

ANNUAL FINANCIAL REPORT
RHEA COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2006

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

ANNUAL FINANCIAL REPORT
RHEA COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2006

DEPARTMENT OF AUDIT
JOHN G. MORGAN
Comptroller of the Treasury

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

ARTHUR L. ALEXANDER
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

JIMMY HODGES, CGFM
DEVAN N. FLYNN, CFE
JENI PALADENI
State Auditors

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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, 2006

Scope

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

Results

Our report on the aggregate discretely presented component units is qualified because the financial statements did not include 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 eight findings and recommendations, which we have reviewed with Rhea County management. Detailed findings and recommendations are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF FINANCE DEPARTMENT

- ◆ Capital assets records were not accurately maintained.
- ◆ General Purpose School Fund expenditures and encumbrances exceeded appropriations approved by the County Commission in one major appropriation category (the legal level of control).
- ◆ The office had deficiencies in the control over the inventory of nondepreciable assets.
- ◆ Deficiencies existed with payments made for the Health Department.

OFFICE OF TRUSTEE

- ◆ The office was inefficient by maintaining both manual and automated accounting records.
-

OFFICE OF CLERK AND MASTER

- ◆ The clerk and master 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. Receipts were not issued for some drug control collections.
-

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, 2006

Officials

Billy Ray Patton, County Executive
Tommy Snyder, Highway Supervisor
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

Harold Fisher, Chairman	
Terry Broyles	Ronald Raper
Tom Davis	Richard Tallent
John Mincy	Dennis Tumlin
Doyle Montgomery	Bradley Varner

Finance Committee

Ronald Raper, Chairman	
Doyle Montgomery	Tommy Snyder
Billy Ray Patton	Richard Tallent
Dallas Smith	Bradley Varner

Board of Education

Bimbo McCawley, Chairman	
Pat Conner	Ron Masterson
Billy DaVault	B. J. McCoy
Bill Graham	Maxine Moffett
Carroll Henderson	Scott Pendergrass

FINANCIAL SECTION



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

INDEPENDENT AUDITOR'S REPORT

November 1, 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, 2006, 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 35 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 discretely presented component units of Rhea County, Tennessee, referred to above, do 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, 2006, 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, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 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.

The management's discussion and analysis on pages 13 through 21 and the budgetary comparison information on pages 87 through 93 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), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements, budgetary

comparison schedules of nonmajor governmental funds 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 has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rc

**Rhea County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

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, 2006. The intent of this discussion and analysis is to look at the county's financial performance as a whole.

Also included are the financial results of the Rhea County School Department which is considered a discretely presented component unit. The School Department does not issue separate financial statements.

The Rhea Medical Center and the Rhea County Emergency Communications District are also component units. Readers should review their separately issued financial statements and management's discussion and analysis.

FINANCIAL HIGHLIGHTS FYE JUNE 30, 2006

- The liabilities of Rhea County exceeded its assets by \$5,043,663 at the close of the most recent fiscal year.
- The government's total net assets increased by \$1,632,887.
- At the close of the current fiscal year, Rhea County's governmental funds reported combined ending fund balances of \$4,375,902. Approximately 58.96 percent of this total amount, \$2,580,056, 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 \$1,279,364, or 16.7 percent of total General Fund expenditures.
- Rhea County's total debt decreased by \$444,194 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 from other auditors for inclusion on the government-wide statements. The governmental activities of the county include general government; finance; administration of justice; public safety; public health and welfare; social, cultural and recreational services; agriculture and natural resources; other operations; highways and streets; education; interest on long-term debt; and other debt service. The Rhea County government has no business-type activities to report.

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 fund 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 elsewhere in this report.

Proprietary funds. Rhea County maintains one proprietary fund (an 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 E 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 in the combining and individual fund financial statements and schedules section of this report.

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, liabilities exceeded assets by \$5,043,663 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 Rhea County Commission. As of June 30, 2006, the county had outstanding debt totaling \$15,599,403 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 net assets for 2006:

RHEA COUNTY STATEMENT OF NET ASSETS

	<u>Rhea County Government</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Current and Other Assets	\$ 11,196,652	\$ 10,147,793
Capital Assets - Net	<u>6,923,139</u>	<u>6,586,995</u>
Total Assets	<u>\$ 18,119,791</u>	<u>\$ 16,734,788</u>
Liabilities		
Long-term Liabilities Outstanding	\$ 15,973,106	\$ 17,818,523
Other Liabilities	<u>7,190,348</u>	<u>5,804,529</u>
Total Liabilities	<u>\$ 23,163,454</u>	<u>\$ 23,623,052</u>
Net Assets (Deficit)		
Invested in Capital Assets, net of related debt	\$ 5,934,347	\$ (1,271,120)
Restricted	3,658,814	1,739,383
Unrestricted	<u>(14,636,824)</u>	<u>(7,356,527)</u>
Total Net Assets (Deficit)	<u>\$ (5,043,663)</u>	<u>\$ (6,888,264)</u>

A portion of Rhea County's net assets (\$3,658,814) 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.

During 2006, net assets changed in the county due to the following:

RHEA COUNTY
STATEMENT OF ACTIVITIES

	Rhea County Government	
	2006	2005
Revenues:		
Program Revenues:		
Charges for Services	\$ 2,031,967	\$ 4,354,130
Operating Grants and Contributions	4,225,838	3,507,086
Capital Grants and Contributions	1,052,048	289,459
General Revenues:		
Property Taxes	5,281,772	4,487,375
Other Taxes	1,112,337	1,024,200
Grants and Contributions Not		
Restricted for Specific Programs	161,447	171,941
Miscellaneous	101,151	1,221
Gain on Sale of Capital Assets	147,774	30,145
Unrestricted Investment Earnings	209,876	137,871
Total Revenues	\$ 14,324,210	\$ 14,003,428
Expenses:		
General Government	\$ 1,281,286	\$ 1,216,786
Finance	1,102,541	901,213
Administration of Justice	885,273	867,166
Public Safety	3,948,807	2,904,855
Public Health and Welfare	811,183	663,733
Social, Cultural, and Recreational	66,157	249,020
Agriculture and Natural Resources	157,354	0
Other Operations	1,320,818	3,421,076
Highways/Public Works	2,294,605	1,489,617
Education	62,817	0
Interest on Long-term Debt	733,703	799,786
Other Debt Service	26,779	22,946
Total Expenses	\$ 12,691,323	\$ 12,536,198
Increase (Decrease) in Net Assets	\$ 1,632,887	\$ 1,467,230
Prior Year Restatement	211,714	548,328
Net Assets, Beginning of Year	(6,888,264)	(8,903,822)
Net Assets, End of Year	\$ (5,043,663)	\$ (6,888,264)

The following schedule provides a summary of the School Department's net assets for 2006:

RHEA COUNTY
STATEMENT OF NET ASSETS

	<u>Rhea County School Department</u>	
	<u>2006</u>	<u>2005</u>
Assets		
Current and Other Assets	\$ 6,580,713	\$ 6,540,138
Capital Assets - Net	<u>23,893,146</u>	<u>24,487,668</u>
Total Assets	<u>\$ 30,473,859</u>	<u>\$ 31,027,806</u>
Liabilities		
Long-term Liabilities Outstanding	\$ 26,642	\$ 0
Other Liabilities	<u>3,661,166</u>	<u>3,560,829</u>
Total Liabilities	<u>\$ 3,687,808</u>	<u>\$ 3,560,829</u>
Net Assets		
Invested in Capital Assets, net of related debt	\$ 23,893,146	\$ 24,487,668
Restricted	1,532,777	1,229,077
Unrestricted	<u>1,360,128</u>	<u>1,750,232</u>
Total Net Assets	<u>\$ 26,786,051</u>	<u>\$ 27,466,977</u>

During 2006, net assets changed in the School Department due to the following:

RHEA COUNTY
STATEMENT OF ACTIVITIES

	<u>Rhea County School Department</u>	
	<u>2006</u>	<u>2005</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 773,113	\$ 768,451
Operating Grants and Contributions	3,419,864	2,922,412
Capital Grants and Contributions	82,817	0
General Revenues:		
Property Taxes	3,091,595	2,735,088
Other Taxes	2,080,419	1,967,134
Grants and Contributions Not		
Restricted for Specific Programs	16,953,889	15,803,544
Miscellaneous	38,584	1,282
Gain on Sale of Capital Assets	2,800	136,746
Unrestricted Investment Earnings	<u>21,862</u>	<u>27,109</u>
Total Revenues	<u>\$ 26,464,943</u>	<u>\$ 24,361,766</u>

RHEA COUNTY
STATEMENT OF ACTIVITIES

	Rhea County School Department	
	2006	2005
Revenues:		
Program Revenues:		
Charges for Services	\$ 773,113	\$ 768,451
Operating Grants and Contributions	3,419,864	2,922,412
Capital Grants and Contributions	82,817	0
General Revenues:		
Property Taxes	3,091,595	2,735,088
Other Taxes	2,080,419	1,967,134
Grants and Contributions Not		
Restricted for Specific Programs	16,953,889	15,803,544
Miscellaneous	38,584	1,282
Gain on Sale of Capital Assets	2,800	136,746
Unrestricted Investment Earnings	21,862	27,109
Total Revenues	\$ 26,464,943	\$ 24,361,766
 Expenses:		
Education	\$ 27,518,952	\$ 20,898,025
Total Expenses	\$ 27,518,952	\$ 20,898,025
 Increase (Decrease) in Net Assets	\$ (1,054,009)	\$ 3,463,741
Prior Year Restatement	373,083	175,026
Net Assets, Beginning of Year	27,466,977	23,828,210
 Net Assets, End of Year	\$ 26,786,051	\$ 27,466,977

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 \$4,375,902, an increase of \$515,268 in comparison with the prior year. Of this total, \$2,580,056 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 (\$210,552) or (2) for revenue restricted for specific purposes (\$1,585,294).

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 \$1,279,364, while total fund balance was \$1,603,649. 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 16.7 percent of total General Fund expenditures, while total fund balance represents 20.93 percent of that same amount. The fund balance of Rhea County's General Fund increased by \$305,455 during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were \$3,278,756 (increase in appropriations) and can be briefly summarized as follows:

- \$177,109 in increases allocated to General Government
- \$4,450 in increases allocated to Finance
- \$23,628 in increases allocated to Administration of Justice
- \$1,011,564 in increases allocated to Public Safety
- \$189,750 in increases allocated to Public Health and Welfare
- \$1,307 in increases allocated to Agricultural and Natural Resources
- \$72,653 in increases allocated to Other Operations
- \$757,000 in increases allocated to Other Debt Service
- \$1,041,295 in increases allocated to Capital Projects

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The county's investment in capital assets for its governmental activities as of June 30, 2006, was \$6,923,139 (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 \$16,853,195. 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, 2006, for Rhea County follows:

<u>Type</u>	<u>Governmental Activities</u>
General Obligation Bonds	\$ 1,940,000
Refunding Bonds	13,030,000
Notes Payable	891,454
Capital Leases	362,338
Other Loans Payable	<u>629,403</u>
Total	<u>\$ 16,853,195</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the county is currently 4.8 percent, which fell from 6.4 percent a year ago. The state's unemployment rate is currently approximately 4.5 percent and the United States as a whole has an approximate rate of 4.4 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 2006-2007 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund increased to \$1,279,364. The county appropriated \$377,268 of this amount for spending in the 2006-2007 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 2007-2008 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, 2006

	Primary	Component Units	
	Government	Rhea	Rhea
	Governmental	County	Medical
	Activities	School	Center
		Department	
<u>ASSETS</u>			
Cash	\$ 82,036	\$ 0	\$ 4,492,147
Equity in Pooled Cash and Investments	4,028,344	1,620,659	0
Inventories	0	43,929	289,844
Accounts Receivable	81,036	14,383	3,860,827
Allowance for Uncollectibles	0	0	(825,702)
Due from Other Governments	563,943	1,211,555	0
Due from Component Units	9,152	0	0
Property Taxes Receivable	5,745,319	3,296,066	0
Allowance for Uncollectible Property Taxes	(280,173)	(162,214)	0
Prepaid Items	0	0	85,541
Notes Receivable - Current	149,513	226,779	0
Notes Receivable - Long-term	210,552	329,556	0
Deferred Amount on Refunding	446,067	0	0
Deferred Charges - Debt Issuance Cost	160,863	0	168,700
Other	0	0	484,833
Assets Not Depreciated:			
Land	1,052,934	841,002	2,362,514
Construction in Progress	0	107,977	1,611,315
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,435,299	21,453,854	0
Infrastructure	3,383,062	0	0
Other Capital Assets	1,051,844	1,490,313	4,229,982
Total Assets	<u>\$ 18,119,791</u>	<u>\$ 30,473,859</u>	<u>\$ 16,760,001</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 132,614	\$ 135,053	\$ 2,042,273
Accrued Payroll	13,486	3,034	506,263
Payroll Deductions Payable	66,003	477,852	0
Accrued Interest Payable	163,035	0	0
Due to Primary Government	0	9,152	0
Due to State of Tennessee	2,745	0	0
Due Litigants, Heirs, and Others	78	0	16,659
Other Current Liabilities	0	0	265,321
Deferred Revenue - Current Property Taxes	5,236,117	2,999,827	0
Unamortized Premiums on Debt	80,679	0	0
Other Long-term Liabilities	360,065	0	0
Noncurrent Liabilities:			
Due Within One Year	1,495,591	36,248	130,000
Due In More Than One Year	15,613,041	26,642	1,817,133
Total Liabilities	<u>\$ 23,163,454</u>	<u>\$ 3,687,808</u>	<u>\$ 4,777,649</u>

(Continued)

Exhibit A

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

	<u>Primary Government</u>	<u>Component Units</u>	
	<u>Governmental Activities</u>	<u>Rhea County School Department</u>	<u>Rhea Medical Center</u>
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 5,934,347	\$ 0	\$ 6,256,678
Invested in Capital Assets	0	23,893,146	0
Restricted for:			
Solid Waste/Sanitation	1,742,192	0	0
Drug Control	60,658	0	0
District Attorney General	63,607	0	0
Highway/Public Works	848,332	0	0
Debt Service	450,334	0	0
Capital Projects	4,332	0	0
School Federal Projects	0	24,628	0
Central Cafeteria	0	384,992	0
School Transportation	0	143,954	0
Endowment	0	100,505	0
Other Purposes	489,359	878,698	0
Unrestricted	<u>(14,636,824)</u>	<u>1,360,128</u>	<u>5,725,674</u>
Total Net Assets	<u>\$ (5,043,663)</u>	<u>\$ 26,786,051</u>	<u>\$ 11,982,352</u>

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, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units		
						Rhea County School Department	Rhea Medical Center	
Primary Government:								
Governmental Activities:								
General Government	\$ 1,281,286	\$ 326,797	\$ 16,380	\$ 193,500	\$ (744,609)	\$ 0	\$ 0	
Finance	1,102,541	556,322	13,983	0	(532,236)	0	0	
Administration of Justice	885,273	887,163	9,000.00	0	10,890	0	0	
Public Safety	3,948,807	153,201	472,385	428,557	(2,894,664)	0	0	
Public Health and Welfare	811,183	108,484	235,659	26,301	(440,739)	0	0	
Social, Cultural, and Recreational Services	66,157	0	22,502	0	(43,655)	0	0	
Agriculture and Natural Resources	157,354	0	0	0	(157,354)	0	0	
Other Operations	1,320,818	0	1,151,461	0	(169,357)	0	0	
Highways/Public Works	2,294,605	0	1,585,628	403,690	(305,287)	0	0	
Education (Payments to Component Unit)	62,817	0	0	0	(62,817)	0	0	
Interest on Long-term Debt	733,703	0	0	0	(733,703)	0	0	
Other Debt Service	26,779	0	718,840	0	692,061	0	0	
Total Primary Government	\$ 12,691,323	\$ 2,031,967	\$ 4,225,838	\$ 1,052,048	\$ (5,381,470)	\$ 0	\$ 0	
Component Units:								
Rhea County School Department	\$ 27,518,952	\$ 773,113	\$ 3,419,864	\$ 82,817	\$ 0	\$ (23,243,158)	\$ 0	
Rhea Medical Center	16,587,381	18,487,960	0	0	0	0	1,900,579	
Total Component Units	\$ 44,106,333	\$ 19,261,073	\$ 3,419,864	\$ 82,817	\$ 0	\$ (23,243,158)	\$ 1,900,579	

(Continued)

Exhibit B

Rhea County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units	
						Rhea County School Department	Rhea Medical Center
General Revenues:							
Taxes:							
Property taxes levied for general purposes					\$ 4,660,736	\$ 3,091,595	\$ 0
Property taxes levied for debt service					621,036	0	0
Local option sales tax					421,218	2,076,214	0
Other local taxes					691,119	4,205	0
Grants and contributions not restricted for specific programs					161,447	16,953,889	44,019
Unrestricted investment earnings					209,876	21,862	102,410
Gain on sale of capital assets					147,774	2,800	144,577
Miscellaneous					101,151	38,584	115,000
Total General Revenues					<u>\$ 7,014,357</u>	<u>\$ 22,189,149</u>	<u>\$ 406,006</u>
Change in Net Assets					\$ 1,632,887	\$ (1,054,009)	\$ 2,306,585
Prior year restatement					211,714	373,083	0
Net Assets, July 1, 2005					<u>(6,888,264)</u>	<u>27,466,977</u>	<u>9,675,767</u>
Net Assets, June 30, 2006					<u>\$ (5,043,663)</u>	<u>\$ 26,786,051</u>	<u>\$ 11,982,352</u>

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, 2006

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,036	\$ 82,036
Equity in Pooled Cash and Investments	1,500,550	1,337,462	658,097	404,551	126,412	4,027,072
Accounts Receivable	40,133	40,720	0	183	0	81,036
Due from Other Governments	146,344	18,604	300,373	96,352	2,270	563,943
Property Taxes Receivable	4,981,738	0	0	763,581	0	5,745,319
Allowance for Uncollectible Property Taxes	(245,280)	0	0	(34,893)	0	(280,173)
Notes Receivable - Current	0	149,513	0	0	0	149,513
Notes Receivable - Long-Term	0	210,552	0	0	0	210,552
Total Assets	\$ 6,423,485	\$ 1,756,851	\$ 958,470	\$ 1,229,774	\$ 210,718	\$ 10,579,298
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 43,569	\$ 11,882	\$ 73,500	\$ 0	\$ 7	\$ 128,958
Accrued Payroll	13,486	0	0	0	0	13,486
Payroll Deductions Payable	46,627	2,363	7,703	0	0	56,693
Due to Other Funds	1,918	414	210	0	0	2,542
Due to State of Tennessee	2,745	0	0	0	0	2,745
Due to Litigants, Heirs, and Others	0	0	0	0	78	78
Deferred Revenue - Current Property Taxes	4,533,711	0	0	702,406	0	5,236,117
Deferred Revenue - Delinquent Property Taxes	177,780	0	0	23,070	0	200,850
Other Deferred Revenues	0	0	141,294	60,568	0	201,862
Capital Outlay Notes Payable - Long-term	0	0	0	360,065	0	360,065
Total Liabilities	\$ 4,819,836	\$ 14,659	\$ 222,707	\$ 1,146,109	\$ 85	\$ 6,203,396
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 12,706	\$ 0	\$ 249,430	\$ 0	\$ 0	\$ 262,136
Reserved for Alcohol and Drug Treatment	73,638	0	0	0	0	73,638
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	90,754	0	0	0	0	90,754
Reserved for Drug Court	14,499	0	0	0	0	14,499
Reserved for Computer System - Register	74,782	0	0	0	0	74,782

(Continued)

Exhibit C-1

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

LIABILITIES AND FUND BALANCES (Cont.)

Fund Balances (Cont.)

Reserved for Automation Purposes - Circuit Court
 Reserved for Automation Purposes - General Sessions Court
 Reserved for Automation Purposes - Chancery Court
 Reserved for Automation Purposes - Sheriff
 Reserved for Long-Term Notes Receivable
 Reserved for Other General Purposes
 Unreserved, Reported In:
 General Fund
 Special Revenue Funds
 Debt Service Funds
 Capital Projects Funds
 Total Fund Balances

	Major Funds				Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Governmental Funds	
	\$ 4,744	\$ 0	\$ 0	\$ 0	\$ 0	\$ 4,744
	19,641	0	0	0	0	19,641
	602	0	0	0	0	602
	8,441	0	0	0	0	8,441
	0	210,552	0	0	0	210,552
	24,478	1,011,579	0	0	0	1,036,057
	1,279,364	0	0	0	0	1,279,364
	0	520,061	486,333	0	206,301	1,212,695
	0	0	0	83,665	0	83,665
	0	0	0	0	4,332	4,332
	<u>\$ 1,603,649</u>	<u>\$ 1,742,192</u>	<u>\$ 735,763</u>	<u>\$ 83,665</u>	<u>\$ 210,633</u>	<u>\$ 4,375,902</u>
Total Liabilities and Fund Balances	<u>\$ 6,423,485</u>	<u>\$ 1,756,851</u>	<u>\$ 958,470</u>	<u>\$ 1,229,774</u>	<u>\$ 210,718</u>	<u>\$ 10,579,298</u>

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, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	4,375,902
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,052,934	
Add: buildings and improvements net of accumulated depreciation		1,435,299	
Add: infrastructure net of accumulated depreciation		3,383,062	
Add: other capital assets net of accumulated depreciation		<u>1,051,844</u>	6,923,139
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			
Less: bonds payable	\$	(14,970,000)	
Less: notes payable		(891,454)	
Less: other loans payable		(629,403)	
Less: capital leases payable		(362,338)	
Less: deferred premium on debt issuances		(80,679)	
Add: deferred amount on refunding		446,067	
Add: deferred charges - debt issuance costs		160,863	
Less: compensated absences payable		(255,437)	
Less: accrued interest on bonds, notes, other loans, and capital leases		<u>(163,035)</u>	(16,745,416)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>402,712</u>
Net assets of governmental activities (Exhibit A)		\$	<u>(5,043,663)</u>

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

Exhibit C-3

Rhea County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Funds Other Govern- mental Funds	
Revenues						
Local Taxes	\$ 5,014,491	\$ 277,691	\$ 102,649	\$ 1,050,618	\$ 0	\$ 6,445,449
Licenses and Permits	24,508	0	0	0	0	24,508
Fines, Forfeitures, and Penalties	442,527	0	0	0	84,657	527,184
Charges for Current Services	33,420	105,482	0	0	325,579	464,481
Other Local Revenues	296,106	44,364	21,315	661,707	11,180	1,034,672
Fees Received from County Officials	820,452	0	0	0	0	820,452
State of Tennessee	387,257	49,021	1,983,663	0	115	2,420,056
Federal Government	838,795	0	0	0	22,502	861,297
Other Governments and Citizens Groups	150,735	8,004	0	255,888	2,720	417,347
Total Revenues	\$ 8,008,291	\$ 484,562	\$ 2,107,627	\$ 1,968,213	\$ 446,753	\$ 13,015,446
Expenditures						
Current:						
General Government	\$ 1,232,234	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,232,234
Finance	784,852	0	0	0	318,245	1,103,097
Administration of Justice	859,573	0	0	0	24,517	884,090
Public Safety	3,886,795	0	0	0	56,419	3,943,214
Public Health and Welfare	202,877	485,037	0	0	0	687,914
Agricultural and Natural Resources	158,547	0	0	0	0	158,547
Other Operations	392,132	7,359	0	0	89,969	489,460
Highways	0	0	2,558,857	0	0	2,558,857
Debt Service:						
Principal on Debt	0	0	0	1,293,989	0	1,293,989
Interest on Debt	0	0	0	760,044	0	760,044
Other Debt Service	7,000	0	0	164,292	16,350	187,642
Capital Projects	136,984	0	0	0	0	136,984
Total Expenditures	\$ 7,660,994	\$ 492,396	\$ 2,558,857	\$ 2,218,325	\$ 505,500	\$ 13,436,072
Excess (Deficiency) of Revenues						
Over Expenditures	\$ 347,297	\$ (7,834)	\$ (451,230)	\$ (250,112)	\$ (58,747)	\$ (420,626)

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor	Total
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Funds Other Governmental Funds	
<u>Other Financing Sources (Uses)</u>						
Capital Leases Issued	\$ 0	\$ 0	\$ 368,662	\$ 0	\$ 0	\$ 368,662
Refunding Debt Issued	0	0	0	9,795,000	0	9,795,000
Premiums on Debt Issued	0	0	0	83,305	0	83,305
Other Loans Issued	84,827	0	0	0	79,167	163,994
Proceeds from Sale of Capital Assets	0	0	261,000	0	0	261,000
Transfers In	0	0	0	185,558	0	185,558
Transfers Out	(126,669)	0	(58,889)	0	0	(185,558)
Payments to Refunded Debt Escrow Agent	0	0	0	(9,736,067)	0	(9,736,067)
Total Other Financing Sources (Uses)	\$ (41,842)	\$ 0	\$ 570,773	\$ 327,796	\$ 79,167	\$ 935,894
Net Change in Fund Balances	\$ 305,455	\$ (7,834)	\$ 119,543	\$ 77,684	\$ 20,420	\$ 515,268
Fund Balance, July 1, 2005	1,298,194	1,750,026	616,220	5,981	190,213	3,860,634
Fund Balance, June 30, 2006	\$ 1,603,649	\$ 1,742,192	\$ 735,763	\$ 83,665	\$ 210,633	\$ 4,375,902

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

Exhibit C-4

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, 2006

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

Net change in fund balances - total governmental funds (Exhibit C-3)	\$	515,268
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	\$ 1,065,746	
Less: current year depreciation	<u>(828,090)</u>	237,656
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Add: gain on sale of capital assets	\$ 147,774	
Less: proceeds from the sale of capital assets	<u>(261,000)</u>	(113,226)
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$ 402,712	
Less: deferred delinquent property taxes/other deferred June 30, 2005	<u>(395,809)</u>	6,903
(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:		
Less: other loan proceeds	\$ (163,994)	
Less: capital lease proceeds	(368,662)	
Less: refunding bond proceeds	(9,795,000)	
Less: change in premium on debt issuances	(80,679)	
Add: change in deferred debt issuance costs	160,863	
Add: principal payment on bonds	695,000	
Add: principal payment on notes	521,421	
Add: principal payment on other loans	77,568	
Add: principal payment on capital leases	187,861	
Add: payments to refunding agents	<u>9,736,067</u>	970,445
(5) Some expenses reported in the statement of activities do not require the uses of current financial resources and therefore are not reported as expenditures in governmental funds.		
Add: change in accrued interest payable	\$ 26,341	
Less: change in compensated absences	<u>(10,500)</u>	15,841
Change in net assets of governmental activities (Exhibit B)	\$	<u>1,632,887</u>

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

Exhibit D-1

Rhea County, Tennessee
Statement of Net Assets
Proprietary Fund
June 30, 2006

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 1,272
Due from Other Funds	2,542
Due from Component Units	9,152
Total Assets	<hr/> \$ 12,966 <hr/>
<u>LIABILITIES</u>	
Accounts Payable	\$ 3,656
Payroll Deductions Payable	9,310
Total Liabilities	<hr/> \$ 12,966 <hr/>
<u>NET ASSETS</u>	
Unrestricted	<hr/> \$ 0 <hr/>

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

Exhibit D-2

Rhea County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Assets
Proprietary Fund
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,714,809
Other Local Revenues	8,198
Total Operating Revenues	<u>\$ 1,723,007</u>
<u>Operating Expenses</u>	
Other Facilities	\$ 326,230
Other Operations	8,402
Other Charges	517,339
Miscellaneous	871,036
Total Operating Expenses	<u>\$ 1,723,007</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Assets	\$ 0
Net Assets, July 1, 2005	<u>0</u>
Net Assets, June 30, 2006	<u><u>0</u></u>

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

Exhibit D-3

Rhea County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,713,014
Proceeds From Sale of Gasoline	8,198
Central Maintenance Garage Activity - Uses	<u>(1,760,081)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (38,869)</u>
Net Increase (Decrease) in Cash	\$ (38,869)
Cash, July 1, 2005	<u>40,141</u>
Cash, June 30, 2006	<u>\$ 1,272</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u>	
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	267
(Increase) Decrease in Due from Other Funds	2,867
(Increase) Decrease in Due from Component Units	(4,929)
Increase (Decrease) in Accounts Payable	(6,278)
Increase (Decrease) in Payroll Deductions Payable	(324)
Increase (Decrease) in Due to Other Funds	(15,468)
Increase (Decrease) in Due to Component Units	<u>(15,004)</u>
Net Cash Provided By (Used In) Operating Activities	<u>\$ (38,869)</u>

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

Exhibit E

Rhea County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,542,798
Equity in Pooled Cash and Investments	34,125
Due from Other Governments	400,881
Taxes Receivable	305,505
Allowance for Uncollectible Taxes	<u>(15,028)</u>
Total Assets	<u>\$ 2,268,281</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 725,188
Due to Litigants, Heirs, and Others	<u>1,543,093</u>
Total Liabilities	<u>\$ 2,268,281</u>

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, 2006

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 the County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments,

the district must obtain the County Commission's approval. The financial statements of the 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 financial information for 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
Evansville, 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. Net debt issues (\$62,817) were contributed by the county to the School Department during the year ended June 30, 2006.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary funds financial statements, except for agency funds which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of 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. It has no enterprise funds to report.

Separate financial statements are provided for governmental funds, the proprietary fund, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. The internal service fund and the fiduciary funds in total are reported in single columns by fund type.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay

liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. 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.

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

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 types:

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.

Permanent Fund – The Endowment Fund is used to account for resources legally held in trust to fund scholarships for students of Rhea County High School. Earnings on invested resources may be used to fund the scholarship, but the principal of the fund is required to be maintained intact

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. The county has one proprietary fund, an internal service fund used to account for the 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 fund are charges for services. Operating expenses for the internal service fund 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 outstanding at the end of the fiscal year is referred to as due to/from other funds.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 2.63 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. Inventories

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

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$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:

<u>Assets</u>	<u>Years</u>
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.

On the government-wide statement of net assets (Exhibit A), the account Restricted for Other Purposes for the primary government consists of various restrictions totaling \$489,359, with the primary restrictions being for: (1) other general purposes (\$24,478); (2) alcohol and drug treatment (\$73,638); (3) litigation tax – jail, workhouse, or courthouse (\$90,754); (4) drug court (\$14,499); and (5) computer system and automation purposes – various clerks and sheriff (\$108,210). For the discretely presented School Department, the account balance in Restricted for Other Purposes (\$878,698) consists of various restrictions with the primary restrictions being for: (1) long-term notes receivable (\$329,556); and (2) capital outlay (\$475,385).

As of June 30, 2006, Rhea County had \$15,599,403 in outstanding debt for capital purposes for the discretely presented Rhea County School Department, and \$265,000 in outstanding debt for capital purposes for the Rhea Medical Center. This debt is a liability of Rhea County; however, 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 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

Discretely Presented Rhea County School Department

Exhibit J-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of governmental funds with the government-wide statement of net assets.

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

Primary Government

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

Discretely Presented Rhea County School Department

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the District Attorney General Fund (special revenue fund) and the Constitutional Officers – Fees Fund (special revenue fund) which are not budgeted, and the capital projects funds, which adopt project length budgets. All annual appropriations lapse at fiscal year end.

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

difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

B. Fund Deficit

The Education Capital Projects Fund had a fund deficit of \$16,363 at June 30, 2006. This deficit resulted from the remaining amount of a contract with an architect for a sewer line construction project being reserved as an encumbrance in the financial statements. This deficit was liquidated when a reserve for Capital Outlay from the General Purpose School Fund was transferred to the Education Capital Projects Fund subsequent to June 30, 2006.

C. Expenditures and Encumbrances Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Capital Outlay – Regular Capital Outlay major appropriation category (the legal level of control) of the General Purpose School Fund by \$43,523. This overexpenditure was funded by other major appropriations categories estimates exceeding expenditures and encumbrances.

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

The clerk and master 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, 2006, deposits at this depository exceeded FDIC coverage by \$48,151. 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 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. Public fund accounts covered by the pool are considered to be insured for purposes of custodial credit risk exposure.

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

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, 2006, bank balances of \$48,151 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 48,151</u>
Total	<u><u>\$ 48,151</u></u>

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, 2006.

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, 2006, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 1,073,684	\$ 0	\$ (20,750)	\$ 1,052,934
Total Capital Assets Not Depreciated	\$ 1,073,684	\$ 0	\$ (20,750)	\$ 1,052,934
Capital Assets Depreciated:				
Buildings and Improvements	\$ 5,514,641	\$ 81,750	\$ 0	\$ 5,596,391
Infrastructure	6,968,344	513,426	(205,011)	7,276,759
Other Capital Assets	2,580,652	739,380	(342,193)	2,977,839
Total Capital Assets Depreciated	\$ 15,063,637	\$ 1,334,556	\$ (547,204)	\$ 15,850,989
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 4,085,176	\$ 78,456	\$ (2,540)	\$ 4,161,092
Infrastructure	3,543,549	513,296	(163,148)	3,893,697
Other Capital Assets	1,921,601	236,338	(231,944)	1,925,995
Total Accumulated Depreciation	\$ 9,550,326	\$ 828,090	\$ (397,632)	\$ 9,980,784
Total Capital Assets Depreciated, Net	\$ 5,513,311	\$ 506,466	\$ (149,572)	\$ 5,870,205
Governmental Activities Capital Assets, Net	\$ 6,586,995	\$ 506,466	\$ (170,322)	\$ 6,923,139

Increases include a prior-year adjustment totaling \$211,714 to correct capital asset values.

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

Governmental Activities:

General Government	\$ 44,273
Public Safety	118,182
Public Health and Welfare	46,784
Highways	<u>618,851</u>

Total Depreciation Expense - Governmental Activities \$ 828,090

Discretely Presented Rhea County School Department

Governmental Activities:

	Balance 7-1-05	Increases	Decreases	Balance 6-30-06
Capital Assets Not Depreciated:				
Land	\$ 841,002	\$ 0	\$ 0	\$ 841,002
Construction in Progress	0	107,977	0	107,977
Total Capital Assets Not Depreciated	<u>\$ 841,002</u>	<u>\$ 107,977</u>	<u>\$ 0</u>	<u>\$ 948,979</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 41,257,255	\$ 31,880	\$ 0	\$ 41,289,135
Other Capital Assets	2,747,330	560,789	(96,090)	3,212,029
Total Capital Assets Depreciated	<u>\$ 44,004,585</u>	<u>\$ 592,669</u>	<u>\$ (96,090)</u>	<u>\$ 44,501,164</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 18,744,166	\$ 1,091,115	\$ 0	\$ 19,835,281
Other Capital Assets	1,613,753	204,053	(96,090)	1,721,716
Total Accumulated Depreciation	<u>\$ 20,357,919</u>	<u>\$ 1,295,168</u>	<u>\$ (96,090)</u>	<u>\$ 21,556,997</u>
Total Capital Assets Depreciated, Net	<u>\$ 23,646,666</u>	<u>\$ (702,499)</u>	<u>\$ 0</u>	<u>\$ 22,944,167</u>
Governmental Activities Capital Assets, Net	<u>\$ 24,487,668</u>	<u>\$ (594,522)</u>	<u>\$ 0</u>	<u>\$ 23,893,146</u>

Increases include a prior-year adjustment totaling \$373,083 to correct asset values.

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

Governmental Activities:

Instruction	\$ 1,142,003
Support Services	194,276
Operation of Non-Instructional Services	<u>9,815</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,346,094</u></u>

D. Construction Commitments

At June 30, 2006, the School Department had an uncompleted construction contract of approximately \$16,363 for a sewer line project. Funding for this future expenditures was received when a reserve for capital outlay from the General Purpose School Fund was transferred to the Education Capital Projects Fund subsequent to June 30, 2006.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Primary Government:		
Internal Service	General	\$ 1,918
Internal Service	Solid Waste/Sanitation	414
Internal Service	Highway/Public Works	210
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	2,088
School Transportation	General Purpose School	1,233
School Transportation	Nonmajor governmental	118

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
	Component unit -	
Primary government:	School Department	
Internal Service	General Purpose School	\$ 3,905
Internal Service	School Transportation	5,247

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In General Debt Service Fund
General Fund	\$ 126,669
Highway/Public Works Fund	58,889
Total	<u>\$ 185,558</u>

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

F. Capital Lease

On June 6, 2006, the Rhea County Highway Department entered into a five-year lease-purchase agreement for two road graders. The terms of the agreement require total lease payments of \$368,662 plus interest of 5.6 percent. Title to the equipment transfers to the Rhea County Highway Department at the end of the lease period. The lease payments are made by the Highway/Public Works Fund.

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2006, were as follows:

Year Ending June 30	Governmental Activities
2007	\$ 84,313
2008	84,313
2009	84,313
----	-----

Year Ending June 30 (Cont.)	Governmental Activities
2010	84,313
2011	78,218
Total Minimum Lease Payments	\$ 415,470
Less: Amount Representing Interest	(53,132)
Present Value of Minimum Lease Payments	\$ 362,338

G. 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 20 years for the other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2006, 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, 2006, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-06
General Obligation Bonds	4.1 to 5 %	\$ 12,130,000	\$ 1,940,000
General Obligation Bonds - Refunding	3.375 to 4.85	15,445,000	13,030,000
Capital Outlay Notes	2 to 4.8	3,469,294	891,454
Other Loans	0 to Various	1,094,811	629,403
Capital Lease	5.6	368,662	362,338

On December 28, 2005, Rhea County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the authority borrowed \$517,500 Qualified Zone Academy Bonds and loaned the proceeds to Rhea County on an as needed basis for school renovations, repairs, and equipment. The loan is repayable at zero percent interest. As of June 30, 2006, Rhea County had borrowed \$79,167 of this loan.

On May 5, 2006, Rhea County entered into a loan agreement with the Montgomery County Public Building Authority. This loan agreement provided for the authority to make \$1,000,000 available to Rhea County on an as-needed basis for a sewer project. The loan is repayable at an interest rate that is a tax-exempt variable rate determined by the remarketing agent daily or weekly, depending on the particular program. In addition, the county pays various other fees (trustee, letter of credit, and debt remarketing) in connection with this loan. At June 30, 2006, the variable interest rate was 3.74 percent, and other fees amounted to approximately .25 percent (letter of credit), and .08 percent (remarketing) on the outstanding loan principal and the trustee fee was assessed at \$100 per month. As of June 30, 2006, Rhea County had borrowed \$84,827 of this loan.

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

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2007	\$ 765,000	\$ 606,694	\$ 391,317	\$ 25,223
2008	770,000	573,287	397,359	13,801
2009	790,000	539,424	102,778	2,056
2010	1,080,000	504,399	0	0
2011	1,450,000	457,218	0	0
2012-2016	5,980,000	1,469,239	0	0
2017-2021	3,420,000	429,806	0	0
2022-2023	715,000	43,024	0	0
Total	\$ 14,970,000	\$ 4,623,091	\$ 891,454	\$ 41,080

Year Ending June 30	Other Loan (\$1,000,000)			Total
	Principal	Interest	Other Fees	
2007	\$ 31,000	\$ 3,172	\$ 1,490	\$ 35,662
2008	35,000	2,012	1,377	38,389
2009	18,827	704	1,262	20,793
Total	\$ 84,827	\$ 5,888	\$ 4,129	\$ 94,844

Year Ending June 30	Other Loans	
	School HVAC	School Renovation Repair and Equipment
	Principal	Principal
2007	\$ 77,568	\$ 43,125
2008	77,568	36,042
2009	77,568	0
2010	77,568	0
2011	77,568	0
2012-2016	77,569	0
Total	\$ 465,409	\$ 79,167

There is \$83,665 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$572, based on the 2000 federal census. Debt per capita, including bonds, notes, capital leases, and other loans totaled \$594, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2005	\$ 15,160,000	\$ 1,412,875	\$ 181,537
Additions	9,795,000	0	368,662
Deductions	(695,000)	(521,421)	(187,861)
Bonds Refunded	(9,290,000)	0	0
Balance, June 30, 2006	\$ 14,970,000	\$ 891,454	\$ 362,338
Balance Due Within One Year	\$ 765,000	\$ 391,317	\$ 65,691

	Other Loans	Compensated Absences
Balance, July 1, 2005	\$ 542,977	\$ 244,937
Additions	163,994	130,728
Deductions	(77,568)	(120,228)
Balance, June 30, 2006	<u>\$ 629,403</u>	<u>\$ 255,437</u>
Balance Due Within One Year	<u>\$ 151,693</u>	<u>\$ 121,890</u>

Analysis of Noncurrent Liabilities, June 30, 2006

Total Noncurrent Liabilities, June 30, 2006	\$ 17,108,632
Less: Balance Due Within One Year	<u>(1,495,591)</u>
Noncurrent Liabilities - Due In More Than One Year - Exhibit A	<u>\$ 15,613,041</u>

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

Advance Refunding

On February 1, 2006, Rhea County partially advance refunded two general obligation bond issues with a separate general obligation bond issue. The county issued \$9,795,000 of general obligation refunding bonds to provide resources to purchase U.S. government securities that were placed in an irrevocable trust to generate resources for most of the future debt service payments of the refunded debt. As a result, the refunded bonds are considered defeased, and the liability has been removed from the county's long-term debt. As a result of these partial advance refundings, total debt service payments over the next 17 years will be reduced by \$386,255, and an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$290,834 was obtained.

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, 2006, 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, 2006, was as follows:

Governmental Activities:	<u>Compensated Absences</u>
Balance, July 1, 2005	\$ 61,837
Additions	29,858
Deductions	<u>(28,805)</u>
Balance, June 30, 2006	<u>\$ 62,890</u>
Balance Due Within One Year	<u>\$ 36,248</u>

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

H. 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, 2006, are reflected below:

Internally Reported Interfund Notes Receivable 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
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
			Paid and/or Matured	
	Outstanding 7-1-05		During Period	Outstanding 6-30-06
Solid Waste/Sanitation Fund:				
Football/Baseball Field Lights	\$ 11,555	\$ (11,555)	\$	0
Highway Paving	166,666	(55,556)		111,110
Landfill Property	91,667	(18,333)		73,334
Health Department Land	40,135	(20,068)		20,067
Jail Renovation	33,333	(16,667)		16,666
Jail Expansion	133,334	(16,668)		116,666
Phil Swafford Building	44,444	(22,222)		22,222
Total	\$ 521,134	\$ (161,069)	\$	360,065

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

<u>Receivable Fund/Description</u>	<u>Original Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Last Maturity Date</u>
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	10-27-08
Central Maintenance Building	400,000	2	2-16-00	2-16-09
			Paid and/or Matured	
	Outstanding		During	Outstanding
	7-1-05		Period	6-30-06
General Purpose School Fund:				
Medical Center Renovations	\$ 55,557	\$	(55,557)	\$ 0
Medical Center Renovations	55,556		(55,556)	0
Central Maintenance Implementation	130,335		(43,445)	86,890
Old Landfill Closure	241,667		(80,556)	161,111
Jail Renovation	333,334		(83,334)	250,000
Central Maintenance Building	102,778		(44,444)	58,334
Total	\$ 919,227	\$	(362,892)	\$ 556,335

I. 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, 2006, was as follows:

	Balance 7-1-05		Issued		Redeemed		Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$	750,000	\$	(750,000)	\$	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, 2006, was as follows:

	Balance 7-1-05		Issued		Redeemed		Balance 6-30-06
Tax Anticipation Notes	\$ 0	\$	300,000	\$	(300,000)	\$	0

J. Prior-year Restatements

Primary Government

During the year, Rhea County made some corrections to their capital assets inventory. These corrections involved assets that had not been capitalized in previous years. The net affect of these changes increased net assets for the primary government by \$211,714.

Discretely Presented Rhea County School Department

During the year, Rhea County made some corrections to their capital assets inventory. These corrections involved assets that had not been capitalized in previous years. The net affect of these changes increased net assets for the School Department by \$373,083.

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 Changes

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries became effective for the year ended June 30, 2006. GASB Statement No. 42 requires governments to report the effects of capital asset impairments in their financial statements when they occur rather than as a part of the ongoing depreciation expense for the capital asset or upon disposal of the capital asset. In addition, GASB Statement No. 42 clarifies and establishes accounting requirements for insurance recoveries. GASB Statement No. 42 had no effect on the financial statements for the year ended June 30, 2006, since no capital asset impairment and insurance recoveries occurred. However, it is reasonably expected that capital asset impairment and insurance recoveries may occur in subsequent years that will be subject to the provisions of Statement No. 42.

The provisions of GASB Statement No. 44, Economic Condition Reporting: The Statistical Section (an amendment of NCGA Statement 1) became effective for the year ended June 30, 2006. GASB Statement No. 44 applies to the preparation of the statistical section. State and local governments may, but are not required to, prepare a statistical section to accompany basic financial statements. However, a statistical section is required to accompany a comprehensive annual financial report. Since Rhea County is not presenting a comprehensive annual financial report, it has elected not to prepare a statistical section. A limited statistical section was presented in the prior year's report. GASB Statement No. 44 amends guidance related to the preparation of the statistical section. This statement improves the

understandability and usefulness of statistical information by addressing the comparability problems that have developed in practice and by adding information from the new financial reporting model for state and local governments required by GASB Statement No. 34. GASB Statement No. 44 establishes the objectives of the statistical section and the five categories it contains: financial trends, revenue capacity, debt capacity, demographic and economic, and operating. It is reasonably expected that Rhea County will prepare and present a statistical section in subsequent years that follows the requirements of GASB Statement No. 44.

The provisions of GASB Statement No. 46, Net Assets Restricted by Enabling Legislation – an amendment of GASB Statement No. 34 became effective for the year ended June 30, 2006. GASB Statement No. 46 provides guidance to determine when net assets have been restricted to a particular use by the passage of enabling legislation and specifies how those net assets should be reported in financial statements when there are changes in the circumstances surrounding such legislation. The statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation as of the end of the reporting period. Rhea County had no net assets restricted by enabling legislation to disclose as of June 30, 2006. But it is reasonably expected that Rhea County will be required to disclose net assets restricted by enabling legislation in subsequent years.

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

C. Subsequent Events

On August 31, 2006, Freddie Morgan left the Office of Trustee and was succeeded by Neva Webb.

During the period July 1, 2006, through November 1, 2006, Rhea County borrowed \$406,469 for school renovations, repairs, and equipment pursuant to a loan agreement with the Tennessee State School Bond Authority.

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. 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.

F. 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.

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, 2006.

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
Twelfth Judicial District
375 Church Street, Suite 300
Dayton, TN 37321

G. 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, 2006, 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, 2006, Rhea County's annual pension cost of \$1,126,043 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, 2005, was 15 years. An actuarial valuation was performed as of July 1, 2005, which established contribution rates effective July 1, 2006.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-06	\$1,126,043	100%	\$0
6-30-05	1,062,827	100	0
6-30-04	891,692	100	0

Schedule of Funding Progress for Rhea County

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll ((b-a)/c)
	(a)	(b)	(b) - (a)	(a/b)	(c)	
6-30-05	\$22,389	\$24,942	\$2,553	89.76%	\$12,174	20.97%
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

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, 2006, 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, 2006, 2005, and 2004, were \$643,943, \$631,257, and \$367,256, respectively, equal to the required contributions for each year.

H. 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.

I. 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 32 and 26 percent, respectively, for the year ended June 30, 2006, 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:

	<u>6-30-06</u>
Beginning balance	630,316
Provision for doubtful accounts	2,047,563
Write-offs	<u>(1,852,177)</u>
Ending balance	<u>\$ 825,702</u>

11. Noncurrent Cash and Investments

The Board of Trustees internally designated cash and investments for capital acquisition to create 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.

<u>Assets</u>	<u>Years</u>
Land improvements	10 - 15
Buildings and improvements	10 - 50
Major moveable equipment	5 - 25
Capital equipment	10 - 25

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, 2006.

14. Bond Issuance Costs

The costs incurred in connection with the issuance of the bonds will be amortized using the straight-line method over the term of the bonds.

15. 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.

16. 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, 2006.

17. 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 \$4,280,710 and the bank balance was \$4,576,341 at June 30, 2006. 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.

Interest rate risk. For an investment, this is the risk that a change in interest rates will affect the fair market value of investments held. The investment is a certificate of deposit with a local financial institution that matured August 22, 2006, with a 4.32 percent fixed rate of interest.

Custodial credit risk. For an investment, this is the risk that, in the event of a failure of the counterparty to a transaction, the medical center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The medical center currently has no formal policy addressing interest rate or custodial credit risk, except to comply with state statutes.

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

	<u>6-30-06</u>
Carrying amount	
Deposits	\$ 4,490,347
Cash on hand	<u>1,800</u>
Total	<u>\$ 4,492,147</u>
Included in the following balance sheet captions	
Cash	\$ 4,265,851
Internally designated for capital acquisition	209,637
Patient trust funds	15,647
Activity funds	<u>1,012</u>
Total	<u>\$ 4,492,147</u>

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, 2006, consist of the following:

	<u>6-30-06</u>
Pharmacy	\$ 92,433
General supplies	70,665
Dietary	14,987
Laboratory	23,203
X-ray	19,299
Surgery	<u>69,257</u>
Total	<u>\$ 289,844</u>

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.

	<u>7-1-05</u>	<u>Additions</u>	<u>Retirements</u>	<u>6-30-06</u>
Land	\$ 87,730	\$ 2,285,339	\$ 10,555	\$ 2,362,514
Land improvements	91,551	11,500	23,985	79,066
Buildings and improvements	5,292,430	0	217,275	5,075,155
Major movable equipment	6,326,069	560,942	0	6,887,011
Capital equipment	1,463,140	0	0	1,463,140
Construction in progress	253,839	1,357,476	0	1,611,315
	<u>\$ 13,514,759</u>	<u>\$ 4,215,257</u>	<u>\$ 251,815</u>	<u>\$ 17,478,201</u>
Less accumulated depreciation	8,775,988	\$ 640,084	\$ 141,682	9,274,390
Property and equipment, net	<u>\$ 4,738,771</u>			<u>\$ 8,203,811</u>

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

The medical center is preparing to construct a new facility. At June 30, 2006, approximately \$18,800,000 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, 2006, the assets totaled \$455,680, net of accumulated amortization.

Other assets also include various lease deposits and prepayments totaling \$29,153 at June 30, 2006.

H. Long-term Debt

	6-30-06
Amounts due Rhea County, a related party:	
Note payable for continuing expansion and renovation (RC note 2)	\$ 265,000
Bonds Payable	1,682,133
Subtotal	\$ 1,947,133
Less current maturities of long-term debt	130,000
Long-term debt, net of current maturities	\$ 1,817,133

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 to 4.55 percent. The notes are unsecured.

The Public Building Authority of the County of Montgomery, Tennessee, issued its "Adjustable Rate Pooled Financing Revenue Bonds, Series 2004" (the Bonds) on July 1, 2004, and loaned \$24,100,000 of the proceeds to the Medical Center under a loan agreement with terms substantially identical to terms of the bonds. The bonds mature on various dates from May 25, 2010, through May 25, 2033. The proceeds of the bonds were used to pay certain costs of issuance of the bonds and are being used to fund construction of the new facility. At June 30, 2006, only \$1,682,133 of the amount has been drawn from the funds reserved in the medical center's name. The remaining funds may be requested for payment of construction obligations but are neither an asset nor a liability of the medical center at June 30, 2006.

Principal payments will be made annually as they become due. Interest payments are due monthly. Interest is calculated daily as set forth in the loan agreement (4.10 percent at June 30, 2006).

The bonds are secured by the property purchased and constructed with the proceeds of the bonds.

Scheduled principle repayments on long-term debt and payments on capital lease obligations are as follows:

Year Ending June 30	Long-term Debt	
	Principal	Interest
2007	\$ 130,000	\$ 79,938
2008	135,000	75,414
2009	0	69,082
2010	691,000	66,671
2011	713,000	38,217
2012	278,133	10,484
Total	\$ 1,947,133	\$ 339,806

Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2006, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2006 follows:

	Balance 7-1-05	Additions	Reductions	Balance 6-30-06	Amounts Due Within One Year
Amounts due to Rhea County a related party:					
RC Note 1	\$ 111,110	\$ 0	\$ 111,110	\$ 0	\$ 0
RC Note 2	390,000	0	125,000	265,000	130,000
Bonds payable	0	1,682,133	0	1,682,133	0
Lease 2	12,185	0	12,185	0	0
Total Long-term Debt	\$ 513,295	\$ 1,682,133	\$ 248,295	\$ 1,947,133	\$ 130,000

I. Accrued Leave

Medical center employees are paid for vacation and absences 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 \$253,657 for 2006 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, 2006, was \$263,861.

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 \$501,049 in 2006. 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, 2006, was \$5,052,114.

M. Designated Net Assets

Net assets reported in 2006 include \$209,637, 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, 2006, that have initial or remaining lease terms in excess of one year.

<u>Year Ending June 30</u>	<u>Minimum Lease Payment</u>
2007	\$ 131,200
2008	29,262
2009	<u>22,967</u>
Total minimum lease payments	<u>\$ 183,429</u>

Rental expense included in operations amounted to \$260,689 in 2006.

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 \$231,438 in 2006.

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 \$314,926 for 2006.

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 \$19,777 in 2006 to the county for interest.

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, 2006, was as follows:

	<u>6-30-06</u>
Medicare	24 %
Medicaid/TennCare	11
Blue Cross	9
Commercial	13
Private Pay	<u>43</u>
Total	<u><u>100 %</u></u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,014,491	\$ 0	\$ 0	\$ 5,014,491	\$ 4,791,555	\$ 4,822,933	\$ 191,558
Licenses and Permits	24,508	0	0	24,508	20,800	20,800	3,708
Fines, Forfeitures, and Penalties	442,527	0	0	442,527	298,450	318,450	124,077
Charges for Current Services	33,420	0	0	33,420	42,600	42,852	(9,432)
Other Local Revenues	296,106	0	0	296,106	286,289	395,648	(99,542)
Fees Received from County Officials	820,452	0	0	820,452	1,027,000	1,027,400	(206,948)
State of Tennessee	387,257	0	0	387,257	243,800	445,132	(57,875)
Federal Government	838,795	0	0	838,795	0	996,617	(157,822)
Other Governments and Citizens Groups	150,735	0	0	150,735	142,778	143,028	7,707
Total Revenues	\$ 8,008,291	\$ 0	\$ 0	\$ 8,008,291	\$ 6,853,272	\$ 8,212,860	\$ (204,569)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 57,849	\$ 0	\$ 0	\$ 57,849	\$ 85,455	\$ 73,110	\$ 15,261
Board of Equalization	1,830	0	0	1,830	1,830	1,831	1
Beer Board	2,067	0	0	2,067	2,261	2,261	194
Other Boards and Committees	2,853	0	0	2,853	5,275	3,875	1,022
County Mayor/Executive	113,644	0	0	113,644	114,820	114,820	1,176
County Attorney	18,055	0	0	18,055	20,000	20,000	1,945
Election Commission	335,580	0	0	335,580	154,678	344,678	9,098
Register of Deeds	152,884	0	0	152,884	157,377	157,629	4,745
Planning	8,500	0	0	8,500	8,500	8,500	0
County Buildings	538,972	0	0	538,972	585,563	586,164	47,192
<u>Finance</u>							
Accounting and Budgeting	457,483	0	0	457,483	463,952	463,952	6,469
Property Assessor's Office	224,138	0	0	224,138	228,570	228,570	4,432
County Trustee's Office	54,683	0	0	54,683	173,916	173,916	119,233

(Continued)

Exhibit F-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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 48,548	\$ 0	\$ 0	\$ 48,548	\$ 243,951	\$ 248,401	\$ 199,853
<u>Administration of Justice</u>							
Circuit Court	246,398	0	0	246,398	236,128	247,459	1,061
General Sessions Court	434,044	0	0	434,044	425,463	436,854	2,810
Chancery Court	179,131	0	0	179,131	178,919	179,825	694
<u>Public Safety</u>							
Sheriff's Department	1,506,779	0	0	1,506,779	1,482,000	1,541,270	34,491
Administration of the Sexual Offender Registry	439	0	0	439	1,000	1,000	561
Jail	773,026	0	0	773,026	816,387	811,769	38,743
Juvenile Services	202,298	0	0	202,298	164,966	210,870	8,572
Fire Prevention and Control	484,611	(16,144)	11,744	480,211	163,079	512,839	32,628
Civil Defense	242,660	(5,285)	0	237,375	1,835	376,927	139,552
Rescue Squad	46,677	0	870	47,547	30,000	50,000	2,453
County Coroner/Medical Examiner	24,974	0	0	24,974	16,000	29,309	4,335
Public Safety Grant Programs	82,424	0	0	82,424	11,167	121,514	39,090
Other Public Safety	522,907	0	84	522,991	509,637	552,137	29,146
<u>Public Health and Welfare</u>							
Local Health Center	200,522	0	8	200,530	78,312	268,062	67,532
Crippled Children Services	2,072	0	0	2,072	2,072	2,072	0
Other Local Welfare Services	283	0	0	283	1,000	1,000	717
<u>Agriculture & Natural Resources</u>							
Agriculture Extension Service	76,342	0	0	76,342	75,479	76,786	444
Soil Conservation	82,205	0	0	82,205	82,336	82,336	131
<u>Other Operations</u>							
Veterans' Services	86,327	0	0	86,327	82,713	88,360	2,033
Other Charges	159,610	0	0	159,610	92,604	159,610	0

(Continued)

Exhibit F-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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Contributions to Other Agencies	\$ 109,334	\$ 0	\$ 0	\$ 109,334	\$ 111,600	\$ 111,600	\$ 2,266
Employee Benefits	36,861	0	0	36,861	46,822	46,822	9,961
<u>Other Debt Service</u>							
General Government	7,000	0	0	7,000	0	757,000	750,000
<u>Capital Projects</u>							
Social, Cultural, and Recreation Projects	66,157	0	0	66,157	25,000	66,295	138
Public Utility Projects	70,827	0	0	70,827	0	1,000,000	929,173
Total Expenditures	\$ 7,660,994	\$ (21,429)	\$ 12,706	\$ 7,652,271	\$ 6,880,667	\$ 10,159,423	\$ 2,507,152
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 347,297	\$ 21,429	\$ (12,706)	\$ 356,020	\$ (27,395)	\$ (1,946,563)	\$ 2,302,583
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 750,000	\$ (750,000)
Other Loans Issued	84,827	0	0	84,827	0	1,007,000	(922,173)
Transfers Out	(126,669)	0	0	(126,669)	(165,478)	(126,669)	0
Total Other Financing Sources (Uses)	\$ (41,842)	\$ 0	\$ 0	\$ (41,842)	\$ (165,478)	\$ 1,630,331	\$ (1,672,173)
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 1,298,194	\$ (21,429)	\$ 0	\$ 1,276,765	\$ 642,728	\$ 1,320,995	\$ (44,230)
Fund Balance, June 30, 2006	\$ 1,603,649	\$ 0	\$ (12,706)	\$ 1,590,943	\$ 449,855	\$ 1,004,763	\$ 586,180

Exhibit F-2

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 277,691	\$ 272,000	\$ 272,000	\$ 5,691
Charges for Current Services	105,482	160,000	160,000	(54,518)
Other Local Revenues	44,364	16,700	41,700	2,664
State of Tennessee	49,021	8,500	58,453	(9,432)
Other Governments and Citizens Groups	8,004	0	12,536	(4,532)
Total Revenues	<u>\$ 484,562</u>	<u>\$ 457,200</u>	<u>\$ 544,689</u>	<u>\$ (60,127)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 485,037	\$ 407,383	\$ 524,224	\$ 39,187
<u>Other Operations</u>				
Other Charges	3,044	3,700	3,700	656
Employee Benefits	4,315	28,460	4,315	0
Total Expenditures	<u>\$ 492,396</u>	<u>\$ 439,543</u>	<u>\$ 532,239</u>	<u>\$ 39,843</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (7,834)</u>	<u>\$ 17,657</u>	<u>\$ 12,450</u>	<u>\$ (20,284)</u>
Net Change in Fund Balance	\$ (7,834)	\$ 17,657	\$ 12,450	\$ (20,284)
Fund Balance, July 1, 2005	<u>1,750,026</u>	<u>431,896</u>	<u>1,713,735</u>	<u>36,291</u>
Fund Balance, June 30, 2006	<u>\$ 1,742,192</u>	<u>\$ 449,553</u>	<u>\$ 1,726,185</u>	<u>\$ 16,007</u>

Exhibit F-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 102,649	\$ 0	\$ 0	\$ 102,649	\$ 113,000	\$ 113,000	\$ (10,351)
Other Local Revenues	21,315	0	0	21,315	6,700	154,981	(133,666)
State of Tennessee	1,983,663	0	0	1,983,663	2,039,018	2,039,018	(55,355)
Total Revenues	\$ 2,107,627	\$ 0	\$ 0	\$ 2,107,627	\$ 2,158,718	\$ 2,306,999	\$ (199,372)
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 173,459	\$ 0	\$ 0	\$ 173,459	\$ 171,277	\$ 179,145	\$ 5,686
Highway and Bridge Maintenance	807,987	(40,000)	28,538	796,525	863,701	846,813	50,288
Operation and Maintenance of Equipment	199,068	0	0	199,068	178,916	209,694	10,626
Other Charges	71,715	0	0	71,715	75,253	75,253	3,538
Employee Benefits	129,992	0	0	129,992	149,002	132,002	2,010
Capital Outlay	1,176,636	0	220,892	1,397,528	807,199	1,493,652	96,124
Total Expenditures	\$ 2,558,857	\$ (40,000)	\$ 249,430	\$ 2,768,287	\$ 2,245,348	\$ 2,936,559	\$ 168,272
Excess (Deficiency) of Revenues Over Expenditures	\$ (451,230)	\$ 40,000	\$ (249,430)	\$ (660,660)	\$ (86,630)	\$ (629,560)	\$ (31,100)
<u>Other Financing Sources (Uses)</u>							
Capital Leases Issued	\$ 368,662	\$ 0	\$ 0	\$ 368,662	\$ 0	\$ 368,662	\$ 0
Proceeds from Sale of Capital Assets	261,000	0	0	261,000	0	0	261,000
Transfers Out	(58,889)	0	0	(58,889)	0	(58,889)	0
Total Other Financing Sources (Uses)	\$ 570,773	\$ 0	\$ 0	\$ 570,773	\$ 0	\$ 309,773	\$ 261,000
Net Change in Fund Balance	\$ 119,543	\$ 40,000	\$ (249,430)	\$ (89,887)	\$ (86,630)	\$ (319,787)	\$ 229,900
Fund Balance, July 1, 2005	616,220	(40,000)	0	576,220	586,893	586,893	(10,673)
Fund Balance, June 30, 2006	\$ 735,763	\$ 0	\$ (249,430)	\$ 486,333	\$ 500,263	\$ 267,106	\$ 219,227

RHEA COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2006

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 Rhea County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the State Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/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 schedule.

**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.

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.

Education Capital Projects Fund – This fund accounts for debt issued by Rhea County that is subsequently contributed to the discretely presented Rhea County School Department for building construction and renovations.

Exhibit G-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	HUD Grant Projects	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 82,036	\$ 82,036	\$ 0	\$ 82,036
Equity in Pooled Cash and Investments	60,183	61,897	0	122,080	4,332	126,412
Due from Other Governments	560	1,710	0	2,270	0	2,270
Total Assets	<u>\$ 60,743</u>	<u>\$ 63,607</u>	<u>\$ 82,036</u>	<u>\$ 206,386</u>	<u>\$ 4,332</u>	<u>\$ 210,718</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 7	\$ 0	\$ 0	\$ 7	\$ 0	\$ 7
Due to Litigants, Heirs, and Others	78	0	0	78	0	78
Total Liabilities	<u>\$ 85</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 85</u>	<u>\$ 0</u>	<u>\$ 85</u>
<u>Fund Balances</u>						
Unreserved	\$ 60,658	\$ 63,607	\$ 82,036	\$ 206,301	\$ 4,332	\$ 210,633
Total Fund Balances	<u>\$ 60,658</u>	<u>\$ 63,607</u>	<u>\$ 82,036</u>	<u>\$ 206,301</u>	<u>\$ 4,332</u>	<u>\$ 210,633</u>
Total Liabilities and Fund Balances	<u>\$ 60,743</u>	<u>\$ 63,607</u>	<u>\$ 82,036</u>	<u>\$ 206,386</u>	<u>\$ 4,332</u>	<u>\$ 210,718</u>

Exhibit G-2

Rhea County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2006

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	District Attorney General	Constitu- tional Officers - Fees	Total	HUD Grant Projects	Education Capital Projects	Total	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 58,612	\$ 26,045	\$ 0	\$ 84,657	\$ 0	\$ 0	\$ 0	\$ 84,657
Charges for Current Services	0	0	325,579	325,579	0	0	0	325,579
Other Local Revenues	2,516	0	0	2,516	8,664	0	8,664	11,180
State of Tennessee	115	0	0	115	0	0	0	115
Federal Government	0	0	0	0	22,502	0	22,502	22,502
Other Governments and Citizens Groups	2,720	0	0	2,720	0	0	0	2,720
Total Revenues	\$ 63,963	\$ 26,045	\$ 325,579	\$ 415,587	\$ 31,166	\$ 0	\$ 31,166	\$ 446,753
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 318,245	\$ 318,245	\$ 0	\$ 0	\$ 0	\$ 318,245
Administration of Justice	0	23,593	924	24,517	0	0	0	24,517
Public Safety	56,419	0	0	56,419	0	0	0	56,419
Other Operations	0	318	0	318	26,834	62,817	89,651	89,969
Debt Service:								
Other Debt Service	0	0	0	0	0	16,350	16,350	16,350
Total Expenditures	\$ 56,419	\$ 23,911	\$ 319,169	\$ 399,499	\$ 26,834	\$ 79,167	\$ 106,001	\$ 505,500
Excess (Deficiency) of Revenues Over Expenditures	\$ 7,544	\$ 2,134	\$ 6,410	\$ 16,088	\$ 4,332	\$ (79,167)	\$ (74,835)	\$ (58,747)
<u>Other Financing Sources (Uses)</u>								
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,167	\$ 79,167	\$ 79,167
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 79,167	\$ 79,167	\$ 79,167
Net Change in Fund Balances	\$ 7,544	\$ 2,134	\$ 6,410	\$ 16,088	\$ 4,332	\$ 0	\$ 4,332	\$ 20,420
Fund Balance, July 1, 2005	53,114	61,473	75,626	190,213	0	0	0	190,213
Fund Balance, June 30, 2006	\$ 60,658	\$ 63,607	\$ 82,036	\$ 206,301	\$ 4,332	\$ 0	\$ 4,332	\$ 210,633

Exhibit G-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 58,612	\$ 45,000	\$ 45,000	\$ 13,612
Other Local Revenues	2,516	1,200	1,200	1,316
State of Tennessee	115	0	0	115
Other Governments and Citizens Groups	2,720	3,000	3,000	(280)
Total Revenues	<u>\$ 63,963</u>	<u>\$ 49,200</u>	<u>\$ 49,200</u>	<u>\$ 14,763</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 56,419	\$ 70,900	\$ 85,900	\$ 29,481
Total Expenditures	<u>\$ 56,419</u>	<u>\$ 70,900</u>	<u>\$ 85,900</u>	<u>\$ 29,481</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 7,544</u>	<u>\$ (21,700)</u>	<u>\$ (36,700)</u>	<u>\$ 44,244</u>
Net Change in Fund Balance	\$ 7,544	\$ (21,700)	\$ (36,700)	\$ 44,244
Fund Balance, July 1, 2005	<u>53,114</u>	<u>53,114</u>	<u>53,114</u>	<u>0</u>
Fund Balance, June 30, 2006	<u>\$ 60,658</u>	<u>\$ 31,414</u>	<u>\$ 16,414</u>	<u>\$ 44,244</u>

Exhibit G-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 26,045	\$ 40,545	\$ 40,545	\$ (14,500)
Total Revenues	\$ 26,045	\$ 40,545	\$ 40,545	\$ (14,500)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
District Attorney General	\$ 23,593	\$ 27,938	\$ 27,800	\$ 4,207
<u>Other Operations</u>				
Other Charges	318	215	353	35
Total Expenditures	\$ 23,911	\$ 28,153	\$ 28,153	\$ 4,242
Excess (Deficiency) of Revenues Over Expenditures	\$ 2,134	\$ 12,392	\$ 12,392	\$ (10,258)
Net Change in Fund Balance	\$ 2,134	\$ 12,392	\$ 12,392	\$ (10,258)
Fund Balance, July 1, 2005	61,473	0	0	61,473
Fund Balance, June 30, 2006	\$ 63,607	\$ 12,392	\$ 12,392	\$ 51,215

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 H

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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,050,618	\$ 1,033,716	\$ 1,033,716	\$ 16,902
Other Local Revenues	661,707	113,000	575,952	85,755
Other Governments and Citizens Groups	255,888	585,246	321,993	(66,105)
Total Revenues	<u>\$ 1,968,213</u>	<u>\$ 1,731,962</u>	<u>\$ 1,931,661</u>	<u>\$ 36,552</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 521,421	\$ 745,743	\$ 670,940	\$ 149,519
Education	772,568	784,124	782,735	10,167
<u>Interest on Debt</u>				
General Government	49,388	0	49,403	15
Education	710,656	710,657	710,657	1
<u>Other Debt Service</u>				
General Government	18,840	0	26,275	7,435
Education	145,452	0	145,452	0
Total Expenditures	<u>\$ 2,218,325</u>	<u>\$ 2,240,524</u>	<u>\$ 2,385,462</u>	<u>\$ 167,137</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (250,112)</u>	<u>\$ (508,562)</u>	<u>\$ (453,801)</u>	<u>\$ 203,689</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 9,795,000	0	\$ 9,795,000	0
Premiums on Debt Issued	83,305	0	83,305	0
Transfers In	185,558	382,557	185,558	0
Payments to Refunded Debt Escrow Agent	(9,736,067)	0	(9,736,067)	0
Total Other Financing Sources (Uses)	<u>\$ 327,796</u>	<u>\$ 382,557</u>	<u>\$ 327,796</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 77,684	\$ (126,005)	\$ (126,005)	\$ 203,689
Fund Balance, July 1, 2005	<u>5,981</u>	<u>197,683</u>	<u>197,683</u>	<u>(191,702)</u>
Fund Balance, June 30, 2006	<u>\$ 83,665</u>	<u>\$ 71,678</u>	<u>\$ 71,678</u>	<u>\$ 11,987</u>

Fiduciary Funds

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

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

City School ADA - 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 I-1

Rhea County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2006

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,542,798	\$ 1,542,798
Equity in Pooled Cash and Investments	0	34,125	0	34,125
Due from Other Governments	338,743	61,843	295	400,881
Taxes Receivable	0	305,505	0	305,505
Allowance for Uncollectible Taxes	0	(15,028)	0	(15,028)
Total Assets	<u>\$ 338,743</u>	<u>\$ 386,445</u>	<u>\$ 1,543,093</u>	<u>\$ 2,268,281</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 338,743	\$ 386,445	\$ 0	\$ 725,188
Due to Litigants, Heirs, and Others	0	0	1,543,093	1,543,093
Total Liabilities	<u>\$ 338,743</u>	<u>\$ 386,445</u>	<u>\$ 1,543,093</u>	<u>\$ 2,268,281</u>

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,009,175	\$ 2,009,175	\$ 0
Due From Other Governments	332,476	338,743	332,476	338,743
Total Assets	\$ 332,476	\$ 2,347,918	\$ 2,341,651	\$ 338,743
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 332,476	\$ 2,347,918	\$ 2,341,651	\$ 338,743
Total Liabilities	\$ 332,476	\$ 2,347,918	\$ 2,341,651	\$ 338,743
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 35,069	\$ 635,856	\$ 636,800	\$ 34,125
Due From Other Governments	60,307	61,843	60,307	61,843
Taxes Receivable	307,378	305,505	307,378	305,505
Allowance for Uncollectible Taxes	(15,042)	(15,028)	(15,042)	(15,028)
Total Assets	\$ 387,712	\$ 988,176	\$ 989,443	\$ 386,445
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 387,712	\$ 988,176	\$ 989,443	\$ 386,445
Total Liabilities	\$ 387,712	\$ 988,176	\$ 989,443	\$ 386,445
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,167,672	\$ 6,572,967	\$ 6,197,841	\$ 1,542,798
Due From Other Governments	0	295	0	295
Total Assets	\$ 1,167,672	\$ 6,573,262	\$ 6,197,841	\$ 1,543,093
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,167,672	\$ 6,573,262	\$ 6,197,841	\$ 1,543,093
Total Liabilities	\$ 1,167,672	\$ 6,573,262	\$ 6,197,841	\$ 1,543,093

(Continued)

Exhibit I-2

Rhea County, Tennessee

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 35,069	\$ 2,645,031	\$ 2,645,975	\$ 34,125
Cash	1,167,672	6,572,967	6,197,841	1,542,798
Due From Other Governments	392,783	400,881	392,783	400,881
Taxes Receivable	307,378	305,505	307,378	305,505
Allowance for Uncollectible Taxes	(15,042)	(15,028)	(15,042)	(15,028)
Total Assets	<u>\$ 1,887,860</u>	<u>\$ 9,909,356</u>	<u>\$ 9,528,935</u>	<u>\$ 2,268,281</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 720,188	\$ 3,336,094	\$ 3,331,094	\$ 725,188
Due to Litigants, Heirs, and Others	1,167,672	6,573,262	6,197,841	1,543,093
Total Liabilities	<u>\$ 1,887,860</u>	<u>\$ 9,909,356</u>	<u>\$ 9,528,935</u>	<u>\$ 2,268,281</u>

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, a Capital Projects Fund and a Permanent 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.

Endowment Fund – The Endowment Fund is used to account for an endowment received by the School Department for which the principal amount must remain intact while interest earned on the principal is to fund scholarships for students of Rhea County High School.

Exhibit J-1

Rhea County, Tennessee
Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component Unit:					
Governmental Activities:					
Instruction	\$ 16,705,616	\$ 49,656	\$ 1,987,393	\$ 62,817	\$ (14,605,750)
Support services	8,376,769	39,531	168,378	0	(8,168,860)
Operation of non-instructional services	1,973,615	683,926	1,264,093	20,000	(5,596)
Other debt service	462,952	0	0	0	(462,952)
Total Governmental Activities	\$ 27,518,952	\$ 773,113	\$ 3,419,864	\$ 82,817	\$ (23,243,158)
General Revenues:					
Taxes:					
Property taxes levied for general purposes					\$ 3,091,595
Local option sales tax					2,076,214
Other local taxes					4,205
Grants & contributions not restricted for specific programs					16,953,889
Unrestricted investment earnings					21,862
Gain on sale of capital assets					2,800
Miscellaneous					38,584
Total General Revenues					\$ 22,189,149
Change in Net Assets					\$ (1,054,009)
Prior year restatement					373,083
Net Assets, July 1, 2005					27,466,977
Net Assets, June 30, 2006					\$ 26,786,051

Exhibit J-2

Rhea County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2006

	Major Funds		Nonmajor	Total
	General Purpose School	School Transportation	Funds Other Governmental Funds	
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 1,075,231	\$ 146,146	\$ 399,282	\$ 1,620,659
Inventories	0	0	43,929	43,929
Accounts Receivable	11,923	2,341	119	14,383
Due from Other Governments	1,102,788	0	108,767	1,211,555
Due from Other Funds	2,088	1,351	0	3,439
Property Taxes Receivable	1,844,285	1,451,781	0	3,296,066
Allowance for Uncollectible Property Taxes	(90,177)	(72,037)	0	(162,214)
Notes Receivable - Current	226,779	0	0	226,779
Notes Receivable - Long-Term	329,556	0	0	329,556
Total Assets	\$ 4,502,473	\$ 1,529,582	\$ 552,097	\$ 6,584,152
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 133,766	\$ 967	\$ 320	\$ 135,053
Accrued Payroll	3,034	0	0	3,034
Payroll Deductions Payable	431,394	7,012	39,446	477,852
Due to Other Funds	1,233	0	2,206	3,439
Due to Primary Government	3,905	5,247	0	9,152
Deferred Revenue - Current Property Taxes	1,680,156	1,319,671	0	2,999,827
Deferred Revenue - Delinquent Property Taxes	64,898	52,731	0	117,629
Other Deferred Revenues	199,753	0	0	199,753
Total Liabilities	\$ 2,518,139	\$ 1,385,628	\$ 41,972	\$ 3,945,739
<u>Fund Balances</u>				
Reserved for Encumbrances	\$ 406,950	\$ 0	\$ 16,363	\$ 423,313
Reserved for Endowments	0	0	100,505	100,505
Reserved for Long-Term Notes Receivable	329,556	0	0	329,556
Reserved for Food Service	0	0	43,929	43,929
Reserved for Capital Outlay	475,385	0	0	475,385
Reserved for Career Ladder - Extended Contract	67,992	0	0	67,992
Reserved for Career Ladder Program	3,834	0	0	3,834
Reserved for Technology	1,931	0	0	1,931
Reserved for Title I Grants to Local Education Agencies	0	0	13,476	13,476
Reserved for Innovative Education Program Strategies	0	0	12	12
Reserved for Special Education - Grants to States	0	0	10,772	10,772
Other Federal Reserves	0	0	368	368
Unreserved, Reported In:				
General Fund	698,686	0	0	698,686
Special Revenue Funds	0	143,954	341,063	485,017
Capital Projects Funds (Deficit)	0	0	(16,363)	(16,363)
Total Fund Balances	\$ 1,984,334	\$ 143,954	\$ 510,125	\$ 2,638,413
Total Liabilities and Fund Balances	\$ 4,502,473	\$ 1,529,582	\$ 552,097	\$ 6,584,152

Exhibit J-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, 2006

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	2,638,413
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	841,002	
Add: construction in progress		107,977	
Add: buildings and improvements net of accumulated depreciation		21,453,854	
Add: other capital assets net of accumulated depreciation		<u>1,490,313</u>	23,893,146
(2) Long-term liabilities are not due in the current period and therefore are not reported in the funds.			(62,890)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			<u>317,382</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>26,786,051</u></u>

Exhibit J-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, 2006

	Major Funds		Nonmajor	Total
	General Purpose School	School Transportation	Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 3,795,664	\$ 1,394,130	\$ 0	\$ 5,189,794
Licenses and Permits	2,140	0	0	2,140
Charges for Current Services	48,746	0	683,926	732,672
Other Local Revenues	133,142	50,919	106,138	290,199
State of Tennessee	16,715,182	0	19,489	16,734,671
Federal Government	459,054	0	2,859,968	3,319,022
Other Governments and Citizens Groups	62,817	0	0	62,817
Total Revenues	<u>\$ 21,216,745</u>	<u>\$ 1,445,049</u>	<u>\$ 3,669,521</u>	<u>\$ 26,331,315</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 13,641,688	\$ 0	\$ 1,748,251	\$ 15,389,939
Support Services	6,651,441	1,513,701	262,075	8,427,217
Operation of Non-Instructional Services	220,919	0	1,623,206	1,844,125
Capital Outlay	331,462	0	0	331,462
Debt Service:				
Other Debt Service	462,952	0	0	462,952
Total Expenditures	<u>\$ 21,308,462</u>	<u>\$ 1,513,701</u>	<u>\$ 3,633,532</u>	<u>\$ 26,455,695</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>\$ (91,717)</u>	<u>\$ (68,652)</u>	<u>\$ 35,989</u>	<u>\$ (124,380)</u>
Net Change in Fund Balances	\$ (91,717)	\$ (68,652)	\$ 35,989	\$ (124,380)
Fund Balance, July 1, 2005	2,076,051	212,606	474,136	2,762,793
Fund Balance, June 30, 2006	<u>\$ 1,984,334</u>	<u>\$ 143,954</u>	<u>\$ 510,125</u>	<u>\$ 2,638,413</u>

Exhibit J-5

Rhea County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2006

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	(124,380)
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	358,489	
Less: current year depreciation		<u>(1,346,094)</u>	(987,605)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to increase net assets.			
Add: assets donated and capitalized	\$	20,000	
Add: gain on sale of capital assets		2,800	
Less: proceeds from the sale of capital assets		<u>(2,800)</u>	20,000
(3) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.			
Add: deferred delinquent property taxes/other deferred June 30, 2006	\$	317,382	
Less: deferred delinquent property taxes/other deferred June 30, 2005		<u>(278,353)</u>	39,029
(4) Some expenses reported in the statement of activities do not require the uses of current financial resources and therefore are not reported as expenditures in governmental funds.			
Less: change in compensated absences			<u>(1,053)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(1,054,009)</u></u>

Exhibit J-6

Rhea County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2006

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Permanent</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	<u>Fund</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</u>	<u>Endowment</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Capital</u>		<u>Governmental</u>
				<u>Projects</u>		<u>Funds</u>
<u>ASSETS</u>						
Equity in Pooled Cash and Investments	\$ 44,464	\$ 254,313	\$ 298,777	\$ 0	\$ 100,505	\$ 399,282
Inventories	0	43,929	43,929	0	0	43,929
Accounts Receivable	0	119	119	0	0	119
Due from Other Governments	10,688	98,079	108,767	0	0	108,767
Total Assets	\$ 55,152	\$ 396,440	\$ 451,592	\$ 0	\$ 100,505	\$ 552,097
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 320	\$ 0	\$ 320	\$ 0	\$ 0	\$ 320
Payroll Deductions Payable	27,998	11,448	39,446	0	0	39,446
Due to Other Funds	2,206	0	2,206	0	0	2,206
Total Liabilities	\$ 30,524	\$ 11,448	\$ 41,972	\$ 0	\$ 0	\$ 41,972
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 16,363	\$ 0	\$ 16,363
Reserved for Endowments	0	0	0	0	100,505	100,505
Reserved for Food Service	0	43,929	43,929	0	0	43,929
Reserved for Title I Grants to Local Education Agencies	13,476	0	13,476	0	0	13,476
Reserved for Innovative Education Program Strategies	12	0	12	0	0	12
Reserved for Special Education - Grants to States	10,772	0	10,772	0	0	10,772
Other Federal Reserves	368	0	368	0	0	368
Unreserved (Deficit)	0	341,063	341,063	(16,363)	0	324,700
Total Fund Balances	\$ 24,628	\$ 384,992	\$ 409,620	\$ 0	\$ 100,505	\$ 510,125
Total Liabilities and Fund Balances	\$ 55,152	\$ 396,440	\$ 451,592	\$ 0	\$ 100,505	\$ 552,097

Exhibit J-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, 2006

	<u>Special Revenue Funds</u>			<u>Permanent</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Fund</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Endowment</u>	<u>Nonmajor</u>
	<u>Projects</u>				<u>Governmental</u>
					<u>Funds</u>
<u>Revenues</u>					
Charges for Current Services	\$ 0	\$ 683,926	\$ 683,926	\$ 0	\$ 683,926
Other Local Revenues	0	5,633	5,633	100,505	106,138
State of Tennessee	0	19,489	19,489	0	19,489
Federal Government	1,933,867	926,101	2,859,968	0	2,859,968
Total Revenues	\$ 1,933,867	\$ 1,635,149	\$ 3,569,016	\$ 100,505	\$ 3,669,521
<u>Expenditures</u>					
Current:					
Instruction	\$ 1,748,251	\$ 0	\$ 1,748,251	\$ 0	\$ 1,748,251
Support Services	262,075	0	262,075	0	262,075
Operation of Non-Instructional Services	0	1,623,206	1,623,206	0	1,623,206
Total Expenditures	\$ 2,010,326	\$ 1,623,206	\$ 3,633,532	\$ 0	\$ 3,633,532
Excess (Deficiency) of Revenues Over Expenditures	\$ (76,459)	\$ 11,943	\$ (64,516)	\$ 100,505	\$ 35,989
Net Change in Fund Balances	\$ (76,459)	\$ 11,943	\$ (64,516)	\$ 100,505	\$ 35,989
Fund Balance, July 1, 2005	101,087	373,049	474,136	0	474,136
Fund Balance, June 30, 2006	\$ 24,628	\$ 384,992	\$ 409,620	\$ 100,505	\$ 510,125

Exhibit J-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,795,664	\$ 0	\$ 0	\$ 3,795,664	\$ 3,684,558	\$ 3,688,729	\$ 106,935
Licenses and Permits	2,140	0	0	2,140	2,300	2,300	(160)
Charges for Current Services	48,746	0	0	48,746	42,000	42,000	6,746
Other Local Revenues	133,142	0	0	133,142	95,800	183,128	(49,986)
State of Tennessee	16,715,182	0	0	16,715,182	16,114,000	16,614,219	100,963
Federal Government	459,054	0	0	459,054	44,100	438,375	20,679
Other Governments and Citizens Groups	62,817	0	0	62,817	0	501,150	(438,333)
Total Revenues	\$ 21,216,745	\$ 0	\$ 0	\$ 21,216,745	\$ 19,982,758	\$ 21,469,901	\$ (253,156)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,007,566	\$ (5,790)	\$ 1,350	\$ 11,003,126	\$ 10,901,802	\$ 11,139,146	\$ 136,020
Special Education Program	1,760,098	0	0	1,760,098	1,784,489	1,820,411	60,313
Vocational Education Program	670,858	0	0	670,858	701,561	673,912	3,054
Adult Education Program	203,166	0	0	203,166	5,000	230,512	27,346
<u>Support Services</u>							
Attendance	72,274	0	0	72,274	72,352	72,612	338
Health Services	152,450	0	492	152,942	162,022	156,991	4,049
Other Student Support	1,191,423	(327)	7,136	1,198,232	1,163,681	1,242,509	44,277
Regular Instruction Program	340,892	0	0	340,892	339,600	351,927	11,035
Special Education Program	230,939	0	0	230,939	235,381	232,690	1,751
Vocational Education Program	75,325	0	0	75,325	36,624	89,342	14,017
Adult Programs	119,961	0	0	119,961	9,295	141,831	21,870
Board of Education	260,401	(400)	0	260,001	260,068	273,427	13,426
Director of Schools	203,180	0	0	203,180	200,975	207,597	4,417
Office of the Principal	1,359,648	0	0	1,359,648	1,335,533	1,381,676	22,028

(Continued)

Exhibit J-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 7/1/2005	Add: Encumbrances 6/30/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,851,866	\$ 0	\$ 13,561	\$ 1,865,427	\$ 839,215	\$ 1,912,758	\$ 47,331
Maintenance of Plant	793,082	0	10,858	803,940	1,823,507	885,090	81,150
Transportation	0	0	0	0	680	0	0
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	220,919	0	11,182	232,101	0	239,444	7,343
<u>Capital Outlay</u>							
Regular Capital Outlay	331,462	0	362,371	693,833	552,465	650,310	(43,523)
<u>Other Debt Service</u>							
Education	462,952	0	0	462,952	0	462,952	0
Total Expenditures	\$ 21,308,462	\$ (6,517)	\$ 406,950	\$ 21,708,895	\$ 20,424,250	\$ 22,165,137	\$ 456,242
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ (91,717)	\$ 6,517	\$ (406,950)	\$ (492,150)	\$ (441,492)	\$ (695,236)	\$ 203,086
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2005	\$ 2,076,051	(6,517)	0	2,069,534	1,561,161	1,561,161	508,373
Fund Balance, June 30, 2006	\$ 1,984,334	\$ 0	\$ (406,950)	\$ 1,577,384	\$ 1,119,669	\$ 865,925	\$ 711,459

Exhibit J-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,933,867	\$ 2,018,276	\$ 2,415,046	\$ (481,179)
Total Revenues	\$ 1,933,867	\$ 2,018,276	\$ 2,415,046	\$ (481,179)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 903,234	\$ 828,573	\$ 967,320	\$ 64,086
Special Education Program	715,485	652,264	908,351	192,866
Vocational Education Program	129,532	127,859	130,510	978
<u>Support Services</u>				
Other Student Support	45,801	32,812	70,904	25,103
Regular Instruction Program	159,989	295,829	297,450	137,461
Special Education Program	33,613	46,230	56,686	23,073
Vocational Education Program	426	1,000	426	0
Transportation	22,246	35,442	47,678	25,432
Total Expenditures	\$ 2,010,326	\$ 2,020,009	\$ 2,479,325	\$ 468,999
Excess (Deficiency) of Revenues Over Expenditures	\$ (76,459)	\$ (1,733)	\$ (64,279)	\$ (12,180)
Net Change in Fund Balance	\$ (76,459)	\$ (1,733)	\$ (64,279)	\$ (12,180)
Fund Balance, July 1, 2005	101,087	101,087	101,087	0
Fund Balance, June 30, 2006	\$ 24,628	\$ 99,354	\$ 36,808	\$ (12,180)

Exhibit J-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, 2006

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2005	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Charges for Current Services	\$ 683,926	\$ 0	\$ 683,926	\$ 779,000	\$ 779,000	\$ (95,074)
Other Local Revenues	5,633	0	5,633	4,000	4,000	1,633
State of Tennessee	19,489	0	19,489	19,500	19,500	(11)
Federal Government	926,101	0	926,101	855,000	855,000	71,101
Total Revenues	<u>\$ 1,635,149</u>	<u>\$ 0</u>	<u>\$ 1,635,149</u>	<u>\$ 1,657,500</u>	<u>\$ 1,657,500</u>	<u>\$ (22,351)</u>
<u>Expenditures</u>						
<u>Operation of Non-Instructional Services</u>						
Food Service	\$ 1,623,206	\$ (40,703)	\$ 1,582,503	\$ 1,715,441	\$ 1,715,441	\$ 132,938
Total Expenditures	<u>\$ 1,623,206</u>	<u>\$ (40,703)</u>	<u>\$ 1,582,503</u>	<u>\$ 1,715,441</u>	<u>\$ 1,715,441</u>	<u>\$ 132,938</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 11,943</u>	<u>\$ 40,703</u>	<u>\$ 52,646</u>	<u>\$ (57,941)</u>	<u>\$ (57,941)</u>	<u>\$ 110,587</u>
Net Change in Fund Balance	\$ 11,943	\$ 40,703	\$ 52,646	\$ (57,941)	\$ (57,941)	\$ 110,587
Fund Balance, July 1, 2005	373,049	(40,703)	332,346	290,253	290,253	42,093
Fund Balance, June 30, 2006	<u>\$ 384,992</u>	<u>\$ 0</u>	<u>\$ 384,992</u>	<u>\$ 232,312</u>	<u>\$ 232,312</u>	<u>\$ 152,680</u>

Exhibit J-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, 2006

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,394,130	\$ 1,339,150	\$ 1,351,950	\$ 42,180
Other Local Revenues	50,919	41,000	43,214	7,705
Total Revenues	<u>\$ 1,445,049</u>	<u>\$ 1,380,150</u>	<u>\$ 1,395,164</u>	<u>\$ 49,885</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 34,683	\$ 28,998	\$ 35,048	\$ 365
Operation of Plant	3,373	4,000	5,500	2,127
Transportation	1,475,645	1,494,609	1,538,619	62,974
<u>Other Debt Service</u>				
Education	0	0	300,000	300,000
Total Expenditures	<u>\$ 1,513,701</u>	<u>\$ 1,527,607</u>	<u>\$ 1,879,167</u>	<u>\$ 365,466</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (68,652)</u>	<u>\$ (147,457)</u>	<u>\$ (484,003)</u>	<u>\$ 415,351</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 0	\$ 300,000	\$ (300,000)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ (300,000)</u>
Net Change in Fund Balance	\$ (68,652)	\$ (147,457)	\$ (184,003)	\$ 115,351
Fund Balance, July 1, 2005	<u>212,606</u>	<u>211,338</u>	<u>211,338</u>	<u>1,268</u>
Fund Balance, June 30, 2006	<u>\$ 143,954</u>	<u>\$ 63,881</u>	<u>\$ 27,335</u>	<u>\$ 116,619</u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Rhea County, Tennessee
Schedule of Changes in Long-Term Notes, Capital Leases, Other Loans, and Bonds
 For the Year Ended June 30, 2006

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-06
PRIMARY GOVERNMENT									
NOTES PAYABLE									
<u>Payable through General Debt Service Fund:</u>									
Rhea Medical Center Renovation #3	\$ 1,100,000	4.8	% 12-11-1997	4-1-08	\$ 390,000	\$ 0	\$ 125,000	\$ 0	\$ 265,000
Centralized Maintenance #3	391,000	2	9-24-1998	9-24-07	130,335	0	43,445	0	86,890
Courthouse Heating and Air Conditioning	228,295	3	3-15-01	3-15-08	103,648	0	33,533	0	70,115
Closure of Old Landfill	483,333	2	6-9-02	6-9-08	241,667	0	80,552	0	161,115
Rhea Medical Center Renovation #1	166,667	2	10-27-02	10-27-05	55,557	0	55,557	0	0
Jail Expansion Phase 1	500,000	2	10-27-02	10-27-08	333,334	0	83,334	0	250,000
Centralized Maintenance Building	266,667	2	2-16-03	2-16-09	102,778	0	44,444	0	58,334
Rhea Medical Center Renovation #2	333,332	2	4-15-03	4-15-06	55,556	0	55,556	0	0
Total Notes Payable					\$ 1,412,875	\$ 0	\$ 521,421	\$ 0	\$ 891,454
CAPITAL LEASES PAYABLE									
<u>Payable through Highway/Public Works Fund:</u>									
Two Graders	308,799	4	4-28-03	6-26-06	\$ 181,537	\$ 0	\$ 181,537	\$ 0	\$ 0
Two Graders	368,662	5.6	6-26-06	6-26-11	0	368,662	6,324	0	362,338
Total Capital leases Payable					\$ 181,537	\$ 368,662	\$ 187,861	\$ 0	\$ 362,338
OTHER LOANS PAYABLE									
<u>Payable through General Debt Service Fund:</u>									
School HVAC Loan	930,817	0	3-13-00	11-30-11	\$ 542,977	\$ 0	\$ 77,568	\$ 0	\$ 465,409
School Renovation, Repair, and Equipment	(1)	0	12-28-05	12-28-20	0	79,167	0	0	79,167
Sewer Project	(2)	Various	5-15-06	5-25-26	0	84,827	0	0	84,827
Total Other Loans Payable					\$ 542,977	\$ 163,994	\$ 77,568	\$ 0	\$ 629,403

(Continued)

Exhibit K-1

Rhea County, Tennessee
Schedule of Changes in Long-Term Notes, Capital Leases, Other Loans, and Bonds (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-05	Issued During Period	Paid and/or Matured During Period	Debt Refunded	Outstanding 6-30-06
PRIMARY GOVERNMENT (CONT.)									
BONDS PAYABLE									
<u>Payable through General Debt Service Fund:</u>									
General Obligation Refunding 1997 Series	\$ 5,650,000	3.75 to 4.85 %	12-4-1997	4-1-12	\$ 3,740,000	\$ 0	\$ 505,000	\$ 0	\$ 3,235,000
General Obligation School 2001 Series	6,980,000	4.1 to 5	8-28-01	4-1-18	6,905,000	0	25,000	5,875,000	1,005,000
General Obligation County District School 2001 Series	5,150,000	4.1 to 5	8-28-01	4-1-23	4,515,000	0	165,000	3,415,000	935,000
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	0	6,180,000	0	0	6,180,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	0	3,615,000	0	0	3,615,000
Total Bonds Payable					<u>\$ 15,160,000</u>	<u>\$ 9,795,000</u>	<u>\$ 695,000</u>	<u>\$ 9,290,000</u>	<u>\$ 14,970,000</u>

(1) Total amount available under this Loan Agreement is \$517,500, of which \$438,333 had not been drawn as of June 30, 2006.

(2) Total amount available under this Public Building Authority Loan Agreement is \$1,000,000, of which \$922,128 had not been drawn as of June 30, 2006.

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
2007	\$ 765,000	\$ 606,694	\$ 1,371,694
2008	770,000	573,287	1,343,287
2009	790,000	539,424	1,329,424
2010	1,080,000	504,399	1,584,399
2011	1,450,000	457,218	1,907,218
2012	1,495,000	393,532	1,888,532
2013	1,025,000	333,376	1,358,376
2014	1,105,000	292,377	1,397,377
2015	1,160,000	248,177	1,408,177
2016	1,195,000	201,777	1,396,777
2017	1,215,000	156,964	1,371,964
2018	1,240,000	112,008	1,352,008
2019	305,000	65,509	370,509
2020	325,000	53,919	378,919
2021	335,000	41,406	376,406
2022	350,000	28,425	378,425
2023	365,000	14,600	379,600
Total	<u>\$ 14,970,000</u>	<u>\$ 4,623,091</u>	<u>\$ 19,593,091</u>

Exhibit K-3

Rhea County, Tennessee
Schedule of Notes Receivable
Primary Government and Discretely Presented Rhea County School Department
For the Year Ended June 30, 2006

<u>Description</u>	<u>Debtor</u>	<u>Original Amount of Note</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Balance 6-30-06</u>
<u>PRIMARY GOVERNMENT</u>						
<u>Solid Waste/Sanitation Fund</u>						
Highway Paving - Highway/Public Works Fund	General Debt Service Fund	\$ 500,000	9-25-1998	6-29-07	2	% \$ 111,110
Landfill Property - Solid Waste/Sanitation Fund	"	165,000	4-18-01	4-18-07	2	73,334
Health Department Land - General Fund	"	135,000	9-29-00	9-29-06	2	20,067
Jail Renovation - General Fund	"	100,000	2-10-01	2-10-07	2	16,666
Jail Expansion - General Fund	"	150,000	2-10-04	2-10-07	2	116,666
Phil Swafford Building - General Fund	"	200,000	5-27-01	5-27-07	2	<u>22,222</u>
Total Primary Government						<u>\$ 360,065</u>
<u>DISCRETELY PRESENTED RHEA COUNTY SCHOOL DEPARTMENT</u>						
<u>General Purpose School Fund</u>						
Central Maintenance Implementation - Central Maintenance Fund	General Debt Service Fund	391,000	9-24-1998	9-24-07	2	\$ 86,890
Old Landfill Closure - Solid Waste/Sanitation Fund	"	725,000	6-9-1999	6-9-08	2	161,111
Jail Renovation - General Fund	"	750,000	10-27-1999	10-27-08	2	250,000
Central Maintenance Building - Central Maintenance Fund	"	400,000	2-16-00	2-16-09	2	<u>58,334</u>
Total Discretely Presented Rhea County School Department						<u>\$ 556,335</u>

Exhibit K-4

Rhea County, Tennessee
Schedule of Transfers
For the Year Ended June 30, 2006

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
General	General Debt Service	Debt retirement	\$ 126,669
Highway/Public Works	"	"	<u>58,889</u>
Total Transfers			<u><u>\$ 185,558</u></u>

Exhibit K-5

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

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 62,424	\$ 50,000	Travelers Casualty Surety Company
Highway Supervisor	Section 8-24-102, <u>TCA</u>	59,452	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education	97,950 (1)	(2)	
Trustee	Section 8-24-102, <u>TCA</u>	54,048	670,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	54,048	10,000	"
Finance Director	County Commission	54,048	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	54,048	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	56,238 (3)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	54,048	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	59,971 (4)	25,000	"
Employee Blanket Bond Coverage: All County Departments			150,000	Tennessee School Boards Risk Mangement Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
(2) Director of Schools was covered by the \$150,000 employee blanket bond.
(3) Includes special commissioner fees of \$2,190.
(4) Includes a law enforcement training supplement of \$519.

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	
<u>Local Taxes</u>									
<u>County Property Taxes</u>									
Current Property Tax	\$ 4,395,051	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 572,994	\$ 0	\$ 4,968,045
Trustee's Collections - Prior Year	102,840	0	0	0	0	0	25,413	0	128,253
Trustee's Collections - Bankruptcy	184	0	0	0	0	0	44	0	228
Circuit/Clerk & Master Collections - Prior Years	99,622	0	0	0	0	0	24,298	0	123,920
Interest and Penalty	23,982	0	0	0	0	0	9,490	0	33,472
Payments in-Lieu-of Taxes - T.V.A.	3,428	0	0	0	0	0	444	0	3,872
Payments in-Lieu-of Taxes - Local Utilities	42,703	0	0	0	0	0	6,055	0	48,758
Payments in-Lieu-of Taxes - Other	0	0	0	0	0	0	7,688	0	7,688
<u>County Local Option Taxes</u>									
Local Option Sales Tax	0	0	0	0	0	0	395,899	0	395,899
Hotel/Motel Tax	71,223	0	0	0	0	0	0	0	71,223
Litigation Tax - General	189,688	0	0	0	0	0	0	0	189,688
Litigation Tax - Jail, Workhouse, or Courthouse	46,647	0	0	0	0	0	0	0	46,647
Business Tax	0	192,225	0	0	0	0	0	0	192,225
Mineral Severance Tax	0	0	0	0	0	102,649	0	0	102,649
<u>Statutory Local Taxes</u>									
Bank Excise Tax	39,123	0	0	0	0	0	5,072	0	44,195
Wholesale Beer Tax	0	85,466	0	0	0	0	0	0	85,466
Interstate Telecommunications Tax	0	0	0	0	0	0	3,221	0	3,221
Total Local Taxes	\$ 5,014,491	\$ 277,691	\$ 0	\$ 0	\$ 0	\$ 102,649	\$ 1,050,618	\$ 0	\$ 6,445,449
<u>Licenses and Permits</u>									
<u>Licenses</u>									
Cable TV Franchise	\$ 14,782	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 14,782
<u>Permits</u>									
Beer Permits	5,391	0	0	0	0	0	0	0	5,391
Building Permits	4,335	0	0	0	0	0	0	0	4,335
Total Licenses and Permits	\$ 24,508	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,508
<u>Fines, Forfeitures, and Penalties</u>									
<u>Circuit Court</u>									
Fines	\$ 4,557	\$ 0	\$ 0	\$ 6,451	\$ 0	\$ 0	\$ 0	\$ 0	\$ 11,008

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Debt	Capital	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>										
<u>Circuit Court (Cont.)</u>										
Officers Costs	\$ 18,702	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	18,702
Drug Control Fines	6,031	0	5,056	0	0	0	0	0	0	11,087
Drug Court Fees	665	0	0	0	0	0	0	0	0	665
Jail Fees	3,306	0	0	0	0	0	0	0	0	3,306
DUI Treatment Fines	855	0	0	0	0	0	0	0	0	855
Data Entry Fee - Circuit Court	2,080	0	0	0	0	0	0	0	0	2,080
<u>General Sessions Court</u>										
Fines	22,624	0	0	19,594	0	0	0	0	0	42,218
Officers Costs	81,331	0	0	0	0	0	0	0	0	81,331
Game and Fish Fines	1,506	0	0	0	0	0	0	0	0	1,506
Drug Control Fines	26,887	0	25,896	0	0	0	0	0	0	52,783
Drug Court Fees	8,589	0	0	0	0	0	0	0	0	8,589
Jail Fees	51,996	0	0	0	0	0	0	0	0	51,996
DUI Treatment Fines	4,918	0	0	0	0	0	0	0	0	4,918
Data Entry Fee - General Sessions Court	9,634	0	0	0	0	0	0	0	0	9,634
<u>Juvenile Court</u>										
Jail Fees	192,613	0	0	0	0	0	0	0	0	192,613
<u>Chancery Court</u>										
Officers Costs	5,240	0	0	0	0	0	0	0	0	5,240
Data Entry Fee - Chancery Court	944	0	0	0	0	0	0	0	0	944
<u>Judicial District Drug Program</u>										
Courtroom Security Fee	49	0	0	0	0	0	0	0	0	49
<u>Other Fines, Forfeitures, and Penalties</u>										
Proceeds from Confiscated Property	0	0	27,660	0	0	0	0	0	0	27,660
Total Fines, Forfeitures, and Penalties	\$ 442,527	\$ 0	\$ 58,612	\$ 26,045	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	527,184
<u>Charges for Current Services</u>										
<u>General Service Charges</u>										
Surcharge - Host Agency	\$ 0	\$ 105,482	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	105,482
<u>Fees</u>										
Copy Fees	6,365	0	0	0	0	0	0	0	0	6,365
Telephone Commissions	3,081	0	0	0	0	0	0	0	0	3,081

(Continued)

Exhibit K-6

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

	Special Revenue Funds							Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects		
Charges for Current Services (Cont.)										
Fees (Cont.)										
Vending Machine Collections	\$ 530	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 530
Constitutional Officers' Fees and Commissions	0	0	0	0	325,579	0	0	0	0	325,579
Data Processing Fee - Register	13,590	0	0	0	0	0	0	0	0	13,590
Data Processing Fee - Sheriff	5,334	0	0	0	0	0	0	0	0	5,334
Sexual Offender Registration Fees - Sheriff	4,520	0	0	0	0	0	0	0	0	4,520
Total Charges for Current Services	\$ 33,420	\$ 105,482	\$ 0	\$ 0	\$ 325,579	\$ 0	\$ 0	\$ 0	\$ 0	\$ 464,481
Other Local Revenues										
Recurring Items										
Investment Income	\$ 1,810	\$ 9,978	\$ 0	\$ 0	\$ 0	\$ 0	\$ 198,088	\$ 0	\$ 0	\$ 209,876
Lease/Rentals	81,035	0	0	0	0	0	0	0	0	81,035
Sale of Materials and Supplies	0	0	0	0	0	12,526	0	0	0	12,526
Commissary Sales	5,110	0	0	0	0	0	0	0	0	5,110
Sale of Gasoline	2,719	0	0	0	0	0	0	0	0	2,719
Sale of Recycled Materials	0	3,002	0	0	0	0	0	0	0	3,002
Miscellaneous Refunds	36,020	0	0	0	0	2,154	667	0	0	38,841
Nonrecurring Items										
Sale of Equipment	5,482	39	0	0	0	500	0	0	0	6,021
Damages Recovered from Individuals	1,107	0	0	0	0	0	0	0	0	1,107
Contributions & Gifts	4,650	25,000	0	0	0	0	462,952	0	0	492,602
Other Local Revenues	158,173	6,345	2,516	0	0	6,135	0	8,664	0	181,833
Total Other Local Revenues	\$ 296,106	\$ 44,364	\$ 2,516	\$ 0	\$ 0	\$ 21,315	\$ 661,707	\$ 8,664	\$ 0	\$ 1,034,672
Fees Received from County Officials										
Excess Fees										
County Clerk	\$ 43,321	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 43,321
Trustee	188,346	0	0	0	0	0	0	0	0	188,346
Fees-In-Lieu of Salary										
Circuit Court Clerk	109,096	0	0	0	0	0	0	0	0	109,096
General Sessions Court Clerk	218,141	0	0	0	0	0	0	0	0	218,141
Clerk and Master	79,732	0	0	0	0	0	0	0	0	79,732

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	
<u>Fees Received from County Officials (Cont.)</u>									
<u>Fees-In-Lieu of Salary (Cont.)</u>									
Register	\$ 170,208	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 170,208
Sheriff	11,608	0	0	0	0	0	0	0	11,608
Total Fees Received from County Officials	\$ 820,452	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 820,452
<u>State of Tennessee</u>									
<u>General Government Grants</u>									
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Child Restraint Program	1,029	0	0	0	0	0	0	0	1,029
<u>Public Safety Grants</u>									
Law Enforcement Training Programs	13,486	0	0	0	0	0	0	0	13,486
Drug Control Grants	1,679	0	0	0	0	0	0	0	1,679
<u>Health and Welfare Grants</u>									
Public Health Nurses	140,242	0	0	0	0	0	0	0	140,242
<u>Public Works Grants</u>									
Bridge Program	0	0	0	0	0	212,566	0	0	212,566
State Aid Program	0	0	0	0	0	157,846	0	0	157,846
Litter Program	0	31,753	0	0	0	0	0	0	31,753
<u>Other State Revenues</u>									
Income Tax	12,245	0	0	0	0	0	0	0	12,245
Beer Tax	17,212	0	0	0	0	0	0	0	17,212
Alcoholic Beverage Tax	34,582	0	0	0	0	0	0	0	34,582
Mixed Drink Tax	395	0	0	0	0	0	0	0	395
Contracted Prisoner Boarding	95,870	0	0	0	0	0	0	0	95,870
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,557,127	0	0	1,557,127
Petroleum Special Tax	0	0	0	0	0	22,846	0	0	22,846
Reappraisal Program Reimbursement	13,983	0	0	0	0	0	0	0	13,983
Registrar's Salary Supplement	16,380	0	0	0	0	0	0	0	16,380
Other State Grants	30,000	17,268	0	0	0	33,278	0	0	80,546
Other State Revenues	1,154	0	115	0	0	0	0	0	1,269
Total State of Tennessee	\$ 387,257	\$ 49,021	\$ 115	\$ 0	\$ 0	\$ 1,983,663	\$ 0	\$ 0	\$ 2,420,056

(Continued)

Exhibit K-6

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

	Special Revenue Funds						Debt Service Fund	Capital Projects Fund	Total
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works	General Debt Service	HUD Grant Projects	
<u>Federal Government</u>									
<u>Federal Through State</u>									
Civil Defense Reimbursement	\$ 37,750	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 37,750
Homeland Security Grants	213,511	0	0	0	0	0	0	0	213,511
Law Enforcement Grants	76,354	0	0	0	0	0	0	0	76,354
Other Federal through State	193,500	0	0	0	0	0	0	22,502	216,002
<u>Direct Federal Revenue</u>									
Other Direct Federal Revenue	317,680	0	0	0	0	0	0	0	317,680
Total Federal Government	\$ 838,795	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	22,502	\$ 861,297
<u>Other Governments and Citizens Groups</u>									
<u>Other Governments</u>									
Contributions	\$ 150,735	\$ 0	\$ 2,720	\$ 0	\$ 0	\$ 0	255,888	\$ 0	409,343
<u>Other</u>									
Other	0	8,004	0	0	0	0	0	0	8,004
Total Other Governments and Citizens Groups	\$ 150,735	\$ 8,004	\$ 2,720	\$ 0	\$ 0	\$ 0	255,888	\$ 0	417,347
Total	\$ 8,008,291	\$ 484,562	\$ 63,963	\$ 26,045	\$ 325,579	\$ 2,107,627	\$ 1,968,213	\$ 31,166	\$ 13,015,446

Exhibit K-7

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Endowment	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,605,911	\$ 0	\$ 0	\$ 1,302,131	\$ 0	\$ 2,908,042
Trustee's Collections - Prior Year	47,664	0	0	30,232	0	77,896
Trustee's Collections - Bankruptcy	85	0	0	55	0	140
Circuit/Clerk & Master Collections - Prior Years	46,058	0	0	29,398	0	75,456
Interest and Penalty	10,457	0	0	7,063	0	17,520
Payments in-Lieu-of Taxes - T.V.A.	1,250	0	0	1,016	0	2,266
Payments in-Lieu-of Taxes - Local Utilities	16,011	0	0	12,643	0	28,654
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,049,726	0	0	0	0	2,049,726
<u>Statutory Local Taxes</u>						
Bank Excise Tax	14,297	0	0	11,592	0	25,889
Interstate Telecommunications Tax	4,205	0	0	0	0	4,205
Total Local Taxes	\$ 3,795,664	\$ 0	\$ 0	\$ 1,394,130	\$ 0	\$ 5,189,794
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 2,140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,140
Total Licenses and Permits	\$ 2,140	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,140
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 48,746	\$ 0	\$ 0	\$ 0	\$ 0	\$ 48,746
Lunch Payments - Children	0	0	371,712	0	0	371,712
Lunch Payments - Adults	0	0	50,761	0	0	50,761
Income from Breakfast	0	0	10,201	0	0	10,201
A la carte Sales	0	0	251,252	0	0	251,252
Total Charges for Current Services	\$ 48,746	\$ 0	\$ 683,926	\$ 0	\$ 0	\$ 732,672
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 18,395	\$ 0	\$ 3,467	\$ 0	\$ 0	\$ 21,862
Lease/Rentals	910	0	0	39,531	0	40,441
Miscellaneous Refunds	0	0	800	0	0	800
<u>Nonrecurring Items</u>						
Gain on Disposal of Property	0	0	0	2,800	0	2,800

(Continued)

Exhibit K-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	Endowment	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items (Cont.)</u>						
Sale of Equipment	\$ 717	\$ 0	\$ 0	\$ 193	\$ 0	\$ 910
Contributions & Gifts	13,020	0	0	0	100,505	113,525
<u>Other Local Revenues</u>						
Other Local Revenues	100,100	0	1,366	8,395	0	109,861
Total Other Local Revenues	\$ 133,142	\$ 0	\$ 5,633	\$ 50,919	\$ 100,505	\$ 290,199
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 15,397,046	\$ 0	\$ 0	\$ 0	\$ 0	\$ 15,397,046
Early Childhood Education	243,904	0	0	0	0	243,904
School Food Service	0	0	19,489	0	0	19,489
Driver Education	10,628	0	0	0	0	10,628
Other State Education Funds	19,228	0	0	0	0	19,228
Career Ladder Program	233,354	0	0	0	0	233,354
Career Ladder - Extended Contract	93,321	0	0	0	0	93,321
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	717,701	0	0	0	0	717,701
Total State of Tennessee	\$ 16,715,182	\$ 0	\$ 19,489	\$ 0	\$ 0	\$ 16,734,671
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 675,217	\$ 0	\$ 0	\$ 675,217
Breakfast	0	0	250,498	0	0	250,498
USDA - Other	0	0	386	0	0	386
Adult Education State Grant Program	231,742	0	0	0	0	231,742
Vocational Education - Basic Grants to States	0	132,881	0	0	0	132,881
Title I Grants to Local Education Agencies	0	723,992	0	0	0	723,992
Innovative Education Program Strategies	0	15,270	0	0	0	15,270
Special Education - Grants to States	8,871	749,426	0	0	0	758,297
Special Education Preschool Grants	0	18,998	0	0	0	18,998
Eisenhower Professional Development State Grants	0	244,232	0	0	0	244,232
Other Federal through State	169,090	49,068	0	0	0	218,158
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	49,351	0	0	0	0	49,351
Total Federal Government	\$ 459,054	\$ 1,933,867	\$ 926,101	\$ 0	\$ 0	\$ 3,319,022

(Continued)

Exhibit K-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	Endowment	Total
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 62,817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,817
Total Other Governments and Citizens Groups	\$ 62,817	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,817
Total	\$ 21,216,745	\$ 1,933,867	\$ 1,635,149	\$ 1,445,049	\$ 100,505	\$ 26,331,315

Exhibit K-8

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	41,290	
Social Security		2,560	
Employer Medicare		599	
Audit Services		6,550	
Dues and Memberships		1,450	
Other Contracted Services		40	
Liability Claims		2,664	
Other Charges		196	
Data Processing Equipment		2,500	
Total County Commission			\$ 57,849

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	\$	1,920	
Social Security		119	
Employer Medicare		28	
Total Beer Board			2,067

Other Boards and Committees

Board and Committee Members Fees	\$	2,190	
Social Security		136	
Employer Medicare		32	
Printing, Stationery, and Forms		486	
Other Charges		9	
Total Other Boards and Committees			2,853

County Mayor/Executive

County Official/Administrative Officer	\$	62,424	
Mechanic(s)		136	
Secretary(ies)		20,244	
Social Security		5,177	
State Retirement		7,021	
Life Insurance		96	
Medical Insurance		11,126	
Employer Medicare		1,211	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

County Mayor/Executive (Cont.)

Communication	\$	504	
Dues and Memberships		1,450	
Operating Lease Payments		1,297	
Travel		425	
Gasoline		1,193	
Lubricants		22	
Office Supplies		538	
Vehicle Parts		30	
Vehicle and Equipment Insurance		750	
Total County Mayor/Executive			\$ 113,644

County Attorney

Legal Services	\$	18,055	
Total County Attorney			18,055

Election Commission

County Official/Administrative Officer	\$	45,941	
Clerical Personnel		21,643	
Part-time Personnel		2,983	
Overtime Pay		945	
Election Commission		4,630	
Election Workers		14,638	
Social Security		4,609	
State Retirement		5,852	
Life Insurance		96	
Medical Insurance		11,190	
Employer Medicare		1,078	
Communication		1,171	
Dues and Memberships		225	
Operating Lease Payments		1,116	
Legal Notices, Recording, and Court Costs		3,875	
Maintenance & Repair Services - Equipment		3,574	
Rentals		530	
Travel		2,552	
Other Contracted Services		3,000	
Office Supplies		2,777	
Other Supplies and Materials		7,456	
Data Processing Equipment		2,199	
Other Equipment		193,500	
Total Election Commission			335,580

(Continued)

Exhibit K-8

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

General Fund (Cont.)

General Government (Cont.)

Register of Deeds

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		27,673	
Clerical Personnel		24,194	
Social Security		6,024	
State Retirement		4,418	
Life Insurance		144	
Medical Insurance		16,691	
Employer Medicare		1,409	
Data Processing Services		10,205	
Dues and Memberships		490	
Operating Lease Payments		1,901	
Office Supplies		5,687	
Total Register of Deeds			\$ 152,884

Planning

Other Contracted Services	\$	8,500	
Total Planning			8,500

County Buildings

Custodial Personnel	\$	19,522	
Other Salaries & Wages		67,557	
Social Security		5,350	
State Retirement		7,437	
Life Insurance		96	
Medical Insurance		11,079	
Employer Medicare		1,251	
Communication		30,602	
Dues and Memberships		7,232	
Postal Charges		41,273	
Other Contracted Services		108,354	
Custodial Supplies		19,646	
Electricity		128,709	
Natural Gas		28,587	
Water and Sewer		14,696	
Other Supplies and Materials		24,274	
Building and Contents Insurance		23,307	
Total County Buildings			538,972

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	54,048	
Other Salaries & Wages		252,937	
In-Service Training		1,451	
Social Security		18,121	
State Retirement		25,919	
Life Insurance		528	
Medical Insurance		61,276	
Employer Medicare		4,238	
Data Processing Services		13,535	
Dues and Memberships		681	
Operating Lease Payments		2,763	
Legal Notices, Recording, and Court Costs		3,666	
Travel		1,508	
Office Supplies		14,426	
Data Processing Equipment		2,386	
Total Accounting and Budgeting			\$ 457,483

Property Assessor's Office

County Official/Administrative Officer	\$	54,048	
Mechanic(s)		162	
Clerical Personnel		101,875	
Social Security		9,064	
State Retirement		13,330	
Life Insurance		252	
Medical Insurance		22,479	
Employer Medicare		2,120	
Communication		459	
Data Processing Services		4,336	
Dues and Memberships		1,211	
Operating Lease Payments		1,059	
Printing, Stationery, and Forms		1,081	
Tow-in Services		100	
Travel		89	
Other Contracted Services		8,188	
Gasoline		1,482	
Lubricants		26	
Office Supplies		1,403	
Vehicle Parts		624	
Vehicle and Equipment Insurance		750	
Total Property Assessor's Office			224,138

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office

Life Insurance	\$	132	
Medical Insurance		11,126	
Data Processing Services		17,175	
Dues and Memberships		390	
Operating Lease Payments		1,059	
Legal Notices, Recording, and Court Costs		233	
Other Contracted Services		110	
Office Supplies		2,909	
Data Processing Equipment		21,549	
Total County Trustee's Office			\$ 54,683

County Clerk's Office

Life Insurance	\$	280	
Medical Insurance		31,749	
Data Processing Services		11,274	
Dues and Memberships		540	
Operating Lease Payments		1,434	
Travel		97	
Office Supplies		3,174	
Total County Clerk's Office			48,548

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	54,048	
Deputy(ies)		96,913	
Jury and Witness Fees		18,405	
Social Security		9,288	
State Retirement		11,484	
Life Insurance		244	
Medical Insurance		28,243	
Employer Medicare		2,172	
Data Processing Services		8,160	
Dues and Memberships		390	
Operating Lease Payments		2,664	
Travel		32	
Office Supplies		11,741	
Data Processing Equipment		2,614	
Total Circuit Court			246,398

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court

Judge(s)	\$	98,145	
Probation Officer(s)		42,249	
Secretary(ies)		21,612	
Clerical Personnel		119,414	
Other Salaries & Wages		24,063	
Social Security		18,235	
State Retirement		25,793	
Life Insurance		476	
Medical Insurance		52,934	
Employer Medicare		4,265	
Communication		458	
Dues and Memberships		310	
Travel		6,115	
Other Contracted Services		240	
Office Supplies		10,175	
Data Processing Equipment		7,922	
Office Equipment		1,638	
Total General Sessions Court			\$ 434,044

Chancery Court

County Official/Administrative Officer	\$	54,048	
Clerical Personnel		69,944	
Social Security		7,562	
State Retirement		10,589	
Life Insurance		192	
Medical Insurance		22,479	
Employer Medicare		1,769	
Data Processing Services		3,845	
Dues and Memberships		480	
Operating Lease Payments		1,434	
Travel		328	
Office Supplies		4,025	
Data Processing Equipment		2,436	
Total Chancery Court			179,131

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	59,452	
Deputy(ies)		410,596	
Investigator(s)		65,058	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Sergeant(s)	\$	191,389	
Mechanic(s)		12,002	
School Resource Officer		118,482	
Educational Incentive - Other County Employees		12,528	
Other Salaries & Wages		1,407	
In-Service Training		2,375	
Social Security		54,313	
State Retirement		66,373	
Life Insurance		1,288	
Medical Insurance		151,401	
Employer Medicare		12,686	
Communication		10,219	
Dues and Memberships		1,550	
Rentals		960	
Tow-in Services		390	
Travel		1,345	
Other Contracted Services		12,864	
Diesel Fuel		1,089	
Gasoline		110,952	
Lubricants		1,576	
Office Supplies		4,143	
Tires and Tubes		8,911	
Uniforms		9,975	
Vehicle Parts		24,739	
Other Supplies and Materials		5,580	
Liability Insurance		31,544	
Vehicle and Equipment Insurance		33,479	
Other Charges		216	
Data Processing Equipment		12,481	
Motor Vehicles		75,000	
Other Equipment		416	
Total Sheriff's Department			\$ 1,506,779

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$	439	
Total Administration of the Sexual Offender Registry			439

Jail

Guards	\$	322,770	
In-Service Training		2,215	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Jail (Cont.)

Social Security	\$	19,682	
State Retirement		20,530	
Life Insurance		676	
Medical Insurance		75,018	
Employer Medicare		4,603	
Operating Lease Payments		2,242	
Maintenance Agreements		2,623	
Medical and Dental Services		111,540	
Travel		2,234	
Other Contracted Services		3,884	
Drugs and Medical Supplies		51,141	
Food Supplies		144,949	
Office Supplies		1,900	
Prisoners Clothing		999	
Uniforms		5,265	
Other Supplies and Materials		755	
Total Jail			\$ 773,026

Juvenile Services

Guards	\$	155,933	
Social Security		9,745	
State Retirement		9,399	
Life Insurance		200	
Medical Insurance		21,343	
Employer Medicare		2,279	
Prisoners Clothing		1,000	
Uniforms		1,665	
Other Supplies and Materials		734	
Total Juvenile Services			202,298

Fire Prevention and Control

Supervisor/Director	\$	10,072	
Mechanic(s)		329	
Other Salaries & Wages		3,485	
In-Service Training		4,192	
Social Security		854	
State Retirement		886	
Life Insurance		48	
Medical Insurance		5,481	
Employer Medicare		199	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Fire Prevention and Control (Cont.)

Communication	\$	550	
Contracts with Government Agencies		2,000	
Tow-in Services		125	
Travel		100	
Diesel Fuel		5,279	
Electricity		12,597	
Gasoline		5,658	
Lubricants		62	
Natural Gas		14,832	
Vehicle Parts		1,398	
Water and Sewer		1,358	
Other Supplies and Materials		29,102	
Refunds		1,000	
Vehicle and Equipment Insurance		17,743	
Other Charges		15,517	
Other Equipment		334,400	
Other Capital Outlay		17,344	
Total Fire Prevention and Control			\$ 484,611

Civil Defense

Supervisor/Director	\$	23,444	
Social Security		1,454	
State Retirement		2,002	
Employer Medicare		340	
Dues and Memberships		35	
Office Supplies		40	
Other Supplies and Materials		129	
Communication Equipment		97,028	
Motor Vehicles		32,499	
Other Equipment		85,689	
Total Civil Defense			242,660

Rescue Squad

Contributions	\$	46,677	
Total Rescue Squad			46,677

County Coroner/Medical Examiner

Contracts with Private Agencies	\$	24,974	
Total County Coroner/Medical Examiner			24,974

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Public Safety Grant Programs

Other Salaries & Wages	\$	60,192	
Social Security		3,690	
State Retirement		5,016	
Life Insurance		100	
Medical Insurance		10,299	
Employer Medicare		863	
Office Supplies		300	
Other Supplies and Materials		1,964	
Total Public Safety Grant Programs			\$ 82,424

Other Public Safety

Supervisor/Director	\$	21,423	
Deputy(ies)		27,210	
Mechanic(s)		41	
Dispatchers/Radio Operators		296,302	
In-Service Training		1,630	
Social Security		21,318	
State Retirement		25,254	
Life Insurance		636	
Medical Insurance		74,192	
Employer Medicare		4,986	
Communication		2,487	
Consultants		24,000	
Travel		214	
Electricity		6,271	
Gasoline		1,428	
Lubricants		5	
Natural Gas		449	
Office Supplies		3,038	
Vehicle Parts		57	
Water and Sewer		261	
Building and Contents Insurance		5,273	
Liability Insurance		5,288	
Vehicle and Equipment Insurance		1,144	
Total Other Public Safety			522,907

Public Health and Welfare

Local Health Center

Medical Personnel	\$	26,633	
Other Salaries & Wages		52,218	

(Continued)

Exhibit K-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.)

Social Security	\$	4,573	
State Retirement		5,457	
Life Insurance		148	
Medical Insurance		20,423	
Employer Medicare		1,070	
Contributions		60,279	
Travel		2,496	
Other Contracted Services		27,225	
Total Local Health Center			\$ 200,522

Crippled Children Services

Contributions	\$	2,072	
Total Crippled Children Services			2,072

Other Local Welfare Services

Contributions	\$	283	
Total Other Local Welfare Services			283

Agriculture & Natural Resources

Agriculture Extension Service

Salary Supplements	\$	72,551	
Dues and Memberships		215	
Travel		1,674	
Electricity		291	
Other Supplies and Materials		494	
Other Equipment		1,117	
Total Agriculture Extension Service			76,342

Soil Conservation

Other Salaries & Wages	\$	57,677	
Social Security		3,499	
State Retirement		4,926	
Life Insurance		96	
Medical Insurance		11,126	
Employer Medicare		818	
Dues and Memberships		1,220	
Travel		1,461	
Other Charges		1,382	
Total Soil Conservation			82,205

(Continued)

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

General Fund (Cont.)

Other Operations

Veterans' Services

Supervisor/Director	\$	33,516	
Secretary(ies)		25,056	
Social Security		3,601	
State Retirement		5,002	
Life Insurance		96	
Medical Insurance		11,289	
Employer Medicare		842	
Data Processing Services		600	
Dues and Memberships		25	
Operating Lease Payments		748	
Travel		2,371	
Gasoline		2,719	
Office Supplies		462	
Total Veterans' Services			\$ 86,327

Other Charges

Liability Insurance	\$	16,844	
Premiums on Corporate Surety Bonds		268	
Trustee's Commission		106,498	
Other Charges		36,000	
Total Other Charges			159,610

Contributions to Other Agencies

Contributions	\$	109,334	
Total Contributions to Other Agencies			109,334

Employee Benefits

Unemployment Compensation	\$	4,039	
Workers' Compensation Insurance		32,822	
Total Employee Benefits			36,861

Other Debt Service

General Government

Other Debt Issuance Charges	\$	7,000	
Total General Government			7,000

Capital Projects

Social, Cultural, and Recreation Projects

Other Construction	\$	46,500	
Other Capital Outlay		19,657	
Total Social, Cultural, and Recreation Projects			66,157

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Capital Projects (Cont.)

Public Utility Projects

Other Capital Outlay	\$ 70,827	
Total Public Utility Projects		\$ 70,827

Total General Fund \$ 7,660,994

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$ 25,767	
Deputy(ies)	24,009	
Mechanic(s)	2,867	
Truck Drivers	65,590	
Other Salaries & Wages	126,299	
Social Security	15,085	
State Retirement	11,228	
Life Insurance	240	
Medical Insurance	28,124	
Employer Medicare	3,528	
Communication	2,933	
Rentals	500	
Tow-in Services	165	
Disposal Fees	29,219	
Other Contracted Services	26,254	
Custodial Supplies	1,894	
Diesel Fuel	31,914	
Electricity	6,890	
Gasoline	5,505	
Lubricants	554	
Natural Gas	584	
Tires and Tubes	10,852	
Uniforms	360	
Vehicle Parts	6,945	
Water and Sewer	1,454	
Other Supplies and Materials	26,206	
Building and Contents Insurance	6,004	
Liability Insurance	1,495	
Vehicle and Equipment Insurance	9,278	
Other Charges	4,810	
Other Equipment	8,484	
Total Waste Pickup		\$ 485,037

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission	\$ 3,044	
Total Other Charges		\$ 3,044

Employee Benefits

Workers' Compensation Insurance	\$ 4,315	
Total Employee Benefits		<u>4,315</u>

Total Solid Waste/Sanitation Fund		\$ 492,396
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Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$ 4,964	
Confidential Drug Enforcement Payments	8,000	
Maintenance & Repair Services - Equipment	2,004	
Tow-in Services	2,310	
Other Contracted Services	1,342	
Other Supplies and Materials	12,630	
Trustee's Commission	480	
Other Charges	888	
Data Processing Equipment	8,000	
Motor Vehicles	<u>15,801</u>	
Total Drug Enforcement		<u>\$ 56,419</u>

Total Drug Control Fund		56,419
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District Attorney General Fund

Administration of Justice

District Attorney General

Salary Supplements	\$ 2,361	
Jury and Witness Fees	585	
Communication	6,034	
Dues and Memberships	425	
Janitorial Services	865	
Rentals	3,175	
Travel	1,341	
Other Contracted Services	248	
Law Enforcement Supplies	3,636	
Office Supplies	320	
Periodicals	2,331	

(Continued)

Exhibit K-8

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

District Attorney General Fund (Cont.)

Administration of Justice (Cont.)

District Attorney General (Cont.)

Utilities	\$	20	
In Service/Staff Development		950	
Other Charges		187	
Communication Equipment		615	
Furniture and Fixtures		500	
Total District Attorney General			\$ 23,593

Other Operations

Other Charges

Trustee's Commission	\$	318	
Total Other Charges			318

Total District Attorney General Fund \$ 23,911

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	118,892	
Total County Trustee's Office			\$ 118,892

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	199,353	
Total County Clerk's Office			199,353

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses	\$	789	
Total Circuit Court			789

General Sessions Court Clerk

Constitutional Officers' Operating Expenses	\$	135	
Total General Sessions Court Clerk			135

Total Constitutional Officers - Fees Fund 319,169

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$	59,452	
Assistant(s)		40,107	

(Continued)

Exhibit K-8

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Secretary(ies)	\$	31,000	
Social Security		7,635	
State Retirement		10,961	
Employer Medicare		1,786	
Communication		3,661	
Dues and Memberships		2,325	
Legal Notices, Recording, and Court Costs		1,563	
Postal Charges		230	
Travel		598	
Other Contracted Services		1,043	
Custodial Supplies		198	
Electricity		3,039	
Gasoline		4,417	
Natural Gas		1,911	
Office Supplies		943	
Water and Sewer		195	
Other Supplies and Materials		331	
Office Equipment		2,064	
Total Administration			\$ 173,459

Highway and Bridge Maintenance

Equipment Operators	\$	52,627	
Equipment Operators - Light		218,348	
Truck Drivers		100,077	
Social Security		22,880	
State Retirement		30,256	
Employer Medicare		5,351	
Asphalt		247,123	
Crushed Stone		111,307	
Fertilizer, Lime, and Seed		1,904	
Pipe		11,404	
Road Signs		5,216	
Other Supplies and Materials		1,494	
Total Highway and Bridge Maintenance			807,987

Operation and Maintenance of Equipment

Foremen	\$	30,034	
Mechanic(s)		51	
Social Security		1,894	
State Retirement		2,479	

(Continued)

Exhibit K-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.)

Employer Medicare	\$	443	
Licenses		34	
Tow-in Services		225	
Diesel Fuel		54,677	
Gasoline		18,657	
Lubricants		4,712	
Tires and Tubes		28,732	
Vehicle Parts		57,130	
Total Operation and Maintenance of Equipment			\$ 199,068

Other Charges

Building and Contents Insurance	\$	8,979	
Liability Insurance		20,764	
Medical Claims		45	
Trustee's Commission		16,917	
Vehicle and Equipment Insurance		25,010	
Total Other Charges			71,715

Employee Benefits

Life Insurance	\$	972	
Medical Insurance		104,478	
Medical and Dental Services		90	
Uniforms		3,407	
Workers' Compensation Insurance		21,045	
Total Employee Benefits			129,992

Capital Outlay

Engineering Services	\$	28,042	
Other Contracted Services		12,852	
Principal on Capital Leases		187,861	
Interest on Capital Leases		6,360	
Other Debt Service		558	
Bridge Construction		212,566	
Highway Construction		261,280	
Highway Equipment		467,037	
Office Equipment		80	
Total Capital Outlay			1,176,636

Total Highway/Public Works Fund \$ 2,558,857

(Continued)

Exhibit K-8

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

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 521,421	
Total General Government		\$ 521,421

Education

Principal on Bonds	\$ 695,000	
Principal on Other Loans	77,568	
Total Education		772,568

Interest on Debt

General Government

Interest on Notes	\$ 48,796	
Interest on Other Loans	592	
Total General Government		49,388

Education

Interest on Bonds	\$ 710,425	
Interest on Notes	231	
Total Education		710,656

Other Debt Service

General Government

Trustee's Commission	\$ 17,580	
Other Debt Service	1,260	
Total General Government		18,840

Education

Underwriter's Discount	\$ 68,565	
Other Debt Issuance Charges	73,673	
Other Debt Service	3,214	
Total Education		145,452

Total General Debt Service Fund		\$ 2,218,325
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HUD Grant Projects Fund

Other Operations

Housing and Urban Development

Other Charges	\$ 26,834	
Total Housing and Urban Development		\$ 26,834

Total HUD Grant Projects Fund		26,834
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(Continued)

Exhibit K-8

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

Education Capital Projects Fund

Other Operations

Contributions to Other Agencies

Contributions	\$ 62,817	
Total Contributions to Other Agencies		\$ 62,817

Other Debt Service

General Government

Underwriter's Discount	\$ 12,938	
Other Debt Issuance Charges	3,412	
Total General Government		<u>16,350</u>

Total Education Capital Projects Fund		<u>\$ 79,167</u>
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Total Governmental Funds - Primary Government		<u><u>\$ 13,436,072</u></u>
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Exhibit K-9

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

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 7,556,287	
Career Ladder Program	138,642	
Career Ladder Extended Contracts	40,850	
Homebound Teachers	31,361	
Paraprofessionals	18,349	
Educational Assistants	311,166	
Certified Substitute Teachers	2,250	
Non-certified Substitute Teachers	127,375	
Social Security	500,420	
State Retirement	452,232	
Life Insurance	10,300	
Medical Insurance	1,137,180	
Unemployment Compensation	196	
Employer Medicare	115,828	
Contracts with Parents	497	
Travel	58	
Other Contracted Services	2,316	
Instructional Supplies and Materials	109,680	
Textbooks	317,069	
Other Supplies and Materials	8,125	
Other Charges	12,157	
Data Processing Equipment	115,228	
Total Regular Instruction Program	\$ 11,007,566	

Special Education Program

Teachers	\$ 1,047,876
Career Ladder Program	20,000
Career Ladder Extended Contracts	4,600
Homebound Teachers	8,731
Educational Assistants	240,809
Certified Substitute Teachers	2,250
Non-certified Substitute Teachers	16,675
Social Security	80,967
State Retirement	71,452
Life Insurance	2,024
Medical Insurance	198,017
Employer Medicare	18,936
Contracts with Other Public Agencies	240
Contracts with Private Agencies	30,858

(Continued)

Exhibit K-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.)

Maintenance & Repair Services - Equipment	\$	179	
Other Contracted Services		2,499	
Instructional Supplies and Materials		5,706	
Other Supplies and Materials		2,392	
Special Education Equipment		5,887	
Total Special Education Program			\$ 1,760,098

Vocational Education Program

Teachers	\$	500,339	
Career Ladder Program		4,000	
Social Security		30,101	
State Retirement		27,739	
Life Insurance		624	
Medical Insurance		78,276	
Employer Medicare		7,040	
Instructional Supplies and Materials		22,739	
Total Vocational Education Program			670,858

Adult Education Program

Supervisor/Director	\$	42,969	
Teachers		67,827	
Other Salaries & Wages		36,312	
Social Security		8,998	
State Retirement		5,142	
Life Insurance		236	
Medical Insurance		11,658	
Unemployment Compensation		3	
Employer Medicare		2,104	
Communication		3,132	
Operating Lease Payments		2,322	
Travel		1,713	
Office Supplies		999	
Other Supplies and Materials		9,100	
Data Processing Equipment		10,651	
Total Adult Education Program			203,166

Support Services

Attendance

Supervisor/Director	\$	50,627	
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(Continued)

Exhibit K-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.)

Career Ladder Program	\$	3,000	
Career Ladder Extended Contracts		4,000	
Social Security		3,564	
State Retirement		3,169	
Life Insurance		48	
Medical Insurance		4,859	
Employer Medicare		833	
Travel		2,174	
Total Attendance			\$ 72,274

Health Services

Medical Personnel	\$	109,506	
Social Security		6,727	
State Retirement		7,311	
Life Insurance		280	
Medical Insurance		20,526	
Employer Medicare		1,573	
Travel		1,668	
Other Supplies and Materials		4,659	
Data Processing Equipment		200	
Total Health Services			152,450

Other Student Support

Career Ladder Program	\$	7,000	
Guidance Personnel		303,091	
Career Ladder Extended Contracts		3,000	
Mechanic(s)		257	
Secretary(ies)		16,856	
School Resource Officer		3,835	
Other Salaries & Wages		331,094	
Certified Substitute Teachers		200	
Non-certified Substitute Teachers		50	
Social Security		39,339	
State Retirement		41,627	
Life Insurance		752	
Medical Insurance		79,964	
Unemployment Compensation		2,247	
Employer Medicare		9,201	
Communication		3,202	

(Continued)

Exhibit K-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.)

Evaluation and Testing	\$	21,633	
Maintenance & Repair Services - Equipment		8,008	
Travel		8,478	
Other Contracted Services		70,079	
Duplicating Supplies		13,576	
Gasoline		995	
Instructional Supplies and Materials		87,648	
Lubricants		30	
Tires and Tubes		252	
Vehicle Parts		234	
Other Supplies and Materials		32,243	
In Service/Staff Development		3,382	
Other Charges		3,327	
Data Processing Equipment		99,388	
Furniture and Fixtures		435	
Total Other Student Support			\$ 1,191,423

Regular Instruction Program

Career Ladder Program	\$	3,000	
Librarians		194,997	
Secretary(ies)		22,064	
Social Security		13,171	
State Retirement		12,774	
Life Insurance		288	
Medical Insurance		37,574	
Employer Medicare		3,080	
Dues and Memberships		300	
Travel		9,880	
Library Books/Media		37,686	
Periodicals		4,108	
Other Supplies and Materials		1,970	
Total Regular Instruction Program			340,892

Special Education Program

Supervisor/Director	\$	51,306	
Career Ladder Program		5,000	
Psychological Personnel		92,342	
Career Ladder Extended Contracts		800	
Secretary(ies)		24,070	

(Continued)

Exhibit K-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.)

Social Security	\$	10,462	
State Retirement		10,275	
Life Insurance		192	
Medical Insurance		22,706	
Employer Medicare		2,447	
Consultants		2,420	
Travel		6,447	
Other Contracted Services		134	
Other Supplies and Materials		948	
In Service/Staff Development		390	
Other Equipment		1,000	
Total Special Education Program			\$ 230,939

Vocational Education Program

Secretary(ies)	\$	21,116	
Other Salaries & Wages		12,925	
Social Security		2,081	
State Retirement		1,803	
Life Insurance		48	
Medical Insurance		4,453	
Employer Medicare		487	
Communication		413	
Maintenance & Repair Services - Equipment		106	
Matching Share		26,624	
Travel		1,613	
Other Contracted Services		1,500	
Office Supplies		996	
Data Processing Equipment		1,160	
Total Vocational Education Program			75,325

Adult Programs

Supervisor/Director	\$	40,480	
Other Salaries & Wages		45,398	
Social Security		5,290	
State Retirement		5,179	
Employer Medicare		1,237	
Travel		610	
Other Contracted Services		8,702	
Other Supplies and Materials		4,831	

(Continued)

Exhibit K-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.)

Adult Programs (Cont.)

In Service/Staff Development	\$ 8,234	
Total Adult Programs		\$ 119,961

Board of Education

Board and Committee Members Fees	\$ 22,100	
Social Security	1,370	
Employer Medicare	320	
Audit Services	6,600	
Dues and Memberships	8,475	
Evaluation and Testing	1,440	
Legal Services	15,597	
Travel	13,611	
Liability Insurance	41,055	
Trustee's Commission	104,782	
Workers' Compensation Insurance	39,478	
Other Charges	573	
Communication Equipment	5,000	
Total Board of Education		260,401

Director of Schools

County Official/Administrative Officer	\$ 96,950
Career Ladder Program	1,000
Mechanic(s)	41
Secretary(ies)	24,070
Clerical Personnel	24,070
Social Security	8,776
State Retirement	9,502
Life Insurance	144
Medical Insurance	9,312
Employer Medicare	2,113
Communication	916
Dues and Memberships	2,109
Legal Notices, Recording, and Court Costs	1,263
Maintenance & Repair Services - Equipment	145
Postal Charges	3,299
Travel	6,143
Other Contracted Services	7,689
Gasoline	1,572
Lubricants	23

(Continued)

Exhibit K-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 Supplies	\$	3,698	
Other Charges		345	
Total Director of Schools			\$ 203,180

Office of the Principal

Principals	\$	355,758	
Career Ladder Program		19,000	
Accountants/Bookkeepers		107,559	
Career Ladder Extended Contracts		16,000	
Assistant Principals		324,186	
Secretary(ies)		196,056	
Social Security		60,355	
State Retirement		64,293	
Life Insurance		1,280	
Medical Insurance		145,398	
Employer Medicare		14,115	
Communication		35,473	
Maintenance Agreements		888	
Travel		6,389	
Other Contracted Services		12,898	
Total Office of the Principal			1,359,648

Operation of Plant

Custodial Personnel	\$	531,673	
Social Security		32,004	
State Retirement		38,396	
Life Insurance		1,372	
Medical Insurance		129,006	
Unemployment Compensation		79	
Employer Medicare		7,485	
Maintenance & Repair Services - Equipment		1,006	
Other Contracted Services		179	
Custodial Supplies		37,927	
Electricity		671,060	
Natural Gas		326,787	
Water and Sewer		48,778	
Other Supplies and Materials		14,891	
Plant Operation Equipment		11,223	
Total Operation of Plant			1,851,866

(Continued)

Exhibit K-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

Other Salaries & Wages	\$	225,877	
Social Security		14,004	
State Retirement		19,290	
Employer Medicare		3,275	
Maintenance Agreements		817	
Other Contracted Services		341,143	
Other Supplies and Materials		119,401	
Building and Contents Insurance		49,960	
Other Equipment		18,432	
Other Construction		883	
Total Maintenance of Plant			\$ 793,082

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	107,307	
Bus Drivers		16,530	
Educational Assistants		16,101	
Other Salaries & Wages		5,699	
Non-certified Substitute Teachers		250	
Social Security		8,718	
State Retirement		6,396	
Life Insurance		120	
Medical Insurance		14,049	
Employer Medicare		2,039	
Travel		920	
Other Contracted Services		999	
Instructional Supplies and Materials		7,738	
Transportation Equipment		34,053	
Total Early Childhood Education			220,919

Capital Outlay

Regular Capital Outlay

Architects	\$	110,703	
Fencing		6,602	
Data Processing Equipment		4,488	
Food Service Equipment		13,573	
Other Equipment		42,572	
Other Capital Outlay		153,524	
Total Regular Capital Outlay			331,462

(Continued)

Exhibit K-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

Debt Service Contribution to Primary Government	\$ 462,952	
Total Education		\$ 462,952

Total General Purpose School Fund \$ 21,308,462

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 485,453	
Educational Assistants	126,203	
Certified Substitute Teachers	225	
Non-certified Substitute Teachers	27,841	
Social Security	38,814	
State Retirement	33,774	
Life Insurance	1,016	
Medical Insurance	92,358	
Unemployment Compensation	762	
Employer Medicare	9,085	
Travel	14,508	
Other Contracted Services	5,856	
Instructional Supplies and Materials	63,751	
Workers' Compensation Insurance	1,690	
Other Charges	1,898	
Total Regular Instruction Program		\$ 903,234

Special Education Program

Teachers	\$ 33,717
Educational Assistants	384,109
Social Security	25,540
State Retirement	26,937
Life Insurance	1,092
Medical Insurance	96,549
Unemployment Compensation	694
Employer Medicare	5,973
Contracts with Private Agencies	82,881
Evaluation and Testing	3,105
Maintenance & Repair Services - Equipment	614
Other Contracted Services	850
Instructional Supplies and Materials	28,401

(Continued)

Exhibit K-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.)

Special Education Program (Cont.)

Other Supplies and Materials	\$	1,583	
Special Education Equipment		23,440	
Total Special Education Program			\$ 715,485

Vocational Education Program

Travel	\$	1,902	
Other Supplies and Materials		43,704	
Vocational Instruction Equipment		83,926	
Total Vocational Education Program			129,532

Support Services

Other Student Support

Other Salaries & Wages	\$	14,098	
Social Security		830	
State Retirement		789	
Life Insurance		16	
Medical Insurance		1,475	
Unemployment Compensation		42	
Employer Medicare		194	
Evaluation and Testing		1,712	
Travel		735	
Other Contracted Services		12,425	
Other Supplies and Materials		7,961	
In Service/Staff Development		2,923	
Other Charges		1,863	
Regular Instruction Equipment		738	
Total Other Student Support			45,801

Regular Instruction Program

Supervisor/Director	\$	54,674	
Secretary(ies)		23,793	
Social Security		4,603	
State Retirement		5,044	
Life Insurance		96	
Medical Insurance		12,988	
Unemployment Compensation		42	
Employer Medicare		1,076	
Travel		11,891	
Other Supplies and Materials		1,746	

(Continued)

Exhibit K-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	\$	290	
In Service/Staff Development		32,549	
Other Charges		1,643	
Data Processing Equipment		491	
Other Equipment		9,063	
Total Regular Instruction Program			\$ 159,989

Special Education Program

Secretary(ies)	\$	3,097	
Social Security		192	
State Retirement		266	
Employer Medicare		45	
Consultants		10,925	
Travel		9,571	
Other Supplies and Materials		547	
In Service/Staff Development		8,970	
Total Special Education Program			33,613

Vocational Education Program

Travel	\$	426	
Total Vocational Education Program			426

Transportation

Bus Drivers	\$	8,707	
Other Salaries & Wages		77	
Social Security		547	
State Retirement		690	
Unemployment Compensation		8	
Employer Medicare		128	
Contracts with Parents		89	
Transportation Equipment		12,000	
Total Transportation			22,246

Total School Federal Projects Fund \$ 2,010,326

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	47,377	
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(Continued)

Exhibit K-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.)

Clerical Personnel	\$	46,132	
Cafeteria Personnel		523,786	
Other Salaries & Wages		508	
Social Security		37,531	
State Retirement		43,534	
Life Insurance		1,768	
Medical Insurance		165,307	
Unemployment Compensation		51	
Employer Medicare		8,777	
Communication		1,372	
Maintenance & Repair Services - Equipment		24,344	
Travel		1,324	
Other Contracted Services		10,455	
Food Preparation Supplies		47,076	
Food Supplies		611,744	
Other Supplies and Materials		6,066	
Workers' Compensation Insurance		5,351	
Food Service Equipment		40,703	
Total Food Service			\$ 1,623,206

Total Central Cafeteria Fund \$ 1,623,206

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	27,685	
Workers' Compensation Insurance		6,998	
Total Board of Education			\$ 34,683

Operation of Plant

Communication	\$	2,664	
Other Contracted Services		709	
Total Operation of Plant			3,373

Transportation

Supervisor/Director	\$	33,630
Mechanic(s)		41,514
Bus Drivers		566,640
Secretary(ies)		12,110

(Continued)

Exhibit K-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.)

Other Salaries & Wages	\$	31,188	
Social Security		42,748	
State Retirement		40,809	
Life Insurance		96	
Medical Insurance		8,906	
Employer Medicare		9,930	
Contracts with Parents		164	
Medical and Dental Services		5,404	
Tow-in Services		690	
Travel		2,707	
Other Contracted Services		183,064	
Diesel Fuel		153,959	
Gasoline		10,479	
Lubricants		5,828	
Tires and Tubes		15,438	
Vehicle Parts		55,364	
Other Supplies and Materials		2,103	
Vehicle and Equipment Insurance		47,222	
Liability Claims		150	
Other Charges		1,043	
Transportation Equipment		204,459	
Total Transportation			\$ <u>1,475,645</u>

Total School Transportation Fund \$ 1,513,701

Total Governmental Funds - Rhea County School Department \$ 26,455,695

Exhibit K-10

Rhea County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2006

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
<u>General Services Charges</u>	
Other General Service Charges	\$ 1,714,809
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Sale of Gasoline	8,198
	<hr/>
Total Operating Revenues	\$ 1,723,007
	<hr/> <hr/>
<u>Operating Expenses</u>	
<u>General Government</u>	
Supervisor/Director	\$ 48,709
Foremen	73,626
Secretary(s)	18,980
Social Security	8,790
State Retirement	11,113
Life Insurance	196
Medical Insurance	21,696
Employer Medicare	2,056
Communication	14,097
Operating Lease Payments	175
Maintenance & Repair Services - Office Equipment	680
Travel	53
Other Contracted Services	1,023
Custodial Supplies	441
Diesel Fuel	1,756
Electricity	10,271
Gasoline	22,335
Lubricants	8,379
Natural Gas	9,693
Office Supplies	2,704
Tires and Tubes	2,490
Uniforms	5,343
Vehicle Parts	6,825

(Continued)

Exhibit K-10

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

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
<u>Expenditures (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>General Government (Cont.)</u>	
Water and Sewer	\$ 244
Other Supplies and Materials	6,295
Building and Contents Insurance	9,357
Liability Insurance	4,625
Vehicle and Equipment Insurance	12,586
Workers' Compensation Insurance	17,482
Maintenance Equipment	410
Motor Vehicles	3,800
Total General Government	<u>\$ 326,230</u>
<u>Other Operations</u>	
<u>Other Economic and Community Development</u>	
Diesel Fuel	\$ 2,544
Gasoline	5,858
Total Other Operations	<u>\$ 8,402</u>
<u>Other Charges</u>	
Mechanic(s)	\$ 82,484
Social Security	5,053
State Retirement	7,077
Life Insurance	144
Medical Insurance	16,785
Employer Medicare	1,190
Tow-in Services	1,370
Other Contracted Services	15,344
Diesel Fuel	94,735
Gasoline	69,274
Lubricants	12,838
Tires and Tubes	64,185
Vehicle Parts	145,712
Other Supplies and Materials	1,148
Total Other Charges	<u>\$ 517,339</u>

(Continued)

Exhibit K-10

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

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Expenditures (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Miscellaneous</u>	
Custodial Personnel	\$ 19,522
Other Salaries & Wages	364,984
Social Security	22,988
State Retirement	30,991
Life Insurance	624
Medical Insurance	77,207
Employer Medicare	5,388
Other Contracted Services	157,648
Custodial Supplies	21,738
Other Supplies and Materials	169,946
Total Miscellaneous	<u>\$ 871,036</u>
Total Operating Expenses	<u><u>\$ 1,723,007</u></u>

Exhibit K-11

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

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 265,741	\$ 265,741
Trustee's Collections - Prior Years	0	9,946	9,946
Trustee's Collections - Bankruptcy	0	85	85
Circuit/Clerk and Master Collections - Prior Years	0	7,967	7,967
Interest and Penalty	0	1,747	1,747
Payments in Lieu of Taxes - Local Utilities	0	2,897	2,897
Local Option Sales Tax	2,009,175	344,039	2,353,214
Bank Excise Tax	0	2,367	2,367
Interstate Telecommunications Tax	0	651	651
Marriage Licenses	0	416	416
Total Cash Receipts	\$ 2,009,175	\$ 635,856	\$ 2,645,031
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 1,989,249	\$ 627,647	\$ 2,616,896
Trustee's Commission	19,926	9,153	29,079
Total Cash Disbursements	\$ 2,009,175	\$ 636,800	\$ 2,645,975
<u>Excess of Cash Receipts Over (Under)</u>			
Cash Disbursements	\$ 0	\$ (944)	\$ (944)
Cash Balance, July 1, 2005	0	35,069	35,069
Cash Balance, June 30, 2006	\$ 0	\$ 34,125	\$ 34,125

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

November 1, 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, 2006, and have issued our reports thereon dated November 1, 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 06.01, 06.03, 06.04, 06.05, 06.07(A,B), and 06.08.

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 06.01 to be a material weakness.

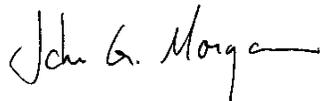
Compliance and Other Matters

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 06.02, 06.06, and 06.07(C).

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
Comptroller of the Treasury

JGM/rc



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

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

November 1, 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, 2006. 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, 2006.

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.

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 noted no matters involving internal control over compliance and its operation that we considered to be material weaknesses.

Schedule of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of and for the year ended June 30, 2006, and have issued our reports thereon dated November 1, 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/rc

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, 2006, 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, 2006

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	\$ 74,599
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	250,498
National School Lunch Program	10.555	N/A	675,603
Total U.S. Department of Agriculture			<u>\$ 1,000,700</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Housing Development Agency: HOME Investment Partnerships Program	14.239	(2)	\$ 22,502
U.S. Department of Transportation:			
Passed-through State Department of Transportation: State and Community Highway Safety	20.600	(3)	\$ 76,354
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-06-027810-00	\$ 169,378 (6)
Title I Grants to Local Educational Agencies	84.010	N/A	805,787
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	750,846
Special Education - Preschool Grants	84.173	N/A	19,080
Vocational Education - Basic Grants to States	84.048	N/A	132,881
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	36,848
Education for Homeless Children and Youth	84.196	(2)	11,403
State Grants for Innovative Programs	84.298	N/A	15,258
Education Technology State Grants	84.318	(2)	18,942
English Language Acquisition Grants	84.365	N/A	7,422
Improving Teacher Quality State Grants	84.367	N/A	222,392
Hurricane Education Recovery	84.938	N/A	29,269
Passed-through State Department of Human Services:			
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	GG-04-10273-02	41,988
Even Start - State Educational Agencies	84.213	N/A	96,170
Passed-through University of Tennessee:			
Adult Education - State Grant Program	84.002	(2)	9,795 (6)
Total U.S. Department of Education			<u>\$ 2,367,459</u>
Elections Assistance Commission:			
Passed-through Secretary of State: Help America Vote Act Requirements Payments	90.401	(2)	\$ 193,500
U.S. Department of Health and Human Services:			
Passed-through State Department of Human Services: Temporary Assistance for Needy Families	93.558	Z-06-027214-00	\$ 52,569
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighters Grant	97.044	N/A	\$ 317,680
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	50,813
Homeland Security Grant Program	97.067	Z-05-025201-00	146,071
Buffer Zone Protection Plan (BZPP)	97.078	Z-05-031015-00	54,376
Total U.S. Department of Homeland Security			<u>\$ 568,940</u>
Total Expenditures of Federal Awards			<u>\$ 4,282,024</u>

(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	Contract Number	Expenditures
<u>State Grants</u>			
Juvenile Services Program - State Children's Services Commission	N/A	(2)	\$ 9,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	13,983
Health Services - State Department of Health	N/A	(2)	140,242
Litter Program - State Department of Transportation	N/A	(5)	31,753
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011314-00	17,268
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	168,157
Safe Schools Act - State Department of Education	N/A	(2)	19,228
Early Childhood - State Department of Education	N/A	(2)	75,748
Injury Prevention Program - State Department of Health	N/A	(2)	1,029
Emergency Communications Board - State Department of Health	N/A	(2)	<u>30,000</u>
Total State Grants			<u>\$ 506,408</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Z-05-024108-00: \$30,245; Z-06-027299-00: \$46,109
- (4) Z-04-022486-00: \$13,063; GG-01-8889-00: \$15,436; GG-06-12170-00: \$22,314
- (5) Z-05-021541-00: \$2,516; Z-06-028002-01: \$29,237
- (6) Total Adult Education State Grant Program (CFDA No. 84.002) from the U.S. Dept. of Education was \$179,173.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are the findings from the Annual Financial Report for Rhea County, Tennessee, for the year ended June 30, 2005, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.01	192	The office had deficiencies in the maintenance of capital assets records

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.05(A, C, D)	194	Commissary and drug control funds were not posted to the cash journal, the annual financial report did not include drug control funds, and official prenumbered receipts were not issued for some drug control collections

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
05.06	195	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, 2006

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 that are material to the financial statements of Rhea County.
4. The audit disclosed no reportable conditions in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Title I Grants to Local Educational Agencies (CFDA No. 84.010), the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the Assistance to Firefighters Grant (CFDA No. 97.044) 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. Management offered oral responses to certain findings and recommendations; however, these oral responses have not been included in this report.

OFFICE OF FINANCE DEPARTMENT

FINDING 06.01 **THE OFFICE HAD DEFICIENCIES IN THE MAINTENANCE OF CAPITAL ASSETS RECORDS**
(Internal Control – Material Weakness Under Government Auditing Standards)

During our examination of capital assets records, we noted certain assets that were omitted, items that were disposed of and not removed, and depreciation that was not properly calculated. Also, assets and their related depreciation were not properly classified by function. We presented net adjustments of \$79,636 for capital assets and depreciation of \$10,524 for the discretely presented School Department to county officials for their approval and posting to the capital assets records for proper presentation in the financial statements of this report.

RECOMMENDATION

Policies and procedures should be implemented to ensure that capital assets are accurately posted to, removed from, and properly classified and depreciated in the capital assets records.

FINDING 06.02 **EXPENDITURES AND ENCUMBRANCES EXCEEDED APPROPRIATIONS**
(Noncompliance Under Government Auditing Standards)

Expenditures and encumbrances exceeded appropriations approved by the County Commission in the Regular Capital Outlay major appropriation category (the legal level of control) of the General Purpose School Fund by \$43,523.

Section 5-9-401, Tennessee Code Annotated, states, “All funds from whatever source derived, including, but not limited to taxes, county aid funds, federal funds, and fines, which are to be used in the operation and respective programs of the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.”

RECOMMENDATION

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

FINDING 06.03 THE OFFICE HAD DEFICIENCIES IN THE CONTROL OVER THE INVENTORY OF NONDEPRECIABLE ASSETS
(Internal Control – Reportable Condition Under Government Auditing Standards)

The following deficiencies were noted in inventory controls over county-owned nondepreciable assets:

- A. The office did not have procedures in place to ensure that newly acquired assets were added to the inventory lists and that items disposed of were deleted from the inventory lists.
- B. The location of the assets was not maintained in the inventory records, making it difficult to locate the assets.
- C. Personnel independent of maintaining the inventory records did not periodically verify the records.

Generally accepted accounting principles require accountability for all county-owned assets, such as equipment, furniture, and vehicles. Without accurate inventory records of nondepreciable assets, the county cannot adequately control its assets.

RECOMMENDATION

The office should maintain accurate inventory records for all county-owned nondepreciable assets as required by generally accepted accounting principles. Furthermore, records should identify the assets' location, and personnel independent of maintaining the inventory should periodically verify the inventory records.

FINDING 06.04 DEFICIENCIES EXISTED WITH PAYMENTS MADE FOR THE HEALTH DEPARTMENT
(Internal Control – Reportable Condition Under Government Auditing Standards)

Our examination of payments made for the Health Department revealed the following deficiencies:

- A. A county Health Department employee received \$2,650 for cleaning services at the Health Department. These payments were not paid through the county's payroll system and were in addition to the employee's regular salary. Since these supplemental payments were not paid through the county's payroll system, the payments were not subjected to income tax, social security, and Medicare deductions. Also, the county did not report and pay its required matching social security and Medicare associated with these supplemental payments.

- B. A second individual, who is not on the county payroll system, also received \$2,650 for cleaning services at the Health Department. There was no written contract on file for this individual or evidence that the cleaning service had been bid.
- C. A written contract was not on file to support payments (\$27,225) for a dental hygienist for work performed at the Health Department. Also, the dental hygienist was not required to provide proof of liability insurance. This individual was paid as an independent contractor and was issued a Form 1099.

RECOMMENDATION

All payroll related payments to employees should be paid through the county's payroll system to properly reflect the employee's total salary. Also, all wages should be subjected to the proper employee payroll taxes and the county's matching portions. Written contracts should be obtained to fully document the responsibilities of each party. The contracts should detail the contract terms such as a description of the services to be performed, the rate of pay, and the responsibility for legal liability. Competitive bids should be solicited for all county purchases and services exceeding \$2,000.

OFFICE OF TRUSTEE

FINDING 06.05 **THE OFFICE MAINTAINED A DUPLICATE SET OF ACCOUNTING RECORDS**
(Internal Control – Reportable Condition Under Government Auditing Standards)

As of the date of our information system review, the office maintained both manual and automated accounting records. The manual posting, totaling, and tracking of accounting records is not only inefficient but increases the likelihood of errors.

RECOMMENDATION

The office should discontinue maintaining a duplicate set of accounting records. Accounting records should be maintained electronically giving consideration to the costs associated with the acquisition and on-going maintenance of the computer system and additional labor costs for maintaining manual accounting records.

OFFICE OF CLERK AND MASTER

FINDING 06.06 **THE CLERK AND MASTER DID NOT REQUIRE A DEPOSITORY TO SUFFICIENTLY COLLATERALIZE FUNDS (Noncompliance Under Government Auditing Standards)**

The clerk and master 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, 2006, funds on deposit exceeded FDIC coverage by \$48,151. 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 and master should require all depositories to pledge securities sufficient to protect county funds exceeding FDIC coverage as required by state statute.

OFFICE OF SHERIFF

FINDING 06.07 **THE OFFICE HAD ACCOUNTING DEFICIENCIES (A. and B. Internal Control – Reportable Condition Under Government Auditing Standards; C. 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. 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.
- C. 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.

RECOMMENDATION

All commissary and drug control activity should be reflected on the cash journal and the annual financial report. Also, receipts should be issued for all collections.

OTHER FINDING

FINDING 06.08

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**

There were no findings and questioned costs for federal awards.

RHEA COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2006

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

Finance Department – Summary Schedule of Prior Year Audit Findings

FINDINGS 05.03 and 05.07

Rhea County currently pays the two employees in question through the local payroll system. Since they are paid through the local payroll system they are covered by the county's liability and worker's compensation insurance.