	
Other Supplies and Materials		600	
Office Equipment		1,414	
Total Agriculture Extension Service			124,781

Forest Service

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

Soil Conservation

Clerical Personnel	\$	10,582	
Social Security		656	
Employer Medicare		153	
Communication		880	
Contributions		2,000	
Total Soil Conservation			14,271

Flood Control

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

Storm Water Management

Permits	\$	2,500	
Total Storm Water Management			2,500

Other Operations

Tourism

Contributions	\$	135,000	
Total Tourism			135,000

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Industrial Development

Other Salaries and Wages	\$ 138,785	
Social Security	8,577	
State Retirement	11,561	
Life Insurance	130	
Medical Insurance	3,556	
Dental Insurance	861	
Employer Medicare	2,006	
Contributions	141,355	
Total Industrial Development		\$ 306,831

Housing and Urban Development

Contributions	\$ 3,000	
Total Housing and Urban Development		3,000

Other Economic and Community Development

Contracts with Government Agencies	\$ 390,000	
Total Other Economic and Community Development		390,000

Veterans' Services

Other Salaries and Wages	\$ 5,982	
Social Security	371	
Employer Medicare	87	
Communication	755	
Travel	479	
Total Veterans' Services		7,674

Contributions to Other Agencies

Contributions	\$ 135,690	
Total Contributions to Other Agencies		135,690

Employee Benefits

Employee and Dependent Insurance	\$ 70,218	
Unemployment Compensation	12,048	
Workers' Compensation Insurance	119,593	
Fines, Assessments, and Penalties	1,767	
Total Employee Benefits		203,626

Miscellaneous

Building and Contents Insurance	\$ 191,026	
Trustee's Commission	198,833	
Total Miscellaneous		389,859

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Principal on Debt

General Government

Principal on Other Loans	\$ 23,747	
Total General Government		\$ 23,747

Interest on Debt

General Government

Interest on Other Loans	\$ 3,658	
Total General Government		3,658

Total General Fund		\$ 13,673,262
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Law Library Fund

Social, Cultural, and Recreational Services

Libraries

Library Books/Media	\$ 3,989	
Total Libraries		\$ 3,989

Other Operations

Miscellaneous

Trustee's Commission	\$ 66	
Total Miscellaneous		66

Total Law Library Fund		4,055
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Solid Waste/Sanitation Fund

Public Health and Welfare

Sanitation Education/Information

Maintenance and Repair Services - Vehicles	\$ 433	
Travel	284	
Other Contracted Services	713	
Diesel Fuel	1,789	
Food Supplies	221	
Instructional Supplies and Materials	8,005	
Road Signs	198	
Other Supplies and Materials	633	
Solid Waste Equipment	3,113	
Total Sanitation Education/Information		\$ 15,389

Convenience Centers

Supervisor/Director	\$ 21,234
Foremen	78,664

(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.)

Equipment Operators	\$	6,432	
Attendants		73,088	
Part-time Personnel		58,982	
Overtime Pay		2,974	
Social Security		14,700	
State Retirement		16,562	
Life Insurance		459	
Medical Insurance		30,937	
Dental Insurance		3,198	
Employer Medicare		3,438	
Communication		4,311	
Contracts with Private Agencies		32,180	
Dues and Memberships		185	
Maintenance and Repair Services - Equipment		2,512	
Maintenance and Repair Services - Vehicles		859	
Pest Control		275	
Rentals		16,861	
Travel		740	
Disposal Fees		115,612	
Other Contracted Services		7,596	
Custodial Supplies		2,394	
Food Supplies		3,182	
Fuel Oil		329	
Gasoline		3,247	
Office Supplies		2,580	
Propane Gas		3,221	
Uniforms		4,484	
Utilities		9,748	
Other Supplies and Materials		3,883	
Office Equipment		2,592	
Solid Waste Equipment		4,159	
Other Equipment		8,319	
Total Convenience Centers			\$ 539,937

Other Operations

Miscellaneous

Trustee's Commission	\$	7,517	
Total Miscellaneous			7,517

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Principal on Debt

General Government

Principal on Capital Leases	\$ 27,000	
Total General Government		\$ 27,000

Total Solid Waste/Sanitation Fund \$ 589,843

Industrial/Economic Development Fund

Other Operations

Industrial Development

Other Contracted Services	\$ 4,062	
Total Industrial Development		\$ 4,062

Miscellaneous

Trustee's Commission	\$ 71	
Total Miscellaneous		71

Total Industrial/Economic Development Fund 4,133

Drug Control Fund

Public Health and Welfare

Alcohol and Drug Programs

Maintenance and Repair Services - Vehicles	\$ 4,159	
Law Enforcement Supplies	27,361	
Other Supplies and Materials	17,181	
Trustee's Commission	219	
In Service/Staff Development	5,978	
Law Enforcement Equipment	19,592	
Total Alcohol and Drug Programs		\$ 74,490

Total Drug Control Fund 74,490

Other Special Revenue Fund

Public Safety

Sheriff's Department

Salary Supplements	\$ 12,500	
Law Enforcement Supplies	19,995	
Other Supplies and Materials	9,297	
In Service/Staff Development	4,692	
Law Enforcement Equipment	84,510	
Total Sheriff's Department		\$ 130,994

Total Other Special Revenue Fund 130,994

(Continued)

Exhibit K-8

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

Constitutional Officers - Fees Fund

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$	4,040	
Total Chancery Court			\$ 4,040

Total Constitutional Officers - Fees Fund \$ 4,040

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	63,876	
Salary Supplements		5,000	
Foremen		75,396	
Mechanic(s)		60,493	
Equipment Operators		132,216	
Truck Drivers		214,867	
Clerical Personnel		24,502	
Overtime Pay		11,583	
Advertising		41	
Dues and Memberships		3,610	
Legal Services		1,282	
Maintenance and Repair Services - Office Equipment		563	
Postal Charges		210	
Travel		2,171	
Office Supplies		1,702	
In Service/Staff Development		365	
Office Equipment		4,472	
Total Administration			\$ 602,349

Highway and Bridge Maintenance

Rentals	\$	842	
Other Contracted Services		16,808	
Asphalt - Cold Mix		5,666	
Asphalt - Hot Mix		132,362	
Crushed Stone		14,930	
Pipe		26,669	
Road Signs		13,978	
Total Highway and Bridge Maintenance			211,255

Operation and Maintenance of Equipment

Maintenance and Repair Services - Vehicles	\$	27,624	
Tow-in Services		2,240	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Operation and Maintenance of Equipment (Cont.)

Disposal Fees	\$	7,868	
Diesel Fuel		61,526	
Equipment Parts - Heavy		10,045	
Equipment Parts - Light		56,038	
Gasoline		21,636	
Lubricants		3,668	
Tires and Tubes		9,818	
Other Supplies and Materials		7,618	
Other Charges		796	
Total Operation and Maintenance of Equipment			\$ 208,877

Other Charges

Communication	\$	2,782	
Pest Control		360	
Other Contracted Services		8,953	
Drugs and Medical Supplies		289	
Electricity		8,192	
Garage Supplies		2,697	
Ice		220	
Uniforms		9,640	
Liability Insurance		70,524	
Premiums on Corporate Surety Bonds		367	
Trustee's Commission		25,829	
Total Other Charges			129,853

Employee Benefits

Social Security	\$	35,141	
State Retirement		55,872	
Employee and Dependent Insurance		423	
Life Insurance		944	
Medical Insurance		108,875	
Dental Insurance		9,490	
Unemployment Compensation		1,895	
Employer Medicare		8,224	
Workers' Compensation Insurance		44,214	
Total Employee Benefits			265,078

Capital Outlay

Matching Share	\$	78,558	
Bridge Construction		82,242	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Capital Outlay (Cont.)

Highway Equipment	\$ 39,772	
State Aid Projects	141,113	
Total Capital Outlay		\$ 341,685

Total Highway/Public Works Fund \$ 1,759,097

General Debt Service Fund

Principal on Debt

General Government

Principal on Bonds	\$ 443,000	
Principal on Other Loans	791,000	
Total General Government		\$ 1,234,000

Highways and Streets

Principal on Notes	\$ 60,966	
Total Highways and Streets		60,966

Interest on Debt

General Government

Interest on Bonds	\$ 222,303	
Interest on Other Loans	351,078	
Total General Government		573,381

Highways and Streets

Interest on Notes	\$ 12,734	
Total Highways and Streets		12,734

Other Debt Service

General Government

Trustee's Commission	\$ 23,245	
Other Debt Service	159,477	
Total General Government		182,722

Total General Debt Service Fund 2,063,803

Education Debt Service Fund

Principal on Debt

Education

Principal on Notes	\$ 71,426	
Principal on Other Loans	375,306	
Total Education		\$ 446,732

(Continued)

Exhibit K-8

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

Education Debt Service Fund (Cont.)

Interest on Debt

Education

Interest on Other Loans	\$ 459,375	
Total Education		\$ 459,375

Other Debt Service

Education

Trustee's Commission	\$ 20,554	
Total Education		<u>20,554</u>

Total Education Debt Service Fund		\$ 926,661
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General Capital Projects Fund

Public Safety

Other Emergency Management

Contributions	\$ 140,000	
Total Other Emergency Management		\$ 140,000

Other Operations

Miscellaneous

Trustee's Commission	\$ 6,511	
Total Miscellaneous		6,511

Capital Projects

General Administration Projects

Engineering Services	\$ 9,668	
Total General Administration Projects		9,668

Public Safety Projects

Engineering Services	\$ 1,532	
Legal Services	1,908	
Other Contracted Services	980	
Land	57,981	
Building Purchases	123,209	
Other Construction	<u>1,700</u>	
Total Public Safety Projects		187,310

Public Health and Welfare Projects

Other Contracted Services	\$ 3,276	
Building Construction	<u>6,977</u>	
Total Public Health and Welfare Projects		10,253

(Continued)

Exhibit K-8

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

General Capital Projects Fund (Cont.)

Capital Projects (Cont.)

Social, Cultural, and Recreation Projects

Other Contracted Services	\$	900	
Building Construction		30,027	
Furniture and Fixtures		140,481	
Other Capital Outlay		<u>10,500</u>	
Total Social, Cultural, and Recreation Projects	\$		181,908

Public Utility Projects

Engineering Services	\$	32,920	
Other Construction		<u>246,854</u>	
Total Public Utility Projects			279,774

Other General Government Projects

Other Contracted Services	\$	4,303	
Office Equipment		10,399	
Other Construction		<u>40,200</u>	
Total Other General Government Projects			54,902

Highway and Street Capital Projects

Advertising	\$	234	
Legal Services		<u>34</u>	
Total Highway and Street Capital Projects			<u>268</u>

Total General Capital Projects Fund \$ 870,594

Total Governmental Funds - Primary Government \$ 20,100,972

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, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 11,266,341	
Career Ladder Program	148,810	
Career Ladder Extended Contracts	134,000	
Homebound Teachers	7,185	
Educational Assistants	855,112	
Other Salaries and Wages	1,742	
Certified Substitute Teachers	17,640	
Non-certified Substitute Teachers	159,498	
Social Security	751,751	
State Retirement	759,997	
Life Insurance	67,633	
Medical Insurance	1,902,589	
Dental Insurance	110,709	
Unemployment Compensation	19,139	
Employer Medicare	176,179	
Other Contracted Services	43,427	
Instructional Supplies and Materials	590,682	
Textbooks	299,729	
Other Supplies and Materials	5,950	
Other Charges	20,000	
Regular Instruction Equipment	37,395	
Total Regular Instruction Program		\$ 17,375,508

Special Education Program

Teachers	\$ 1,001,587
Career Ladder Program	11,000
Career Ladder Extended Contracts	5,000
Educational Assistants	127,716
Speech Pathologist	193,188
Certified Substitute Teachers	670
Non-certified Substitute Teachers	21,900
Social Security	81,932
State Retirement	85,902
Life Insurance	6,941
Medical Insurance	202,311
Dental Insurance	9,392
Employer Medicare	19,177
Other Contracted Services	111,335
Instructional Supplies and Materials	35,957

(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.)

Special Education Equipment	\$ 18,414	
Total Special Education Program		\$ 1,932,422

Vocational Education Program

Teachers	\$ 691,600	
Career Ladder Program	10,000	
Career Ladder Extended Contracts	6,000	
Educational Assistants	26,617	
Certified Substitute Teachers	250	
Non-certified Substitute Teachers	8,955	
Social Security	43,868	
State Retirement	45,994	
Life Insurance	3,316	
Medical Insurance	122,641	
Dental Insurance	5,250	
Employer Medicare	10,316	
Maintenance and Repair Services - Equipment	4,984	
Instructional Supplies and Materials	130,628	
Total Vocational Education Program		1,110,419

Support Services

Attendance

Travel	\$ 1,258	
Other Contracted Services	24,234	
Other Charges	13,422	
Total Attendance		38,914

Health Services

Medical Personnel	\$ 37,924	
Social Security	2,319	
State Retirement	3,591	
Life Insurance	354	
Dental Insurance	266	
Employer Medicare	542	
Other Contracted Services	1,000	
Drugs and Medical Supplies	4,760	
In Service/Staff Development	1,436	
Other Charges	2,500	
Total Health Services		54,692

(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 Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		619,107	
Career Ladder Extended Contracts		9,000	
Clerical Personnel		88,698	
Social Security		43,731	
State Retirement		46,128	
Life Insurance		2,525	
Medical Insurance		68,507	
Dental Insurance		3,256	
Employer Medicare		10,227	
Contracts with Government Agencies		8,350	
Evaluation and Testing		60,994	
Other Charges		443,204	
Total Other Student Support			\$ 1,410,727

Regular Instruction Program

Supervisor/Director	\$	282,944	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		7,000	
Librarians		379,050	
Instructional Computer Personnel		180,157	
Secretary(ies)		221,214	
Social Security		64,610	
State Retirement		77,895	
Life Insurance		4,878	
Medical Insurance		142,250	
Dental Insurance		7,066	
Employer Medicare		15,177	
Travel		7,807	
Other Contracted Services		60,000	
Library Books/Media		40,888	
Other Supplies and Materials		1,073	
In Service/Staff Development		82,248	
Other Charges		1,192	
Other Equipment		149	
Total Regular Instruction Program			1,585,598

Special Education Program

Supervisor/Director	\$	67,905	
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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.)

Support Services (Cont.)

Special Education Program (Cont.)

Career Ladder Program	\$	6,000	
Psychological Personnel		172,276	
Career Ladder Extended Contracts		2,000	
Social Security		15,366	
State Retirement		15,214	
Life Insurance		884	
Medical Insurance		19,739	
Dental Insurance		1,063	
Employer Medicare		3,594	
Travel		12,111	
Total Special Education Program			\$ 316,152

Vocational Education Program

Career Ladder Extended Contracts	\$	1,000	
Clerical Personnel		55,042	
Other Salaries and Wages		42,476	
Social Security		6,024	
State Retirement		7,925	
Life Insurance		707	
Medical Insurance		19,419	
Dental Insurance		1,063	
Employer Medicare		1,409	
Travel		1,788	
In Service/Staff Development		5,747	
Total Vocational Education Program			142,600

Other Programs

Supervisor/Director	\$	59,802	
Social Security		3,218	
State Retirement		4,182	
Life Insurance		354	
Medical Insurance		9,710	
Dental Insurance		532	
Employer Medicare		753	
Communication		310	
Travel		1,376	
Other Contracted Services		5,313	
Instructional Supplies and Materials		10,030	
In Service/Staff Development		677	
Total Other Programs			96,257

(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.)

Board of Education

Board and Committee Members Fees	\$	36,240	
Social Security		2,247	
State Retirement		1,648	
Life Insurance		970	
Dental Insurance		1,063	
Employer Medicare		525	
Audit Services		14,750	
Dues and Memberships		18,944	
Legal Services		7,897	
Liability Insurance		26,968	
Trustee's Commission		230,484	
Workers' Compensation Insurance		156,602	
Fines, Assessments, and Penalties		260	
Total Board of Education			\$ 498,598

Director of Schools

County Official/Administrative Officer	\$	89,500	
Career Ladder Program		1,000	
Secretary(ies)		36,672	
Social Security		7,530	
State Retirement		9,020	
Life Insurance		354	
Medical Insurance		13,120	
Dental Insurance		532	
Employer Medicare		1,761	
Communication		29,372	
Postal Charges		3,646	
Travel		53,522	
Other Contracted Services		6,175	
Office Supplies		5,426	
Other Charges		25,106	
Office Equipment		778	
Total Director of Schools			283,514

Office of the Principal

Principals	\$	565,876	
Career Ladder Program		10,000	
Career Ladder Extended Contracts		14,000	
Social Security		35,643	

(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 (Cont.)

State Retirement	\$	32,643	
Life Insurance		1,535	
Medical Insurance		47,042	
Dental Insurance		2,104	
Employer Medicare		8,336	
Communication		55,643	
Total Office of the Principal			\$ 772,822

Fiscal Services

Accountants/Bookkeepers	\$	41,866	
Social Security		2,596	
State Retirement		2,566	
Life Insurance		177	
Medical Insurance		4,643	
Dental Insurance		266	
Employer Medicare		607	
Total Fiscal Services			52,721

Operation of Plant

Custodial Personnel	\$	464,995	
Other Salaries and Wages		44,725	
Social Security		29,015	
State Retirement		43,270	
Life Insurance		2,445	
Medical Insurance		86,144	
Dental Insurance		5,205	
Employer Medicare		6,861	
Janitorial Services		5,050	
Other Contracted Services		529,460	
Custodial Supplies		86,472	
Electricity		684,741	
Natural Gas		119,155	
Water and Sewer		53,030	
Building and Contents Insurance		145,483	
Other Charges		2,871	
Total Operation of Plant			2,308,922

Maintenance of Plant

Maintenance and Repair Services - Buildings	\$	225,820	
Total Maintenance of Plant			225,820

(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.)

Transportation

Contracts with Parents	\$	25,035	
Contracts with Vehicle Owners		1,158,833	
Travel		2,069	
Vehicle and Equipment Insurance		18,662	
Other Charges		6,114	
Total Transportation			\$ 1,210,713

Central and Other

Maintenance and Repair Services - Equipment	\$	137,279	
Travel		11,017	
Other Contracted Services		7,271	
Other Supplies and Materials		2,971	
Other Charges		3,800	
Data Processing Equipment		70,195	
Other Equipment		99,084	
Total Central and Other			331,617

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	58,735	
Clerical Personnel		35,589	
Cafeteria Personnel		712,190	
Social Security		47,542	
State Retirement		61,405	
Life Insurance		3,689	
Medical Insurance		72,850	
Dental Insurance		6,281	
Employer Medicare		11,119	
Payments to Schools - Breakfast		292,354	
Payments to Schools - Lunch		826,219	
Payments to Schools - Other		12,177	
Travel		1,500	
Other Contracted Services		945	
Food Supplies		128,300	
In Service/Staff Development		3,213	
Other Charges		1,437	
Total Food Service			2,275,545

(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

Supervisor/Director	\$	39,296	
Teachers		15,541	
Career Ladder Extended Contracts		5,544	
Clerical Personnel		10,410	
Educational Assistants		36,625	
Part-time Personnel		21,015	
Other Salaries and Wages		133,696	
Non-certified Substitute Teachers		825	
Social Security		15,630	
State Retirement		8,041	
Life Insurance		707	
Medical Insurance		11,194	
Dental Insurance		598	
Employer Medicare		3,656	
Contracts with Vehicle Owners		6,420	
Travel		5,629	
Other Contracted Services		10,360	
Instructional Supplies and Materials		8,537	
Other Supplies and Materials		8,769	
Other Charges		405	
Total Community Services			\$ 342,898

Early Childhood Education

Teachers	\$	244,705	
Educational Assistants		132,409	
Social Security		22,410	
State Retirement		27,464	
Life Insurance		2,998	
Medical Insurance		79,981	
Dental Insurance		4,275	
Employer Medicare		5,257	
Instructional Supplies and Materials		4,250	
Other Supplies and Materials		32,052	
In Service/Staff Development		3,174	
Other Equipment		9,994	
Total Early Childhood Education			568,969

(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.)

Capital Outlay

Regular Capital Outlay

Other Capital Outlay	\$ 31,445	
Total Regular Capital Outlay		\$ 31,445

Principal on Debt

Education

Principal on Notes	\$ 291,732	
Total Education		291,732

Other Debt Service

Education

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

Total General Purpose School Fund \$ 33,719,605

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 414,002	
Educational Assistants	23,636	
Certified Substitute Teachers	400	
Non-certified Substitute Teachers	3,262	
Social Security	26,571	
State Retirement	27,617	
Life Insurance	1,726	
Medical Insurance	56,088	
Dental Insurance	2,592	
Employer Medicare	6,214	
Other Contracted Services	6,399	
Instructional Supplies and Materials	38,923	
Other Supplies and Materials	21,389	
Regular Instruction Equipment	23,241	
Total Regular Instruction Program		\$ 652,060

Special Education Program

Homebound Teachers	\$ 16,400
Educational Assistants	317,382
Other Salaries and Wages	16,500
Non-certified Substitute Teachers	2,000

(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.)

Social Security	\$	21,144	
State Retirement		31,914	
Life Insurance		4,261	
Medical Insurance		109,921	
Dental Insurance		5,958	
Employer Medicare		4,946	
Other Contracted Services		190,431	
Instructional Supplies and Materials		53,369	
Total Special Education Program			\$ 774,226

Vocational Education Program

Clerical Personnel	\$	2,000	
Social Security		31	
State Retirement		47	
Employer Medicare		7	
Travel		2,112	
Other Charges		26,000	
Vocational Instruction Equipment		43,035	
Total Vocational Education Program			73,232

Support Services

Other Student Support

In Service/Staff Development	\$	1,835	
Total Other Student Support			1,835

Regular Instruction Program

Supervisor/Director	\$	31,540	
Secretary(ies)		9,855	
Social Security		2,567	
State Retirement		2,867	
Employer Medicare		600	
Travel		3,293	
Other Supplies and Materials		445	
In Service/Staff Development		63,977	
Other Charges		5,390	
Total Regular Instruction Program			120,534

Special Education Program

Travel	\$	1,973	
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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>Special Education Program (Cont.)</u>		
In Service/Staff Development	\$ 19,966	
Total Special Education Program		\$ 21,939
<u>Vocational Education Program</u>		
In-Service Training	\$ 1,500	
Travel	1,641	
Total Vocational Education Program		3,141
<u>Transportation</u>		
Contracts with Parents	\$ 2,000	
Contracts with Vehicle Owners	35,000	
Total Transportation		<u>37,000</u>
Total School Federal Projects Fund		\$ 1,683,967
<u>Education Capital Projects Fund</u>		
<u>Capital Projects</u>		
<u>Education Capital Projects</u>		
Engineering Services	\$ 261,272	
Maintenance and Repair Services - Buildings	730	
Other Contracted Services	61,286	
Building Improvements	587,015	
Land	2,246,405	
Plant Operation Equipment	90,583	
Other Capital Outlay	1,141,767	
Total Education Capital Projects		<u>\$ 4,389,058</u>
Total Education Capital Projects Fund		<u>4,389,058</u>
Total Governmental Funds - Loudon County School Department		<u>\$ 39,792,630</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, 2007

	Cities - Sales Tax Fund	City School ADA - Lenoir City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 3,411,735	\$ 3,411,735
Trustee's Collections - Prior Years	0	76,143	76,143
Trustee's Collections - Bankruptcy	0	869	869
Circuit/Clerk and Master Collections - Prior Years	0	24,780	24,780
Interest and Penalty	0	15,012	15,012
Local Option Sales Tax	3,543,552	1,322,481	4,866,033
Bank Excise Tax	0	26,262	26,262
Interstate Telecommunications Tax	0	3,405	3,405
Mixed Drink Tax	0	1,257	1,257
<b>Total Cash Receipts</b>	<b>\$ 3,543,552</b>	<b>\$ 4,881,944</b>	<b>\$ 8,425,496</b>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,508,076	\$ 4,800,006	\$ 8,308,082
Trustee's Commission	35,476	85,055	120,531
<b>Total Cash Disbursements</b>	<b>\$ 3,543,552</b>	<b>\$ 4,885,061</b>	<b>\$ 8,428,613</b>
<u>Excess of Cash Receipts Over (Under)</u>			
Cash Disbursements	\$ 0	\$ (3,117)	\$ (3,117)
Cash Balance, July 1, 2006	0	131,177	131,177
<b>Cash Balance, June 30, 2007</b>	<b>\$ 0</b>	<b>\$ 128,060</b>	<b>\$ 128,060</b>

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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

April 10, 2008

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, 2007, which collectively comprise Loudon County's basic financial statements and have issued our report thereon dated April 10, 2008. Our report was modified to include a reference to other auditors. 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. Other auditors audited the financial statements of the Loudon County Emergency Communications District as described in our report on Loudon County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Loudon County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Loudon County's internal control over financial reporting.

Accordingly, we do not express an opinion on the effectiveness of Loudon County's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.01, 07.02, 07.03, 07.04, 07.05, 07.08, and 07.10.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 07.03 to be a material weakness.

#### Compliance and Other Matters

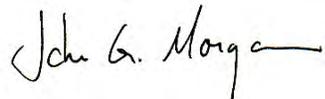
As part of obtaining reasonable assurance about whether Loudon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 or other matters that are required to be reported under Government Auditing Standards and are described in the accompanying Schedule of Findings and Questioned Costs as items 07.06, 07.07, 07.09, and 07.11.

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

Loudon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Loudon County's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway superintendent, director of accounts and budget, County Commission, Board of Education, others within Loudon County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

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

John G. Morgan  
Comptroller of the Treasury

JGM/yu



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

April 10, 2008

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, 2007. 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 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 of 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, 2007.

#### Internal Control Over Compliance

The management of Loudon County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Loudon County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Loudon County's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Loudon County as of and for the year ended June 30, 2007, and have issued our report thereon dated April 10, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Loudon County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such

information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Loudon County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Loudon County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the county mayor, director of schools, highway superintendent, director of accounts and budget, County Commission, Board of Education, others within Loudon County, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yours very truly,

A handwritten signature in black ink 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/yu

Loudon County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2007

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	\$ 129,114
Community Facilities Loans and Grants	10.766	N/A	10,000
Rural Business Enterprise Grants	10.769	N/A	17,500
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	292,355
National School Lunch Program	10.555	N/A	838,383
Total U.S. Department of Agriculture			\$ 1,287,352
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/States Program	14.228	GG-05-11803-00	\$ 279,774
Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	14.251	N/A	65,770
Total U.S. Department of Housing and Urban Development			\$ 345,544
U.S. Department of Justice:			
Passed-through State Office of Criminal Justice Programs:			
Edward Byrne Memorial Formula Grant Program	16.579	Z-99-088437-00	\$ 44,608
Total U.S. Department of Justice			\$ 44,608
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Highway Planning and Construction	20.205	N/A	\$ 188,184
Total U.S. Department of Transportation			\$ 188,184
U.S. Department of Military:			
Passed-through State Department of Military:			
Off-site Emergency Planning and Response	81.502	GG-07-20530-00	\$ 13,063
Total U.S. Department of Military			\$ 13,063
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 504,970
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	819,461
Special Education - Preschool Grants	84.173	N/A	14,931
Vocational Education - Basic Grants to States	84.048	N/A	78,209
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	11,697
Fund for the Improvement of Education	84.215	(2)	397,928
Twenty-First Century Community Learning Centers	84.287	(2)	95,000
State Grants for Innovative Programs	84.298	N/A	6,957

(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 Education (Cont.):			
Education Technology State Grants	84.318	N/A	\$ 5,293
English Language Acquisition Grants	84.365	N/A	43,709
Improving Teacher Quality State Grants	84.367	N/A	198,740
Hurricane Education Recovery	84.938	(2)	3,609
Total U.S. Department of Education			\$ 2,180,504
U.S. Department of Election Assistance Commission			
Passed-through Tennessee Secretary of State:			
Help America Vote Act Requirements Payments	90.401	(2)	\$ 9,260
Total U.S. Department of Election Assistance Commission			\$ 9,260
U.S. Department of Homeland Security:			
Passed through State Department of Military:			
Emergency Management Performance Grants	97.042	Z-04-022467-00	\$ 38,442
Homeland Security Grant Program	97.067	(2)	119,061
Total U.S. Department of Homeland Security			\$ 157,503
Total Expenditures of Federal Awards			\$ 4,226,018
<u>State Grants</u>			
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 10,620
Aging Program - State Office on Aging	N/A	(2)	47,427
Reappraisal Program - Comptroller of the Treasury	N/A	(2)	18,924
Health Department Grants - State Department of Health	N/A	(2)	432,743
Litter Program - State Department of Transportation	N/A	(2)	24,688
Coordinated School Health - State Department of Education	N/A	(2)	98,550
Early Childhood Development - State Department of Education	N/A	(2)	62,263
Lottery for Education - Preschool-State Department of Education	N/A	(2)	335,583
Family Resource - State Department of Education	N/A	(2)	33,300
Lottery for Education After School Program - State Department of Education	N/A	(2)	86,633
Total State Grants			\$ 1,150,731

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.

Loudon County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2007

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, 2006, which have not been corrected.

**OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	178	General ledger accounts were not reconciled monthly

**OFFICE OF PURCHASING AGENT**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.02	178	The office had deficiencies in purchasing procedures

**OFFICE OF DIRECTOR OF SCHOOLS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.04	179	Purchases were not made through the county purchasing agent

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.08	183	The county did not have a written agreement for processing payroll transactions for a nonprofit agency
06.09	183	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**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.10	184	Deficiencies existed in the administration of the General Sessions Court bank account

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.11	185	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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**LOUDON COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2007**

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

1. An unqualified opinion was issued on the financial statements of Loudon County.
2. The audit of the financial statements of Loudon County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed no instances of noncompliance that were material to the financial statements of Loudon County.
4. The audit disclosed no significant deficiencies 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 Fund for the Improvement of Education (CFDA No. 84.215) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Loudon County did not qualify as a low-risk auditee.

## PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

### OFFICE OF DIRECTOR OF ACCOUNTS AND BUDGETS

**FINDING 07.01      CERTAIN BANK ACCOUNTS WERE NOT RECONCILED WITH THE GENERAL LEDGER MONTHLY**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The payroll bank accounts 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 reconcile the bank accounts with the general ledger accounts regularly allows errors to remain undiscovered and uncorrected.

#### RECOMMENDATION

Bank accounts should be reconciled monthly with general ledger accounts, and errors should be corrected promptly.

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**FINDING 07.02      GENERAL LEDGER PAYROLL LIABILITY ACCOUNTS WERE NOT RECONCILED MONTHLY**  
(Internal Control – Significant Deficiency Under Government Auditing Standards)

General ledger payroll liability accounts for the General and Highway/Public Works funds were not reconciled monthly with payroll records and payments. As a result, unidentified balances accumulated in the liability accounts for insurance. These unidentified balances were caused primarily by errors and omissions in the processing of vendor invoices for the benefit premiums. Management discovered and resolved most of the discrepancies prior to closing the fiscal year. However, the failure to reconcile payroll liability accounts monthly allows certain errors to remain undiscovered and uncorrected for a period of time.

#### RECOMMENDATION

General ledger payroll liability accounts should be reconciled monthly with payroll reports and payments, and errors should be corrected promptly.

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

**FINDING 07.03      **ACCOUNTS RECEIVABLE WERE NOT CURRENTLY MONITORED****

(Internal Control – Material Weakness Under Government Auditing Standards)

Management was not actively monitoring the revenue stream from the sale of recyclables in the Solid Waste/Sanitation Fund. For example, as of June 30, 2007, the last check received from one vendor was dated May 15, 2007, for sales in November 2006. As of the date of this report, the county had not determined how much was due from this vendor.

**RECOMMENDATION**

Management should actively monitor the sale of recyclables and the current receipt of any accounts receivable. Also, management should determine and collect the current amount owed by the vendor noted above.

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**OFFICES OF DIRECTOR OF ACCOUNTS AND BUDGETS AND THE PURCHASING AGENT**

**FINDING 07.04      **THE OFFICES HAD DEFICIENCIES IN PURCHASING PROCEDURES****

(Internal Control – Significant Deficiency 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 offices 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.

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

### **FINDING 07.05      **THE COUNTY DID NOT HAVE A WRITTEN AGREEMENT FOR PROCESSING PAYROLL TRANSACTIONS FOR A NONPROFIT AGENCY****

(Internal Control – Significant Deficiency 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 07.06      **FINANCIAL ACTIVITY OF THE PUBLIC LIBRARIES WAS NOT AUDITED, AND THE LIBRARIES WERE NOT SUBJECT TO BUDGETARY CONTROL OF THE COUNTY COMMISSION**** (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, "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, "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 DIRECTOR OF SCHOOLS

### FINDING 07.07      **SOME 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. These disbursements resulted in the following irregularities:

- A.      The practice of individual schools disbursing funds violates provisions of the County Purchasing Law of 1957, Section 5-14-101 et seq., Tennessee Code Annotated (TCA). This act requires the county purchasing agent to make all purchases for the various county departments.
  
- B.      The funds the individual schools received were expended through the schools' activity funds. This violates provisions of Section 49-2-110, TCA, which provides that school activity funds should be used to account for funds received from student activities and events. Activity funds should not be used to account for county school funds, which are tax dollars generated from state and local sources.

## RECOMMENDATION

The School Department should not disburse funds to individual schools for the purchase of equipment and various other items. All purchases should be made by the purchasing agent in compliance with the County Purchasing Law of 1957. School activity funds should not be used to disburse county school funds.

## 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.

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 for that purpose. This 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. 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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### OFFICE OF GENERAL SESSIONS COURT CLERK

FINDING 07.08      **DEFICIENCIES EXISTED IN THE ADMINISTRATION OF THE  
GENERAL SESSIONS COURT BANK ACCOUNT**  
(Internal Control – Significant Deficiency Under Government  
Auditing Standards)

Bank statements were not reconciled with the general ledger on a current basis for a majority of the year under audit. Also, as noted in the prior year audit report, insufficient funds checks totaling \$5,462 existed in the office as of June 30, 2006. During this fiscal year, collections totaling \$3,907 were received on these checks, leaving a balance of \$1,555. This amount is reflected as accounts receivable on the financial statements.

### RECOMMENDATION

Bank statements should be reconciled with general ledger accounts monthly, and any errors identified during the reconciliation process should be corrected promptly. Management should continue their efforts to collect all remaining returned checks.

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

Bank statements have been reconciled monthly since January 2007. In prior years' audits, this office reconciled bank statements on a monthly basis. The time period wherein the reconciliation did not occur as frequently as necessary encompassed new computer software. Many factors of the conversion affected daily routines.

We are continuing efforts to collect the balance of \$1,555. Because this money was turned over to the state at the time of the initial transaction, we are also researching the possibility of receiving credit from the state.

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**FINDING 07.09      THE DOCKET TRIAL BALANCE WAS NOT RECONCILED  
WITH CASH CONTROL RECORDS IN GENERAL SESSIONS  
COURT**  
(Noncompliance Under Government Auditing Standards)

At June 30, 2007, the general sessions court clerk had prepared a trial balance of execution docket cause balances as required by Section 18-2-103, Tennessee Code Annotated (TCA). However, this trial balance did not reconcile with general ledger accounts by \$28,465. Therefore, we were unable to determine if the clerk had complied with provisions of the Unclaimed Property Act, Section 66-29-110, TCA. This statute provides that any funds held by the court for one year and unclaimed by the owner are considered abandoned. Section 66-29-113, TCA, further requires these funds to be reported and paid to the state Treasurer's Office.

**RECOMMENDATION**

The execution docket trial balance should be reconciled with general ledger accounts. Any funds held by the court for one year and unclaimed by the owner are considered abandoned and should be reported and paid to the state Treasurer's Office in compliance with state statute.

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

The clerk is taking steps to resolve trial balance and general ledger questions through communication with the software provider and others. Furthermore, the clerk and the bookkeeper will develop a schedule of attainable goals to resolve the trial balance and unclaimed property questions.

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**FINDING 07.10      SHORT-TERM ACCOUNT ACTIVITY HAD NOT BEEN  
PROPERLY POSTED TO THE ACCOUNTING RECORDS FOR  
GENERAL SESSIONS COURT**  
(Internal Control – Significant Deficiency Under Government  
Auditing Standards)

Short-term account activity in General Sessions Court was not properly posted to the general ledger and subsidiary records. Also, subsidiary records for short-term accounts had not been reconciled with the control accounts. Our examination revealed two short-term accounts which had not been posted to the subsidiary records. These errors would have been detected if the clerk had periodically reconciled the subsidiary records with the general ledger. We provided audit adjustments to management for approval and posting so the office's account balances would be presented properly in the financial statements of this report.

## RECOMMENDATION

Short-term accounts should be properly posted to the general ledger and subsidiary records. Subsidiary records for short-term accounts should be reconciled monthly with control accounts.

## MANAGEMENT'S RESPONSE – GENERAL SESSIONS COURT CLERK

Short-term accounts are now posted and reconciled monthly.

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

This audit encompasses a fiscal year where the clerk implemented many changes. One of those changes occurred in February 2007. A full-time bookkeeper was promoted from within the office. Before this time, the bookkeeping was processed along with all other daily work. In creating this position, one person is now able to focus solely on the courts bookkeeping. Improvements have been recognized.

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## OFFICE OF SHERIFF

### FINDING 07.11      **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 Auditing 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. We also noted several checks for reimbursement of patrol services that had been held for extended periods of time prior to being taken to the Central Accounting Office. Receipts had not been issued for these collections by the Sheriff's Office.

## 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.

## MANAGEMENT'S RESPONSE – SHERIFF

We realize the importance of receipting and depositing in a timely manner. Some of these findings are a direct result of the inability to adequately segregate the duties of certain personnel. Measures have been put into place to vastly improve in this area.

**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, 2007**

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