ANNUAL FINANCIAL REPORT

RHEA COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2005

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

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FOR THE YEAR ENDED JUNE 30, 2005

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RHEA COUNTY, TENNESSEE
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Audit Highlights

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

Scope

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

Results

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

Our audit resulted in six findings and recommendations, which we have reviewed with Rhea County management. Detailed findings, recommendations, and management's response are included in the Single Audit Report.

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DEPARTMENT

- Capital asset records were not accurately maintained.
- Competitive bids were not solicited for the purchase of an automobile for the director of schools.
- School Department language interpreters were paid as independent contractors; however, no written contracts were on file to support the details of the services.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

- The clerk did not require a depository holding county funds to pledge securities sufficient to protect funds that exceeded Federal Deposit Insurance Corporation coverage.

OFFICE OF SHERIFF

- The cash journal did not include the commissary or drug control operations, and the annual financial report did not include drug control funds. Commissary bank statements were not reconciled with cash control records, and receipts were not issued for some drug control collections. Also, funds were not always deposited to the office bank account within three days of collection.

OTHER FINDING

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

INTRODUCTORY SECTION

Rhea County Officials
June 30, 2005

Officials:

Billy Ray Patton, County Executive
Tommy Snyder, Highway Superintendent
Dallas Smith, Director of Schools
Freddie Morgan, Trustee
Julene Purser, Assessor of Property
Linda Shaver, County Clerk
Regina Metts, Circuit and General Sessions Courts Clerk
John Fine, Clerk and Master
Gladys Best, Register
Mike Neal, Sheriff
Brad Harris, Finance Director

Board of County Commissioners:

Tom Davis, Chairman

Jimmy Barnes	Ronald Raper
Terry Broyles	Richard Tallent
Harold Fisher	Dennis Tumin
J. C. Fugate	Bradley Varner

Finance Committee:

Ronald Raper, Chairman

J.C. Fugate	Tommy Snyder
Billy Ray Patton	Richard Tallent
Dallas Smith	Bradley Varner

Board of Education:

Bill Graham, Chairman

Billy DaVault	B. J. McCoy
Carroll Henderson	John Mincy
Bruce Majors, Jr.	Maxine Moffett
Bimbo McCawley	Scott Pendergrass

FINANCIAL SECTION

STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-0269
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INDEPENDENT AUDITOR'S REPORT

February 6, 2006

Rhea County Executive and
Board of County Commissioners
Rhea County, Tennessee

To the County Executive 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 Rhea County, Tennessee, as of and for the year ended June 30, 2005, which collectively comprise Rhea County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Rhea County's management. Our responsibility is to express opinions on the financial statements based on our audit. We did not audit the financial statements of the discretely presented Rhea Medical Center, which represent 28 percent and 41 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 Rhea Medical Center, 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 the other auditors provide a reasonable basis for our opinions.

The financial statements of the Rhea County Emergency Communications District, a discretely presented component unit, had not been made available by other auditors as of the date of this report. Accordingly, the aggregate remaining fund information of Rhea County, Tennessee, referred to above, does not include the financial statements of the Rhea County Emergency Communications District, which should be included to conform with accounting principles generally accepted in the United States of America. The effects on the financial statements are not reasonably determinable.

In our opinion, based on our audit and the report of other auditors, and except for the effects of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the aggregate discretely presented component units of Rhea County, Tennessee, as of June 30, 2005, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated February 6, 2006, on our consideration of Rhea County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

The management's discussion and analysis on pages 13 through 19 and the budgetary comparison information on pages 85 through 91 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 Rhea County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary

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

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/yu

Rhea County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2005

As management for Rhea County, Tennessee, we offer readers a narrative overview of the financial statements and analysis of the financial activities of the county for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the county's financial performance as a whole.

FINANCIAL HIGHLIGHTS FYE JUNE 30, 2005

- The assets of Rhea County exceeded its liabilities at the close of the most recent fiscal year by $30,254,480.

- The government's total net assets increased by $6,188,343.

- At the close of the current fiscal year, Rhea County's governmental funds reported combined ending fund balances of $3,860,634. Approximately 55.16 percent of this total amount, $2,129,343, is available for spending at the government's discretion (unreserved fund balance).

- At the close of the current fiscal year, unreserved fund balance for the General Fund was $863,088, or 12.62 percent of total General Fund expenditures.

- Rhea County's total debt decreased by $3,341,709 during the current fiscal year. This decrease was the net result of the repayment of existing debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Rhea County, Tennessee. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Rhea County's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Rhea County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the county is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the*

related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the county that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements include not only the county (known as the *primary* government), but also includes discretely presented component units (DPCU) as follows:

- Rhea County School Department
- Rhea Medical Center

These component units are legally separate organizations for which the county is financially accountable. The Rhea County Emergency Communications District also meets the criteria for a discretely presented component unit; however, their financial statements were not available for inclusion on the government-wide statements. The governmental activities of the county include general government, fiscal administration, administration of justice, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities of the county include a hospital and nursing home.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rhea County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Rhea County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Rhea County maintains a multitude of individual governmental funds. Information is presented separately in the governmental balance sheet and in the governmental fund

statement of revenues, expenditures, and changes in fund balances for the General Fund, Solid Waste/Sanitation Fund, Highway/Public Works Fund, and General Debt Service Fund, all of which are considered to be *major funds*. Data from the other governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements*, which are included elsewhere in this report.

The county adopts an annual appropriated budget for each major governmental fund. Budgets are also adopted for certain nonmajor funds. Budgetary comparison statements have been provided to demonstrate compliance with these budgets and can be found in the required supplementary information section.

Proprietary funds. Rhea County maintains one proprietary fund (internal service fund) used to account for centralized maintenance operations. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenue of this proprietary fund is charges for services. Operating expenses for this fund include administrative expenses and employee benefits.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the county's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found in Exhibit F of this report.

Notes to the financial statements. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the financial statements in this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The information included in this section is stipulated by the Governmental Accounting Standards Board (GASB) Statement 34.

Financial statements for the DPCU School Department are presented immediately following the agency funds in this report. This component unit does not issue separate financial statements.

Financial statements are also presented for the DPCU Rhea Medical Center. This component unit does issue separate financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Rhea County, assets exceeded liabilities by $30,254,480 at the close of the most recent fiscal year. The Constitution for the State of Tennessee allows only the local legislative body to issue debt. Therefore, whenever the Rhea County Board of Education requires additional money to fund school construction and equipment, the

related debt must be issued by the county. As of June 30, 2005, the county had outstanding debt totaling $15,702,977 for capital purposes for the Rhea County Board of Education, but the capital assets are reported in the financial statements of the Rhea County Board of Education. As a result, the county has incurred the related liability without a corresponding increase in the county's capital assets, thereby significantly decreasing its unrestricted net assets.

By far the largest portion of the county's net assets reflects investment in capital assets (e.g., land, buildings, machinery, equipment, roads and bridges) less any related outstanding debt used to acquire those assets. The county uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. The same holds true for the DPCU School Department, Rhea Medical Center, and Rhea County Emergency Communications District. Although the county's and the DPCU's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedule provides a summary of the county's and the DPCU's net assets for 2005:

RHEA COUNTY'S Net Assets

	Governmental Activities	Rhea County School Department	Rhea Medical Center	Total
Current and Other Assets	$ 10,147,793	$ 6,540,138	$ 7,270,298	$ 23,958,229
Capital Assets	6,586,995	24,487,668	4,738,771	35,813,434
Total Assets	$ 16,734,788	$ 31,027,806	$ 12,009,069	$ 59,771,663
Long-term Liabilities Outstanding	$ 17,818,523	$ 0	$ 265,000	$ 18,083,523
Other Liabilities	5,804,529	3,560,829	2,068,302	11,433,660
Total Liabilities	$ 23,623,052	$ 3,560,829	$ 2,333,302	$ 29,517,183
Net Assets:				
Invested in Capital Assets, net of related debt	$ (1,271,120)	$ 24,487,668	$ 4,225,476	$ 27,442,024
Restricted	1,739,383	1,229,077	0	2,968,460
Unrestricted	(7,356,527)	1,750,232	5,450,291	(156,004)
Total Net Assets	$ (6,888,264)	$ 27,466,977	$ 9,675,767	$ 30,254,480

A portion of Rhea County's net assets ($2,968,460) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

RHEA COUNTY'S Changes in Net Assets

	Governmental Activities	Rhea County School Department	Rhea Medical Center	Total
Revenues:				
Program Revenues:				
Charges for Services	$ 4,354,130	$ 768,451	$ 16,883,412	$ 22,005,993
Operating Grants & Contributions	3,507,086	2,922,412	0	6,429,498
Capital Grants & Contributions	289,459	0	176,000	465,459
General Revenues:				
Property Taxes	4,487,375	2,735,088	0	7,222,463
Other Taxes	1,024,200	1,967,134	0	2,991,334
Grants & Contributions Not Restricted for Specific Programs	171,941	15,803,544	8,843	15,984,328
Miscellaneous	1,221	1,282		2,503
Special Items	30,145	136,746		166,891
Unrestricted Investment Earnings	137,871	27,109	31,193	196,173
Total Revenues	$ 14,003,428	$ 24,361,766	$ 17,099,448	$ 55,464,642
Expenses:				
General Government	$ 1,216,786	$ 0	$ 0	$ 1,216,786
Finance	901,213	0	0	901,213
Administration of Justice	867,166	0	0	867,166
Public Safety	2,904,855	0	0	2,904,855
Public Health and Welfare	663,733	0	0	663,733
Social, Cultural and Recreational	249,020	0	0	249,020
Other Operations	3,421,076	0	0	3,421,076
Highways/Public Works	1,489,617	0	0	1,489,617
Education	0	20,898,025	0	20,898,025
Interest on Long-term Debt	799,786	0	0	799,786
Other Debt Service	22,946	0	0	22,946
Health and Welfare	0	0	15,842,076	15,842,076
Total Expenses	$ 12,536,198	$ 20,898,025	$ 15,842,076	$ 49,276,299
Increase (Decrease) in Net Assets	$ 1,467,230	$ 3,463,741	$ 1,257,372	$ 6,188,343
Prior Year Restatement	548,328	175,026	0	723,354
Net Assets, July 1, 2004	(8,903,822)	23,828,210	8,418,395	23,342,783
Net Assets, June 30, 2005	$ (6,888,264)	$ 27,466,977	$ 9,675,767	$ 30,254,480

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Rhea County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Rhea County Government's *governmental funds* is to provide information on near-term inflows, and balances of *spendable* resources. Such information is useful in assessing the Rhea County Government's financial requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Rhea County's governmental funds reported combined ending fund balances of $3,860,634, a decrease of $190,272 in comparison with the prior year. Of this total, $2,129,343 constitutes *unreserved fund balance,* which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to offset long-term receivables ($360,066) or (2) for revenue restricted for specific purposes ($1,371,225).

The General Fund is the chief operating fund of Rhea County. At the end of the current fiscal year, unreserved fund balance of the General Fund was $863,088, while total fund balance was $1,298,194. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 12.62 percent of total General Fund expenditures, while total fund balance represents 18.99 percent of that same amount.

The fund balance of Rhea County's General Fund decreased by $430,468 during the current fiscal year. The decrease, which was anticipated and reflected in the county's budget, was driven by routine operational expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were $1,650,377 (increase in appropriations) and can be briefly summarized as follows:

- $2,684 in increases allocated to General Government
- $313,580 in decreases allocated to Finance
- $3,870 in increases allocated to Administration of Justice
- $468,379 in increases allocated to Public Safety
- $147,316 in increases allocated to Public Health and Welfare
- $2,789 in increases allocated to Agricultural and Natural Resources
- $136,265 in increases allocated to Capital Projects
- $230,924 in increases allocated to Other Operations

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The county's investment in capital assets for its governmental and business-type activities as of June 30, 2005, was $35,813,434 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, roads, highways, and bridges.

Long-term debt. At the end of the current fiscal year, the Rhea County government had total debt outstanding of $17,810,684. This amount is backed in its entirety by the full faith and credit of the county government. A schedule of all outstanding debt as of June 30, 2005, for Rhea County follows:

	Governmental Activities	Rhea Medical Center	Total
General Obligation Bonds	$ 15,160,000	$ 0	$ 15,160,000
Notes Payable	1,412,875	501,110	1,913,985
Capital Leases	181,537	12,185	193,722
Other Loans Payable	542,977	0	542,977
Total	$ 17,297,389	$ 513,295	$ 17,810,684

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the county is currently 6.4 percent, which grew from 5.6 percent a year ago. The state's unemployment rate is currently approximately 5.4 percent and the United States as a whole has an approximate rate of 4.9 percent. Inflationary trends in the region compare favorably to national indices. The county experienced limited commercial and industrial growth during the year. All of these factors were considered in preparing the county's budget for the 2005-2006 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased to $1,087,113. The county appropriated $828,209 of this amount for spending in the 2004-2005 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes or charges for this fund during the 2004-2005 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the Rhea County Government's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of Director of Finance, 375 Church Street, Suite 200, Dayton, TN 37321

BASIC FINANCIAL STATEMENTS

Exhibit A

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

	Primary Government	Component Units	
	Governmental Activities	Rhea County School Department	Rhea Medical Center
ASSETS			
Cash	$ 117,723	$ 1,392	$ 3,904,017
Equity in Pool Cash and Investments	3,501,595	1,930,618	0
Inventories	0	42,081	301,204
Accounts Receivable	78,729	3,673	4,171,780
Allowance for Uncollectibles	0	0	(1,780,623)
Due from Other Governments	554,719	482,139	0
Due from Primary Government	0	15,004	0
Due from Component Units	4,223	0	0
Property Taxes Receivable	5,629,457	3,300,661	0
Allowance for Uncollectible Property Taxes	(259,786)	(154,657)	0
Prepaid Items	0	0	149,880
Notes Receivable - Current	161,067	362,892	0
Notes Receivable - Long-term	360,066	556,335	0
Other	0	0	524,040
Assets Not Depreciated:			
Land	1,073,684	841,002	179,281
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,429,465	22,513,089	0
Other Capital Assets	659,051	1,133,577	4,559,490
Infrastructure	3,424,795	0	0
Total Assets	$ 16,734,788	$ 31,027,806	$ 12,009,069
LIABILITIES			
Accounts Payable	$ 78,001	$ 6,794	$ 1,142,906
Accrued Payroll	12,449	6,980	449,492
Payroll Deductions Payable	61,739	440,079	0
Accrued Interest Payable	189,376	0	0
Due to Primary Government	0	4,223	0
Due to Component Units	15,004	0	0
Due Litigants, Heirs, and Others	6,348	0	25,471
Other Current Liabilities	0	0	202,138
Deferred Revenue - Current Property Taxes	5,196,675	3,040,916	0
Other Long-term Liabilities	521,134	0	0
Noncurrent Liabilities:			
Due Within One Year	1,787,328	61,837	248,295
Due In More Than One Year	15,754,998	0	265,000
Total Liabilities	$ 23,623,052	$ 3,560,829	$ 2,333,302
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	$ (1,271,120)	$ 0	$ 4,225,476
Invested in Capital Assets	0	24,487,668	0
Restricted for:			
Debt Service	69,521	0	0
Other Purposes	1,669,862	1,229,077	0
Unrestricted	(7,356,527)	1,750,232	5,450,291
Total Net Assets	$ (6,888,264)	$ 27,466,977	$ 9,675,767

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

Exhibit B

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

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
						Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Rhea County School Department	Rhea Medical Center
Primary Government:							
Governmental Activities:							
General Government	$ 1,216,786	$ 283,831	$ 34,311	$ 0	$ (898,644)	$ 0	$ 0
Finance	901,213	531,067	13,754	0	(356,392)	0	0
Administration of Justice	867,166	706,696	0	0	(160,470)	0	0
Public Safety	2,904,855	429,976	425,492	0	(2,049,387)	0	0
Public Health and Welfare	663,733	158,023	254,621	0	(251,089)	0	0
Agriculture & Natural Resources	249,020	0	115,005	8,250	(125,765)	0	0
Other Operations	3,421,076	2,233,579	210,980	175,543	(800,974)	0	0
Highways/Public Works	1,489,617	10,958	1,579,415	105,666	206,422	0	0
Interest on Long-term Debt	799,786	0	0	0	(799,786)	0	0
Other Debt Service	22,946	0	873,508	0	850,562	0	0
Total Primary Government	$ 12,536,198	$ 4,354,130	$ 3,507,086	$ 289,459	$ (4,385,523)	$ 0	$ 0
Component Units:							
Rhea County School Department	$ 20,898,025	$ 768,451	$ 2,922,412	$ 0	$ 0	$ (17,207,162)	$ 0
Rhea Medical Center	15,842,076	16,883,412	0	176,000	0	0	1,217,336
Total Component Units	$ 36,740,101	$ 17,651,863	$ 2,922,412	$ 176,000	$ 0	$ (17,207,162)	$ 1,217,336

Exhibit B

Rhea County, Tennessee
Statement of Activities (Cont.)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
						Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Rhea County School Department	Rhea Medical Center
General Revenues:							
Taxes:							
Property taxes levied for general purposes					$ 3,597,389	$ 2,735,088	$ 0
Property taxes levied for debt service					889,986	0	0
Local option sales tax					374,416	1,963,093	0
Other local taxes					649,784	4,041	0
Grants & Contributions not restricted for specific programs					171,941	15,803,544	8,843
Unrestricted Investment Earnings					137,871	27,109	31,193
Miscellaneous					31,366	138,028	0
Total General Revenues					$ 5,852,753	$ 20,670,903	$ 40,036
Change in net assets					$ 1,467,230	$ 3,463,741	$ 1,257,372
Prior Year Adjustment					548,328	175,026	0
Net assets, July 1, 2004					(8,903,822)	23,828,210	8,418,395
Net assets, June 30, 2005					$ (6,888,264)	$ 27,466,977	$ 9,675,767

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

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS						
Cash	$ 1,628	$ 0	$ 0	$ 0	$ 75,954	$ 77,582
Equity in Pooled Cash and Investments	1,217,910	1,182,159	488,403	492,702	120,421	3,501,595
Accounts Receivable	39,652	38,809	1	0	0	78,462
Due from Other Governments	167,879	13,817	302,442	69,661	920	554,719
Due from Other Funds	15,720	75	0	0	0	15,795
Property Taxes Receivable	4,959,169	0	0	670,288	0	5,629,457
Allowance for Uncollectible Property Taxes	(220,111)	0	0	(39,675)	0	(259,786)
Notes Receivable - Current	0	161,067	0	0	0	161,067
Notes Receivable - Long-Term	0	360,066	0	0	0	360,066
Total Assets	$ 6,181,847	$ 1,755,993	$ 790,846	$ 1,192,976	$ 197,295	$ 10,118,957
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 36,993	$ 3,602	$ 27,066	$ 0	$ 406	$ 68,067
Accrued Payroll	12,449	0	0	0	0	12,449
Payroll Deductions Payable	41,551	2,346	8,208	0	0	52,105
Due to Other Funds	1,677	19	3,712	0	328	5,736
Due to Litigants, Heirs, and Others	0	0	0	0	6,348	6,348
Deferred Revenue - Current Property Taxes	4,600,335	0	0	596,340	0	5,196,675
Deferred Revenue - Delinquent Property Taxes	138,723	0	0	34,273	0	172,996
Other Deferred Revenues	51,925	0	135,640	35,248	0	222,813
Capital Outlay Notes Payable - Long-term	0	0	0	521,134	0	521,134
Total Liabilities	$ 4,883,653	$ 5,967	$ 174,626	$ 1,186,995	$ 7,082	$ 6,258,323
Fund Balances						
Reserved for Encumbrances	$ 21,429	$ 0	$ 40,000	$ 0	$ 0	$ 61,429
Reserved for Alcohol and Drug Treatment	68,231	0	0	0	0	68,231
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	174,356	0	0	0	0	174,356
Reserved for Drug Court	6,929	0	0	0	0	6,929
Reserved for Computer System - Register	72,899	0	0	0	0	72,899

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Reserved for Automation Purposes - Circuit Court	$ 5,417	$ 0	$ 0	$ 0	$ 0	$ 5,417
Reserved for Automation Purposes - General Sessions Court	18,688	0	0	0	0	18,688
Reserved for Automation Purposes - Chancery Court	616	0	0	0	0	616
Reserved for Automation Purposes - Sheriff	19,588	0	0	0	0	19,588
Reserved for Long-term Notes Receivable	0	360,066	0	0	0	360,066
Reserved for Other General Purposes	46,953	896,119	0	0	0	943,072
Unreserved, Reported In:						
General Fund	863,088	0	0	0	0	863,088
Special Revenue Funds	0	493,841	576,220	0	190,213	1,260,274
Debt Service Funds	0	0	0	5,981	0	5,981
Total Fund Balances	$ 1,298,194	$ 1,750,026	$ 616,220	$ 5,981	$ 190,213	$ 3,860,634
Total Liabilities and Fund Balances	$ 6,181,847	$ 1,755,993	$ 790,846	$ 1,192,976	$ 197,295	$ 10,118,957

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

Exhibit C-2

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

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)	$	3,860,634
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,586,995
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(17,731,702)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		395,809
Net assets of governmental activities (Exhibit A)	$	(6,888,264)

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

Exhibit D-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 3,944,386	$ 269,625	$ 103,669	$ 1,298,254	$ 0	$ 5,615,934
Licenses and Permits	20,758	0	0	0	0	20,758
Fines, Forfeitures, and Penalties	277,759	0	0	0	72,480	350,239
Charges for Current Services	34,370	146,580	0	0	314,370	495,320
Other Local Revenues	368,215	20,920	14,586	711,852	2,781	1,118,354
Fees Received from County Officials	720,851	0	0	0	0	720,851
State of Tennessee	453,131	51,751	1,800,377	0	107,860	2,413,119
Federal Government	438,226	0	0	0	219,230	657,456
Other Governments and Citizens Groups	149,355	7,483	0	279,902	2,509	439,249
Total Revenues	$ 6,407,051	$ 496,359	$ 1,918,632	$ 2,290,008	$ 719,230	$ 11,831,280
Expenditures						
Current:						
General Government	$ 987,033	$ 0	$ 0	$ 0	$ 0	$ 987,033
Finance	601,337	0	0	0	298,004	899,341
Administration of Justice	699,887	0	0	0	24,129	724,016
Public Safety	2,952,391	0	0	0	52,293	3,004,684
Public Health and Welfare	206,178	403,840	0	0	0	610,018
Agricultural and Natural Resources	132,460	0	0	0	0	132,460
Other Operations	1,121,968	34,781	0	0	211,215	1,367,964
Highways	0	0	1,749,011	0	0	1,749,011
Capital Outlay	0	0	0	0	8,250	8,250
Debt Service:						
Principal	0	0	0	1,451,494	0	1,451,494
Interest	0	0	0	820,210	0	820,210
Other Debt Service	0	0	0	22,946	0	22,946
Capital Projects	136,265	0	0	0	107,860	244,125
Total Expenditures	$ 6,837,519	$ 438,621	$ 1,749,011	$ 2,294,650	$ 701,751	$ 12,021,552
Excess (Deficiency) of Revenues Over Expenditures	$ (430,468)	$ 57,738	$ 169,621	$ (4,642)	$ 17,479	$ (190,272)

(Continued)

Exhibit D-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses)						
Transfers In	$ 0	$ 0	$ 0	$ 286,665	$ 0	$ 286,665
Transfers Out	0	0	(286,665)	0	0	(286,665)
Total Other Financing Sources (Uses)	$ 0	$ 0	$ (286,665)	$ 286,665	$ 0	$ 0
Net Change in Fund Balances	$ (430,468)	$ 57,738	$ (117,044)	$ 282,023	$ 17,479	$ (190,272)
Fund Balance, July 1, 2004	1,728,662	1,692,288	733,264	(276,042)	172,734	4,050,906
Fund Balance, June 30, 2005	$ 1,298,194	$ 1,750,026	$ 616,220	$ 5,981	$ 190,213	$ 3,860,634

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

Exhibit D-2

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

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

Net change in fund balances - total governmental funds (Exhibit D-1)	$	(190,272)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		175,006
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		(56,480)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(4,951)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,541,709
(5) 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 governmental funds.		2,218
Change in net assets of governmental activities (Exhibit B)	$	1,467,230

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

Exhibit E-1

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

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
ASSETS	
Equity in Pooled Cash and Investments	$ 40,141
Accounts Receivable	267
Due from Other Funds	5,408
Due from Component Units	4,223
Total Assets	$ 50,039
LIABILITIES	
Accounts Payable	$ 9,934
Payroll Deductions Payable	9,634
Due to Other Funds	15,467
Due to Component Units	15,004
Total Liabilities	$ 50,039
NET ASSETS	
Unrestricted	$ 0

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

Exhibit E-2

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

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Operating Revenues	
Charges for Current Services	$ 3,232,765
Other Local Revenues	12,692
Total Operating Revenues	$ 3,245,457
Operating Expenses	
Other Facilities	$ 309,451
Other Operations	11,730
Other Charges	795,208
Miscellaneous	2,129,068
Total Operating Expenses	$ 3,245,457
Operating Income (Loss)	$ 0
Change in Net Assets	$ 0
Net Assets, July 1, 2004	0
Net Assets, June 30, 2005	$ 0

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

Exhibit E-3

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

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Cash Flows from Operating Activities	
Receipts from Interfund Services Provided	$ 3,302,688
Proceeds From Sale of Gasoline	12,692
Central Maintenance Garage Activity - Uses	(3,314,381)
Net Cash Provided By (Used In) Operating Activities	$ 999
Net Increase (Decrease) in Cash and Cash Equivalents	$ 999
Cash, July 1, 2004	39,142
Cash, June 30, 2005	$ 40,141
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ 0
Adjustment to Reconcile Net Operating Income To Net Cash Provided By (Used In) Operating Activities: Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	645
(Increase) Decrease in Due from Other Funds	25,665
(Increase) Decrease in Due from Component Units	43,613
Increase (Decrease) in Accounts Payable	5,046
Increase (Decrease) in Payroll Deductions Payable	1,276
Increase (Decrease) in Due to Other Funds	(74,675)
Increase (Decrease) in Due to Component Units	(571)
Net Cash Provided By (Used In) Operating Activities	$ 999

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

Exhibit F

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

	Agency Funds
ASSETS	
Equity in Pooled Cash and Investments	$ 35,069
Cash	1,167,672
Due from Other Governments	392,783
Taxes Receivable	307,378
Allowance for Uncollectible Taxes	(15,042)
Total Assets	$ 1,887,860
LIABILITIES	
Due to Other Taxing Units	$ 720,188
Due to Litigants, Heirs, and Others	1,167,672
Total Liabilities	$ 1,887,860

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

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rhea 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 Rhea County:

A. Reporting Entity

Rhea County is a public municipal corporation governed by an elected nine-member board. As required by GAAP, these financial statements present Rhea 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 Rhea 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 Rhea County School Department operates the public school system in the county, and the voters of Rhea 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 Rhea Medical Center provides medical care to the citizens of Rhea County, and the County Commission appoints its governing body. The Rhea Medical Center is funded primarily through patient service charges. Before the issuance of debt instruments, the entity must obtain the County Commission's approval.

The Rhea County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Rhea County, and its governing body is appointed by the County Commission. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt

instruments, the district must obtain the County Commission's approval. The financial statements of the Rhea County Emergency Communications District were not available from other auditors in time for inclusion in this report.

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

Administrative Offices:

Rhea Medical Center
7900 Rhea County Highway
Dayton, TN 37321

Rhea County Emergency Communications District
8860 Back Valley Road
P.O. Box 85
Evensville, TN 37332

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Rhea 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 Rhea 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.

Rhea County issues all debt for the discretely presented Rhea County School Department.

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. 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 Rhea 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. Rhea County reports one proprietary fund, an internal service fund. 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. Rhea 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 General Debt Service Fund for payments to be made early in the following year.

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

Proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Rhea 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.

Solid Waste/Sanitation Fund – This fund accounts for Rhea County's garbage collection and convenience center operations.

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

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

Additionally, Rhea County reports the following fund types:

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

Internal Service Fund – The Central Maintenance/Garage Fund is used to account for the central maintenance program activities that are provided to the various departments on a cost reimbursement basis.

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 Rhea County, and the city school system's share of educational revenues. 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 Rhea 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.

School Transportation Fund – This fund is used to account for operations of the school transportation system.

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

Capital Projects Fund – The Education Capital Projects Fund is used to account for the receipt of debt and other specific revenue sources that are legally restricted to expenditures for construction and/or renovation.

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 central maintenance program. Operating revenues and expenses generally result from providing services in connection with the funds' principal ongoing operations. The principal operating revenues of the county's internal service funds are charges for services. Operating expenses for the internal service funds include administrative expenses and employee benefits.

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, cash includes cash on deposit with the county trustee.

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 Rhea County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net assets as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Debt Service Fund. Rhea County and the Rhea County School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at amortized cost. Certificates of deposit and investments in the State Treasurer's Investment Pool are reported at cost. The State Treasurer's Investment Pool is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than fair value to report net assets to compute share prices if certain conditions are met. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections at the end of the fiscal year is referred to as due to/from other funds. Activity between funds that is representative of lending/borrowing arrangements at the end of the fiscal year is referred to as notes receivable/payable - current (i.e. the current portion of interfund loans) or notes receivable/payable – Long-term (i.e. the noncurrent portion of interfund loans).

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.65 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. <u>Inventories</u>

Inventories of the discretely presented Rhea County School Department are recorded at cost, determined on the first-in, first-out method.

4. <u>Capital Assets</u>

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 $15,000 or more and an estimated useful life of more than three 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:

Assets	Years
Buildings and Improvements	20-40
Other Capital Assets	5-15
Infrastructure:	
Roads	5-15
Bridges	40

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 Rhea County does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide 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 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.

7. Net Assets and Fund Equity

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

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

As of June 30, 2005, Rhea County had $15,702,977 in outstanding debt for capital purposes for the discretely presented Rhea County School Department, and $501,113 in outstanding debt for capital purposes for the Rhea Medical Center. This debt is a liability of Rhea County; however, but the capital assets acquired are reported in the financial statements of the School Department and the Rhea Medical Center. Therefore, Rhea County has incurred a liability significantly decreasing its unrestricted net assets with no corresponding increase in the county's capital assets.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

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 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including debt payable, are not due and payable in the current period and therefore are not reported in the funds. The details of the $17,731,702 difference are as follows:

Bonds payable	$ (15,160,000)
Notes payable	(1,412,875)
Capital leases payable	(181,537)
Other loans payable	(542,977)
Accrued interest payable	(189,376)
Compensated absences	(244,937)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$ (17,731,702)

Discretely Presented Rhea County School Department

The discretely presented Rhea County School Department's Exhibit K-3 presents a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. The details of the $61,837 difference are as follows:

Compensated absences	$ (61,837)
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	$ (61,837)

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 D-2 presents reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this $175,006 difference are as follows:

Capital outlay	$ 804,471
Depreciation expense	(629,465)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ 175,006

Another element of that reconciliation states that the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. The details of this $56,480 difference are as follows:

Capital asset disposals	$ (208,778)
Accumulated depreciation on capital asset disposals	152,298
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ (56,480)

Another element of that reconciliation states that the issuance of long-term debt (e.g., bonds, notes, other loans, and leases) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this $1,541,709 difference are as follows:

Principal repayments:	
Bonds	$ 690,000
Notes	683,270
Other loans	77,568
Capital leases	90,871
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ 1,541,709

Another element of that reconciliation states that 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 governmental funds. The details of this $2,218 difference are as follows:

Net change in accrued interest	$ 20,424
Net change in compensated absences	(18,206)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ 2,218

Discretely Presented Rhea County School Department

The discretely presented Rhea County School Department's Exhibit K-5 presents a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The details of this $5,671,868 difference are as follows:

Capital outlay	$ 6,903,945
Depreciation expense	(1,232,077)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ 5,671,868

Another element of that reconciliation states that the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. The details of this $25,020 difference are as follows:

Capital asset disposals	$ (166,175)
Accumulated depreciation on capital asset disposals	141,155
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ (25,020)

Another element of that reconciliation states that 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 governmental funds. The details of this $120 difference are as follows:

Net change in compensated absences	$ (120)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	$ (120)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Other Charges major appropriation category (the legal level of control) of the Solid Waste/Sanitation Fund by $647 and the Administration major appropriation category of the Highway/Public Works Fund by $1,222. These overexpenditures were funded by available fund balances.

B. The County Had Deposits That Were Exposed to Custodial Credit Risk

The circuit and general sessions courts clerk did not require one depository holding county funds to pledge securities sufficient to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, deposits at this depository exceeded FDIC coverage and collateral securities pledged by $226,985. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of such county funds.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Rhea County and the Rhea County School Department participate in an internal cash and investment pool through the Office of Trustee. The Rhea County School Department meets the criteria for a discretely presented component unit of Rhea County. Since Rhea County is presenting fund financial statements only, the financial information for the Rhea County School Department is not included in these fund financial statements. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, depositing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents 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.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Rhea County's deposits may not be returned to it. Rhea County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Rhea County and the discretely presented Rhea County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2005, bank balances of $226,985 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 226,985
Total	$ 226,985

This amount was in a nonpooled bank account reported in the fiduciary funds.

Uninsured and uncollateralized deposits are a violation of state statutes.

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.

The county had no pooled and nonpooled investments as of June 30, 2005.

B. Notes Receivable

Primary Government

Notes receivable represent amounts loaned by the Solid Waste/Sanitation Fund to finance various capital projects. These loans will be repaid from the General Debt Service Fund over a period of up to nine years at an interest rate of two percent.

Discretely Presented Rhea County School Department

Notes receivable represent amounts loaned by the School Department's General Purpose School Fund to finance various capital projects. These loans will be repaid from the primary government's General Debt Service Fund over a period of up to nine years at an interest rate of two percent.

C. Capital Assets

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

Primary Government

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	$ 1,012,583	$ 61,101	$ 0	$ 1,073,684
Construction in Progress	95,673	0	(95,673)	0
Total Capital Assets Not Depreciated	$ 1,108,256	$ 61,101	$ (95,673)	$ 1,073,684
Capital Assets Depreciated:				
Buildings and Improvements	$ 5,286,968	$ 227,673	$ 0	$ 5,514,641
Infrastructure	6,080,888	1,015,872	(128,416)	6,968,344
Other Capital Assets	1,572,741	1,088,273	(80,362)	2,580,652
Total Capital Assets Depreciated	$ 12,940,597	$ 2,331,818	$ (208,778)	$ 15,063,637
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 4,014,385	$ 70,791	$ 0	$ 4,085,176
Infrastructure	3,140,355	484,524	(81,330)	3,543,549
Other Capital Assets	973,972	1,018,597	(70,968)	1,921,601
Total Accumulated Depreciation	$ 8,128,712	$ 1,573,912	$ (152,298)	$ 9,550,326

Governmental Activities (Cont.):

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Total Capital Assets Depreciated, Net	$ 4,811,885	$ 757,906	$ (56,480)	$ 5,513,311
Governmental Activities Capital Assets, Net	$ 5,920,141	$ 819,007	$ (152,153)	$ 6,586,995

Increases include a prior-period adjustment totaling $548,328 to correct capital asset values.

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

Governmental Activities:

General Government	$ 45,453
Public Safety	128,017
Public Health and Welfare	49,350
Highways	406,645
Total Depreciation Expense - Governmental Activities	$ 629,465

Discretely Presented Rhea County School Department

Governmental Activities:

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Capital Assets Not Depreciated:				
Land	$ 841,002	$ 0	$ 0	$ 841,002
Construction in Progress	781,895	0	(781,895)	0
Total Capital Assets Not Depreciated	$ 1,622,897	$ 0	$ (781,895)	$ 841,002
Capital Assets Depreciated:				
Buildings and Improvements	$ 33,544,592	$ 7,712,663	$ 0	$ 41,257,255
Other Capital Assets	2,687,289	226,216	(166,175)	2,747,330
Total Capital Assets Depreciated	$ 36,231,881	$ 7,938,879	$ (166,175)	$ 44,004,585

Governmental Activities (Cont.):

	Balance 7-1-04	Increases	Decreases	Balance 6-30-05
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 17,671,892	$ 1,072,274	$ 0	$ 18,744,166
Other Capital Assets	1,504,171	250,737	(141,155)	1,613,753
Total Accumulated Depreciation	$ 19,176,063	$ 1,323,011	$ (141,155)	$ 20,357,919
Total Capital Assets Depreciated, Net	$ 17,055,818	$ 6,615,868	$ (25,020)	$ 23,646,666
Governmental Activities Capital Assets, Net	$ 18,678,715	$ 6,615,868	$ (806,915)	$ 24,487,668

Increases include a prior-period adjustment totaling $162,105 to correct asset values. Depreciation expense was charged to functions of the discretely presented Rhea County School Department as follows:

Governmental Activities:

Instruction	$ 1,041,060
Support Services	181,202
Operation of Non-Instructional Services	9,815
Total Depreciation Expense - Governmental Activities	$ 1,232,077

D. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Internal Service	$ 15,392
General	Nonmajor governmental	328
Solid Waste/Sanitation	Internal Service	75
Internal Service	General	1,677

Due to/from other funds (Cont.):

Receivable Fund	Payable Fund	Amount
Primary Government (Cont.):		
Internal Service	Solid Waste/Sanitation	$ 19
Internal Service	Highway/Public Works	3,712
Total		$ 21,203
Discretely Presented Rhea County School Department:		
School Transportation	General Purpose School	$ 192
Total		$ 192

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

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government:	Component unit - School Department	
Internal Service	General Purpose School	$ 4,190
Internal Service	School Transportation	33
Component unit - School Department	Primary government:	
School Transportation	Internal Service	15,004

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In General Debt Service Fund
Highway/Public Works Fund	$ 286,665
Total	$ 286,665

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.

E. Capital Lease

On April 28, 2003, the Rhea County Highway Department entered into a five-year lease-purchase agreement for two road graders. Terms of this agreement called for total lease payments of $308,799 plus interest at four percent. Title to the leased equipment transfers to the Rhea County Highway Department at the end of the lease period. The gross amount of the road graders acquired under the capital lease was $308,799.

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2005, were as follows:

Year Ending June 30	Governmental Activities
2006	$ 68,017
2007	68,017
2008	56,396
Total Minimum Lease Payments	$ 192,430
Less: Amounts Representing Interest	(10,893)
Present Value of Minimum Lease Payments	$ 181,537

F. Long-term Debt

Primary Government

General Obligation Bonds, Notes and Other Loan

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 have been issued to refund other general obligation

bonds. Capital outlay notes are 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 22 years for bonds, up to 11 years for notes, and up to 11 years for the other loan. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and the other loan included in long-term debt as of June 30, 2005, will be retired from the General Debt Service Fund.

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

Type	Interest Rate	Original Amount of Issue	Balance 6-30-05
General Obligation Bonds	4.1 to 5 %	$ 12,130,000	$ 11,420,000
General Obligation Bonds - Refunding	3.75 to 4.85	5,650,000	3,740,000
Capital Outlay Notes	2 to 5	3,469,294	1,412,875
Other Loan	0	930,817	542,977
Capital Lease	4	308,799	181,537

In previous years, Rhea County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the authority borrowed $930,817 Qualified Zone Academy Bonds and loaned the proceeds to Rhea County for an energy construction project. The loan is repayable at zero percent interest.

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

Year Ending	Bonds		Notes	
June 30	Principal	Interest	Principal	Interest
2006	$ 695,000	$ 710,425	$ 829,757	$ 40,549
2007	715,000	679,846	288,541	19,056
2008	720,000	648,127	294,577	9,690
2009	740,000	615,951	0	0
2010	1,025,000	582,615	0	0

Year Ending June 30	Bonds Principal	Bonds Interest	Notes Principal	Notes Interest
2011-2015	$ 5,990,000	$ 2,110,300	$ 0	$ 0
2016-2020	4,210,000	769,000	0	0
2021-2023	1,065,000	108,500	0	0
Total	$ 15,160,000	$ 6,224,764	$ 1,412,875	$ 69,295

Year Ending June 30	Other Loan Principal
2006	$ 77,568
2007	77,568
2008	77,568
2009	77,568
2010	77,568
2011-2012	155,137
Total	$ 542,977

There is $5,981 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita amounted to $534, based on the 2000 federal census. Total debt per capita, including bonds, notes, capital leases, other loans, and compensated absences amounted to $618, based on the 2000 federal census.

Changes in Long-term Liabilities

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

	Bonds	Notes	Capital Leases
Governmental Activities:			
Balance, July 1, 2004	$ 15,850,000	$ 2,096,145	$ 272,408
Deductions	(690,000)	(683,270)	(90,871)
Balance, June 30, 2005	$ 15,160,000	$ 1,412,875	$ 181,537
Balance Due Within One Year	$ 695,000	$ 829,757	$ 61,867

	Other Loans	Compensated Absences
Balance, July 1, 2004	$ 620,545	$ 226,731
Additions	0	144,998
Deductions	(77,568)	(126,792)
Balance, June 30, 2005	$ 542,977	$ 244,937
Balance Due Within One Year	$ 77,568	$ 123,136

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

Defeasance of Prior Debt

On February 16, 1999, Rhea County defeased outstanding general obligation bonds by placing the unspent bond proceeds of $1,819,536 and $2,000,000 from a private contractor as part of the landfill contract into an irrevocable trust to provide for all future debt service payments on the old bonds. The trustee is empowered and required to pay all principal and interest on the defeased bonds as originally scheduled. Accordingly, the trust accounts and the defeased bonds are not included in the county's financial statements. At June 30, 2005, the following outstanding bonds are considered defeased:

1996 General Obligation Public Improvement Bonds	$2,770,000

Discretely Presented Rhea County School Department

Changes in Long-term Liabilities

Long-term liability activity for the discretely presented Rhea County School Department for the year ended June 30, 2005, was as follows:

Governmental Activities:	Note	Compensated Absences
Balance, July 1, 2004	$ 1,800,000	$ 61,717
Additions	0	28,572
Deductions	(1,800,000)	(28,452)
Balance, June 30, 2005	$ 0	$ 61,837
Balance Due Within One Year	$ 0	$ 61,837

Compensated absences will be paid from the employing funds, primarily the General Purpose School Fund and the School Federal Projects Fund.

G. Internal Financing

In-lieu-of issuing debt with financial institutions, Rhea County and the discretely presented Rhea County School Department often choose to internally finance various projects with idle county funds. Internally reported notes receivable from idle funds loaned from the Solid Waste/Sanitation and discretely presented General Purpose School Funds will be paid by the General Debt Service Fund. Amounts financed within the primary government are presented as a long-term liability in the governmental funds. Amounts financed between the primary government and the discretely presented School Department are treated as external debt for financial statement presentation. Internally reported notes receivable at June 30, 2005, are reflected below:

Paid by the General Debt Service Fund

Receivable Fund/Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
General Fund:				
Field House	$ 266,667	2 %	6-9-1999	6-9-05
Highway Improvement	500,000	2	9-25-1998	6-29-05
Solid Waste/Sanitation Fund:				
Football/Baseball Field Lights	104,000	2	6-11-1997	6-11-06
Highway Paving	500,000	2	9-25-1998	6-9-07
Landfill Property	165,000	2	4-18-01	4-18-07
Health Department Land	135,000	2	9-29-00	9-29-06
Jail Renovation	100,000	2	2-10-01	2-10-07
Jail Expansion	150,000	2	2-10-04	2-10-07
Phil Swafford Building	200,000	2	5-27-01	5-27-07
Highway/Public Works Fund:				
Courthouse Bell Tower	70,000	2	4-25-01	4-25-05

	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
General Fund:			
Field House	$ 44,445	$ 44,445	$ 0
Highway Improvement	222,222	222,222	0
Solid Waste/Sanitation Fund:			
Football/Baseball Field Lights	23,111	11,556	11,555
Highway Paving	222,223	55,557	166,666
Landfill Property	110,000	18,333	91,667
Health Department Land	60,203	20,068	40,135
Jail Renovation	50,000	16,667	33,333
Jail Expansion	150,000	16,666	133,334
Phil Swafford Building	66,666	22,222	44,444
Highway/Public Works Fund:			
Courthouse Bell Tower	35,000	35,000	0
Total	$ 983,870	$ 462,736	$ 521,134

Notes Receivable Between the Primary Government and School Department that will be Paid by the General Purpose School Fund

Receivable Fund/Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
General Debt Service Fund:				
Heating and Air Conditioning	$ 1,800,000	2 %	4-14-04	2-20-05

	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
General Debt Service Fund:			
Heating and Air Conditioning	$ 1,800,000	$ 1,800,000	$ 0
Total	$ 1,800,000	$ 1,800,000	$ 0

Notes Receivable Between the Primary Government and School Department that will be Paid by the General Debt Service Fund

Receivable Fund/Description	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date
General Purpose School Fund:				
Medical Center Renovations	$ 500,000	2 %	10-6-1999	10-27-05
Medical Center Renovations	500,000	2	4-2-00	4-15-06
Central Maintenance Implementation	391,000	2	9-24-1998	9-24-07
Old Landfill Closure	725,000	2	6-9-1999	6-9-08
Jail Renovation	750,000	2	10-27-1999	10-27-05
Central Maintenance Building	400,000	2	2-16-00	2-16-06

	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
General Purpose School Fund:			
Medical Center Renovations	$ 111,111	$ 55,554	$ 55,557
Medical Center Renovations	111,111	55,555	55,556
Central Maintenance Implementation	173,778	43,443	130,335
Old Landfill Closure	322,222	80,555	241,667
Jail Renovation	416,667	83,333	333,334
Central Maintenance Building	147,222	44,444	102,778
Total	$ 1,282,111	$ 362,884	$ 919,227

H. Short-term Debt

Primary Government

Rhea County issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the General Fund. These notes were necessary because funds were not available to meet expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	$ 0	$ 450,000	$ (450,000)	$ 0

Discretely Presented Rhea County School Department

The Rhea County School Department issued tax anticipation notes in advance of property tax collections and deposited the proceeds in the School Transportation Fund. These notes were necessary because funds were not available to meet expenditures coming due before current tax collections. Short-term debt activity for the year ended June 30, 2005, was as follows:

	Balance 7-1-04	Issued	Redeemed	Balance 6-30-05
Tax Anticipation Notes	$ 0	$ 25,000	$ (25,000)	$ 0

I. Prior-year Adjustments

Primary Government

During the year, Rhea County amended their capital assets policy to change the capitalization threshold from $30,000 to $15,000. This change capitalized assets that had not been capitalized in previous years. The net affect of these changes increased net assets for the primary government by $548,328.

Discretely Presented Rhea County School Department

During the year, the Rhea County School Department amended their capital assets policy to change the capitalization threshold from $30,000 to $15,000. This change capitalized assets that had not been capitalized in previous years. The net affect of these changes increased net assets for the School Department by $162,105. The School Department also retired certain capital outlay notes prior to their scheduled maturity date. Therefore, the $12,921 accrued for interest payable at July 1, 2004, was not paid, and net assets were adjusted for this amount.

V. OTHER INFORMATION

A. Risk Management

Rhea County and the discretely presented Rhea County School Department are exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county and the School Department decided it was more economically feasible to join a public entity risk pool as opposed to purchasing commercial insurance for general liability, property, casualty, and workers' compensation coverage. The county and the School Department joined the Tennessee School Boards Risk Management Trust (TSB-RMT), which is a public entity risk pool established by an association of member school boards. The county and the School Department pay annual

premiums to the TSB-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of TSB-RMT provides for it to be self-sustaining through member premiums.

Rhea County and the discretely presented Rhea County School Department participated in the Local Government Group Insurance (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that were established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Report of 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.

B. Accounting Change

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

C. Subsequent Events

On July 19, 2005, the County Commission approved a $1,000,000 loan to extend sewer lines to two county schools.

On August 16, 2005, the County Commission approved a $24,100,000 public building authority loan to build a new hospital. Rhea Medical Center will be responsible for the repayment of this debt.

On September 20, 2005, the County Commission approved a $530,000 loan for new bleachers and paving projects for schools.

On February 1, 2006, the county issued a $9,795,000 refunding bond to refund the two 2001 general obligation school bonds.

D. Contingent Liabilities

The county is involved in several pending lawsuits. Attorneys representing the county estimate that the potential claims against the county not covered by insurance resulting from such litigation would not materially affect the financial statements of the county.

E. Change in Administration

On January 7, 2005, Sue Porter retired from the Office of Director of Schools and was succeeded by Dallas Smith.

F. Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the county to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Rhea County closed the old landfill in September 1998. Rhea County has contracted with Santek Environmental, Inc., of Bradley County, a private company, to operate the county's current landfills. The old landfill has been closed and is in the postclosure maintenance and monitoring stage. The new landfill is currently in operation and the county expects it to close in the year 2027. Santek will pay postclosure care cost of the old landfill and closure and postclosure care cost of the new landfill as long as the contract with Rhea County is in effect. Rhea County has reserved part of its fund balance in the Solid Waste/Sanitation Fund in the event the contract with Santek is not renewed and the county must assume liability for closure and postclosure care cost of the landfills.

G. Joint Ventures

The Rhea Economic and Tourism Council had been designed as a joint economic and community development board for Rhea County, the City of Dayton, Spring City, and the City of Graysville. The purpose of this council is to foster tourism and economic and community development between and among governmental entities, industry, and private citizens. Funding for the council is provided by membership fees and by three-fifths of the county's hotel/motel tax collections. The council is composed of at least 29 members, including county and city officials, representatives from industry, the medical center, and development boards, and the E-911 director. The operations of the council are directed by its executive committee which is composed of various county and city officials.

The Watts Bar Development Authority was created by Rhea and Meigs Counties to develop the waterfront property which is currently held by the Tennessee Valley Authority. The authority is comprised of seven members, four appointed by Rhea County and three appointed by Meigs County. During the year, each county contributed $5,000 to begin the authority and expects to receive developer fees for all future costs.

The Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District; Bledsoe, Rhea, Franklin, Marion, Grundy, and Sequatchie Counties; and various cities within these counties. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the

investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors comprised of the district attorney general, sheriffs, and police chiefs of the participating law enforcement agencies within the judicial district. Rhea County made no contributions to the DTF for the year ended June 30, 2005.

Rhea County does not have any equity interest in any of the above-noted joint ventures. Financial information for the Rhea Economic and Tourism Council, the Watts Bar Development Authority, and the DTF can be obtained from their respective administrative offices at the following addresses:

Administrative Offices:

Rhea Economic and Tourism Council
107 Main Street
Dayton, TN 37321

Watts Bar Development Authority
375 Church Street; Suite 125
Dayton, TN 37321

District Attorney General's Office
Twelfth Judicial District
375 Church Street, Suite 300
Dayton, TN 37321

H. Retirement Commitments

Plan Description

Employees of Rhea 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

Rhea County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

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

Funding Policy

Rhea County requires employees to contribute five percent of earnable compensation. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2005, was 8.54 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Rhea County is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2005, Rhea County's annual pension cost of $1,062,827 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2003, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. Rhea County's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2003, was 17 years.

Trend Information

Fiscal Year Ended	Annual Pension Cost(APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-05	$1,062,827	100%	$0
6-30-04	891,692	100	0
6-30-03	847,169	100	0

Required Supplementary Information
Schedule of Funding Progress for Rhea County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-03	$18,907	$21,635	$2,728	87.39%	$10,596	25.75%
6-30-01	15,920	18,970	3,050	83.92	9,713	31.40
6-30-99	12,499	14,557	2,058	85.86	9,583	21.48

SCHOOL TEACHERS

Plan Description

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

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

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2005, was 5.5 percent of annual covered payroll. The employer contribution requirement for the School Department is established and may be amended by the TCRS Board of Trustees. The employer's contributions to TCRS for the years ended June 30, 2005, 2004, and 2003, were $631,257, $367,256, and $331,505, respectively, equal to the required contributions for each year.

I. Office of Central Accounting and Budgeting

Office of Director of Finance

Rhea County operates under the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act provides for the creation of a Finance Department operated under the direction of the finance director.

Purchasing Laws

Purchasing procedures for all offices are governed by provisions of the County Financial Management System of 1981, Sections 5-21-101 through 5-21-129, Tennessee Code Annotated. Pursuant to provisions of these statutes, the Financial Management Committee, together with the finance director, established purchasing procedures for Rhea County. These procedures require a purchase order system and require purchases exceeding $2,000 ($10,000 for the Highway Department and $5,000 for the discretely presented Rhea County School Department) to be based on competitive bids.

VI. OTHER NOTES – DISCRETELY PRESENTED RHEA MEDICAL CENTER

A. Description of Reporting Entity and Summary of Significant Accounting Policies

1. Reporting Entity

Rhea Medical Center is a public corporation. It was created on February 7, 1957, by an act of the State of Tennessee General Assembly to operate, control, and manage the general short-term hospital, intermediate care nursing home, and various health clinics. The Rhea County, Tennessee, Board of County Commissioners appoints the Board of Trustees as members of the medical center, and the medical center may not issue debt without the county's approval. For these reasons, the medical center is considered to be a component unit of Rhea County and is included as a discretely presented component unit in the basic financial statements of the county.

2. Enterprise Fund Accounting

The medical center uses the enterprise fund method of accounting whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus.

3. Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the medical center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

4. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services

rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Revenue from the Medicare and Medicaid programs accounted for approximately 31 and 28 percent, respectively, for the year ended June 30, 2005, of the medical center's net patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

6. Charity Care

The medical center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the medical center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

7. Operating Revenues and Expenses

The medical center's statement of revenues, expenses, and changes in net assets distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services – the medical center's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

8. Income Taxes

The medical center, as a component unit of Rhea County, Tennessee, is exempt from federal and state income taxes.

9. Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

10. Accounts Receivable

Accounts receivable are stated at the amount the medical center expects to collect. The medical center maintains allowances for

doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectibility of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic industry trends, and changes in customer payment terms. If the financial condition of the medical center's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management assessment, the medical center provides for estimated uncollectible amounts through a charge to earnings and a credit to an allowance. Balances that remain outstanding after the medical center has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable.

Changes in the allowance for doubtful accounts are as follows:

	6-30-05
Beginning balance	$1,833,667
Provision for doubtful accounts	1,611,954
Write-offs	(1,664,998)
Ending balance	$1,780,623

11. Noncurrent Cash and Investments

Internally designated for capital acquisition is cash and investments designated by the Board of Trustees for the creation of a health education library. Patients' personal assets and funds held by the medical center in an activity fund for the benefit of the patients are held in an agency capacity and are not available for medical center use. An offsetting asset and liability are recorded on the balance sheet.

12. Capital Assets

Capital assets are stated at cost. Depreciation is calculated over the estimated useful lives using the straight-line method. Expenditures for maintenance, repairs, renewals, and betterments that do not significantly extend the useful lives of the assets are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the books, and any resulting gain or loss is reflected as income for the period.

A summary of estimated useful lives follows.

Assets	Estimated Useful Lives
Land improvements	10 – 15 years
Buildings and improvements	10 – 50 years
Major moveable equipment	5 – 25 years
Capital equipment	10 – 25 years

13. Deposits

The medical center considers currency on hand and demand deposits with financial institutions to be cash. The medical center considers all highly liquid investments with original maturities of three months or less to be cash equivalents. State statutes authorize the medical center to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements, and pooled investment funds. There were no cash equivalents at June 30, 2005.

14. Risk Management

The medical center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

15. Net Assets

Net assets of the medical center are classified into four components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted.* There were no restricted assets at June 30, 2005.

16. Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported excess of revenues over expenses and increase in net assets.

B. Deposits and Investments

Cash on the balance sheet includes deposits with financial institutions, investments in a repurchase agreement, and cash on hand. The medical center's carrying amount of deposits was $3,702,217 and the bank balance was $3,880,319 at June 30, 2005. The bank balances are either insured or collateralized by the Federal Deposit Insurance Corporation or Tennessee Bank Collateral Pool and are not subject to custodial risk.

The carrying amounts of deposits shown above are included in the medical center's balance sheet as follows:

	6-30-05
Carrying amount	
Deposits	$ 3,902,217
Cash on hand	1,800
	$ 3,904,017
Included in the following balance sheet captions	
Cash	$ 3,678,546
Internally designated for capital acquisition	200,000
Patient trust funds	25,183
Activity funds	288
	$ 3,904,017

C. Net Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the medical center's established rates for services and amounts reimbursed by third-party payors. The hospital obtained critical access status effective February 1, 2005. A summary of the basis of reimbursement with major third-party payors follows.

Medicare – Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates-per-discharge prior to February 1, 2005. These rates vary according to a patient classification

system that is based on clinical, diagnostic, and other factors. The medical center is reimbursed for Medicare outpatient services under a Prospective Payment System prior to February 1, 2005, based on clinical, diagnostic, and other factors. Inpatient acute care services and outpatient services subsequent to February 1, 2005, inpatient nonacute services, and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The medical center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the medical center and review by the Medicare fiscal intermediary.

TennCare – On January 1, 1994, the Medicaid program for acute care services was replaced by a waiver program approved by the Health Care Financing Administration, presently named the center for Medicare/Medicaid Services. Under the program, the medical center enters into agreements with state contracted managed-care organizations which reimburse the medical center using various payment methodologies such as prospectively determined rates per discharge, prospectively determined daily rates, and discounts from established charges. Effective February 1, 2005, the medical center is reimbursed based on a cost reimbursement methodology.

Medicaid - Intermediate Care – The Medicaid program reimburses the medical center for services rendered to Medicaid nursing home beneficiaries based on a prospective per diem rate established by the Medicaid program. The per diem rate established by Medicaid is based on the prior years' cost, subject to a maximum per diem rate set by the State of Tennessee.

Others – The medical center has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the medical center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively-determined daily rates.

D. Inventories

Inventories on June 30, 2005, consist of the following:

	6-30-05
Pharmacy	$ 80,422
General supplies	87,775
Dietary	13,513
Laboratory	26,351
X-ray	17,692
Surgery	75,451
	$ 301,204

E. Internally Designated for Capital Acquisitions, Cash, and Investments

During 2004, the medical center received an unrestricted contribution from an anonymous private donor. The Board of Trustees has designated the money, invested in an unsecured CD at a local bank, for the creation of a health education library.

F. Capital Assets

A summary of changes in capital assets follows.

	7-1-04	Additions	6-30-05
Land	$ 78,880	$ 8,850	$ 87,730
Land improvements	91,551	0	91,551
Buildings and improvements	5,292,430	0	5,292,430
Major moveable equipment	5,857,757	468,312	6,326,069
Capital equipment	1,463,140	0	1,463,140
Construction in progress	0	253,839	253,839
	$12,783,758	$ 731,001	$13,514,759
Less accumulated depreciation	8,171,190	$ 604,798	8,775,988
Property and equipment, net	$ 4,612,568		$ 4,738,771

Amortization of assets acquired under capital lease obligations is included in depreciation expense.

The medical center is preparing to construct a new building and has purchased $8,850 in options on land and $253,839 in architect and other development fees. At June 30, 2005, approximately $293,100 remains outstanding under contracts. The project is estimated to cost approximately $24,100,000.

G. Other Assets

The medical center pays various fees and expenses to and on behalf of physicians who are recruited to practice at the medical center. These expenses are recorded as assets and are amortized over the terms of the physicians' contracts. At June 30, 2005, the assets totaled $388,435, net of accumulated amortization.

The medical center has also agreed to provide medical school tuition loan reimbursement to two recruited physicians in exchange for future services as physicians in the community. The receivable for tuition, moving, and sign-on

bonuses totaled $87,500 at June 30, 2005. The amortization of these expenses will begin after the first year of medical practice in the community.

Other assets also include various lease deposits and prepayments totaling $48,105 and $8,358 at June 30, 2005.

H. Long-term Debt

	6-30-05
Amounts due Rhea County, a related party:	
Note payable for expansion of facilities (RC note 1)	$ 111,110
Note payable for continuing expansion and renovation of facilities (RC note 2)	390,000
Capital lease obligation at an imputed interest rate of 9.6% (lease 2)	12,185
	$ 513,295
Less current maturities of long-term debt	248,295
Long-term debt, net of current maturities	$ 265,000

The county issued the medical center two $500,000 capital outlay notes, combined on the preceding debt schedule as "Note payable for expansion of facilities," on August 28, 1996, and May 15, 1997.

The notes matured on August 28, 1999, and May 15, 2000, respectively, and were renewed for one additional three year term, with one additional three-year term remaining. The notes are due in annual installments of at least one-ninth of the outstanding principle. The notes carry an interest rate not to exceed 15 percent. The interest rate is currently two percent. The notes are unsecured.

On December 11, 1997, the county authorized the medical center to borrow from them up to $1,100,000 for continuing expansion and renovation projects. At June 30, 2001, no further draws were permitted. The outstanding principal matured on December 11, 2000, and was renewed for an additional three years. When it matured on December 11, 2003, it was renewed for an additional three years, with no further extensions available. The debt is due in annual installments of at least one-ninth of the principal outstanding. The notes carry a variable interest rate from 3.9 percent to 4.55 percent. The notes are unsecured.

A capital lease obligation (lease 2) requires monthly installments of $4,385, including interest, until August 2005. The obligation is secured by an ultrasound machine with a cost of $209,972 and a carrying value of 111,985 at June 30, 2005.

Scheduled principle repayments on long-term debt and payments on capital lease obligations for the next three years are as follows:

Year Ending June 30	Long-term Debt Principal	Long-term Debt Interest	Capital Lease Obligations Principal	Capital Lease Obligations Interest
2006	$ 236,110	$ 19,777	$ 12,800	$ 615
2007	130,000	11,993	0	0
2008	135,000	6,143	0	0
	$ 501,110	$ 37,913	$ 12,800	$ 615
Less amount representing interest on capital lease obligations			615	
Total			$ 12,185	

Activity for long-term debt for 2005 follows:

	Balance 7-1-04	Reductions	Balance 6-30-05	Amounts Due Within One Year
Amounts due to Rhea County, a related party:				
RC note 1	$ 222,221	$ 111,111	$ 111,110	$ 111,110
RC note 2	510,000	120,000	390,000	125,000
Note 1	34,999	34,999	0	0
Lease 1	3,932	3,932	0	0
Lease 2	61,379	49,194	12,185	12,185
Total long-term debt	$ 832,531	$ 319,236	$ 513,295	$ 248,295

I. Accrued Leave

Medical center employees are paid for vacation and absence due to sickness by a prescribed formula based on length of service. The costs of these compensated absences are accrued as earned. The accumulated vacation and sick leave benefits accrued totaled $220,983 for 2005, and are included with accrued payroll in current liabilities.

J. Charity Care

The amount of charges forgone for services and supplies furnished under the medical center's charity care policy during the year ended June 30, 2005, was $194,284.

K. Pension Plans

Effective January 1, 1990, Rhea County Government and related entities including the medical center joined the Tennessee Consolidated Retirement System (TCRS), a multiple-employer Public Employee Retirement System (PERS). All full-time personnel employed at January 1, 1990, are required to participate in the TCRS. The medical center contributes the employer's share of pension contributions of three percent, and the employees are required to contribute five percent of their salaries to the plan. Past service costs as of January 1, 1990, were required to be funded upon entering the plan. The medical center has chosen to amortize these costs over a 30 year period by increasing its contribution rate, which is currently 7.83 percent. Contributions by the medical center totaled $456,151 in 2005. Information in regard to funding status, contribution requirements, and trends appears in the financial statements of Rhea County and cannot be separately identified for the medical center.

L. Net Working Capital

Net working capital at June 30, 2005, was $4,621,107.

M. Designated Net Assets

Net assets reported in 2005 include $200,000 which has been designated by the medical center's Board of Trustees for capital acquisitions. Designated funds remain under the control of the Board of Trustees, which may at its discretion later use the funds for other purposes.

N. Commitments and Contingencies

1. Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operations as incurred.

The following is a schedule by year of future minimum lease payments under operating leases as of June 30, 2005, that have initial or remaining lease terms in excess of one year.

Year Ending June 30	Minimum Lease Payment
2006	$ 209,769
2007	131,200
2008	29,262
2009	22,967
Total minimum lease payments	$ 393,198

Rental expense included in operations amounted to $263,027 in 2005.

2. Professional Liability Insurance

The medical center is insured for professional liability under a claims-made policy with an independent insurance carrier. The policy covers all claims reported to the carrier during the coverage period. Premiums are determined by a variety of factors related to the medical center.

3. Management Agreement

An extension of a management agreement between the medical center and Quorum Health Resources, Inc., (Quorum) was signed on December 18, 2001, with effective dates of March 1, 2002, through February 28, 2009. The annual fee is $203,295 for the contract year beginning March 1, 2002, increases $7,500 per year, and is payable in equal monthly installments. Management services in addition to the fixed fee services are provided by Quorum as needed at varying rates. The total management fees paid to Quorum were $224,335 in 2005.

The management services provided pursuant to the fixed fee include budget assistance, accounting supervision, human resources consultations, and access to a Quorum sponsored volume purchasing program. Certain administrative fees may be paid to Quorum by outside vendors that sell goods and services to the medical center. The administrative fee payable to Quorum by these outside vendors is equal to three percent or less of the purchase price of the goods or services purchased from the vendor by the medical center. The contract provides that these fees shall be disclosed to the medical center annually in writing.

Quorum also provides certain key personnel to the medical center who are Quorum employees. The medical center reimburses Quorum for the costs and expenses (including but not limited to salaries, taxes,

fringe benefits, and business expenses) of providing these key personnel as invoiced by Quorum. These reimbursements are in addition to the fixed annual management fee described above. The amount paid to Quorum for these expenses was $300,542 for 2005.

4. Litigation

The medical center is subject to claims and suits which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in its financial statements and will not have a material effect on the medical center's results of operations or financial position.

O. Related Party

The medical center borrows money from Rhea County, a related party. Interest paid by Rhea County on debt issued for the medical center is passed on to the medical center. The medical center paid $27,279 in 2005 to the county for interest. The amount of interest owed to Rhea County at June 30, 2005, was $0.

P. Concentrations of Credit Risk

The medical center is located in Rhea County, Tennessee. The medical center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2005, was as follows:

	6-30-05
Medicare	24%
Medicaid/TennCare	17
Blue Cross	9
Commercial	13
Private pay	37
	100%

Q. Subsequent Event

After year end, Rhea County authorized the issuance of $24,100,000 in bonds to fund construction of the new building.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 3,944,386	$ 0	$ 0	$ 3,944,386	$ 3,742,463	$ 3,742,463	$ 201,923
Licenses and Permits	20,758	0	0	20,758	39,800	39,800	(19,042)
Fines, Forfeitures, and Penalties	277,759	0	0	277,759	201,850	201,850	75,909
Charges for Current Services	34,370	0	0	34,370	31,600	32,600	1,770
Other Local Revenues	368,215	0	0	368,215	342,785	365,411	2,804
Fees Received from County Officials	720,851	0	0	720,851	978,909	864,914	(144,063)
State of Tennessee	453,131	0	0	453,131	214,380	418,580	34,551
Federal Government	438,226	0	0	438,226	0	546,748	(108,522)
Other Governments and Citizens Groups	149,355	0	0	149,355	117,000	117,000	32,355
Total Revenues	$ 6,407,051	$ 0	$ 0	$ 6,407,051	$ 5,668,787	$ 6,329,366	$ 77,685
Expenditures							
General Government							
County Commission	$ 57,276	$ 0	$ 0	$ 57,276	$ 55,705	$ 58,205	$ 929
Board of Equalization	1,830	0	0	1,830	2,261	2,261	431
Beer Board	2,260	0	0	2,260	1,507	2,907	647
Other Boards and Committees	1,832	0	0	1,832	3,488	3,488	1,656
County Mayor	100,262	0	0	100,262	99,372	101,910	1,648
County Attorney	18,250	0	0	18,250	30,000	19,000	750
Election Commission	133,091	0	0	133,091	128,739	133,639	548
Register of Deeds	133,431	0	0	133,431	143,185	138,371	4,940
Planning	8,500	0	0	8,500	6,500	8,500	0
County Buildings	530,301	0	0	530,301	609,738	614,898	84,597
Finance							
Accounting and Budgeting	375,149	(9,581)	0	365,568	377,210	371,597	6,029
Property Assessor's Office	187,849	(928)	0	186,921	194,135	195,812	8,891
County Trustee's Office	21,440	0	0	21,440	140,806	21,915	475

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance (Cont.)							
County Clerk's Office	$ 16,899	$ (312)	$ 0	$ 16,587	$ 208,817	$ 18,064	$ 1,477
Administration of Justice							
Circuit Court	193,627	0	0	193,627	215,332	208,588	14,961
General Sessions Court	358,579	0	0	358,579	344,566	359,907	1,328
Drug Court	1,625	0	0	1,625	0	1,625	0
Chancery Court	146,056	0	0	146,056	152,446	146,094	38
Public Safety							
Sheriff's Department	1,235,109	0	0	1,235,109	1,249,158	1,251,820	16,711
Administration of the Sexual Offender Registry	978	0	0	978	0	1,500	522
Jail	712,055	0	0	712,055	696,607	723,864	11,809
Juvenile Services	131,378	0	0	131,378	161,657	132,758	1,380
Fire Prevention and Control	113,101	(335)	16,144	128,910	130,540	144,926	16,016
Civil Defense	173,275	0	5,285	178,560	2,235	261,189	82,629
Rescue Squad	36,402	(3,500)	0	32,902	30,000	34,000	1,098
Disaster Relief	20,811	0	0	20,811	0	20,812	1
County Coroner/Medical Examiner	14,165	0	0	14,165	18,000	18,000	3,835
Public Safety Grant Programs	80,412	0	0	80,412	0	111,960	31,548
Other Public Safety	434,705	0	0	434,705	380,868	436,615	1,910
Public Health and Welfare							
Local Health Center	203,228	0	0	203,228	75,212	221,528	18,300
Crippled Children Services	2,072	0	0	2,072	2,072	2,072	0
Other Local Welfare Services	878	0	0	878	0	1,000	122
Agriculture & Natural Resources							
Agriculture Extension Service	62,751	0	0	62,751	72,133	73,113	10,362
Soil Conservation	69,709	0	0	69,709	67,934	69,743	34

(Continued)

Exhibit G-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Other Operations							
Industrial Development	$ 5,315	$ 0	$ 0	$ 5,315	$ 0	$ 5,316	$ 1
Veterans' Services	69,819	0	0	69,819	70,013	70,013	194
Other Charges	112,630	0	0	112,630	117,364	117,364	4,734
Contributions to Other Agencies	287,855	0	0	287,855	107,600	288,143	288
Employee Benefits	646,349	0	0	646,349	601,796	646,861	512
Capital Projects							
Administration of Justice Projects	136,265	(132,000)	0	4,265	0	136,265	132,000
Total Expenditures	$ 6,837,519	$ (146,656)	$ 21,429	$ 6,712,292	$ 6,496,996	$ 7,175,643	$ 463,351
Excess (Deficiency) of Revenues Over Expenditures	$ (430,468)	$ 146,656	$ (21,429)	$ (305,241)	$ (828,209)	$ (846,277)	$ 541,036
Net Change in Fund Balance	$ (430,468)	$ 146,656	$ (21,429)	$ (305,241)	$ (828,209)	$ (846,277)	$ 541,036
Fund Balance, July 1, 2004	1,728,662	(146,656)	0	1,582,006	1,772,977	1,772,977	(190,971)
Fund Balance, June 30, 2005	$ 1,298,194	$ 0	$ (21,429)	$ 1,276,765	$ 944,768	$ 926,700	$ 350,065

Exhibit G-2

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Local Taxes	$ 269,625	$ 0	$ 269,625	$ 257,000	$ 257,000	$ 12,625
Charges for Current Services	146,580	0	146,580	150,000	150,000	(3,420)
Other Local Revenues	20,920	0	20,920	17,310	20,552	368
State of Tennessee	51,751	0	51,751	7,500	61,624	(9,873)
Other Governments and Citizens Groups	7,483	0	7,483	0	12,235	(4,752)
Total Revenues	$ 496,359	$ 0	$ 496,359	$ 431,810	$ 501,411	$ (5,052)
Expenditures						
Public Health and Welfare						
Waste Pickup	$ 403,840	$ (17,765)	$ 386,075	$ 401,615	$ 467,230	$ 81,155
Other Operations						
Other Charges	3,647	0	3,647	3,000	3,000	(647)
Employee Benefits	31,134	0	31,134	26,773	32,058	924
Total Expenditures	$ 438,621	$ (17,765)	$ 420,856	$ 431,388	$ 502,288	$ 81,432
Excess (Deficiency) of Revenues Over Expenditures	$ 57,738	$ 17,765	$ 75,503	$ 422	$ (877)	$ 76,380
Net Change in Fund Balance	$ 57,738	$ 17,765	$ 75,503	$ 422	$ (877)	$ 76,380
Fund Balance, July 1, 2004	1,692,288	(17,765)	1,674,523	1,675,049	1,675,049	(526)
Fund Balance, June 30, 2005	$ 1,750,026	$ 0	$ 1,750,026	$ 1,675,471	$ 1,674,172	$ 75,854

Exhibit G-3

Rhea 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, 2005

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 103,669	$ 0	$ 0	$ 103,669	$ 126,000	$ 126,000	$ (22,331)
Other Local Revenues	14,586	0	0	14,586	5,700	8,614	5,972
State of Tennessee	1,800,377	0	0	1,800,377	2,014,289	2,064,289	(263,912)
Total Revenues	$ 1,918,632	$ 0	$ 0	$ 1,918,632	$ 2,145,989	$ 2,198,903	$ (280,271)
Expenditures							
Highways							
Administration	$ 181,985	$ 0	$ 0	$ 181,985	$ 162,907	$ 180,763	$ (1,222)
Highway and Bridge Maintenance	802,535	(15,864)	40,000	826,671	789,241	848,779	22,108
Operation and Maintenance of Equipment	178,917	0	0	178,917	162,318	179,361	444
Other Charges	68,552	0	0	68,552	71,969	69,800	1,248
Employee Benefits	136,829	0	0	136,829	149,171	137,823	994
Capital Outlay	380,193	0	0	380,193	817,790	712,091	331,898
Total Expenditures	$ 1,749,011	$ (15,864)	$ 40,000	$ 1,773,147	$ 2,153,396	$ 2,128,617	$ 355,470
Excess (Deficiency) of Revenues Over Expenditures	$ 169,621	$ 15,864	$ (40,000)	$ 145,485	$ (7,407)	$ 70,286	$ 75,199
Other Financing Sources (Uses)							
Transfers Out	$ (286,665)	$ 0	$ 0	$ (286,665)	$ 0	$ (286,666)	$ 1
Total Other Financing Sources (Uses)	$ (286,665)	$ 0	$ 0	$ (286,665)	$ 0	$ (286,666)	$ 1
Net Change in Fund Balance	$ (117,044)	$ 15,864	$ (40,000)	$ (141,180)	$ (7,407)	$ (216,380)	$ 75,200
Fund Balance, July 1, 2004	733,264	(15,864)	0	717,400	671,879	671,879	45,521
Fund Balance, June 30, 2005	$ 616,220	$ 0	$ (40,000)	$ 576,220	$ 664,472	$ 455,499	$ 120,721

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

A. BUDGETARY INFORMATION

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the 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 Executive, County Attorney, 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 statement.

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Other Charges major appropriation category (the legal level of control) in the Solid Waste/Sanitation Fund by $647 and the Administration major appropriation category of the Highway/Public Works Fund by $1,222. These overexpenditures were funded by available fund balances.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

Nonmajor Governmental Funds

Special Revenue Funds

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

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

District Attorney General Fund – The District Attorney General Fund is used to account for restricted revenue held in trust for the benefit of the Office of District Attorney General.

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

Capital Projects Funds

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for grant proceeds received for a sewer project and a flood control project.

HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for grant proceeds received for low-income home construction and renovation projects.

Exhibit H-1

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

	Special Revenue Funds			
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
ASSETS				
Cash	$ 0	$ 0	$ 75,954	$ 75,954
Equity in Pooled Cash and Investments	59,868	60,553	0	120,421
Due from Other Governments	0	920	0	920
Total Assets	$ 59,868	$ 61,473	$ 75,954	$ 197,295
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 406	$ 0	$ 0	$ 406
Due to Other Funds	0	0	328	328
Due to Litigants, Heirs, and Others	6,348	0	0	6,348
Total Liabilities	$ 6,754	$ 0	$ 328	$ 7,082
Fund Balances				
Unreserved	$ 53,114	$ 61,473	$ 75,626	$ 190,213
Total Fund Balances	$ 53,114	$ 61,473	$ 75,626	$ 190,213
Total Liabilities and Fund Balances	$ 59,868	$ 61,473	$ 75,954	$ 197,295

Exhibit H-2

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

	Special Revenue Funds				Capital Projects Funds			
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	HUD Grant Projects	Total	Total Nonmajor Governmental Funds
Revenues								
Fines, Forfeitures, and Penalties	$ 49,807	$ 22,673	$ 0	$ 72,480	$ 0	$ 0	$ 0	$ 72,480
Charges for Current Services	0	0	314,370	314,370	0	0	0	314,370
Other Local Revenues	2,781	0	0	2,781	0	0	0	2,781
State of Tennessee	0	0	0	0	107,860	0	107,860	107,860
Federal Government	0	0	0	0	8,250	210,980	219,230	219,230
Other Governments and Citizens Groups	2,509	0	0	2,509	0	0	0	2,509
Total Revenues	$ 55,097	$ 22,673	$ 314,370	$ 392,140	$ 116,110	$ 210,980	$ 327,090	$ 719,230
Expenditures								
Current:								
Finance	$ 0	$ 0	$ 298,004	$ 298,004	$ 0	$ 0	$ 0	$ 298,004
Administration of Justice	0	23,710	419	24,129	0	0	0	24,129
Public Safety	52,266	0	27	52,293	0	0	0	52,293
Other Operations	0	235	0	235	0	210,980	210,980	211,215
Capital Outlay	0	0	0	0	8,250	0	8,250	8,250
Capital Projects	0	0	0	0	107,860	0	107,860	107,860
Total Expenditures	$ 52,266	$ 23,945	$ 298,450	$ 374,661	$ 116,110	$ 210,980	$ 327,090	$ 701,751
Excess (Deficiency) of Revenues Over Expenditures	$ 2,831	$ (1,272)	$ 15,920	$ 17,479	$ 0	$ 0	$ 0	$ 17,479
Net Change in Fund Balances	$ 2,831	$ (1,272)	$ 15,920	$ 17,479	$ 0	$ 0	$ 0	$ 17,479
Fund Balance, July 1, 2004	50,283	62,745	59,706	172,734	0	0	0	172,734
Fund Balance, June 30, 2005	$ 53,114	$ 61,473	$ 75,626	$ 190,213	$ 0	$ 0	$ 0	$ 190,213

Exhibit H-3

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 49,807	$ 55,500	$ 55,500	$ (5,693)
Other Local Revenues	2,781	1,000	1,000	1,781
Other Governments and Citizens Groups	2,509	2,000	2,000	509
Total Revenues	$ 55,097	$ 58,500	$ 58,500	$ (3,403)
Expenditures				
Public Safety				
Drug Enforcement	$ 52,266	$ 43,100	$ 72,300	$ 20,034
Total Expenditures	$ 52,266	$ 43,100	$ 72,300	$ 20,034
Excess (Deficiency) of Revenues Over Expenditures	$ 2,831	$ 15,400	$ (13,800)	$ 16,631
Net Change in Fund Balance	$ 2,831	$ 15,400	$ (13,800)	$ 16,631
Fund Balance, July 1, 2004	50,283	50,282	50,282	1
Fund Balance, June 30, 2005	$ 53,114	$ 65,682	$ 36,482	$ 16,632

Exhibit H-4

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
District Attorney General Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 22,673	$ 21,450	$ 44,175	$ (21,502)
Total Revenues	$ 22,673	$ 21,450	$ 44,175	$ (21,502)
Expenditures				
Administration of Justice				
District Attorney General	$ 23,710	$ 27,460	$ 27,460	$ 3,750
Public Safety				
Drug Enforcement	0	0	22,500	22,500
Other Operations				
Other Charges	235	252	477	242
Total Expenditures	$ 23,945	$ 27,712	$ 50,437	$ 26,492
Excess (Deficiency) of Revenues Over Expenditures	$ (1,272)	$ (6,262)	$ (6,262)	$ 4,990
Net Change in Fund Balance	$ (1,272)	$ (6,262)	$ (6,262)	$ 4,990
Fund Balance, July 1, 2004	62,745	62,953	62,953	(208)
Fund Balance, June 30, 2005	$ 61,473	$ 56,691	$ 56,691	$ 4,782

Major Governmental Fund

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 costs.

Exhibit I

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,298,254	$ 1,487,723	$ 1,487,723	$ (189,469)
Other Local Revenues	711,852	393,390	393,390	318,462
Other Governments and Citizens Groups	279,902	253,768	253,768	26,134
Total Revenues	$ 2,290,008	$ 2,134,881	$ 2,134,881	$ 155,127
Expenditures				
Principal				
General Government	$ 643,926	$ 1,891,258	$ 1,415,560	$ 771,634
Education	807,568	1,063,569	964,868	157,300
Interest				
General Government	65,351	0	65,351	0
Highways and Streets	8,889	0	8,889	0
Education	745,970	825,075	1,027,497	281,527
Other Debt Service				
General Government	22,946	0	35,000	12,054
Total Expenditures	$ 2,294,650	$ 3,779,902	$ 3,517,165	$ 1,222,515
Excess (Deficiency) of Revenues Over Expenditures	$ (4,642)	$ (1,645,021)	$ (1,382,284)	$ 1,377,642
Other Financing Sources (Uses)				
Refunding Debt Issued	$ 0	$ 705,331	$ 705,331	$ (705,331)
Transfers In	286,665	494,389	494,389	(207,724)
Total Other Financing Sources (Uses)	$ 286,665	$ 1,199,720	$ 1,199,720	$ (913,055)
Net Change in Fund Balance	$ 282,023	$ (445,301)	$ (182,564)	$ 464,587
Fund Balance, July 1, 2004	(276,042)	895,226	895,226	(1,171,268)
Fund Balance, June 30, 2005	$ 5,981	$ 449,925	$ 712,662	$ (706,681)

Fiduciary Funds

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

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

City School ADA - Dayton Fund – The City School ADA - Dayton 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 school systems on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

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.

Exhibit J-1

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

	Agency Funds			
	Cities - Sales Tax	City School ADA - Dayton	Constitu-tional Officers - Agency	Total
ASSETS				
Cash	$ 0	$ 0	1,167,672	$ 1,167,672
Equity in Pooled Cash and Investments	0	35,069	0	35,069
Due from Other Governments	332,476	60,307	0	392,783
Taxes Receivable	0	307,378	0	307,378
Allowance for Uncollectible Taxes	0	(15,042)	0	(15,042)
Total Assets	$ 332,476	$ 387,712	1,167,672	$ 1,887,860
LIABILITIES				
Due to Other Taxing Units	$ 332,476	$ 387,712	0	$ 720,188
Due to Litigants, Heirs, and Others	0	0	1,167,672	1,167,672
Total Liabilities	$ 332,476	$ 387,712	1,167,672	$ 1,887,860

Exhibit J-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 1,908,361	$ 1,908,361	$ 0
Due From Other Governments	312,423	332,476	312,423	332,476
Total Assets	$ 312,423	$ 2,240,837	$ 2,220,784	$ 332,476
Liabilities				
Due to Other Taxing Units	$ 312,423	$ 2,240,837	$ 2,220,784	$ 332,476
Total Liabilities	$ 312,423	$ 2,240,837	$ 2,220,784	$ 332,476
City School ADA - Dayton Fund				
Assets				
Equity in Pooled Cash and Investments	$ 37,456	$ 619,031	$ 621,418	$ 35,069
Due From Other Governments	56,863	60,307	56,863	60,307
Taxes Receivable	306,831	307,378	306,831	307,378
Allowance for Uncollectible Taxes	(15,436)	(15,042)	(15,436)	(15,042)
Total Assets	$ 385,714	$ 971,674	$ 969,676	$ 387,712
Liabilities				
Due to Other Taxing Units	$ 385,714	$ 971,674	$ 969,676	$ 387,712
Total Liabilities	$ 385,714	$ 971,674	$ 969,676	$ 387,712
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 1,252,113	$ 5,559,880	$ 5,644,321	$ 1,167,672
Total Assets	$ 1,252,113	$ 5,559,880	$ 5,644,321	$ 1,167,672
Liabilities				
Due to Litigants, Heirs, and Others	$ 1,252,113	$ 5,559,880	$ 5,644,321	$ 1,167,672
Total Liabilities	$ 1,252,113	$ 5,559,880	$ 5,644,321	$ 1,167,672
Totals - All Agency Funds				
Assets				
Equity in Pooled Cash and Investments	$ 37,456	$ 2,527,392	$ 2,529,779	$ 35,069
Cash	1,252,113	5,559,880	5,644,321	1,167,672
Due From Other Governments	369,286	392,783	369,286	392,783
Taxes Receivable	306,831	307,378	306,831	307,378
Allowance for Uncollectible Taxes	(15,436)	(15,042)	(15,436)	(15,042)
Total Assets	$ 1,950,250	$ 8,772,391	$ 8,834,781	$ 1,887,860

(Continued)

Exhibit J-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
Totals - All Agency Funds (Cont.)				
Liabilities				
Due to Other Taxing Units	$ 698,137	$ 3,212,511	$ 3,190,460	$ 720,188
Due to Litigants, Heirs, and Others	1,252,113	5,559,880	5,644,321	1,167,672
Total Liabilities	$ 1,950,250	$ 8,772,391	$ 8,834,781	$ 1,887,860

Rhea County School Department

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

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

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

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

School Transportation Fund – The School Transportation Fund is used to account for the operations of the school transportation system.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for building projects for the county school system.

Exhibit K-1

Rhea County, Tennessee
Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2005

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Total Governmental Activities
Component Unit:				
Governmental Activities:				
Instruction	$ 8,865,679	$ 42,315	$ 1,737,902	$ (7,085,462)
Support Services	9,827,383	32,445	189,930	(9,605,008)
Operation of Non-Instructional Services	1,677,644	693,691	994,580	10,627
Other Debt Service	527,319	0	0	(527,319)
Total Governmental Activities	$ 20,898,025	$ 768,451	$ 2,922,412	$ (17,207,162)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				$ 2,735,088
Local option sales tax				1,963,093
Other local taxes				4,041
Grants & Contributions not restricted for specific programs				15,803,544
Unrestricted Investment Earnings				27,109
Miscellaneous				138,028
Total General Revenues				$ 20,670,903
Change in net assets				$ 3,463,741
Prior Year Restatement				175,026
Net assets, July 1, 2004				23,828,210
Net assets, June 30, 2005				$ 27,466,977

Exhibit K-2

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

	Major Funds		Nonmajor Funds	
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	Total Govern- mental Funds
ASSETS				
Cash	$ 1,392	$ 0	$ 0	$ 1,392
Equity in Pooled Cash and Investments	1,370,695	203,485	356,438	1,930,618
Inventories	0	0	42,081	42,081
Accounts Receivable	2,532	1,047	94	3,673
Due from Other Governments	372,587	0	109,552	482,139
Due from Other Funds	0	192	0	192
Due from Primary Government	0	15,004	0	15,004
Property Taxes Receivable	1,831,786	1,468,875	0	3,300,661
Allowance for Uncollectible Property Taxes	(89,645)	(65,012)	0	(154,657)
Notes Receivable - Current	362,892	0	0	362,892
Notes Receivable - Long-Term	556,335	0	0	556,335
Total Assets	$ 4,408,574	$ 1,623,591	$ 508,165	$ 6,540,330
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 5,760	$ 502	$ 532	$ 6,794
Accrued Payroll	6,980	0	0	6,980
Payroll Deductions Payable	399,995	6,587	33,497	440,079
Due to Other Funds	192	0	0	192
Due to Primary Government	4,190	33	0	4,223
Deferred Revenue - Current Property Taxes	1,677,854	1,363,062	0	3,040,916
Deferred Revenue - Delinquent Property Taxes	64,287	40,801	0	105,088
Other Deferred Revenues	173,265	0	0	173,265
Total Liabilities	$ 2,332,523	$ 1,410,985	$ 34,029	$ 3,777,537
Fund Balances				
Reserved for Encumbrances	$ 6,517	$ 0	$ 40,703	$ 47,220
Reserved for Long-Term Notes Receivable	556,335	0	0	556,335
Reserved for Food Service	0	0	42,081	42,081
Reserved for Capital Outlay	475,385	0	0	475,385
Reserved for Career Ladder Program	52,925	0	0	52,925
Reserved for Technology	1,264	0	0	1,264
Reserved for Title I Grants to Local Education Agencies	0	0	95,271	95,271
Reserved for Innovative Education Program Strategies	0	0	1	1
Reserved for Special Education - Grants to States	0	0	3,402	3,402
Other Federal Reserves	0	0	2,413	2,413
Unreserved, Reported In:				
General Fund	983,625	0	0	983,625
Special Revenue Funds	0	212,606	290,265	502,871
Total Fund Balances	$ 2,076,051	$ 212,606	$ 474,136	$ 2,762,793
Total Liabilities and Fund Balances	$ 4,408,574	$ 1,623,591	$ 508,165	$ 6,540,330

Exhibit K-3

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

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

Total fund balances - balance sheet - governmental funds (Exhibit K-2)	$	2,762,793
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		24,487,668
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.		(61,837)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		278,353
Net assets of governmental activities (Exhibit A)	$	27,466,977

Exhibit K-4

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

	Major Funds		Nonmajor Funds	
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	Total Governmental Funds
Revenues				
Local Taxes	$ 3,670,936	$ 1,078,549	$ 0	$ 4,749,485
Licenses and Permits	2,267	0	0	2,267
Charges for Current Services	42,315	0	693,691	736,006
Other Local Revenues	224,418	55,610	4,228	284,256
State of Tennessee	15,494,914	0	19,352	15,514,266
Federal Government	387,470	0	2,583,142	2,970,612
Total Revenues	$ 19,822,320	$ 1,134,159	$ 3,300,413	$ 24,256,892
Expenditures				
Current:				
Other Operations	$ 0	$ 0	$ 67,286	$ 67,286
Instruction	13,087,647	0	1,552,426	14,640,073
Support Services	6,526,891	1,283,041	299,347	8,109,279
Operation of Non-Instructional Services	64,216	0	1,512,466	1,576,682
Capital Outlay	1,532,602	0	0	1,532,602
Debt Service:				
Other Debt Service	2,327,319	0	0	2,327,319
Total Expenditures	$ 23,538,675	$ 1,283,041	$ 3,431,525	$ 28,253,241
Excess (Deficiency) of Revenues Over Expenditures	$ (3,716,355)	$ (148,882)	$ (131,112)	$ (3,996,349)
Net Change in Fund Balances	$ (3,716,355)	$ (148,882)	$ (131,112)	$ (3,996,349)
Fund Balance, July 1, 2004	5,792,406	361,488	605,248	6,759,142
Fund Balance, June 30, 2005	$ 2,076,051	$ 212,606	$ 474,136	$ 2,762,793

Exhibit K-5

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

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

Net change in fund balances - total governmental funds (Exhibit K-4)	$	(3,996,349)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays were less than depreciation in the current period.		5,671,868
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.		(25,020)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		13,362
(4) The issuance of long-term debt (e.g., bonds, notes, leases) 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		1,800,000
(5) 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 governmental funds.		(120)
Change in net assets of governmental activities (Exhibit B)	$	3,463,741

Exhibit K-6

Rhea County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2005

	Special Revenue Funds		
	School Federal Projects	Central Cafeteria	Total Nonmajor Governmental Funds
ASSETS			
Equity in Pooled Cash and Investments	$ 82,298	$ 274,140	$ 356,438
Inventories	0	42,081	42,081
Accounts Receivable	0	94	94
Due from Other Governments	41,356	68,196	109,552
Total Assets	$ 123,654	$ 384,511	$ 508,165
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts Payable	$ 318	$ 214	$ 532
Payroll Deductions Payable	22,249	11,248	33,497
Total Liabilities	$ 22,567	$ 11,462	$ 34,029
Fund Balances			
Reserved for Encumbrances	$ 0	$ 40,703	$ 40,703
Reserved for Food Service	0	42,081	42,081
Reserved for Title I Grants to Local Education Agencies	95,271	0	95,271
Reserved for Innovative Education Program Strategies	1	0	1
Reserved for Special Education - Grants to States	3,402	0	3,402
Other Federal Reserves	2,413	0	2,413
Unreserved	0	290,265	290,265
Total Fund Balances	$ 101,087	$ 373,049	$ 474,136
Total Liabilities and Fund Balances	$ 123,654	$ 384,511	$ 508,165

Exhibit K-7

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

	Special Revenue Funds			Capital Projects Fund	
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Total Nonmajor Governmental Funds
Revenues					
Charges for Current Services	$ 0	$ 693,691	$ 693,691	$ 0	$ 693,691
Other Local Revenues	0	4,102	4,102	126	4,228
State of Tennessee	0	19,352	19,352	0	19,352
Federal Government	1,774,100	809,042	2,583,142	0	2,583,142
Total Revenues	$ 1,774,100	$ 1,526,187	$ 3,300,287	$ 126	$ 3,300,413
Expenditures					
Current:					
Other Operations	$ 0	$ 0	$ 0	$ 67,286	$ 67,286
Instruction	1,552,426	0	1,552,426	0	1,552,426
Support Services	299,347	0	299,347	0	299,347
Operation of Non-Instructional Services	0	1,512,466	1,512,466	0	1,512,466
Total Expenditures	$ 1,851,773	$ 1,512,466	$ 3,364,239	$ 67,286	$ 3,431,525
Excess (Deficiency) of Revenues Over Expenditures	$ (77,673)	$ 13,721	$ (63,952)	$ (67,160)	$ (131,112)
Net Change in Fund Balances	$ (77,673)	$ 13,721	$ (63,952)	$ (67,160)	$ (131,112)
Fund Balance, July 1, 2004	178,760	359,328	538,088	67,160	605,248
Fund Balance, June 30, 2005	$ 101,087	$ 373,049	$ 474,136	$ 0	$ 474,136

Exhibit K-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 3,670,936	$ 0	$ 0	$ 3,670,936	$ 3,449,949	$ 3,449,949	$ 220,987
Licenses and Permits	2,267	0	0	2,267	2,600	2,600	(333)
Charges for Current Services	42,315	0	0	42,315	50,000	50,000	(7,685)
Other Local Revenues	224,418	0	0	224,418	104,100	306,333	(81,915)
State of Tennessee	15,494,914	0	0	15,494,914	15,082,699	15,344,366	150,548
Federal Government	387,470	0	0	387,470	38,600	462,089	(74,619)
Total Revenues	$ 19,822,320	$ 0	$ 0	$ 19,822,320	$ 18,727,948	$ 19,615,337	$ 206,983
Expenditures							
Instruction							
Regular Instruction Program	$ 10,539,320	$ (301)	$ 5,790	$ 10,544,809	$ 10,139,883	$ 10,612,108	$ 67,299
Special Education Program	1,699,653	(2,362)	0	1,697,291	1,707,056	1,712,729	15,438
Vocational Education Program	600,026	0	0	600,026	565,168	603,087	3,061
Adult Education Program	248,648	(1,196)	0	247,452	7,117	267,236	19,784
Support Services							
Attendance	70,769	0	0	70,769	71,090	71,087	318
Health Services	143,643	0	0	143,643	151,178	155,172	11,529
Other Student Support	1,146,401	(13,613)	327	1,133,115	1,006,043	1,177,560	44,445
Regular Instruction Program	326,816	(80)	0	326,736	352,370	333,986	7,250
Special Education Program	229,283	0	0	229,283	223,297	230,841	1,558
Vocational Education Program	111,800	0	0	111,800	35,500	117,000	5,200
Adult Programs	111,466	(46)	0	111,420	11,743	114,853	3,433
Other Programs	0	0	0	0	140,380	0	0
Board of Education	259,055	0	400	259,455	249,869	260,245	790
Director of Schools	282,133	0	0	282,133	290,302	294,518	12,385
Office of the Principal	1,295,610	0	0	1,295,610	1,245,492	1,295,878	268

(Continued)

Exhibit K-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2004	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Support Services (Cont.)							
Operation of Plant	$ 816,381	$ (513)	$ 0	$ 815,868	$ 810,000	$ 828,340	$ 12,472
Maintenance of Plant	1,732,854	0	0	1,732,854	1,641,148	1,796,729	63,875
Transportation	680	0	0	680	0	680	0
Operation of Non-Instructional Services							
Community Services	64,216	0	0	64,216	0	65,000	784
Capital Outlay							
Regular Capital Outlay	1,532,602	(1,078,651)	0	453,951	520,294	497,941	43,990
Other Debt Service							
Education	2,327,319	0	0	2,327,319	0	2,327,321	2
Total Expenditures	$ 23,538,675	$ (1,096,762)	$ 6,517	$ 22,448,430	$ 19,167,930	$ 22,762,311	$ 313,881
Excess (Deficiency) of Revenues Over Expenditures	$ (3,716,355)	$ 1,096,762	$ (6,517)	$ (2,626,110)	$ (439,982)	$ (3,146,974)	$ 520,864
Net Change in Fund Balance	$ (3,716,355)	$ 1,096,762	$ (6,517)	$ (2,626,110)	$ (439,982)	$ (3,146,974)	$ 520,864
Fund Balance, July 1, 2004	5,792,406	(1,096,762)	0	4,695,644	1,719,391	3,519,391	1,176,253
Fund Balance, June 30, 2005	$ 2,076,051	$ 0	$ (6,517)	$ 2,069,534	$ 1,279,409	$ 372,417	$ 1,697,117

Exhibit K-9

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

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Federal Government	$ 1,774,100	$ 662,694	$ 2,124,619	$ (350,519)
Total Revenues	$ 1,774,100	$ 662,694	$ 2,124,619	$ (350,519)
Expenditures				
Instruction				
Regular Instruction Program	$ 824,946	$ 524,181	$ 971,612	$ 146,666
Special Education Program	594,063	0	820,671	226,608
Vocational Education Program	99,933	0	99,933	0
Student Body Education Program	33,484	0	68,749	35,265
Support Services				
Other Student Support	51,975	7,600	73,712	21,737
Regular Instruction Program	202,964	130,913	252,283	49,319
Special Education Program	31,413	0	57,822	26,409
Vocational Education Program	671	0	671	0
Transportation	12,324	0	22,244	9,920
Total Expenditures	$ 1,851,773	$ 662,694	$ 2,367,697	$ 515,924
Excess (Deficiency) of Revenues Over Expenditures	$ (77,673)	$ 0	$ (243,078)	$ 165,405
Net Change in Fund Balance	$ (77,673)	$ 0	$ (243,078)	$ 165,405
Fund Balance, July 1, 2004	178,760	0	443,830	(265,070)
Fund Balance, June 30, 2005	$ 101,087	$ 0	$ 200,752	$ (99,665)

Exhibit K-10

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

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Charges for Current Services	$ 693,691	$ 0	$ 693,691	$ 751,395	$ 751,395	$ (57,704)
Other Local Revenues	4,102	0	4,102	5,000	5,000	(898)
State of Tennessee	19,352	0	19,352	19,000	19,000	352
Federal Government	809,042	0	809,042	808,800	808,800	242
Total Revenues	$ 1,526,187	$ 0	$ 1,526,187	$ 1,584,195	$ 1,584,195	$ (58,008)
Expenditures						
Operation of Non-Instructional Services						
Food Service	$ 1,512,466	$ 40,703	$ 1,553,169	$ 1,637,389	$ 1,637,389	$ 84,220
Total Expenditures	$ 1,512,466	$ 40,703	$ 1,553,169	$ 1,637,389	$ 1,637,389	$ 84,220
Excess (Deficiency) of Revenues Over Expenditures	$ 13,721	$ (40,703)	$ (26,982)	$ (53,194)	$ (53,194)	$ 26,212
Net Change in Fund Balance	$ 13,721	$ (40,703)	$ (26,982)	$ (53,194)	$ (53,194)	$ 26,212
Fund Balance, July 1, 2004	359,328	0	359,328	322,454	322,454	36,874
Fund Balance, June 30, 2005	$ 373,049	$ (40,703)	$ 332,346	$ 269,260	$ 269,260	$ 63,086

Exhibit K-11

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Rhea County School Department
School Transportation Fund
For the Year Ended June 30, 2005

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,078,549	$ 1,029,000	$ 1,029,000	$ 49,549
Other Local Revenues	55,610	22,500	42,551	13,059
Total Revenues	$ 1,134,159	$ 1,051,500	$ 1,071,551	$ 62,608
Expenditures				
Support Services				
Board of Education	$ 29,964	$ 24,217	$ 30,352	$ 388
Operation of Plant	3,848	7,525	5,025	1,177
Transportation	1,249,229	1,201,294	1,321,754	72,525
Total Expenditures	$ 1,283,041	$ 1,233,036	$ 1,357,131	$ 74,090
Excess (Deficiency) of Revenues Over Expenditures	$ (148,882)	$ (181,536)	$ (285,580)	$ 136,698
Net Change in Fund Balance	$ (148,882)	$ (181,536)	$ (285,580)	$ 136,698
Fund Balance, July 1, 2004	361,488	366,629	366,629	(5,141)
Fund Balance, June 30, 2005	$ 212,606	$ 185,093	$ 81,049	$ 131,557

MISCELLANEOUS SCHEDULES

Exhibit L-1

Rhea County, Tennessee
Schedule of Changes in Long-Term Notes, Capital Leases, Other Loans, and Bonds
Primary Government and Discretely Presented Rhea County School Department
For the Year Ended June 30, 2005

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
PRIMARY GOVERNMENT							
NOTES PAYABLE							
Payable through General Debt Service Fund:							
School Energy Saving Equipment	$ 350,000	4.5 %	5-1-1994	5-1-05	$ 40,000	$ 40,000	$ 0
Rhea Medical Center Renovation #3	1,100,000	4.8	12-11-1997	4-1-08	510,000	120,000	390,000
Centralized Maintenance #3	391,000	2	9-24-1998	9-24-07	173,780	43,445	130,335
Industrial Land Purchase	205,000	4.25	3-15-00	3-15-05	41,124	41,124	0
Courthouse Heating and Air Conditioning	228,295	3	3-15-01	3-15-08	136,205	32,557	103,648
Closure of Old Landfill	483,333	2	6-9-02	6-9-08	322,223	80,556	241,667
Health Department Building	94,830	5	10-24-01	10-24-04	35,000	35,000	0
Courthouse Heating and Air Conditioning #2	155,100	4.45	2-2-02	2-2-05	51,700	51,700	0
Rhea Medical Center Renovation #1	166,667	2	10-27-02	10-27-05	111,112	55,555	55,557
Jail Expansion Phase 1	500,000	2	10-27-02	10-27-05	416,667	83,333	333,334 (1)
Centralized Maintenance Building	266,667	2	2-16-03	2-16-06	147,223	44,445	102,778 (2)
Rhea Medical Center Renovation #2	333,332	2	4-15-03	4-15-06	111,111	55,555	55,556
Total Notes Payable					$ 2,096,145	$ 683,270	$ 1,412,875
CAPITAL LEASES PAYABLE							
Payable through Highway/Public Works Fund:							
Two Dump Trucks	128,500	6.41	7-17-00	6-17-05	$ 31,426	$ 31,426	$ 0
Two Graders	308,799	4	4-28-03	4-16-08	240,982	59,445	181,537
Total Capital Leases Payable					$ 272,408	$ 90,871	$ 181,537
OTHER LOANS PAYABLE							
Payable through General Debt Service Fund:							
School HVAC Loan	930,817	0	3-13-00	11-30-11	$ 620,545	$ 77,568	$ 542,977
Total Other Loans Payable					$ 620,545	$ 77,568	$ 542,977

(Continued)

Exhibit L-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-04	Paid and/or Matured During Period	Outstanding 6-30-05
PRIMARY GOVERNMENT (CONT.)							
BONDS PAYABLE							
Payable through General Debt Service Fund:							
General Obligation Refunding 1997 Series	$ 5,650,000	3.75 to 4.85 %	12-4-1997	4-1-12	$ 4,250,000	$ 510,000	$ 3,740,000
General Obligation School 2001 Series	6,980,000	4.1 to 5	8-28-01	4-1-18	6,930,000	25,000	6,905,000
General Obligation County District School 2001 Series	5,150,000	4.1 to 5	8-28-01	4-1-23	4,670,000	155,000	4,515,000
Total Bonds Payable					$ 15,850,000	$ 690,000	$ 15,160,000
DISCRETELY PRESENTED RHEA COUNTY SCHOOL DEPARTMENT							
NOTES PAYABLE							
Payable through General Purpose School Fund:							
Spring City Elementary School	1,800,000	2	2-20-04	2-20-05	$ 1,800,000	$ 1,800,000	$ 0
Total Notes Payable					$ 1,800,000	$ 1,800,000	$ 0

(1) This note was extended subsequent to June 30, 2005.
(2) Management expects to extend this note subsequent to the date of this report.

Exhibit L-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2006	695,000	710,425	1,405,425
2007	715,000	679,846	1,394,846
2008	720,000	648,128	1,368,128
2009	740,000	615,951	1,355,951
2010	1,025,000	582,615	1,607,615
2011	1,395,000	537,290	1,932,290
2012	1,440,000	475,460	1,915,460
2013	975,000	410,350	1,385,350
2014	1,060,000	367,450	1,427,450
2015	1,120,000	319,750	1,439,750
2016	1,160,000	263,750	1,423,750
2017	1,195,000	205,750	1,400,750
2018	1,235,000	146,000	1,381,000
2019	300,000	84,250	384,250
2020	320,000	69,250	389,250
2021	335,000	53,250	388,250
2022	355,000	36,500	391,500
2023	375,000	18,750	393,750
Total	$ 15,160,000	$ 6,224,765	$ 21,384,765

Exhibit L-3

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

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-05
Interfund Notes Receivable:						
PRIMARY GOVERNMENT						
Solid Waste/Sanitation Fund						
Football/Baseball Field Lights - General Purpose School Fund	General Debt Service Fund $	104,000	6-11-1997	6-11-06	2 %	$ 11,555
Highway Paving - Highway/Public Works Fund	"	500,000	9-25-1998	6-29-07	2	166,666
Landfill Property - Solid Waste/Sanitation Fund	"	165,000	4-18-01	4-18-07	2	91,667
Health Department Land - General Fund	"	135,000	9-29-00	9-29-06	2	40,135
Jail Renovation - General Fund	"	100,000	2-10-01	2-10-07	2	33,333
Jail Expansion - General Fund	'	150,000	2-10-04	2-10-07	2	133,334
Phil Swafford Building - General Fund	"	200,000	5-27-01	5-27-07	2	44,444
Total Primary Government						$ 521,134
DISCRETELY PRESENTED RHEA COUNTY SCHOOL DEPARTMENT						
General Purpose School Fund						
Medical Center Renovations - General Fund	General Debt Service Fund	500,000	10-6-1999	10-27-05	2	$ 55,557
Medical Center Renovations - General Fund	"	500,000	4-2-00	4-15-06	2	55,556
Central Maintenance Implementation - Central Maintenance Fund	"	391,000	9-24-1998	9-24-07	2	130,335
Old Landfill Closure - Solid Waste/Sanitation Fund	"	725,000	6-9-1999	6-9-08	2	241,667
Jail Renovation - General Fund	"	750,000	10-27-1999	10-27-05	2	333,334
Central Maintenance Building - Central Maintenance Fund	"	400,000	2-16-00	2-16-06	2	102,778
Total Discretely Presented Rhea County School Department						$ 919,227

Exhibit L-4

Rhea County, Tennessee
Schedule of Transfers - All Funds
For the Year Ended June 30, 2005

From Fund	To Fund	Purpose	Amount
Highway/Public Works	General Debt Service	Debt retirement	$ 286,665
Total Transfers			$ 286,665

Exhibit L-5

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

Official	Authorization for Salary	Salary Paid During Period		Bond	Surety
County Executive	Section 8-24-102, TCA	$ 60,023		$ 50,000	Travelers Casualty Surety Company
Highway Superintendent	Section 8-24-102, TCA	57,165		100,000	"
Director of Schools					
Sue Porter (7-1-04 through 1-7-05)	State Board of Education and Rhea County Board of Education	87,723	(1)	50,000	"
Dallas Smith (1-10-05 through 6-30-05)	State Board of Education and Rhea County Board of Education	44,668		(2)	
Trustee	Section 8-24-102, TCA	51,969		670,000	"
Assessor of Property	Section 8-24-102, TCA	51,969		10,000	"
Finance Director	Financial Management Act of 1981	51,969		50,000	"
County Clerk	Section 8-24-102, TCA	51,969		50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	51,969		50,000	"
Clerk and Master	Section 8-24-102, TCA	51,969		50,000	"
Register	Section 8-24-102, TCA	51,969		25,000	"
Sheriff	Section 8-24-102, TCA	57,647	(3)	25,000	"
Employee Blanket Bond Coverage:					
All County Departments				150,000	Tennessee School Boards Risk Mangement Trust

(1) Includes payment of accrued sick and vacation leave of $29,506 and $3,589, respectively.
(2) Director of Schools was covered by the $150,000 employee blanket bond.
(3) Includes law enforcement training supplement of $482.

Exhibit L-6

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Funds		
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	HUD Grant Projects	Total
Local Taxes										
County Property Taxes										
Current Property Tax	$ 3,409,881	$ 0	$ 0	$ 0	$ 0	$ 0	$ 841,859	$ 0	$ 0	$ 4,251,740
Trustee's Collections - Prior Year	71,023	0	0	0	0	0	16,881	0	0	87,904
Circuit/Clerk & Master Collections - Prior Years	87,021	0	0	0	0	0	22,871	0	0	109,892
Interest and Penalty	22,955	0	0	0	0	0	5,520	0	0	28,475
Payments in Lieu of Taxes - T.V.A.	3,049	0	0	0	0	0	753	0	0	3,802
Payments in Lieu of Taxes - Local Utilities	35,575	0	0	0	0	0	8,745	0	0	44,320
Payments in Lieu of Taxes - Other	0	0	0	0	0	0	7,688	0	0	7,688
County Local Option Taxes										
Local Option Sales Tax	0	0	0	0	0	0	380,557	0	0	380,557
Hotel/Motel Tax	74,520	0	0	0	0	0	0	0	0	74,520
Litigation Tax - General	151,854	0	0	0	0	0	0	0	0	151,854
Litigation Tax - Jail, Workhouse, or Courthouse	46,958	0	0	0	0	0	0	0	0	46,958
Business Tax	0	188,473	0	0	0	0	0	0	0	188,473
Mineral Severance Tax	0	0	0	0	0	103,669	0	0	0	103,669
Statutory Local Taxes										
Bank Excise Tax	41,550	0	0	0	0	0	10,265	0	0	51,815
Wholesale Beer Tax	0	81,152	0	0	0	0	0	0	0	81,152
Interstate Telecommunications Tax	0	0	0	0	0	0	3,115	0	0	3,115
Total Local Taxes	$ 3,944,386	$ 269,625	$ 0	$ 0	$ 0	$ 103,669	$ 1,298,254	$ 0	$ 0	$ 5,615,934
Licenses and Permits										
Licenses										
Cable TV Franchise	$ 12,352	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 12,352
Permits										
Beer Permits	4,061	0	0	0	0	0	0	0	0	4,061
Building Permits	4,345	0	0	0	0	0	0	0	0	4,345
Total Licenses and Permits	$ 20,758	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 20,758
Fines, Forfeitures, and Penalties										
Circuit Court										
Fines	$ 4,298	$ 0	$ 0	$ 4,009	$ 0	$ 0	$ 0	$ 0	$ 0	$ 8,307
Officers Costs	15,596	0	0	0	0	0	0	0	0	15,596

(Continued)

Exhibit L-6

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Funds		
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	HUD Grant Projects	Total
Fines, Forfeitures, and Penalties (Cont.)										
Circuit Court (Cont.)										
Drug Control Fines	$ 3,986	$ 0	$ 2,025	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 6,011
Jail Fees	2,287	0	0	0	0	0	0	0	0	2,287
DUI Treatment Fines	723	0	0	0	0	0	0	0	0	723
Data Entry Fee - Circuit Court	1,882	0	0	0	0	0	0	0	0	1,882
General Sessions Court										
Fines	20,176	0	0	18,664	0	0	0	0	0	38,840
Officers Costs	66,448	0	0	0	0	0	0	0	0	66,448
Game and Fish Fines	2,175	0	0	0	0	0	0	0	0	2,175
Drug Control Fines	25,777	0	28,316	0	0	0	0	0	0	54,093
Drug Court Fees	6,929	0	0	0	0	0	0	0	0	6,929
Jail Fees	42,054	0	0	0	0	0	0	0	0	42,054
DUI Treatment Fines	4,534	0	0	0	0	0	0	0	0	4,534
Data Entry Fee - General Sessions Court	8,959	0	0	0	0	0	0	0	0	8,959
Juvenile Court										
Jail Fees	65,661	0	0	0	0	0	0	0	0	65,661
Chancery Court										
Officers Costs	5,674	0	0	0	0	0	0	0	0	5,674
Data Entry Fee - Chancery Court	600	0	0	0	0	0	0	0	0	600
Other Fines, Forfeitures, and Penalties										
Proceeds from Confiscated Property	0	0	19,466	0	0	0	0	0	0	19,466
Total Fines, Forfeitures, and Penalties	$ 277,759	$ 0	$ 49,807	$ 22,673	$ 0	$ 0	$ 0	$ 0	$ 0	$ 350,239
Charges for Current Services										
General Service Charges										
Surcharge - Host Agency	$ 0	$ 146,580	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 146,580
Fees										
Copy Fees	7,007	0	0	0	0	0	0	0	0	7,007
Telephone Commissions	2,786	0	0	0	0	0	0	0	0	2,786
Vending Machine Collections	523	0	0	0	0	0	0	0	0	523
Constitutional Officers' Fees and Commissions	0	0	0	0	314,370	0	0	0	0	314,370
Data Processing Fee - Register	13,058	0	0	0	0	0	0	0	0	13,058
Data Processing Fee - Sheriff	7,456	0	0	0	0	0	0	0	0	7,456

(Continued)

Exhibit L-6

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Funds		
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	HUD Grant Projects	Total
Charges for Current Services (Cont.)										
Fees (Cont.)										
Sexual Offender Registration Fee	$ 3,540	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 3,540
Total Charges for Current Services	$ 34,370	$ 146,580	$ 0	$ 0	$ 314,370	$ 0	$ 0	$ 0	$ 0	$ 495,320
Other Local Revenues										
Recurring Items										
Investment Income	$ 5,948	$ 12,977	$ 0	$ 0	$ 0	$ 700	$ 118,246	$ 0	$ 0	$ 137,871
Lease/Rentals	81,035	0	0	0	0	0	0	0	0	81,035
Sale of Materials and Supplies	0	0	0	0	0	10,958	0	0	0	10,958
Commissary Sales	4,920	0	0	0	0	0	0	0	0	4,920
Sale of Recycled Materials	0	3,960	0	0	0	0	0	0	0	3,960
Nonrecurring Items										
Insurance Recovery	3,801	3,243	0	0	0	0	0	0	0	7,044
Sale of Equipment	2,743	740	0	0	0	2,915	0	0	0	6,398
Damages Recovered from Individuals	1,221	0	0	0	0	0	0	0	0	1,221
Contributions & Gifts	7,145	0	0	0	0	0	593,606	0	0	600,751
Other Local Revenues										
Other Local Revenues	261,402	0	2,781	0	0	13	0	0	0	264,196
Total Other Local Revenues	$ 368,215	$ 20,920	$ 2,781	$ 0	$ 0	$ 14,586	$ 711,852	$ 0	$ 0	$ 1,118,354
Fees Received from County Officials										
Excess Fees										
County Clerk	$ 50,769	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 50,769
Trustee	160,321	0	0	0	0	0	0	0	0	160,321
Fees In Lieu of Salary									0	
Circuit Court Clerk	75,098	0	0	0	0	0	0	0	0	75,098
General Sessions Court Clerk	194,838	0	0	0	0	0	0	0	0	194,838
Clerk and Master	63,067	0	0	0	0	0	0	0	0	63,067
Register	167,347	0	0	0	0	0	0	0	0	167,347
Sheriff	9,411	0	0	0	0	0	0	0	0	9,411
Total Fees Received from County Officials	$ 720,851	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 720,851
State of Tennessee										
General Government Grants										
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,000
Other General Government Grants	0	0	0	0	0	0	0	107,860	0	107,860

(Continued)

Exhibit L-6

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Funds		
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	HUD Grant Projects	Total
State of Tennessee (Cont.)										
Health and Welfare Grants										
Public Health Nurses	$ 173,266	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 173,266
Public Works Grants										
State Aid Program	0	0	0	0	0	162,146	0	0	0	162,146
Litter Program	0	29,191	0	0	0	0	0	0	0	29,191
Other State Revenues										
Income Tax	0	8,848	0	0	0	0	0	0	0	8,848
Beer Tax	16,778	0	0	0	0	0	0	0	0	16,778
Alcoholic Beverage Tax	31,190	0	0	0	0	0	0	0	0	31,190
Contracted Prisoner Boarding	144,832	0	0	0	0	0	0	0	0	144,832
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,556,967	0	0	0	1,556,967
Petroleum Special Tax	0	0	0	0	0	20,942	0	0	0	20,942
Reappraisal Program Reimbursement	13,754	0	0	0	0	0	0	0	0	13,754
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	0	16,380
Other State Grants	30,000	13,712	0	0	0	60,322	0	0	0	104,034
Other State Revenues	17,931	0	0	0	0	0	0	0	0	17,931
Total State of Tennessee	$ 453,131	$ 51,751	$ 0	$ 0	$ 0	$ 1,800,377	$ 0	$ 107,860	$ 0	$ 2,413,119
Federal Government										
Federal Through State										
Community Development	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 8,250	$ 0	$ 8,250
Civil Defense Reimbursement	27,140	0	0	0	0	0	0	0	0	27,140
Disaster Relief	11,754	0	0	0	0	0	0	0	0	11,754
Homeland Security Grants	136,810	0	0	0	0	0	0	0	0	136,810
Law Enforcement Grants	86,979	0	0	0	0	0	0	0	0	86,979
Other Federal through State	0	0	0	0	0	0	0	0	210,980	210,980
Direct Federal Revenue										
Other Direct Federal Revenue	175,543	0	0	0	0	0	0	0	0	175,543
Total Federal Government	$ 438,226	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 8,250	$ 210,980	$ 657,456
Other Governments and Citizens Groups										
Other Governments										
Contributions	$ 136,907	$ 0	$ 2,509	$ 0	$ 0	$ 0	$ 279,902	$ 0	$ 0	$ 419,318
Other										
Other	12,448	7,483	0	0	0	0	0	0	0	19,931
Total Other Governments and Citizens Groups	$ 149,355	$ 7,483	$ 2,509	$ 0	$ 0	$ 0	$ 279,902	$ 0	$ 0	$ 439,249
Total	$ 6,407,051	$ 496,359	$ 55,097	$ 22,673	$ 314,370	$ 1,918,632	$ 2,290,008	$ 116,110	$ 210,980	$ 11,831,280

Exhibit L-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
Local Taxes						
County Property Taxes						
Current Property Tax	$ 1,589,005	$ 0	$ 0	$ 1,003,062	$ 0	$ 2,592,067
Trustee's Collections - Prior Year	32,808	0	0	21,087	0	53,895
Circuit/Clerk & Master Collections - Prior Years	43,151	0	0	24,010	0	67,161
Interest and Penalty	10,637	0	0	6,796	0	17,433
Payments in Lieu of Taxes - T.V.A.	1,404	0	0	897	0	2,301
Payments in Lieu of Taxes - Local Utilities	16,487	0	0	10,477	0	26,964
County Local Option Taxes						
Local Option Sales Tax	1,954,263	0	0	0	0	1,954,263
Statutory Local Taxes						
Bank Excise Tax	19,140	0	0	12,220	0	31,360
Interstate Telecommunications Tax	4,041	0	0	0	0	4,041
Total Local Taxes	$ 3,670,936	$ 0	$ 0	$ 1,078,549	$ 0	$ 4,749,485
Licenses and Permits						
Licenses						
Marriage Licenses	$ 2,267	$ 0	$ 0	$ 0	$ 0	$ 2,267
Total Licenses and Permits	$ 2,267	$ 0	$ 0	$ 0	$ 0	$ 2,267
Charges for Current Services						
Education Charges						
Tuition - Other	$ 42,315	$ 0	$ 0	$ 0	$ 0	$ 42,315
Lunch Payments - Children	0	0	339,549	0	0	339,549
Lunch Payments - Adults	0	0	48,611	0	0	48,611
Income from Breakfast	0	0	14,692	0	0	14,692
A la carte Sales	0	0	290,839	0	0	290,839
Total Charges for Current Services	$ 42,315	$ 0	$ 693,691	$ 0	$ 0	$ 736,006
Other Local Revenues						
Recurring Items						
Investment Income	$ 25,642	$ 0	$ 1,341	$ 0	$ 126	$ 27,109
Lease/Rentals	710	0	0	31,735	0	32,445
Miscellaneous Refunds	0	0	1,282	0	0	1,282
Nonrecurring Items						
Insurance Recovery	91,234	0	0	21,900	0	113,134
Sale of Equipment	3,651	0	0	1,936	0	5,587

(Continued)

Exhibit L-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
Other Local Revenues (Cont.)						
Nonrecurring Items (Cont.)						
Sale of Property	$ 18,000	$ 0	$ 0	$ 0	$ 0	$ 18,000
Damages Recovered from Individuals	0	0	0	25	0	25
Contributions & Gifts	12,000	0	0	0	0	12,000
Other Local Revenues						
Other Local Revenues	73,181	0	1,479	14	0	74,674
Total Other Local Revenues	$ 224,418	$ 0	$ 4,102	$ 55,610	$ 126	$ 284,256
State of Tennessee						
State Education Funds						
Basic Education Program	$ 14,225,891	$ 0	$ 0	$ 0	$ 0	$ 14,225,891
School Food Service	0	0	19,352	0	0	19,352
Driver Education	10,380	0	0	0	0	10,380
Other State Education Funds	234,168	0	0	0	0	234,168
Career Ladder Program	235,355	0	0	0	0	235,355
Career Ladder - Extended Contract	93,360	0	0	0	0	93,360
Other State Revenues						
State Revenue Sharing - T.V.A.	695,760	0	0	0	0	695,760
Total State of Tennessee	$ 15,494,914	$ 0	$ 19,352	$ 0	$ 0	$ 15,514,266
Federal Government						
Federal Through State						
USDA School Lunch Program	$ 0	$ 0	$ 614,686	$ 0	$ 0	$ 614,686
Breakfast	0	0	194,356	0	0	194,356
Adult Education State Grant Program	163,365	0	0	0	0	163,365
Vocational Education - Basic Grants to States	0	102,344	0	0	0	102,344
Title I Grants to Local Education Agencies	0	802,466	0	0	0	802,466
Innovative Education Program Strategies	0	16,535	0	0	0	16,535
Special Education - Grants to States	99,248	589,268	0	0	0	688,516
Special Education Preschool Grants	0	15,010	0	0	0	15,010
Eisenhower Professional Development State Grants	0	220,407	0	0	0	220,407
Other Federal through State	83,334	28,070	0	0	0	111,404
Direct Federal Revenue						
ROTC Reimbursement	41,523	0	0	0	0	41,523
Total Federal Government	$ 387,470	$ 1,774,100	$ 809,042	$ 0	$ 0	$ 2,970,612
Total	$ 19,822,320	$ 1,774,100	$ 1,526,187	$ 1,134,159	$ 126	$ 24,256,892

Exhibit L-8

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

General Fund		
General Government		
County Commission		
Board and Committee Members Fees	$ 43,200	
Social Security	2,678	
Employer Medicare	626	
Audit Services	6,486	
Dues and Memberships	1,450	
Other Contracted Services	121	
Other Supplies and Materials	2,500	
Other Charges	215	
Total County Commission		$ 57,276
Board of Equalization		
Board and Committee Members Fees	$ 1,700	
Social Security	105	
Employer Medicare	25	
Total Board of Equalization		1,830
Beer Board		
Board and Committee Members Fees	$ 2,100	
Social Security	130	
Employer Medicare	30	
Total Beer Board		2,260
Other Boards and Committees		
Board and Committee Members Fees	$ 1,290	
Social Security	80	
Employer Medicare	19	
Legal Notices, Recording, and Court Costs	34	
Printing, Stationery and Forms	409	
Total Other Boards and Committees		1,832
County Executive		
County Official/Administrative Officer	$ 60,023	
Mechanic(s)	77	
Secretary(s)	18,587	
Social Security	4,863	
State Retirement	6,686	
Employer Medicare	1,137	
Dues and Memberships	1,450	
Operating Lease Payments	1,189	
Travel	1,433	

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
General Government (Cont.)		
County Executive (Cont.)		
Gasoline	$ 1,073	
Lubricants	20	
Office Supplies	447	
Vehicle and Equipment Insurance	3,257	
Other Charges	20	
Total County Executive		$ 100,262
County Attorney		
Legal Services	$ 18,250	
Total County Attorney		18,250
Election Commission		
County Official/Administrative Officer	$ 41,575	
Clerical Personnel	22,196	
Election Commission	4,850	
Election Workers	19,937	
Social Security	4,233	
State Retirement	5,446	
Employer Medicare	990	
Communication	1,357	
Dues and Memberships	225	
Operating Lease Payments	1,408	
Legal Notices, Recording, and Court Costs	5,157	
Maintenance & Repair Services- Equipment	3,574	
Rentals	1,388	
Travel	3,068	
Other Contracted Services	3,920	
Office Supplies	2,006	
Other Supplies and Materials	7,707	
Data Processing Equipment	4,054	
Total Election Commission		133,091
Register of Deeds		
County Official/Administrative Officer	$ 51,969	
Deputy(ies)	27,130	
Clerical Personnel	24,716	
Social Security	5,903	
State Retirement	4,332	
Employer Medicare	1,380	
Data Processing Services	10,546	

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
General Government (Cont.)		
Register of Deeds (Cont.)		
Dues and Memberships	$ 369	
Operating Lease Payments	2,394	
Office Supplies	4,692	
Total Register of Deeds		$ 133,431
Planning		
Other Contracted Services	$ 8,500	
Total Planning		8,500
County Buildings		
Custodial Personnel	$ 18,787	
Other Salaries & Wages	65,566	
Social Security	5,192	
State Retirement	7,204	
Life Insurance	96	
Medical Insurance	9,641	
Employer Medicare	1,194	
Communication	38,372	
Dues and Memberships	7,110	
Postal Charges	48,941	
Other Contracted Services	103,064	
Custodial Supplies	14,926	
Electricity	117,315	
Natural Gas	25,764	
Water and Sewer	13,894	
Other Supplies and Materials	21,608	
Building and Contents Insurance	23,046	
Building Improvements	2,800	
Furniture and Fixtures	978	
Heating and Air Conditioning Equipment	4,648	
Other Capital Outlay	155	
Total County Buildings		530,301
Finance		
Accounting and Budgeting		
Accountants/Bookkeepers	$ 51,969	
Other Salaries & Wages	230,449	
Social Security	16,781	
State Retirement	23,516	
Employer Medicare	3,925	

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
Finance (Cont.)		
Accounting and Budgeting (Cont.)		
Data Processing Services	$ 13,759	
Operating Lease Payments	2,060	
Legal Notices, Recording, and Court Costs	2,156	
Travel	3,804	
Office Supplies	15,233	
Data Processing Equipment	11,497	
Total Accounting and Budgeting		$ 375,149
Property Assessor's Office		
County Official/Administrative Officer	$ 51,969	
Mechanic(s)	67	
Clerical Personnel	97,929	
Social Security	8,728	
State Retirement	12,807	
Employer Medicare	2,041	
Data Processing Services	46	
Dues and Memberships	1,211	
Operating Lease Payments	792	
Printing, Stationery, and Forms	4,285	
Travel	22	
Other Contracted Services	928	
Gasoline	891	
Lubricants	11	
Office Supplies	1,398	
Vehicle and Equipment Insurance	3,257	
Office Equipment	1,467	
Total Property Assessor's Office		187,849
County Trustee's Office		
Data Processing Services	$ 16,935	
Dues and Memberships	369	
Operating Lease Payments	880	
Legal Notices, Recording, and Court Costs	187	
Other Contracted Services	415	
Office Supplies	1,552	
Data Processing Equipment	1,102	
Total County Trustee's Office		21,440
County Clerk's Office		
Data Processing Services	$ 10,845	

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
Finance (Cont.)		
County Clerk's Office (Cont.)		
Dues and Memberships	$ 444	
Operating Lease Payments	1,434	
Office Supplies	4,176	
Total County Clerk's Office		$ 16,899
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 51,969	
Deputy(ies)	85,676	
Jury and Witness Fees	12,861	
Social Security	8,496	
State Retirement	10,695	
Employer Medicare	1,987	
Data Processing Services	8,186	
Dues and Memberships	215	
Operating Lease Payments	2,394	
Office Supplies	9,047	
Data Processing Equipment	1,780	
Office Equipment	321	
Total Circuit Court		193,627
General Sessions Court		
Judge(s)	$ 95,565	
Probation Officer(s)	41,420	
Secretary(s)	21,643	
Clerical Personnel	111,484	
Other Salaries & Wages	23,591	
Social Security	17,603	
State Retirement	24,877	
Employer Medicare	4,117	
Dues and Memberships	469	
Travel	5,912	
Other Contracted Services	210	
Office Supplies	11,688	
Total General Sessions Court		358,579
Drug Court		
Fines, Assessments, and Penalties	$ 1,625	
Total Drug Court		1,625

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
Chancery Court		
County Official/Administrative Officer	$ 51,969	
Clerical Personnel	65,355	
Social Security	7,245	
State Retirement	9,530	
Employer Medicare	1,694	
Data Processing Services	4,137	
Dues and Memberships	369	
Operating Lease Payments	1,434	
Office Supplies	4,323	
Total Chancery Court		$ 146,056
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 57,165	
Deputy(ies)	397,212	
Investigator(s)	61,666	
Sergeant(s)	175,896	
Mechanic(s)	12,624	
School Resource Officer	107,744	
Educational Incentive - Other County Employees	11,564	
In-Service Training	7,336	
Social Security	51,727	
State Retirement	66,026	
Employer Medicare	12,095	
Communication	1,638	
Dues and Memberships	1,530	
Legal Notices, Recording, and Court Costs	211	
Rentals	1,020	
Tow-in Services	205	
Travel	1,967	
Other Contracted Services	1,375	
Diesel Fuel	821	
Gasoline	79,588	
Lubricants	1,194	
Office Supplies	3,791	
Tires and Tubes	10,688	
Uniforms	9,800	
Vehicle Parts	30,167	
Other Supplies and Materials	3,937	
Liability Insurance	22,507	

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
Public Safety (Cont.)		
Sheriff's Department (Cont.)		
Vehicle and Equipment Insurance	$ 27,761	
Other Charges	305	
Motor Vehicles	74,868	
Other Equipment	681	
Total Sheriff's Department		$ 1,235,109
Administration of the Sexual Offender Registry		
Other Supplies and Materials	$ 978	
Total Administration of the Sexual Offender Registry		978
Jail		
Guards	$ 340,449	
In-Service Training	4,720	
Social Security	21,271	
State Retirement	21,496	
Employer Medicare	4,975	
Operating Lease Payments	2,194	
Medical and Dental Services	107,555	
Travel	7,756	
Other Contracted Services	5,106	
Drugs and Medical Supplies	67,552	
Food Supplies	113,490	
Office Supplies	681	
Prisoners Clothing	2,433	
Uniforms	5,005	
Other Supplies and Materials	6,662	
Other Equipment	710	
Total Jail		712,055
Juvenile Services		
Guards	$ 111,528	
Social Security	7,013	
State Retirement	8,319	
Employer Medicare	1,640	
Prisoners Clothing	136	
Uniforms	1,710	
Other Supplies and Materials	1,032	
Total Juvenile Services		131,378

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
Public Safety (Cont.)		
Fire Prevention and Control		
Supervisor/Director	$ 10,046	
Mechanic(s)	187	
Other Salaries & Wages	3,416	
In-Service Training	3,265	
Social Security	845	
State Retirement	872	
Employer Medicare	197	
Contracts with Government Agencies	2,784	
Diesel Fuel	2,666	
Electricity	8,377	
Gasoline	3,206	
Lubricants	55	
Natural Gas	11,183	
Office Supplies	135	
Vehicle Parts	80	
Water and Sewer	1,060	
Other Supplies and Materials	35,355	
Vehicle and Equipment Insurance	16,788	
Other Charges	12,584	
Total Fire Prevention and Control		$ 113,101
Civil Defense		
Supervisor/Director	$ 22,812	
Social Security	1,408	
State Retirement	1,948	
Employer Medicare	329	
Dues and Memberships	35	
Other Supplies and Materials	239	
Communication Equipment	28,644	
Motor Vehicles	101,766	
Other Equipment	16,094	
Total Civil Defense		173,275
Rescue Squad		
Contributions	$ 36,402	
Total Rescue Squad		36,402
Disaster Relief		
Other Supplies and Materials	$ 20,811	
Total Disaster Relief		20,811

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
Public Safety (Cont.)		
County Coroner/Medical Examiner		
Contracts with Private Agencies	$ 14,165	
Total County Coroner/Medical Examiner		$ 14,165
Public Safety Grant Programs		
Other Salaries & Wages	$ 56,662	
Social Security	3,500	
State Retirement	5,675	
Life Insurance	96	
Medical Insurance	9,743	
Employer Medicare	818	
Office Supplies	1,598	
Other Supplies and Materials	2,320	
Total Public Safety Grant Programs		80,412
Other Public Safety		
Supervisor/Director	$ 34,376	
Deputy(ies)	26,677	
Mechanic(s)	67	
Dispatchers/Radio Operators	283,229	
In-Service Training	12,370	
Social Security	21,283	
State Retirement	25,628	
Employer Medicare	4,978	
Communication	6,017	
Maintenance & Repair Services- Equipment	340	
Travel	1,331	
Electricity	4,640	
Lubricants	61	
Natural Gas	507	
Office Supplies	6,574	
Water and Sewer	264	
Building and Contents Insurance	5,229	
Vehicle and Equipment Insurance	1,134	
Total Other Public Safety		434,705
Public Health and Welfare		
Local Health Center		
Medical Personnel	$ 24,306	
Other Salaries & Wages	57,829	
Social Security	5,065	

(Continued)

Exhibit L-8

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

General Fund (Cont.)		
Public Health and Welfare (Cont.)		
Local Health Center (Cont.)		
State Retirement	$ 5,538	
Employer Medicare	1,185	
Contributions	69,044	
Travel	2,589	
Other Contracted Services	36,954	
Other Capital Outlay	718	
Total Local Health Center		$ 203,228
Crippled Children Services		
Contributions	$ 2,072	
Total Crippled Children Services		2,072
Other Local Welfare Services		
Contributions	$ 878	
Total Other Local Welfare Services		878
Agriculture & Natural Resources		
Agriculture Extension Service		
Salary Supplements	$ 59,858	
Social Security	514	
Employer Medicare	120	
Dues and Memberships	135	
Travel	795	
Electricity	447	
Other Supplies and Materials	882	
Total Agriculture Extension Service		62,751
Soil Conservation		
Other Salaries & Wages	$ 56,546	
Social Security	3,450	
State Retirement	4,829	
Employer Medicare	807	
Dues and Memberships	1,220	
Travel	1,200	
Other Charges	1,657	
Total Soil Conservation		69,709
Other Operations		
Industrial Development		
Site Development	$ 5,315	
Total Industrial Development		5,315

(Continued)

Exhibit L-8

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

General Fund (Cont.)			
Other Operations (Cont.)			
Veterans' Services			
Supervisor/Director	$ 32,858		
Secretary(s)	23,591		
Social Security	3,481		
State Retirement	4,821		
Employer Medicare	814		
Data Processing Services	600		
Operating Lease Payments	897		
Travel	2,400		
Office Supplies	357		
Total Veterans' Services		$ 69,819	
Other Charges			
Liability Insurance	$ 27,364		
Premiums on Corporate Surety Bonds	818		
Trustee's Commission	84,448		
Total Other Charges		112,630	
Contributions to Other Agencies			
Contributions	$ 287,855		
Total Contributions to Other Agencies		287,855	
Employee Benefits			
Life Insurance	$ 5,648		
Medical Insurance	591,342		
Unemployment Compensation	15,763		
Workers' Compensation Insurance	33,596		
Total Employee Benefits		646,349	
Capital Projects			
Administration of Justice Projects			
Building Construction	$ 136,265		
Total Administration of Justice Projects		136,265	
Total General Fund			$ 6,837,519
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Waste Pickup			
Supervisor/Director	$ 25,261		
Deputy(ies)	24,334		

(Continued)

Exhibit L-8

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

Solid Waste/Sanitation Fund (Cont.)			
Public Health and Welfare (Cont.)			
Waste Pickup (Cont.)			
Mechanic(s)	$ 1,884		
Truck Drivers	64,304		
Other Salaries & Wages	111,735		
Social Security	14,050		
State Retirement	10,206		
Employer Medicare	3,280		
Communication	2,890		
Rentals	1,000		
Tow-in Services	400		
Disposal Fees	29,672		
Other Contracted Services	21,039		
Custodial Supplies	1,267		
Diesel Fuel	19,385		
Electricity	5,981		
Gasoline	3,863		
Lubricants	329		
Natural Gas	455		
Tires and Tubes	3,778		
Uniforms	360		
Vehicle Parts	4,555		
Water and Sewer	1,658		
Other Supplies and Materials	3,868		
Building and Contents Insurance	5,954		
Liability Insurance	1,449		
Vehicle and Equipment Insurance	9,138		
Other Charges	6,201		
Other Capital Outlay	25,544		
Total Waste Pickup		$ 403,840	
Other Operations			
Other Charges			
Trustee's Commission	$ 3,647		
Total Other Charges		3,647	
Employee Benefits			
Life Insurance	$ 240		
Medical Insurance	26,498		
Workers' Compensation Insurance	4,396		
Total Employee Benefits		31,134	
Total Solid Waste/Sanitation Fund			$ 438,621

(Continued)

Exhibit L-8

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

Drug Control Fund			
Public Safety			
Drug Enforcement			
Communication	$ 3,975		
Confidential Drug Enforcement Payments	7,000		
Legal Notices, Recording, and Court Costs	309		
Maintenance & Repair Services- Equipment	10,027		
Tow-in Services	1,455		
Other Contracted Services	921		
Other Supplies and Materials	18,098		
Judgments	950		
Trustee's Commission	577		
Other Charges	495		
Motor Vehicles	8,459		
Total Drug Enforcement		$ 52,266	
Total Drug Control Fund			$ 52,266
District Attorney General Fund			
Administration of Justice			
District Attorney General			
Salary Supplements	$ 3,188		
Communication	4,049		
Dues and Memberships	420		
Janitorial Services	865		
Rentals	3,400		
Travel	663		
Law Enforcement Supplies	2,567		
Office Supplies	738		
Periodicals	1,957		
Utilities	25		
In Service/Staff Development	1,000		
Furniture and Fixtures	2,784		
Office Equipment	2,054		
Total District Attorney General		$ 23,710	
Other Operations			
Other Charges			
Trustee's Commission	$ 235		
Total Other Charges		235	
Total District Attorney General Fund			23,945

(Continued)

Exhibit L-8

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

Constitutional Officers - Fees Fund			
Finance			
County Trustee's Office			
Constitutional Officers' Operating Expenses	$ 114,272		
Total County Trustee's Office		$ 114,272	
County Clerk's Office			
Constitutional Officers' Operating Expenses	$ 183,732		
Total County Clerk's Office		183,732	
Administration of Justice			
Circuit Court			
Constitutional Officers' Operating Expenses	$ 44		
Total Circuit Court		44	
General Sessions Court Clerk			
Constitutional Officers' Operating Expenses	$ 79		
Total General Sessions Court Clerk		79	
Chancery Court			
Constitutional Officers' Operating Expenses	$ 296		
Total Chancery Court		296	
Public Safety			
Sheriff's Department			
Constitutional Officers' Operating Expenses	$ 27		
Total Sheriff's Department		27	
Total Constitutional Officers - Fees Fund			$ 298,450
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 57,165		
Assistant(s)	48,007		
Secretary(s)	31,400		
Social Security	8,021		
State Retirement	10,239		
Employer Medicare	1,876		
Communication	4,270		
Dues and Memberships	2,045		
Legal Services	994		
Postal Charges	237		

(Continued)

Exhibit L-8

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Administration (Cont.)		
Travel	$ 481	
Other Contracted Services	491	
Custodial Supplies	132	
Diesel Fuel	744	
Electricity	2,655	
Gasoline	3,476	
Natural Gas	2,955	
Office Supplies	799	
Vehicle Parts	4,526	
Water and Sewer	210	
Other Supplies and Materials	1,262	
Total Administration		$ 181,985
Highway and Bridge Maintenance		
Equipment Operators	$ 54,189	
Equipment Operators - Light	232,222	
Truck Drivers	116,298	
Social Security	24,878	
State Retirement	31,871	
Employer Medicare	5,818	
Other Contracted Services	48,600	
Asphalt	137,663	
Crushed Stone	130,177	
Fertilizer, Lime, and Seed	1,305	
Pipe	10,779	
Road Signs	4,883	
Salt	2,852	
Other Supplies and Materials	1,000	
Total Highway and Bridge Maintenance		802,535
Operation and Maintenance of Equipment		
Foremen	$ 28,744	
Mechanic(s)	91	
Social Security	1,823	
State Retirement	2,394	
Employer Medicare	426	
Diesel Fuel	35,400	
Gasoline	15,901	
Lubricants	3,571	
Tires and Tubes	30,767	

(Continued)

Exhibit L-8

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Operation and Maintenance of Equipment (Cont.)			
Vehicle Parts	$ 59,800		
Total Operation and Maintenance of Equipment		$ 178,917	
Other Charges			
Building and Contents Insurance	$ 8,308		
Liability Insurance	19,384		
Trustee's Commission	16,854		
Vehicle and Equipment Insurance	24,006		
Total Other Charges		68,552	
Employee Benefits			
Social Security	$ 5		
State Retirement	8		
Life Insurance	1,008		
Medical Insurance	110,699		
Unemployment Compensation	283		
Employer Medicare	1		
Medical and Dental Services	240		
Uniforms	3,709		
Workers' Compensation Insurance	20,876		
Total Employee Benefits		136,829	
Capital Outlay			
Other Contracted Services	$ 40,650		
Principal on Capitalized Leases	90,871		
Interest on Capitalized Leases	9,323		
Highway Construction	192,490		
Highway Equipment	46,859		
Total Capital Outlay		380,193	
Total Highway/Public Works Fund			$ 1,749,011
General Debt Service Fund			
Principal			
General Government			
Principal on Notes	$ 643,270		
Other Debt Service	656		
Total General Government		$ 643,926	

(Continued)

Exhibit L-8

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

General Debt Service Fund (Cont.)			
Principal (Cont.)			
Education			
Principal on Bonds	$ 690,000		
Principal on Notes	40,000		
Principal on Other Loans Payable	77,568		
Total Education		$ 807,568	
Interest			
General Government			
Interest on Notes	$ 65,351		
Total General Government		65,351	
Highways and Streets			
Interest on Notes	$ 8,889		
Total Highways and Streets		8,889	
Education			
Interest on Bonds	$ 740,546		
Interest on Notes	3,351		
Other Debt Service	2,073		
Total Education		745,970	
Other Debt Service			
General Government			
Trustee's Commission	$ 22,946		
Total General Government		22,946	
Total General Debt Service Fund			$ 2,294,650
Community Development/Industrial Park Fund			
Capital Outlay			
Regular Capital Outlay			
Engineering Services	$ 8,250		
Total Regular Capital Outlay		$ 8,250	
Capital Projects			
Agriculture and Natural Resource Projects			
Other Contracted Services	$ 97,860		
Other Charges	10,000		
Total Agriculture and Natural Resource Projects		107,860	
Total Community Development/Industrial Park Fund			116,110

(Continued)

Exhibit L-8

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

HUD Grant Projects Fund			
Other Operations			
Housing and Urban Development			
Contracts with Other Public Agencies	$ 7,500		
Other Charges	203,480		
Total Housing and Urban Development		$ 210,980	
Total HUD Grant Projects Fund			$ 210,980
Total Governmental Funds - Primary Government			$ 12,021,552

Exhibit L-9

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

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 7,427,008	
Career Ladder Program	150,432	
Career Ladder Extended Contracts	53,300	
Homebound Teachers	25,314	
Paraprofessionals	18,881	
Educational Assistants	269,697	
Certified Substitute Teachers	117,825	
Social Security	489,242	
State Retirement	434,750	
Life Insurance	10,260	
Medical Insurance	1,038,402	
Unemployment Compensation	1,363	
Employer Medicare	114,419	
Other Contracted Services	7,419	
Instructional Supplies and Materials	98,596	
Textbooks	194,415	
Other Supplies and Materials	7,618	
Other Charges	12,200	
Data Processing Equipment	67,950	
Regular Instruction Equipment	229	
Total Regular Instruction Program		$ 10,539,320
Special Education Program		
Teachers	$ 993,186	
Career Ladder Program	19,000	
Career Ladder Extended Contracts	6,300	
Homebound Teachers	6,994	
Educational Assistants	218,543	
Certified Substitute Teachers	14,529	
Social Security	76,010	
State Retirement	71,901	
Life Insurance	1,836	
Medical Insurance	172,854	
Employer Medicare	17,777	
Contracts with Other Public Agencies	110	
Contracts with Private Agencies	70,000	
Other Contracted Services	37	
Instructional Supplies and Materials	19,131	
Other Supplies and Materials	2,082	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)		
Instruction (Cont.)		
Special Education Program (Cont.)		
Special Education Equipment	$ 9,363	
Total Special Education Program		$ 1,699,653
Vocational Education Program		
Teachers	$ 445,205	
Career Ladder Program	4,000	
Certified Substitute Teachers	50	
Social Security	26,901	
State Retirement	24,706	
Life Insurance	624	
Medical Insurance	70,486	
Employer Medicare	6,291	
Instructional Supplies and Materials	21,763	
Total Vocational Education Program		600,026
Adult Education Program		
Supervisor/Director	$ 40,592	
Teachers	121,270	
Other Salaries & Wages	30,276	
Social Security	11,772	
State Retirement	6,664	
Life Insurance	240	
Medical Insurance	14,773	
Employer Medicare	2,753	
Communication	3,479	
Operating Lease Payments	2,468	
Other Contracted Services	4,644	
Instructional Supplies and Materials	4,186	
Office Supplies	795	
Other Supplies and Materials	1,650	
Other Charges	596	
Data Processing Equipment	2,490	
Total Adult Education Program		248,648
Support Services		
Attendance		
Supervisor/Director	$ 49,563	
Career Ladder Program	3,000	
Career Ladder Extended Contracts	4,000	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Attendance (Cont.)		
Social Security	$ 3,498	
State Retirement	3,111	
Life Insurance	48	
Medical Insurance	4,542	
Employer Medicare	818	
Travel	2,189	
Total Attendance		$ 70,769
Health Services		
Medical Personnel	$ 102,606	
Social Security	6,302	
State Retirement	7,401	
Life Insurance	260	
Medical Insurance	18,863	
Unemployment Compensation	93	
Employer Medicare	1,474	
Travel	1,307	
Other Supplies and Materials	4,417	
Other Equipment	920	
Total Health Services		143,643
Other Student Support		
Career Ladder Program	$ 7,000	
Guidance Personnel	301,892	
Career Ladder Extended Contracts	2,000	
Mechanic(s)	120	
Secretary(s)	15,250	
School Resource Officer	3,627	
Other Salaries & Wages	309,151	
Social Security	38,182	
State Retirement	40,186	
Life Insurance	776	
Medical Insurance	69,959	
Employer Medicare	8,929	
Communication	2,977	
Contracts with Government Agencies	140,380	
Evaluation and Testing	16,866	
Maintenance & Repair Services- Equipment	13,380	
Travel	8,763	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Other Student Support (Cont.)		
Other Contracted Services	$ 51,336	
Duplicating Supplies	12,366	
Gasoline	574	
Instructional Supplies and Materials	500	
Lubricants	25	
Other Supplies and Materials	41,764	
In Service/Staff Development	4,882	
Other Charges	2,993	
Data Processing Equipment	34,211	
Furniture and Fixtures	17,812	
Health Equipment	500	
Total Other Student Support		$ 1,146,401
Regular Instruction Program		
Career Ladder Program	$ 3,000	
Librarians	187,297	
Secretary(s)	21,880	
Social Security	12,988	
State Retirement	12,338	
Life Insurance	288	
Medical Insurance	31,896	
Employer Medicare	3,037	
Dues and Memberships	265	
Travel	9,406	
Library Books/Media	38,872	
Periodicals	3,579	
Other Supplies and Materials	1,970	
Total Regular Instruction Program		326,816
Special Education Program		
Supervisor/Director	$ 50,163	
Career Ladder Program	5,000	
Psychological Personnel	90,531	
Career Ladder Extended Contracts	800	
Secretary(s)	22,313	
Social Security	10,298	
State Retirement	10,059	
Life Insurance	192	
Medical Insurance	21,224	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)				
Support Services (Cont.)				
Special Education Program (Cont.)				
Employer Medicare	$	2,408		
Consultants		2,500		
Travel		9,500		
Other Contracted Services		278		
Other Supplies and Materials		723		
In Service/Staff Development		2,366		
Other Equipment		928		
Total Special Education Program			$	229,283
Vocational Education Program				
Secretary(s)	$	20,420		
Other Salaries & Wages		42,485		
Social Security		3,857		
State Retirement		4,331		
Life Insurance		96		
Medical Insurance		8,433		
Employer Medicare		902		
Communication		452		
Maintenance & Repair Services- Equipment		137		
Matching Share		25,741		
Travel		4,085		
Office Supplies		502		
Other Equipment		359		
Total Vocational Education Program				111,800
Adult Programs				
Supervisor/Director	$	39,730		
Other Salaries & Wages		39,757		
Social Security		4,892		
State Retirement		5,096		
Employer Medicare		1,148		
Travel		4,334		
Other Contracted Services		3,354		
Instructional Supplies and Materials		1,952		
Other Supplies and Materials		1,762		
In Service/Staff Development		9,441		
Total Adult Programs				111,466

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Board of Education		
Board and Committee Members Fees	$ 22,500	
Social Security	1,395	
Employer Medicare	326	
Audit Services	5,400	
Dues and Memberships	10,915	
Evaluation and Testing	720	
Legal Services	29,454	
Travel	14,688	
Other Contracted Services	2,433	
Liability Insurance	37,563	
Trustee's Commission	103,329	
Workers' Compensation Insurance	29,110	
Liability Claims	537	
Other Charges	685	
Total Board of Education		$ 259,055
Director of Schools		
County Official/Administrative Officer	$ 132,391	
Assistant(s)	34,963	
Mechanic(s)	371	
Secretary(s)	23,847	
Clerical Personnel	23,847	
Social Security	12,994	
State Retirement	11,235	
Life Insurance	172	
Medical Insurance	11,300	
Employer Medicare	3,114	
Other Fringe Benefits	1,438	
Dues and Memberships	1,754	
Legal Notices, Recording, and Court Costs	1,363	
Maintenance & Repair Services- Equipment	193	
Postal Charges	3,384	
Travel	6,699	
Other Contracted Services	7,082	
Gasoline	1,297	
Lubricants	13	
Office Supplies	4,002	
Other Charges	141	
Furniture and Fixtures	449	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Director of Schools (Cont.)		
Office Equipment	$ 84	
Total Director of Schools		$ 282,133
Office of the Principal		
Principals	$ 344,872	
Career Ladder Program	19,000	
Accountants/Bookkeepers	111,742	
Career Ladder Extended Contracts	18,000	
Assistant Principals	316,263	
Secretary(s)	184,971	
Social Security	60,206	
State Retirement	63,229	
Life Insurance	1,280	
Medical Insurance	142,231	
Employer Medicare	14,080	
Travel	4,395	
Other Contracted Services	15,341	
Total Office of the Principal		1,295,610
Operation of Plant		
Custodial Personnel	$ 538,657	
Social Security	32,129	
State Retirement	40,739	
Life Insurance	1,496	
Medical Insurance	134,649	
Unemployment Compensation	2,276	
Employer Medicare	7,514	
Maintenance & Repair Services- Equipment	195	
Other Contracted Services	483	
Custodial Supplies	37,964	
Other Supplies and Materials	11,089	
Plant Operation Equipment	9,190	
Total Operation of Plant		816,381
Maintenance of Plant		
Other Salaries & Wages	$ 210,314	
Social Security	13,139	
State Retirement	17,961	
Employer Medicare	2,950	

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)		
Support Services (Cont.)		
Maintenance of Plant (Cont.)		
Communication	$ 39,725	
Other Contracted Services	371,371	
Electricity	589,696	
Natural Gas	260,502	
Water and Sewer	44,162	
Other Supplies and Materials	111,474	
Building and Contents Insurance	49,517	
Communication Equipment	125	
Maintenance Equipment	2,409	
Other Equipment	19,000	
Other Capital Outlay	509	
Total Maintenance of Plant		$ 1,732,854
Transportation		
Contracts with Parents	$ 680	
Total Transportation		680
Operation of Non-Instructional Services		
Community Services		
Teachers	$ 34,614	
Bus Drivers	10,380	
Educational Assistants	4,789	
Other Salaries & Wages	3,740	
Certified Substitute Teachers	400	
Social Security	3,343	
State Retirement	1,904	
Life Insurance	48	
Medical Insurance	4,216	
Employer Medicare	782	
Total Community Services		64,216
Capital Outlay		
Regular Capital Outlay		
Architects	$ 92,639	
Heating and Air Conditioning Equipment	891,580	
Motor Vehicles	22,382	
Other Equipment	184,976	
Other Capital Outlay	341,025	
Total Regular Capital Outlay		1,532,602

(Continued)

Exhibit L-9

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

General Purpose School Fund (Cont.)			
Other Debt Service			
Education			
Contributions	$ 527,319		
Principal on Notes	1,800,000		
Total Education		$ 2,327,319	
Total General Purpose School Fund			$ 23,538,675
School Federal Projects Fund			
Instruction			
Regular Instruction Program			
Teachers	$ 474,068		
Educational Assistants	116,902		
Certified Substitute Teachers	27,452		
Social Security	37,979		
State Retirement	32,651		
Life Insurance	1,020		
Medical Insurance	76,962		
Unemployment Compensation	810		
Employer Medicare	8,883		
Other Contracted Services	3,060		
Instructional Supplies and Materials	13,313		
Other Supplies and Materials	429		
Workers' Compensation Insurance	1,919		
Other Charges	10,790		
Regular Instruction Equipment	18,708		
Total Regular Instruction Program		$ 824,946	
Special Education Program			
Teachers	$ 28,205		
Educational Assistants	281,121		
Social Security	18,974		
State Retirement	22,323		
Life Insurance	916		
Medical Insurance	75,574		
Unemployment Compensation	556		
Employer Medicare	4,438		
Contracts with Private Agencies	59,961		
Maintenance & Repair Services- Equipment	1,705		
Instructional Supplies and Materials	64,126		
Other Supplies and Materials	803		
Special Education Equipment	35,361		
Total Special Education Program		594,063	

(Continued)

Exhibit L-9

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

School Federal Projects Fund (Cont.)		
Instruction (Cont.)		
Vocational Education Program		
Travel	$ 3,324	
Other Supplies and Materials	28,912	
Vocational Instruction Equipment	67,697	
Total Vocational Education Program		$ 99,933
Student Body Education Program		
Other Contracted Services	$ 33,484	
Total Student Body Education Program		33,484
Support Services		
Other Student Support		
Other Salaries & Wages	$ 8,737	
Social Security	542	
State Retirement	503	
Unemployment Compensation	48	
Employer Medicare	127	
Evaluation and Testing	14,320	
Travel	100	
Other Contracted Services	1,538	
Other Supplies and Materials	11,556	
In Service/Staff Development	1,740	
Other Charges	3,098	
Data Processing Equipment	3,854	
Regular Instruction Equipment	5,812	
Total Other Student Support		51,975
Regular Instruction Program		
Supervisor/Director	$ 56,155	
Secretary(s)	23,601	
Social Security	4,864	
State Retirement	5,104	
Life Insurance	96	
Medical Insurance	9,622	
Unemployment Compensation	42	
Employer Medicare	1,138	
Consultants	2,657	
Travel	18,283	
Other Contracted Services	10,489	
Other Supplies and Materials	2,536	

(Continued)

Exhibit L-9

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

School Federal Projects Fund (Cont.)			
Support Services (Cont.)			
Regular Instruction Program (Cont.)			
Workers' Compensation Insurance	$ 354		
In Service/Staff Development	67,423		
Other Equipment	600		
Total Regular Instruction Program		$ 202,964	
Special Education Program			
Secretary(s)	$ 1,533		
Social Security	25		
State Retirement	34		
Employer Medicare	6		
Consultants	17,136		
Travel	4,706		
Other Supplies and Materials	408		
In Service/Staff Development	7,565		
Total Special Education Program		31,413	
Vocational Education Program			
Travel	$ 671		
Total Vocational Education Program		671	
Transportation			
Bus Drivers	$ 10,604		
Social Security	657		
State Retirement	906		
Unemployment Compensation	3		
Employer Medicare	154		
Total Transportation		12,324	
Total School Federal Projects Fund			$ 1,851,773
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 46,829		
Clerical Personnel	38,712		
Cafeteria Personnel	487,365		
Other Salaries & Wages	184		
Social Security	34,388		
State Retirement	40,523		

(Continued)

Exhibit L-9

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

Central Cafeteria Fund (Cont.)			
Operation of Non-Instructional Services (Cont.)			
Food Service (Cont.)			
Life Insurance	$ 1,736		
Medical Insurance	150,135		
Employer Medicare	8,042		
Communication	1,640		
Maintenance & Repair Services- Equipment	23,560		
Travel	885		
Other Contracted Services	4,976		
Food Preparation Supplies	39,964		
Food Supplies	602,609		
Other Supplies and Materials	7,820		
Workers' Compensation Insurance	4,840		
Food Service Equipment	18,258		
Total Food Service		$ 1,512,466	
Total Central Cafeteria Fund			$ 1,512,466
School Transportation Fund			
Support Services			
Board of Education			
Trustee's Commission	$ 21,612		
Workers' Compensation Insurance	8,352		
Total Board of Education		$ 29,964	
Operation of Plant			
Communication	$ 3,832		
Other Contracted Services	16		
Total Operation of Plant		3,848	
Transportation			
Supervisor/Director	$ 32,970		
Mechanic(s)	41,396		
Bus Drivers	528,094		
Secretary(s)	11,979		
Other Salaries & Wages	29,353		
Social Security	39,777		
State Retirement	38,130		
Life Insurance	96		
Medical Insurance	8,433		
Unemployment Compensation	1,246		

(Continued)

Exhibit L-9

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

School Transportation Fund (Cont.)			
Support Services (Cont.)			
Transportation (Cont.)			
Employer Medicare	$ 9,323		
Contracts with Parents	164		
Medical and Dental Services	4,572		
Tow-in Services	1,475		
Travel	2,372		
Other Contracted Services	200,130		
Diesel Fuel	105,752		
Gasoline	9,200		
Lubricants	4,331		
Tires and Tubes	10,837		
Vehicle Parts	58,575		
Other Supplies and Materials	331		
Vehicle and Equipment Insurance	45,676		
Other Charges	346		
Communication Equipment	987		
Transportation Equipment	63,684		
Total Transportation		$ 1,249,229	
Total School Transportation Fund			$ 1,283,041
Education Capital Projects Fund			
Other Operations			
Contributions to Other Agencies			
Debt Service Contribution to Primary Government	$ 67,286		
Total Contributions to Other Agencies		$ 67,286	
Total Education Capital Projects Fund			67,286
Total Governmental Funds - Rhea County School Department			$ 28,253,241

Exhibit L-10

Rhea County, Tennessee
Statement of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2005

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Operating Revenues	
Charges for Current Services	
General Services Charges	
Other General Service Charges	$ 3,232,765
Other Local Revenues	
Recurring Items	
Sale of Gasoline	12,692
Total Operating Revenues	$ 3,245,457
Operating Expenses	
General Government	
Supervisor/Director	$ 47,754
Foremen	72,183
Secretary(s)	24,361
Social Security	8,956
State Retirement	12,257
Life Insurance	192
Medical Insurance	20,982
Employer Medicare	2,094
Communication	10,135
Operating Lease Payments	146
Tow-in Services	90
Travel	26
Other Contracted Services	4,715
Custodial Supplies	634
Diesel Fuel	11,407
Electricity	10,283
Gasoline	30,364
Natural Gas	6,038
Office Supplies	1,992
Tires and Tubes	783
Uniforms	4,442
Vehicle Parts	3,791

(Continued)

Exhibit L-10

Rhea County, Tennessee
Statement of Detailed Revenues and Expenses
Proprietary Fund (Cont.)

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Expenditures (Cont.)	
Operating Expenses (Cont.)	
General Government (Cont.)	
Water and Sewer	$ 186
Other Supplies and Materials	8,585
Liability Insurance	4,220
Worker's Compensation Insurance	17,519
Maintenance Equipment	2,853
Other Construction	2,463
Total General Government	$ 309,451
Other Operations	
Other Economic and Community Development	
Diesel Fuel	$ 2,946
Gasoline	8,784
Total Other Operations	$ 11,730
Other Charges	
Mechanic(s)	$ 92,180
Social Security	5,632
State Retirement	7,863
Life Insurance	144
Medical Insurance	15,708
Employer Medicare	1,337
Tow-in Services	2,080
Other Contracted Services	28,442
Diesel Fuel	161,357
Gasoline	114,946
Lubricants	12,923
Tires and Tubes	56,071
Vehicle Parts	153,436
Vehicle and Equipment Insurance	143,089
Total Other Charges	$ 795,208

(Continued)

Exhibit L-10

Rhea County, Tennessee
Statement of Detailed Revenues and Expenses
Propriteary Fund (Cont.)

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Expenditures (Cont.)	
Operating Expenses (Cont.)	
Miscellaneous	
Custodial Personnel	$ 18,787
Other Salaries & Wages	343,530
Social Security	22,531
State Retirement	30,643
Life Insurance	748
Medical Insurance	69,971
Employer Medicare	4,832
Communication	95,192
Other Contracted Services	203,809
Custodial Supplies	16,325
Diesel Fuel	744
Electricity	720,289
Natural Gas	290,183
Vehicle Parts	4,526
Water and Sewer	60,188
Other Supplies and Materials	137,651
Building and Contents Insurance	101,273
Communication Equipment	125
Heating and Air Conditioning Equipment	4,648
Maintenance Equipment	2,409
Other Capital Outlay	664
Total Miscellaneous	$ 2,129,068
Total Operating Expenses	$ 3,245,457

Exhibit L-11

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

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
Cash Receipts			
Current Property Taxes	$ 0	$ 261,110	$ 261,110
Trustee's Collections - Prior Years	0	10,782	10,782
Circuit/Clerk and Master Collections - Prior Years	0	10,782	10,782
Interest and Penalty	0	1,442	1,442
Payments in Lieu of Taxes - Local Utilities	0	3,027	3,027
Local Option Sales Tax	1,908,361	327,421	2,235,782
Bank Excise Tax	0	3,346	3,346
Interstate Telecommunications Tax	0	688	688
Marriage Licenses	0	433	433
Total Cash Receipts	$ 1,908,361	$ 619,031	$ 2,527,392
Cash Disbursements			
Remittance of Revenues Collected	$ 1,889,277	$ 612,207	$ 2,501,484
Trustee's Commission	19,084	9,211	28,295
Total Cash Disbursements	$ 1,908,361	$ 621,418	$ 2,529,779
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0	$ (2,387)	$ (2,387)
Cash Balance, July 1, 2004	0	37,456	37,456
Cash Balance, June 30, 2005	$ 0	$ 35,069	$ 35,069

STATISTICAL SECTION

Table 1

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

Year	Amount
1995	$ 6,492
1996	12,847
1997	13,636
1998	44,359
1999	47,957
2000	69,020
2001	79,506
2002	116,392
2003	175,911
Total	$ 566,120

Table 2

Rhea County, Tennessee
Tax Rates and Assessments
Last Ten Years

Fund	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
General	$ 0.99	$ 1.03	$ 1.09	$ 1.19	$ 1.05	$ 1.01	$ 1.01	$ 0.98	$ 1.01	$ 0.85
General Purpose School	0.61	0.53	0.51	0.34	0.53	0.57	0.59	0.59	0.55	0.46
General Debt Service	0.79	0.57	0.54	0.60	0.27	0.27	0.27	0.27	0.24	0.21
School Transportation	0.35	0.30	0.29	0.30	0.25	0.25	0.23	0.26	0.30	0.25
Total Tax Rate	$ 2.74	$ 2.43	$ 2.43	$ 2.43	$ 2.10	$ 2.10	$ 2.10	$ 2.10	$ 2.10	$ 1.77
Assessed Valuations										
Real and Personal	$ 174,999,720	$ 205,095,985	$ 218,306,539	$ 239,107,794	$ 286,701,718	$ 296,784,878	$ 301,428,613	$ 313,719,731	$ 319,531,439	$ 400,435,728
Public Utilities	17,475,028	20,638,605	19,723,303	17,874,903	21,146,945	21,826,392	18,753,575	18,191,904	17,792,478	20,816,205
Total Assessed Valuation	$ 192,474,748	$ 225,734,590	$ 238,029,842	$ 256,982,697	$ 307,848,663	$ 318,611,270	$ 320,182,188	$ 331,911,635	$ 337,323,917	$ 421,251,933

SINGLE AUDIT SECTION

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

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

February 6, 2006

Rhea County Executive and
Board of County Commissioners
Rhea County, Tennessee

To the County Executive 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 Rhea County, Tennessee, as of and for the year ended June 30, 2005, and have issued our reports thereon dated February 6, 2006. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Rhea County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Rhea County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial

reporting that, in our judgment, could adversely affect Rhea County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.01, 05.03, 05.05(A,B,C), and 05.06.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 05.01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhea 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 05.02, 05.04, and 05.05(D,E).

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

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

Very truly yours,

John G. Morgan

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

February 6, 2006

Rhea County Executive and
Board of County Commissioners,
Rhea County, Tennessee

To the County Executive and Board of County Commissioners:

Compliance

We have audited the compliance of Rhea County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2005. Rhea 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 Rhea County's management. Our responsibility is to express an opinion on Rhea County's compliance based on our audit.

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

believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Rhea County's compliance with those requirements.

In our opinion, Rhea County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Rhea County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rhea County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 05.03 and 05.07.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We believe none of the matters described above is a material weakness.

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of and for the year ended June 30, 2005, and have issued our reports thereon dated February 6, 2006. Our report on the aggregate discretely presented component units was qualified due to not including the financial statements of the Rhea County Emergency Communications District, a discretely presented component unit, which were not available from other auditors as of the date of this report. Our audit was performed for the purpose of forming opinions on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and State Grants is presented for purposes of additional analysis, as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic

financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Very truly yours,

John G. Morgan
Comptroller of the Treasury

JGM/yu

OTHER 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 GOVERNMENT AUDITING STANDARDS

For the Rhea Medical Center

To the Board of Trustees
Rhea Medical Center

We have audited the financial statements of Rhea Medical Center (a component unit of Rhea County, Tennessee) as of and for the year ended June 30, 2005, and have issued our report thereon. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Compliance

As part of obtaining reasonable assurance about whether Rhea Medical Center'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Board of Trustees, management, the State of Tennessee, and the Rhea County government and is not intended and should not be used by anyone other than these specified parties.

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Expenditures	
U.S. Department of Agriculture:				
Passed-through State Department of Agriculture:				
Food Donation (Noncash Assistance)	10.550	N/A	$ 91,512	
Passed-through State Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	N/A	194,356	
National School Lunch Program	10.555	N/A	614,686	
Total U.S. Department of Agriculture			$ 900,554	
U.S. Department of Housing and Urban Development:				
Passed-through Hamilton County, Tennessee:				
Community Development Block Grants/Small Cities Program	14.219	GG-04-11006-00	$ 107,860	
Passed-through State Department of Economic and Community Development:				
Community Development Block Grants/State's Program	14.228	GG-03-10017-00	8,250	
Passed-through State Housing Development Agency:				
HOME Investment Partnerships Program	14.239	HM-03-59	210,980	
Total U.S. Department of Housing and Urban Development			$ 327,090	
U.S. Department of Labor:				
Passed-through State Department of Labor and Workforce Development:				
WIA Incentive Grants - Section 503 Grants to States	17.267	Z-04-025655-01	$ 3,438	
U.S. Department of Transportation:				
Passed-through State Department of Transportation:				
State and Community Highway Safety	20.600	Z-04-016746-00	$ 10,400	
State and Community Highway Safety	20.600	Z-05-024108-88	76,579	
Total U.S. Department of Transportation			$ 86,979	
Appalachian Regional Commission:				
Direct Program:				
Appalachian Research, Technical Assistance, and Demonstration Projects	23.011	N/A	$ 175,543	
U.S. Department of Education:				
Passed-through State Department of Education:				
Adult Education - State Grant Program	84.002	Z-04-016704-00	$ 7,540	(3)
Adult Education - State Grant Program	84.002	Z-05-022258-00	99,460	(3)
Adult Education - State Grant Program	84.002	3988-002-11	9,630	(3)
Title I Grants to Local Educational Agencies	84.010	N/A	756,229	
Migrant Education - State Grant Program	84.011	N/A	33,484	
Special Education Cluster:				
Special Education - Grants to States	84.027	N/A	650,362	
Special Education - Preschool Grants	84.173	N/A	19,537	
Vocational Education - Basic Grants to States	84.048	N/A	102,344	
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	32,087	(4)
Safe and Drug Free Schools and Communities - State Grants	84.186	Z-04-019532-00	324	(4)
Education for Homeless Children and Youth	84.196	Z-04-018288-00	3,597	
State Grants for Innovative Programs	84.298	N/A	17,972	
Education Technology State Grants	84.318	(2)	19,588	
English Language Acquisition Grants	84.365	N/A	15,072	
Improving Teacher Quality State Grants	84.367	N/A	219,280	
Passed-through State Department of Human Services:				
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	N/A	83,010	
Even Start - State Educational Agencies	84.213	Z-05-020471-00	84,468	
Total U.S. Department of Education			$ 2,153,984	
U.S. Department of Health and Human Services:				
Passed-through State Department of Human Services:				
Temporary Assistance for Needy Families	93.558	Z-05-022347-00	$ 43,297	

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-Through Entity Identifying Number	Expenditures	
U.S. Department of Homeland Security:				
Passed-through State Department of Military:				
State Domestic Preparedness Equipment Support Program	97.004	Z-04-022486-00	$ 133,123	(5)
State Domestic Preparedness Equipment Support Program	97.004	Z-04-020138-00	3,687	(5)
State Domestic Preparedness Equipment Support Program	97.004	GG-01-08889-00	27,140	(5)
Public Assistance Grants	97.036	Z-03-017960-00	11,754	
Total U.S. Department of Homeland Security			$ 175,704	
Total Expenditures of Federal Awards			$ 3,866,589	
State Grants				
Juvenile Services Program - State Children's Services Commission	N/A	Z-05-020421-00	$ 9,000	
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	13,754	
Health Services - State Department of Health	N/A	Z-05-050547-01	173,266	
Litter Program - State Department of Transportation	N/A	(2)	29,191	
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011314-00	13,712	
Hazard Elimination Program - Guardrail Project - State Department of Transportation	N/A	(2)	48,600	
Hazard Elimination Program - State Department of Transportation	N/A	(2)	11,722	
Safe Schools Act - State Department of Education	N/A	(2)	30,112	
Early Childhood - State Department of Education	N/A	Z-05-022165-00	52,173	
Emergency Communications Board - State Department of Health	N/A	DG-04-01861-01	30,000	
Total State Grants			$ 411,530	

CFDA - Catalog of Federal Domestic Assistance
N/A - Not Applicable

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Total Adult Education - State Grant Program (CFDA No. 84.002) from the U.S. Department of Education was $116,630.
(4) Total Safe and Drug Free Schools and Communities - State Grants (CFDA No. 84.186) from the U.S. Department of Education was $32,411.
(5) Total State Domestic Preparedness Equipment Support Program (CFDA No. 97.004) from the U. S. Department of Homeland Security was $163,950.

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

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

OFFICE OF SHERIFF

Finding Number	Page Number	Subject
04.03(A)	185	Official prenumbered receipts were not issued for drug control collections

OTHER FINDING

Finding Number	Page Number	Subject
04.04	185	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

RHEA COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2005

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the aggregate discretely presented component units is qualified. Our report on the governmental activities, each major fund, and the aggregate remaining fund information is unqualified.

2. The audit of the financial statements of Rhea County disclosed reportable conditions in internal control. One of these conditions was considered to be a material weakness.

3. The audit disclosed no instances of noncompliance which are material to the financial statements of Rhea County.

4. The audit disclosed one reportable condition in internal control over major programs.

5. An unqualified opinion was issued on compliance for major programs.

6. The audit revealed one finding that is 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 Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.

8. A threshold of $300,000 was used to distinguish between Type A and Type B federal programs.

9. Rhea 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 response of the director of schools is 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 FINANCE DEPARTMENT

FINDING 05.01 **THE OFFICE HAD DEFICIENCIES IN THE MAINTENANCE OF CAPITAL ASSET RECORDS**
(Internal Control – Material Weakness Under Government Auditing Standards)

During our examination of capital assets, we noted certain assets that were omitted from the capital asset records, several items that were disposed of and not removed from the capital asset records, and depreciation that was not properly calculated. We presented net adjustments totaling $1,138,989 for the primary government and $1,581,518 for the discretely presented School Department to county officials for their approval and posting to the capital asset records for proper presentation in the financial statements of this report.

RECOMMENDATION

Policies and procedures should be implemented to ensure that all capital assets are accurately posted to the capital asset records.

FINDING 05.02 **COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF AN AUTOMOBILE**
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for the purchase of an automobile for the director of schools. The finance committee used the state bid as a guide, but found and purchased a sports utility vehicle at a lower price. Section 5-21-120, Tennessee Code Annotated, requires competitive bids for purchases exceeding $5,000.

RECOMMENDATION

All purchases exceeding $5,000 should be competitively bid as required by state statute.

FINDING 05.03 **WRITTEN CONTRACTS WERE NOT MAINTAINED FOR INDIVIDUALS PAID AS INTERPRETERS BY THE SCHOOL DEPARTMENT, AND THESE SERVICES WERE NOT COMPETITIVELY BID**
(Internal Control – Reportable Condition Under Government Auditing Standards and OMB Circular A-133)

Written contracts were not maintained to support payments to two language interpreters for the School Department. These individuals were paid as independent contractors at rates established by the Title I director and were issued Forms 1099. Also, the School Department's insurance agent advised that these individuals were not covered by the county's liability or workers' compensation insurance policies.

RECOMMENDATION

The School Department should have written contracts on file that detail the contract terms such as a description of the services to be performed, the rate of pay, and the responsibility for legal liability.

MANAGEMENT'S RESPONSE – DIRECTOR OF SCHOOLS

In the future, anyone employed part-time will be employed as a teacher assistant and paid through the local payroll system. Also, if it is necessary to employ someone on a contract basis, the employee will be required to provide us with proof of liability insurance.

OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

FINDING 05.04 **THE CLERK DID NOT REQUIRE A DEPOSITORY TO SUFFICIENTLY COLLATERALIZE FUNDS**
(Noncompliance Under Government Auditing Standards)

The clerk did not require a depository holding county funds to pledge securities sufficient to protect funds that exceeded Federal Deposit Insurance Corporation (FDIC) coverage. At June 30, 2005, funds on deposit exceeded FDIC coverage and collateral securities pledged by $226,895. Section 5-8-201, Tennessee Code Annotated, provides for county officials to require any bank that is a depository of county funds to deposit in an escrow account in a second bank collateral security equal to 105 percent of county funds.

RECOMMENDATION

The clerk should require all depositories to pledge securities sufficient to protect county funds exceeding FDIC coverage as required by state statute.

OFFICE OF SHERIFF

FINDING 05.05 **THE OFFICE HAD ACCOUNTING DEFICIENCIES**
(A., B., and C. Internal Control – Reportable Condition Under Government Auditing Standards; D. and E. Noncompliance Under Government Auditing Standards)

Our examination revealed the following accounting deficiencies:

A. Commissary and drug control funds were not posted to the cash journal; therefore, the cash journal did not accurately reflect the operations of the Sheriff's Department.

B. Bank statements for the commissary account were not reconciled with cash control records. Bank balances were determined by confirmation and alternative auditing procedures.

C. The sheriff prepared and filed the annual financial report as required by Section 5-8-505, Tennessee Code Annotated,(TCA); however, this report did not include the drug control funds.

D. Official prenumbered receipts were not issued for some drug control collections. Section 9-2-103, TCA, requires that official prenumbered receipts be issued for all collections.

E. Funds were not always deposited to the office bank account within three days of collection. Section 5-8-207, TCA, requires county officials to deposit all public funds to their office bank account within three days of collection.

RECOMMENDATION

All commissary and drug control activity should be reflected on the cash journal and the annual financial report. Bank statements should be reconciled with the cash journal monthly. Also, receipts should be issued for all collections, and collections should be deposited within three days of receipt as required by state statutes.

OTHER FINDING

FINDING 05.06 **DUTIES WERE NOT SEGREGATED ADEQUATELY IN THE OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER, AND SHERIFF**

(Internal Control – Reportable Condition Under Government Auditing Standards)

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

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Education	05.07	84.010	OMB Circular A-133 Section 300(b)	Internal Control – Reportable Condition under OMB Circular A-133. Disbursements were made to interpreters without a written contract, see Finding 05.03.	$ 0

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

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

Finance Department – Corrective Action Plan for Current Year Findings

FINDINGS 05.03 and 05.07

In the future, anyone employed part-time will be employed as a teacher assistant and paid through the local payroll system. If it is necessary to employ someone on a contract, the employee will be required to provide us with proof of liability insurance before beginning work.