ANNUAL FINANCIAL REPORT

RHEA COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2009

TENNESSEE
COMPTROLLER
OF THE TREASURY

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ANNUAL FINANCIAL REPORT

RHEA COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2009

DEPARTMENT OF AUDIT
JUSTIN P. WILSON
Comptroller of the Treasury

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

JAMES R. ARNETTE
Director

CARL LOWE, CGFM
Audit Manager

MICHAEL FORD, CPA, CGFM
Auditor 4

DEVAN N. FLYNN, CFE
JENI PALADENI
State Auditors

This financial report is available at www.tn.gov/comptroller

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Audit Highlights

Annual Financial Report
Rhea County, Tennessee
For the Year Ended June 30, 2009

Scope

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2009.

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. Our report on each major fund and the aggregate remaining fund information is unqualified.

Our audit resulted in 12 findings and recommendations, which we have reviewed with Rhea County management. Detailed findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

RHEA COUNTY AND RHEA COUNTY SCHOOL DEPARTMENT

- Capital assets records were not properly maintained, resulting in adverse opinions on the financial statements of the governmental activities and aggregate discretely presented component units.
- Rhea County and the Rhea County School Department do not have the resources to produce financial statements and notes to the financial statements.

OFFICE OF FINANCE DIRECTOR

- Competitive bids were not solicited for materials and supplies used to complete an animal shelter.
- The office had deficiencies in controls over nondepreciable assets.
- The office had deficiencies in purchasing procedures.
- The office did not notify the Internal Revenue Service to withdraw a payroll tax deposit in a timely manner resulting in interest and penalty assessments totaling $33,521.
- Reports for the Distance Learning and Telemedicine Grant were not filed in accordance with grant requirements.

- The office allowed individuals unsupervised access to rooms where confidential records are stored.

OFFICE OF CIRCUIT COURT CLERK

- The office did not implement adequate controls to protect its information resources.

OFFICE OF REGISTER

- The office did not review software audit logs.
- Unsupervised individuals were allowed access to the office after business hours.

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

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Rhea County Officials
June 30, 2009

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
Bill Graham, Finance Director

Board of County Commissioners

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

Financial Management Committee

Ronald Raper, Chairman
Chris Goodwin
Doyle Montgomery
Billy Ray Patton, County Executive
Dallas Smith, Director of Schools
Tommy Smith
Tommy Snyder, Highway Supervisor

Board of Education

Ron Masterson, Chairman
Billy DaVault
Dale Harris
Carroll Henderson
Paul Hill
Bimbo McCawley
B.J. McCoy
Maxine Moffett
Larry Pendergrass

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FINANCIAL SECTION

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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INDEPENDENT AUDITOR'S REPORT

December 10, 2009

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, 2009, 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 Rhea Medical Center, which represent 51.9 percent and 40.96 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. In addition, we did not audit the financial statements of the Rhea County Emergency Communications District, which represent 1.53 percent and .9 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. 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 and the Rhea County Emergency Communications District is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as

evaluating the overall financial statement presentation. We believe that our audit and the 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 discretely presented Rhea County School Department contain numerous material discrepancies, errors, misclassifications, and inaccurate calculations of accumulated depreciation balances. 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 matter discussed in the preceding paragraph, 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, 2009, and the changes in financial position and cash flows, where applicable thereof, for the year then ended.

Also, in our opinion, based on our audit, 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, 2009, 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 December 10, 2009, on our consideration of Rhea County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

As described in Note V.B., Rhea County has implemented the provisions of Governmental Accounting Standards Board Statement No. 49 Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments.

The management of Rhea County did not prepare a management's discussion and analysis. The management's discussion and analysis section is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

The budgetary comparison, pension, and other postemployment benefits information on pages 89 through 97 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,

Justin P. Wilson
Comptroller of the Treasury

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Basic Financial Statements

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Exhibit A

Rhea County, Tennessee
Statement of Net Assets
June 30, 2009

	Primary Government	Component Units		
	Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
ASSETS				
Cash	$ 91,648	$ 1,073	$ 7,552,178	$ 628,237
Equity in Pooled Cash and Investments	3,129,966	3,878,148	0	0
Inventories	0	87,104	457,505	0
Investments	0	0	236,593	83,925
Accounts Receivable	85,255	8,691	6,162,189	17,171
Allowance for Uncollectibles	0	0	(1,470,000)	0
Due from Other Governments	889,775	729,966	0	0
Due from Primary Government	0	3	0	0
Due from Component Unit	2,847	0	0	0
Property Taxes Receivable	6,244,581	3,573,192	0	0
Allowance for Uncollectible Property Taxes	(301,362)	(172,603)	0	0
Prepaid Items	0	0	86,212	21,440
Deferred Charges - Debt Issuance Cost	145,011	0	149,956	0
Other	0	0	611,999	0
Assets Not Depreciated:				
Land	868,831	939,515	2,362,514	0
Construction in Progress		0	0	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,363,624	29,164,529	22,799,294	206,770
Infrastructure	2,683,509	0	0	0
Other Capital Assets	1,142,799	1,490,434	5,311,601	344,324
Total Assets	$ 17,346,484	$ 39,700,052	$ 44,260,041	$ 1,301,867
LIABILITIES				
Accounts Payable	$ 90,960	$ 6,329	$ 913,512	$ 0
Accrued Payroll	943	8,862	681,052	0
Payroll Deductions Payable	64,204	602,227	0	0
Contracts Payable	144,419	0	0	0
Accrued Interest Payable	117,942	0	0	0
Due to Primary Government	0	2,847	0	0
Due to Component Unit	3	0	0	0
Due to State of Tennessee	0	487	0	0
Due to Litigants, Heirs, and Others	9,135	0	19,219	0
Other Current Liabilities	0	0	1,265,144	0
Deferred Revenue - Current Property Taxes	5,689,746	3,255,261	0	0
Noncurrent Liabilities:				
Due Within One Year	1,747,435	524,073	932,263	316
Due in More Than One Year (net of deferred amount on refunding and unamortized premium on debt)	14,623,796	2,016,673	23,924,882	0
Total Liabilities	$ 22,488,583	$ 6,416,759	$ 27,736,072	$ 316

(Continued)

Exhibit A

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

	Primary Government	Component Units		
	Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 7,023,881	$ 0	$ 5,616,264	$ 0
Invested in Capital Assets	0	31,594,478	0	551,094
Restricted for:				
General Purposes	769,997	73,172	0	
Solid Waste/Sanitation	1,195,009	0	0	0
Drug Control	66,817	0	0	0
District Attorney General	31,272	0	0	0
Highway/Public Works	440,960	0	0	0
Debt Service	567,397	0	0	0
School Federal Projects	0	108,535	0	0
Central Cafeteria	0	625,703	0	0
School Transportation	0	479,060	0	0
Capital Projects	120,454	428,767	0	0
Unrestricted	(15,357,886)	(26,422)	10,907,705	750,457
Total Net Assets	$ (5,142,099)	$ 33,283,293	$ 16,523,969	$ 1,301,551

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, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities	Component Units: Rhea County School Department	Component Units: Rhea Medical Center	Component Units: Rhea County Emergency Communications District
Primary Government:								
Governmental Activities:								
General Government	$ 1,617,819	$ 263,730	$ 16,338	$ 0	$ (1,337,751)	$ 0	$ 0	$ 0
Finance	1,250,601	587,855	14,608	0	(648,138)	0	0	0
Administration of Justice	1,065,889	756,222	9,000	0	(300,667)	0	0	0
Public Safety	4,486,593	249,020	391,413	416,270	(3,429,890)	0	0	0
Public Health and Welfare	761,461	164,149	160,726	0	(436,586)	0	0	0
Agriculture and Natural Resources	197,839	0	0	0	(197,839)	0	0	0
Other Operations	1,749,140	1,139,940	500	503,493	(105,207)	0	0	0
Highways/Public Works	1,789,151	7,566	1,537,143	289,363	44,921	0	0	0
Education (Payments to Component Unit)	225,000	0	0	0	(225,000)	0	0	0
Interest on Long-term Debt	593,210	0	0	0	(593,210)	0	0	0
Other Debt Service	88,043	0	564,321	0	476,278	0	0	0
Total Primary Government	$ 13,824,746	$ 3,168,482	$ 2,694,049	$ 1,209,126	$ (6,753,089)	$ 0	$ 0	$ 0
Component Units:								
Rhea County School Department	$ 30,887,422	$ 839,554	$ 3,739,649	$ 714,154	$ 0	$ (25,594,065)	$ 0	$ 0
Rhea Medical Center	21,754,335	22,882,275	38,300	0	0	0	1,166,240	0
Rhea County Emergency Communications District	359,197	411,459	89,525	0	0	0	0	141,787
Total Component Units	$ 53,000,954	$ 24,133,288	$ 3,867,474	$ 714,154	$ 0	$ (25,594,065)	$ 1,166,240	$ 141,787

(Continued)

Exhibit B

Rhea County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities	Component Units: Rhea County School Department	Component Units: Rhea Medical Center	Component Units: Rhea County Emergency Communications District
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes					$ 5,091,214	$ 3,365,417	$ 0	$ 0
Property Taxes Levied for Debt Service					789,040	0	0	0
Local Option Sales Taxes					405,076	2,670,735	0	0
Hotel/Motel Tax					136,070	0	0	0
Litigation Tax - General					157,516	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse					39,523	0	0	0
Business Tax					200,415	0	0	0
Mineral Severance Tax					69,733	0	0	0
Wholesale Beer Tax					96,007	0	0	0
Other Local Taxes					2,248	2,963	0	0
Grants and Contributions Not Restricted to Specific Programs					502,139	21,036,417	0	0
Unrestricted Investment Earnings					168,505	4,818	28,697	4,087
Miscellaneous					99,306	196,214	0	65
Total General Revenues					$ 7,756,792	$ 27,276,564	$ 28,697	$ 4,152
Change in Net Assets					$ 1,003,703	$ 1,682,499	$ 1,194,937	$ 145,939
Prior-period Adjustment					(4,264,513)	(249,340)	0	0
Net Assets, July 1, 2008					(1,881,289)	31,850,134	15,329,032	1,155,612
Net Assets, June 30, 2009					$ (5,142,099)	$ 33,283,293	$ 16,523,969	$ 1,301,551

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, 2009

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
ASSETS						
Cash	$ 100	$ 0	$ 0	$ 0	$ 91,548	$ 91,648
Equity in Pooled Cash and Investments	1,373,203	660,374	151,628	703,802	231,881	3,120,888
Accounts Receivable	30,676	54,447	0	0	132	85,255
Due from Other Governments	314,193	14,692	336,101	76,290	148,460	889,736
Due from Other Funds	538	0	0	0	0	538
Property Taxes Receivable	5,406,387	0	0	838,194	0	6,244,581
Allowance for Uncollectible Property Taxes	(260,923)	0	0	(40,439)	0	(301,362)
Notes Receivable - Current	0	90,555	0	0	0	90,555
Notes Receivable - Long-term	0	383,332	0	0	0	383,332
Total Assets	$ 6,864,174	$ 1,203,400	$ 487,729	$ 1,577,847	$ 472,021	$ 10,605,171
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 54,461	$ 6,116	$ 16,076	$ 0	$ 8,244	$ 84,897
Accrued Payroll	943	0	0	0	0	943
Payroll Deductions Payable	45,669	2,191	7,227	0	0	55,087
Contracts Payable	0	0	0	0	144,419	144,419
Due to Other Funds	3,136	84	0	0	537	3,757
Due to Litigants, Heirs, and Others	0	0	0	0	9,135	9,135
Capital Outlay Notes Payable	0	0	0	90,555	0	90,555
Deferred Revenue - Current Property Taxes	4,925,994	0	0	763,752	0	5,689,746
Deferred Revenue - Delinquent Property Taxes	192,470	0	0	29,803	0	222,273
Other Deferred Revenues	0	0	137,190	39,774	0	176,964
Capital Outlay Notes Payable - Long-term	0	0	0	383,332	0	383,332
Total Liabilities	$ 5,222,673	$ 8,391	$ 160,493	$ 1,307,216	$ 162,335	$ 6,861,108
Fund Balances						
Reserved for Encumbrances	$ 4,611	$ 0	$ 85,861	$ 0	$ 1,184	$ 91,656
Reserved for Alcohol and Drug Treatment	90,073	0	0	0	0	90,073

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Govern-mental Funds
LIABILITIES AND FUND BALANCES (Cont.)						
Fund Balances (Cont.)						
Reserved for Litigation Tax - Jail, Workhouse, or Courthouse	$ 221,951	$ 0	$ 0	$ 0	$ 0	$ 221,951
Reserved for Drug Court	12,320	0	0	0	0	12,320
Reserved for Sexual Offender Registration	13,713	0	0	0	0	13,713
Reserved for Courtroom Security	930	0	0	0	0	930
Reserved for Computer System - Register	32,598	0	0	0	0	32,598
Reserved for Automation Purposes - Circuit Court	11,455	0	0	0	0	11,455
Reserved for Automation Purposes - General Sessions Court	43,971	0	0	0	0	43,971
Reserved for Automation Purposes - Chancery Court	5,847	0	0	0	0	5,847
Reserved for Automation Purposes - Sheriff	32,204	0	0	0	0	32,204
Reserved for Long-term Notes Receivable	0	383,332	0	0	0	383,332
Reserved for Other General Purposes	112,465	0	0	0	0	112,465
Unreserved, Reported In:						
General Fund	1,059,363	0	0	0	0	1,059,363
Special Revenue Funds	0	811,677	241,375	0	188,048	1,241,100
Debt Service Funds	0	0	0	270,631	0	270,631
Capital Projects Funds	0	0	0	0	120,454	120,454
Total Fund Balances	$ 1,641,501	$ 1,195,009	$ 327,236	$ 270,631	$ 309,686	$ 3,744,063
Total Liabilities and Fund Balances	$ 6,864,174	$ 1,203,400	$ 487,729	$ 1,577,847	$ 472,021	$ 10,605,171

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, 2009

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)		$ 3,744,063
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in in the governmental funds.		
Add: land	$ 868,831	
Add: buildings and improvements net of accumulated depreciation	2,363,624	
Add: infrastructure net of accumulated depreciation	2,683,509	
Add: other capital assets net of accumulated depreciation	1,142,799	7,058,763
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: notes payable	$ (755,200)	
Less: capital leases payable	(731,293)	
Less: other loans payable	(1,544,705)	
Less: bonds payable	(12,655,000)	
Less: deferred premium on debt issuances	(60,981)	
Less: compensated absences payable	(228,205)	
Less: other postemployment benefits payable	(740,978)	
Less: accrued interest on bonds, notes, other loans, and capital leases	(117,942)	
Add: deferred amount on refunding	345,131	
Add: deferred charges - debt issuance costs	145,011	(16,344,162)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		399,237
Net assets of governmental activities (Exhibit A)		$ (5,142,099)

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, 2009

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Revenues						
Local Taxes	$ 5,504,251	$ 296,422	$ 69,735	$ 1,212,049	$ 0	$ 7,082,457
Licenses and Permits	36,931	0	0	0	0	36,931
Fines, Forfeitures, and Penalties	250,231	0	0	0	58,469	308,700
Charges for Current Services	58,169	160,512	0	0	392,683	611,364
Other Local Revenues	267,123	20,003	52,953	156,312	148,340	644,731
Fees Received from County Officials	796,597	0	0	0	0	796,597
State of Tennessee	507,239	44,631	1,821,989	225,571	358,594	2,958,024
Federal Government	437,785	0	0	0	0	437,785
Other Governments and Citizens Groups	164,429	1,372	0	564,321	1,719	731,841
Total Revenues	$ 8,022,755	$ 522,940	$ 1,944,677	$ 2,158,253	$ 959,805	$ 13,608,430
Expenditures						
Current:						
General Government	$ 1,225,592	$ 0	$ 0	$ 0	$ 0	$ 1,225,592
Finance	869,283	0	0	0	362,413	1,231,696
Administration of Justice	965,629	0	0	0	61,781	1,027,410
Public Safety	4,260,428	0	0	0	57,965	4,318,393
Public Health and Welfare	214,301	505,041	0	0	0	719,342
Agriculture and Natural Resources	190,718	0	0	0	0	190,718
Other Operations	420,075	265,729	0	2,886	608,218	1,296,908
Highways	0	0	1,822,169	0	0	1,822,169
Debt Service:						
Principal on Debt	0	0	112,498	1,506,099	0	1,618,597
Interest on Debt	0	0	9,545	585,134	0	594,679
Other Debt Service	0	0	0	29,624	0	29,624
Total Expenditures	$ 8,146,026	$ 770,770	$ 1,944,212	$ 2,123,743	$ 1,090,377	$ 14,075,128
Excess (Deficiency) of Revenues Over Expenditures	$ (123,271)	$ (247,830)	$ 465	$ 34,510	$ (130,572)	$ (466,698)
Other Financing Sources (Uses)						
Notes Issued	$ 0	$ 0	$ 0	$ 222,200	$ 225,000	$ 447,200
Proceeds from Sale of Capital Assets	1,470	0	0	0	0	1,470

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern-mental Funds	Total Governmental Funds
Other Financing Sources (Uses) (Cont.)						
Insurance Recovery	$ 21,733	$ 0	$ 0	$ 0	$ 0	$ 21,733
Total Other Financing Sources (Uses)	$ 23,203	$ 0	$ 0	$ 222,200	$ 225,000	$ 470,403
Net Change in Fund Balances	$ (100,068)	$ (247,830)	$ 465	$ 256,710	$ 94,428	$ 3,705
Fund Balance, July 1, 2008	1,741,569	1,442,839	326,771	13,921	215,258	3,740,358
Fund Balance, June 30, 2009	$ 1,641,501	$ 1,195,009	$ 327,236	$ 270,631	$ 309,686	$ 3,744,063

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, 2009

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)		$ 3,705
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 558,923	
Less: current year depreciation expense	(541,911)	17,012
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net assets.		
Less: loss on the sale or insurance recovery of capital assets		(5,905)
(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 and other deferred June 30, 2009	$ 399,237	
Less: deferred delinquent property taxes and other deferred June 30, 2008	(348,927)	50,310
(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	$ (447,200)	
Less: change in deferred amount on refunding	(39,634)	
Less: change in deferred debt issuance costs	(18,785)	
Add: change in premium on debt issuances	6,566	
Add: principal payments on notes	492,556	
Add: principal payments on capital leases	275,751	
Add: principal payments on other loans	148,068	
Add: principal payments on bonds	805,000	
Add: reduction of lease payment - asset returned	79,588	1,301,910
(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 compensated absences payable	$ 6,238	
Change in other postemployment benefits payable	(371,036)	
Change in accrued interest payable	1,469	(363,329)
Change in net assets of governmental activities (Exhibit B)		$ 1,003,703

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, 2009

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
ASSETS	
Equity in Pooled Cash and Investments	$ 9,078
Due from Other Governments	39
Due from Other Funds	3,220
Due from Component Units	2,847
Total Assets	$ 15,184
LIABILITIES	
Accounts Payable	$ 6,063
Payroll Deductions Payable	9,117
Due to Other Funds	1
Due to Component Units	3
Total Liabilities	$ 15,184
NET ASSETS	
Unrestricted	$ 0

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, 2009

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Operating Revenues	
Charges for Current Services	$ 1,494,023
Total Operating Revenues	$ 1,494,023
Operating Expenses	
Other Facilities	$ 342,626
Other Charges	301,091
Miscellaneous	850,306
Total Operating Expenses	$ 1,494,023
Operating Income (Loss)	$ 0
Change in Net Assets	$ 0
Net Assets, July 1, 2008	0
Net Assets, June 30, 2009	$ 0

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, 2009

	Governmental Activities - Internal Service Fund Central Maintenance/ Garage
Cash Flows from Operating Activities	
Receipts from Interfund Services Provided	$ 1,507,452
Central Maintenance Garage Activity - Uses	(1,507,809)
Net Cash Provided By (Used In) Operating Activities	$ (357)
Net Increase (Decrease) in Cash	$ (357)
Cash, July 1, 2008	9,435
Cash, June 30, 2009	$ 9,078
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities	
Operating Income (Loss)	$ 0
Adjustment to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) Decrease in Due from Other Governments	(39)
(Increase) Decrease in Due from Other Funds	(1,520)
(Increase) Decrease in Due from Component Units	14,988
Increase (Decrease) in Accounts Payable	(13,472)
Increase (Decrease) in Payroll Deductions Payable	(318)
Increase (Decrease) in Due to Other Funds	1
Increase (Decrease) in Due to Component Units	3
Net Cash Provided By (Used In) Operating Activities	$ (357)

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, 2009

	Agency Funds
ASSETS	
Cash	$ 1,381,494
Equity in Pooled Cash and Investments	42,969
Due from Other Governments	531,054
Taxes Receivable	335,572
Allowance for Uncollectible Taxes	(16,044)
Total Assets	$ 2,275,045
LIABILITIES	
Due to Other Taxing Units	$ 893,551
Due to Litigants, Heirs, and Others	1,381,494
Total Liabilities	$ 2,275,045

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

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.

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 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. Complete financial statements of the Rhea Medical Center and the Rhea County Emergency Communications District can be obtained from their administrative offices at the following addresses:

Administrative Offices:

Rhea Medical Center
7900 Rhea County Highway
Dayton, TN 37321

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Rhea County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Rhea County School Department component unit only reports governmental activities in the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Rhea County issues all debt for the discretely presented Rhea County School Department. Net debt issues of $225,000 were contributed by the county to the School Department during the year ended June 30, 2009.

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 (except for agency funds, which have no measurement focus) and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Rhea County reports the following major governmental funds:

General Fund – This is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

Additionally, Rhea County reports the following fund types:

Capital Projects Funds – These funds are used to account for various capital projects within the county.

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; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

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 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 2.58 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:

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

5. **Compensated Absences**

It is the county's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. An employee may accumulate up to 20 days vacation leave. 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 policy also allows School Department employees to be paid $50 a day for unused sick leave upon retirement if certain criteria are met. There is no limit on the number of sick days an employee can accrue.

All vacation pay is accrued when incurred in the government-wide statements for the county and the discretely presented School Department. 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 and other postemployment benefits, 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, 2009, Rhea County had $15,651,316 in outstanding debt for capital purposes for the discretely presented Rhea County School Department. This debt is a liability of Rhea County; however, the capital assets acquired are reported in the financial statements of the School Department. 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 totaling $3,894,571 involved assets that had been over valued in previous years as well as corrections of accumulated depreciation. Also, a liability totaling $369,942 for other postemployment benefits was not shown for June 30, 2008. The net effect of these changes decreased net assets for the primary government by $4,264,513.

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 been over valued in previous years as well as corrections of accumulated depreciation. The net effect of these changes decreased net assets for the School Department by $249,340.

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

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.

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.

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; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; 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, 2009.

B. Notes Receivable

Notes receivable ($473,887) 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. The

amount of the notes that is not expected to be collected within one year is $383,332.

C. Capital Assets

Capital assets activity for the year ended June 30, 2009, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	$ 1,074,189	$ 60,000	$ (265,358)	$ 868,831
Construction in Progress	257,527	0	(257,527)	0
Total Capital Assets Not Depreciated	$ 1,331,716	$ 60,000	$ (522,885)	$ 868,831
Capital Assets Depreciated:				
Buildings and Improvements	$ 6,133,590	$ 351,431	$ (3,454,045)	$ 3,030,976
Infrastructure	7,875,172	7,084,414	(276,823)	14,682,763
Other Capital Assets	3,200,868	165,463	(333,878)	3,032,453
Total Capital Assets Depreciated	$ 17,209,630	$ 7,601,308	$ (4,064,746)	$ 20,746,192
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 1,267,001	$ 515,983	$ (1,115,632)	$ 667,352
Infrastructure	4,303,539	8,138,715	(443,000)	11,999,254
Others Capital Assets	2,028,579	348,483	(487,408)	1,889,654
Total Accumulated Depreciation	$ 7,599,119	$ 9,003,181	$ (2,046,040)	$ 14,556,260
Total Capital Assets Depreciated, Net	$ 9,610,511	$ (1,401,873)	$ (2,018,706)	$ 6,189,932
Governmental Activities Capital Assets, Net	$ 10,942,227	$ (1,341,873)	$ (2,541,591)	$ 7,058,763

Increases and decreases include a prior-period adjustment totaling $3,894,571 to correct capital assets values.

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

Governmental Activities:

General Government	$	52,076
Finance		18,870
Public Safety		117,205
Highways		353,760
Total Depreciation Expense - Governmental Activities	$	541,911

Discretely Presented Rhea County School Department

Governmental Activities:

	Balance 7-1-08	Increases	Decreases	Balance 6-30-09
Capital Assets Not Depreciated:				
Land	$ 794,123	$ 303,374	$ (157,982)	$ 939,515
Construction in Progress	48,121	0	(48,121)	0
Total Capital Assets Not Depreciated	$ 842,244	$ 303,374	$ (206,103)	$ 939,515
Capital Assets Depreciated:				
Buildings and Improvements	$ 36,117,101	$ 2,910,053	$ (2,286,416)	$ 36,740,738
Other Capital Assets	3,607,958	325,756	(75,439)	3,858,275
Total Capital Assets Depreciated	$ 39,725,059	$ 3,235,809	$ (2,361,855)	$ 40,599,013
Less Accumulated Depreciation For:				
Buildings and Improvements	$ 8,426,742	$ 1,362,548	$ (2,213,081)	$ 7,576,209
Others Capital Assets	2,103,701	412,740	(148,600)	2,367,841
Total Accumulated Depreciation	$ 10,530,443	$ 1,775,288	$ (2,361,681)	$ 9,944,050
Total Capital Assets Depreciated, Net	$ 29,194,616	$ 1,460,521	$ (174)	$ 30,654,963
Governmental Activities Capital Assets, Net	$ 30,036,860	$ 1,763,895	$ (206,277)	$ 31,594,478

Increases and decreases include a prior-period adjustment totaling $249,340 to correct asset values.

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

Governmental Activities:

Instruction	$	427,467
Support Services		298,326
Operation of Non-Instructional Services		4,979
Total Depreciation Expense - Governmental Activities	$	730,772

D. Insurance Recovery

Primary Government

During the year, the county suffered minor damages to several vehicles and a communications tower. Insurance recoveries of $21,733 were used to repair these damages.

Discretely Presented Rhea County School Department

During the year, the Rhea County School Department suffered minor damages to roofs at two schools, a sign, and two buses. Insurance recoveries of $180,395 were used to repair these damages.

E. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2009, is as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund		Amount
General	Nonmajor governmental	$	537
General	Internal Service		1
Internal Service	General		3,136
Internal Service	Solid Waste/Sanitation		84

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:

Receivable Fund	Payable Fund	Amount
Solid Waste/Sanitation	General Debt Service	$ 473,887

Due to/from Primary Government and Component Units:

Receivable Fund	Payable Fund	Amount
Primary government:	Component unit:	
Internal Service	General Purpose School	$ 1,950
Internal Service	School Transportation	897
Component unit:	Primary government:	
General Purpose School	Internal Service	2
School Transportation	Internal Service	1

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. Operating Leases

Discretely Presented Rhea County School Department

The Rhea County School Department leases two outdoor lighting systems for the high school and Spring City middle school from the local electric co-op. The rent expenditures for the year ended June 30, 2009, were $15,168 for the governmental funds. There are no provisions for contingent or sublease rentals in the agreements. The future minimum lease payments for this lease are as follows:

Year Ending June 30	Amount
2010	$ 15,168
2011	15,168
2012	15,168
2013	15,168
2014	15,168
2015-2017	26,248
Total	$ 102,088

G. Capital Leases

On June 6, 2006, the Rhea County Highway Department entered into a five-year lease-purchase agreement for two road graders. The original terms of the agreement require total lease payments of $368,662 plus interest of 5.6 percent. In June 2009, one of the graders was returned, and the lease payments were reduced by $79,588 over the remainder of the lease-purchase agreement (the county also received $44,756 for this returned grader). Title to the remaining road grader transfers to the Highway Department at the end of the lease period. The lease payments are made by the Highway/Public Works Fund.

On February 28, 2008, the Rhea County School Department entered into a five-year lease-purchase agreement for modular buildings to be used as classrooms. The terms of the agreement require total lease payments of $868,018 plus interest of 9.64 percent. Title to these modular buildings transfers to the School Department at the end of the lease period. The lease payments are made by the General Debt Service Fund.

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2009, were as follows:

Year Ending June 30	Amount
2010	$ 226,146
2011	190,346
2012	190,346
2013	174,483
Total Minimum Lease Payments	$ 781,321
Less: Amount Representing Interest	(50,028)
Present Value of Minimum Lease Payments	$ 731,293

H. 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 and to refund other notes.

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 nine 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, 2009, 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, 2009, are as follows:

Type	Interest Rate	Original Amount of Issue	Balance 6-30-09
General Obligation Bonds	4.1 to 5 %	$ 12,130,000	$ 1,330,000
General Obligation Bonds - Refunding	3.375 to 4	12,555,000	11,325,000
Capital Outlay Notes	2 to 5.25	827,200	755,200
Other Loans	various	2,448,317	1,544,705
Capital Lease	5.6 to 9.64	1,236,680	731,293

In previous years, Rhea County entered into loan agreements with the Tennessee State School Bond Authority. Under these loan agreements, the authority loaned $930,817 and $517,500 in Qualified Zone Academy Bonds to Rhea County for an energy construction project and school renovations, repairs, and equipment, respectively. These loans are repayable at zero percent interest.

Also, in previous years, Rhea County entered into a loan agreement with the Montgomery County Public Building Authority. Under this loan agreement, the authority loaned $1 million to Rhea County 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, 2009, the variable interest rate was .39 percent, and other fees totaled approximately .15 percent (letter of credit), and .08 percent (remarketing) on the outstanding loan principal and a trustee fee of $85 per month.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2009, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds Principal	Bonds Interest	Bonds Total
2010	$ 1,090,000	$ 481,955	$ 1,571,955
2011	1,455,000	441,472	1,896,472
2012	1,490,000	385,067	1,875,067
2013	1,025,000	333,376	1,358,376
2014	1,105,000	292,377	1,397,377
2015-2019	5,115,000	784,435	5,899,435
2020-2023	1,375,000	138,350	1,513,350
Total	$ 12,655,000	$ 2,857,032	$ 15,512,032

Year Ending June 30	Notes Principal	Notes Interest	Notes Total
2010	$ 184,264	$ 30,768	$ 215,032
2011	189,002	23,366	212,368
2012	194,934	15,725	210,659
2013	44,000	7,798	51,798
2014	46,000	5,963	51,963
2015-2016	97,000	6,088	103,088
Total	$ 755,200	$ 89,708	$ 844,908

Year Ending June 30	Other Loans Principal	Other Loans Interest	Other Loans Other Fees	Other Loans Total
2010	$ 150,068	$ 3,502	$ 3,085	$ 156,655
2011	151,068	3,354	2,998	157,420
2012	153,069	3,202	2,908	159,179
2013	77,500	3,042	2,814	83,356
2014	78,500	2,874	2,715	84,089
2015-2019	422,500	11,641	11,969	446,110
2020-2024	373,000	6,365	8,860	388,225
2025-2026	139,000	820	2,605	142,425
Total	$ 1,544,705	$ 34,800	$ 37,954	$ 1,617,459

There is $270,631 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled $446, based on the 2000 federal census. Debt per capita, including bonds, notes, capital leases, and other loans totaled $552, based on the 2000 federal census.

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:	Bonds	Notes	Capital Leases
Balance, July 1, 2008	$ 13,460,000	$ 800,556	$ 1,086,632
Additions	0	447,200	0
Reduction of Lease	0	0	(79,588)
Deductions	(805,000)	(492,556)	(275,751)
Balance, June 30, 2009	$ 12,655,000	$ 755,200	$ 731,293
Balance Due Within One Year	$ 1,090,000	$ 184,264	$ 203,857

	Other Loans	Compensated Absences	Other Post-employment Benefits
Balance, July 1, 2008	$ 1,692,773	$ 234,443	$ 0
Prior-period Adjustments	0	0	369,942
Additions	0	179,940	401,444
Deductions	(148,068)	(186,178)	(30,408)
Balance, June 30, 2009	$ 1,544,705	$ 228,205	$ 740,978
Balance Due Within One Year	$ 150,068	$ 119,246	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	$ 16,655,381
Less: Balance Due Within One Year	(1,747,435)
Less: Deferred Amount on Refunding	(345,131)
Add: Unamortized Premium on Debt	60,981
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 14,623,796

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

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, 2009, was as follows:

Governmental Activities:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2008	$ 68,666	$ 980,152
Additions	529,690	1,187,178
Deductions	(57,745)	(167,195)
Balance, June 30, 2009	$ 540,611	$ 2,000,135
Balance Due Within One Year	$ 524,073	$ 0

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2009	$ 2,540,746
Less: Balance Due Within One Year	(524,073)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	$ 2,016,673

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

I. On-Behalf Payments – Discretely Presented Rhea County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Rhea County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2009, were $80,356 and $18,541, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

J. 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, 2009, are reflected as follows:

Internally Reported Interfund Notes Receivable
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:				
Landfill Property	$ 165,000	2 %	4-18-01	4-18-10
Jail Expansion	150,000	2	2-10-04	2-10-10
Frazier Addition and Sewer Project	500,000	2	3-22-07	3-22-10

	Outstanding 7-1-08	Paid and/or Matured During Period	Outstanding 6-30-09
Solid Waste/Sanitation Fund:			
Landfill Property	$ 36,667	$ (18,334)	$ 18,333
Jail Expansion	83,333	(16,667)	66,666
Frazier Addition and Sewer Project	444,444	(55,556)	388,888
Total	$ 564,444	$ (90,557)	$ 473,887

K. 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, 2009, was as follows:

	Balance 7-1-08	Issued	Redeemed	Balance 6-30-09
Tax Anticipation Notes	$ 0	$ 800,000	$ (800,000)	$ 0

Discretely Presented Rhea County School Department

Rhea County issued $600,000 of tax anticipation notes in advance of property tax collections and deposited the proceeds in the School Transportation Fund and $100,000 of revenue anticipation notes in advance of revenue collections and deposited the proceeds in the School Federal Projects Fund. These notes were necessary because funds were not available to meet expenditures coming due before current tax and/or revenue collections. Short-term debt activity for the year ended June 30, 2009, was as follows:

	Balance 7-1-08	Issued	Redeemed	Balance 6-30-09
Tax Anticipation Notes	$ 0	$ 700,000	$ (700,000)	$ 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.

Primary Government

Rhea County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, Tennessee Code Annotated (TCA), 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.

Discretely Presented Rhea County School Department

The discretely presented Rhea County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, TCA, all local education agencies are eligible to participate. The LEGIF 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. Section 8-27-303, TCA, provides for the LEGIF to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations; and Statement No. 52, Land and Other Real Estate Held as Investments by Endowments became effective for the year ended June 30, 2009.

GASB Statement No. 49 requires county governments to measure and report their pollution remediation liabilities. A county has a pollution remediation problem if one of five obligating events occurs. The statement requires governments to restate beginning net assets in government-wide and proprietary fund financial statements for pollution remediation liabilities that existed as of July 1, 2008. Previous to Statement No. 49, counties were not required to measure and record pollution remediation liabilities. GASB Statement No. 49 had no effect on the financial statements of Rhea County for the year ended June 30, 2009, since the county had none of the obligating events. However, it is reasonably expected that Rhea County could have pollution remediation liabilities in subsequent years.

GASB Statement No. 52 requires endowments to report land and other real estate investments at fair value. Previous to Statement No. 52, land and other real estate held by endowments were reported at historical cost. Changes in fair value between years will be reported as investment income (loss). GASB Statement No. 52 had no effect on the financial statements of Rhea County for the year ended June 30, 2009, since the county had no endowment real estate investments. However, it is reasonably expected that Rhea County could have endowment real estate investments in subsequent years.

C. Subsequent Events

The following tax and/or revenue anticipations were issued for temporary operating funds.

Date	Issuer Fund	Borrower Fund	Amount
7-14-09	General Purpose School	School Federal Projects	$ 100,000
11-9-09	General Purpose School	General	100,000
11-9-09	General Purpose School	School Transportation	150,000
11-25-09	General Purpose School	General	150,000

On July 1, 2009, an agreement was signed with Life Care Centers of America to sell the license and equipment of the county-owned nursing home. The County Commission had previously asked the Rhea Medical Center to put $500,000 from the sale into the county budget. The $500,000 was receipted by the county on August 13, 2009. Life Care Centers of America paid $1,500,000 for the nursing home business but not the property where it stands. Life Care Centers of America plans to buy land elsewhere and build a 100-bed nursing home within three years.

Director of Schools, Dallas Smith, retired June 30, 2009, and was succeeded by Jerry Levengood effective July 1, 2009.

D. Contingent Liabilities

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

E. Changes in Administration

On November 3, 2008, Charles Martin left the Office of Finance Director and was succeeded by Bill Graham on February 2, 2009. Linda Edington served as interim finance director during the transition period.

F. Landfill Closure and Postclosure Care Costs

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 2036. Santek will pay postclosure care cost of the old landfill and closure and

postclosure care costs of the new landfill as long as the contract with Rhea County is in effect. Rhea County has designated 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 costs of the landfills. The estimated closure and postclosure costs of the landfills, totaling $1,929,700 at June 30, 2009, were not included in the county's long-term debt due to the uncertainty of what amount, if any, will be paid by the county. This amount is based on estimates of what it would cost to perform all closure and postclosure care in 2009. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

G. Joint Ventures

The Rhea Economic and Tourism Council is a joint venture between 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; 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, 2009.

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

H. 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 www.tn.gov/treasury/tcrs.

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, 2009, was 8.72 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, 2009, Rhea County's annual pension cost of $1,313,167 to TCRS was equal to the county's required and actual contributions. The required contribution was determined as part of the July 1, 2007, 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, 2007, was 13 years. An actuarial valuation was performed as of July 1, 2007, which established contribution rates effective July 1, 2008.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-09	$1,313,167	100%	$0
6-30-08	1,314,079	100	0
6-30-07	1,244,568	100	0

Funded Status and Funding Progress

As of July 1, 2007, the most recent actuarial valuation date, the plan was 86.22 percent funded. The actuarial accrued liability for benefits was $31.79 million, and the actuarial value of assets was $27.41 million, resulting in an unfunded actuarial accrued liability (UAAL) of $4.38 million. The covered payroll (annual payroll of active employees covered by the plan) was $14 million, and the ratio of the UAAL to the covered payroll was 32.23 percent.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The annual required contribution was calculated using the aggregate actuarial cost method. Since the aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and this information is intended to serve as a surrogate for the funded status and funding progress of the plan.

School Teachers

Plan Description

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

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

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, 2009, was 6.42 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, 2009, 2008, and 2007, were $883,609, $834,229, and $768,348, respectively, equal to the required contributions for each year.

I. Other Postemployment Benefits (OPEB)

Plan Description

Rhea County and the Rhea County School Department participate in the state-administered Local Government Group Insurance Plan and the Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plans are agent multiple-employer defined benefit OPEB plans. Benefits are established and amended by an insurance committee created by Section 8-27-207, Tennessee Code Annotated (TCA), for local governments and Section 8-27-302, TCA, for teachers. Prior to reaching the age of 65, all members have the option of choosing a preferred provider organization (PPO), point of service (POS), or health maintenance organization (HMO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at http://www.tn.gov/finance/act/cafr.html.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state does not provide a subsidy for local government participants; however, the state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. During the year, $30,408 was contributed by Rhea County for postemployment health care premiums, and expenditures totaling $167,195 were recognized for postemployment health care by the School Department.

Annual OPEB Cost and Net OPEB Obligation

	Local Government Group Plan	Local Education Group Plan
ARC	$ 401,000	$ 1,186,000
Interest on the NPO	16,647	44,107
Adjustment to the ARC	(16,203)	(42,929)
Annual OPEB cost	$ 401,444	$ 1,187,178
Amount of contribution	(30,408)	(167,195)
Increase/decrease in NPO	$ 371,036	$ 1,019,983
Net OPEB obligation, 7-1-08	369,942	980,152
Net OPEB obligation, 6-30-09	$ 740,978	$ 2,000,135

Fiscal Year Ended*	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-08	Local Government Group	$ 401,000	7.75 %	$ 369,942
6-30-09	"	401,444	7.57	740,978
6-30-08	Local Education Group	1,180,000	16.94	980,152
6-30-09	"	1,187,178	14.08	2,000,135

* Data only available for two years.

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2009, was as follows:

	Local Government Group Plan	Local Education Group Plan
Actuarial valuation date	7-1-07	7-1-07
Actuarial accrued liability (AAL)	$ 2,857,000	$ 8,853,000
Actuarial value of plan assets	$ 0	$ 0
Unfunded actuarial accrued liability (UAAL)	$ 2,857,000	$ 8,853,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	$ 4,756,845	$ 15,859,306
UAAL as a % of covered payroll	60.1%	55.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2007, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 11 percent initially, reduced by decrements to an ultimate rate of six percent after ten years. Both rates include a three percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with June 30, 2008.

J. 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.

K. 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 that purchases exceeding $5,000 for the general government and School Department and $10,000 for the Highway Department 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. The 2009 net patient service revenue decreased $61,853 due to prior year retroactive adjustments in excess of amounts previously estimated.

Revenue from the Medicare and Medicaid programs accounted for approximately 34 and 26 percent, respectively, for the year ended June 30, 2009, 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's 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.

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.

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

13. Cost of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. No interest was capitalized during 2009.

14. 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, 2009.

15. 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.

16. 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.

17. 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, 2009.

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 $7,581,669 at June 30, 2009. 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 18, 2009, with a 2.14 percent fixed rate of interest. The short maturity (182 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	6-30-09
Insured by FDIC	$ 236,593
Ending balance	$ 236,593

The medical center currently has no formal policy addressing interest rates 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:

	6-30-09
Carrying amount:	
Deposits	$ 7,550,178
Investments	236,593
Cash on hand	2,000
Total	$ 7,788,771
Included in the following balance sheet captions:	
Cash	$ 7,532,959
Internally designated for capital acquisition	236,593
Patient trust funds	18,297
Activity funds	922
Total	$ 7,788,771

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 items at a tentative rate with final settlement determined after submission of annual cost reports by the medical center and review by the Medicare fiscal intermediary.

TennCare – 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 at June 30, 2009, consisted of the following:

	6-30-09
Pharmacy	$ 144,415
General supplies	92,722
Dietary	11,998
Laboratory	37,989
X-ray	19,686
Surgery	150,695
Total	$ 457,505

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 a 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 7-1-08	Additions	Balance 6-30-09
Land	$ 2,362,514	$ 0	$ 2,362,514
Land improvements	65,951	0	65,951
Buildings and improvements	27,475,984	0	27,475,984
Major movable equipment	10,784,798	515,523	11,300,321
Capital equipment	941,525	0	941,525

	Balance 7-1-08	Additions	Balance 6-30-09
Construction in progress	$ 30,306	$ (30,306)	$ 0
Totals	$ 41,661,078	$ 485,217	$ 42,146,295
Less accumulated depreciation for:			
Land improvements	$ 57,186	$ 1,537	$ 58,723
Buildings and improvements	3,979,614	704,304	4,683,918
Major movable equipment	4,979,155	1,165,191	6,144,346
Capital equipment	772,849	13,050	785,899
Total accumulated depreciation	$ 9,788,804	$ 1,884,082	$ 11,672,886
Property and equipment, net	$ 31,872,274	$ (1,398,865)	$ 30,473,409

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

Buildings and improvements include capitalized interest of $464,765 at June 30, 2009.

A portion of the original Medical Center building is being used for the Nursing Home. Building improvements and equipment with a carrying value of $1,168,626 were idle at June 30, 2009.

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, 2009, the assets totaled $586,366, net of accumulated amortization.

Other assets also include various lease deposits and prepayments totaling $25,633 at June 30, 2009.

H. Long-term Debt

		6-30-09
Amounts due Rhea County, a related party:		
Loan Agreement	$	24,100,000
Capital lease obligation #1 at an imputed interest of 9.6 percent		225,539
Capital lease obligation #2 at an imputed interest of 4.1 percent		531,606
Subtotal	$	24,857,145
Less current maturities of long-term debt		(932,263)
Long-term debt, net of current maturities	$	23,924,882

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 $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.

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 (.39 percent at June 30, 2009).

The loan agreement is secured by medical center property and equipment.

Capital lease obligation #1 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 $205,933 at June 30, 2009.

Capital lease obligation #2 requires monthly installments of $14,970, including interest, until August 2012. The obligation is secured by an MRI system with a cost of $808,468 and a carrying value of $512,030 at June 30, 2009.

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
2010	$ 691,000	$ 91,295	$ 241,263	$ 30,257
2011	713,000	88,514	252,930	18,591
2012	735,000	85,648	234,327	6,566
2013	758,000	82,692	28,625	157
2014	781,000	79,646	0	0
2015-2019	4,283,000	349,140	0	0
2020-2024	4,990,000	257,517	0	0
2025-2029	5,815,000	150,755	0	0
2030-2033	5,334,000	31,996	0	0
Total	$ 24,100,000	$ 1,217,203	$ 757,145	$ 55,571

Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2009, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2009 follows:

	Balance 7-1-08	Reductions	Balance 6-30-09	Amounts Due Within One Year
Bonds payable	$ 24,100,000	$ 0	$ 24,100,000	$ 691,000
Capital leases #1	302,394	(76,855)	225,539	80,985
Capital leases #2	685,262	(153,656)	531,606	160,278
Total long-term debt	$ 25,087,656	$ (230,511)	$ 24,857,145	$ 932,263

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 $276,802 for 2009 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, 2009, was $311,636.

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 8.72 percent. Contributions by the medical center totaled $591,574 in 2009. 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, 2009, was $9,339,459.

M. Designated Net Assets

Net assets reported in 2009 include $236,593, 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.

Rental expense included in operations amounted to $180,920 in 2009.

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

A management agreement between the Medical Center and Quorum Health Resources, Inc., (Quorum) was signed on April 24, 2009, with

effective dates of March 1, 2009, through February 28, 2016. The annual fee of $266,917 for the contract year beginning March 1, 2009, increases annually by a factor equal to the lower of five percent or the percentage increase in the Consumer Price Index, 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 $256,104 in 2009.

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 $363,162 for 2009.

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. 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, 2009, was as follows:

	6-30-09
Medicare	21%
Medicaid/TennCare	11
Blue Cross	8
Commercial	11
Private Pay	49
Total	100%

P. Subsequent Events

On July 1, 2009, the medical center sold the nursing home license and equipment to an unrelated party. The purchaser also entered into an agreement to lease the nursing home building for $24,000 per month, on a month-to-month basis for approximately three years.

The medical center noted no transactions that would provide evidence about material conditions that did not exist at the balance sheet date but arose subsequently, through the date these financial statements were available to be issued, November 19, 2009.

VII. OTHER NOTES – DISCRETELY PRESENTED RHEA COUNTY EMERGENCY COMMUNICATIONS DISTRICT

A. Summary of Significant Accounting Policies

1. Organization

The Rhea County "911" Emergency Communications District was established on September 13, 1990, to provide an enhanced level of 911 service for Rhea County citizens by acquiring certain types of equipment that enable emergency service providers to respond more rapidly and more effectively due to increased speed in the transmittal of critical information and improved reliability of address and information. The district is a component unit of Rhea County, which provides employees and operation facilities in exchange for impact payments and appoints all board members. The county has financial responsibility through the approval of the district's budget and the ability to modify fee rates.

2. Basis of Accounting

The Rhea County Emergency Communications District is an agency of Rhea County, Tennessee. As such, the district is subject to standards prescribed by the Governmental Accounting Standards Board (GASB), which require that the accrual method of accounting be used for

governmental units that recover cost of providing goods or services and are operating in a manner similar to private business enterprises. For this reason, the accrual method of accounting is utilized by the district. As a proprietary fund, the district applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

3. Capital Assets

Expenditures for capital assets are recorded at historical cost. Depreciation is being computed for furniture and equipment using the 200 percent double-declining balance method. Building and fencing are depreciated using the straight-line method. The depreciation periods are as follows:

Assets	Years
Furniture and equipment	5 - 7
Building	10 - 40
Fencing	15
Vehicles	5

4. Intangible Assets

Amortization of the cost of intangible assets commenced on completion of each project and when they were integrated into the operational enhanced "911" equipment. The amortization period for the intangible assets cost is over the term of years as follows:

Description		Cost	Years
Database Development	$	31,246	15
Installation Cost		36,036	5
Site Preparation		4,904	10

5. Investments

Investments are stated at cost, which approximates market. State statutes authorize the district to invest in obligations of the U.S. treasury, commercial paper, corporate bonds, repurchase agreements, and pooled investment funds.

B. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit with original maturities of three months or less, primarily with local financial institutions. At year end, all deposits were covered by federal depository insurance.

C. Deposits and Investments

The district's investments include:

	Carrying Amount	Market Value
Community National Bank Growth Fund	$ 22,641	$ 22,641
Local Government Investment Pool	61,284	61,284
Total Investments	$ 83,925	$ 83,925

At year end, all deposits of the district were covered by federal depository insurance or by collateral held by the State of Tennessee Collateral Pool for public deposits.

Investments in the State of Tennessee Local Government Investment Pool are valued based upon the value of pool shares. The responsibility for conducting the state's investment program resides with the state treasurer pursuant to Tennessee Code Annotated, Section 9-4-602 and shall be exercised in accordance with the investment policy and resolutions of the State Funding Board.

Interest rate risk - In accordance with its investment policy, the district manages its exposure to declines in market values by limiting the amount invested in long-term investments and bidding the amount of interest earned on savings accounts with area banks.

Credit risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations.

D. Capital and Intangible Assets

The following is a schedule of changes to capital and intangible assets for the year ending June 30, 2009:

	Balance 7-1-08	Additions	Balance 6-30-09
Capital and intangible assets, being depreciated:			
Buildings and improvements	$ 245,244	$ 15,685	$ 260,929
Furniture and fixtures	79,763	8,367	88,130
Office equipment	3,909	1,199	5,108
Communications equipment	439,582	185,751	625,333
Vehicles	45,910	0	45,910
Construction in Progress	0	91,855	91,855
Database development	31,246	0	31,246
Installation cost	36,036	0	36,036
Site preparation	4,904	0	4,904
Total capital and intangible assets, being depreciated	$ 886,594	$ 302,857	$ 1,189,451
Less accumulated depreciation for:			
Buildings and improvements	$ 44,952	$ 9,207	$ 54,159
Furniture and fixtures	13,255	20,251	33,506
Office equipment	575	1,192	1,767
Communications equipment	360,295	78,964	439,259
Vehicles	30,359	7,121	37,480
Database development	31,246	0	31,246
Installation cost	36,036	0	36,036
Site preparation	4,904	0	4,904
Total accumulated depreciation	$ 521,622	$ 116,735	$ 638,357
Total capital and intangible assets, being depreciated	$ 364,972	$ 186,122	$ 551,094

E. Commercial Insurance

It is the policy of the district to purchase commercial insurance for the risks of losses to which it is exposed. These risks include general liability, property and casualty, workers' compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

F. Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported

revenues and expenses. Actual results could vary from the estimates that were used.

G. Compensated Absences

The director and assistant director of the district are entitled to paid vacation depending on length of service and other factors. In the event of termination, the director will be paid for accumulated vacation leave. Total earned but unused vacation pay at June 30, 2009, was $316.

Required Supplementary Information

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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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 5,504,251	$ 0	$ 0	$ 5,504,251	$ 5,258,554	$ 5,260,580	$ 243,671
Licenses and Permits	36,931	0	0	36,931	37,238	37,238	(307)
Fines, Forfeitures, and Penalties	250,231	0	0	250,231	263,400	268,569	(18,338)
Charges for Current Services	58,169	0	0	58,169	88,725	88,725	(30,556)
Other Local Revenues	267,123	0	0	267,123	243,530	266,382	741
Fees Received from County Officials	796,597	0	0	796,597	1,204,000	879,000	(82,403)
State of Tennessee	507,239	0	0	507,239	308,053	572,998	(65,759)
Federal Government	437,785	0	0	437,785	0	673,447	(235,662)
Other Governments and Citizens Groups	164,429	0	0	164,429	166,887	166,887	(2,458)
Total Revenues	$ 8,022,755	$ 0	$ 0	$ 8,022,755	$ 7,570,387	$ 8,213,826	$ (191,071)
Expenditures							
General Government							
County Commission	$ 74,961	$ 0	$ 0	$ 74,961	$ 115,275	$ 126,276	$ 51,315
Board of Equalization	1,997	0	0	1,997	2,008	2,008	11
Other Boards and Committees	2,870	0	0	2,870	4,411	4,411	1,541
County Mayor/Executive	126,549	0	0	126,549	137,232	137,232	10,683
County Attorney	13,791	0	0	13,791	10,000	14,000	209
Election Commission	178,716	0	0	178,716	204,711	205,663	26,947
Register of Deeds	167,681	0	0	167,681	174,507	177,226	9,545
Planning	11,562	0	0	11,562	11,563	11,563	1
County Buildings	647,465	0	0	647,465	700,640	751,203	103,738
Finance							
Accounting and Budgeting	511,156	0	0	511,156	525,397	532,961	21,805
Property Assessor's Office	262,489	0	0	262,489	297,815	297,815	35,326

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Finance (Cont.)							
County Trustee's Office	$ 35,850	$ 0	$ 0	$ 35,850	$ 184,251	$ 38,887	$ 3,037
County Clerk's Office	59,788	0	0	59,788	277,048	62,654	2,866
Administration of Justice							
Circuit Court	279,334	0	0	279,334	342,564	316,202	36,868
General Sessions Court	163,520	0	0	163,520	143,484	173,955	10,435
General Sessions Judge	279,409	0	1,350	280,759	290,115	299,087	18,328
Drug Court	11,046	0	0	11,046	0	11,046	0
Chancery Court	232,320	0	0	232,320	231,415	233,813	1,493
Public Safety							
Sheriff's Department	1,890,795	0	0	1,890,795	1,933,317	1,972,235	81,440
Administration of the Sexual Offender Registry	6,047	0	0	6,047	6,000	9,500	3,453
Jail	837,559	0	0	837,559	913,328	903,561	66,002
Juvenile Services	185,270	0	0	185,270	192,178	192,274	7,004
Fire Prevention and Control	362,158	0	3,261	365,419	221,754	423,462	58,043
Civil Defense	321,624	(4,988)	0	316,636	0	473,970	157,334
Rescue Squad	42,122	0	0	42,122	31,000	43,507	1,385
County Coroner/Medical Examiner	35,000	0	0	35,000	25,000	35,000	0
Public Safety Grant Programs	22,057	0	0	22,057	12,454	64,080	42,023
Other Public Safety	557,796	0	0	557,796	589,104	594,608	36,812
Public Health and Welfare							
Local Health Center	189,180	0	0	189,180	63,884	227,510	38,330
Rabies and Animal Control	19,428	(3,739)	0	15,689	0	16,215	526
Ambulance/Emergency Medical Services	150	0	0	150	5,500	5,500	5,350
Crippled Children Services	2,072	0	0	2,072	2,072	2,072	0

(Continued)

Exhibit F-1

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Public Health and Welfare (Cont.)							
Other Local Welfare Services	$ 0	$ 0	$ 0	$ 0	$ 1,000	$ 1,000	$ 1,000
Other Public Health and Welfare	3,471	0	0	3,471	0	14,876	11,405
Agriculture and Natural Resources							
Agriculture Extension Service	103,683	(11,008)	0	92,675	105,582	106,195	13,520
Soil Conservation	87,035	0	0	87,035	88,310	88,310	1,275
Other Operations							
Other Economic and Community Development	100,767	0	0	100,767	103,600	106,126	5,359
Veterans' Services	90,927	0	0	90,927	95,088	96,241	5,314
Other Charges	128,303	0	0	128,303	143,010	143,010	14,707
Contributions to Other Agencies	66,600	0	0	66,600	66,600	66,600	0
Employee Benefits	33,478	0	0	33,478	42,048	42,048	8,570
Total Expenditures	$ 8,146,026	$ (19,735)	$ 4,611	$ 8,130,902	$ 8,293,265	$ 9,023,902	$ 893,000
Excess (Deficiency) of Revenues Over Expenditures	$ (123,271)	$ 19,735	$ (4,611)	$ (108,147)	$ (722,878)	$ (810,076)	$ 701,929
Other Financing Sources (Uses)							
Proceeds from Sale of Capital Assets	$ 1,470	$ 0	$ 0	$ 1,470	$ 0	$ 0	$ 1,470
Insurance Recovery	21,733	0	0	21,733	0	19,837	1,896
Total Other Financing Sources (Uses)	$ 23,203	$ 0	$ 0	$ 23,203	$ 0	$ 19,837	$ 3,366
Net Change in Fund Balance	$ (100,068)	$ 19,735	$ (4,611)	$ (84,944)	$ (722,878)	$ (790,239)	$ 705,295
Fund Balance, July 1, 2008	1,741,569	(19,735)	0	1,721,834	1,743,538	1,743,538	(21,704)
Fund Balance, June 30, 2009	$ 1,641,501	$ 0	$ (4,611)	$ 1,636,890	$ 1,020,660	$ 953,299	$ 683,591

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 296,422	$ 301,000	$ 301,000	$ (4,578)
Charges for Current Services	160,512	158,000	158,000	2,512
Other Local Revenues	20,003	20,700	24,610	(4,607)
State of Tennessee	44,631	0	52,050	(7,419)
Other Governments and Citizens Groups	1,372	0	9,372	(8,000)
Total Revenues	$ 522,940	$ 479,700	$ 545,032	$ (22,092)
Expenditures				
Public Health and Welfare				
Waste Pickup	$ 505,041	$ 494,333	$ 568,634	$ 63,593
Other Operations				
Other Charges	4,500	3,700	5,200	700
Contributions to Other Agencies	250,000	250,000	250,000	0
Employee Benefits	11,229	4,315	11,229	0
Total Expenditures	$ 770,770	$ 752,348	$ 835,063	$ 64,293
Excess (Deficiency) of Revenues Over Expenditures	$ (247,830)	$ (272,648)	$ (290,031)	$ 42,201
Net Change in Fund Balance	$ (247,830)	$ (272,648)	$ (290,031)	$ 42,201
Fund Balance, July 1, 2008	1,442,839	1,442,892	1,442,892	(53)
Fund Balance, June 30, 2009	$ 1,195,009	$ 1,170,244	$ 1,152,861	$ 42,148

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 69,735	$ 0	$ 0	$ 69,735	$ 115,200	$ 115,200	$ (45,465)
Other Local Revenues	52,953	0	0	52,953	12,000	57,756	(4,803)
State of Tennessee	1,821,989	0	0	1,821,989	2,080,540	2,080,540	(258,551)
Total Revenues	$ 1,944,677	$ 0	$ 0	$ 1,944,677	$ 2,207,740	$ 2,253,496	$ (308,819)
Expenditures							
Highways							
Administration	$ 200,981	$ 0	$ 0	$ 200,981	$ 200,115	$ 209,203	$ 8,222
Highway and Bridge Maintenance	753,425	(18,506)	22,082	757,001	887,629	876,383	119,382
Operation and Maintenance of Equipment	194,703	0	0	194,703	234,060	238,557	43,854
Other Charges	64,567	0	0	64,567	73,350	68,144	3,577
Employee Benefits	165,604	0	0	165,604	172,972	190,972	25,368
Capital Outlay	442,889	0	63,779	506,668	573,560	568,524	61,856
Principal on Debt							
Highways and Streets	112,498	0	0	112,498	0	119,571	7,073
Interest on Debt							
Highways and Streets	9,545	0	0	9,545	0	9,545	0
Total Expenditures	$ 1,944,212	$ (18,506)	$ 85,861	$ 2,011,567	$ 2,141,686	$ 2,280,899	$ 269,332
Excess (Deficiency) of Revenues Over Expenditures	$ 465	$ 18,506	$ (85,861)	$ (66,890)	$ 66,054	$ (27,403)	$ (39,487)
Net Change in Fund Balance	$ 465	$ 18,506	$ (85,861)	$ (66,890)	$ 66,054	$ (27,403)	$ (39,487)
Fund Balance, July 1, 2008	326,771	(18,506)	0	308,265	324,787	324,787	(16,522)
Fund Balance, June 30, 2009	$ 327,236	$ 0	$ (85,861)	$ 241,375	$ 390,841	$ 297,384	$ (56,009)

Exhibit F-4

Rhea County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Rhea County School Department
June 30, 2009

(Dollar amounts in thousands)

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6-30-09	7-1-07	$ 27,416	$ 31,798	$ 4,382	86.22 %	$13,595	32.23 %
6-30-08	7-1-07	27,416	31,798	4,382	86.22	13,595	32.23

The Governmental Accounting Standards Board requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the entry age actuarial cost method was a change made during 2007-08 year; therefore, data is only presented for two years.

Exhibit F-5

Rhea County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Rhea County School Department
June 30, 2009

(Dollar amounts in thousands)

	Fiscal Year Ended *	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)
Local Government Plan	6-30-08	7-1-07	$ 0	$ 2,857	$ 2,857	0 %	$ 4,829	59.16 %
"	6-30-09	7-1-07	0	2,857	2,857	0	4,829	59.16
Local Education Group Plan	6-30-08	7-1-07	0	8,853	8,853	0	16,734	52.9
"	6-30-09	7-1-07	0	8,853	8,853	0	16,734	52.9

*Data available for only two years.

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RHEA COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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.

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Combining and Individual Fund Financial Statements and Schedules

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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.

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

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Exhibit G-1

Rhea County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009

	Special Revenue Funds				Capital Projects Fund	
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	Total Nonmajor Governmental Funds
ASSETS						
Cash	$ 0	$ 0	$ 91,548	$ 91,548	$ 0	$ 91,548
Equity in Pooled Cash and Investments	76,196	30,292	0	106,488	125,393	231,881
Accounts Receivable	0	0	132	132	0	132
Due from Other Governments	0	980	0	980	147,480	148,460
Total Assets	$ 76,196	$ 31,272	$ 91,680	$ 199,148	$ 272,873	$ 472,021
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	$ 244	$ 0	$ 0	$ 244	$ 8,000	$ 8,244
Contracts Payable	0	0	0	0	144,419	144,419
Due to Other Funds	0	0	537	537	0	537
Due to Litigants, Heirs, and Others	9,135	0	0	9,135	0	9,135
Total Liabilities	$ 9,379	$ 0	$ 537	$ 9,916	$ 152,419	$ 162,335
Fund Balances						
Reserved for Encumbrances	$ 1,184	$ 0	$ 0	$ 1,184	$ 0	$ 1,184
Unreserved	65,633	31,272	91,143	188,048	120,454	308,502
Total Fund Balances	$ 66,817	$ 31,272	$ 91,143	$ 189,232	$ 120,454	$ 309,686
Total Liabilities and Fund Balances	$ 76,196	$ 31,272	$ 91,680	$ 199,148	$ 272,873	$ 472,021

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, 2009

	Special Revenue Funds				Capital Projects Funds			
	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Total	Community Development/ Industrial Park	Education Capital Projects	Total	Total Nonmajor Governmental Funds
Revenues								
Fines, Forfeitures, and Penalties	$ 40,339	$ 18,130	$ 0	$ 58,469	$ 0	$ 0	$ 0	$ 58,469
Charges for Current Services	0	0	392,683	392,683	0	0	0	392,683
Other Local Revenues	3,441	0	0	3,441	144,899	0	144,899	148,340
State of Tennessee	0	0	0	0	358,594	0	358,594	358,594
Other Governments and Citizens Groups	1,719	0	0	1,719	0	0	0	1,719
Total Revenues	$ 45,499	$ 18,130	$ 392,683	$ 456,312	$ 503,493	$ 0	$ 503,493	$ 959,805
Expenditures								
Current:								
Finance	$ 0	$ 0	$ 362,413	$ 362,413	$ 0	$ 0	$ 0	$ 362,413
Administration of Justice	0	41,531	20,250	61,781	0	0	0	61,781
Public Safety	57,896	0	69	57,965	0	0	0	57,965
Other Operations	0	179	0	179	383,039	225,000	608,039	608,218
Total Expenditures	$ 57,896	$ 41,710	$ 382,732	$ 482,338	$ 383,039	$ 225,000	$ 608,039	$ 1,090,377
Excess (Deficiency) of Revenues Over Expenditures	$ (12,397)	$ (23,580)	$ 9,951	$ (26,026)	$ 120,454	$ (225,000)	$ (104,546)	$ (130,572)
Other Financing Sources (Uses)								
Notes Issued	$ 0	$ 0	$ 0	$ 0	$ 0	$ 225,000	$ 225,000	$ 225,000
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 225,000	$ 225,000	$ 225,000
Net Change in Fund Balances	$ (12,397)	$ (23,580)	$ 9,951	$ (26,026)	$ 120,454	$ 0	$ 120,454	$ 94,428
Fund Balance, July 1, 2008	79,214	54,852	81,192	215,258	0	0	0	215,258
Fund Balance, June 30, 2009	$ 66,817	$ 31,272	$ 91,143	$ 189,232	$ 120,454	$ 0	$ 120,454	$ 309,686

Exhibit G-3

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Drug Control Fund
For the Year Ended June 30, 2009

	Actual (GAAP Basis)	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues						
Fines, Forfeitures, and Penalties	$ 40,339	$ 0	$ 40,339	$ 41,500	$ 41,500	$ (1,161)
Other Local Revenues	3,441	0	3,441	3,700	3,700	(259)
Other Governments and Citizens Groups	1,719	0	1,719	2,500	2,500	(781)
Total Revenues	$ 45,499	$ 0	$ 45,499	$ 47,700	$ 47,700	$ (2,201)
Expenditures						
Public Safety						
Drug Enforcement	$ 57,896	$ 1,184	$ 59,080	$ 86,019	$ 124,751	$ 65,671
Total Expenditures	$ 57,896	$ 1,184	$ 59,080	$ 86,019	$ 124,751	$ 65,671
Excess (Deficiency) of Revenues Over Expenditures	$ (12,397)	$ (1,184)	$ (13,581)	$ (38,319)	$ (77,051)	$ 63,470
Net Change in Fund Balance	$ (12,397)	$ (1,184)	$ (13,581)	$ (38,319)	$ (77,051)	$ 63,470
Fund Balance, July 1, 2008	79,214	0	79,214	79,214	79,214	0
Fund Balance, June 30, 2009	$ 66,817	$ (1,184)	$ 65,633	$ 40,895	$ 2,163	$ 63,470

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Fines, Forfeitures, and Penalties	$ 18,130	$ 17,200	$ 17,200	$ 930
Total Revenues	$ 18,130	$ 17,200	$ 17,200	$ 930
Expenditures				
Administration of Justice				
District Attorney General	$ 41,531	$ 34,160	$ 41,531	$ 0
Public Safety				
Drug Enforcement	0	0	12,579	12,579
Other Operations				
Other Charges	179	172	222	43
Total Expenditures	$ 41,710	$ 34,332	$ 54,332	$ 12,622
Excess (Deficiency) of Revenues Over Expenditures	$ (23,580)	$ (17,132)	$ (37,132)	$ 13,552
Net Change in Fund Balance	$ (23,580)	$ (17,132)	$ (37,132)	$ 13,552
Fund Balance, July 1, 2008	54,852	54,852	54,852	0
Fund Balance, June 30, 2009	$ 31,272	$ 37,720	$ 17,720	$ 13,552

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.

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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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,212,049	$ 1,208,737	$ 1,209,049	$ 3,000
Other Local Revenues	156,312	113,000	144,612	11,700
State of Tennessee	225,571	0	225,572	(1)
Other Governments and Citizens Groups	564,321	595,688	595,688	(31,367)
Total Revenues	$ 2,158,253	$ 1,917,425	$ 2,174,921	$ (16,668)
Expenditures				
Other Operations				
Contributions to Other Agencies	$ 2,886	$ 2,574	$ 2,886	$ 0
Principal on Debt				
General Government	138,778	292,984	229,336	90,558
Education	1,367,321	973,824	1,398,933	31,612
Interest on Debt				
General Government	24,990	0	47,292	22,302
Education	560,144	520,129	560,146	2
Other Debt Service				
General Government	27,381	400	28,793	1,412
Education	2,243	350	2,571	328
Total Expenditures	$ 2,123,743	$ 1,790,261	$ 2,269,957	$ 146,214
Excess (Deficiency) of Revenues Over Expenditures	$ 34,510	$ 127,164	$ (95,036)	$ 129,546
Other Financing Sources (Uses)				
Notes Issued	$ 222,200	$ 0	$ 222,200	$ 0
Total Other Financing Sources (Uses)	$ 222,200	$ 0	$ 222,200	$ 0
Net Change in Fund Balance	$ 256,710	$ 127,164	$ 127,164	$ 129,546
Fund Balance, July 1, 2008	13,921	13,920	13,920	1
Fund Balance, June 30, 2009	$ 270,631	$ 141,084	$ 141,084	$ 129,547

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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.

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Exhibit I-1

Rhea County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2009

	Agency Funds			
	Cities - Sales Tax	City School ADA - Dayton	Constitutional Officers - Agency	Total
ASSETS				
Cash	$ 0	$ 0	$ 1,381,494	$ 1,381,494
Equity in Pooled Cash and Investments	0	42,969	0	42,969
Due from Other Governments	452,597	78,457	0	531,054
Taxes Receivable	0	335,572	0	335,572
Allowance for Uncollectible Taxes	0	(16,044)	0	(16,044)
Total Assets	$ 452,597	$ 440,954	$ 1,381,494	$ 2,275,045
LIABILITIES				
Due to Other Taxing Units	$ 452,597	$ 440,954	$ 0	$ 893,551
Due to Litigants, Heirs, and Others	0	0	1,381,494	1,381,494
Total Liabilities	$ 452,597	$ 440,954	$ 1,381,494	$ 2,275,045

Exhibit I-2

Rhea County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
Cities - Sales Tax Fund				
Assets				
Equity in Pooled Cash and Investments	$ 0	$ 2,508,895	$ 2,508,895	$ 0
Due from Other Governments	396,691	452,597	396,691	452,597
Total Assets	$ 396,691	$ 2,961,492	$ 2,905,586	$ 452,597
Liabilities				
Due to Other Taxing Units	$ 396,691	$ 2,961,492	$ 2,905,586	$ 452,597
Total Liabilities	$ 396,691	$ 2,961,492	$ 2,905,586	$ 452,597
City School ADA - Dayton Fund				
Assets				
Equity in Pooled Cash and Investments	$ 36,899	$ 748,278	$ 742,208	$ 42,969
Due from Other Governments	68,052	78,457	68,052	78,457
Taxes Receivable	312,416	335,572	312,416	335,572
Allowance for Uncollectible Taxes	(15,824)	(16,044)	(15,824)	(16,044)
Total Assets	$ 401,543	$ 1,146,263	$ 1,106,852	$ 440,954
Liabilities				
Due to Other Taxing Units	$ 401,543	$ 1,146,263	$ 1,106,852	$ 440,954
Total Liabilities	$ 401,543	$ 1,146,263	$ 1,106,852	$ 440,954
Constitutional Officers - Agency Fund				
Assets				
Cash	$ 1,403,457	$ 5,785,220	$ 5,807,183	$ 1,381,494
Total Assets	$ 1,403,457	$ 5,785,220	$ 5,807,183	$ 1,381,494
Liabilities				
Due to Litigants, Heirs, and Others	$ 1,403,457	$ 5,785,220	$ 5,807,183	$ 1,381,494
Total Liabilities	$ 1,403,457	$ 5,785,220	$ 5,807,183	$ 1,381,494
Totals - All Agency Funds				
Assets				
Cash	$ 1,403,457	$ 5,785,220	$ 5,807,183	$ 1,381,494
Equity in Pooled Cash and Investments	36,899	3,257,173	3,251,103	42,969
Due from Other Governments	464,743	531,054	464,743	531,054
Taxes Receivable	312,416	335,572	312,416	335,572
Allowance for Uncollectible Taxes	(15,824)	(16,044)	(15,824)	(16,044)
Total Assets	$ 2,201,691	$ 9,892,975	$ 9,819,621	$ 2,275,045
Totals - All Agency Funds				
Liabilities				
Due to Other Taxing Units	$ 798,234	$ 4,107,755	$ 4,012,438	$ 893,551
Due to Litigants, Heirs, and Others	1,403,457	5,785,220	5,807,183	1,381,494
Total Liabilities	$ 2,201,691	$ 9,892,975	$ 9,819,621	$ 2,275,045

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.

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Exhibit J-1

Rhea County, Tennessee
Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Total Governmental Activities
Governmental Activities:					
Instruction	$ 18,137,289	$ 74,723	$ 1,836,204	$ 489,154	$ (15,737,208)
Support Services	9,917,377	49,917	167,274	225,000	(9,475,186)
Operation of Non-Instructional Services	2,268,435	714,914	1,736,171	0	182,650
Other Debt Service	564,321	0	0	0	(564,321)
Total Governmental Activities	$ 30,887,422	$ 839,554	$ 3,739,649	$ 714,154	$ (25,594,065)
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					$ 3,365,417
Local Option Sales Taxes					2,670,735
Other Local Taxes					2,963
Grants and Contributions Not Restricted to Specific Programs					21,036,417
Unrestricted Investment Earnings					4,818
Miscellaneous					196,214
Total General Revenues					$ 27,276,564
Change in Net Assets					$ 1,682,499
Prior-period Adjustment					(249,340)
Net Assets, July 1, 2008					31,850,134
Net Assets, June 30, 2009					$ 33,283,293

Exhibit J-2

Rhea County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2009

	Major Funds		Nonmajor Funds	
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	Total Govern- mental Funds
ASSETS				
Cash	$ 156	$ 0	$ 917	$ 1,073
Equity in Pooled Cash and Investments	2,398,867	428,222	1,051,059	3,878,148
Inventories	0	0	87,104	87,104
Accounts Receivable	7,417	1,201	73	8,691
Due from Other Governments	586,417	1,192	142,357	729,966
Due from Primary Government	2	1	0	3
Property Taxes Receivable	1,999,643	1,573,549	0	3,573,192
Allowance for Uncollectible Property Taxes	(96,657)	(75,946)	0	(172,603)
Total Assets	$ 4,895,845	$ 1,928,219	$ 1,281,510	$ 8,105,574
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	$ 2,464	$ 1,312	$ 2,553	$ 6,329
Accrued Payroll	8,536	326	0	8,862
Payroll Deductions Payable	527,032	12,904	62,291	602,227
Due to Primary Government	1,950	897	0	2,847
Due to State of Tennessee	0	0	487	487
Deferred Revenue - Current Property Taxes	1,821,541	1,433,720	0	3,255,261
Deferred Revenue - Delinquent Property Taxes	70,445	55,983	0	126,428
Other Deferred Revenues	199,507	0	53,174	252,681
Total Liabilities	$ 2,631,475	$ 1,505,142	$ 118,505	$ 4,255,122
Fund Balances				
Reserved for Encumbrances	$ 39,419	$ 0	$ 0	$ 39,419
Reserved for Food Service	0	0	87,104	87,104
Reserved for Career Ladder - Extended Contract	46,087	0	0	46,087
Reserved for Career Ladder Program	1,145	0	0	1,145
Reserved for Technology	25,940	0	0	25,940
Reserved for Title I Grants to Local Education Agencies	0	0	36,584	36,584
Other Federal Reserves	0	0	71,951	71,951
Unreserved, Reported In:				
General Fund	2,151,779	0	0	2,151,779
Special Revenue Funds	0	423,077	538,599	961,676
Capital Projects Funds	0	0	428,767	428,767
Total Fund Balances	$ 2,264,370	$ 423,077	$ 1,163,005	$ 3,850,452
Total Liabilities and Fund Balances	$ 4,895,845	$ 1,928,219	$ 1,281,510	$ 8,105,574

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, 2009

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)		$ 3,850,452
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in in the governmental funds.		
Add: land	$ 939,515	
Add: buildings and improvements net of accumulated depreciation	29,164,529	
Add: other capital assets net of accumulated depreciation	1,490,434	31,594,478
(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	$ (540,611)	
Less: other postemployment benefits payable	(2,000,135)	(2,540,746)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		379,109
Net assets of governmental activities (Exhibit A)		$ 33,283,293

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, 2009

	Major Funds		Nonmajor Funds	
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	Total Governmental Funds
Revenues				
Local Taxes	$ 4,164,265	$ 1,505,236	$ 382,502	$ 6,052,003
Licenses and Permits	1,791	0	0	1,791
Charges for Current Services	32,839	0	713,914	746,753
Other Local Revenues	79,311	55,699	5,295	140,305
State of Tennessee	20,374,206	0	288,520	20,662,726
Federal Government	706,367	0	3,390,092	4,096,459
Other Governments and Citizens Groups	3,600	475,000	0	478,600
Total Revenues	$ 25,362,379	$ 2,035,935	$ 4,780,323	$ 32,178,637
Expenditures				
Current:				
Instruction	$ 15,860,966	$ 0	$ 1,701,772	$ 17,562,738
Support Services	7,716,034	1,668,022	401,019	9,785,075
Operation of Non-Instructional Services	358,524	0	1,761,400	2,119,924
Capital Outlay	804,314	0	223,373	1,027,687
Debt Service:				
Other Debt Service	512,424	51,897	0	564,321
Total Expenditures	$ 25,252,262	$ 1,719,919	$ 4,087,564	$ 31,059,745
Excess (Deficiency) of Revenues Over Expenditures	$ 110,117	$ 316,016	$ 692,759	$ 1,118,892
Other Financing Sources (Uses)				
Insurance Recovery	$ 162,222	$ 18,173	$ 0	$ 180,395
Total Other Financing Sources (Uses)	$ 162,222	$ 18,173	$ 0	$ 180,395
Net Change in Fund Balances	$ 272,339	$ 334,189	$ 692,759	$ 1,299,287
Fund Balance, July 1, 2008	1,992,031	88,888	470,246	2,551,165
Fund Balance, June 30, 2009	$ 2,264,370	$ 423,077	$ 1,163,005	$ 3,850,452

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, 2009

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)		$ 1,299,287
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:		
Add: capital assets purchased in the current period	$ 2,537,730	
Less: current year depreciation expense	(730,772)	1,806,958
(2) Revenues in the statement of activities that do not provide current financial resources are not reported in the funds.		
Add: deferred delinquent property taxes and other deferred June 30, 2009	$ 379,109	
Less: deferred delinquent property taxes and other deferred June 30, 2008	(310,927)	68,182
(3) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Change in compensated absences payable	$ (471,945)	
Change in other postemployment benefits payable	(1,019,983)	(1,491,928)
Change in net assets of governmental activities (Exhibit B)		$ 1,682,499

Exhibit J-6

Rhea County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2009

	Special Revenue Funds			Capital Projects Fund	Total
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Nonmajor Governmental Funds
ASSETS					
Cash	$ 917	$ 0	$ 917	$ 0	$ 917
Equity in Pooled Cash and Investments	116,345	554,381	670,726	380,333	1,051,059
Inventories	0	87,104	87,104	0	87,104
Accounts Receivable	0	73	73	0	73
Due from Other Governments	40,749	0	40,749	101,608	142,357
Total Assets	$ 158,011	$ 641,558	$ 799,569	$ 481,941	$ 1,281,510
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 2,553	$ 0	$ 2,553	$ 0	$ 2,553
Payroll Deductions Payable	46,436	15,855	62,291	0	62,291
Due to State of Tennessee	487	0	487	0	487
Other Deferred Revenues	0	0	0	53,174	53,174
Total Liabilities	$ 49,476	$ 15,855	$ 65,331	$ 53,174	$ 118,505
Fund Balances					
Reserved for Food Service	$ 0	$ 87,104	$ 87,104	$ 0	$ 87,104
Reserved for Title I Grants to Local Education Agencies	36,584	0	36,584	0	36,584
Other Federal Reserves	71,951	0	71,951	0	71,951
Unreserved	0	538,599	538,599	428,767	967,366
Total Fund Balances	$ 108,535	$ 625,703	$ 734,238	$ 428,767	$ 1,163,005
Total Liabilities and Fund Balances	$ 158,011	$ 641,558	$ 799,569	$ 481,941	$ 1,281,510

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, 2009

	Special Revenue Funds			Capital Projects Fund	Total
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	Nonmajor Governmental Funds
Revenues					
Local Taxes	$ 0	$ 0	$ 0	$ 382,502	$ 382,502
Charges for Current Services	0	713,914	713,914	0	713,914
Other Local Revenues	0	4,537	4,537	758	5,295
State of Tennessee	0	19,640	19,640	268,880	288,520
Federal Government	2,175,080	1,215,012	3,390,092	0	3,390,092
Total Revenues	$ 2,175,080	$ 1,953,103	$ 4,128,183	$ 652,140	$ 4,780,323
Expenditures					
Current:					
Instruction	$ 1,701,772	$ 0	$ 1,701,772	$ 0	$ 1,701,772
Support Services	401,019	0	401,019	0	401,019
Operation of Non-Instructional Services	0	1,761,400	1,761,400	0	1,761,400
Capital Outlay	0	0	0	223,373	223,373
Total Expenditures	$ 2,102,791	$ 1,761,400	$ 3,864,191	$ 223,373	$ 4,087,564
Excess (Deficiency) of Revenues Over Expenditures	$ 72,289	$ 191,703	$ 263,992	$ 428,767	$ 692,759
Net Change in Fund Balances	$ 72,289	$ 191,703	$ 263,992	$ 428,767	$ 692,759
Fund Balance, July 1, 2008	36,246	434,000	470,246	0	470,246
Fund Balance, June 30, 2009	$ 108,535	$ 625,703	$ 734,238	$ 428,767	$ 1,163,005

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, 2009

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues							
Local Taxes	$ 4,164,265	$ 0	$ 0	$ 4,164,265	$ 3,987,343	$ 3,988,139	$ 176,126
Licenses and Permits	1,791	0	0	1,791	2,000	2,000	(209)
Charges for Current Services	32,839	0	0	32,839	0	0	32,839
Other Local Revenues	79,311	0	0	79,311	57,652	95,119	(15,808)
State of Tennessee	20,374,206	0	0	20,374,206	20,404,318	20,268,420	105,786
Federal Government	706,367	0	0	706,367	543,688	716,373	(10,006)
Other Governments and Citizens Groups	3,600	0	0	3,600	0	3,600	0
Total Revenues	$ 25,362,379	$ 0	$ 0	$ 25,362,379	$ 24,995,001	$ 25,073,651	$ 288,728
Expenditures							
Other Operations							
Contributions to Other Agencies	$ 0	$ 0	$ 0	$ 0	$ 6,166	$ 50	$ 50
Instruction							
Regular Instruction Program	12,972,608	(1,728)	935	12,971,815	13,078,727	13,179,271	207,456
Special Education Program	2,060,375	0	7,176	2,067,551	2,192,150	2,190,987	123,436
Vocational Education Program	781,625	(1,000)	0	780,625	790,386	797,717	17,092
Adult Education Program	46,358	0	0	46,358	13,689	57,597	11,239
Support Services							
Attendance	56,174	0	0	56,174	71,821	69,540	13,366
Health Services	169,307	0	1,998	171,305	178,107	178,107	6,802
Other Student Support	1,461,557	(37,942)	17,612	1,441,227	1,430,883	1,583,425	142,198
Regular Instruction Program	343,711	(784)	0	342,927	351,411	349,897	6,970
Special Education Program	262,423	0	444	262,867	265,065	265,667	2,800
Vocational Education Program	321	0	0	321	482	321	0

(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 7/1/2008	Add: Encumbrances 6/30/2009	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Expenditures (Cont.)							
Support Services (Cont.)							
Adult Programs	$ 104,685	$ 0	$ 0	$ 104,685	$ 9,141	$ 116,390	$ 11,705
Other Programs	230,142	0	0	230,142	133,895	232,753	2,611
Board of Education	270,030	0	0	270,030	318,839	312,889	42,859
Director of Schools	336,357	0	0	336,357	333,285	343,386	7,029
Office of the Principal	1,476,770	0	0	1,476,770	1,514,952	1,514,646	37,876
Operation of Plant	2,112,097	(5,509)	10,775	2,117,363	2,235,141	2,239,942	122,579
Maintenance of Plant	873,883	(910)	0	872,973	789,105	922,271	49,298
Transportation	18,577	0	0	18,577	20,000	25,000	6,423
Operation of Non-Instructional Services							
Early Childhood Education	358,524	0	479	359,003	380,750	380,750	21,747
Capital Outlay							
Regular Capital Outlay	804,314	(209,714)	0	594,600	1,811,800	625,851	31,251
Other Debt Service							
Education	512,424	0	0	512,424	0	512,424	0
Total Expenditures	$ 25,252,262	$ (257,587)	$ 39,419	$ 25,034,094	$ 25,925,795	$ 25,898,881	$ 864,787
Excess (Deficiency) of Revenues Over Expenditures	$ 110,117	$ 257,587	$ (39,419)	$ 328,285	$ (930,794)	$ (825,230)	$ 1,153,515
Other Financing Sources (Uses)							
Insurance Recovery	$ 162,222	$ 0	$ 0	$ 162,222	$ 0	$ 6,576	$ 155,646
Total Other Financing Sources (Uses)	$ 162,222	$ 0	$ 0	$ 162,222	$ 0	$ 6,576	$ 155,646
Net Change in Fund Balance	$ 272,339	$ 257,587	$ (39,419)	$ 490,507	$ (930,794)	$ (818,654)	$ 1,309,161
Fund Balance, July 1, 2008	1,992,031	(257,587)	0	1,734,444	2,169,545	1,992,031	(257,587)
Fund Balance, June 30, 2009	$ 2,264,370	$ 0	$ (39,419)	$ 2,224,951	$ 1,238,751	$ 1,173,377	$ 1,051,574

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Federal Government	$ 2,175,080	$ 2,570,189	$ 2,603,043	$ (427,963)
Total Revenues	$ 2,175,080	$ 2,570,189	$ 2,603,043	$ (427,963)
Expenditures				
Instruction				
Regular Instruction Program	$ 856,632	$ 952,795	$ 960,029	$ 103,397
Special Education Program	759,352	913,605	925,781	166,429
Vocational Education Program	85,788	80,500	86,294	506
Support Services				
Other Student Support	83,111	206,398	244,687	161,576
Regular Instruction Program	293,015	396,696	379,571	86,556
Special Education Program	11,346	31,791	23,747	12,401
Vocational Education Program	100	1,753	100	0
Transportation	13,447	22,899	19,082	5,635
Total Expenditures	$ 2,102,791	$ 2,606,437	$ 2,639,291	$ 536,500
Excess (Deficiency) of Revenues Over Expenditures	$ 72,289	$ (36,248)	$ (36,248)	$ 108,537
Other Financing Sources (Uses)				
Transfers In	$ 0	$ 192,628	$ 192,728	$ (192,728)
Transfers Out	0	(192,628)	(192,728)	192,728
Total Other Financing Sources (Uses)	$ 0	$ 0	$ 0	$ 0
Net Change in Fund Balance	$ 72,289	$ (36,248)	$ (36,248)	$ 108,537
Fund Balance, July 1, 2008	36,246	36,248	36,248	(2)
Fund Balance, June 30, 2009	$ 108,535	$ 0	$ 0	$ 108,535

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Charges for Current Services	$ 713,914	$ 815,868	$ 815,868	$ (101,954)
Other Local Revenues	4,537	4,225	4,225	312
State of Tennessee	19,640	20,000	20,000	(360)
Federal Government	1,215,012	1,146,772	1,146,772	68,240
Total Revenues	$ 1,953,103	$ 1,986,865	$ 1,986,865	$ (33,762)
Expenditures				
Operation of Non-Instructional Services				
Food Service	$ 1,761,400	$ 2,018,759	$ 2,018,759	$ 257,359
Total Expenditures	$ 1,761,400	$ 2,018,759	$ 2,018,759	$ 257,359
Excess (Deficiency) of Revenues Over Expenditures	$ 191,703	$ (31,894)	$ (31,894)	$ 223,597
Net Change in Fund Balance	$ 191,703	$ (31,894)	$ (31,894)	$ 223,597
Fund Balance, July 1, 2008	434,000	410,781	410,781	23,219
Fund Balance, June 30, 2009	$ 625,703	$ 378,887	$ 378,887	$ 246,816

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, 2009

	Actual	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Final Budget - Positive (Negative)
Revenues				
Local Taxes	$ 1,505,236	$ 1,417,500	$ 1,418,086	$ 87,150
Other Local Revenues	55,699	35,000	36,000	19,699
Other Governments and Citizens Groups	475,000	0	475,000	0
Total Revenues	$ 2,035,935	$ 1,452,500	$ 1,929,086	$ 106,849
Expenditures				
Other Operations				
Contributions to Other Agencies	$ 0	$ 4,836	$ 0	$ 0
Support Services				
Other Programs	5,421	0	5,422	1
Board of Education	29,825	29,212	30,212	387
Operation of Plant	1,191	2,200	1,700	509
Transportation	1,631,585	1,578,868	1,823,470	191,885
Other Debt Service				
Education	51,897	51,844	52,355	458
Total Expenditures	$ 1,719,919	$ 1,666,960	$ 1,913,159	$ 193,240
Excess (Deficiency) of Revenues Over Expenditures	$ 316,016	$ (214,460)	$ 15,927	$ 300,089
Other Financing Sources (Uses)				
Insurance Recovery	$ 18,173	$ 0	$ 18,173	$ 0
Transfers In	0	250,000	0	0
Total Other Financing Sources (Uses)	$ 18,173	$ 250,000	$ 18,173	$ 0
Net Change in Fund Balance	$ 334,189	$ 35,540	$ 34,100	$ 300,089
Fund Balance, July 1, 2008	88,888	88,646	88,646	242
Fund Balance, June 30, 2009	$ 423,077	$ 124,186	$ 122,746	$ 300,331

Exhibit J-12

Rhea County, Tennessee
Statement of Fiduciary Net Assets
Discretely Presented Rhea County School Department
Fiduciary Fund
June 30, 2009

	Private Purpose Trust Fund
	Other Trust Fund
ASSETS	
Current Assets:	
Equity in Pooled Cash and Investments	$ 201,482
Total Assets	$ 201,482
NET ASSETS	
Funds Held in Trust for Scholarships	$ 201,482
Total Net Assets	$ 201,482

Exhibit J-13

Rhea County, Tennessee
Statement of Changes in Fiduciary Net Assets
Discretely Presented Rhea County School Department
Fiduciary Fund
For the Year Ended June 30, 2009

	Private Purpose Trust Fund Other Trust Fund
ADDITIONS	
Investment Income	$ 7,842
Contributions and Gifts	50,000
Total Additions	$ 57,842
DEDUCTIONS	
Awards	$ 6,458
Total Deductions	$ 6,458
Change in Net Assets	$ 51,384
Net Assets, July 1, 2008	150,098
Net Assets, June 30, 2009	$ 201,482

MISCELLANEOUS SCHEDULES

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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, 2009

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-08	Issued During Period	Paid and/or Matured During Period	Reduction of Lease - Asset Returned	Outstanding 6-30-09
NOTES PAYABLE									
Payable through General Debt Service Fund:									
Jail Expansion Phase #1	$ 500,000	2 %	10-27-02	10-27-08	$ 83,334	$ 0	$ 83,334	$ 0	$ 0
Centralized Maintenance Building	266,667	2	2-16-03	2-16-09	19,444	0	19,444	0	0
School Capital Projects (from Solid Waste/Sanitation Fund)	2,266,000	2	Various	2-16-09	102,778	0	102,778	0	0
School Buses	380,000	4.17	1-22-07	1-22-16	345,000	0	37,000	0	308,000
School Improvements	250,000	2.97	6-30-08	6-30-09	250,000	0	250,000	0	0
School Improvements Extension	222,200	2.75	6-30-09	6-30-12	0	222,200	0	0	222,200
School Buses	225,000	5.25	2-18-09	2-18-12	0	225,000	0	0	225,000
Total Notes Payable					$ 800,556	$ 447,200	$ 492,556	$ 0	$ 755,200
CAPITAL LEASES PAYABLE									
Payable through Highway/Public Works Fund:									
Two Graders	368,662	5.6	6-26-06	6-26-11	$ 226,968	$ 0	$ 112,498	$ 79,588	$ 34,882
Payable through General Debt Service Fund:									
Modular Buildings	868,018	9.64	2-28-08	5-1-13	859,664	0	163,253	0	696,411
Total Capital Leases Payable					$ 1,086,632	$ 0	$ 275,751	$ 79,588	$ 731,293
OTHER LOANS PAYABLE									
Payable through General Debt Service Fund:									
School HVAC Loan	930,817	0	3-13-00	11-30-11	$ 310,273	$ 0	$ 77,568	$ 0	$ 232,705
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	448,500	0	34,500	0	414,000
Sewer Project	1,000,000	Various	5-15-06	5-25-26	934,000	0	36,000	0	898,000
Total Other Loans Payable					$ 1,692,773	$ 0	$ 148,068	$ 0	$ 1,544,705
BONDS PAYABLE									
Payable through General Debt Service Fund:									
General Obligation School 2001 Series	6,980,000	4.1 to 5	8-28-01	4-1-18	$ 955,000	$ 0	$ 25,000	$ 0	$ 930,000
General Obligation County District School 2001 Series	5,150,000	4.1 to 5	8-28-01	4-1-23	585,000	0	185,000	0	400,000
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	6,120,000	0	30,000	0	6,090,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	3,575,000	0	20,000	0	3,555,000
County District School Refunding Bonds, Series 2007	2,760,000	3.42	12-27-07	4-1-12	2,225,000	0	545,000	0	1,680,000
Total Bonds Payable					$ 13,460,000	$ 0	$ 805,000	$ 0	$ 12,655,000

Exhibit K-2

Rhea County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Note Principal	Note Interest	Total Note Requirements
2010	$ 184,264	$ 30,768	$ 215,032
2011	189,002	23,366	212,368
2012	194,934	15,725	210,659
2013	44,000	7,798	51,798
2014	46,000	5,963	51,963
2015	48,000	4,045	52,045
2016	49,000	2,043	51,043
Total	$ 755,200	$ 89,708	$ 844,908

Year Ending June 30	Capital Lease Principal	Capital Lease Interest	Total Capital Lease Requirements
2010	$ 203,857	$ 22,289	$ 226,146
2011	174,898	15,448	190,346
2012	181,028	9,318	190,346
2013	171,510	2,973	174,483
Total	$ 731,293	$ 50,028	$ 781,321

Ending June 30	Other Loan Principal	Other Loan Interest	Other Loan Fees	Total Other Loan Requirements
2010	$ 150,068	$ 3,502	$ 3,085	$ 156,655
2011	151,068	3,354	2,998	157,420
2012	153,069	3,202	2,908	159,179
2013	77,500	3,042	2,814	83,356
2014	78,500	2,874	2,715	84,089
2015	80,500	2,703	2,614	85,817
2016	82,500	2,523	2,508	87,531
2017	84,500	2,336	2,398	89,234
2018	86,500	2,141	2,284	90,925
2019	88,500	1,938	2,165	92,603
2020	90,500	1,728	2,041	94,269
2021	92,500	1,509	1,911	95,920
2022	61,000	1,283	1,778	64,061
2023	63,000	1,045	1,637	65,682
2024	66,000	800	1,493	68,293
2025	68,000	542	1,341	69,883
2026	71,000	278	1,264	72,542
Total	$ 1,544,705	$ 34,800	$ 37,954	$ 1,617,459

(Continued)

Exhibit K-2

Rhea County, Tennessee
Schedule of Long-term Debt Requirements by Year (Cont.)

Ending June 30	Bond Principal	Bond Interest	Total Bond Requirements
2010	$ 1,090,000	$ 481,955	$ 1,571,955
2011	1,455,000	441,472	1,896,472
2012	1,490,000	385,067	1,875,067
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	$ 12,655,000	$ 2,857,032	$ 15,512,032

Exhibit K-3

Rhea County, Tennessee
Schedule of Notes Receivable
For the Year Ended June 30, 2009

Description	Debtor	Original Amount of Note	Date of Issue	Date of Maturity	Interest Rate	Balance 6-30-09
Solid Waste/Sanitation Fund						
Landfill Property - Solid Waste/Sanitation Fund	General Debt Service Fund	$ 165,000	4-18-01	4-18-10	2%	$ 18,333
Jail Expansion - General Fund	"	150,000	2-10-04	2-10-10	2	66,666
Frazier Addition and Sewer Project - Education Capital Projects Fund	"	500,000	3-22-07	3-22-10	2	388,888
Total Primary Government						$ 473,887

Exhibit K-4

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, 2009

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	$ 71,322	$ 50,000	Travelers Casualty and Surety Company of America
Highway Supervisor	Section 8-24-102, TCA	67,927	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education	108,466 (1)	(2)	
Trustee	Section 8-24-102, TCA	61,751	848,000	"
Assessor of Property	Section 8-24-102, TCA	61,751	10,000	"
Finance Director:				
Charles Martin (7-1-08 through 11-3-08)	County Commission	23,855	50,000	"
Linda Edington (Interim 11-4-08 through 2-1-09)	County Commission	16,356	(2)	
Bill Graham (2-2-09 through 6-30-09)	County Commission	25,730	50,000	"
County Clerk	Section 8-24-102, TCA	61,751	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA	61,751	50,000	"
Clerk and Master	Section 8-24-102, TCA	61,751 (3)	50,000	"
Register	Section 8-24-102, TCA	61,751	25,000	"
Sheriff	Section 8-24-102, TCA	67,927 (4)	25,000	"
Employee Blanket Bond Coverage:				
All County Departments			150,000	Tennessee Risk Management Trust

(1) Does not include a chief executive officer training supplement of $900.
(2) Director of schools and interim finance director were covered by the $150,000 employee blanket bond.
(3) Does not include special commissioner fees of $19,860.
(4) Does not include a law enforcement training supplement of $557.

Exhibit K-5

Rhea County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2009

		Special Revenue Funds					Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Local Taxes									
County Property Taxes									
Current Property Tax	$ 4,701,170	$ 0	$ 0	$ 0	$ 0	$ 0	$ 728,283	$ 0	$ 5,429,453
Trustee's Collections - Prior Year	154,533	0	0	0	0	0	23,937	0	178,470
Trustee's Collections - Bankruptcy	837	0	0	0	0	0	177	0	1,014
Circuit/Clerk & Master Collections - Prior Years	160,677	0	0	0	0	0	25,192	0	185,869
Interest and Penalty	31,410	0	0	0	0	0	4,869	0	36,279
Payments in-Lieu-of Taxes - T.V.A.	3,381	0	0	0	0	0	524	0	3,905
Payments in-Lieu-of Taxes - Local Utilities	45,478	0	0	0	0	0	7,046	0	52,524
Payments in-Lieu-of Taxes - Other	5,091	0	0	0	0	0	789	0	5,880
County Local Option Taxes									
Local Option Sales Tax	0	0	0	0	0	0	408,361	0	408,361
Hotel/Motel Tax	136,070	0	0	0	0	0	0	0	136,070
Litigation Tax - General	157,516	0	0	0	0	0	0	0	157,516
Litigation Tax - Jail, Workhouse, or Courthouse	39,523	0	0	0	0	0	0	0	39,523
Business Tax	0	200,415	0	0	0	0	0	0	200,415
Mineral Severance Tax	0	0	0	0	0	69,733	0	0	69,733
Other County Local Option Taxes	0	0	0	0	0	2	0	0	2
Statutory Local Taxes									
Bank Excise Tax	68,565	0	0	0	0	0	10,623	0	79,188
Wholesale Beer Tax	0	96,007	0	0	0	0	0	0	96,007
Interstate Telecommunications Tax	0	0	0	0	0	0	2,248	0	2,248
Total Local Taxes	$ 5,504,251	$ 296,422	$ 0	$ 0	$ 0	$ 69,735	$ 1,212,049	$ 0	$ 7,082,457
Licenses and Permits									
Licenses									
Cable TV Franchise	$ 31,657	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 31,657
Permits									
Beer Permits	2,494	0	0	0	0	0	0	0	2,494
Building Permits	2,670	0	0	0	0	0	0	0	2,670
Other Permits	110	0	0	0	0	0	0	0	110
Total Licenses and Permits	$ 36,931	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 36,931

(Continued)

Exhibit K-5

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Fines, Forfeitures, and Penalties									
Circuit Court									
Fines	$ 5,966	$ 0	$ 0	$ 3,245	$ 0	$ 0	$ 0	$ 0	$ 9,211
Officers Costs	17,751	0	0	0	0	0	0	0	17,751
Game and Fish Fines	34	0	0	0	0	0	0	0	34
Drug Control Fines	2,982	0	2,785	0	0	0	0	0	5,767
Drug Court Fees	394	0	0	0	0	0	0	0	394
Jail Fees	3,406	0	0	0	0	0	0	0	3,406
DUI Treatment Fines	1,313	0	0	0	0	0	0	0	1,313
Data Entry Fee - Circuit Court	2,524	0	0	0	0	0	0	0	2,524
General Sessions Court									
Fines	21,175	0	0	14,885	0	0	0	0	36,060
Officers Costs	84,899	0	0	0	0	0	0	0	84,899
Game and Fish Fines	1,237	0	0	0	0	0	0	0	1,237
Drug Control Fines	15,426	0	10,550	0	0	0	0	0	25,976
Drug Court Fees	11,925	0	0	0	0	0	0	0	11,925
Jail Fees	51,481	0	0	0	0	0	0	0	51,481
DUI Treatment Fines	4,108	0	0	0	0	0	0	0	4,108
Data Entry Fee - General Sessions Court	8,880	0	0	0	0	0	0	0	8,880
Juvenile Court									
Jail Fees	3,574	0	0	0	0	0	0	0	3,574
Courtroom Security Fee	454	0	0	0	0	0	0	0	454
Chancery Court									
Officers Costs	9,759	0	0	0	0	0	0	0	9,759
Data Entry Fee - Chancery Court	2,660	0	0	0	0	0	0	0	2,660
Courtroom Security Fee	283	0	0	0	0	0	0	0	283
Other Fines, Forfeitures, and Penalties									
Proceeds from Confiscated Property	0	0	27,004	0	0	0	0	0	27,004
Total Fines, Forfeitures, and Penalties	$ 250,231	$ 0	$ 40,339	$ 18,130	$ 0	$ 0	$ 0	$ 0	$ 308,700

(Continued)

Exhibit K-5

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Charges for Current Services									
General Service Charges									
Surcharge - Host Agency	$ 0	$ 160,512	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 160,512
Work Release Charges for Board	20,857	0	0	0	0	0	0	0	20,857
Fees									
Copy Fees	3,337	0	0	0	0	0	0	0	3,337
Telephone Commissions	4,288	0	0	0	0	0	0	0	4,288
Vending Machine Collections	121	0	0	0	0	0	0	0	121
Constitutional Officers' Fees and Commissions	0	0	0	0	372,823	0	0	0	372,823
Special Commissioner Fees/Special Master Fees	0	0	0	0	19,860	0	0	0	19,860
Data Processing Fee - Register	10,928	0	0	0	0	0	0	0	10,928
Data Processing Fee - Sheriff	10,998	0	0	0	0	0	0	0	10,998
Sexual Offender Registration Fees - Sheriff	7,640	0	0	0	0	0	0	0	7,640
Total Charges for Current Services	$ 58,169	$ 160,512	$ 0	$ 0	$ 392,683	$ 0	$ 0	$ 0	$ 611,364
Other Local Revenues									
Recurring Items									
Investment Income	$ 904	$ 11,289	$ 0	$ 0	$ 0	$ 0	$ 156,312	$ 0	$ 168,505
Lease/Rentals	91,813	0	0	0	0	0	0	0	91,813
Sale of Materials and Supplies	0	0	0	0	0	7,566	0	0	7,566
Commissary Sales	5,938	0	0	0	0	0	0	0	5,938
Sale of Recycled Materials	0	3,637	0	0	0	0	0	0	3,637
Sale of Animals/Livestock	2,710	0	0	0	0	0	0	0	2,710
Miscellaneous Refunds	1,627	1,775	371	0	0	539	0	0	4,312
Nonrecurring Items									
Sale of Equipment	3,350	0	0	0	0	44,757	0	0	48,107
Damages Recovered from Individuals	151	0	0	0	0	0	0	0	151
Contributions and Gifts	5,086	0	300	0	0	0	0	0	5,386
Other Local Revenues									
Other Local Revenues	155,544	3,302	2,770	0	0	91	0	144,899	306,606
Total Other Local Revenues	$ 267,123	$ 20,003	$ 3,441	$ 0	$ 0	$ 52,953	$ 156,312	$ 144,899	$ 644,731

(Continued)

Exhibit K-5

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
Fees Received from County Officials									
Excess Fees									
County Clerk	$ 21,763	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 21,763
Trustee	189,946	0	0	0	0	0	0	0	189,946
Fees in-Lieu-of Salary									
Circuit Court Clerk	108,507	0	0	0	0	0	0	0	108,507
General Sessions Court Clerk	236,342	0	0	0	0	0	0	0	236,342
Clerk and Master	109,297	0	0	0	0	0	0	0	109,297
Juvenile Court Clerk	130	0	0	0	0	0	0	0	130
Register	124,058	0	0	0	0	0	0	0	124,058
Sheriff	6,554	0	0	0	0	0	0	0	6,554
Total Fees Received from County Officials	$ 796,597	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 796,597
State of Tennessee									
General Government Grants									
Juvenile Services Program	$ 9,000	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 9,000
Child Restraint Program	11,581	0	0	0	0	0	0	0	11,581
Public Safety Grants									
Law Enforcement Training Programs	16,200	0	0	0	0	0	0	0	16,200
Health and Welfare Grants									
Public Health Nurses	111,421	0	0	0	0	0	0	0	111,421
Public Works Grants									
Bridge Program	0	0	0	0	0	253,940	0	0	253,940
State Aid Program	0	0	0	0	0	35,423	0	0	35,423
Litter Program	0	31,906	0	0	0	0	0	0	31,906
Tennessee Industrial Infrastructure Program	0	0	0	0	0	0	0	358,594	358,594
Other State Revenues									
Income Tax	73,253	0	0	0	0	0	0	0	73,253
Beer Tax	18,701	0	0	0	0	0	0	0	18,701
Alcoholic Beverage Tax	41,628	0	0	0	0	0	0	0	41,628
Mixed Drink Tax	1,487	0	0	0	0	0	0	0	1,487
State Revenue Sharing - T.V.A.	0	0	0	0	0	0	225,571	0	225,571

(Continued)

Exhibit K-5

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

		Special Revenue Funds					Debt Service Fund	Capital Projects Fund	
	General	Solid Waste / Sanitation	Drug Control	District Attorney General	Constitu - tional Officers - Fees	Highway / Public Works	General Debt Service	Community Development/ Industrial Park	Total
State of Tennessee (Cont.)									
Other State Revenues (Cont.)									
Contracted Prisoner Boarding	$ 156,709	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 156,709
Gasoline and Motor Fuel Tax	0	0	0	0	0	1,509,818	0	0	1,509,818
Petroleum Special Tax	0	0	0	0	0	22,808	0	0	22,808
Reappraisal Program Reimbursement	14,608	0	0	0	0	0	0	0	14,608
Registrar's Salary Supplement	14,912	0	0	0	0	0	0	0	14,912
Other State Grants	33,643	12,725	0	0	0	0	0	0	46,368
Other State Revenues	4,096	0	0	0	0	0	0	0	4,096
Total State of Tennessee	$ 507,239	$ 44,631	$ 0	$ 0	$ 0	$ 1,821,989	$ 225,571	$ 358,594	$ 2,958,024
Federal Government									
Federal Through State									
Homeland Security Grants	$ 288,445	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 288,445
Law Enforcement Grants	21,515	0	0	0	0	0	0	0	21,515
Direct Federal Revenue									
Other Direct Federal Revenue	127,825	0	0	0	0	0	0	0	127,825
Total Federal Government	$ 437,785	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 437,785
Other Governments and Citizens Groups									
Other Governments									
Contributions	$ 164,429	$ 0	$ 1,719	$ 0	$ 0	$ 0	$ 564,321	$ 0	$ 730,469
Other									
Other	0	1,372	0	0	0	0	0	0	1,372
Total Other Governments and Citizens Groups	$ 164,429	$ 1,372	$ 1,719	$ 0	$ 0	$ 0	$ 564,321	$ 0	$ 731,841
Total	$ 8,022,755	$ 522,940	$ 45,499	$ 18,130	$ 392,683	$ 1,944,677	$ 2,158,253	$ 503,493	$ 13,608,430

Exhibit K-6

Rhea County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2009

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
Local Taxes						
County Property Taxes						
Current Property Tax	$ 1,739,612	$ 0	$ 0	$ 1,368,501	$ 0	$ 3,108,113
Trustee's Collections - Prior Year	57,347	0	0	44,984	0	102,331
Trustee's Collections - Bankruptcy	365	0	0	238	0	603
Circuit/Clerk & Master Collections - Prior Years	59,687	0	0	46,708	0	106,395
Interest and Penalty	11,652	0	0	9,143	0	20,795
Payments in-Lieu-of Taxes - T.V.A.	1,255	0	0	984	0	2,239
Payments in-Lieu-of Taxes - Local Utilities	16,824	0	0	13,238	0	30,062
Payments in-Lieu-of Taxes - Other	1,884	0	0	1,482	0	3,366
County Local Option Taxes						
Local Option Sales Tax	2,247,231	0	0	0	382,502	2,629,733
Statutory Local Taxes						
Bank Excise Tax	25,445	0	0	19,958	0	45,403
Interstate Telecommunications Tax	2,963	0	0	0	0	2,963
Total Local Taxes	$ 4,164,265	$ 0	$ 0	$ 1,505,236	$ 382,502	$ 6,052,003
Licenses and Permits						
Licenses						
Marriage Licenses	$ 1,791	$ 0	$ 0	$ 0	$ 0	$ 1,791
Total Licenses and Permits	$ 1,791	$ 0	$ 0	$ 0	$ 0	$ 1,791
Charges for Current Services						
Education Charges						
Tuition - Other	$ 32,839	$ 0	$ 0	$ 0	$ 0	$ 32,839
Lunch Payments - Children	0	0	431,478	0	0	431,478
Lunch Payments - Adults	0	0	52,512	0	0	52,512
Income from Breakfast	0	0	6,593	0	0	6,593
A la carte Sales	0	0	223,331	0	0	223,331
Total Charges for Current Services	$ 32,839	$ 0	$ 713,914	$ 0	$ 0	$ 746,753
Other Local Revenues						
Recurring Items						
Investment Income	$ 2,056	$ 0	$ 2,004	$ 0	$ 758	$ 4,818
Lease/Rentals	85	0	1,000	49,917	0	51,002

(Continued)

Exhibit K-6

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

	General Purpose School	School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
Other Local Revenues (Cont.)						
Recurring Items (Cont.)						
Refund of Telecommunication & Internet Fees (E-Rate)	$ 25,467	$ 0	$ 0	$ 0	$ 0	$ 25,467
Miscellaneous Refunds	570	0	1,533	0	0	2,103
Nonrecurring Items						
Sale of Equipment	555	0	0	5,510	0	6,065
Damages Recovered from Individuals	0	0	0	272	0	272
Contributions and Gifts	5,000	0	0	0	0	5,000
Other Local Revenues						
Other Local Revenues	45,578	0	0	0	0	45,578
Total Other Local Revenues	$ 79,311	$ 0	$ 4,537	$ 55,699	$ 758	$ 140,305
State of Tennessee						
General Government Grants						
On-Behalf Contributions for OPEB	$ 98,897	$ 0	$ 0	$ 0	$ 0	$ 98,897
State Education Funds						
Basic Education Program	18,399,718	0	0	0	0	18,399,718
Early Childhood Education	358,812	0	0	0	0	358,812
School Food Service	0	0	19,640	0	0	19,640
Driver Education	10,032	0	0	0	0	10,032
Other State Education Funds	273,031	0	0	0	0	273,031
Career Ladder Program	203,287	0	0	0	0	203,287
Career Ladder - Extended Contract	81,200	0	0	0	0	81,200
Other State Revenues						
State Revenue Sharing - T.V.A.	943,612	0	0	0	268,880	1,212,492
Other State Grants	5,617	0	0	0	0	5,617
Total State of Tennessee	$ 20,374,206	$ 0	$ 19,640	$ 0	$ 268,880	$ 20,662,726
Federal Government						
Federal Through State						
USDA School Lunch Program	$ 0	$ 0	$ 910,810	$ 0	$ 0	$ 910,810
Breakfast	0	0	304,202	0	0	304,202
Adult Education State Grant Program	124,693	0	0	0	0	124,693
Vocational Education - Basic Grants to States	0	93,747	0	0	0	93,747
Title I Grants to Local Education Agencies	0	987,449	0	0	0	987,449

(Continued)

Exhibit K-6

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
Federal Government (Cont.)						
Federal Through State (Cont.)						
Special Education - Grants to States	$ 41,621	$ 747,718	$ 0	$ 0	$ 0	$ 789,339
Special Education Preschool Grants	0	17,380	0	0	0	17,380
English Language Acquisition Grants	0	6,130	0	0	0	6,130
Safe and Drug-Free Schools - State Grants	0	11,862	0	0	0	11,862
Rural Education	0	33,893	0	0	0	33,893
Education for Homeless Children and Youth	0	9,999	0	0	0	9,999
Eisenhower Professional Development State Grants	0	266,902	0	0	0	266,902
Direct Federal Revenue						
ROTC Reimbursement	50,899	0	0	0	0	50,899
Other Direct Federal Revenue	489,154	0	0	0	0	489,154
Total Federal Government	$ 706,367	$ 2,175,080	$ 1,215,012	$ 0	$ 0	$ 4,096,459
Other Governments and Citizens Groups						
Other Governments						
Contributions	$ 0	$ 0	$ 0	$ 475,000	$ 0	$ 475,000
Contracted Services	3,600	0	0	0	0	3,600
Total Other Governments and Citizens Groups	$ 3,600	$ 0	$ 0	$ 475,000	$ 0	$ 478,600
Total	$ 25,362,379	$ 2,175,080	$ 1,953,103	$ 2,035,935	$ 652,140	$ 32,178,637

Exhibit K-7

Rhea County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2009

General Fund		
General Government		
County Commission		
Board and Committee Members Fees	$ 43,200	
Social Security	2,678	
Employer Medicare	626	
Audit Services	8,520	
Dues and Memberships	4,150	
Other Contracted Services	203	
Other Supplies and Materials	200	
Medical Claims	2,722	
Other Charges	12,662	
Total County Commission		$ 74,961
Board of Equalization		
Board and Committee Members Fees	$ 1,855	
Social Security	115	
Employer Medicare	27	
Total Board of Equalization		1,997
Other Boards and Committees		
Board and Committee Members Fees	$ 2,100	
Social Security	130	
Employer Medicare	30	
Printing, Stationery, and Forms	610	
Total Other Boards and Committees		2,870
County Mayor/Executive		
County Official/Administrative Officer	$ 71,322	
Mechanic(s)	87	
Secretary(ies)	21,054	
Social Security	5,980	
State Retirement	6,870	
Life Insurance	96	
Medical Insurance	12,919	
Employer Medicare	1,400	
Communication	518	
Dues and Memberships	1,450	
Operating Lease Payments	1,524	
Travel	802	
Gasoline	1,315	
Lubricants	18	
Office Supplies	382	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
General Government (Cont.)		
County Mayor/Executive (Cont.)		
Vehicle Parts	$ 138	
Vehicle and Equipment Insurance	674	
Total County Mayor/Executive		$ 126,549
County Attorney		
Legal Services	$ 13,791	
Total County Attorney		13,791
Election Commission		
County Official/Administrative Officer	$ 56,528	
Clerical Personnel	15,260	
Part-time Personnel	212	
Overtime Pay	1,014	
Election Commission	5,818	
Election Workers	1,889	
Social Security	4,950	
State Retirement	6,318	
Life Insurance	84	
Medical Insurance	11,693	
Employer Medicare	1,158	
Communication	1,080	
Dues and Memberships	225	
Operating Lease Payments	1,498	
Legal Notices, Recording, and Court Costs	10,526	
Maintenance Agreements	12,559	
Rentals	1,540	
Travel	4,842	
Other Contracted Services	35,324	
Office Supplies	922	
Other Supplies and Materials	4,934	
Data Processing Equipment	342	
Total Election Commission		178,716
Register of Deeds		
County Official/Administrative Officer	$ 61,751	
Deputy(ies)	30,527	
Clerical Personnel	26,350	
Social Security	7,331	
State Retirement	4,740	
Life Insurance	144	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
General Government (Cont.)		
Register of Deeds (Cont.)		
Medical Insurance	$ 20,301	
Employer Medicare	1,715	
Data Processing Services	7,923	
Dues and Memberships	468	
Operating Lease Payments	1,859	
Office Supplies	4,462	
Furniture and Fixtures	110	
Total Register of Deeds		$ 167,681
Planning		
Other Contracted Services	$ 11,562	
Total Planning		11,562
County Buildings		
Custodial Personnel	$ 23,953	
Other Salaries and Wages	67,810	
Social Security	5,645	
State Retirement	7,779	
Life Insurance	96	
Medical Insurance	13,674	
Employer Medicare	1,320	
Communication	34,893	
Dues and Memberships	7,621	
Postal Charges	40,881	
Other Contracted Services	140,384	
Custodial Supplies	25,992	
Electricity	177,852	
Natural Gas	24,749	
Water and Sewer	23,548	
Other Supplies and Materials	26,974	
Building and Contents Insurance	23,900	
Maintenance Equipment	394	
Total County Buildings		647,465
Finance		
Accounting and Budgeting		
Accountants/Bookkeepers	$ 65,941	
Other Salaries and Wages	272,854	
In-Service Training	674	
Social Security	20,328	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Finance (Cont.)		
Accounting and Budgeting (Cont.)		
State Retirement	$ 27,499	
Life Insurance	516	
Medical Insurance	73,385	
Employer Medicare	4,754	
Data Processing Services	15,270	
Operating Lease Payments	2,735	
Legal Notices, Recording, and Court Costs	3,865	
Travel	1,217	
Office Supplies	16,841	
Data Processing Equipment	5,196	
Office Equipment	81	
Total Accounting and Budgeting		$ 511,156
Property Assessor's Office		
County Official/Administrative Officer	$ 61,751	
Mechanic(s)	87	
Clerical Personnel	100,580	
Social Security	9,211	
State Retirement	13,592	
Life Insurance	240	
Medical Insurance	26,999	
Employer Medicare	2,154	
Communication	556	
Dues and Memberships	1,211	
Operating Lease Payments	1,500	
Printing, Stationery, and Forms	11,037	
Travel	515	
Other Contracted Services	9,425	
Gasoline	1,093	
Lubricants	28	
Office Supplies	1,601	
Vehicle Parts	10	
Vehicle and Equipment Insurance	674	
Furniture and Fixtures	1,338	
Motor Vehicles	18,887	
Total Property Assessor's Office		262,489
County Trustee's Office		
Life Insurance	$ 144	
Medical Insurance	6,700	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Finance (Cont.)		
County Trustee's Office (Cont.)		
Data Processing Services	$ 19,515	
Dues and Memberships	468	
Operating Lease Payments	1,500	
Legal Notices, Recording, and Court Costs	138	
Postal Charges	4,680	
Other Contracted Services	425	
Office Supplies	2,280	
Total County Trustee's Office		$ 35,850
County Clerk's Office		
Life Insurance	$ 288	
Medical Insurance	40,749	
Communication	588	
Data Processing Services	11,350	
Dues and Memberships	618	
Operating Lease Payments	1,896	
Travel	36	
Office Supplies	4,263	
Total County Clerk's Office		59,788
Administration of Justice		
Circuit Court		
County Official/Administrative Officer	$ 61,751	
Clerical Personnel	107,679	
Jury and Witness Fees	21,647	
Social Security	10,441	
State Retirement	13,328	
Life Insurance	240	
Medical Insurance	37,012	
Employer Medicare	2,442	
Data Processing Services	7,585	
Dues and Memberships	558	
Operating Lease Payments	5,056	
Travel	719	
Office Supplies	10,876	
Total Circuit Court		279,334
General Sessions Court		
Clerical Personnel	$ 109,644	
Social Security	6,686	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
General Sessions Court (Cont.)		
State Retirement	$ 8,129	
Life Insurance	240	
Medical Insurance	31,160	
Employer Medicare	1,564	
Office Supplies	5,237	
Data Processing Equipment	860	
Total General Sessions Court		$ 163,520
General Sessions Judge		
Judge(s)	$ 116,857	
Probation Officer(s)	44,387	
Secretary(ies)	21,643	
Other Salaries and Wages	26,253	
Social Security	12,042	
State Retirement	18,152	
Life Insurance	240	
Medical Insurance	24,978	
Employer Medicare	2,858	
Communication	646	
Operating Lease Payments	1,176	
Travel	8,643	
Office Supplies	1,534	
Total General Sessions Judge		279,409
Drug Court		
Fines, Assessments, and Penalties	$ 11,046	
Total Drug Court		11,046
Chancery Court		
County Official/Administrative Officer	$ 61,751	
Clerical Personnel	100,096	
Social Security	9,808	
State Retirement	13,722	
Life Insurance	224	
Medical Insurance	32,257	
Employer Medicare	2,294	
Data Processing Services	4,188	
Dues and Memberships	558	
Operating Lease Payments	1,979	
Travel	106	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Administration of Justice (Cont.)		
Chancery Court (Cont.)		
Office Supplies	$ 5,337	
Total Chancery Court		$ 232,320
Public Safety		
Sheriff's Department		
County Official/Administrative Officer	$ 67,927	
Deputy(ies)	595,057	
Investigator(s)	136,699	
Sergeant(s)	132,363	
Mechanic(s)	15,888	
School Resource Officer	127,015	
Educational Incentive - Other County Employees	15,048	
In-Service Training	997	
Social Security	67,376	
State Retirement	88,527	
Life Insurance	1,552	
Medical Insurance	222,391	
Employer Medicare	15,777	
Communication	6,968	
Dues and Memberships	4,380	
Operating Lease Payments	6,253	
Rentals	960	
Tow-in Services	1,475	
Travel	2,205	
Veterinary Services	384	
Other Contracted Services	24,893	
Animal Food and Supplies	5,765	
Diesel Fuel	1,089	
Gasoline	132,614	
Lubricants	2,738	
Office Supplies	2,294	
Tires and Tubes	10,986	
Uniforms	10,740	
Vehicle Parts	21,964	
Other Supplies and Materials	4,907	
Liability Insurance	27,591	
Vehicle and Equipment Insurance	34,500	
Other Charges	133	
Data Processing Equipment	2,829	
Motor Vehicles	98,510	
Total Sheriff's Department		1,890,795

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Public Safety (Cont.)		
Administration of the Sexual Offender Registry		
Office Supplies	$ 4,500	
Other Charges	1,547	
Total Administration of the Sexual Offender Registry		$ 6,047
Jail		
Guards	$ 408,687	
In-Service Training	758	
Social Security	24,738	
State Retirement	29,937	
Life Insurance	815	
Medical Insurance	87,542	
Employer Medicare	5,786	
Operating Lease Payments	1,430	
Medical and Dental Services	30,437	
Travel	2,074	
Other Contracted Services	4,355	
Drugs and Medical Supplies	49,128	
Food Supplies	175,197	
Office Supplies	1,365	
Prisoners Clothing	2,500	
Uniforms	5,784	
Other Supplies and Materials	7,026	
Total Jail		837,559
Juvenile Services		
Guards	$ 126,869	
Social Security	7,943	
State Retirement	11,063	
Life Insurance	176	
Medical Insurance	31,568	
Employer Medicare	1,858	
Operating Lease Payments	1,059	
Prisoners Clothing	999	
Uniforms	1,800	
Other Supplies and Materials	1,935	
Total Juvenile Services		185,270
Fire Prevention and Control		
Supervisor/Director	$ 15,042	
Mechanic(s)	188	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Public Safety (Cont.)		
Fire Prevention and Control (Cont.)		
Other Salaries and Wages	$ 4,500	
In-Service Training	2,644	
Social Security	1,214	
State Retirement	1,021	
Life Insurance	48	
Medical Insurance	6,153	
Employer Medicare	284	
Communication	507	
Contracts with Government Agencies	2,000	
Maintenance and Repair Services - Equipment	279	
Travel	55	
Diesel Fuel	6,941	
Electricity	18,783	
Gasoline	5,405	
Lubricants	48	
Natural Gas	20,102	
Office Supplies	97	
Tires and Tubes	272	
Vehicle Parts	201	
Water and Sewer	1,785	
Other Supplies and Materials	48,079	
Liability Insurance	1,076	
Vehicle and Equipment Insurance	18,840	
Other Charges	8,248	
Other Equipment	197,146	
Other Capital Outlay	1,200	
Total Fire Prevention and Control		$ 362,158
Civil Defense		
Supervisor/Director	$ 23,692	
Social Security	1,469	
State Retirement	2,066	
Employer Medicare	344	
Dues and Memberships	35	
Other Equipment	294,018	
Total Civil Defense		321,624
Rescue Squad		
Contributions	$ 42,122	
Total Rescue Squad		42,122

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Public Safety (Cont.)		
County Coroner/Medical Examiner		
Contracts with Private Agencies	$ 35,000	
Total County Coroner/Medical Examiner		$ 35,000
Public Safety Grant Programs		
Overtime Pay	$ 3,280	
Social Security	203	
State Retirement	286	
Employer Medicare	48	
Gasoline	160	
Other Supplies and Materials	5,310	
In Service/Staff Development	437	
Other Capital Outlay	12,333	
Total Public Safety Grant Programs		22,057
Other Public Safety		
Supervisor/Director	$ 42,800	
Deputy(ies)	30,900	
Dispatchers/Radio Operators	302,353	
Other Salaries and Wages	968	
In-Service Training	3,169	
Social Security	23,079	
State Retirement	30,329	
Life Insurance	752	
Medical Insurance	95,229	
Employer Medicare	5,397	
Travel	762	
Electricity	9,058	
Gasoline	2,641	
Natural Gas	545	
Office Supplies	2,108	
Water and Sewer	326	
Building and Contents Insurance	5,280	
Liability Insurance	1,000	
Vehicle and Equipment Insurance	1,100	
Total Other Public Safety		557,796
Public Health and Welfare		
Local Health Center		
Medical Personnel	$ 27,798	
Custodial Personnel	6,665	

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Public Health and Welfare (Cont.)		
Local Health Center (Cont.)		
Other Salaries and Wages	$ 52,946	
Social Security	5,363	
State Retirement	4,958	
Life Insurance	124	
Medical Insurance	13,994	
Employer Medicare	1,254	
Contributions	70,584	
Travel	3,694	
In Service/Staff Development	1,800	
Total Local Health Center		$ 189,180
Rabies and Animal Control		
Building Construction	$ 15,928	
Heating and Air Conditioning Equipment	3,500	
Total Rabies and Animal Control		19,428
Ambulance/Emergency Medical Services		
Ambulance Services	$ 150	
Total Ambulance/Emergency Medical Services		150
Crippled Children Services		
Contributions	$ 2,072	
Total Crippled Children Services		2,072
Other Public Health and Welfare		
Other Supplies and Materials	$ 3,471	
Total Other Public Health and Welfare		3,471
Agriculture and Natural Resources		
Agriculture Extension Service		
Salary Supplements	$ 64,664	
Dues and Memberships	155	
Maintenance and Repair Services - Equipment	113	
Travel	4,500	
Electricity	947	
Office Supplies	805	
Water and Sewer	202	
Other Supplies and Materials	25,755	
Other Equipment	6,542	
Total Agriculture Extension Service		103,683

(Continued)

Exhibit K-7

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

General Fund (Cont.)		
Agriculture and Natural Resources (Cont.)		
Soil Conservation		
Other Salaries and Wages	$ 60,595	
Social Security	3,627	
State Retirement	5,284	
Life Insurance	96	
Medical Insurance	13,401	
Employer Medicare	848	
Dues and Memberships	1,220	
Travel	969	
Other Charges	995	
Total Soil Conservation		$ 87,035
Other Operations		
Other Economic and Community Development		
Contributions	$ 100,267	
Other Supplies and Materials	500	
Total Other Economic and Community Development		100,767
Veterans' Services		
Supervisor/Director	$ 35,212	
Secretary(ies)	26,350	
Clerical Personnel	544	
Social Security	3,813	
State Retirement	5,275	
Life Insurance	96	
Medical Insurance	13,600	
Employer Medicare	893	
Data Processing Services	2,376	
Dues and Memberships	25	
Operating Lease Payments	897	
Travel	693	
Office Supplies	1,153	
Total Veterans' Services		90,927
Other Charges		
Liability Insurance	$ 17,491	
Premiums on Corporate Surety Bonds	1,272	
Trustee's Commission	109,540	
Total Other Charges		128,303

(Continued)

Exhibit K-7

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

General Fund (Cont.)			
Other Operations (Cont.)			
Contributions to Other Agencies			
Contributions	$ 66,600		
Total Contributions to Other Agencies		$ 66,600	
Employee Benefits			
Unemployment Compensation	$ 5		
Workers' Compensation Insurance	33,473		
Total Employee Benefits		33,478	
Total General Fund			$ 8,146,026
Solid Waste/Sanitation Fund			
Public Health and Welfare			
Waste Pickup			
Supervisor/Director	$ 28,112		
Deputy(ies)	24,589		
Mechanic(s)	3,027		
Truck Drivers	72,695		
Other Salaries and Wages	139,516		
Social Security	16,535		
State Retirement	11,360		
Life Insurance	240		
Medical Insurance	34,174		
Employer Medicare	3,867		
Communication	3,255		
Rentals	5,500		
Disposal Fees	30,400		
Other Contracted Services	25,371		
Custodial Supplies	3,053		
Diesel Fuel	33,501		
Electricity	8,805		
Gasoline	7,138		
Lubricants	735		
Natural Gas	529		
Tires and Tubes	9,371		
Uniforms	360		
Vehicle Parts	3,407		
Water and Sewer	1,815		
Other Supplies and Materials	4,212		
Building and Contents Insurance	6,100		
Liability Insurance	2,454		

(Continued)

Exhibit K-7

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.)			
Vehicle and Equipment Insurance	$ 9,278		
Other Charges	6,269		
Building Purchases	1,888		
Other Equipment	7,485		
Total Waste Pickup		$ 505,041	
Other Operations			
Other Charges			
Trustee's Commission	$ 4,500		
Total Other Charges		4,500	
Contributions to Other Agencies			
Contributions	$ 250,000		
Total Contributions to Other Agencies		250,000	
Employee Benefits			
Workers' Compensation Insurance	$ 11,229		
Total Employee Benefits		11,229	
Total Solid Waste/Sanitation Fund			$ 770,770
Drug Control Fund			
Public Safety			
Drug Enforcement			
Communication	$ 4,591		
Confidential Drug Enforcement Payments	5,000		
Legal Notices, Recording, and Court Costs	96		
Maintenance and Repair Services - Equipment	4,774		
Tow-in Services	4,520		
Travel	733		
Other Contracted Services	6,300		
Other Supplies and Materials	17,105		
Trustee's Commission	364		
Other Charges	210		
Building Construction	4		
Motor Vehicles	14,199		
Total Drug Enforcement		$ 57,896	
Total Drug Control Fund			57,896

(Continued)

Exhibit K-7

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

District Attorney General Fund			
Administration of Justice			
District Attorney General			
Clerical Personnel	$ 602		
Jury and Witness Fees	112		
Communication	2,958		
Contributions	18,507		
Dues and Memberships	530		
Janitorial Services	1,050		
Operating Lease Payments	7,200		
Rentals	800		
Custodial Supplies	99		
Law Enforcement Supplies	846		
Office Supplies	197		
Periodicals	4,524		
Utilities	16		
In Service/Staff Development	2,060		
Communication Equipment	251		
Furniture and Fixtures	1,779		
Total District Attorney General		$ 41,531	
Other Operations			
Other Charges			
Trustee's Commission	$ 179		
Total Other Charges		179	
Total District Attorney General Fund			$ 41,710
Constitutional Officers - Fees Fund			
Finance			
County Trustee's Office			
Constitutional Officers' Operating Expenses	$ 144,998		
Total County Trustee's Office		$ 144,998	
County Clerk's Office			
Constitutional Officers' Operating Expenses	$ 217,415		
Total County Clerk's Office		217,415	
Administration of Justice			
Circuit Court			
Constitutional Officers' Operating Expenses	$ 309		
Total Circuit Court		309	

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund (Cont.)			
Administration of Justice (Cont.)			
General Sessions Court Clerk			
Constitutional Officers' Operating Expenses	$ 81		
Total General Sessions Court Clerk		$ 81	
Chancery Court			
Special Commissioner Fees/Special Master Fees	$ 19,860		
Total Chancery Court		19,860	
Public Safety			
Sheriff's Department			
Constitutional Officers' Operating Expenses	$ 69		
Total Sheriff's Department		69	
Total Constitutional Officers - Fees Fund			$ 382,732
Highway/Public Works Fund			
Highways			
Administration			
County Official/Administrative Officer	$ 67,927		
Assistant(s)	48,875		
Secretary(ies)	39,313		
Social Security	9,144		
State Retirement	13,161		
Employer Medicare	2,139		
Communication	4,197		
Dues and Memberships	2,605		
Legal Services	125		
Postal Charges	298		
Travel	522		
Other Contracted Services	175		
Custodial Supplies	34		
Electricity	3,567		
Gasoline	4,331		
Natural Gas	2,033		
Office Supplies	738		
Water and Sewer	138		
Other Supplies and Materials	1,498		
Office Equipment	161		
Total Administration		$ 200,981	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)		
Highways (Cont.)		
Highway and Bridge Maintenance		
Equipment Operators	$ 58,155	
Equipment Operators - Light	221,902	
Truck Drivers	121,626	
Social Security	24,677	
State Retirement	34,479	
Employer Medicare	5,771	
Asphalt	167,331	
Concrete	860	
Crushed Stone	99,918	
Fertilizer, Lime, and Seed	1,148	
Pipe	7,880	
Road Signs	7,688	
Other Supplies and Materials	1,990	
Total Highway and Bridge Maintenance		$ 753,425
Operation and Maintenance of Equipment		
Foremen	$ 32,610	
Social Security	2,035	
State Retirement	2,739	
Employer Medicare	476	
Diesel Fuel	53,658	
Gasoline	21,597	
Lubricants	9,919	
Tires and Tubes	29,586	
Vehicle Parts	42,083	
Total Operation and Maintenance of Equipment		194,703
Other Charges		
Building and Contents Insurance	$ 8,000	
Liability Insurance	15,554	
Trustee's Commission	16,003	
Vehicle and Equipment Insurance	25,010	
Total Other Charges		64,567
Employee Benefits		
Life Insurance	$ 912	
Medical Insurance	124,999	
Unemployment Compensation	15,390	
Uniforms	3,946	
Workers' Compensation Insurance	20,357	
Total Employee Benefits		165,604

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)			
Highways (Cont.)			
Capital Outlay			
Engineering Services	$ 26,252		
Other Contracted Services	23,949		
Bridge Construction	345,096		
Highway Construction	47,592		
Total Capital Outlay		$ 442,889	
Principal on Debt			
Highways and Streets			
Principal on Capital Leases	$ 112,498		
Total Highways and Streets		112,498	
Interest on Debt			
Highways and Streets			
Interest on Capital Leases	$ 9,545		
Total Highways and Streets		9,545	
Total Highway/Public Works Fund			$ 1,944,212
General Debt Service Fund			
Other Operations			
Contributions to Other Agencies			
Contributions	$ 2,886		
Total Contributions to Other Agencies		$ 2,886	
Principal on Debt			
General Government			
Principal on Notes	$ 102,778		
Principal on Other Loans	36,000		
Total General Government		138,778	
Education			
Principal on Bonds	$ 805,000		
Principal on Notes	287,000		
Principal on Capital Leases	163,253		
Principal on Other Loans	112,068		
Total Education		1,367,321	
Interest on Debt			
General Government			
Interest on Notes	$ 13,345		

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)			
Interest on Debt (Cont.)			
General Government (Cont.)			
Interest on Other Loans	$ 11,645		
Total General Government		$ 24,990	
Education			
Interest on Bonds	$ 511,239		
Interest on Notes	21,812		
Interest on Capital Leases	27,093		
Total Education		560,144	
Other Debt Service			
General Government			
Trustee's Commission	$ 23,600		
Other Debt Service	3,781		
Total General Government		27,381	
Education			
Other Debt Service	$ 2,243		
Total Education		2,243	
Total General Debt Service Fund			$ 2,123,743
Community Development/Industrial Park Fund			
Other Operations			
Industrial Development			
Architects	$ 23,830		
Contracts with Other Public Agencies	8,000		
Other Construction	206,309		
Other Capital Outlay	144,900		
Total Industrial Development		$ 383,039	
Total Community Development/Industrial Park Fund			383,039
Education Capital Projects Fund			
Other Operations			
Contributions to Other Agencies			
Contributions	$ 225,000		
Total Contributions to Other Agencies		$ 225,000	
Total Education Capital Projects Fund			225,000
Total Governmental Funds - Primary Government			$ 14,075,128

Exhibit K-8

Rhea County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2009

General Purpose School Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 8,921,049	
Career Ladder Program	127,995	
Career Ladder Extended Contracts	59,700	
Homebound Teachers	51,002	
Medical Personnel	72	
Paraprofessionals	24,492	
Salary Supplements	4,340	
Secretary(ies)	1,144	
Educational Assistants	324,325	
Certified Substitute Teachers	2,800	
Non-certified Substitute Teachers	152,982	
Social Security	578,250	
State Retirement	607,370	
Life Insurance	10,959	
Medical Insurance	1,417,534	
Unemployment Compensation	2,470	
Employer Medicare	134,894	
Other Contracted Services	3,990	
Instructional Supplies and Materials	110,747	
Textbooks	343,002	
Other Supplies and Materials	8,209	
In Service/Staff Development	178	
Other Charges	9,265	
Data Processing Equipment	73,297	
Other Equipment	2,542	
Total Regular Instruction Program		$ 12,972,608
Special Education Program		
Teachers	$ 1,141,106	
Career Ladder Program	15,930	
Career Ladder Extended Contracts	10,300	
Homebound Teachers	9,106	
Educational Assistants	193,924	
Speech Pathologist	89,395	
Other Salaries and Wages	10,002	
Non-certified Substitute Teachers	20,275	
Social Security	88,460	
State Retirement	92,909	
Life Insurance	1,968	

(Continued)

Exhibit K-8

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.)		
Medical Insurance	$ 221,063	
Unemployment Compensation	4,211	
Employer Medicare	20,696	
Contracts with Private Agencies	97,857	
Evaluation and Testing	5,549	
Maintenance and Repair Services - Equipment	40	
Other Contracted Services	9,409	
Instructional Supplies and Materials	11,684	
Other Supplies and Materials	1,494	
Special Education Equipment	14,997	
Total Special Education Program		$ 2,060,375
Vocational Education Program		
Teachers	$ 565,697	
Career Ladder Program	2,000	
Non-certified Substitute Teachers	5,850	
Social Security	34,219	
State Retirement	36,447	
Life Insurance	720	
Medical Insurance	100,972	
Employer Medicare	8,003	
Instructional Supplies and Materials	27,717	
Total Vocational Education Program		781,625
Adult Education Program		
Teachers	$ 29,601	
Social Security	1,835	
State Retirement	1,710	
Life Insurance	96	
Medical Insurance	5,065	
Employer Medicare	429	
Communication	1,884	
Operating Lease Payments	2,280	
Travel	1,045	
Other Supplies and Materials	2,413	
Total Adult Education Program		46,358

(Continued)

Exhibit K-8

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		
Attendance		
Supervisor/Director	$ 39,903	
Career Ladder Program	2,430	
Career Ladder Extended Contracts	2,000	
Social Security	2,743	
State Retirement	2,815	
Life Insurance	40	
Medical Insurance	4,145	
Employer Medicare	642	
Travel	1,456	
Total Attendance		$ 56,174
Health Services		
Medical Personnel	$ 116,593	
Social Security	7,134	
State Retirement	9,728	
Life Insurance	288	
Medical Insurance	26,100	
Employer Medicare	1,668	
Travel	1,262	
Other Supplies and Materials	4,252	
Data Processing Equipment	2,104	
Other Equipment	178	
Total Health Services		169,307
Other Student Support		
Career Ladder Program	$ 5,000	
Guidance Personnel	377,408	
Career Ladder Extended Contracts	2,000	
Mechanic(s)	58	
Secretary(ies)	21,072	
Educational Assistants	50,107	
School Resource Officer	4,200	
Other Salaries and Wages	315,350	
Social Security	45,853	
State Retirement	50,426	
Life Insurance	988	
Medical Insurance	118,430	
Employer Medicare	10,829	
Communication	5,253	

(Continued)

Exhibit K-8

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.)		
Contributions	$ 4,900	
Evaluation and Testing	20,803	
Maintenance and Repair Services - Equipment	8,244	
Travel	13,594	
Other Contracted Services	122,981	
Gasoline	669	
Instructional Supplies and Materials	85,802	
Lubricants	9	
Vehicle Parts	80	
Other Supplies and Materials	84,099	
In Service/Staff Development	5,626	
Other Charges	6,504	
Data Processing Equipment	83,046	
Furniture and Fixtures	2,233	
Motor Vehicles	15,993	
Total Other Student Support		$ 1,461,557
Regular Instruction Program		
Career Ladder Program	$ 3,000	
Librarians	216,726	
Social Security	13,163	
State Retirement	14,106	
Life Insurance	240	
Medical Insurance	33,728	
Employer Medicare	3,078	
Travel	12,949	
Library Books/Media	37,755	
Periodicals	4,142	
Other Supplies and Materials	1,854	
Other Charges	2,970	
Total Regular Instruction Program		343,711
Special Education Program		
Supervisor/Director	$ 53,909	
Career Ladder Program	5,000	
Psychological Personnel	93,020	
Career Ladder Extended Contracts	800	
Secretary(ies)	25,286	
Social Security	10,340	

(Continued)

Exhibit K-8

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.)		
State Retirement	$ 12,010	
Life Insurance	192	
Medical Insurance	29,299	
Employer Medicare	2,418	
Consultants	9,500	
Travel	8,191	
Other Contracted Services	7,250	
Other Supplies and Materials	971	
In Service/Staff Development	3,305	
Other Equipment	932	
Total Special Education Program		$ 262,423
Vocational Education Program		
Travel	$ 321	
Total Vocational Education Program		321
Adult Programs		
Supervisor/Director	$ 47,509	
Other Salaries and Wages	40,485	
Social Security	5,377	
State Retirement	6,059	
Employer Medicare	1,258	
In Service/Staff Development	3,997	
Total Adult Programs		104,685
Other Programs		
Salary Supplements	$ 109,066	
Social Security	6,868	
State Retirement	6,793	
Employer Medicare	1,606	
On-Behalf Payments to OPEB	98,897	
Contributions	6,912	
Total Other Programs		230,142
Board of Education		
Board and Committee Members Fees	$ 42,800	
Social Security	2,654	
Employer Medicare	621	
Audit Services	6,000	

(Continued)

Exhibit K-8

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	$ 8,412	
Evaluation and Testing	360	
Legal Services	4,444	
Legal Notices, Recording, and Court Costs	2,605	
Travel	18,181	
Liability Insurance	44,300	
Trustee's Commission	111,763	
Workers' Compensation Insurance	27,890	
Total Board of Education		$ 270,030
Director of Schools		
County Official/Administrative Officer	$ 108,466	
Assistant(s)	64,820	
Career Ladder Program	1,900	
Mechanic(s)	72	
Secretary(ies)	50,573	
Clerical Personnel	25,286	
Social Security	15,450	
State Retirement	17,441	
Life Insurance	244	
Medical Insurance	23,221	
Employer Medicare	3,631	
Communication	1,008	
Dues and Memberships	2,364	
Legal Notices, Recording, and Court Costs	1,423	
Postal Charges	3,303	
Travel	4,920	
Other Contracted Services	6,056	
Gasoline	1,943	
Lubricants	25	
Office Supplies	4,085	
Other Charges	126	
Total Director of Schools		336,357
Office of the Principal		
Principals	$ 378,433	
Career Ladder Program	17,000	
Accountants/Bookkeepers	141,378	
Career Ladder Extended Contracts	15,500	

(Continued)

Exhibit K-8

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.)		
Assistant Principals	$ 349,367	
Secretary(ies)	219,427	
Social Security	65,961	
State Retirement	79,399	
Life Insurance	1,348	
Medical Insurance	154,824	
Employer Medicare	15,426	
Communication	37,075	
Other Contracted Services	1,632	
Total Office of the Principal		$ 1,476,770
Operation of Plant		
Custodial Personnel	$ 590,211	
Social Security	35,671	
State Retirement	41,420	
Life Insurance	1,328	
Medical Insurance	142,727	
Employer Medicare	8,342	
Operating Lease Payments	15,168	
Maintenance and Repair Services - Equipment	944	
Other Contracted Services	595	
Custodial Supplies	39,766	
Electricity	820,374	
Natural Gas	314,409	
Water and Sewer	75,298	
Other Supplies and Materials	16,930	
Plant Operation Equipment	8,914	
Total Operation of Plant		2,112,097
Maintenance of Plant		
Other Salaries and Wages	$ 214,943	
Social Security	13,327	
State Retirement	18,743	
Employer Medicare	3,117	
Maintenance Agreements	11,257	
Other Contracted Services	435,485	
Other Supplies and Materials	89,698	
Building and Contents Insurance	52,500	
Other Equipment	34,813	
Total Maintenance of Plant		873,883

(Continued)

Exhibit K-8

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.)			
Transportation			
Contracts with Parents	$ 18,577		
Total Transportation		$ 18,577	
Operation of Non-Instructional Services			
Early Childhood Education			
Teachers	$ 151,612		
Bus Drivers	26,520		
Educational Assistants	61,292		
Other Salaries and Wages	8,750		
Non-certified Substitute Teachers	350		
Social Security	14,684		
State Retirement	15,278		
Life Insurance	368		
Medical Insurance	42,955		
Employer Medicare	3,434		
Travel	1,063		
Other Contracted Services	4,185		
Diesel Fuel	4,538		
Instructional Supplies and Materials	21,465		
Data Processing Equipment	2,030		
Total Early Childhood Education		358,524	
Capital Outlay			
Regular Capital Outlay			
Building Improvements	$ 370		
Communication Equipment	854		
Data Processing Equipment	696,769		
Furniture and Fixtures	102,821		
Other Equipment	3,500		
Total Regular Capital Outlay		804,314	
Other Debt Service			
Education			
Debt Service Contribution to Primary Government	$ 512,424		
Total Education		512,424	
Total General Purpose School Fund			$ 25,252,262

(Continued)

Exhibit K-8

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

School Federal Projects Fund		
Instruction		
Regular Instruction Program		
Teachers	$ 452,195	
Educational Assistants	132,500	
Other Salaries and Wages	7,321	
Certified Substitute Teachers	50	
Non-certified Substitute Teachers	22,562	
Social Security	37,133	
State Retirement	38,261	
Life Insurance	804	
Medical Insurance	95,335	
Unemployment Compensation	905	
Employer Medicare	8,691	
Instructional Supplies and Materials	58,530	
Workers' Compensation Insurance	2,345	
Total Regular Instruction Program		$ 856,632
Special Education Program		
Teachers	$ 34,950	
Educational Assistants	459,177	
Non-certified Substitute Teachers	100	
Social Security	29,462	
State Retirement	37,489	
Life Insurance	1,292	
Medical Insurance	141,996	
Unemployment Compensation	971	
Employer Medicare	6,893	
Other Fringe Benefits	1,895	
Contracts with Private Agencies	38,192	
Evaluation and Testing	40	
Maintenance and Repair Services - Equipment	155	
Other Contracted Services	155	
Instructional Supplies and Materials	6,006	
Other Supplies and Materials	579	
Total Special Education Program		759,352
Vocational Education Program		
Other Supplies and Materials	$ 6,744	
Vocational Instruction Equipment	79,044	
Total Vocational Education Program		85,788

(Continued)

Exhibit K-8

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				
Other Student Support				
Other Salaries and Wages	$	11,133		
Social Security		686		
State Retirement		142		
Unemployment Compensation		44		
Employer Medicare		161		
Travel		2,747		
Other Supplies and Materials		18,352		
Workers' Compensation Insurance		27		
In Service/Staff Development		38,615		
Other Charges		11,204		
Total Other Student Support			$	83,111
Regular Instruction Program				
Supervisor/Director	$	61,810		
Secretary(ies)		25,286		
Other Salaries and Wages		67,285		
Social Security		8,854		
State Retirement		10,493		
Life Insurance		136		
Medical Insurance		22,542		
Unemployment Compensation		140		
Employer Medicare		2,071		
Travel		251		
Other Supplies and Materials		1,891		
Workers' Compensation Insurance		546		
In Service/Staff Development		83,923		
Other Charges		7,787		
Total Regular Instruction Program				293,015
Special Education Program				
Consultants	$	3,975		
Travel		3,136		
Other Supplies and Materials		720		
In Service/Staff Development		3,515		
Total Special Education Program				11,346
Vocational Education Program				
Travel	$	100		
Total Vocational Education Program				100

(Continued)

Exhibit K-8

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.)			
Transportation			
Bus Drivers	$ 11,550		
Social Security	716		
State Retirement	1,001		
Unemployment Compensation	13		
Employer Medicare	167		
Total Transportation		$ 13,447	
Total School Federal Projects Fund			$ 2,102,791
Central Cafeteria Fund			
Operation of Non-Instructional Services			
Food Service			
Supervisor/Director	$ 49,737		
Clerical Personnel	48,466		
Cafeteria Personnel	561,317		
Social Security	39,547		
State Retirement	47,537		
Life Insurance	1,728		
Medical Insurance	173,657		
Unemployment Compensation	907		
Employer Medicare	9,249		
Communication	1,155		
Maintenance and Repair Services - Equipment	21,400		
Travel	3,831		
Other Contracted Services	10,010		
Food Preparation Supplies	54,987		
Food Supplies	703,825		
Other Supplies and Materials	11,393		
Workers' Compensation Insurance	15,475		
Food Service Equipment	7,179		
Total Food Service		$ 1,761,400	
Total Central Cafeteria Fund			1,761,400
School Transportation Fund			
Support Services			
Other Programs			
Contributions	$ 5,421		
Total Other Programs		$ 5,421	

(Continued)

Exhibit K-8

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.)			
Board of Education			
Trustee's Commission	$ 29,825		
Total Board of Education		$ 29,825	
Operation of Plant			
Communication	$ 993		
Other Contracted Services	198		
Total Operation of Plant		1,191	
Transportation			
Supervisor/Director	$ 35,332		
Mechanic(s)	41,435		
Bus Drivers	634,894		
Secretary(ies)	14,606		
Other Salaries and Wages	38,337		
Social Security	47,406		
State Retirement	38,937		
Life Insurance	96		
Medical Insurance	10,130		
Unemployment Compensation	4,059		
Employer Medicare	11,087		
Contracts with Parents	410		
Medical and Dental Services	5,124		
Tow-in Services	1,050		
Travel	4,854		
Other Contracted Services	218,641		
Diesel Fuel	168,920		
Gasoline	3,464		
Lubricants	8,219		
Tires and Tubes	19,341		
Vehicle Parts	54,743		
Other Supplies and Materials	1,399		
Vehicle and Equipment Insurance	44,110		
Other Charges	502		
Transportation Equipment	224,489		
Total Transportation		1,631,585	
Other Debt Service			
Education			
Debt Service Contribution to Primary Government	$ 51,897		
Total Education		51,897	
Total School Transportation Fund			$ 1,719,919

(Continued)

Exhibit K-8

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

Education Capital Projects Fund			
Capital Outlay			
Regular Capital Outlay			
Other Contracted Services	$ 179,560		
Other Supplies and Materials	33,733		
Trustee's Commission	6,020		
Data Processing Equipment	4,060		
Total Regular Capital Outlay		$ 223,373	
Total Education Capital Projects Fund			$ 223,373
Total Governmental Funds - Rhea County School Department			$ 31,059,745

Exhibit K-9

Rhea County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2009

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Operating Revenues	
Charges for Current Services	
General Services Charges	
Other General Service Charges	$ 1,494,023
Total Operating Revenues	$ 1,494,023
Operating Expenses	
General Government	
Supervisor/Director	$ 54,638
Foremen	78,973
Secretary(ies)	21,643
Social Security	9,655
State Retirement	13,095
Life Insurance	192
Medical Insurance	27,348
Unemployment Compensation	657
Employer Medicare	2,258
Communication	5,997
Operating Lease Payments	1,287
Towing Services	75
Travel	170
Other Contracted Services	1,434
Custodial Supplies	845
Diesel Fuel	2,065
Electricity	13,805
Gasoline	22,432
Lubricants	6,797
Natural Gas	8,785
Office Supplies	1,184
Tires and Tubes	1,862
Uniforms	4,695
Vehicle Parts	6,402
Water and Sewer	269
Other Supplies and Materials	9,949
Building and Contents Insurance	7,435
Liability Insurance	4,825

(Continued)

Exhibit K-9

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

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
Expenditures (Cont.)	
Operating Expenses (Cont.)	
General Government (Cont.)	
Vehicle and Equipment Insurance	$ 10,276
Workers' Compensation Insurance	16,765
Maintenance Equipment	2,995
Motor Vehicles	3,818
Total General Government	$ 342,626
Other Charges	
Mechanic(s)	$ 87,339
Social Security	4,865
State Retirement	8,138
Life Insurance	144
Medical Insurance	20,920
Employer Medicare	1,260
Towing Services	1,475
Other Contracted Services	43,080
Lubricants	12,860
Tires and Tubes	39,970
Vehicle Parts	80,544
Other Supplies and Materials	496
Total Other Charges	$ 301,091
Miscellaneous	
Custodial Personnel	$ 23,953
Other Salaries and Wages	352,685
Social Security	23,034
State Retirement	32,262
Life Insurance	620
Medical Insurance	84,344
Unemployment Compensation	3,958
Employer Medicare	5,387
Other Contracted Services	173,740
Custodial Supplies	29,045
Other Supplies and Materials	120,884
Maintenance Equipment	394
Total Miscellaneous	$ 850,306
Total Operating Expenses	$ 1,494,023

Exhibit K-10

Rhea County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2009

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
Cash Receipts			
Current Property Taxes	$ 0	$ 291,687	$ 291,687
Trustee's Collections - Prior Years	0	10,821	10,821
Trustee's Collections - Bankruptcy	0	62	62
Circuit/Clerk and Master Collections - Prior Years	0	9,861	9,861
Interest and Penalty	0	1,917	1,917
Payments in-Lieu-of Taxes - T.V.A	0	206	206
Payments in-Lieu-of Taxes - Local Utilities	0	2,819	2,819
Payments in-Lieu-of Taxes - Other	0	61	61
Local Option Sales Tax	2,508,895	425,770	2,934,665
Bank Excise Tax	0	4,170	4,170
Interstate Telecommunications Tax	0	511	511
Marriage Licenses	0	393	393
Total Cash Receipts	$ 2,508,895	$ 748,278	$ 3,257,173
Cash Disbursements			
Remittance of Revenues Collected	$ 2,483,806	$ 731,859	$ 3,215,665
Trustee's Commission	25,089	10,349	35,438
Total Cash Disbursements	$ 2,508,895	$ 742,208	$ 3,251,103
Excess of Cash Receipts Over (Under) Cash Disbursements	$ 0	$ 6,070	$ 6,070
Cash Balance, July 1, 2008	0	36,899	36,899
Cash Balance, June 30, 2009	$ 0	$ 42,969	$ 42,969

Single Audit Section

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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

December 10, 2009

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, 2009, which collectively comprise Rhea County's basic financial statements and have issued our report thereon dated December 10, 2009. 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 discretely presented Rhea County School Department. 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 and the Rhea County Emergency Communications District, discretely presented component units, 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: 09.01, 09.02, 09.04, 09.05, 09.06, 09.08, 09.09, 09.10, 09.11, and 09.12.

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 09.01 and 09.02 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 09.03 and 09.07.

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, 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,

Justin P. Wilson
Comptroller of the Treasury

JPW/yu

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF COUNTY AUDIT
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 10, 2009

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, 2009. 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, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 09.07 and 09.15.

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 of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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. We considered the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 09.04, 09.05, 09.13, and 09.14 to be significant deficiencies.

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 did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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, 2009, and have issued our report thereon dated December 10, 2009. 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 discretely presented Rhea County School Department. 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, 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,

Justin P. Wilson
Comptroller of the Treasury

JPM/yu

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Rhea County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2009

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Distance Learning and Telemedicine Grant	10.855	N/A	$ 489,154
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	142,707 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	304,202
National School Lunch Program	10.555	N/A	910,810 (3)
Total U.S. Department of Agriculture			$ 1,846,873
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
State and Community Highway Safety	20.600	Z-08-023666-00	$ 12,218
Alcohol Open Container Requirements	20.607	Z-09-214652-00	9,297
Total U.S. Department of Transportation			$ 21,515
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	$ 888,462
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	808,384
Special Education - Preschool Grants	84.173	N/A	17,380
Career and Technical Education - Basic Grants to States	84.048	N/A	93,747
Safe and Drug-Free Schools and Communities - State Grants	84.186	(2)	11,789
Education for Homeless Children and Youth	84.196	(2)	9,999
Education Technology State Grants	84.318	(2)	9,108
Rural Education	84.358	(2)	33,883
English Language Acquisition Grants	84.365	(2)	7,023
Improving Teacher Quality State Grants	84.367	N/A	264,637
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(4)	124,693
Total U.S. Department of Education			$ 2,269,105
U.S. Department of Homeland Security:			
Direct Program:			
Assistance to Firefighter Grant	97.044	N/A	$ 127,825
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(5)	99,568
Buffer Zone Protection Program	97.078	GG-08-24221-00	188,877
Total U.S. Department of Homeland Security			$ 416,270
Total Expenditures of Federal Awards			$ 4,553,763

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
State Grants			
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(2)	$ 358,594
Three-Star Energy Education Program - State Department of Economic and Community Development	N/A	(2)	500
Adult Education - State Department of Labor and Workforce Development	N/A	Z-09-217263-00	5,617
Safe Schools Act - State Department of Education	N/A	(2)	36,221
Early Childhood Education Pilot/State - State Department of Education	N/A	(2)	177,706
Early Childhood Education - Voluntary Expansion - State Department of Education	N/A	(2)	181,106
Coordinated School Health - State Department of Education	N/A	(2)	104,199
State Reappraisal Program - Comptroller of the Treasury	N/A	(2)	14,608
Litter Program - State Department of Transportation	N/A	Z-09-212790-00	31,906
Waste Tire Grant - State Department of Environment and Conservation	N/A	(6)	12,725
Juvenile Services Program - State Commission on Children and Youth	N/A	Z-09-22896.00	9,000
Child Safety Seat Grant - State Department of Health	N/A	(2)	11,581
Emergency Preparedness - State Department of Military	N/A	GG-06-12170-00	33,143
Local Health Services - State Department of Health	N/A	DG-09-24164-00	111,421
Total State Grants			$ 1,088,327

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

(1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
(2) Information not available.
(3) Total for CFDA No. 10.555 is $1,053,517.
(4) Z-08-020817-00: $2,749; Z-09-2135000-01: $121,944.
(5) GG-07-020800-01: $7,946; GG-08-24132-00: $91,622.
(6) Z-08-002061-00: $2,413; Z-08-213021-02: $10,312.

Rhea County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2009

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, 2008, which have not been corrected.

RHEA COUNTY AND RHEA COUNTY SCHOOL DEPARTMENT

Finding Number	Page Number	Subject
08.01	202	Capital assets records were not properly maintained
08.03	203	Rhea County and the Rhea County School Department do not have the resources to produce financial statements and notes to the financial statements

OFFICE OF FINANCE DIRECTOR

Finding Number	Page Number	Subject
08.04(A)	204	Competitive bids were not solicited for building materials and supplies used to construct an animal shelter
08.05	205	The office had deficiencies in the control over the inventory of nondepreciable assets

OFFICE OF REGISTER

Finding Number	Page Number	Subject
08.11	209	The office did not review software audit logs

OTHER FINDING

Finding Number	Page Number	Subject
08.12	209	Duties were not segregated adequately in the Offices of Trustee, County Clerk, Circuit and General Sessions Courts Clerk, Clerk and Master, Register, and Sheriff

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RHEA COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2009

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Adverse opinions were issued on the financial statements of the governmental activities and the aggregate discretely presented component units. Our report on each major fund and the aggregate remaining fund information is unqualified.

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 were material to the financial statements of Rhea County.

4. The audit disclosed two significant deficiencies in internal control over major programs.

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

6. The audit revealed three findings that are required to be reported under Section 510(a) of OMB Circular A-133.

7. The Child Nutrition Cluster: the School Breakfast Program and the National School Lunch Program (CFDA Nos. 10.553 and 10.555), Distance Learning and Telemedicine Grant (CFDA No. 10.855), 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.

RHEA COUNTY AND RHEA COUNTY SCHOOL DEPARTMENT

FINDING 09.01 **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, and inaccurate calculations of accumulated depreciation balances. In addition, the office did not have procedures in place to ensure that newly acquired capital assets were accounted for properly. For example, new electronic media equipment was not added to the capital assets records, three modular buildings were added to the capital assets records twice, and a bridge was entered into the capital assets records for $6,247,797 instead of $62,478. Also, two patrol cars were deleted from the capital assets records; however, the office does not know why they were deleted (sold, junked, wrecked, etc.). Because capital assets records of Rhea County and the School Department were not properly maintained, we could not determine if all capital assets had been properly recorded and depreciated. This deficiency can be attributed to a lack of management oversight and the failure of management to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Rhea County's and the Rhea County School Department's management 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.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The department has been aggressively approaching the problems concerning capital assets and we will continue to do so. The software problems have been solved, but resulted in the department having to re-enter the entire capital assets one at a time. There were some clerical errors, which are being corrected. The director continues to stress the value of examining what is or might be considered a capital asset. The effort to put these things in order is ongoing and will be effective. As to the disposition of the cars, there is ongoing research as to the circumstances involved in their being taken out of capital assets. As of this date, we know that one car was totaled and the other was surplused. We continue to look for the back-up paperwork.

FINDING 09.02 **RHEA COUNTY AND RHEA COUNTY SCHOOL DEPARTMENT DO NOT HAVE THE RESOURCES TO PRODUCE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**
(Internal Control – Material Weakness Under Government Auditing Standards)

Generally accepted auditing standards require that Rhea County's and the Rhea County School Department's financial statements be the product of financial reporting systems that offer reasonable assurance that management is able to produce financial statements and notes to the financial statements that comply with generally accepted accounting principles (GAAP). The preparation of financial statements in accordance with GAAP requires that the county and the School Department have internal controls over reporting government-wide and fund financial information and preparing the related notes. It is permissible for us, as the external auditors, to assist the county and the School Department in preparing their financial statements and notes as a matter of convenience as long as the county and the School Department have the skills needed to prepare its financial statements and notes. However, management, including the accounting staff, does not have the technical skills to prepare GAAP financial statements and disclosures. This deficiency is the result of management's failure to correct the finding noted in the prior-year audit report. The inability to prepare financial statements and notes is an indication of a lack of controls, or ineffective controls, because material misstatements may not be detected.

RECOMMENDATION

Rhea County and the Rhea County School Department should develop the ability to produce financial statements and notes to the financial statements that comply with GAAP. This could include having at least one staff member trained in financial statement preparation. This staff member should have sufficient skills necessary to prepare a complete set of year-end financial statements even though the external auditors prepare the county's financial statements as a matter of convenience. If we, as the external auditors, continue to prepare the county's financial statements, this individual must have sufficient knowledge to determine the completeness of financial statement information and disclosures.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

This will continue to be a problem in the future in this county as well as other small counties because of the lack of resources necessary or the unwillingness of the county to commit to this process. Given time and resources, this process could be accomplished and the department will continue to strive toward this goal.

OFFICE OF FINANCE DIRECTOR

FINDING 09.03 **COMPETITIVE BIDS WERE NOT SOLICITED FOR MATERIALS AND SUPPLIES USED TO COMPLETE AN ANIMAL SHELTER**
(Noncompliance Under Government Auditing Standards)

Competitive bids were not solicited for materials and supplies used to complete an animal shelter ($16,051) for the Animal Control Department. Pursuant to provisions of Section 5-21-120, Tennessee Code Annotated, the Financial Management Committee together with the finance director established purchasing procedures for Rhea County. These procedures require that purchases exceeding $5,000 for the general government are to be made based on competitive bids. This deficiency can be attributed to the failure of management to correct this finding noted in the prior-year audit report. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding $5,000.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

This project carried over into two budget years. The attempt to build the animal shelter as economically as possible backfired, and lessons were learned. This should not be a problem in the future.

FINDING 09.04 **THE OFFICE HAD DEFICIENCIES IN CONTROLS OVER NONDEPRECIABLE ASSETS**
(Internal Control – Significant Deficiency Under Government Auditing Standards and Under Circular A-133)

The following deficiencies were noted in inventory controls over county- and School Department-owned (USDA) 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 and/or serial number of the assets was not always maintained in the inventory records, making it difficult to locate the assets.

C. Inventory was not always marked with a county identification tag.

D. Personnel independent of maintaining the inventory records did not periodically verify the records.

Generally accepted accounting principles require accountability for all county- and School Department-owned assets, such as equipment, furniture, and vehicles. Without accurate inventory records of nondepreciable assets, the county and School Department cannot adequately control its assets. This deficiency can be attributed to the failure of management to correct this finding noted in the prior-year audit report.

RECOMMENDATION

The office should maintain accurate inventory records for all county- and School Department-owned nondepreciable assets as required by generally accepted accounting principles. In addition, records should identify the asset's location, serial number, and county identification tag. Furthermore, personnel independent of maintaining the inventory should periodically verify the inventory records.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The department will put new inventory controls in place with the implementation of an inventory control system from Pitney-Bowes, which scans the UPC and/or serial number. The department continues to request that they be informed when assets are moved or when assets are no longer in use. With the changes in procedures and the cooperation given by employees, we think we will make great strides in solving this problem and attain the level of compliance necessary.

FINDING 09.05 **THE OFFICE HAD DEFICIENCIES IN PURCHASING PROCEDURES**
(Internal Control – Significant Deficiency Under Government Auditing Standards and Under Circular A-133)

Our audit disclosed the following deficiencies in purchasing procedures in the Child Nutrition Cluster (CFDA Nos. 10.553 and 10.555) grant program. These deficiencies can be attributed to the lack of management oversight.

A. Purchase orders were not issued for some required purchases. Purchase orders are necessary to control who has purchasing authority for the office and to document purchasing commitments. The failure to issue purchase orders increases the risks of unauthorized purchases.

B. In some instances, purchase orders were issued after purchases were made. This practice defeats the purpose of issuing a purchase order and makes the purchase order an approval for payment, rather than an approval of the purchase.

RECOMMENDATION

To strengthen internal controls over the purchasing process and to document purchasing commitments, the office should issue purchase orders for all applicable purchases before making purchases.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The Finance Department, along with the Purchase and Finance Committee, strives to make the purchasing procedure work the way it is intended. There is a continuing effort to instruct employees to follow the proper procedures. We will continue to inform all employees that they must follow the correct purchasing procedures.

FINDING 09.06 **THE COUNTY DID NOT NOTIFY THE INTERNAL REVENUE SERVICE TO WITHDRAW A PAYROLL TAX DEPOSIT IN A TIMELY MANNER**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Rhea County maintains a bank account to deposit employee payroll taxes for amounts due the Internal Revenue Service (IRS). IRS Circular – Employer's Tax Guide requires employers to notify the IRS of current withdrawals within three days of each payroll period. In one instance, the IRS was not notified in a timely manner to provide for current withdrawals. After the county submitted Form 941 for the first quarter of 2009, the IRS notified the county that they had been assessed a penalty of $33,521 for this late payment. The county is negotiating with the IRS to waive this penalty.

RECOMMENDATION

The county should ensure that the IRS is notified within the required time frame to provide for current withdrawals.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The changes that management has made hopefully will prevent this from happening in the future. The actual penalty has not been paid yet, and management will pursue trying to abate the penalty.

FINDING 09.07 **REPORTS FOR THE DISTANCE LEARNING AND TELEMEDICINE GRANT WERE NOT FILED IN ACCORDANCE WITH GRANT REQUIREMENTS**
(Noncompliance Under Government Auditing Standards and Under Circular A-133)

Reports for the Distance Learning and Telemedicine Grant (CFDA No. 10.855) were not filed in accordance with grant requirements. This grant requires that a Project Performance Activity Report and a Financial Status Report be completed and filed with the administrator of the Rural Utilities Service within 90 days after the close of each calendar year. The Project Performance Activity Report and the Financial Status Report for the calendar year ended 2008 have not been filed as of the date of this report. This deficiency is the result of management being unaware of the grant's reporting requirements.

RECOMMENDATION

Management should have prior knowledge of all grant requirements and should file all grant reports in accordance with the requirements.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

There is an ongoing effort to have the department informed as to various grants that are applied for and awarded. The county passed a resolution stating that all grants must be approved by the full County Commission. The department head over the grant in question has been informed and will complete the required reports.

FINDING 09.08 **THE OFFICE ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO ROOMS WHERE CONFIDENTIAL RECORDS ARE STORED**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination disclosed that individuals who were not office employees, including trustees from the jail, had unsupervised access to various rooms where confidential records are stored. These confidential records included payroll records, W-2 forms, and arrest reports. Allowing persons who are not employees to have unsupervised access to rooms where confidential records are stored seriously weakens internal controls over these records.

RECOMMENDATION

Individuals who are not office employees should not be allowed unsupervised access to rooms where confidential records are stored.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

The department has made procedural changes and will not allow access to the record storage facility by any unauthorized personnel.

OFFICE OF CIRCUIT COURT CLERK

FINDING 09.09 **THE OFFICE DID NOT IMPLEMENT ADEQUATE CONTROLS TO PROTECT ITS INFORMATION RESOURCES**
(Internal Control – Significant Deficiency Under Government Auditing Standards)

The office did not implement adequate controls to protect its information resources. This finding does not identify specific vulnerabilities that could allow someone to exploit the

office's information system or misuse county funds. Disclosing those vulnerabilities could present a potential security risk by providing the readers with information that might be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. Sound business practices dictate that proper controls be implemented. Without these controls, unauthorized system activity could occur. The vulnerabilities noted were corrected after they were brought to the official's attention.

OFFICE OF REGISTER

FINDING 09.10 THE OFFICE DID NOT REVIEW SOFTWARE AUDIT LOGS

(Internal Control – Significant Deficiency Under Government Auditing Standards)

The software application used by the office generated daily logs that displayed changes made by users. Since the logs provided the only audit trail of these changes, they should be reviewed daily for inappropriate activity. During the prior-year audit report, we advised management of the importance of these logs. However, management did not review these logs until their importance was again brought to their attention in December 2008. Procedures for reviewing these logs are currently in place.

FINDING 09.11 THE REGISTER ALLOWED INDIVIDUALS UNSUPERVISED ACCESS TO THE OFFICE AFTER BUSINESS HOURS

(Internal Control – Significant Deficiency Under Government Auditing Standards)

Our examination disclosed that the register did not adequately control access to the office. Individuals who were not office employees had unsupervised access to the office after business hours. Sound business practices dictate that unsupervised access to the office after business hours weakens internal control over assets. This deficiency is the result of management's decision to allow lawyers and title searchers to have keys to the office to research documents.

RECOMMENDATION

Individuals who are not office employees should not be allowed unsupervised access to the office after business hours.

OTHER FINDING AND RECOMMENDATION

FINDING 09.12 **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. Accounting standards provide that internal controls be designed to provide reasonable assurance of the reliability of financial reporting and of the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decisions based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

County officials should segregate duties to the extent possible using available resources.

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 Agriculture: School Breakfast Program National School Lunch Program	09.13	 10.553 10.555	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control See Finding 09.04 - There were deficiencies in controls over the inventory of assets.	$ 0
U.S. Department of Agriculture Passed-through State Department of Agriculture: School Breakfast Program National School Lunch Program	09.14	 10.553 10.555	Circular A-133, Section 500(c)(3)	Significant Deficiency in Internal Control See Finding 09.05 - In some instances purchase orders were issued after the purchases were made or were not issued at all.	0
U.S. Department of Agriculture Direct Program: Distance Learning and Telemedicine Grant	09.15	 10.855	Circular A-133, Section 500(c)(3)	Noncompliance See Finding 09.07 - This grant requires that a Project Performance Activity Report and a Financial Status Report be completed and filed within 90 days after the close of each calendar year. These reports have not been filed for 2008.	0

RHEA COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2009

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's Findings

FINDINGS 09.04 and 09.13

Contact person:	Bill Graham
Corrective action planned:	The department will put new inventory controls in place with the implementation of an inventory control system from Pitney-Bowes, which scans the UPC and/or serial number. The department continues to request that they be informed when assets are moved or when assets are no longer in use. With the changes in procedures and the cooperation given by employees, we think we will make great strides in solving this problem and attain the level of compliance necessary.
Anticipated completion date:	2009-10

FINDINGS 09.05 and 09.14

Contact person:	Bill Graham
Corrective action planned:	There is a continuing effort to instruct employees to follow the proper procedures. We will continue to inform all employees that they must follow the correct purchasing procedures.
Anticipated completion date:	2009-10

FINDINGS 09.07 and 09.15

Contact person:	Bill Graham
Corrective action planned:	The department head over the grant in question has been informed and will complete the required reports.
Anticipated completion date:	2009-10