
ANNUAL FINANCIAL REPORT

RHEA COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2007



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Comptroller of the Treasury

DIVISION OF COUNTY AUDIT
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This financial report is available at www.comptroller.state.tn.us

RHEA COUNTY, TENNESSEE

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Audit Highlights

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

Scope

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

Results

Our report on Rhea County's financial statements expresses an adverse opinion on the governmental activities and the aggregate discretely presented component units because the capital assets records of Rhea County and the discretely presented Rhea County School Department contained numerous material discrepancies. Also, 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 each major fund and the aggregate remaining fund information is unqualified.

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

Findings

The following are summaries of the audit findings:

RHEA COUNTY

- ◆ Capital assets records were not accurately maintained, resulting in adverse opinions on the financial statements of the governmental activities and aggregate discretely presented component units.

OFFICE OF FINANCE DEPARTMENT

- ◆ The General Debt Service Fund had a deficit in unreserved fund balance of \$201,061 at June 30, 2007.
- ◆ Competitive bids were not solicited for materials and supplies used to construct a training center for the Sheriff's Department.
- ◆ The office had deficiencies in inventory controls over nondepreciable assets.
- ◆ Purchase orders were not issued in some required instances, and some invoices were paid without documentation that goods had been received or services rendered. Also, in some instances, original documentation supporting disbursements was not on file at the Finance Department.

OFFICE OF HIGHWAY SUPERVISOR

- ◆ A summary of changes from the prior-year county road list was not submitted to the County Commission for approval.

OFFICE OF TRUSTEE

- ◆ Excess commissions were not reported and paid to the county in compliance with state statute.

OFFICE OF REGISTER

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

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

Officials

Billy Ray Patton, County Executive
Tommy Snyder, Highway Supervisor
Dallas Smith, Director of Schools
Neva Webb, 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
Charles Martin, Finance Director

Board of County Commissioners

Terry Broyles, Chairman	
Emmaly Fisher	Doyle Montgomery
Chris Goodwin	Ronald Raper
Bill Hollin	Tommy Smith
John Mincy	Tracy Taylor

Finance Committee

Ronald Raper, Chairman	Dallas Smith
Chris Goodwin	Tommy Smith
Doyle Montgomery	Tommy Snyder
Billy Ray Patton	

Board of Education

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

FINANCIAL SECTION



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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NASHVILLE, TENNESSEE 37243-0269
PHONE (615) 401-7841**

INDEPENDENT AUDITOR'S REPORT

February 25, 2008

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, 2007, 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 these financial statements based on our audit. We did not audit the financial statements of the discretely presented Rhea Medical Center which represent 50 percent and 39 percent, respectively, of the assets and revenues of the aggregate discretely presented component units, as of June 30, 2007, and for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rhea Medical Center, is based on the reports of 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 reports of other auditors provide a reasonable basis for our opinions.

The financial statements referred to above for the governmental activities and the aggregate discretely presented component units are materially misstated because the capital assets records of Rhea County and the Rhea County School Department, a discretely presented component unit, contained numerous material discrepancies, errors, misclassifications, and inaccurate calculations of accumulated depreciation balances. The effects on the financial statements are not reasonably determinable.

Also, 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 reports of other auditors, and because of the effects of the matters discussed in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities and the aggregate discretely presented component units of Rhea County, Tennessee, as of June 30, 2007, and the changes in financial position and cash flows, where applicable, for the year then ended.

However, in our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of Rhea County, Tennessee, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2008, 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 and pension information on pages 87 through 93 are not required parts of the basic financial statements but they do provide supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Very truly yours,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

**Rhea County, Tennessee
Management's Discussion and Analysis
For the Year Ended June 30, 2007**

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, 2007. 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. The Rhea County Emergency Communications District meets the criteria for a discretely presented component unit; however, their financial statements were not available from other auditors in time for inclusion in this report. Readers should review their separately issued financial statements and management's discussion and analysis.

FINANCIAL HIGHLIGHTS

- The liabilities of Rhea County exceeded its assets by \$6,043,711 at the close of the most recent fiscal year.
- The government's total net assets decreased by \$2,749,204.
- At the close of the current fiscal year, Rhea County's governmental funds reported combined ending fund balances of \$3,943,564. Approximately 47.95 percent of this total amount, \$1,891,046, 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 \$1,275,625, or 17.5 percent of total General Fund expenditures.
- Rhea County's total debt increased by \$236,447 during the current fiscal year. This increase was the result of issuing \$1,601,727 in debt during the year.

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 in time for inclusion in 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/Public Works; 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, proprietary, and fiduciary.

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, General Debt Service Fund, and Educational Capital Projects 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 nonmajor 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 fund's 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 statements 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 No. 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 \$6,043,711 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, 2007, the county had outstanding debt totaling \$15,455,841 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 2007:

RHEA COUNTY STATEMENT OF NET ASSETS

	Rhea County Government	
	2007	2006
Assets		
Current and Other Assets	\$ 9,997,203	\$ 11,196,652
Capital Assets - Net	7,014,455	6,923,139
Total Assets	\$ 17,011,658	\$ 18,119,791
Liabilities		
Long-term Liabilities Outstanding	\$ 17,339,846	\$ 15,973,106
Other Liabilities	5,715,523	7,190,348
Total Liabilities	\$ 23,055,369	\$ 23,163,454
Net Assets (Deficit)		
Invested in Capital Assets, net of related debt	\$ 5,515,654	\$ 5,934,347
Restricted	3,063,801	3,658,814
Unrestricted	(14,623,166)	(14,636,824)
Total Net Assets (Deficit)	\$ (6,043,711)	\$ (5,043,663)

A portion of Rhea County's net assets (\$3,063,801) 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.

The following schedule provides a summary of changes in the county's net assets for 2007:

RHEA COUNTY
STATEMENT OF ACTIVITIES

	Rhea County Government	
	2007	2006
Revenues:		
Program Revenues:		
Charges for Services	\$ 3,577,459	\$ 2,031,967
Operating Grants and Contributions	3,143,553	4,225,838
Capital Grants and Contributions	276,519	1,052,048
General Revenues:		
Property Taxes	5,414,327	5,281,772
Other Taxes	1,155,401	1,112,337
Grants and Contributions Not		
Restricted for Specific Programs	197,021	161,447
Miscellaneous	32,009	101,151
Gain on Disposal of Capital Assets	10,458	147,774
Unrestricted Investment Earnings	282,318	209,876
Total Revenues	\$ 14,089,065	\$ 14,324,210
Expenses:		
General Government	\$ 3,090,374	\$ 1,281,286
Finance	1,124,190	1,102,541
Administration of Justice	922,702	885,273
Public Safety	3,734,986	3,948,807
Public Health and Welfare	1,113,945	811,183
Social, Cultural, and Recreational	0	66,157
Agriculture and Natural Resources	205,067	157,354
Other Operations	1,291,084	1,320,818
Highways/Public Works	2,199,525	2,294,605
Education (Payments to Component Units)	1,601,727	62,817
Interest on Long-term Debt	651,643	733,703
Other Debt Service	903,026	26,779
Total Expenses	\$ 16,838,269	\$ 12,691,323
Increase (Decrease) in Net Assets	\$ (2,749,204)	\$ 1,632,887
Prior Year Restatement	1,749,156	211,714
Net Assets, Beginning of Year	(5,043,663)	(6,888,264)
Net Assets, End of Year	\$ (6,043,711)	\$ (5,043,663)

The following schedule provides a summary of the School Department's net assets for 2007:

RHEA COUNTY
STATEMENT OF NET ASSETS

	Rhea County School Department	
	2007	2006
Assets		
Current and Other Assets	\$ 6,412,259	\$ 6,580,713
Capital Assets - Net	29,151,728	23,893,146
Total Assets	\$ 35,563,987	\$ 30,473,859
Liabilities		
Long-term Liabilities Outstanding	\$ 26,354	\$ 26,642
Other Liabilities	3,761,278	3,661,166
Total Liabilities	\$ 3,787,632	\$ 3,687,808
Net Assets		
Invested in Capital Assets, net of related debt	\$ 29,151,728	\$ 23,893,146
Restricted	1,010,117	1,532,777
Unrestricted	1,614,510	1,360,128
Total Net Assets	\$ 31,776,355	\$ 26,786,051

The following schedule provides a summary of changes in the School Department's net assets for 2007:

RHEA COUNTY
STATEMENT OF ACTIVITIES

	Rhea County School Department	
	2007	2006
Revenues:		
Program Revenues:		
Charges for Services	\$ 782,981	\$ 773,113
Operating Grants and Contributions	3,131,286	3,419,864
Capital Grants and Contributions	2,101,727	82,817
General Revenues:		
Property Taxes	3,105,284	3,091,595
Other Taxes	2,151,042	2,080,419
Grants and Contributions Not		
Restricted for Specific Programs	18,128,815	16,953,889
Miscellaneous	96,031	38,584
Gain on Disposal of Capital Assets	6,400	2,800
Unrestricted Investment Earnings	15,244	21,862
Total Revenues	\$ 29,518,810	\$ 26,464,943

RHEA COUNTY
STATEMENT OF ACTIVITIES (Cont.)

	<u>Rhea County School Department</u>	
	<u>2007</u>	<u>2006</u>
Expenses:		
Education	\$ 29,854,903	\$ 27,518,952
Total Expenses	<u>\$ 29,854,903</u>	<u>\$ 27,518,952</u>
Increase (Decrease) in Net Assets	\$ (336,093)	\$ (1,054,009)
Prior Year Restatement	5,326,397	373,083
Net Assets, Beginning of Year	<u>26,786,051</u>	<u>27,466,977</u>
Net Assets, End of Year	<u><u>\$ 31,776,355</u></u>	<u><u>\$ 26,786,051</u></u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

At the end of the current fiscal year, Rhea County's governmental funds reported combined ending fund balances of \$3,943,564, a decrease of \$432,338 in comparison with the prior year. Of this total, \$1,891,046 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 (\$564,444) or (2) for revenue restricted for specific purposes (\$1,488,074).

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 \$1,275,625, while total fund balance was \$1,665,602. 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 17.5 percent of total General Fund expenditures, while total fund balance represents 22.8 percent of that same amount. The fund balance of Rhea County's General Fund increased by \$61,953 during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget were \$974,380 (increase in appropriations) and can be briefly summarized as follows:

- \$216,208 in increases allocated to General Government
- \$2,650 in decreases allocated to Finance
- \$7,599 in increases allocated to Administration of Justice
- \$450,325 in increases allocated to Public Safety
- \$186,998 in increases allocated to Public Health and Welfare
- \$54,095 in increases allocated to Agriculture and Natural Resources
- \$61,805 in increases allocated to Other Operations

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. The county’s investment in capital assets for its governmental activities as of June 30, 2007, was \$7,014,455 (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, roads, highways, and bridges.

Long-term debt. At the end of the current fiscal year, the Rhea County government had total debt outstanding of \$17,089,642. 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, 2007, for Rhea County follows:

<u>Type</u>	<u>Governmental Activities</u>
General Obligation Bonds	\$ 1,745,000
Refunding Bonds	12,460,000
Notes Payable	880,135
Capital Leases	296,445
Other Loans Payable	<u>1,708,062</u>
Total	<u>\$ 17,089,642</u>

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The unemployment rate for the county is currently 5.3 percent, which increased from 4.8 percent a year ago. The state’s unemployment rate is currently approximately 4.4 percent, and the United States as a whole has an approximate rate of 4.7 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 2007-2008 fiscal year.

During the current fiscal year, unreserved fund balance in the General Fund decreased to \$1,275,625. The county appropriated \$260,206 of this amount for spending in the 2007-2008

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 2008-2009 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, 2007

	Primary Governmental Activities	Component Units	
		Rhea County School Department	Rhea Medical Center
<u>ASSETS</u>			
Cash	\$ 115,423	\$ 0	\$ 2,795,590
Equity in Pooled Cash and Investments	3,580,654	2,338,665	0
Inventories	0	44,672	329,767
Accounts Receivable	70,915	9,585	4,516,940
Allowance for Uncollectibles	0	0	(999,817)
Due from Other Governments	537,143	500,456	0
Due from Component Units	5,921	0	0
Due from Primary Government	0	14,425	0
Property Taxes Receivable	5,830,085	3,342,302	0
Allowance for Uncollectible Property Taxes	(291,999)	(167,401)	0
Prepaid Items	0	0	1,317,625
Notes Receivable - Current	0	226,779	0
Notes Receivable - Long-term	0	102,776	0
Deferred Charges - Debt Issuance Cost	149,061	0	162,452
Other	0	0	612,282
Assets Not Depreciated:			
Land	1,175,884	797,823	2,362,514
Construction in Progress	178,853	425,293	20,707,872
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	1,475,930	26,459,618	0
Infrastructure	3,344,511	0	0
Other Capital Assets	839,277	1,468,994	4,088,245
Total Assets	<u>\$ 17,011,658</u>	<u>\$ 35,563,987</u>	<u>\$ 35,893,470</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 81,984	\$ 12,493	\$ 1,639,439
Accrued Payroll	68	12,512	559,795
Payroll Deductions Payable	66,454	538,485	0
Accrued Interest Payable	156,810	0	0
Contracts Payable	42,732	84,549	0
Due to Primary Government	0	5,921	0
Due to Component Units	14,425	0	0
Due to State of Tennessee	0	484	0
Due to Litigants, Heirs, and Others	1,380	0	24,246
Other Current Liabilities	0	0	282,933
Deferred Revenue - Current Property Taxes	5,351,670	3,068,029	0
Noncurrent Liabilities:			
Due Within One Year	1,770,866	38,805	210,471
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	15,568,980	26,354	19,180,396
Total Liabilities	<u>\$ 23,055,369</u>	<u>\$ 3,787,632</u>	<u>\$ 21,897,280</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	Component Units	
		Rhea County School Department	Rhea Medical Center
<u>NET ASSETS</u>			
Invested in Capital Assets, Net of Related Debt	\$ 5,515,654	\$ 0	\$ 7,767,764
Invested in Capital Assets	0	29,151,728	0
Restricted for:			
General Purposes	476,713	172,473	
Solid Waste/Sanitation	1,635,790	0	0
Drug Control	167,004	0	0
District Attorney General	61,316	0	0
Highway/Public Works	611,365	0	0
Debt Service	111,613	0	0
School Federal Projects	0	13,518	0
Central Cafeteria	0	416,524	0
School Transportation	0	255,574	0
Capital Projects	0	152,028	0
Unrestricted	<u>(14,623,166)</u>	<u>1,614,510</u>	<u>6,228,426</u>
Total Net Assets	<u>\$ (6,043,711)</u>	<u>\$ 31,776,355</u>	<u>\$ 13,996,190</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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		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	\$ 3,090,374	\$ 298,892	\$ 16,380	\$ 24,535	\$ (2,750,567)	\$ 0	\$ 0
Finance	1,124,190	571,423	14,150	0	(538,617)	0	0
Administration of Justice	922,702	867,711	9,000	0	(45,991)	0	0
Public Safety	3,734,986	473,526	260,412	64,745	(2,936,303)	0	0
Public Health and Welfare	1,113,945	209,313	608,781	5,728	(290,123)	0	0
Social, Cultural, and Recreation Services	0	0	31,519	0	31,519	0	0
Agriculture and Natural Resources	205,067	0	0	0	(205,067)	0	0
Other Operations	1,291,084	1,156,594	0	0	(134,490)	0	0
Highways/Public Works	2,199,525	0	1,609,782	181,511	(408,232)	0	0
Education (Payments to Component Unit)	1,601,727	0	0	0	(1,601,727)	0	0
Interest on Long-term Debt	651,643	0	0	0	(651,643)	0	0
Other Debt Service	903,026	0	593,529	0	(309,497)	0	0
Total Primary Government	\$ 16,838,269	\$ 3,577,459	\$ 3,143,553	\$ 276,519	\$ (9,840,738)	\$ 0	\$ 0
Component Units:							
Rhea County School Department	\$ 29,854,903	\$ 782,981	\$ 3,131,286	\$ 2,101,727	\$ 0	\$ (23,838,909)	\$ 0
Rhea Medical Center	17,081,121	18,927,767	0	0	0	0	1,846,646
Total Component Units	\$ 46,936,024	\$ 19,710,748	\$ 3,131,286	\$ 2,101,727	\$ 0	\$ (23,838,909)	\$ 1,846,646

(Continued)

Exhibit B

Rhea County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units	
					Rhea County School Department	Rhea Medical Center	
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes				\$ 4,678,519	\$ 3,105,284	\$ 0	0
Property Taxes Levied for Debt Service				735,808	0	0	0
Local Option Sales Taxes				434,160	2,147,006	0	0
Other Local Taxes				721,241	4,036	0	0
Grants and Contributions Not Restricted to Specific Programs				197,021	18,128,815	31,439	0
Unrestricted Investment Earnings				282,318	15,244	135,753	0
Miscellaneous				32,009	96,031	0	0
Gain on Disposal of Capital Assets				10,458	6,400	0	0
Total General Revenues				<u>\$ 7,091,534</u>	<u>\$ 23,502,816</u>	<u>\$ 167,192</u>	0
Change in Net Assets				\$ (2,749,204)	\$ (336,093)	\$ 2,013,838	0
Prior Year Restatement				1,749,156	5,326,397	0	0
Net Assets, July 1, 2006				<u>(5,043,663)</u>	<u>26,786,051</u>	<u>11,982,352</u>	0
Net Assets, June 30, 2007				<u><u>\$ (6,043,711)</u></u>	<u><u>\$ 31,776,355</u></u>	<u><u>\$ 13,996,190</u></u>	0

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, 2007

	Major Funds			General Debt Service	Nonmajor Funds	Total Govern- mental Funds
	General	Solid Waste / Sanitation	Highway / Public Works		Other Govern- mental Funds	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 0	\$ 0	\$ 115,423	\$ 115,423
Equity in Pooled Cash and Investments	1,613,249	963,310	362,215	396,793	228,948	3,564,515
Accounts Receivable	37,808	21,383	856	10,315	553	70,915
Due from Other Governments	85,829	13,259	312,571	81,880	43,604	537,143
Due from Other Funds	3,435	132	28	0	0	3,595
Due from Component Units	340	740	0	0	0	1,080
Property Taxes Receivable	5,048,001	0	0	782,084	0	5,830,085
Allowance for Uncollectible Property Taxes	(252,829)	0	0	(39,170)	0	(291,999)
Notes Receivable - Current	0	90,556	0	0	0	90,556
Notes Receivable - Long-term	0	564,444	0	0	0	564,444
Total Assets	\$ 6,535,833	\$ 1,653,824	\$ 675,670	\$ 1,231,902	\$ 388,528	\$ 10,485,757
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 44,524	\$ 12,309	\$ 18,107	\$ 0	\$ 129	\$ 75,069
Accrued Payroll	0	68	0	0	0	68
Payroll Deductions Payable	47,117	2,070	7,763	0	0	56,950
Contracts Payable	0	0	0	0	42,732	42,732
Due to Other Funds	342	2,847	1,287	0	903	5,379
Due to Component Units	7,340	740	0	0	0	8,080
Due to Litigants, Heirs, and Others	0	0	0	0	1,371	1,371
Capital Outlay Notes Payable	0	0	0	90,556	0	90,556
Deferred Revenue - Current Property Taxes	4,633,763	0	0	717,907	0	5,351,670
Deferred Revenue - Delinquent Property Taxes	137,136	0	0	21,343	0	158,479
Other Deferred Revenues	0	0	148,673	38,713	0	187,386
Capital Outlay Notes Payable - Long-term	0	0	0	564,444	0	564,444
Other Long-term Liabilities	9	0	0	0	0	9
Total Liabilities	\$ 4,870,231	\$ 18,034	\$ 175,830	\$ 1,432,963	\$ 45,135	\$ 6,542,193
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 50,400	\$ 0	\$ 0	\$ 0	\$ 26,751	\$ 77,151

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor	Total	
	General	Solid Waste / Sanitation	Highway / Public Works	Other Governmental Funds		Governmental Funds
<u>LIABILITIES AND FUND BALANCES (Cont.)</u>						
<u>Fund Balances (Cont.)</u>						
Reserved for Alcohol and Drug Treatment	\$ 79,965	\$ 0	\$ 0	\$ 0	\$ 79,965	
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	134,494	0	0	0	134,494	
Reserved for Drug Court	9,368	0	0	0	9,368	
Reserved for Sexual Offender Registration	7,403	0	0	0	7,403	
Reserved for Courtroom Security	342	0	0	0	342	
Reserved for Computer System - Register	27,525	0	0	0	27,525	
Reserved for Automation Purposes - Circuit Court	6,859	0	0	0	6,859	
Reserved for Automation Purposes - General Sessions Court	26,617	0	0	0	26,617	
Reserved for Automation Purposes - Chancery Court	2,674	0	0	0	2,674	
Reserved for Automation Purposes - Sheriff	16,681	0	0	0	16,681	
Reserved for Long-term Notes Receivable	0	564,444	0	0	564,444	
Reserved for Other General Purposes	27,649	1,071,346	0	0	1,098,995	
Unreserved, Reported In:						
General Fund	1,275,625	0	0	0	1,275,625	
Special Revenue Funds	0	0	499,840	343,393	843,233	
Debt Service Funds (Deficit)	0	0	0	(201,061)	(201,061)	
Capital Projects Funds (Deficit)	0	0	0	(26,751)	(26,751)	
Total Fund Balances	\$ 1,665,602	\$ 1,635,790	\$ 499,840	\$ (201,061)	\$ 3,943,564	
Total Liabilities and Fund Balances	\$ 6,535,833	\$ 1,653,824	\$ 675,670	\$ 1,231,902	\$ 10,485,757	

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, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,943,564
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,175,884	
Add: construction in progress		178,853	
Add: buildings and improvements net of accumulated depreciation		1,475,930	
Add: infrastructure net of accumulated depreciation		3,344,511	
Add: other capital assets net of accumulated depreciation		<u>839,277</u>	7,014,455
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(14,205,000)	
Less: notes payable		(880,135)	
Less: other loans payable		(1,708,062)	
Less: capital leases payable		(296,445)	
Less: deferred premium on debt issuances		(74,113)	
Add: deferred amount on refunding		409,428	
Add: deferred charges - debt issuance costs		149,061	
Less: compensated absences payable		(255,964)	
Less: accrued interest on bonds, notes, other loans, and capital leases		<u>(156,810)</u>	(17,018,040)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>345,865</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>(5,714,156)</u></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, 2007

	Major Funds					Nonmajor Funds	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>							
Local Taxes	\$ 5,135,486	\$ 279,831	\$ 107,040	\$ 1,216,699	\$ 0	\$ 0	\$ 6,739,056
Licenses and Permits	19,911	0	0	0	0	0	19,911
Fines, Forfeitures, and Penalties	324,204	0	0	0	0	365,002	689,206
Charges for Current Services	66,480	90,606	0	0	0	354,696	511,782
Other Local Revenues	243,639	12,779	9,727	725,534	0	11,128	1,002,807
Fees Received from County Officials	899,488	0	0	0	0	0	899,488
State of Tennessee	372,388	46,501	1,783,915	0	0	210	2,203,014
Federal Government	153,842	0	0	0	0	460,782	614,624
Other Governments and Citizens Groups	142,628	6,892	0	141,993	0	893	292,406
Total Revenues	\$ 7,358,066	\$ 436,609	\$ 1,900,682	\$ 2,084,226	\$ 0	\$ 1,192,711	\$ 12,972,294
<u>Expenditures</u>							
Current:							
General Government	\$ 1,186,250	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,186,250
Finance	804,294	0	0	0	0	318,277	1,122,571
Administration of Justice	893,042	0	0	0	0	28,527	921,569
Public Safety	3,626,380	0	0	0	0	247,789	3,874,169
Public Health and Welfare	146,982	535,638	0	0	0	0	682,620
Agriculture and Natural Resources	204,092	0	0	0	0	0	204,092
Other Operations	436,023	7,373	0	0	1,601,727	36,095	2,081,218
Highways	0	0	2,038,472	0	0	0	2,038,472
Capital Outlay	0	0	0	0	0	429,263	429,263
Debt Service:							
Principal on Debt	0	0	0	1,299,387	0	0	1,299,387
Interest on Debt	0	0	0	657,868	0	0	657,868
Other Debt Service	0	0	0	525,030	0	0	525,030
Total Expenditures	\$ 7,297,063	\$ 543,011	\$ 2,038,472	\$ 2,482,285	\$ 1,601,727	\$ 1,059,951	\$ 15,022,509
Excess (Deficiency) of Revenues Over Expenditures	\$ 61,003	\$ (106,402)	\$ (137,790)	\$ (398,059)	\$ (1,601,727)	\$ 132,760	\$ (2,050,215)
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 380,000	\$ 0	\$ 380,000
Other Loans Issued	0	0	0	0	1,221,727	0	1,221,727
Proceeds from Sale of Capital Assets	950	0	15,200	0	0	0	16,150

(Continued)

Exhibit C-3

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

	Major Funds					Nonmajor Funds Other	Total Governmental Funds
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Education Capital Projects	Govern- mental Funds	
<u>Other Financing Sources (Uses) (Cont.)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 113,333	\$ 0	\$ 0	\$ 113,333
Transfers Out	0	0	(113,333)	0	0	0	(113,333)
Total Other Financing Sources (Uses)	\$ 950	\$ 0	\$ (98,133)	\$ 113,333	\$ 1,601,727	\$ 0	\$ 1,617,877
Net Change in Fund Balances	\$ 61,953	\$ (106,402)	\$ (235,923)	\$ (284,726)	\$ 0	\$ 132,760	\$ (432,338)
Fund Balance, July 1, 2006	1,603,649	1,742,192	735,763	83,665	0	210,633	4,375,902
Fund Balance, June 30, 2007	\$ 1,665,602	\$ 1,635,790	\$ 499,840	\$ (201,061)	\$ 0	\$ 343,393	\$ 3,943,564

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, 2007

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	(432,338)
(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	\$	539,426	
Less: current year depreciation expense		<u>(2,191,574)</u>	(1,652,148)
(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	\$	10,458	
Less: proceeds from the sale of capital assets		<u>(16,150)</u>	(5,692)
(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, 2007	\$	345,865	
Less: deferred delinquent property taxes/other deferred June 30, 2006		<u>(402,712)</u>	(56,847)
(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: note proceeds	\$	(380,000)	
Less: other loan proceeds		(1,221,727)	
Less: change in deferred debt issuance costs		(11,802)	
Less: change in deferred amount on refunding		(36,639)	
Add: change in premium on debt issuances		6,566	
Add: principal payments on bonds		765,000	
Add: principal payments on notes		391,319	
Add: principal payments on other loans		143,068	
Add: principal payments on capital leases		<u>65,893</u>	(278,322)
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Change in accrued interest payable	\$	6,225	
Change in compensated absences		<u>(527)</u>	5,698
Change in net assets of governmental activities (Exhibit B)		\$	<u><u>(2,419,649)</u></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, 2007

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>ASSETS</u>	
Equity in Pooled Cash and Investments	\$ 16,139
Due from Other Funds	4,156
Due from Component Units	4,841
Total Assets	<hr/> \$ 25,136 <hr/>
<u>LIABILITIES</u>	
Accounts Payable	\$ 6,915
Payroll Deductions Payable	9,504
Due to Other Funds	2,372
Due to Component Units	6,345
Total Liabilities	<hr/> \$ 25,136 <hr/>
<u>NET ASSETS</u>	
Unrestricted	<hr/> <hr/> \$ 0 <hr/> <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, 2007

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,566,808
Other Local Revenues	290
Total Operating Revenues	<u>\$ 1,567,098</u>
<u>Operating Expenses</u>	
Other Facilities	\$ 340,664
Other Charges	370,084
Miscellaneous	856,350
Total Operating Expenses	<u>\$ 1,567,098</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Assets	\$ 0
Net Assets, July 1, 2006	<u>0</u>
Net Assets, June 30, 2007	<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, 2007

	Governmental Activities - Internal Service Fund Central Maintenance/ Garage
<u>Cash Flows From Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,569,506
Proceeds from Sale of Gasoline	290
Central Maintenance Garage Activity - Uses	(1,554,929)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 14,867</u>
Net Increase (Decrease) in Cash	\$ 14,867
Cash, July 1, 2006	<u>1,272</u>
Cash, June 30, 2007	<u><u>\$ 16,139</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</u>	
<u>Provided By (Used In) 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 Due from Other Funds	(1,614)
(Increase) Decrease in Due from Component Units	4,311
Increase (Decrease) in Accounts Payable	3,260
Increase (Decrease) in Payroll Deductions Payable	192
Increase (Decrease) in Due to Other Funds	2,372
Increase (Decrease) in Due to Component Units	<u>6,345</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ 14,867</u></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, 2007

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,318,146
Equity in Pooled Cash and Investments	35,254
Due from Other Governments	401,626
Taxes Receivable	307,426
Allowance for Uncollectible Taxes	<u>(15,396)</u>
Total Assets	<u>\$ 2,047,056</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 728,904
Due to Litigants, Heirs, and Others	<u>1,318,152</u>
Total Liabilities	<u>\$ 2,047,056</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, 2007

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 (\$1,601,727) were contributed by the county to the School Department during the year ended June 30, 2007.

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

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

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

Fund financial statements of 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.

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

Additionally, Rhea County reports the following fund types:

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.

Private Purpose Trust Fund – The Other Trust 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 fund's principal ongoing operations. The principal operating revenues of the county's internal service fund are charges for services. Operating expenses for the internal service fund 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 that are representative of lending/borrowing arrangements are reported in the fund financial statements as notes receivable/payable and 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 2.69 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.

It is the policy of the discretely presented Rhea County School Department to permit its 11- and 12-month employees to accumulate up to twice as many vacation days as they can earn in a year. Unused vacation leave will be paid upon retirement, resignation, or termination. (Any accumulated unused vacation leave in excess of the limit is forfeited.) The policy of the discretely presented Rhea County School Department does not allow their ten-month employees to accumulate vacation days beyond June 30.

The granting of sick leave has no guaranteed payment attached and therefore is not required to be accrued or recorded.

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 refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is netted against the new debt and amortized over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

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

withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

7. Net Assets and Fund Equity

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

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

As of June 30, 2007, Rhea County had \$15,455,841 in outstanding debt for capital purposes for the discretely presented Rhea County School Department, and \$135,000 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.

8. **Prior-period Adjustments**

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 as well as corrections of accumulated depreciation. The net effect of these changes increased net assets for the primary government by \$1,749,156.

Discretely Presented Rhea County School Department

During the year, the Rhea County School Department made some corrections to their capital assets inventory. These corrections involved assets that had not been capitalized in previous years as well as corrections of accumulated depreciation. The net effect of these changes increased net assets for the School Department by \$5,326,397.

The July 1, 2006, beginning balance (\$100,505) of the Endowment Fund of the discretely presented Rhea County School Department was switched to a Private Propose Trust Fund to account for the transactions of the resources legally held in trust to fund scholarships for students of Rhea County High School.

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 Constitutional Officers - Fees Fund (special revenue fund) which is 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 Deficits

The General Debt Service Fund had a deficit in unreserved fund balance of \$201,061 at June 30, 2007. This deficit resulted from interfund capital outlay notes payable from the General Debt Service Fund to the Education Capital Projects Fund. The outstanding balance of the loan at June 30, 2007, was \$564,443, and in accordance with government auditing standards, this balance has been reflected as a liability of the General Debt Service Fund in the financial statements of this report.

The Community Development/Industrial Park Fund had a deficit of \$26,751 at June 30, 2007. This deficit resulted from the balance of a contract being reserved as an encumbrance in the financial statements. This deficit was liquidated when grant revenue was received subsequent to June 30, 2007.

The Education Capital Projects Fund of the discretely presented Rhea County School Department had a deficit of \$95,066 at June 30, 2007. This deficit resulted from the balance of contracts for two sewer lines being reserved as encumbrances in the financial statements. This deficit was liquidated when loan proceeds were received subsequent to June 30, 2007.

C. Expenditures Exceeded Appropriations

Expenditures exceeded appropriations approved by the County Commission in the Contribution to Other Agencies major appropriation category (the legal level of control) of the General Fund by \$8,001. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by appropriations exceeding expenditures in other major categories.

D. The County Had Deposits Exposed to Custodial Credit Risk

The register 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, 2007, deposits at this depository exceeded FDIC coverage by \$14,867. 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 or statements of net assets as Equity in Pooled Cash and Investments. Cash reflected in the fund financial statements represents nonpooled amounts held separately by individual funds.

Deposits

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

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

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, Rhea County's deposits may not be returned to it. Rhea County does not have a formal policy that limits custodial credit risk for deposits. Separate disclosures concerning bank balances of pooled deposits cannot be made for Rhea County and the discretely presented Rhea County School Department since both pool their deposits and investments through the county trustee. As of June 30, 2007, bank balances of \$14,867 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 14,867</u>
Total	<u><u>\$ 14,867</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, 2007.

B. Notes Receivable

Primary Government

Notes receivable represent amounts loaned by the Solid Waste/Sanitation Fund to finance various capital projects within the primary government. These notes 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 notes 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 assets activity for the year ended June 30, 2007, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets				
Not Depreciated:				
Land	\$ 1,052,934	\$ 198,635	\$ (75,685)	\$ 1,175,884
Construction in Progress	0	178,853	0	178,853

Governmental Activities (Cont.):

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Total Capital Assets				
Not Depreciated	\$ 1,052,934	\$ 377,488	\$ (75,685)	\$ 1,354,737
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 5,596,391	\$ 1,747,699	\$ (509,336)	\$ 6,834,754
Infrastructure	7,276,759	404,095	(122,981)	7,557,873
Other Capital Assets	2,977,839	376,459	(523,757)	2,830,541
Total Capital Assets				
Depreciated	\$ 15,850,989	\$ 2,528,253	\$ (1,156,074)	\$ 17,223,168
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 4,161,092	\$ 1,591,513	\$ (393,781)	\$ 5,358,824
Infrastructure	3,893,697	377,174	(57,509)	4,213,362
Other Capital Assets	1,925,995	222,887	(157,618)	1,991,264
Total Accumulated				
Depreciation	\$ 9,980,784	\$ 2,191,574	\$ (608,908)	\$ 11,563,450
Total Capital Assets				
Depreciated, Net	\$ 5,870,205	\$ 336,679	\$ (547,166)	\$ 5,659,718
Governmental Activities				
Capital Assets, Net	\$ 6,923,139	\$ 714,167	\$ (622,851)	\$ 7,014,455

Increases and decreases include a prior-year adjustment totaling \$1,749,156 to correct capital asset values.

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

Governmental Activities:

General Government	\$ 1,584,123
Public Safety	134,191
Public Health and Welfare	21,644
Highways	451,616

Total Depreciation Expense - Governmental Activities	<u>\$ 2,191,574</u>
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Discretely Presented Rhea County School Department

Governmental Activities:

	Balance 7-1-06	Increases	Decreases	Balance 6-30-07
Capital Assets Not Depreciated:				
Land	\$ 841,002	\$ 38,461	\$ (81,640)	\$ 797,823
Construction in Progress	107,977	425,293	(107,976)	425,294
Total Capital Assets Not Depreciated	\$ 948,979	\$ 463,754	\$ (189,616)	\$ 1,223,117
Capital Assets Depreciated:				
Buildings and Improvements	\$ 41,559,415	\$ 5,439,411	\$ (12,953,849)	\$ 34,084,977
Other Capital Assets	2,901,749	747,388	(106,330)	3,542,807
Total Capital Assets Depreciated	\$ 44,501,164	\$ 6,186,799	\$ (13,060,179)	\$ 37,627,784
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 19,846,485	\$ 732,723	\$ (12,953,849)	\$ 7,625,359
Others Capital Assets	1,710,512	469,631	(106,330)	2,073,813
Total Accumulated Depreciation	\$ 21,556,997	\$ 1,202,354	\$ (13,060,179)	\$ 9,699,172
Total Capital Assets Depreciated, Net	\$ 22,944,167	\$ 4,984,445	\$ 0	\$ 27,928,612
Governmental Activities Capital Assets, Net	\$ 23,893,146	\$ 5,448,199	\$ (189,616)	\$ 29,151,729

Increases and decreases include a prior-year adjustment totaling \$5,326,397 to correct asset values.

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

Governmental Activities:

Instruction	\$ 957,593
Support Services	234,947
Operation of Non-Instructional Services	<u>9,815</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,202,355</u>

D. Construction Commitments

At June 30, 2007, the county had uncompleted construction contracts of approximately \$42,732 for a sewer line project. Funding for these future expenditures are expected to be received from federal grants.

At June 30, 2007, the School Department had uncompleted construction contracts of approximately \$84,549 for a sewer line project. Funding for these future expenditures has been provided.

E. Interfund Receivables, Payables, and Transfers

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

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Solid Waste/Sanitation	\$ 132
"	Highway/Public Works	28
"	Internal Service	2,372
"	Nonmajor governmental	903
Solid Waste/Sanitation	General	132
Highway/Public Works	"	28
Internal Service	"	182
Internal Service	Solid Waste/Sanitation	2,715
Internal Service	Highway/Public Works	1,259
Discretely Presented School Department:		
General Purpose School	Nonmajor governmental	23,244

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

Interfund loans to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Solid Wast/Sanitation	General Debt Service	\$ 655,000

Due to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Primary government:	Component unit:	
General	General Purpose School	\$ 340
Solid Waste/Sanitation	School Transportation	740
Internal Service	General Purpose School	4,133
Internal Service	School Transportation	708
Component unit:	Primary government:	
General Purpose School	General	340
"	Internal Service	2,990
School Transportation	Solid Waste/Sanitation	740
"	Internal Service	3,355
Nonmajor governmental	General	7,000

Notes to/from primary government and component units:

Receivable Fund	Payable Fund	Amount
Component unit:	Primary Government:	
General Purpose School	General Debt Service	\$ 329,555

Interfund Transfers:

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

Primary Government

Transfers Out	Transfers In General Debt Service Fund
Highway/Public Works Fund	\$ 113,333
Total	\$ 113,333

Discretely Presented Rhea County School Department

Transfers Out	Transfers In Nonmajor Governmental Fund
General Purpose School Fund	\$ 475,385
Total	\$ 475,385

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 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, 2007, were as follows:

Year Ending June 30	Governmental Activities
2008	\$ 84,313
2009	84,313
2010	84,313
2011	77,965
Total Minimum Lease Payments	\$ 330,904
Less: Amount Representing Interest	(34,459)
Present Value of Minimum Lease Payments	\$ 296,445

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, 2007, 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, 2007, are as follows:

<u>Type</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance 6-30-07</u>
General Obligation Bonds	4.1 to 5 %	\$ 12,130,000	\$ 1,745,000
General Obligation Bonds - Refunding	3.375 to 4.85	15,445,000	12,460,000
Capital Outlay Notes	2 to 4.8	3,349,295	1,209,690
Other Loans	0 to Various	2,285,538	1,708,062
Capital Lease	5.6	368,662	296,445

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 in Qualified Zone Academy Bonds and loaned the proceeds to Rhea County for school renovations, repairs, and equipment. The loan is repayable at zero percent interest. As of June 30, 2007, Rhea County had borrowed the entire amount of this loan.

On May 5, 2006, Rhea County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority will 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, 2007, the variable interest rate was 3.87 percent, and other fees amounted to approximately .15 percent (letter of credit), and .09 percent (remarketing) on the outstanding loan principal and a trustee fee of \$85 per month. As of June 30, 2007, Rhea County had borrowed \$868,221 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 loaned \$930,817 in Qualified Zone Academy Bonds 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, 2007, including interest payments and other loan fees, are presented in the following table:

Year Ending June 30	Bonds		Notes	
	Principal	Interest	Principal	Interest
2008	\$ 770,000	\$ 573,287	\$ 659,136	\$ 28,723
2009	790,000	539,424	242,554	16,443
2010	1,080,000	504,399	39,000	12,844
2011	1,450,000	457,218	40,000	11,217
2012	1,495,000	393,532	42,000	9,549
2013-2017	5,700,000	1,232,671	187,000	19,849
2018-2022	2,555,000	301,267	0	0
2023	365,000	14,600	0	0
Total	<u>\$ 14,205,000</u>	<u>\$ 4,016,398</u>	<u>\$ 1,209,690</u>	<u>\$ 98,625</u>

Year Ending June 30	Other Loan (\$1,000,000)			Total
	Principal	Interest	Other Fees	
2008	\$ 35,000	\$ 32,400	\$ 3,029	\$ 70,429
2009	36,000	31,046	2,945	69,991
2010	38,000	29,653	2,859	70,512
2011	39,000	28,182	2,768	69,950
2012	41,000	26,673	2,674	70,347
2013-2017	231,000	108,247	11,814	351,061
2018-2022	281,000	59,833	8,811	349,644
2023-2025	136,221	8,385	3,580	148,186
Total	\$ 837,221	\$ 324,419	\$ 38,480	\$ 1,200,120

Year Ending June 30	Other Loans	
	School HVAC Principal	School Renovation Repair and Equipment Principal
	2008	\$ 77,568
2009	77,568	34,500
2010	77,568	34,500
2011	77,568	34,500
2012	77,569	34,500
2013-2017	0	172,500
2018-2020	0	138,000
Total	\$ 387,841	\$ 483,000

Bonded debt per capita totaled \$500, based on the 2000 federal census. Debt per capita, including bonds, notes, capital leases, and other loans totaled \$602, based on the 2000 federal census.

Changes in Long-term Liabilities

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

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2006	\$ 14,970,000	\$ 1,447,789	\$ 362,338
Additions	0	380,000	0
Deductions	(765,000)	(618,099)	(65,893)

Governmental Activities (Cont.):	Bonds	Notes	Capital Leases
Balance, June 30, 2007	\$ 14,205,000	\$ 1,209,690	\$ 296,445
Balance Due Within One Year	\$ 770,000	\$ 659,136	\$ 69,477

	Other Loans	Compensated Absences
Balance, July 1, 2006	\$ 629,403	\$ 255,437
Additions	1,221,727	178,324
Deductions	(143,068)	(177,797)
Balance, June 30, 2007	\$ 1,708,062	\$ 255,964
Balance Due Within One Year	\$ 147,068	\$ 125,185

Analysis of Noncurrent Liabilities, June 30, 2007

Total Noncurrent Liabilities, June 30, 2007	\$ 17,675,161
Less: Balance Due Within One Year	(1,770,866)
Less: Deferred Amount on Refunding	(409,428)
Add: Unamortized Premium on Debt	74,113
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 15,568,980</u>

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

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, 2007, was as follows:

Governmental Activities:	Compensated Absences
Balance, July 1, 2006	\$ 62,890
Additions	41,218
Deductions	<u>(39,065)</u>

Governmental Activities (Cont.):	Compensated Absences
	<hr/>
Balance, June 30, 2007	\$ 65,043
	<hr/> <hr/>
Balance Due Within One Year	\$ 38,805
	<hr/> <hr/>

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 the discretely presented General Purpose School Funds will be paid by the General Debt Service Fund. Amounts financed within the primary government are presented as long-term liabilities 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, 2007, 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:				
Highway Paving	\$ 500,000	2 %	9-25-1998	6-9-07
Landfill Property	165,000	2	4-18-01	4-18-10
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	2-10-10
Phil Swafford Building	200,000	2	5-27-01	5-27-07
Frazier Addition and Sewer Project	500,000	2	3-22-07	3-22-10

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, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 500,000	\$ (500,000)	\$ 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, 2007, was as follows:

	Balance 7-1-06	Issued	Redeemed	Balance 6-30-07
Tax Anticipation Notes	\$ 0	\$ 300,000	\$ (300,000)	\$ 0

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 Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county and the School Department pay annual premiums to the TN-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-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 was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report 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. Subsequent Events

During the period July 1, 2007, through February 25, 2008, Rhea County borrowed \$131,779 for a sewer project pursuant to a loan agreement with Montgomery County Public Building Authority.

On October 16, 2007, the county's Solid Waste/Sanitation Fund issued tax anticipation notes to the General Fund (\$300,000) and the School Transportation Fund (\$300,000) for temporary operating funds.

On October 23, 2007, the General Purpose School Fund issued a \$100,000 revenue anticipation note to the School Federal Projects Fund for temporary operating funds.

On November 20, 2007, the General Purpose School Fund issued a \$300,000 tax anticipation note to the School Transportation Fund for temporary operating funds.

On December 21, 2007, the county's Solid Waste/Sanitation Fund issued a \$100,000 tax anticipation note to the School Transportation Fund for temporary operating funds.

On December 27, 2007, Rhea County issued \$2,755,000 in general obligation refunding bonds.

C. 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.

D. Changes in Administration

On August 31, 2006, Freddie Morgan left the Office of Trustee and was succeeded by Neva Webb. On March 21, 2007, Brad Harris left the Office of Finance Director and was succeeded by Charles Martin.

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, 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 did not contribute to the DTF for the year ended June 30, 2007.

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 Drug Task Force
375 Church Street, Suite 300
Dayton, TN 37321

G. Retirement Commitments

Employees

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 <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, 2007, was 8.97 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, 2007, Rhea County’s annual pension cost of \$1,244,568 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2005, actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (c) projected 3.5 percent annual increase in the Social Security wage base, and (d) projected post-retirement increases of three percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a five-year period. 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
6-30-07	\$1,244,568	100%	\$0
6-30-06	1,126,043	100	0
6-30-05	1,062,827	100	0

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

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2007, was 6.13 percent of annual covered payroll. The employer contribution requirement for 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, 2007, 2006, and 2005, were \$768,348, \$643,943, and \$631,257, 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 (\$5,000 effective June 20, 2007, \$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

The 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, 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 27 and 33 percent, respectively, for the year ended June 30, 2007, 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 future.

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>2007</u>
Beginning balance	\$ 825,702
Provision for doubtful accounts	2,841,987
Write-offs	<u>(2,667,872)</u>
Ending balance	<u>\$ 999,817</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

Assets with a useful life of greater than one year and a cost of greater than \$5,000 are recorded as capital assets and 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 in 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, pooled investment funds, and state or local bonds rated A or higher by a nationally recognized rating service. There were no cash equivalents at June 30, 2007.

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 three components:

- a. 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.
- b. 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.
- c. 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, 2007.

B. Deposits and Investments

Custodial credit risk - deposits. Custodial risk is the risk that in the event of a bank failure, the medical center's deposits may not be returned to it. The medical center's bank balance of deposits was \$5,362,032 at June 30, 2007. The bank balances held in cash accounts and a repurchase agreement are either insured by the Federal Deposit Insurance Corporation or collateralized by the 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 (CD) with a local financial institution that matures August 21, 2007, with a 4.7 percent fixed rate of interest. The short maturity (181 days) of the CD protects the medical center from interest rate risk.

Custodial credit risk - investments. 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's investment is subject to custodial risk as follows:

Investments	6-30-07
Insured by the FDIC	\$ 100,000
Collateralized	<u>218,560</u>
Ending balance	<u><u>\$ 218,560</u></u>

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 and investments shown above are included in the medical center's balance sheet as follows:

	6-30-07
Carrying amount:	
Deposits	\$ 4,064,751
Investments	218,560
Cash on hand	<u>1,800</u>
Total	<u><u>\$ 4,285,111</u></u>
Included in the following balance sheet captions:	
Cash	\$ 2,795,590
Internally designated for capital acquisition	218,560
Patient trust funds	22,669
Activity funds	1,577
Prepaid expenses	<u>1,246,715</u>
Total	<u><u>\$ 4,285,111</u></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, outpatient services, 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. The 2007 net patient service revenue decreased \$31,860 due to prior year retroactive adjustments in excess of amounts previously estimated.

TennCare – Inpatient acute care services and outpatient service costs related to TennCare program 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 TennCare fiscal intermediary.

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, 2007, consist of the following:

	<u>6-30-07</u>
Pharmacy	\$ 91,963
General supplies	76,049
Dietary	18,833
Laboratory	25,796
X-ray	16,939
Surgery	<u>100,187</u>
Total	<u>\$ 329,767</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.

	Balance 7-1-06	Additions	Balance 6-30-07
Land	\$ 2,362,514	\$ 0	\$ 2,362,514
Land improvements	79,066	0	79,066
Buildings and improvements	5,075,155	0	5,075,155
Major movable equipment	6,887,011	522,258	7,409,269
Capital equipment	1,463,140	0	1,463,140
Construction in progress	1,611,315	19,096,557	20,707,872
Totals at historical cost	<u>\$ 17,478,201</u>	<u>\$ 19,618,815</u>	<u>\$ 37,097,016</u>
Less accumulated depreciation for:			
Land improvements	66,869	1,895	68,764
Buildings and improvements	3,288,388	141,380	3,429,768
Major movable equipment	4,854,381	496,635	5,351,016
Capital equipment	1,064,752	24,085	1,088,837
Total accumulated depreciation	<u>\$ 9,274,390</u>	<u>\$ 663,995</u>	<u>\$ 9,938,385</u>
Property and equipment, net	<u>\$ 8,203,811</u>	<u>\$ 18,954,820</u>	<u>\$ 27,158,631</u>

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

The medical center is constructing a new facility. At June 30, 2007, approximately \$5,000,000 remains outstanding under contracts. The project is estimated to cost approximately \$24,100,000. A portion of the amounts paid under these contracts is placed in escrow accounts in the medical center

and the contractors' names until construction is complete. At June 30, 2007, these deposits totaled \$1,246,715 and are included in prepaid expenses on the balance sheet. Construction in progress includes capitalized interest of \$340,208 at June 30, 2007.

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, 2007, the assets totaled \$344,422, net of accumulated amortization.

Other assets also include various lease deposits and prepayments totaling \$25,054 at June 30, 2007.

H. Long-term Debt

	6-30-07
Amounts due Rhea County, a related party:	
Note payable for continuing expansion and renovation (RC note 2)	\$ 138,512
Loan Agreement	18,877,386
Capital lease obligation at an imputed interest of 9.6 percent	374,969
Subtotal	\$ 19,390,867
Less current maturities of long-term debt	(210,471)
Long-term debt, net of current maturities	\$ 19,180,396

On December 11, 1997, Rhea 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 more 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" on July 1, 2004, and loaned up to \$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 deposited with the lender to be disbursed as needed for construction of the new facility. At June 30, 2007, only \$18,877,386 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, 2007.

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 (3.95 percent at June 30, 2007).

The loan agreement is secured by the property purchased and constructed with the proceeds of the loan agreement.

The capital lease obligation requires monthly installments of \$7,657, including interest, until February 2012. The obligation is secured by a CT system with a cost of \$398,580 and a carrying value of \$365,365 at June 30, 2007.

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

Year Ending June 30	Long-term Debt		Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2008	\$ 138,512	\$ 951,950	\$ 72,229	\$ 19,651
2009	0	951,950	76,482	15,398
2010	691,000	924,656	80,986	10,894
2011	713,000	896,492	85,754	6,126
2012	735,000	867,460	59,518	1,736
2013	758,000	837,519	0	0
2014-2018	4,154,000	3,705,337	0	0
2019-2023	4,840,000	2,805,290	0	0
2024-2028	5,640,000	1,756,565	0	0
2029-2033	1,346,387	53,233	0	0
Total	\$ 19,015,899	\$ 13,750,452	\$ 374,969	\$ 53,805

Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2007, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2007 follows:

	Balance 7-1-06	Additions	Reductions	Balance 6-30-07	Amounts Due Within One Year
Amounts due to Rhea County a related party:					
RC Note 2	\$ 265,000	\$ 0	\$ (126,488)	\$ 138,512	\$ 138,512
Bonds payable	1,682,133	17,195,253	0	18,877,386	0
Capital lease	0	398,580	(23,611)	374,969	72,229
Total Long-term Debt	\$ 1,947,133	\$ 17,593,833	\$ (150,099)	\$ 19,390,867	\$ 210,741

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 totaled \$256,859 for 2007 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, 2007, was \$271,227.

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. 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 \$575,553 in 2007. 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, 2007, was \$5,427,149.

M. Designated Net Assets

Net assets reported in 2007 include \$218,560, 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, 2007, that have initial or remaining lease terms in excess of one year.

Year Ending June 30	Minimum Lease Payment
2008	\$ 29,262
2009	<u>22,967</u>
Total minimum lease payments	<u>\$ 52,229</u>

Rental expense included in operations amounted to \$194,986 in 2007.

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 \$238,243 in 2007.

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 \$332,008 for 2007.

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 \$11,988 in 2007 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, 2007, was as follows:

	<u>6-30-07</u>
Medicare	21 %
Medicaid/TennCare	14
Blue Cross	9
Commercial	14
Private Pay	<u>42</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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 5,135,486	\$ 0	\$ 0	\$ 5,135,486	\$ 4,894,674	\$ 4,907,174	\$ 228,312
Licenses and Permits	19,911	0	0	19,911	25,300	25,300	(5,389)
Fines, Forfeitures, and Penalties	324,204	0	0	324,204	422,850	422,850	(98,646)
Charges for Current Services	66,480	0	0	66,480	35,500	35,500	30,980
Other Local Revenues	243,639	0	0	243,639	254,000	296,866	(53,227)
Fees Received from County Officials	899,488	0	0	899,488	1,099,300	1,099,300	(199,812)
State of Tennessee	372,388	0	0	372,388	413,500	633,650	(261,262)
Federal Government	153,842	0	0	153,842	49,492	483,069	(329,227)
Other Governments and Citizens Groups	142,628	0	0	142,628	176,656	176,656	(34,028)
Total Revenues	\$ 7,358,066	\$ 0	\$ 0	\$ 7,358,066	\$ 7,371,272	\$ 8,080,365	\$ (722,299)
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 59,646	\$ 0	\$ 0	\$ 59,646	\$ 92,754	\$ 86,071	\$ 26,425
Board of Equalization	1,831	0	0	1,831	1,830	1,831	0
Beer Board	0	0	0	0	2,260	2,260	2,260
Other Boards and Committees	3,316	0	0	3,316	5,275	5,275	1,959
County Mayor/Executive	120,830	0	0	120,830	121,312	122,579	1,749
County Attorney	10,789	0	0	10,789	20,000	20,000	9,211
Election Commission	212,797	0	0	212,797	186,567	232,018	19,221
Register of Deeds	163,868	0	50,400	214,268	166,908	240,052	25,784
Planning	8,500	0	0	8,500	8,500	8,500	0
County Buildings	604,673	0	0	604,673	637,218	740,246	135,573
<u>Finance</u>							
Accounting and Budgeting	474,937	0	0	474,937	491,787	483,063	8,126
Property Assessor's Office	234,220	0	0	234,220	242,141	241,614	7,394
County Trustee's Office	35,344	0	0	35,344	170,433	165,033	129,689

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Finance (Cont.)</u>							
County Clerk's Office	\$ 59,793	\$ 0	\$ 0	\$ 59,793	\$ 275,488	\$ 287,489	\$ 227,696
<u>Administration of Justice</u>							
Circuit Court	278,724	0	0	278,724	266,473	299,129	20,405
General Sessions Court	414,433	0	0	414,433	462,054	422,498	8,065
Drug Court	14,499	0	0	14,499	0	14,499	0
Chancery Court	185,386	0	0	185,386	186,812	186,812	1,426
<u>Public Safety</u>							
Sheriff's Department	1,659,934	0	0	1,659,934	1,720,574	1,714,694	54,760
Administration of the Sexual Offender Registry	878	0	0	878	1,000	1,000	122
Jail	844,607	0	0	844,607	906,594	911,494	66,887
Juvenile Services	169,284	0	0	169,284	196,194	177,522	8,238
Fire Prevention and Control	212,396	(11,744)	0	200,652	200,542	422,048	221,396
Civil Defense	92,316	0	0	92,316	29,247	155,720	63,404
Rescue Squad	30,312	(870)	0	29,442	30,000	31,000	1,558
County Coroner/Medical Examiner	15,165	0	0	15,165	20,000	20,000	4,835
Public Safety Grant Programs	88,406	0	0	88,406	49,493	168,291	79,885
Other Public Safety	513,082	(84)	0	512,998	604,884	607,084	94,086
<u>Public Health and Welfare</u>							
Local Health Center	144,180	(8)	0	144,172	87,012	267,010	122,838
Ambulance/Emergency Medical Services	925	0	0	925	0	2,000	1,075
Crippled Children Services	0	0	0	0	2,072	2,072	2,072
Other Local Welfare Services	0	0	0	0	1,000	1,000	1,000
Other Public Health and Welfare	1,877	0	0	1,877	0	5,000	3,123
<u>Agriculture and Natural Resources</u>							
Agriculture Extension Service	81,460	0	0	81,460	81,318	81,864	404
Soil Conservation	83,763	0	0	83,763	86,616	86,616	2,853

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Agriculture and Natural Resources (Cont.)</u>							
Flood Control	\$ 18,100	\$ 0	\$ 0	\$ 18,100	\$ 0	\$ 32,549	\$ 14,449
Storm Water Management	20,769	0	0	20,769	0	21,000	231
<u>Other Operations</u>							
Industrial Development	10,000	0	0	10,000	0	10,000	0
Veterans' Services	97,474	0	0	97,474	92,416	100,670	3,196
Other Charges	127,045	0	0	127,045	138,344	142,602	15,557
Contributions to Other Agencies	158,101	0	0	158,101	112,600	150,100	(8,001)
Employee Benefits	43,403	0	0	43,403	42,822	44,615	1,212
Total Expenditures	\$ 7,297,063	\$ (12,706)	\$ 50,400	\$ 7,334,757	\$ 7,740,540	\$ 8,714,920	\$ 1,380,163
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 61,003	\$ 12,706	\$ (50,400)	\$ 23,309	\$ (369,268)	\$ (634,555)	\$ 657,864
<u>Other Financing Sources (Uses)</u>							
Proceeds from Sale of Capital Assets	\$ 950	\$ 0	\$ 0	\$ 950	\$ 0	\$ 950	\$ 0
Total Other Financing Sources (Uses)	\$ 950	\$ 0	\$ 0	\$ 950	\$ 0	\$ 950	\$ 0
<u>Net Change in Fund Balance</u>							
Fund Balance, July 1, 2006	\$ 1,603,649	(12,706)	0	1,590,943	1,477,728	1,477,728	113,215
Fund Balance, June 30, 2007	\$ 1,665,602	\$ 0	\$ (50,400)	\$ 1,615,202	\$ 1,108,460	\$ 844,123	\$ 771,079

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 279,831	\$ 272,000	\$ 272,000	\$ 7,831
Charges for Current Services	90,606	110,000	110,000	(19,394)
Other Local Revenues	12,779	16,700	16,700	(3,921)
State of Tennessee	46,501	8,500	56,004	(9,503)
Other Governments and Citizens Groups	6,892	0	12,451	(5,559)
Total Revenues	<u>\$ 436,609</u>	<u>\$ 407,200</u>	<u>\$ 467,155</u>	<u>\$ (30,546)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 535,638	\$ 501,641	\$ 592,095	\$ 56,457
<u>Other Operations</u>				
Other Charges	3,058	3,700	3,700	642
Employee Benefits	4,315	4,315	4,315	0
Total Expenditures	<u>\$ 543,011</u>	<u>\$ 509,656</u>	<u>\$ 600,110</u>	<u>\$ 57,099</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (106,402)</u>	<u>\$ (102,456)</u>	<u>\$ (132,955)</u>	<u>\$ 26,553</u>
Net Change in Fund Balance	\$ (106,402)	\$ (102,456)	\$ (132,955)	\$ 26,553
Fund Balance, July 1, 2006	<u>1,742,192</u>	<u>489,572</u>	<u>489,572</u>	<u>1,252,620</u>
Fund Balance, June 30, 2007	<u>\$ 1,635,790</u>	<u>\$ 387,116</u>	<u>\$ 356,617</u>	<u>\$ 1,279,173</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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 107,040	\$ 0	\$ 107,040	\$ 117,500	\$ 117,500	\$ (10,460)
Other Local Revenues	9,727	0	9,727	6,000	7,020	2,707
State of Tennessee	1,783,915	0	1,783,915	1,876,642	1,905,756	(121,841)
Total Revenues	<u>\$ 1,900,682</u>	<u>\$ 0</u>	<u>\$ 1,900,682</u>	<u>\$ 2,000,142</u>	<u>\$ 2,030,276</u>	<u>\$ (129,594)</u>
<u>Expenditures</u>						
<u>Highways</u>						
Administration	\$ 181,375	\$ 0	\$ 181,375	\$ 177,977	\$ 188,677	\$ 7,302
Highway and Bridge Maintenance	816,205	(28,538)	787,667	874,867	845,063	57,396
Operation and Maintenance of Equipment	215,626	0	215,626	194,592	229,808	14,182
Other Charges	72,643	0	72,643	75,253	75,253	2,610
Employee Benefits	140,349	0	140,349	141,745	144,786	4,437
Capital Outlay	612,274	(220,892)	391,382	580,999	572,836	181,454
Total Expenditures	<u>\$ 2,038,472</u>	<u>\$ (249,430)</u>	<u>\$ 1,789,042</u>	<u>\$ 2,045,433</u>	<u>\$ 2,056,423</u>	<u>\$ 267,381</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (137,790)</u>	<u>\$ 249,430</u>	<u>\$ 111,640</u>	<u>\$ (45,291)</u>	<u>\$ (26,147)</u>	<u>\$ 137,787</u>
<u>Other Financing Sources (Uses)</u>						
Proceeds from Sale of Capital Assets	\$ 15,200	\$ 0	\$ 15,200	\$ 0	\$ 0	\$ 15,200
Transfers Out	(113,333)	0	(113,333)	0	(113,333)	0
Total Other Financing Sources (Uses)	<u>\$ (98,133)</u>	<u>\$ 0</u>	<u>\$ (98,133)</u>	<u>\$ 0</u>	<u>\$ (113,333)</u>	<u>\$ 15,200</u>
Net Change in Fund Balance	\$ (235,923)	\$ 249,430	\$ 13,507	\$ (45,291)	\$ (139,480)	\$ 152,987
Fund Balance, July 1, 2006	<u>735,763</u>	<u>(249,430)</u>	<u>486,333</u>	<u>542,292</u>	<u>542,292</u>	<u>(55,959)</u>
Fund Balance, June 30, 2007	<u>\$ 499,840</u>	<u>\$ 0</u>	<u>\$ 499,840</u>	<u>\$ 497,001</u>	<u>\$ 402,812</u>	<u>\$ 97,028</u>

Exhibit F-4

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

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-05	\$ 22,389	\$ 24,942	2,553	89.77 %	\$ 12,174	20.96 %
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

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

A. BUDGETARY INFORMATION

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

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

B. EXPENDITURES EXCEEDED APPROPRIATIONS

Expenditures exceeded appropriations approved by the County Commission in the Contribution to Other Agencies major appropriation category (the legal level of control) of the General Fund by \$8,001. Such overexpenditures are a violation of state statutes. These overexpenditures were funded by appropriations exceeding expenditures in other major categories.

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

Nonmajor Governmental Funds

Special Revenue Funds

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

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

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

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

Capital Projects Funds

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

Community Development/Industrial Park Fund – The Community Development/Industrial Park Fund is used to account for community development projects.

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

Exhibit G-1

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

	Special Revenue Funds				Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 115,423	\$ 115,423	\$ 0	\$ 115,423
Equity in Pooled Cash and Investments	168,504	60,444	0	228,948	0	228,948
Accounts Receivable	0	0	553	553	0	553
Due from Other Governments	0	872	0	872	42,732	43,604
Total Assets	\$ 168,504	\$ 61,316	\$ 115,976	\$ 345,796	\$ 42,732	\$ 388,528
<u>LIABILITIES AND FUND BALANCES</u>						
<u>Liabilities</u>						
Accounts Payable	\$ 129	\$ 0	\$ 0	\$ 129	\$ 0	\$ 129
Contracts Payable	0	0	0	0	42,732	42,732
Due to Other Funds	0	0	903	903	0	903
Due to Litigants, Heirs, and Others	1,371	0	0	1,371	0	1,371
Total Liabilities	\$ 1,500	\$ 0	\$ 903	\$ 2,403	\$ 42,732	\$ 45,135
<u>Fund Balances</u>						
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 0	\$ 26,751	\$ 26,751
Unreserved (Deficit)	167,004	61,316	115,073	343,393	(26,751)	316,642
Total Fund Balances	\$ 167,004	\$ 61,316	\$ 115,073	\$ 343,393	\$ 0	\$ 343,393
Total Liabilities and Fund Balances	\$ 168,504	\$ 61,316	\$ 115,976	\$ 345,796	\$ 42,732	\$ 388,528

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, 2007

	Special Revenue Funds				Capital Projects Funds			Total Nonmajor Governmental Funds
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	HUD Grant Projects	Total	
<u>Revenues</u>								
Fines, Forfeitures, and Penalties	\$ 341,707	\$ 23,295	\$ 0	\$ 365,002	\$ 0	\$ 0	\$ 0	\$ 365,002
Charges for Current Services	0	0	354,696	354,696	0	0	0	354,696
Other Local Revenues	11,128	0	0	11,128	0	0	0	11,128
State of Tennessee	210	0	0	210	0	0	0	210
Federal Government	0	0	0	0	429,263	31,519	460,782	460,782
Other Governments and Citizens Groups	893	0	0	893	0	0	0	893
Total Revenues	\$ 353,938	\$ 23,295	\$ 354,696	\$ 731,929	\$ 429,263	\$ 31,519	\$ 460,782	\$ 1,192,711
<u>Expenditures</u>								
Current:								
Finance	\$ 0	\$ 0	\$ 318,277	\$ 318,277	\$ 0	\$ 0	\$ 0	\$ 318,277
Administration of Justice	0	25,342	3,185	28,527	0	0	0	28,527
Public Safety	247,592	0	197	247,789	0	0	0	247,789
Other Operations	0	244	0	244	0	35,851	35,851	36,095
Capital Outlay	0	0	0	0	429,263	0	429,263	429,263
Total Expenditures	\$ 247,592	\$ 25,586	\$ 321,659	\$ 594,837	\$ 429,263	\$ 35,851	\$ 465,114	\$ 1,059,951
Excess (Deficiency) of Revenues Over Expenditures								
	\$ 106,346	\$ (2,291)	\$ 33,037	\$ 137,092	\$ 0	\$ (4,332)	\$ (4,332)	\$ 132,760
Net Change in Fund Balances								
Fund Balance, July 1, 2006	\$ 60,658	\$ 63,607	\$ 82,036	\$ 206,301	\$ 0	\$ 4,332	\$ 4,332	\$ 210,633
Fund Balance, June 30, 2007	\$ 167,004	\$ 61,316	\$ 115,073	\$ 343,393	\$ 0	\$ 0	\$ 0	\$ 343,393

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 341,707	\$ 40,000	\$ 334,634	\$ 7,073
Other Local Revenues	11,128	1,200	9,260	1,868
State of Tennessee	210	0	0	210
Other Governments and Citizens Groups	893	3,000	3,000	(2,107)
Total Revenues	<u>\$ 353,938</u>	<u>\$ 44,200</u>	<u>\$ 346,894</u>	<u>\$ 7,044</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 247,592	\$ 59,210	\$ 380,793	\$ 133,201
Total Expenditures	<u>\$ 247,592</u>	<u>\$ 59,210</u>	<u>\$ 380,793</u>	<u>\$ 133,201</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 106,346</u>	<u>\$ (15,010)</u>	<u>\$ (33,899)</u>	<u>\$ 140,245</u>
Net Change in Fund Balance	\$ 106,346	\$ (15,010)	\$ (33,899)	\$ 140,245
Fund Balance, July 1, 2006	60,658	42,713	42,713	17,945
Fund Balance, June 30, 2007	<u>\$ 167,004</u>	<u>\$ 27,703</u>	<u>\$ 8,814</u>	<u>\$ 158,190</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 23,295	\$ 24,664	\$ 24,664	\$ (1,369)
Total Revenues	\$ 23,295	\$ 24,664	\$ 24,664	\$ (1,369)
<u>Expenditures</u>				
<u>Administration of Justice</u>				
District Attorney General	\$ 25,342	\$ 29,143	\$ 25,466	\$ 124
<u>Public Safety</u>				
Drug Enforcement	0	0	3,577	3,577
<u>Other Operations</u>				
Other Charges	244	247	347	103
Total Expenditures	\$ 25,586	\$ 29,390	\$ 29,390	\$ 3,804
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,291)	\$ (4,726)	\$ (4,726)	\$ 2,435
Net Change in Fund Balance	\$ (2,291)	\$ (4,726)	\$ (4,726)	\$ 2,435
Fund Balance, July 1, 2006	63,607	73,865	73,865	(10,258)
Fund Balance, June 30, 2007	\$ 61,316	\$ 69,139	\$ 69,139	\$ (7,823)

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,216,699	\$ 1,128,718	\$ 1,128,718	\$ 87,981
Other Local Revenues	725,534	105,000	1,027,254	(301,720)
Other Governments and Citizens Groups	141,993	546,684	141,993	0
Total Revenues	<u>\$ 2,084,226</u>	<u>\$ 1,780,402</u>	<u>\$ 2,297,965</u>	<u>\$ (213,739)</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 422,319	\$ 664,153	\$ 626,271	\$ 203,952
Education	877,068	887,193	905,233	28,165
<u>Interest on Debt</u>				
General Government	51,175	0	73,320	22,145
Education	606,693	606,695	606,695	2
<u>Other Debt Service</u>				
General Government	523,250	0	528,392	5,142
Education	1,780	0	1,850	70
Total Expenditures	<u>\$ 2,482,285</u>	<u>\$ 2,158,041</u>	<u>\$ 2,741,761</u>	<u>\$ 259,476</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (398,059)</u>	<u>\$ (377,639)</u>	<u>\$ (443,796)</u>	<u>\$ 45,737</u>
<u>Other Financing Sources (Uses)</u>				
Refunding Debt Issued	\$ 0	\$ 36,056	\$ 36,056	\$ (36,056)
Transfers In	113,333	141,993	150,703	(37,370)
Total Other Financing Sources (Uses)	<u>\$ 113,333</u>	<u>\$ 178,049</u>	<u>\$ 186,759</u>	<u>\$ (73,426)</u>
Net Change in Fund Balance	\$ (284,726)	\$ (199,590)	\$ (257,037)	\$ (27,689)
Fund Balance, July 1, 2006	83,665	327,131	327,131	(243,466)
Fund Balance, June 30, 2007	<u>\$ (201,061)</u>	<u>\$ 127,541</u>	<u>\$ 70,094</u>	<u>\$ (271,155)</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, 2007

	Agency Funds			Total
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 1,318,146	\$ 1,318,146
Equity in Pooled Cash and Investments	0	35,254	0	35,254
Due from Other Governments	341,676	59,944	6	401,626
Taxes Receivable	0	307,426	0	307,426
Allowance for Uncollectible Taxes	0	(15,396)	0	(15,396)
Total Assets	<u>\$ 341,676</u>	<u>\$ 387,228</u>	<u>\$ 1,318,152</u>	<u>\$ 2,047,056</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 341,676	\$ 387,228	\$ 0	\$ 728,904
Due to Litigants, Heirs, and Others	0	0	1,318,152	1,318,152
Total Liabilities	<u>\$ 341,676</u>	<u>\$ 387,228</u>	<u>\$ 1,318,152</u>	<u>\$ 2,047,056</u>

Exhibit I-2

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 2,062,843	\$ 2,062,843	\$ 0
Due from Other Governments	338,743	341,676	338,743	341,676
Total Assets	\$ 338,743	\$ 2,404,519	\$ 2,401,586	\$ 341,676
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 338,743	\$ 2,404,519	\$ 2,401,586	\$ 341,676
Total Liabilities	\$ 338,743	\$ 2,404,519	\$ 2,401,586	\$ 341,676
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 34,125	\$ 619,946	\$ 618,817	\$ 35,254
Due from Other Governments	61,843	59,944	61,843	59,944
Taxes Receivable	305,505	307,426	305,505	307,426
Allowance for Uncollectible Taxes	(15,028)	(15,396)	(15,028)	(15,396)
Total Assets	\$ 386,445	\$ 971,920	\$ 971,137	\$ 387,228
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 386,445	\$ 971,920	\$ 971,137	\$ 387,228
Total Liabilities	\$ 386,445	\$ 971,920	\$ 971,137	\$ 387,228
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,542,798	\$ 6,443,658	\$ 6,668,310	\$ 1,318,146
Due from Other Governments	295	6	295	6
Total Assets	\$ 1,543,093	\$ 6,443,664	\$ 6,668,605	\$ 1,318,152
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,543,093	\$ 6,443,664	\$ 6,668,605	\$ 1,318,152
Total Liabilities	\$ 1,543,093	\$ 6,443,664	\$ 6,668,605	\$ 1,318,152

(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	\$ 34,125	\$ 2,682,789	\$ 2,681,660	\$ 35,254
Cash	1,542,798	6,443,658	6,668,310	1,318,146
Due from Other Governments	400,881	401,626	400,881	401,626
Taxes Receivable	305,505	307,426	305,505	307,426
Allowance for Uncollectible Taxes	(15,028)	(15,396)	(15,028)	(15,396)
Total Assets	<u>\$ 2,268,281</u>	<u>\$ 9,820,103</u>	<u>\$ 10,041,328</u>	<u>\$ 2,047,056</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 725,188	\$ 3,376,439	\$ 3,372,723	\$ 728,904
Due to Litigants, Heirs, and Others	1,543,093	6,443,664	6,668,605	1,318,152
Total Liabilities	<u>\$ 2,268,281</u>	<u>\$ 9,820,103</u>	<u>\$ 10,041,328</u>	<u>\$ 2,047,056</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 Private Purpose Trust 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.

Private Purpose Trust Fund – The Private Purpose Trust Fund is used to account for money 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, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Total Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Component Unit:					
Governmental Activities:					
Instruction	\$ 17,524,753	\$ 23,902	\$ 1,588,430	\$ 670,537	\$ (15,241,884)
Support Services	9,676,309	35,649	94,196	1,431,190	(8,115,274)
Operation of Non-Instructional Services	2,202,305	723,430	1,448,660	0	(30,215)
Other Debt Service	451,536	0	0	0	(451,536)
Total Governmental Activities	\$ 29,854,903	\$ 782,981	\$ 3,131,286	\$ 2,101,727	\$ (23,838,909)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 3,105,284
Local Option Sales Taxes					2,147,006
Other Local Taxes					4,036
Grants and Contributions Not Restricted to Specific Programs					18,128,815
Unrestricted Investment Earnings					15,244
Miscellaneous					96,031
Gain on Disposal of Capital Assets					6,400
Total General Revenues					\$ 23,502,816
Change in Net Assets					\$ (336,093)
Prior Year Restatement					5,326,397
Net Assets, July 1, 2006					26,786,051
Net Assets, June 30, 2007					\$ 31,776,355

Exhibit J-2

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

	Major Funds		Nonmajor	Total
	General	School	Funds	
	Purpose School	Transpor - tation	Other Govern- mental Funds	
ASSETS				
Equity in Pooled Cash and Investments	\$ 1,427,037	\$ 248,964	\$ 662,664	\$ 2,338,665
Inventories	0	0	44,672	44,672
Accounts Receivable	4,212	5,177	196	9,585
Due from Other Governments	471,603	0	28,853	500,456
Due from Other Funds	23,244	0	0	23,244
Due from Primary Government	3,330	4,095	7,000	14,425
Property Taxes Receivable	1,872,931	1,469,371	0	3,342,302
Allowance for Uncollectible Property Taxes	(93,807)	(73,594)	0	(167,401)
Notes Receivable - Current	226,779	0	0	226,779
Notes Receivable - Long-term	102,776	0	0	102,776
Total Assets	\$ 4,038,105	\$ 1,654,013	\$ 743,385	\$ 6,435,503
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 10,004	\$ 1,170	\$ 1,319	\$ 12,493
Accrued Payroll	12,512	0	0	12,512
Payroll Deductions Payable	479,425	7,372	51,688	538,485
Contracts Payable	0	0	84,549	84,549
Due to Other Funds	0	0	23,244	23,244
Due to Primary Government	4,473	1,448	0	5,921
Due to State of Tennessee	0	0	484	484
Deferred Revenue - Current Property Taxes	1,719,235	1,348,794	0	3,068,029
Deferred Revenue - Delinquent Property Taxes	50,840	39,655	0	90,495
Other Deferred Revenues	183,170	0	0	183,170
Other Long-term Liabilities	85	0	31	116
Total Liabilities	\$ 2,459,744	\$ 1,398,439	\$ 161,315	\$ 4,019,498
Fund Balances				
Reserved for Encumbrances	\$ 17,589	\$ 0	\$ 247,094	\$ 264,683
Reserved for Long-term Notes Receivable	102,776	0	0	102,776
Reserved for Food Service	0	0	44,672	44,672
Reserved for Career Ladder - Extended Contract	60,294	0	0	60,294
Reserved for Career Ladder Program	2,556	0	0	2,556
Reserved for Technology	6,847	0	0	6,847
Reserved for Title I Grants to Local Education Agencies	0	0	5,201	5,201
Reserved for Innovative Education Program Strategies	0	0	260	260
Reserved for Special Education - Grants to States	0	0	6,235	6,235
Other Federal Reserves	0	0	1,822	1,822
Reserved for Other General Purposes	0	761	0	761
Unreserved, Reported In:				
General Fund	1,388,299	0	0	1,388,299
Special Revenue Funds	0	254,813	371,852	626,665
Capital Projects Funds (Deficit)	0	0	(95,066)	(95,066)
Total Fund Balances	\$ 1,578,361	\$ 255,574	\$ 582,070	\$ 2,416,005
Total Liabilities and Fund Balances	\$ 4,038,105	\$ 1,654,013	\$ 743,385	\$ 6,435,503

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, 2007

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$	2,416,005
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	797,823	
Add: construction in progress		425,293	
Add: buildings and improvements net of accumulated depreciation		26,459,618	
Add: other capital assets net of accumulated depreciation		<u>1,468,994</u>	29,151,728
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: compensated absences payable			(65,043)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			
			<u>273,665</u>
Net assets of governmental activities (Exhibit A)		\$	<u><u>31,776,355</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, 2007

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transportation	Other Governmental Funds	
<u>Revenues</u>				
Local Taxes	\$ 3,956,954	\$ 1,400,188	\$ 0	\$ 5,357,142
Licenses and Permits	2,323	0	0	2,323
Charges for Current Services	23,842	0	723,430	747,272
Other Local Revenues	178,690	54,074	13,067	245,831
State of Tennessee	18,024,667	0	19,425	18,044,092
Federal Government	262,031	0	2,738,389	3,000,420
Other Governments and Citizens Groups	438,333	380,000	1,283,394	2,101,727
Total Revenues	<u>\$ 22,886,840</u>	<u>\$ 1,834,262</u>	<u>\$ 4,777,705</u>	<u>\$ 29,498,807</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 14,690,138	\$ 0	\$ 1,461,692	\$ 16,151,830
Support Services	6,850,941	1,722,642	241,854	8,815,437
Operation of Non-Instructional Services	365,505	0	1,763,343	2,128,848
Capital Outlay	459,308	0	23,244	482,552
Debt Service:				
Other Debt Service	451,536	0	0	451,536
Capital Projects	0	0	1,590,507	1,590,507
Total Expenditures	<u>\$ 22,817,428</u>	<u>\$ 1,722,642</u>	<u>\$ 5,080,640</u>	<u>\$ 29,620,710</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 69,412	\$ 111,620	\$ (302,935)	\$ (121,903)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 0	\$ 475,385	\$ 475,385
Transfers Out	(475,385)	0	0	(475,385)
Total Other Financing Sources (Uses)	<u>\$ (475,385)</u>	<u>\$ 0</u>	<u>\$ 475,385</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ (405,973)	\$ 111,620	\$ 172,450	\$ (121,903)
Fund Balance, July 1, 2006	1,984,334	143,954	510,125	2,638,413
Prior Period Adjustment	0	0	(100,505)	(100,505)
Fund Balance, June 30, 2007	<u>\$ 1,578,361</u>	<u>\$ 255,574</u>	<u>\$ 582,070</u>	<u>\$ 2,416,005</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, 2007

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

Net change in fund balances - total governmental funds (Exhibit J-4)		\$	(121,903)
(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	\$	1,034,035	
Less: current year depreciation expense		<u>(1,202,355)</u>	(168,320)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is no change in net assets.			
Add: gain on sale of capital assets	\$	6,400	
Less: proceeds from the sale of capital assets		<u>(6,400)</u>	0
(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, 2007	\$	273,665	
Less: deferred delinquent property taxes/other deferred June 30, 2006		<u>(317,382)</u>	(43,717)
(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 the governmental funds.			
Less: change in compensated absences			<u>(2,153)</u>
Change in net assets of governmental activities (Exhibit B)		\$	<u>(336,093)</u>

Rhea County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2007

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Education</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	\$ 23,797	\$ 385,895	\$ 409,692	\$ 252,972	\$ 662,664
Inventories	0	44,672	44,672	0	44,672
Accounts Receivable	88	108	196	0	196
Due from Other Governments	28,853	0	28,853	0	28,853
Due from Primary Government	0	0	0	7,000	7,000
Total Assets	<u>\$ 52,738</u>	<u>\$ 430,675</u>	<u>\$ 483,413</u>	<u>\$ 259,972</u>	<u>\$ 743,385</u>
<u>LIABILITIES AND FUND BALANCES</u>					
<u>Liabilities</u>					
Accounts Payable	\$ 1,102	\$ 66	\$ 1,168	\$ 151	\$ 1,319
Payroll Deductions Payable	37,634	14,054	51,688	0	51,688
Contracts Payable	0	0	0	84,549	84,549
Due to Other Funds	0	0	0	23,244	23,244
Due to State of Tennessee	484	0	484	0	484
Other Long-term Liabilities	0	31	31	0	31
Total Liabilities	<u>\$ 39,220</u>	<u>\$ 14,151</u>	<u>\$ 53,371</u>	<u>\$ 107,944</u>	<u>\$ 161,315</u>
<u>Fund Balances</u>					
Reserved for Encumbrances	\$ 0	\$ 0	\$ 0	\$ 247,094	\$ 247,094
Reserved for Food Service	0	44,672	44,672	0	44,672
Reserved for Title I Grants to Local Education Agencies	5,201	0	5,201	0	5,201
Reserved for Innovative Education Program Strategies	260	0	260	0	260
Reserved for Special Education - Grants to States	6,235	0	6,235	0	6,235
Other Federal Reserves	1,822	0	1,822	0	1,822
Unreserved (Deficit)	0	371,852	371,852	(95,066)	276,786
Total Fund Balances	<u>\$ 13,518</u>	<u>\$ 416,524</u>	<u>\$ 430,042</u>	<u>\$ 152,028</u>	<u>\$ 582,070</u>
Total Liabilities and Fund Balances	<u>\$ 52,738</u>	<u>\$ 430,675</u>	<u>\$ 483,413</u>	<u>\$ 259,972</u>	<u>\$ 743,385</u>

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, 2007

	Special Revenue Funds			Capital Projects Fund	Permanent Fund Endowment	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects		
Revenues						
Charges for Current Services	\$ 0	\$ 723,430	\$ 723,430	\$ 0	\$ 0	\$ 723,430
Other Local Revenues	0	6,067	6,067	7,000	0	13,067
State of Tennessee	0	19,425	19,425	0	0	19,425
Federal Government	1,692,436	1,045,953	2,738,389	0	0	2,738,389
Other Governments and Citizens Groups	0	0	0	1,283,394	0	1,283,394
Total Revenues	\$ 1,692,436	\$ 1,794,875	\$ 3,487,311	\$ 1,290,394	\$ 0	\$ 4,777,705
Expenditures						
Current:						
Instruction	\$ 1,461,692	\$ 0	\$ 1,461,692	\$ 0	\$ 0	\$ 1,461,692
Support Services	241,854	0	241,854	0	0	241,854
Operation of Non-Instructional Services	0	1,763,343	1,763,343	0	0	1,763,343
Capital Outlay	0	0	0	23,244	0	23,244
Capital Projects	0	0	0	1,590,507	0	1,590,507
Total Expenditures	\$ 1,703,546	\$ 1,763,343	\$ 3,466,889	\$ 1,613,751	\$ 0	\$ 5,080,640
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,110)	\$ 31,532	\$ 20,422	\$ (323,357)	\$ 0	\$ (302,935)
Other Financing Sources (Uses)						
Transfers In	\$ 0	\$ 0	\$ 0	\$ 475,385	\$ 0	\$ 475,385
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 475,385	\$ 0	\$ 475,385
Net Change in Fund Balances	\$ (11,110)	\$ 31,532	\$ 20,422	\$ 152,028	\$ 0	\$ 172,450
Fund Balance, July 1, 2006	24,628	384,992	409,620	0	100,505	510,125
Prior Period Adjustment	0	0	0	0	(100,505)	(100,505)
Fund Balance, June 30, 2007	\$ 13,518	\$ 416,524	\$ 430,042	\$ 152,028	\$ 0	\$ 582,070

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, 2007

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 3,956,954	\$ 0	\$ 0	\$ 3,956,954	\$ 3,759,244	\$ 3,759,244	\$ 197,710
Licenses and Permits	2,323	0	0	2,323	2,300	2,300	23
Charges for Current Services	23,842	0	0	23,842	43,000	43,000	(19,158)
Other Local Revenues	178,690	0	0	178,690	97,300	170,788	7,902
State of Tennessee	18,024,667	0	0	18,024,667	17,564,800	18,173,320	(148,653)
Federal Government	262,031	0	0	262,031	41,500	219,146	42,885
Other Governments and Citizens Groups	438,333	0	0	438,333	0	351,870	86,463
Total Revenues	\$ 22,886,840	\$ 0	\$ 0	\$ 22,886,840	\$ 21,508,144	\$ 22,719,668	\$ 167,172
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 11,937,708	\$ (1,350)	\$ 1,419	\$ 11,937,777	\$ 11,794,868	\$ 12,071,153	\$ 133,376
Special Education Program	1,926,364	0	0	1,926,364	2,043,449	1,966,122	39,758
Vocational Education Program	732,721	0	0	732,721	743,054	743,734	11,013
Adult Education Program	93,345	0	0	93,345	9,502	106,721	13,376
<u>Support Services</u>							
Attendance	74,133	0	0	74,133	74,287	74,292	159
Health Services	161,351	(492)	0	160,859	166,722	170,794	9,935
Other Student Support	1,227,224	(7,136)	0	1,220,088	1,152,005	1,268,521	48,433
Regular Instruction Program	364,606	0	0	364,606	363,898	376,317	11,711
Special Education Program	235,968	0	0	235,968	245,006	237,857	1,889
Vocational Education Program	19,860	0	0	19,860	35,124	33,724	13,864
Adult Programs	110,939	0	0	110,939	7,580	127,075	16,136
Board of Education	254,442	0	0	254,442	253,023	270,515	16,073
Director of Schools	290,477	0	0	290,477	301,269	305,026	14,549
Office of the Principal	1,411,222	0	0	1,411,222	1,417,826	1,431,967	20,745

(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 7/1/2006	Add: Encumbrances 6/30/2007	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Operation of Plant	\$ 1,934,293	\$ (13,561)	\$ 0	\$ 1,920,732	\$ 1,957,513	\$ 1,975,544	\$ 54,812
Maintenance of Plant	764,126	(10,858)	0	753,268	845,628	877,502	124,234
Transportation	2,300	0	0	2,300	164	4,014	1,714
<u>Operation of Non-Instructional Services</u>							
Community Services	35,000	0	0	35,000	0	35,000	0
Early Childhood Education	330,505	(11,182)	0	319,323	0	336,074	16,751
<u>Capital Outlay</u>							
Regular Capital Outlay	459,308	(362,371)	16,170	113,107	575,208	337,641	224,534
<u>Other Debt Service</u>							
Education	451,536	0	0	451,536	0	451,536	0
Total Expenditures	\$ 22,817,428	\$ (406,950)	\$ 17,589	\$ 22,428,067	\$ 21,986,126	\$ 23,201,129	\$ 773,062
Excess (Deficiency) of Revenues							
Over Expenditures	\$ 69,412	\$ 406,950	\$ (17,589)	\$ 458,773	\$ (477,982)	\$ (481,461)	\$ 940,234
<u>Other Financing Sources (Uses)</u>							
Transfers Out	\$ (475,385)	\$ 0	\$ 0	\$ (475,385)	\$ 0	\$ (475,385)	\$ 0
Total Other Financing Sources (Uses)	\$ (475,385)	\$ 0	\$ 0	\$ (475,385)	\$ 0	\$ (475,385)	\$ 0
Net Change in Fund Balance							
Fund Balance, July 1, 2006	\$ 1,984,334	(406,950)	0	1,577,384	1,831,400	1,831,400	(254,016)
Fund Balance, June 30, 2007	\$ 1,578,361	\$ 0	\$ (17,589)	\$ 1,560,772	\$ 1,353,418	\$ 874,554	\$ 686,218

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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 1,692,436	\$ 764,111	\$ 2,257,606	\$ (565,170)
Total Revenues	\$ 1,692,436	\$ 764,111	\$ 2,257,606	\$ (565,170)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 670,753	\$ 601,997	\$ 835,917	\$ 165,164
Special Education Program	693,077	0	1,000,157	307,080
Vocational Education Program	97,862	0	98,523	661
<u>Support Services</u>				
Other Student Support	45,225	9,463	50,174	4,949
Regular Instruction Program	159,522	152,651	316,503	156,981
Special Education Program	25,279	0	63,274	37,995
Vocational Education Program	576	0	576	0
Board of Education	0	0	9,338	9,338
Transportation	11,252	0	41,418	30,166
Total Expenditures	\$ 1,703,546	\$ 764,111	\$ 2,415,880	\$ 712,334
Excess (Deficiency) of Revenues Over Expenditures	\$ (11,110)	\$ 0	\$ (158,274)	\$ 147,164
Net Change in Fund Balance	\$ (11,110)	\$ 0	\$ (158,274)	\$ 147,164
Fund Balance, July 1, 2006	24,628	0	158,381	(133,753)
Fund Balance, June 30, 2007	\$ 13,518	\$ 0	\$ 107	\$ 13,411

Exhibit J-10

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Rhea County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 723,430	\$ 730,000	\$ 730,000	\$ (6,570)
Other Local Revenues	6,067	3,500	3,500	2,567
State of Tennessee	19,425	19,500	19,500	(75)
Federal Government	1,045,953	960,500	960,500	85,453
Total Revenues	<u>\$ 1,794,875</u>	<u>\$ 1,713,500</u>	<u>\$ 1,713,500</u>	<u>\$ 81,375</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 1,763,343	\$ 1,771,514	\$ 1,771,514	\$ 8,171
Total Expenditures	<u>\$ 1,763,343</u>	<u>\$ 1,771,514</u>	<u>\$ 1,771,514</u>	<u>\$ 8,171</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 31,532</u>	<u>\$ (58,014)</u>	<u>\$ (58,014)</u>	<u>\$ 89,546</u>
Net Change in Fund Balance	\$ 31,532	\$ (58,014)	\$ (58,014)	\$ 89,546
Fund Balance, July 1, 2006	<u>384,992</u>	<u>333,340</u>	<u>333,340</u>	<u>51,652</u>
Fund Balance, June 30, 2007	<u>\$ 416,524</u>	<u>\$ 275,326</u>	<u>\$ 275,326</u>	<u>\$ 141,198</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, 2007

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,400,188	\$ 1,333,891	\$ 1,333,891	\$ 66,297
Other Local Revenues	54,074	42,000	54,050	24
Other Governments and Citizens Groups	380,000	0	380,000	0
Total Revenues	<u>\$ 1,834,262</u>	<u>\$ 1,375,891</u>	<u>\$ 1,767,941</u>	<u>\$ 66,321</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 31,115	\$ 35,498	\$ 31,704	\$ 589
Operation of Plant	2,012	4,200	5,800	3,788
Transportation	1,689,515	1,323,367	1,759,525	70,010
<u>Other Debt Service</u>				
Education	0	300,000	300,000	300,000
Total Expenditures	<u>\$ 1,722,642</u>	<u>\$ 1,663,065</u>	<u>\$ 2,097,029</u>	<u>\$ 374,387</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 111,620</u>	<u>\$ (287,174)</u>	<u>\$ (329,088)</u>	<u>\$ 440,708</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 0	\$ 300,000	\$ 299,137	\$ (299,137)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 299,137</u>	<u>\$ (299,137)</u>
Net Change in Fund Balance	\$ 111,620	\$ 12,826	\$ (29,951)	\$ 141,571
Fund Balance, July 1, 2006	<u>143,954</u>	<u>101,500</u>	<u>101,500</u>	<u>42,454</u>
Fund Balance, June 30, 2007	<u>\$ 255,574</u>	<u>\$ 114,326</u>	<u>\$ 71,549</u>	<u>\$ 184,025</u>

Exhibit J-12

Rhea County, Tennessee
Statement of Fiduciary Net Assets
Discretely Presented Rhea County School Department
Fiduciary Fund
June 30, 2007

	<u>Private Purpose Trust Fund</u> <u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 98,277
Total Assets	<u>\$ 98,277</u>
<u>NET ASSETS</u>	
Funds Held in Trust for Scholarships	<u>\$ 98,277</u>
Total Net Assets	<u><u>\$ 98,277</u></u>

Rhea County, Tennessee
Statement of Changes in Fiduciary Net Assets
Discretely Presented Rhea County School Department
Fiduciary Fund
For the Year Ended June 30, 2007

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 2,383
Total Additions	<u>\$ 2,383</u>
<u>DEDUCTIONS</u>	
Awards	<u>\$ 4,611</u>
Total Deductions	<u>\$ 4,611</u>
Change in Net Assets	\$ (2,228)
Net Assets, July 1, 2006	0
Prior Period Adjustment	<u>100,505</u>
Net Assets, June 30, 2007	<u><u>\$ 98,277</u></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, 2007

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
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	\$ 265,000	\$ 0	\$ 130,000	\$ 135,000
Centralized Maintenance #3	391,000	2	9-24-1998	9-24-07	86,890	0	43,446	43,444
Courthouse Heating and Air Conditioning	228,295	3	3-15-01	3-15-08	70,115	0	34,539	35,576
Closure of Old Landfill	483,333	2	6-9-02	6-9-08	161,115	0	80,556	80,559
Jail Expansion Phase #1	500,000	2	10-27-02	10-27-08	250,000	0	83,333	166,667
Centralized Maintenance Building	266,667	2	2-16-03	2-16-09	58,334	0	19,445	38,889
School Capital Projects (from Solid Waste/Sanitation Fund)	2,266,000	2	various	2-16-2000	556,335	0	226,780	329,555
School Buses	380,000	4.17	1-22-07	1-22-16	0	380,000	0	380,000
Total Notes Payable					<u>\$ 1,447,789</u>	<u>\$ 380,000</u>	<u>\$ 618,099</u>	<u>\$ 1,209,690</u>
CAPITAL LEASES PAYABLE								
<u>Payable through Highway/Public Works Fund:</u>								
Two Graders	368,662	5.6	6-26-06	6-26-11	\$ 362,338	\$ 0	\$ 65,893	\$ 296,445
Total Capital Leases Payable					<u>\$ 362,338</u>	<u>\$ 0</u>	<u>\$ 65,893</u>	<u>\$ 296,445</u>
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund:</u>								
School HVAC Loan	930,817	0	3-13-00	11-30-11	\$ 465,409	\$ 0	\$ 77,568	\$ 387,841
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	79,167	438,333	34,500	483,000
Sewer Project	(1)	Various	5-15-06	5-25-26	84,827	783,394	31,000	837,221
Total Other Loans Payable					<u>\$ 629,403</u>	<u>\$ 1,221,727</u>	<u>\$ 143,068</u>	<u>\$ 1,708,062</u>

(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 7-1-06	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-07
<u>BONDS PAYABLE</u>								
<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	\$ 3,235,000	\$ 0	\$ 520,000	\$ 2,715,000
General Obligation School 2001 Series	6,980,000	4.1 to 5	8-28-01	4-1-18	1,005,000	0	25,000	980,000
General Obligation County District School 2001 Series	5,150,000	4.1 to 5	8-28-01	4-1-23	935,000	0	170,000	765,000
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	6,180,000	0	30,000	6,150,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	3,615,000	0	20,000	3,595,000
Total Bonds Payable					<u>\$ 14,970,000</u>	<u>\$ 0</u>	<u>\$ 765,000</u>	<u>\$ 14,205,000</u>

(1) Total amount available under this Public Building Authority Loan Agreement is \$1,000,000, of which \$131,779 had not been drawn as of June 30, 2007.

Exhibit K-2

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

Year Ending June 30	Bond Requirements	Interest Requirements	Total Requirements
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>\$ 14,205,000</u>	<u>\$ 4,016,398</u>	<u>\$ 18,221,398</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, 2007

<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 6-30-07</u>
<u>PRIMARY GOVERNMENT</u>						
<u>Solid Waste/Sanitation Fund</u>						
Landfill Property - Solid Waste/Sanitation Fund	General Debt Service Fund	\$ 165,000	4-18-01	4-18-10	2 %	\$ 55,000
Jail Expansion - General Fund	"	150,000	2-10-04	2-10-10	2	100,000
Frazier Addition and Sewer Project - Education Capital Projects Fund	"	500,000	3-22-07	3-22-10	2	<u>500,000</u>
Total Primary Government						<u>\$ 655,000</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	\$ 43,445
Old Landfill Closure - Solid Waste/Sanitation Fund	"	725,000	6-9-1999	6-9-08	2	80,555
Jail Renovation - General Fund	"	750,000	10-27-1999	10-27-08	2	166,666
Central Maintenance Building - Central Maintenance Fund	"	400,000	2-16-00	2-16-09	2	<u>38,889</u>
Total Discretely Presented Rhea County School Department						<u>\$ 329,555</u>

Exhibit K-4

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

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
Highway/Public Works	General Debt Service	Debt retirement	\$ 113,333
Total Transfers Primary Government			<u>\$ 113,333</u>
<u>DISCRETELY PRESENTED RHEA COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	Education Capital Projects	Funds for various projects	\$ 475,385
Total Transfers Discretely Presented Rhea County School Department			<u>\$ 475,385</u>

Exhibit K-5

Rhea County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Rhea County School Department
For the Year Ended June 30, 2007

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <u>TCA</u>	\$ 64,759	\$ 50,000	Travelers Casualty Surety Company
Highway Supervisor	Section 8-24-102, <u>TCA</u>	61,676	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education	101,328 (1)	(2)	
Trustee:				
Freddie Morgan (7-1-06 through 8-31-06)	Section 8-24-102, <u>TCA</u>	9,345	670,000	"
Neva Webb (9-1-06 through 6-30-07)	Section 8-24-102, <u>TCA</u>	46,724	848,000	"
Assessor of Property	Section 8-24-102, <u>TCA</u>	56,069	10,000	"
Finance Director:				
Brad Harris (7-1-06 through 3-21-07)	County Commission	43,397	50,000	"
Vacant (3-22-07 through 4-10-07)				
Charles Martin (4-11-07 through 6-30-07)	County Commission	12,328	50,000	"
County Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <u>TCA</u>	56,069	50,000	"
Clerk and Master	Section 8-24-102, <u>TCA</u>	58,726 (3)	50,000	"
Register	Section 8-24-102, <u>TCA</u>	56,069	25,000	"
Sheriff	Section 8-24-102, <u>TCA</u>	61,676	25,000	"
Employee Blanket Bond Coverage:				
All County Departments			150,000	Tennessee Risk Management 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 \$2,657.

Exhibit K-6

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	4,386,648	\$ 0	\$ 0	\$ 0	\$ 0	0
Trustee's Collections - Prior Year	180,355	0	0	0	0	0
Trustee's Collections - Bankruptcy	538	0	0	0	0	0
Circuit/Clerk & Master Collections - Prior Years	116,930	0	0	0	0	0
Interest and Penalty	34,692	0	0	0	0	0
Payments in-Lieu-of Taxes - T.V.A.	3,365	0	0	0	0	0
Payments in-Lieu-of Taxes - Local Utilities	43,401	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	1,089	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	0
Hotel/Motel Tax	113,335	0	0	0	0	0
Litigation Tax - General	174,490	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	43,739	0	0	0	0	0
Business Tax	0	190,111	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	107,040
<u>Statutory Local Taxes</u>						
Bank Excise Tax	36,904	0	0	0	0	0
Wholesale Beer Tax	0	89,720	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	0
Total Local Taxes	5,135,486	\$ 279,831	\$ 0	\$ 0	\$ 0	107,040
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	9,841	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>						
Beer Permits	5,146	0	0	0	0	0
Building Permits	4,615	0	0	0	0	0
Other Permits	309	0	0	0	0	0
Total Licenses and Permits	19,911	\$ 0	\$ 0	\$ 0	\$ 0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	7,657	\$ 0	\$ 0	7,563	\$ 0	0
Officers Costs	20,587	0	0	0	0	0
Drug Control Fines	3,193	0	2,196	0	0	0
Drug Court Fees	532	0	0	0	0	0
Jail Fees	3,419	0	0	0	0	0
DUI Treatment Fines	744	0	0	0	0	0
Data Entry Fee - Circuit Court	2,115	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	25,044	0	0	15,732	0	0
Officers Costs	82,238	0	0	0	0	0
Game and Fish Fines	1,591	0	0	0	0	0
Drug Control Fines	20,792	0	20,496	0	0	0
Drug Court Fees	9,368	0	0	0	0	0
Jail Fees	54,020	0	0	0	0	0
DUI Treatment Fines	5,217	0	0	0	0	0
Data Entry Fee - General Sessions Court	9,337	0	0	0	0	0
<u>Juvenile Court</u>						
Jail Fees	63,041	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	9,797	0	0	0	0	0
Data Entry Fee - Chancery Court	2,072	0	0	0	0	0
Courtroom Security Fee	292	0	0	0	0	0
<u>Other Courts - In-county</u>						
Jail Fees	3,148	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	319,015	0	0	0
Total Fines, Forfeitures, and Penalties	324,204	\$ 0	\$ 341,707	\$ 23,295	\$ 0	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Surcharge - Host Agency	0	\$ 90,606	\$ 0	\$ 0	\$ 0	0
Work Release Charges for Board	27,344	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works
<u>Charges for Current Services (Cont.)</u>						
<u>Fees</u>						
Copy Fees	6,644	\$ 0	\$ 0	\$ 0	\$ 0	0
Telephone Commissions	3,876	0	0	0	0	0
Vending Machine Collections	222	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	352,039	0
Special Commissioner Fees/Special Master Fees	0	0	0	0	2,657	0
Data Processing Fee - Register	13,746	0	0	0	0	0
Data Processing Fee - Sheriff	9,588	0	0	0	0	0
Sexual Offender Registration Fees - Sheriff	5,060	0	0	0	0	0
Total Charges for Current Services	66,480	\$ 90,606	\$ 0	\$ 0	\$ 354,696	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	1,341	\$ 6,979	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	82,044	0	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	0	6,854
Commissary Sales	5,909	0	0	0	0	0
Sale of Gasoline	4,026	0	0	0	0	0
Sale of Recycled Materials	0	5,089	0	0	0	0
Miscellaneous Refunds	860	0	8,060	0	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	404	111	0	0	0	1,803
Damages Recovered from Individuals	414	0	0	0	0	0
Contributions and Gifts	6,850	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	141,791	600	3,068	0	0	1,070
Total Other Local Revenues	243,639	\$ 12,779	\$ 11,128	\$ 0	\$ 0	9,727
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	48,417	\$ 0	\$ 0	\$ 0	\$ 0	0
Trustee	171,692	0	0	0	0	0

(Continued)

Exhibit K-6

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees-In-Lieu of Salary</u>						
Circuit Court Clerk	146,028	\$ 0	\$ 0	\$ 0	\$ 0	0
General Sessions Court Clerk	245,764	0	0	0	0	0
Clerk and Master	102,543	0	0	0	0	0
Register	175,399	0	0	0	0	0
Sheriff	9,645	0	0	0	0	0
Total Fees Received from County Officials	899,488	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	9,000	\$ 0	\$ 0	\$ 0	\$ 0	0
Child Restraint Program	5,728	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	16,119	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Public Health Nurses	70,444	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	0	29,114
State Aid Program	0	0	0	0	0	152,397
Litter Program	0	29,213	0	0	0	0
<u>Other State Revenues</u>						
Flood Control	16,512	0	0	0	0	0
Income Tax	33,922	0	0	0	0	0
Beer Tax	18,753	0	0	0	0	0
Alcoholic Beverage Tax	37,930	0	0	0	0	0
Mixed Drink Tax	1,313	0	0	0	0	0
Contracted Prisoner Boarding	92,968	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,577,317
Petroleum Special Tax	0	0	0	0	0	22,846
Reappraisal Program Reimbursement	14,150	0	0	0	0	0
Registrar's Salary Supplement	16,380	0	0	0	0	0
Other State Grants	30,000	17,288	0	0	0	2,241
Other State Revenues	9,169	0	210	0	0	0
Total State of Tennessee	372,388	\$ 46,501	\$ 210	\$ 0	\$ 0	1,783,915

(Continued)

Exhibit K-6

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitutional Officers - Fees	Highway / Public Works
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	0 \$	0 \$	0 \$	0 \$	0 \$	0
Civil Defense Reimbursement	27,653	0	0	0	0	0
Homeland Security Grants	64,745	0	0	0	0	0
Law Enforcement Grants	36,909	0	0	0	0	0
Other Federal through State	24,535	0	0	0	0	0
Total Federal Government	153,842 \$	0 \$	0 \$	0 \$	0 \$	0
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	142,628 \$	0 \$	893 \$	0 \$	0 \$	0
<u>Other</u>						
Other	0	6,892	0	0	0	0
Total Other Governments and Citizens Groups	142,628 \$	6,892 \$	893 \$	0 \$	0 \$	0
Total	7,358,066 \$	436,609 \$	353,938 \$	23,295 \$	354,696 \$	1,900,682

(Continued)

Exhibit K-6

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

	Debt Service Fund			Capital Projects Funds			Total
	General Debt Service	Community Development/Industrial Park	HUD Grant Projects				
<u>Local Taxes</u>							
<u>County Property Taxes</u>							
Current Property Tax	\$ 679,493	\$ 0	\$ 0	\$ 5,066,141			
Trustee's Collections - Prior Year	26,647	0	0	207,002			
Trustee's Collections - Bankruptcy	146	0	0	684			
Circuit/Clerk & Master Collections - Prior Years	26,536	0	0	143,466			
Interest and Penalty	4,713	0	0	39,405			
Payments in-Lieu-of Taxes - T.V.A.	508	0	0	3,873			
Payments in-Lieu-of Taxes - Local Utilities	6,414	0	0	49,815			
Payments in-Lieu-of Taxes - Other	7,852	0	0	8,941			
<u>County Local Option Taxes</u>							
Local Option Sales Tax	455,757	0	0	455,757			
Hotel/Motel Tax	0	0	0	113,335			
Litigation Tax - General	0	0	0	174,490			
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	43,739			
Business Tax	0	0	0	190,111			
Mineral Severance Tax	0	0	0	107,040			
<u>Statutory Local Taxes</u>							
Bank Excise Tax	5,570	0	0	42,474			
Wholesale Beer Tax	0	0	0	89,720			
Interstate Telecommunications Tax	3,063	0	0	3,063			
Total Local Taxes	\$ 1,216,699	\$ 0	\$ 0	\$ 6,739,056			
<u>Licenses and Permits</u>							
<u>Licenses</u>							
Cable TV Franchise	\$ 0	\$ 0	\$ 0	\$ 9,841			
<u>Permits</u>							
Beer Permits	0	0	0	5,146			
Building Permits	0	0	0	4,615			
Other Permits	0	0	0	309			
Total Licenses and Permits	\$ 0	\$ 0	\$ 0	\$ 19,911			

(Continued)

Exhibit K-6

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

	Debt Service Fund			Capital Projects Funds			Total
	General Debt Service	Development/Industrial Park	HUD Grant Projects	Community			
<u>Fines, Forfeitures, and Penalties</u>							
<u>Circuit Court</u>							
Fines	\$ 0	\$ 0	\$ 0				\$ 15,220
Officers Costs	0	0	0				20,587
Drug Control Fines	0	0	0				5,389
Drug Court Fees	0	0	0				532
Jail Fees	0	0	0				3,419
DUI Treatment Fines	0	0	0				744
Data Entry Fee - Circuit Court	0	0	0				2,115
<u>General Sessions Court</u>							
Fines	0	0	0				40,776
Officers Costs	0	0	0				82,238
Game and Fish Fines	0	0	0				1,591
Drug Control Fines	0	0	0				41,288
Drug Court Fees	0	0	0				9,368
Jail Fees	0	0	0				54,020
DUI Treatment Fines	0	0	0				5,217
Data Entry Fee - General Sessions Court	0	0	0				9,337
<u>Juvenile Court</u>							
Jail Fees	0	0	0				63,041
<u>Chancery Court</u>							
Officers Costs	0	0	0				9,797
Data Entry Fee - Chancery Court	0	0	0				2,072
Courtroom Security Fee	0	0	0				292
<u>Other Courts - In-county</u>							
Jail Fees	0	0	0				3,148
<u>Other Fines, Forfeitures, and Penalties</u>							
Proceeds from Confiscated Property	0	0	0				319,015
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 0	\$ 0				\$ 689,206
<u>Charges for Current Services</u>							
<u>General Service Charges</u>							
Surcharge - Host Agency	\$ 0	\$ 0	\$ 0				\$ 90,606
Work Release Charges for Board	0	0	0				27,344

(Continued)

Exhibit K-6

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

	Debt Service Fund			Capital Projects Funds			Total
	General Debt Service	Development/Industrial Park	HUD Grant Projects	Community			
<u>Charges for Current Services (Cont.)</u>							
<u>Fees</u>							
Copy Fees	\$ 0	\$ 0	\$ 0				\$ 6,644
Telephone Commissions	0	0	0				3,876
Vending Machine Collections	0	0	0				222
Constitutional Officers' Fees and Commissions	0	0	0				352,039
Special Commissioner Fees/Special Master Fees	0	0	0				2,657
Data Processing Fee - Register	0	0	0				13,746
Data Processing Fee - Sheriff	0	0	0				9,588
Sexual Offender Registration Fees - Sheriff	0	0	0				5,060
Total Charges for Current Services	\$ 0	\$ 0	\$ 0				\$ 511,782
<u>Other Local Revenues</u>							
<u>Recurring Items</u>							
Investment Income	\$ 273,998	\$ 0	\$ 0				\$ 282,318
Lease/Rentals	0	0	0				82,044
Sale of Materials and Supplies	0	0	0				6,854
Commissary Sales	0	0	0				5,909
Sale of Gasoline	0	0	0				4,026
Sale of Recycled Materials	0	0	0				5,089
Miscellaneous Refunds	0	0	0				8,920
<u>Nonrecurring Items</u>							
Sale of Equipment	0	0	0				2,318
Damages Recovered from Individuals	0	0	0				414
Contributions and Gifts	451,536	0	0				458,386
<u>Other Local Revenues</u>							
Other Local Revenues	0	0	0				146,529
Total Other Local Revenues	\$ 725,534	\$ 0	\$ 0				\$ 1,002,807
<u>Fees Received from County Officials</u>							
<u>Excess Fees</u>							
County Clerk	\$ 0	\$ 0	\$ 0				\$ 48,417
Trustee	0	0	0				171,692

(Continued)

Exhibit K-6

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

	Debt Service Fund			Capital Projects Funds			Total
	General Debt Service	Community Development/Industrial Park	HUD Grant Projects				
<u>Fees Received from County Officials (Cont.)</u>							
<u>Fees-In-Lieu of Salary</u>							
Circuit Court Clerk	\$ 0	\$ 0	\$ 0	\$ 146,028			
General Sessions Court Clerk	0	0	0	245,764			
Clerk and Master	0	0	0	102,543			
Register	0	0	0	175,399			
Sheriff	0	0	0	9,645			
Total Fees Received from County Officials	\$ 0	\$ 0	\$ 0	\$ 899,488			
<u>State of Tennessee</u>							
<u>General Government Grants</u>							
Juvenile Services Program	\$ 0	\$ 0	\$ 0	\$ 9,000			
Child Restraint Program	0	0	0	5,728			
<u>Public Safety Grants</u>							
Law Enforcement Training Programs	0	0	0	16,119			
<u>Health and Welfare Grants</u>							
Public Health Nurses	0	0	0	70,444			
<u>Public Works Grants</u>							
Bridge Program	0	0	0	29,114			
State Aid Program	0	0	0	152,397			
Litter Program	0	0	0	29,213			
<u>Other State Revenues</u>							
Flood Control	0	0	0	16,512			
Income Tax	0	0	0	33,922			
Beer Tax	0	0	0	18,753			
Alcoholic Beverage Tax	0	0	0	37,930			
Mixed Drink Tax	0	0	0	1,313			
Contracted Prisoner Boarding	0	0	0	92,968			
Gasoline and Motor Fuel Tax	0	0	0	1,577,317			
Petroleum Special Tax	0	0	0	22,846			
Reappraisal Program Reimbursement	0	0	0	14,150			
Registrar's Salary Supplement	0	0	0	16,380			
Other State Grants	0	0	0	49,529			
Other State Revenues	0	0	0	9,379			
Total State of Tennessee	\$ 0	\$ 0	\$ 0	\$ 2,203,014			

(Continued)

Exhibit K-6

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

	Debt Service Fund	Capital Projects Funds		Total
		Community Development/ Industrial Park	HUD Grant Projects	
<u>Federal Government</u>				
<u>Federal Through State</u>				
Community Development	\$ 0	\$ 429,263	\$ 0	\$ 429,263
Civil Defense Reimbursement	0	0	0	27,653
Homeland Security Grants	0	0	0	64,745
Law Enforcement Grants	0	0	0	36,909
Other Federal through State	0	0	31,519	56,054
Total Federal Government	\$ 0	\$ 429,263	\$ 31,519	\$ 614,624
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 141,993	\$ 0	\$ 0	\$ 285,514
<u>Other</u>				
Other	0	0	0	6,892
Total Other Governments and Citizens Groups	\$ 141,993	\$ 0	\$ 0	\$ 292,406
Total	\$ 2,084,226	\$ 429,263	\$ 31,519	\$ 12,972,294

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, 2007

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 1,627,612	\$ 0	\$ 0	\$ 1,277,100	\$ 0	\$ 2,904,712
Trustee's Collections - Prior Year	66,127	0	0	53,555	0	119,682
Trustee's Collections - Bankruptcy	143	0	0	74	0	217
Circuit/Clerk & Master Collections - Prior Years	51,143	0	0	33,576	0	84,719
Interest and Penalty	12,757	0	0	10,331	0	23,088
Payments in-Lieu-of Taxes - T.V.A.	1,253	0	0	1,016	0	2,269
Payments in-Lieu-of Taxes - Local Utilities	16,132	0	0	13,066	0	29,198
Payments in-Lieu-of Taxes - Other	405	0	0	329	0	734
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,163,589	0	0	0	0	2,163,589
<u>Statutory Local Taxes</u>						
Bank Excise Tax	13,757	0	0	11,141	0	24,898
Interstate Telecommunications Tax	4,036	0	0	0	0	4,036
Total Local Taxes	\$ 3,956,954	\$ 0	\$ 0	\$ 1,400,188	\$ 0	\$ 5,357,142
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 2,323	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,323
Total Licenses and Permits	\$ 2,323	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,323
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 23,842	\$ 0	\$ 0	\$ 0	\$ 0	\$ 23,842
Lunch Payments - Children	0	0	388,505	0	0	388,505
Lunch Payments - Adults	0	0	48,545	0	0	48,545
Income from Breakfast	0	0	8,609	0	0	8,609
A la carte Sales	0	0	277,771	0	0	277,771
Total Charges for Current Services	\$ 23,842	\$ 0	\$ 723,430	\$ 0	\$ 0	\$ 747,272
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 11,127	\$ 0	\$ 4,117	\$ 0	\$ 0	\$ 15,244
Lease/Rentals	60	0	0	35,649	0	35,709
Miscellaneous Refunds	73,055	0	950	0	7,000	81,005

(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	Education Capital Projects	Total
<u>Other Local Revenues (Cont.)</u>						
<u>Nonrecurring Items</u>						
Gain on Disposal of Property	\$ 0	\$ 0	\$ 0	\$ 6,400	\$ 0	\$ 6,400
Sale of Equipment	1,765	0	0	334	0	2,099
Damages Recovered from Individuals	0	0	0	45	0	45
Contributions and Gifts	14,952	0	0	0	0	14,952
<u>Other Local Revenues</u>						
Other Local Revenues	77,731	0	1,000	11,646	0	90,377
Total Other Local Revenues	\$ 178,690	\$ 0	\$ 6,067	\$ 54,074	\$ 7,000	\$ 245,831
<u>State of Tennessee</u>						
<u>State Education Funds</u>						
Basic Education Program	\$ 16,548,622	\$ 0	\$ 0	\$ 0	\$ 0	\$ 16,548,622
Early Childhood Education	319,562	0	0	0	0	319,562
School Food Service	0	0	19,425	0	0	19,425
Driver Education	9,970	0	0	0	0	9,970
Other State Education Funds	25,892	0	0	0	0	25,892
Career Ladder Program	218,610	0	0	0	0	218,610
Career Ladder - Extended Contract	93,282	0	0	0	0	93,282
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	808,729	0	0	0	0	808,729
Total State of Tennessee	\$ 18,024,667	\$ 0	\$ 19,425	\$ 0	\$ 0	\$ 18,044,092
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 790,429	\$ 0	\$ 0	\$ 790,429
Breakfast	0	0	255,524	0	0	255,524
Adult Education State Grant Program	166,872	0	0	0	0	166,872
Vocational Education - Basic Grants to States	0	99,641	0	0	0	99,641
Title I Grants to Local Education Agencies	0	654,255	0	0	0	654,255
Innovative Education Program Strategies	0	3,850	0	0	0	3,850
Special Education - Grants to States	0	708,179	0	0	0	708,179
Special Education Preschool Grants	0	16,892	0	0	0	16,892
Eisenhower Professional Development State Grants	0	164,200	0	0	0	164,200
Other Federal through State	47,829	45,419	0	0	0	93,248
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	47,330	0	0	0	0	47,330
Total Federal Government	\$ 262,031	\$ 1,692,436	\$ 1,045,953	\$ 0	\$ 0	\$ 3,000,420

(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	Education Capital Projects	Total
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 438,333	\$ 0	\$ 0	\$ 380,000	\$ 1,283,394	\$ 2,101,727
Total Other Governments and Citizens Groups	\$ 438,333	\$ 0	\$ 0	\$ 380,000	\$ 1,283,394	\$ 2,101,727
Total	\$ 22,886,840	\$ 1,692,436	\$ 1,794,875	\$ 1,834,262	\$ 1,290,394	\$ 29,498,807

Exhibit K-8

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

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Architects		1,000	
Audit Services		6,470	
Dues and Memberships		1,650	
Other Contracted Services		81	
Other Supplies and Materials		3,730	
Other Charges		211	
Total County Commission			\$ 59,646

Board of Equalization

Board and Committee Members Fees	\$	1,700	
Social Security		106	
Employer Medicare		25	
Total Board of Equalization			1,831

Other Boards and Committees

Board and Committee Members Fees	\$	2,490	
Social Security		154	
Employer Medicare		36	
Printing, Stationery, and Forms		636	
Total Other Boards and Committees			3,316

County Mayor/Executive

County Official/Administrative Officer	\$	64,759	
Mechanic(s)		84	
Secretary(ies)		23,004	
Social Security		5,600	
State Retirement		7,758	
Life Insurance		96	
Medical Insurance		11,515	
Employer Medicare		1,310	
Communication		622	
Dues and Memberships		1,450	
Operating Lease Payments		1,570	
Travel		672	
Gasoline		1,302	
Lubricants		25	
Office Supplies		465	

(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.)

Vehicle and Equipment Insurance	\$ 598	
Total County Mayor/Executive		\$ 120,830

County Attorney

Legal Services	\$ 10,789	
Total County Attorney		10,789

Election Commission

County Official/Administrative Officer	\$ 53,059	
Clerical Personnel	27,583	
Part-time Personnel	2,022	
Election Commission	7,645	
Election Workers	34,940	
Social Security	5,471	
State Retirement	6,134	
Life Insurance	88	
Medical Insurance	10,772	
Employer Medicare	1,279	
Communication	1,183	
Dues and Memberships	225	
Operating Lease Payments	1,365	
Legal Notices, Recording, and Court Costs	10,566	
Maintenance and Repair Services - Equipment	6,904	
Rentals	640	
Travel	4,908	
Other Contracted Services	4,125	
Office Supplies	3,618	
Other Supplies and Materials	6,078	
Data Processing Equipment	3,145	
Furniture and Fixtures	3,931	
Office Equipment	1,011	
Voting Machines	16,105	
Total Election Commission		212,797

Register of Deeds

County Official/Administrative Officer	\$ 56,069
Deputy(ies)	28,226
Clerical Personnel	28,145
Social Security	6,386
State Retirement	4,734

(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 (Cont.)

Life Insurance	\$	144	
Medical Insurance		17,189	
Employer Medicare		1,494	
Data Processing Services		10,413	
Dues and Memberships		411	
Operating Lease Payments		1,859	
Duplicating Supplies		439	
Office Supplies		4,717	
Furniture and Fixtures		3,642	
Total Register of Deeds			\$ 163,868

Planning

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

County Buildings

Custodial Personnel	\$	20,090	
Other Salaries and Wages		83,433	
Social Security		6,374	
State Retirement		8,918	
Life Insurance		96	
Medical Insurance		11,578	
Employer Medicare		1,491	
Communication		27,360	
Dues and Memberships		7,232	
Postal Charges		36,728	
Other Contracted Services		143,785	
Custodial Supplies		21,091	
Electricity		138,582	
Natural Gas		23,912	
Water and Sewer		17,238	
Other Supplies and Materials		25,717	
Building and Contents Insurance		23,673	
Furniture and Fixtures		2,612	
Heating and Air Conditioning Equipment		4,763	
Total County Buildings			604,673

Finance

Accounting and Budgeting

Accountants/Bookkeepers	\$	55,725	
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(Continued)

Exhibit K-8

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Other Salaries and Wages	\$	261,595	
In-Service Training		1,218	
Social Security		18,781	
State Retirement		27,534	
Life Insurance		520	
Medical Insurance		62,186	
Employer Medicare		4,392	
Data Processing Services		13,997	
Dues and Memberships		124	
Operating Lease Payments		2,949	
Legal Notices, Recording, and Court Costs		3,281	
Travel		1,570	
Other Contracted Services		422	
Office Supplies		15,152	
Data Processing Equipment		4,997	
Office Equipment		494	
Total Accounting and Budgeting			\$ 474,937

Property Assessor's Office

County Official/Administrative Officer	\$	56,069	
Mechanic(s)		112	
Clerical Personnel		101,859	
Social Security		9,174	
State Retirement		13,443	
Life Insurance		240	
Medical Insurance		22,990	
Employer Medicare		2,145	
Communication		459	
Data Processing Services		4,383	
Dues and Memberships		1,211	
Operating Lease Payments		1,059	
Printing, Stationery, and Forms		213	
Travel		323	
Other Contracted Services		11,760	
Gasoline		1,343	
Lubricants		19	
Office Supplies		6,668	
Vehicle and Equipment Insurance		750	
Total Property Assessor's Office			234,220

(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	\$	140	
Medical Insurance		6,614	
Data Processing Services		15,156	
Dues and Memberships		696	
Operating Lease Payments		1,059	
Legal Notices, Recording, and Court Costs		497	
Postal Charges		4,584	
Other Contracted Services		425	
Office Supplies		6,173	
Total County Trustee's Office	\$		35,344

County Clerk's Office

Life Insurance	\$	264	
Medical Insurance		33,024	
Employer Medicare		20	
Data Processing Services		11,929	
Dues and Memberships		561	
Operating Lease Payments		1,909	
Travel		30	
Office Supplies		5,796	
Data Processing Equipment		6,260	
Total County Clerk's Office			59,793

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	56,069	
Deputy(ies)		115,912	
Jury and Witness Fees		16,733	
Social Security		10,557	
State Retirement		14,917	
Life Insurance		288	
Medical Insurance		34,671	
Employer Medicare		2,469	
Data Processing Services		8,408	
Dues and Memberships		411	
Operating Lease Payments		4,118	
Other Contracted Services		25	
Office Supplies		12,069	
Communication Equipment		2,077	
Total Circuit Court			278,724

(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)	\$	110,149	
Probation Officer(s)		43,094	
Secretary(ies)		19,657	
Clerical Personnel		101,238	
Other Salaries and Wages		24,545	
Social Security		17,699	
State Retirement		26,217	
Life Insurance		440	
Medical Insurance		46,064	
Employer Medicare		4,151	
Communication		609	
Travel		5,496	
Office Supplies		10,398	
Communication Equipment		2,076	
Data Processing Equipment		2,361	
Office Equipment		239	
Total General Sessions Court			\$ 414,433

Drug Court

Fines, Assessments, and Penalties	\$	14,499	
Total Drug Court			14,499

Chancery Court

County Official/Administrative Officer	\$	56,069	
Clerical Personnel		72,428	
Social Security		7,757	
State Retirement		11,526	
Life Insurance		192	
Medical Insurance		23,493	
Employer Medicare		1,814	
Data Processing Services		3,941	
Dues and Memberships		501	
Operating Lease Payments		1,434	
Travel		65	
Office Supplies		4,866	
Communication Equipment		1,300	
Total Chancery Court			185,386

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	61,676	
Deputy(ies)		504,463	
Investigator(s)		132,717	
Sergeant(s)		121,379	
Mechanic(s)		14,215	
School Resource Officer		126,761	
Educational Incentive - Other County Employees		14,973	
In-Service Training		8,141	
Social Security		60,494	
State Retirement		74,778	
Life Insurance		1,380	
Medical Insurance		155,260	
Employer Medicare		14,148	
Communication		7,395	
Contracts with Government Agencies		314	
Dues and Memberships		2,030	
Maintenance and Repair Services - Equipment		2,725	
Rentals		960	
Tow-in Services		330	
Travel		2,304	
Veterinary Services		25	
Other Contracted Services		10,957	
Animal Food and Supplies		140	
Diesel Fuel		782	
Gasoline		120,842	
Lubricants		2,132	
Office Supplies		3,920	
Tires and Tubes		7,796	
Uniforms		9,900	
Vehicle Parts		25,360	
Other Supplies and Materials		2,617	
Liability Insurance		26,931	
Vehicle and Equipment Insurance		33,479	
Liability Claims		500	
Other Charges		788	
Communication Equipment		8,094	
Data Processing Equipment		1,348	
Motor Vehicles		97,880	
Total Sheriff's Department	\$		1,659,934

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Administration of the Sexual Offender Registry

Other Supplies and Materials	\$ 878	
Total Administration of the Sexual Offender Registry		\$ 878

Jail

Guards	\$ 378,949	
In-Service Training	3,993	
Social Security	22,929	
State Retirement	22,593	
Life Insurance	584	
Medical Insurance	89,562	
Employer Medicare	5,362	
Operating Lease Payments	2,663	
Medical and Dental Services	99,986	
Travel	4,839	
Other Contracted Services	4,256	
Drugs and Medical Supplies	39,886	
Food Supplies	153,846	
Office Supplies	2,978	
Prisoners Clothing	2,500	
Uniforms	5,715	
Other Supplies and Materials	3,538	
Other Equipment	428	
Total Jail		844,607

Juvenile Services

Guards	\$ 124,413	
Social Security	7,804	
State Retirement	8,868	
Life Insurance	204	
Medical Insurance	21,605	
Employer Medicare	1,825	
Operating Lease Payments	183	
Other Contracted Services	300	
Office Supplies	648	
Prisoners Clothing	999	
Uniforms	1,755	
Other Supplies and Materials	680	
Total Juvenile Services		169,284

(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

Supervisor/Director	\$	10,546	
Mechanic(s)		399	
Other Salaries and Wages		4,368	
In-Service Training		2,740	
Social Security		940	
State Retirement		982	
Life Insurance		48	
Medical Insurance		5,673	
Employer Medicare		220	
Communication		459	
Contracts with Government Agencies		2,000	
Contributions		5,000	
Maintenance and Repair Services - Equipment		652	
Maintenance and Repair Services - Vehicles		51	
Diesel Fuel		5,253	
Electricity		14,717	
Gasoline		5,507	
Lubricants		54	
Natural Gas		13,832	
Office Supplies		161	
Tires and Tubes		219	
Vehicle Parts		612	
Water and Sewer		1,439	
Other Supplies and Materials		37,671	
Liability Insurance		1,059	
Refunds		40,165	
Vehicle and Equipment Insurance		18,190	
Liability Claims		500	
Other Charges		27,110	
Communication Equipment		85	
Other Capital Outlay		11,744	
Total Fire Prevention and Control			\$ 212,396

Civil Defense

Supervisor/Director	\$	23,641
Social Security		1,466
State Retirement		2,121
Employer Medicare		343
In Service/Staff Development		14,526
Communication Equipment		20,570

(Continued)

Exhibit K-8

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

<u>General Fund (Cont.)</u>		
<u>Public Safety (Cont.)</u>		
<u>Civil Defense (Cont.)</u>		
Other Equipment	\$ 29,649	
Total Civil Defense		\$ 92,316
<u>Rescue Squad</u>		
Contributions	\$ 30,312	
Total Rescue Squad		30,312
<u>County Coroner/Medical Examiner</u>		
Contracts with Private Agencies	\$ 15,165	
Total County Coroner/Medical Examiner		15,165
<u>Public Safety Grant Programs</u>		
Overtime Pay	\$ 596	
Other Salaries and Wages	60,545	
Social Security	3,725	
State Retirement	5,484	
Life Insurance	96	
Medical Insurance	11,746	
Employer Medicare	871	
Gasoline	503	
Office Supplies	494	
Other Supplies and Materials	1,995	
In Service/Staff Development	578	
Other Capital Outlay	1,773	
Total Public Safety Grant Programs		88,406
<u>Other Public Safety</u>		
Supervisor/Director	\$ 38,542	
Deputy(ies)	27,755	
Dispatchers/Radio Operators	283,047	
In-Service Training	3,342	
Social Security	21,535	
State Retirement	25,504	
Life Insurance	628	
Medical Insurance	77,608	
Employer Medicare	5,036	
Communication	130	
Consultants	2,000	
Travel	167	
Electricity	6,432	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Public Safety (Cont.)

Other Public Safety (Cont.)

Gasoline	\$	2,665	
Natural Gas		362	
Office Supplies		2,490	
Tires and Tubes		261	
Water and Sewer		420	
Other Supplies and Materials		17	
Building and Contents Insurance		5,273	
Liability Insurance		5,076	
Vehicle and Equipment Insurance		1,100	
Data Processing Equipment		3,692	
Total Other Public Safety			\$ 513,082

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	2,825	
Other Salaries and Wages		52,684	
Social Security		3,374	
State Retirement		992	
Life Insurance		92	
Medical Insurance		10,815	
Employer Medicare		789	
Contributions		70,697	
Postal Charges		200	
Travel		1,531	
Other Supplies and Materials		181	
Total Local Health Center			144,180

Ambulance/Emergency Medical Services

Ambulance Services	\$	925	
Total Ambulance/Emergency Medical Services			925

Other Public Health and Welfare

Other Supplies and Materials	\$	1,877	
Total Other Public Health and Welfare			1,877

Agriculture and Natural Resources

Agriculture Extension Service

Salary Supplements	\$	75,018	
Dues and Memberships		225	
Travel		2,683	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agriculture Extension Service (Cont.)

Electricity	\$	390	
Office Supplies		183	
Water and Sewer		55	
Other Supplies and Materials		911	
Other Charges		600	
Other Equipment		1,395	
Total Agriculture Extension Service			\$ 81,460

Soil Conservation

Other Salaries and Wages	\$	58,830	
Social Security		3,536	
State Retirement		5,277	
Life Insurance		96	
Medical Insurance		11,515	
Employer Medicare		827	
Dues and Memberships		1,220	
Travel		1,300	
Other Charges		1,162	
Total Soil Conservation			83,763

Flood Control

Other Contracted Services	\$	18,100	
Total Flood Control			18,100

Storm Water Management

Other Contracted Services	\$	20,769	
Total Storm Water Management			20,769

Other Operations

Industrial Development

Engineering Services	\$	4,750	
Legal Services		3,884	
Other Contracted Services		1,366	
Total Industrial Development			10,000

Veterans' Services

Supervisor/Director	\$	38,131	
Secretary(ies)		27,377	
Clerical Personnel		891	
Social Security		4,076	

(Continued)

Exhibit K-8

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

General Fund (Cont.)

Other Operations (Cont.)

Veterans' Services (Cont.)

State Retirement	\$	5,268	
Life Insurance		96	
Medical Insurance		11,684	
Employer Medicare		953	
Data Processing Services		800	
Dues and Memberships		25	
Operating Lease Payments		897	
Travel		2,456	
Gasoline		4,026	
Office Supplies		794	
Total Veterans' Services			\$ 97,474

Other Charges

Liability Insurance	\$	16,743	
Premiums on Corporate Surety Bonds		5,464	
Trustee's Commission		104,838	
Total Other Charges			127,045

Contributions to Other Agencies

Contributions	\$	158,101	
Total Contributions to Other Agencies			158,101

Employee Benefits

Unemployment Compensation	\$	9,988	
Workers' Compensation Insurance		33,415	
Total Employee Benefits			43,403

Total General Fund \$ 7,297,063

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	49,818	
Deputy(ies)		22,454	
Mechanic(s)		2,983	
Truck Drivers		72,806	
Other Salaries and Wages		133,903	
Social Security		17,405	
State Retirement		11,082	
Life Insurance		240	

(Continued)

Exhibit K-8

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

Solid Waste/Sanitation Fund (Cont.)

Public Health and Welfare (Cont.)

Waste Pickup (Cont.)

Medical Insurance	\$	29,143	
Employer Medicare		4,070	
Communication		2,438	
Rentals		5,500	
Tow-in Services		150	
Disposal Fees		30,806	
Other Contracted Services		52,834	
Custodial Supplies		1,703	
Diesel Fuel		32,234	
Electricity		7,482	
Gasoline		6,143	
Lubricants		702	
Natural Gas		441	
Tires and Tubes		10,566	
Uniforms		360	
Vehicle Parts		6,470	
Water and Sewer		2,098	
Other Supplies and Materials		5,372	
Building and Contents Insurance		6,004	
Liability Insurance		1,495	
Vehicle and Equipment Insurance		9,278	
Liability Claims		500	
Other Charges		4,278	
Solid Waste Equipment		4,880	
Total Waste Pickup			\$ 535,638

Other Operations

Other Charges

Trustee's Commission	\$	3,058	
Total Other Charges			3,058

Employee Benefits

Workers' Compensation Insurance	\$	4,315	
Total Employee Benefits			4,315

Total Solid Waste/Sanitation Fund \$ 543,011

(Continued)

Exhibit K-8

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

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	5,270	
Confidential Drug Enforcement Payments		6,000	
Legal Notices, Recording, and Court Costs		511	
Maintenance and Repair Services - Equipment		2,623	
Tow-in Services		1,675	
Other Contracted Services		898	
Other Supplies and Materials		16,963	
Trustee's Commission		3,458	
Building Construction		178,848	
Motor Vehicles		30,298	
Other Equipment		1,048	
Total Drug Enforcement			\$ 247,592

Total Drug Control Fund \$ 247,592

District Attorney General Fund

Administration of Justice

District Attorney General

Salary Supplements	\$	3,217	
Clerical Personnel		446	
Communication		5,713	
Dues and Memberships		425	
Janitorial Services		980	
Operating Lease Payments		3,700	
Maintenance and Repair Services - Buildings		41	
Pest Control		61	
Rentals		750	
Other Contracted Services		27	
Custodial Supplies		137	
Law Enforcement Supplies		4,525	
Office Supplies		314	
Periodicals		2,473	
Utilities		20	
Premiums on Corporate Surety Bonds		50	
In Service/Staff Development		1,900	
Communication Equipment		355	
Data Processing Equipment		208	
Total District Attorney General			\$ 25,342

(Continued)

Exhibit K-8

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

District Attorney General Fund (Cont.)

Other Operations

Other Charges

Trustee's Commission

\$ 244

Total Other Charges

\$ 244

Total District Attorney General Fund

\$ 25,586

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses

\$ 117,126

Total County Trustee's Office

\$ 117,126

County Clerk's Office

Constitutional Officers' Operating Expenses

\$ 201,151

Total County Clerk's Office

201,151

Administration of Justice

Circuit Court

Constitutional Officers' Operating Expenses

\$ 492

Total Circuit Court

492

General Sessions Court Clerk

Constitutional Officers' Operating Expenses

\$ 36

Total General Sessions Court Clerk

36

Chancery Court

Special Commissioner Fees/Special Master Fees

\$ 2,657

Total Chancery Court

2,657

Public Safety

Sheriff's Department

Constitutional Officers' Operating Expenses

\$ 197

Total Sheriff's Department

197

Total Constitutional Officers - Fees Fund

321,659

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer

\$ 61,676

Assistant(s)

42,450

(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)	\$	32,825	
Social Security		8,055	
State Retirement		11,928	
Employer Medicare		1,884	
Communication		5,477	
Dues and Memberships		2,605	
Postal Charges		278	
Travel		778	
Other Contracted Services		2,885	
Electricity		3,475	
Gasoline		4,446	
Natural Gas		1,491	
Office Supplies		862	
Water and Sewer		260	
Total Administration			\$ 181,375

Highway and Bridge Maintenance

Equipment Operators	\$	55,844	
Equipment Operators - Light		217,639	
Truck Drivers		128,300	
Social Security		24,752	
State Retirement		34,706	
Employer Medicare		5,789	
Asphalt		206,817	
Crushed Stone		114,814	
Fertilizer, Lime, and Seed		1,209	
Pipe		11,673	
Road Signs		10,483	
Salt		2,940	
Other Supplies and Materials		1,239	
Total Highway and Bridge Maintenance			816,205

Operation and Maintenance of Equipment

Foremen	\$	32,595	
Mechanic(s)		56	
Social Security		2,047	
State Retirement		2,780	
Employer Medicare		479	
Licenses		83	
Tow-in Services		125	

(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.)

Diesel Fuel	\$	57,784	
Gasoline		19,814	
Lubricants		5,038	
Tires and Tubes		31,301	
Vehicle Parts		63,524	
Total Operation and Maintenance of Equipment			\$ 215,626

Other Charges

Building and Contents Insurance	\$	8,979	
Liability Insurance		20,764	
Trustee's Commission		17,024	
Vehicle and Equipment Insurance		25,010	
Other Charges		866	
Total Other Charges			72,643

Employee Benefits

Life Insurance	\$	956	
Medical Insurance		111,880	
Unemployment Compensation		3,011	
Medical and Dental Services		25	
Uniforms		3,432	
Workers' Compensation Insurance		21,045	
Total Employee Benefits			140,349

Capital Outlay

Engineering Services	\$	12,018	
Other Contracted Services		3,938	
Principal on Capital Leases		65,893	
Interest on Capital Leases		18,420	
Bridge Construction		55,800	
Highway Construction		209,452	
Highway Equipment		246,593	
Office Equipment		160	
Total Capital Outlay			612,274

Total Highway/Public Works Fund \$ 2,038,472

(Continued)

Exhibit K-8

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

<u>General Debt Service Fund</u>			
<u>Principal on Debt</u>			
<u>General Government</u>			
Principal on Notes	\$	391,319	
Principal on Other Loans		31,000	
Total General Government		<u> </u>	\$ 422,319
<u>Education</u>			
Principal on Bonds	\$	765,000	
Principal on Other Loans		112,068	
Total Education		<u> </u>	877,068
<u>Interest on Debt</u>			
<u>General Government</u>			
Interest on Notes	\$	32,201	
Interest on Other Loans		18,974	
Total General Government		<u> </u>	51,175
<u>Education</u>			
Interest on Bonds	\$	606,693	
Total Education		<u> </u>	606,693
<u>Other Debt Service</u>			
<u>General Government</u>			
Trustee's Commission	\$	22,230	
Other Debt Service		501,020	
Total General Government		<u> </u>	523,250
<u>Education</u>			
Other Debt Service	\$	1,780	
Total Education		<u> </u>	<u> </u> 1,780
Total General Debt Service Fund			\$ 2,482,285
<u>Community Development/Industrial Park Fund</u>			
<u>Capital Outlay</u>			
<u>Regular Capital Outlay</u>			
Contracts with Other Public Agencies	\$	12,000	
Other Construction		417,263	
Total Regular Capital Outlay		<u> </u>	\$ 429,263
Total Community Development/Industrial Park Fund			429,263

(Continued)

Exhibit K-8

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

<u>HUD Grant Projects Fund</u>			
<u>Other Operations</u>			
<u>Housing and Urban Development</u>			
Contracts with Other Public Agencies	\$	7,500	
Other Charges		<u>28,351</u>	
Total Housing and Urban Development			<u>\$ 35,851</u>
Total HUD Grant Projects Fund			\$ 35,851
<u>Education Capital Projects Fund</u>			
<u>Other Operations</u>			
<u>Contributions to Other Agencies</u>			
Contributions	\$	<u>1,601,727</u>	
Total Contributions to Other Agencies			<u>\$ 1,601,727</u>
Total Education Capital Projects Fund			<u>1,601,727</u>
Total Governmental Funds - Primary Government			<u>\$ 15,022,509</u>

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, 2007

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 8,115,109	
Career Ladder Program	133,600	
Career Ladder Extended Contracts	59,200	
Homebound Teachers	29,107	
Paraprofessionals	14,545	
Educational Assistants	335,291	
Certified Substitute Teachers	5,975	
Non-certified Substitute Teachers	146,539	
Social Security	530,667	
State Retirement	534,624	
Life Insurance	10,562	
Medical Insurance	1,220,930	
Unemployment Compensation	2,352	
Employer Medicare	124,108	
Other Contracted Services	1,799	
Instructional Supplies and Materials	109,040	
Textbooks	380,415	
Other Supplies and Materials	8,075	
Other Charges	78,626	
Data Processing Equipment	97,144	
Total Regular Instruction Program		\$ 11,937,708

Special Education Program

Teachers	\$ 1,060,736
Career Ladder Program	19,152
Career Ladder Extended Contracts	8,300
Homebound Teachers	10,635
Educational Assistants	209,098
Speech Pathologist	86,000
Certified Substitute Teachers	675
Non-certified Substitute Teachers	20,600
Social Security	84,883
State Retirement	84,859
Life Insurance	2,052
Medical Insurance	226,358
Unemployment Compensation	2,410
Employer Medicare	19,852
Contracts with Private Agencies	68,823
Evaluation and Testing	2,960

(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 and Repair Services - Equipment	\$	22	
Other Contracted Services		4,000	
Instructional Supplies and Materials		4,609	
Other Supplies and Materials		1,145	
Special Education Equipment		9,195	
Total Special Education Program			\$ 1,926,364

Vocational Education Program

Teachers	\$	546,431	
Career Ladder Program		4,000	
Social Security		32,700	
State Retirement		33,741	
Life Insurance		624	
Medical Insurance		83,885	
Employer Medicare		7,648	
Instructional Supplies and Materials		23,692	
Total Vocational Education Program			732,721

Adult Education Program

Teachers	\$	68,662	
Other Salaries and Wages		625	
Social Security		4,286	
State Retirement		2,817	
Life Insurance		152	
Medical Insurance		5,442	
Employer Medicare		1,002	
Communication		2,090	
Operating Lease Payments		2,377	
Travel		1,198	
Other Supplies and Materials		4,694	
Total Adult Education Program			93,345

Support Services

Attendance

Supervisor/Director	\$	51,713	
Career Ladder Program		3,000	
Career Ladder Extended Contracts		4,000	
Social Security		3,631	
State Retirement		3,599	

(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.)

Life Insurance	\$	48	
Medical Insurance		5,066	
Employer Medicare		849	
Travel		2,227	
Total Attendance			\$ 74,133

Health Services

Medical Personnel	\$	112,359	
Social Security		6,862	
State Retirement		8,855	
Life Insurance		288	
Medical Insurance		23,685	
Employer Medicare		1,605	
Travel		2,980	
Other Supplies and Materials		4,118	
Data Processing Equipment		100	
Other Equipment		499	
Total Health Services			161,351

Other Student Support

Teachers	\$	75,032	
Career Ladder Program		6,000	
Guidance Personnel		309,954	
Career Ladder Extended Contracts		2,500	
Mechanic(s)		119	
Secretary(ies)		19,020	
Educational Assistants		12,498	
School Resource Officer		3,730	
Other Salaries and Wages		279,718	
Social Security		41,113	
State Retirement		47,893	
Life Insurance		808	
Medical Insurance		98,396	
Unemployment Compensation		3	
Employer Medicare		9,615	
Communication		3,020	
Consultants		27	
Evaluation and Testing		14,743	
Maintenance and Repair Services - Equipment		8,887	

(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.)

Travel	\$	7,889	
Other Contracted Services		72,864	
Gasoline		1,844	
Instructional Supplies and Materials		84,917	
Lubricants		44	
Vehicle Parts		67	
Other Supplies and Materials		40,412	
In Service/Staff Development		1,760	
Other Charges		2,892	
Data Processing Equipment		77,902	
Furniture and Fixtures		3,557	
Total Other Student Support			\$ 1,227,224

Regular Instruction Program

Career Ladder Program	\$	3,000	
Librarians		207,537	
Secretary(ies)		22,504	
Social Security		13,901	
State Retirement		14,925	
Life Insurance		280	
Medical Insurance		38,972	
Employer Medicare		3,251	
Dues and Memberships		300	
Travel		11,322	
Library Books/Media		37,961	
Periodicals		4,246	
Other Supplies and Materials		1,907	
Other Charges		4,500	
Total Regular Instruction Program			364,606

Special Education Program

Supervisor/Director	\$	52,373
Career Ladder Program		5,000
Psychological Personnel		94,190
Career Ladder Extended Contracts		800
Secretary(ies)		24,550
Social Security		10,643
State Retirement		11,542
Life Insurance		192

(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.)

Medical Insurance	\$	23,676	
Employer Medicare		2,489	
Consultants		2,500	
Travel		6,000	
Other Supplies and Materials		852	
In Service/Staff Development		322	
Other Equipment		839	
Total Special Education Program			\$ 235,968

Vocational Education Program

Secretary(ies)	\$	7,236	
Other Salaries and Wages		6,897	
Social Security		868	
State Retirement		481	
Life Insurance		12	
Medical Insurance		1,127	
Unemployment Compensation		2,275	
Employer Medicare		203	
Communication		33	
Maintenance and Repair Services - Equipment		243	
Travel		485	
Total Vocational Education Program			19,860

Adult Programs

Supervisor/Director	\$	42,145	
Other Salaries and Wages		46,693	
Social Security		5,448	
State Retirement		5,613	
Employer Medicare		1,274	
Travel		345	
Other Contracted Services		4,644	
In Service/Staff Development		4,777	
Total Adult Programs			110,939

Board of Education

Board and Committee Members Fees	\$	22,500	
Social Security		1,395	
Employer Medicare		326	
Audit Services		5,600	

(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.)

Board of Education (Cont.)

Dues and Memberships	\$	10,333	
Evaluation and Testing		280	
Legal Services		4,921	
Travel		14,221	
Other Contracted Services		156	
Liability Insurance		40,752	
Trustee's Commission		109,254	
Workers' Compensation Insurance		41,491	
Other Charges		741	
Communication Equipment		2,472	
Total Board of Education			\$ 254,442

Director of Schools

County Official/Administrative Officer	\$	100,328	
Assistant(s)		62,748	
Career Ladder Program		1,000	
Paraprofessionals		2,937	
Mechanic(s)		14	
Secretary(ies)		24,550	
Clerical Personnel		24,550	
Social Security		12,755	
State Retirement		14,386	
Life Insurance		188	
Medical Insurance		16,905	
Employer Medicare		3,061	
Communication		996	
Dues and Memberships		2,368	
Legal Notices, Recording, and Court Costs		1,626	
Postal Charges		3,258	
Travel		5,486	
Other Contracted Services		7,596	
Gasoline		1,861	
Lubricants		21	
Office Supplies		3,633	
Furniture and Fixtures		210	
Total Director of Schools			290,477

Office of the Principal

Principals	\$	370,232	
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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.)

Office of the Principal (Cont.)

Career Ladder Program	\$	19,000	
Accountants/Bookkeepers		113,020	
Career Ladder Extended Contracts		14,000	
Assistant Principals		338,535	
Secretary(ies)		208,673	
Social Security		62,780	
State Retirement		74,326	
Life Insurance		1,292	
Medical Insurance		148,142	
Employer Medicare		14,682	
Communication		29,474	
Evaluation and Testing		809	
Travel		1,235	
Other Contracted Services		15,022	
Total Office of the Principal			\$ 1,411,222

Operation of Plant

Custodial Personnel	\$	557,064	
Social Security		33,730	
State Retirement		40,946	
Life Insurance		1,380	
Medical Insurance		127,351	
Unemployment Compensation		3,069	
Employer Medicare		7,889	
Maintenance and Repair Services - Equipment		621	
Other Contracted Services		58	
Custodial Supplies		39,875	
Electricity		740,942	
Natural Gas		296,949	
Water and Sewer		54,615	
Other Supplies and Materials		16,243	
Plant Operation Equipment		13,561	
Total Operation of Plant			1,934,293

Maintenance of Plant

Other Salaries and Wages	\$	211,949	
Social Security		13,141	
State Retirement		19,012	
Employer Medicare		3,073	

(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 (Cont.)

Maintenance Agreements	\$	8,983	
Other Contracted Services		305,034	
Other Supplies and Materials		121,350	
Building and Contents Insurance		49,426	
Heating and Air Conditioning Equipment		6,487	
Other Equipment		23,796	
Other Construction		1,875	
Total Maintenance of Plant			\$ 764,126

Transportation

Contracts with Parents	\$	2,300	
Total Transportation			2,300

Operation of Non-Instructional Services

Community Services

Other Charges	\$	35,000	
Total Community Services			35,000

Early Childhood Education

Teachers	\$	142,764	
Bus Drivers		23,191	
Educational Assistants		49,393	
Other Salaries and Wages		9,242	
Non-certified Substitute Teachers		2,750	
Social Security		13,366	
State Retirement		12,441	
Life Insurance		304	
Medical Insurance		32,233	
Employer Medicare		3,126	
Travel		2,382	
Other Contracted Services		946	
Instructional Supplies and Materials		38,367	
Total Early Childhood Education			330,505

Capital Outlay

Regular Capital Outlay

Architects	\$	91,000	
Regular Instruction Equipment		8,230	
Other Capital Outlay		360,078	
Total Regular Capital Outlay			459,308

(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	\$ 451,536	
Total Education		\$ 451,536

Total General Purpose School Fund		\$ 22,817,428
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School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 359,189	
Educational Assistants	104,905	
Other Salaries and Wages	7,800	
Certified Substitute Teachers	1,250	
Non-certified Substitute Teachers	17,935	
Social Security	29,428	
State Retirement	29,572	
Life Insurance	832	
Medical Insurance	86,686	
Unemployment Compensation	869	
Employer Medicare	6,882	
Travel	99	
Instructional Supplies and Materials	21,816	
Workers' Compensation Insurance	1,690	
Other Charges	1,800	
Total Regular Instruction Program		\$ 670,753

Special Education Program

Teachers	\$ 33,312	
Educational Assistants	426,913	
Social Security	27,975	
State Retirement	35,533	
Life Insurance	1,182	
Medical Insurance	90,805	
Unemployment Compensation	962	
Employer Medicare	6,542	
Contracts with Private Agencies	40,772	
Evaluation and Testing	2,942	
Maintenance and Repair Services - Equipment	500	
Other Contracted Services	4,203	
Instructional Supplies and Materials	20,488	

(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	\$ 948	
Total Special Education Program		\$ 693,077

Vocational Education Program

Travel	\$ 2,312	
Other Supplies and Materials	44,043	
Vocational Instruction Equipment	51,507	
Total Vocational Education Program		97,862

Support Services

Other Student Support

Other Salaries and Wages	\$ 26,468	
Social Security	1,610	
State Retirement	845	
Life Insurance	22	
Medical Insurance	2,100	
Unemployment Compensation	100	
Employer Medicare	376	
Travel	150	
Other Contracted Services	494	
Other Supplies and Materials	11,362	
In Service/Staff Development	1,203	
Other Charges	495	
Total Other Student Support		45,225

Regular Instruction Program

Supervisor/Director	\$ 53,243
Secretary(ies)	24,230
Social Security	4,378
State Retirement	5,437
Life Insurance	96
Medical Insurance	13,543
Unemployment Compensation	56
Employer Medicare	1,024
Travel	20,768
Other Supplies and Materials	2,092
Workers' Compensation Insurance	290
In Service/Staff Development	29,290
Other Charges	1,600

(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.)

Other Equipment	\$ 3,475	
Total Regular Instruction Program		\$ 159,522

Special Education Program

Consultants	\$ 16,565	
Travel	5,019	
Other Supplies and Materials	302	
In Service/Staff Development	3,393	
Total Special Education Program		25,279

Vocational Education Program

Travel	\$ 576	
Total Vocational Education Program		576

Transportation

Bus Drivers	\$ 9,507	
Social Security	593	
State Retirement	800	
Unemployment Compensation	15	
Employer Medicare	139	
Contracts with Parents	198	
Total Transportation		11,252

Total School Federal Projects Fund		\$ 1,703,546
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Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$ 48,398
Clerical Personnel	47,054
Cafeteria Personnel	554,154
Other Salaries and Wages	140
Social Security	39,339
State Retirement	47,924
Life Insurance	1,764
Medical Insurance	170,007
Unemployment Compensation	152
Employer Medicare	9,200
Communication	1,110

(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.)

Maintenance and Repair Services - Equipment	\$	34,128	
Travel		3,898	
Other Contracted Services		8,548	
Food Preparation Supplies		53,513	
Food Supplies		713,485	
Other Supplies and Materials		12,696	
Workers' Compensation Insurance		7,408	
Food Service Equipment		10,425	
Total Food Service			\$ 1,763,343

Total Central Cafeteria Fund \$ 1,763,343

School Transportation Fund

Support Services

Board of Education

Other Contracted Services	\$	404	
Trustee's Commission		28,711	
Workers' Compensation Insurance		2,000	
Total Board of Education			\$ 31,115

Operation of Plant

Communication	\$	1,439	
Other Contracted Services		573	
Total Operation of Plant			2,012

Transportation

Supervisor/Director	\$	34,303	
Mechanic(s)		42,464	
Bus Drivers		599,518	
Secretary(ies)		13,372	
Other Salaries and Wages		36,807	
Social Security		45,044	
State Retirement		40,983	
Life Insurance		96	
Medical Insurance		9,286	
Employer Medicare		10,534	
Contracts with Parents		164	
Legal Services		525	
Medical and Dental Services		4,127	

(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.)

Tow-in Services	\$	1,410	
Travel		3,395	
Other Contracted Services		160,875	
Diesel Fuel		163,020	
Gasoline		8,345	
Lubricants		6,225	
Tires and Tubes		24,811	
Vehicle Parts		59,899	
Other Supplies and Materials		2,923	
Vehicle and Equipment Insurance		41,895	
Other Charges		824	
Communication Equipment		58	
Transportation Equipment		378,612	
Total Transportation			\$ 1,689,515

Total School Transportation Fund \$ 1,722,642

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Architects	\$	1,587	
Furniture and Fixtures		21,657	
Total Regular Capital Outlay			\$ 23,244

Capital Projects

Education Capital Projects

Architects	\$	153,833	
Other Construction		1,436,674	
Total Education Capital Projects			1,590,507

Total Education Capital Projects Fund 1,613,751

Total Governmental Funds - Rhea County School Department \$ 29,620,710

Exhibit K-10

Rhea County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2007

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Operating Revenues</u>	
<u>Charges for Current Services</u>	
<u>General Services Charges</u>	
Other General Service Charges	\$ 1,566,808
<u>Other Local Revenues</u>	
<u>Recurring Items</u>	
Sale of Gasoline	<u>290</u>
Total Operating Revenues	<u>\$ 1,567,098</u>
<u>Operating Expenses</u>	
<u>General Government</u>	
Supervisor/Director	\$ 49,684
Foremen	79,041
Secretary(ies)	18,209
Social Security	9,134
State Retirement	12,826
Life Insurance	192
Medical Insurance	23,156
Unemployment Compensation	77
Employer Medicare	2,136
Communication	7,952
Operating Lease Payments	534
Tow-in Services	105
Travel	93
Other Contracted Services	1,473
Custodial Supplies	767
Diesel Fuel	1,781
Electricity	11,263
Gasoline	23,768
Lubricants	3,082
Natural Gas	7,325
Office Supplies	2,930
Tires and Tubes	2,145
Uniforms	4,863

(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>General Government (Cont.)</u>	
Vehicle Parts	\$ 7,943
Water and Sewer	701
Other Supplies and Materials	13,945
Building and Contents Insurance	7,323
Liability Insurance	4,625
Vehicle and Equipment Insurance	10,276
Workers' Compensation Insurance	17,482
Maintenance Equipment	4,799
Motor Vehicles	11,034
Total General Government	<u>\$ 340,664</u>
<u>Other Charges</u>	
Mechanic(s)	\$ 84,833
Social Security	4,854
State Retirement	7,987
Life Insurance	144
Medical Insurance	17,713
Employer Medicare	1,224
Tow-in Services	1,865
Other Contracted Services	13,702
Lubricants	14,318
Tires and Tubes	72,540
Vehicle Parts	148,834
Other Supplies and Materials	2,070
Total Other Charges	<u>\$ 370,084</u>

(Continued)

Exhibit K-10

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

	Governmental Activities - Internal Service Fund
	<hr/> Central Maintenance/ Garage <hr/>
<u>Expenditures (Cont.)</u>	
<u>Operating Expenses (Cont.)</u>	
<u>Miscellaneous</u>	
Custodial Personnel	\$ 20,090
Other Salaries & Wages	366,969
Social Security	23,095
State Retirement	31,638
Life Insurance	668
Medical Insurance	78,890
Unemployment Compensation	3,433
Employer Medicare	5,401
Other Contracted Services	137,148
Custodial Supplies	22,794
Other Supplies and Materials	152,362
Furniture and Fixtures	2,612
Heating and Air Conditioning Equipment	11,250
Total Miscellaneous	<hr/> \$ 856,350 <hr/>
Total Operating Expenses	<hr/> \$ 1,567,098 <hr/>

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, 2007

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 268,025	\$ 268,025
Trustee's Collections - Prior Years	0	12,368	12,368
Trustee's Collections - Bankruptcy	0	107	107
Circuit/Clerk and Master Collections - Prior Years	0	8,281	8,281
Interest and Penalty	0	2,090	2,090
Payments in-Lieu-of Taxes - T.V.A	0	207	207
Payments in-Lieu-of Taxes - Local Utilities	0	2,651	2,651
Payments in-Lieu-of Taxes - Other	0	67	67
Local Option Sales Tax	2,062,843	322,769	2,385,612
Bank Excise Tax	0	2,258	2,258
Interstate Telecommunications Tax	0	678	678
Marriage Licenses	0	445	445
Total Cash Receipts	<u>\$ 2,062,843</u>	<u>\$ 619,946</u>	<u>\$ 2,682,789</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 2,042,215	\$ 609,433	\$ 2,651,648
Trustee's Commission	20,628	9,384	30,012
Total Cash Disbursements	<u>\$ 2,062,843</u>	<u>\$ 618,817</u>	<u>\$ 2,681,660</u>
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ 1,129	\$ 1,129
Cash Balance, July 1, 2006	0	34,125	34,125
Cash Balance, June 30, 2007	<u>\$ 0</u>	<u>\$ 35,254</u>	<u>\$ 35,254</u>

SINGLE AUDIT SECTION



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

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

February 25, 2008

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, 2007, which collectively comprise Rhea County's basic financial statements and have issued our report thereon dated February 25, 2008. Our report on the financial statements of Rhea County, Tennessee, expresses an adverse opinion on the governmental activities and the aggregate discretely presented component units due to material discrepancies in the capital assets records of Rhea County and the Rhea County School Department, a discretely presented component unit. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Rhea Medical Center, a discretely presented component unit, as described in our report on Rhea County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting: 07.01, 07.02, 07.04, 07.05, and 07.09.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 07.01 and 07.02 to be material weaknesses.

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: 07.03, 07.06, 07.07, and 07.08.

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

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

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

Very truly yours,

A handwritten signature in black ink that reads "John G. Morgan" with a long horizontal flourish extending to the right.

John G. Morgan
Comptroller of the Treasury

JGM/rd



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

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

February 25, 2008

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, 2007. 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 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 of 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, 2007.

Internal Control Over Compliance

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

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We considered the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 07.05 and 07.10 to be significant deficiencies.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County as of and for the year ended June 30, 2007, and have issued our report thereon dated February 25, 2008. Our report on the financial statements of Rhea County, Tennessee, expresses an adverse opinion on the governmental activities and the aggregate discretely presented component units due to material discrepancies in the

capital assets records of Rhea County and the Rhea County School Department, a discretely presented component unit. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Rhea County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Yours very truly,

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

John G. Morgan
Comptroller of the Treasury

JGM/rd

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

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	\$ 63,720
Passed-through State Department of Education: Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	255,524
National School Lunch Program	10.555	N/A	790,429
Total U.S. Department of Agriculture			<u>\$ 1,109,673</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development: Community Development Block Grants/States Program	14.228	GG-03-10017-00	\$ 429,263
Passed-through State Housing Development Agency: HOME Investment Partnerships Program	14.239	HM-03-56	31,519
Total U.S. Department of Housing and Urban Development			<u>\$ 460,782</u>
U.S. Department of Labor:			
Passed-through State Department of Labor and Workforce Development: Incentive Grants - WIA Section 503	17.267	Z-06-030914-00	\$ 5,034
Total U.S. Department of Labor			<u>\$ 5,034</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation: State and Community Highway Safety	20.600	(3)	\$ 36,909
Total U.S. Department of Transportation			<u>\$ 36,909</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Adult Education - State Grant Program	84.002	Z-07-033728-00	\$ 115,514 (5)
Title I Grants to Local Educational Agencies	84.010	N/A	662,530
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	712,973
Special Education - Preschool Grants	84.173	N/A	16,634
Vocational Education - Basic Grants to States	84.048	N/A	99,641
Safe and Drug Free Schools and Communities - State Grants	84.186	(2)	17,595
Education for Homeless Children and Youth	84.196	(2)	6,000
Even Start - State Educational Agencies	84.213	(2)	35,677
State Grants for Innovative Programs	84.298	N/A	3,603
Education Technology State Grants	84.318	(2)	8,477
English Language Acquisition Grants	84.365	N/A	23,174
Improving Teacher Quality State Grants	84.367	N/A	154,041
Hurricane Education Recovery	84.938	N/A	10,826
Passed-through University of Tennessee: Adult Education - State Grant Program	84.002	(2)	204 (5)
Total U.S. Department of Education			<u>\$ 1,866,889</u>
Elections Assistance Commission:			
Passed-through Tennessee Secretary of State: Help America Vote Act Requirements Payments	90.401	(2)	\$ 24,535
Total Elections Assistance Commission			<u>\$ 24,535</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Human Services: Temporary Assistance for Needy Families	93.558	Z-07-034251-00	\$ 46,324
Total U.S. Department of Health and Human Services			<u>\$ 46,324</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	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
State Domestic Preparedness Equipment Support Program	97.004	(4)	\$ 56,210
Homeland Security Grant Program	97.067	Z-05-025201-00	36,188
Total U.S. Department of Homeland Security			<u>\$ 92,398</u>
Total Expenditures of Federal Awards			<u>\$ 3,642,544</u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Juvenile Services Program - State Children's Services Commission	N/A	Z-07-036574-00	\$ 9,000
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	14,150
Health Services - State Department of Health	N/A	Z-07-031537-00	70,444
Hazard Elimination Program - State Department of Transportation	N/A	(2)	2,241
Litter Program - State Department of Transportation	N/A	Z-07-033840-00	29,213
Waste Tire Grant - State Department of Environment and Conservation	N/A	Z-03-011314-00	17,288
Voluntary Pre-K for Tennessee - State Department of Education	N/A	(2)	176,035
Safe Schools Act - State Department of Education	N/A	(2)	25,892
Early Childhood Education - State Department of Education	N/A	(2)	59,916
Early Childhood Education - Voluntary Expansion - State Department of Education	N/A	(2)	83,611
Injury Prevention Program - State Department of Health	N/A	(2)	5,728
Emergency Communications Board - State Department of Health	N/A	Z-04-020011-03	30,000
Total State Grants			<u>\$ 523,518</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-07-035950-00: \$1,297; HN-10-06-17: \$14,651; Z-07-035951-00: \$20,961.
- (4) Z-04-022486-00: \$25,557; GG-06-12170-00: \$27,653.
- (5) Total Adult Education State Grant Program (CFDA No. 84.002) from the U.S. Department of Education was \$115,718.

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

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. Presented below are findings from the Annual Financial Report for Rhea County, Tennessee, for the year ended June 30, 2006, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.01	192	The office had deficiencies in the maintenance of capital assets records
06.03	193	The office had deficiencies in the control over the inventory of nondepreciable assets

OTHER FINDING

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
06.08	196	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, 2007

PART I, SUMMARY OF AUDITOR'S RESULTS

1. An adverse opinion was issued on the financial statements of the governmental activities and the aggregate discretely presented component units of Rhea County. An unqualified opinion was issued on the financial statements of each major fund and the aggregate remaining fund information of Rhea County.
2. The audit of the financial statements of Rhea County disclosed significant deficiencies in internal control. Two of these deficiencies were considered to be material weaknesses.
3. The audit disclosed no instances of noncompliance that are material to the financial statements of Rhea County.
4. The audit disclosed one significant deficiency in internal control over major programs.
5. An unqualified opinion was issued on compliance for major programs.
6. The audit revealed one finding that is required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Community Development Block Grants/States Program (CFDA No. 14.228), Title I Grants to Local Educational Agencies (CFDA No. 84.010), and the Special Education Cluster: Special Education - Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173) were determined to be major programs.
8. A \$300,000 threshold was used to distinguish between Type A and Type B federal programs.
9. Rhea County did not qualify as a low-risk auditee.

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

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

RHEA COUNTY

FINDING 07.01 CAPITAL ASSETS RECORDS WERE NOT PROPERLY MAINTAINED
(Internal Control – Material Weakness Under Government Auditing Standards)

Adverse opinions were issued on the financial statements of the governmental activities and the aggregate discretely presented component units because the capital assets records of Rhea County and the discretely presented Rhea County School Department contained numerous material discrepancies, errors, misclassifications, and inaccurate calculations of accumulated depreciation balances. For example, the beginning balances of some assets varied materially from prior-year ending balances, and in one instance, construction in progress for the period was recorded as a beginning balance for the period instead of an addition in the period. Because capital assets records of Rhea County and the Rhea County School Department were not properly maintained, we could not determine if all capital assets had been properly recorded and depreciated.

RECOMMENDATION

Officials should ensure that capital assets records are properly maintained on a current basis to support accurate balances. This information is necessary to present the financial statements in accordance with generally accepted accounting principles.

OFFICE OF FINANCE DEPARTMENT

FINDING 07.02 THE GENERAL DEBT SERVICE FUND HAD A DEFICIT IN UNRESERVED FUND BALANCE
(Internal Control – Material Weakness Under Government Auditing Standards)

The General Debt Service Fund had a deficit in unreserved fund balance of \$201,061 at June 30, 2007. The Solid Waste/Sanitation Fund loaned funds to the Education Capital Projects Fund with the understanding that the loan would be repaid by the General Debt Service Fund. The outstanding balance of the loan at June 30, 2007 was \$564,443, and in accordance with government auditing standards, this balance has been reflected as a liability of the General Debt Service Fund in the financial statements of this report. Recognition of this liability resulted in a deficit in the unreserved fund balance of the General Debt Service Fund at June 30, 2007.

RECOMMENDATION

County officials should liquidate the deficit in the unreserved balance of the General Debt Service Fund. Steps should be taken in the budgetary process to ensure adequate funding for the General Debt Service Fund to prevent the recurrence of a deficit in the unreserved fund balance.

FINDING 07.03 **COMPETITIVE BIDS WERE NOT SOLICITED FOR BUILDING MATERIALS AND SUPPLIES USED TO CONSTRUCT A TRAINING CENTER FOR THE SHERIFF'S DEPARTMENT** (Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for material and supplies used to construct the training center for the Sheriff's Department totaling \$31,367. Section 5-21-120, Tennessee Code Annotated, provides for the Financial Management Committee to establish the dollar limitation for formal competitive bids. In accordance with this statute, the Financial Management Committee has established a requirement that purchases in excess of \$2,000 (\$5,000 effective June 20, 2007) are to be made on the basis of competitive bids.

RECOMMENDATION

Competitive bids should be solicited for all county purchases exceeding \$2,000 (\$5,000 effective June 20, 2007).

FINDING 07.04 **THE OFFICE HAD DEFICIENCIES IN CONTROLS OVER NONDEPRECIABLE ASSETS** (Internal Control – Significant Deficiency 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.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The Finance Department will make every effort to correct this ongoing problem. However, we must have more cooperation from all departments in the county to improve this situation.

FINDING 07.05 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards and OMB Circular A-133)

Our examination of purchasing procedures revealed the following deficiencies:

- A. Purchase orders were not issued in some required instances. Purchase orders are necessary to control who has purchasing authority for the county and to document purchasing commitments.
- B. In some instances, invoices were paid without documentation that goods had been received and/or services had been rendered. This practice weakens controls over the purchasing process. We extended our audit procedures and determined that these goods were received and services rendered.
- C. In some instances, original documentation supporting School Department disbursements was not on file at the Finance Department; however, the original documentation was on file at the School Department.

RECOMMENDATION

The office should improve purchasing procedures by issuing purchase orders for all applicable purchases and by obtaining documentation that goods have been received and/or services have been rendered before invoices are paid. Also, original documentation should be on file in the Finance Department to support all disbursements.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The Finance Department will make every effort to correct these recurring problems. The Finance Department will again inform all departments that purchase orders should be obtained for all purchases. Original documentation for all invoices should now be forwarded to the Finance Department for review and payment.

OFFICE OF HIGHWAY SUPERVISOR

FINDING 07.06 **A SUMMARY OF CHANGES FROM THE PRIOR-YEAR COUNTY ROAD LIST WAS NOT SUBMITTED TO THE COUNTY COMMISSION FOR APPROVAL**
(Noncompliance Under Government Auditing Standards)

A list of all county roads was submitted to the County Commission for approval; however, a summary of changes from the prior county road list was not included. Section 54-10-103, Tennessee Code Annotated, requires the highway supervisor to submit a list of county roads to the County Commission for approval at the January session each year. This list must include the classification, width, distance of each county road maintained, and a summary of changes from the prior year that provides the road name, date the change was approved by the County Commission, and the reason for the change.

RECOMMENDATION

The highway supervisor should submit to the County Commission a summary of changes from the prior county road list as required by state statute.

OFFICE OF TRUSTEE

FINDING 07.07 **EXCESS COMMISSIONS WERE NOT REPORTED AND PAID TO THE COUNTY IN COMPLIANCE WITH STATE STATUTE**
(Noncompliance Under Government Auditing Standards)

The trustee did not report and pay excess commissions to the county in compliance with Section 8-22-104, Tennessee Code Annotated. This statute requires excess commissions to be reported and paid to the county quarterly and requires the trustee to retain sufficient commissions to operate the office for three months. During the year, excess commissions totaling \$171,692 were reported and paid to the county. However, excess commissions retained exceeded statutory limits by amounts ranging from \$25,984 to \$33,939 at the end of each quarter.

RECOMMENDATION

The trustee should report and pay excess commissions to the county in compliance with state statute.

OFFICE OF REGISTER

FINDING 07.08 **THE REGISTER DID NOT REQUIRE A DEPOSITORY TO SUFFICIENTLY COLLATERALIZE FUNDS**
(Noncompliance Under Government Auditing Standards)

The register 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, 2007, funds on deposit exceeded FDIC coverage by \$14,867. 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 register should require all depositories to pledge securities sufficient to protect county funds exceeding FDIC coverage as required by state statute.

OTHER FINDING

FINDING 07.09 **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 – Significant Deficiency Under Government Auditing Standards)

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

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

Federal Agency	Finding Number	Federal CFDA Number	Criteria	Explanation	Amount Questioned
U.S. Department of Agriculture: Passed-through State Department of Education: Child Nutrition Cluster: School Breakfast Program National School Lunch Program	07.10		Circular A-133, Section 500(d)(1)	Significant Deficiency in Internal Control See Finding 07.05 - The Office had Deficiencies in Purchasing Procedures	\$ 0
		10.553			
		10.555			

RHEA COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2007

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

Office of Finance Director – Corrective Action Plan for Current Year Findings

FINDINGS 07.05 and 07.10

Contact Person: Charles Martin, Current Finance Director

Corrective action planned: The Finance Department will make every effort to correct this ongoing problem. The Finance Department has again informed all departments that purchase orders should be obtained for all purchases. Original documentation for all invoices should now be sent to the Finance Department for review and payment, hopefully this situation has been corrected.

Anticipated completion date: 2007-2008