
ANNUAL FINANCIAL REPORT RHEA COUNTY, TENNESSEE



FOR THE YEAR ENDED JUNE 30, 2013



**ANNUAL FINANCIAL REPORT
RHEA COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2013**

***COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON***

***DIVISION OF LOCAL GOVERNMENT AUDIT
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Director***

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Auditor 4***

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State Auditors***

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

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Audit Highlights
Annual Financial Report
Rhea County, Tennessee
For the Year Ended June 30, 2013

Scope

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2013.

Results

Our report on Rhea County's financial statements is unmodified.

Our audit resulted in eight 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 and Best Practice

The following are summaries of the audit findings and best practice:

OFFICE OF FINANCE DIRECTOR

- ◆ The Education Capital Projects Fund required material audit adjustments for proper financial statement presentation.
 - ◆ Competitive bids were not solicited for a boiler and labor to install the boiler purchased for the high school.
 - ◆ Some sheriff, circuit court clerk, and clerk and master employees' time records were not signed by a supervisor.
-

OFFICE OF CLERK AND MASTER

- ◆ Multiple employees operated from the same cash drawer.
-

OFFICE OF REGISTER OF DEEDS

- ◆ Deficiencies were noted in the maintenance of accounting records.
-

OFFICE OF SHERIFF

- ◆ Some collections were not deposited within three days of receipt.
 - ◆ The office did not prepare an annual financial report.
-

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF

- ◆ Duties were not segregated adequately.
-

BEST PRACTICE

Rhea County does not have an Audit Committee. A resolution to establish the committee was approved by the County Commission and Comptroller of the Treasury in March 2013. However, an Audit Committee has not been appointed as of the date of this report. An Audit Committee should assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

INTRODUCTORY SECTION

Rhea County Officials

June 30, 2013

Officials

George Thacker, County Executive
Tommy Snyder, Highway Supervisor
Jerry Levensgood, Director of Schools
Neva Webb, Trustee
Vacant, Assessor of Property
Linda Shaver, County Clerk
Jamie Holloway, Circuit and General Sessions Courts Clerk
John Fine, Clerk and Master
Gladys Best, Register of Deeds
Mike Neal, Sheriff
Bill Graham, Finance Director

Board of County Commissioners

Ronald Raper, Chairman	Grover Parks
Emmaly Fisher	Jim Reed
Bill Hollin	Tommy Smith
Ron Masterson	Tracy Taylor
Doyle Montgomery	

Financial Management Committee

Tommy Snyder, Highway Supervisor, Chairman	Tommy Smith
Bill Hollin	Tracy Taylor
Jerry Levensgood, Director of Schools	George Thacker, County Executive
Doyle Montgomery	

Board of Education

John Mincy, Chairman	Paul Hill
Billy DaVault	Harold McCawley
Patrick Fisher	B.J. McCoy
Dale Harris	Larry Pendergrass
Carroll Henderson	

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on the Financial Statements

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, Tennessee, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 39.49 percent, 23.56 percent, and 35.22 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Also, we did not audit the financial statements of the Rhea Emergency Communications District, which represent 1.34 percent, 1.85 percent, and .98 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar

as it relates to the amounts included for the Rhea Medical Center and the Rhea Emergency Communications District is based solely 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Rhea County, Tennessee, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note V.B., Rhea County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position*, which became effective for the year ended June 30, 2013. Rhea County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

As described in Note I.D.9. to the financial statements prior to July 1, 2012, debt issuance costs were deferred and amortized over the life of the debt; however, with the implementation of GASB Statement No. 65, debt issuance costs become period costs. A restatement totaling \$511,276 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

Note I.D.10. to the financial statements describes a restatement to the beginning balance of Governmental Activities and of the nonmajor governmental funds totaling \$26,203. This restatement was made to reclassify the District Attorney General Fund from a special revenue fund to an agency fund.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedules of funding progress – pension plan and other postemployment benefit plan on pages 91-93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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.

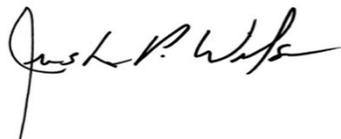
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Rhea County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us. In our opinion, 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 miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements 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 do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2014, on our consideration of Rhea County's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhea County's internal control over financial reporting and compliance.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 27, 2014

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Rhea County, Tennessee
Statement of Net Position
June 30, 2013

	Component Units			
	Primary Government Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
<u>ASSETS</u>				
Cash	\$ 92,501	\$ 701	\$ 6,991,290	\$ 1,265,197
Equity in Pooled Cash and Investments	2,732,233	14,566,541	0	0
Investments - Current	0	0	7,893,667	84,929
Inventories	0	73,681	441,187	0
Accounts Receivable	45,420	8,333	4,356,728	10,681
Allowance for Uncollectible	0	0	(1,820,000)	0
Due from Other Governments	595,543	812,649	0	0
Due from Component Unit	274,822	0	0	0
Property Taxes Receivable	7,474,238	3,691,563	0	0
Allowance for Uncollectible Property Taxes	(440,296)	(217,439)	0	0
Prepaid Items	0	0	91,968	1,305
Other Current Assets	0	0	319,941	0
Investments - Noncurrent	0	0	5,947,655	0
Other Noncurrent Assets	0	0	137,348	0
Assets Not Depreciated:				
Land	1,028,831	939,515	2,362,513	0
Construction in Progress	0	25,749,528	0	0
Assets Net of Accumulated Depreciation:				
Buildings and Improvements	2,383,129	27,587,044	20,716,901	268,729
Infrastructure	2,526,187	0	0	0
Other Capital Assets	1,154,580	2,346,498	2,995,833	78,068
Total Assets	<u>\$ 17,867,188</u>	<u>\$ 75,558,614</u>	<u>\$ 50,435,031</u>	<u>\$ 1,708,909</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred Charge on Refunding	\$ 181,449	\$ 0	\$ 0	\$ 0
Total Deferred Outflows of Resources	<u>\$ 181,449</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 48,030	\$ 414,226	\$ 1,305
Accrued Payroll	0	4,159	457,440	0
Payroll Deductions Payable	69,179	541,064	0	0
Accrued Interest Payable	400,067	0	0	0
Contracts Payable	0	1,575,853	0	0
Retainage Payable	0	82,888	0	0
Due to Primary Government	0	274,822	0	0
Due to State of Tennessee	0	2,190	0	0
Due to Litigants, Heirs, and Others	10,317	0	0	0
Other Current Liabilities	0	0	6,630,702	0
Noncurrent Liabilities:				
Due Within One Year	1,871,115	81,073	781,000	0
Due in More Than One Year (net of unamortized premium on debt)	44,317,020	814,346	20,422,000	0
Total Liabilities	<u>\$ 46,667,698</u>	<u>\$ 3,424,425</u>	<u>\$ 28,705,368</u>	<u>\$ 1,305</u>

(Continued)

Exhibit A

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

	Component Units			
	Primary Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 6,751,604	\$ 3,334,711	\$ 0	\$ 0
Total Deferred Inflows of Resources	<u>\$ 6,751,604</u>	<u>\$ 3,334,711</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>NET ASSETS</u>				
Net Investment in Capital Assets	\$ 5,083,322	\$ 56,622,585	\$ 4,872,247	\$ 346,797
Restricted for:				
General Purposes	547,922	141,056	0	
Highway/Public Works	525,480	0	0	0
Debt Service	428,457	0	0	0
Central Cafeteria	0	1,025,204	0	0
School Transportation	0	295,635	0	0
Capital Projects	0	7,461,977	0	0
Unrestricted	<u>(41,955,846)</u>	<u>3,253,021</u>	<u>16,857,416</u>	<u>1,360,807</u>
Total Net Position	<u>\$ (35,370,665)</u>	<u>\$ 68,799,478</u>	<u>\$ 21,729,663</u>	<u>\$ 1,707,604</u>

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

Exhibit B

Rhea County, Tennessee
Statement of Activities
For the Year Ended June 30, 2013

Functions/Programs	Net (Expense) Revenue and Changes in Net Position									
	Program Revenues					Component Units				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Rhea County School Department	Rhea Medical Center	Rhea County Emergency Communications District		
Primary Government:										
Governmental Activities:										
General Government	\$ 1,874,034	\$ 336,733	\$ 15,962	\$ 10,170	\$ (1,511,169)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Finance	1,245,904	658,129	0	0	(587,775)	0	0	0	0	0
Administration of Justice	1,092,221	667,686	9,000	0	(415,535)	0	0	0	0	0
Public Safety	4,546,079	420,602	334,876	9,548	(3,781,053)	0	0	0	0	0
Public Health and Welfare	898,850	245,442	180,857	42,787	(429,764)	0	0	0	0	0
Social, Cultural, and Recreational Services	0	0	8,644	0	8,644	0	0	0	0	0
Agriculture and Natural Resources	151,934	0	0	0	(151,934)	0	0	0	0	0
Other Operations	1,123,741	1,015,215	0	0	(108,526)	0	0	0	0	0
Highways/Public Works	1,927,138	31,101	1,550,996	132,527	(212,514)	0	0	0	0	0
Education	0	0	1,183,248	0	1,183,248	0	0	0	0	0
Interest on Long-term Debt	1,680,028	0	0	0	(1,680,028)	0	0	0	0	0
Other Debt Service	86,723	0	0	0	(86,723)	0	0	0	0	0
Total Primary Government	\$ 14,626,652	\$ 3,374,908	\$ 3,283,583	\$ 195,032	\$ (7,773,129)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Component Units:										
Rhea County School Department	\$ 37,135,234	\$ 783,314	\$ 5,111,477	\$ 224,509	\$ 0	\$ (31,015,934)	\$ 0	\$ 0	\$ 0	\$ 0
Rhea Medical Center	18,776,821	19,199,286	25,097	50,000	0	0	497,562	0	0	0
Rhea County Emergency Communications District	359,228	472,969	64,017	0	0	0	0	0	0	177,758
Total Component Units	\$ 56,271,283	\$ 20,455,569	\$ 5,200,591	\$ 274,509	\$ 0	\$ (31,015,934)	\$ 497,562	\$ 0	\$ 0	\$ 177,758

(Continued)

Exhibit B

Rhea County, Tennessee
Statement of Activities (Cont.)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units	
						Rhea County School Department	Rhea County Emergency Communications District
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes		\$ 3,496,125	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Property Taxes Levied for Debt Service		0	0	0	0	0	0
Local Option Sales Taxes		3,160,260	0	0	0	0	0
Hotel/Motel Tax		0	0	0	0	0	0
Litigation Tax - General		0	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse		0	0	0	0	0	0
Business Tax		0	0	0	0	0	0
Mineral Severance Tax		0	0	0	0	0	0
Wholesale Beer Tax		0	0	0	0	0	0
Other Local Taxes		1,916	2,300	0	0	0	0
Grants and Contributions Not Restricted to Specific Programs		653,679	22,134,033	0	0	0	0
Unrestricted Investment Earnings		63,050	14,281	33,920	1,677	1,677	0
Miscellaneous		33,341	27,754	0	1,213	1,213	0
Total General Revenues		\$ 8,988,570	\$ 28,834,753	\$ 33,920	\$ 2,890	\$ 2,890	\$ 2,890
Change in Net Position		\$ 1,215,441	\$ (2,181,181)	\$ 531,482	\$ 180,648	\$ 180,648	\$ 180,648
Net Position (Deficit), July 1, 2012		(36,048,627)	70,980,659	21,329,392	1,526,956	1,526,956	1,526,956
Restatement - See Note I.D.9. and VI.P.		(511,276)	0	(131,211)	0	0	0
Reclassification - See Note I.D.10.		(26,203)	0	0	0	0	0
Net Position (Deficit), June 30, 2013		\$ (35,370,665)	\$ 68,799,478	\$ 21,729,663	\$ 1,707,604	\$ 1,707,604	\$ 1,707,604

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, 2013

	Major Funds			Nonmajor	Total
	General	Highway /	General	Other	
		Public	Debt	Governmental	
	Works	Service	Funds	Governmental	
<u>ASSETS</u>					
Cash	\$ 100	\$ 0	\$ 0	\$ 92,401	\$ 92,501
Equity in Pooled Cash and Investments	1,880,906	289,592	519,997	34,442	2,724,937
Accounts Receivable	464	0	0	44,956	45,420
Due from Other Governments	220,040	287,026	74,292	14,185	595,543
Due from Other Funds	24	0	0	0	24
Property Taxes Receivable	5,879,078	197,774	1,397,386	0	7,474,238
Allowance for Uncollectible Property Taxes	(346,327)	(11,651)	(82,318)	0	(440,296)
Total Assets	\$ 7,634,285	\$ 762,741	\$ 1,909,357	\$ 185,984	\$ 10,492,367
<u>LIABILITIES</u>					
Payroll Deductions Payable	\$ 51,940	\$ 6,822	\$ 0	\$ 3,121	\$ 61,883
Due to Other Funds	0	0	0	24	24
Due to Litigants, Heirs, and Others	0	0	0	10,317	10,317
Total Liabilities	\$ 51,940	\$ 6,822	\$ 0	\$ 13,462	\$ 72,224
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 5,310,670	\$ 178,652	\$ 1,262,282	\$ 0	\$ 6,751,604
Deferred Delinquent Property Taxes	207,081	7,171	49,786	0	264,038
Other Deferred/Unavailable Revenue	32,000	127,708	38,162	0	197,870
Total Deferred Inflows of Resources	\$ 5,549,751	\$ 313,531	\$ 1,350,230	\$ 0	\$ 7,213,512
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 38,403	\$ 0	\$ 0	\$ 0	\$ 38,403
Restricted for Administration of Justice	229,332	0	0	0	229,332
Restricted for Public Safety	242,613	0	0	0	242,613
Restricted for Public Health and Welfare	35,574	0	0	0	35,574
Restricted for Highways/Public Works	0	425,205	0	0	425,205
Restricted for Debt Service	0	0	559,127	0	559,127
Restricted for Other Purposes	2,000	0	0	0	2,000
Committed:					
Committed for Public Health and Welfare	0	0	0	62,504	62,504
Committed for Agriculture and Natural Resources	20,219	0	0	0	20,219
Assigned:					
Assigned for General Government	1,180	0	0	0	1,180
Assigned for Finance	0	0	0	92,401	92,401
Assigned for Administration of Justice	73,512	0	0	0	73,512
Assigned for Public Safety	63,548	0	0	11,850	75,398
Assigned for Other Purposes	172,849	17,183	0	5,767	195,799
Unassigned	1,153,364	0	0	0	1,153,364
Total Fund Balances	\$ 2,032,594	\$ 442,388	\$ 559,127	\$ 172,522	\$ 3,206,631
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,634,285	\$ 762,741	\$ 1,909,357	\$ 185,984	\$ 10,492,367

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 Position
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	3,206,631
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,028,831	
Add: buildings and improvements net of accumulated depreciation		2,383,129	
Add: infrastructure net of accumulated depreciation		2,526,187	
Add: other capital assets net of accumulated depreciation		<u>1,154,580</u>	7,092,727
(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	\$	(3,062,719)	
Less: other loans payable		(1,287,822)	
Less: bonds payable		(40,595,000)	
Less: deferred premium on debt issuances		(688,999)	
Less: compensated absences payable		(363,407)	
Less: other postemployment benefits liability		(190,188)	
Less: accrued interest on bonds and notes		(400,067)	
Add: deferred amount on refunding		181,449	
Add: due from component unit for debt retirement		<u>274,822</u>	(46,131,931)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>461,908</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(35,370,665)</u></u>

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

Exhibit C-3

Rhea County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2013

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 6,377,664	\$ 265,761	\$ 1,776,817	\$ 0	\$ 8,420,242
Licenses and Permits	115,363	0	0	0	115,363
Fines, Forfeitures, and Penalties	223,262	0	0	23,941	247,203
Charges for Current Services	47,320	0	0	503,146	550,466
Other Local Revenues	403,211	32,445	62,855	82,146	580,657
Fees Received from County Officials	861,957	0	0	0	861,957
State of Tennessee	684,102	1,697,141	174,484	47,914	2,603,641
Federal Government	42,280	1,622	0	41	43,943
Other Governments and Citizens Groups	224,843	0	1,183,248	13,214	1,421,305
Total Revenues	\$ 8,980,002	\$ 1,996,969	\$ 3,197,404	\$ 670,402	\$ 14,844,777
<u>Expenditures</u>					
Current:					
General Government	\$ 1,489,216	\$ 0	\$ 0	\$ 0	\$ 1,489,216
Finance	936,315	0	0	338,839	1,275,154
Administration of Justice	1,090,453	0	0	4	1,090,457
Public Safety	4,413,926	0	0	34,077	4,448,003
Public Health and Welfare	330,929	0	0	543,207	874,136
Agriculture and Natural Resources	151,428	0	0	0	151,428
Other Operations	444,026	0	0	7,346	451,372
Highways	0	1,828,746	0	0	1,828,746
Debt Service:					
Principal on Debt	0	0	1,606,825	0	1,606,825
Interest on Debt	0	0	2,002,558	0	2,002,558
Other Debt Service	0	500	42,799	0	43,299
Capital Projects	162,750	0	0	0	162,750
Capital Projects - Donated	0	0	0	224,509	224,509
Total Expenditures	\$ 9,019,043	\$ 1,829,246	\$ 3,652,182	\$ 1,147,982	\$ 15,648,453
Excess (Deficiency) of Revenues Over Expenditures	\$ (39,041)	\$ 167,723	\$ (454,778)	\$ (477,580)	\$ (803,676)
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 120,534	\$ 0	\$ 0	\$ 120,534
Other Loans Issued	0	0	0	224,509	224,509
Proceeds from Sale of Capital Assets	2,459	0	0	0	2,459
Insurance Recovery	22,580	0	0	59	22,639
Transfers In	0	0	243,601	25,000	268,601
Transfers Out	(25,000)	(243,601)	0	0	(268,601)
Total Other Financing Sources (Uses)	\$ 39	\$ (123,067)	\$ 243,601	\$ 249,568	\$ 370,141
Net Change in Fund Balances	\$ (39,002)	\$ 44,656	\$ (211,177)	\$ (228,012)	\$ (433,535)
Reclassification	0	0	0	(26,203)	(26,203)
Fund Balance, July 1, 2012	2,071,596	397,732	770,304	426,737	3,666,369
Fund Balance, June 30, 2013	\$ 2,032,594	\$ 442,388	\$ 559,127	\$ 172,522	\$ 3,206,631

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, 2013

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)		\$ (433,535)
(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	\$ 472,117	
Less: current-year depreciation expense	<u>(515,288)</u>	(43,171)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: loss on disposal of capital assets		(33,293)
(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, 2013	\$ 461,908	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(493,773)</u>	(31,865)
(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 position. Also, governmental funds report the effect of 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	\$ (120,534)	
Less: other loan proceeds	(224,509)	
Add: contributions from primary government to School Department for other loans	224,509	
Less: change in deferred amount on refunding	(43,424)	
Add: change in premium on debt issuances	38,327	
Add: principal payments on notes	332,815	
Add: principal payments on capital leases	171,510	
Add: principal payments on other loans	77,500	
Add: principal payments on bonds	<u>1,025,000</u>	1,481,194
(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	\$ (11,097)	
Change in other postemployment benefits liability	(35,322)	
Change in accrued interest payable	<u>322,530</u>	276,111
Change in net position of governmental activities (Exhibit B)		<u>\$ 1,215,441</u>

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

Exhibit C-5

Rhea County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 6,377,664	\$ 0	\$ 6,377,664	\$ 6,137,704	\$ 6,154,704	\$ 222,960
Licenses and Permits	115,363	0	115,363	72,050	87,050	28,313
Fines, Forfeitures, and Penalties	223,262	0	223,262	185,398	188,046	35,216
Charges for Current Services	47,320	0	47,320	36,975	36,975	10,345
Other Local Revenues	403,211	0	403,211	314,579	371,694	31,517
Fees Received from County Officials	861,957	0	861,957	1,209,021	873,547	(11,590)
State of Tennessee	684,102	0	684,102	253,500	498,861	185,241
Federal Government	42,280	0	42,280	0	63,756	(21,476)
Other Governments and Citizens Groups	224,843	0	224,843	232,285	232,285	(7,442)
Total Revenues	\$ 8,980,002	\$ 0	\$ 8,980,002	\$ 8,441,512	\$ 8,506,918	\$ 473,084
<u>Expenditures</u>						
<u>General Government</u>						
County Commission	\$ 99,608	\$ 0	\$ 99,608	\$ 131,235	\$ 139,822	\$ 40,214
Board of Equalization	1,830	0	1,830	1,860	1,860	30
Other Boards and Committees	2,288	0	2,288	1,818	2,313	25
County Mayor/Executive	141,291	0	141,291	137,193	144,622	3,331
County Attorney	17,368	0	17,368	15,150	18,650	1,282
Election Commission	224,254	0	224,254	226,608	243,784	19,530
Register of Deeds	169,941	0	169,941	169,758	175,580	5,639
Planning	9,250	0	9,250	9,250	9,250	0
Building	10,992	0	10,992	0	15,000	4,008
County Buildings	812,394	0	812,394	802,827	908,262	95,868
<u>Finance</u>						
Accounting and Budgeting	540,374	0	540,374	551,078	551,656	11,282

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Finance (Cont.)</u>						
Property Assessor's Office	\$ 281,913	\$ 0	\$ 281,913	\$ 292,115	\$ 315,623	\$ 33,710
County Trustee's Office	56,897	0	56,897	207,546	75,823	18,926
County Clerk's Office	57,131	0	57,131	307,332	103,863	46,732
<u>Administration of Justice</u>						
Circuit Court	255,218	0	255,218	277,764	277,765	22,547
General Sessions Court	200,838	0	200,838	199,207	205,273	4,435
General Sessions Judge	324,579	0	324,579	324,490	337,073	12,494
Drug Court	7,852	0	7,852	7,853	7,853	1
Chancery Court	262,148	0	262,148	258,436	262,875	727
Courtroom Security	39,818	0	39,818	40,305	41,705	1,887
<u>Public Safety</u>						
Sheriff's Department	2,000,022	0	2,000,022	2,059,496	2,067,083	67,061
Administration of the Sexual Offender Registry	3,330	0	3,330	6,800	6,800	3,470
Jail	955,110	0	955,110	1,042,828	1,048,530	93,420
Juvenile Services	204,590	0	204,590	201,697	205,451	861
Fire Prevention and Control	387,307	0	387,307	231,215	454,199	66,892
Civil Defense	27,976	0	27,976	50	50,370	22,394
Rescue Squad	28,775	0	28,775	31,000	31,500	2,725
County Coroner/Medical Examiner	36,190	0	36,190	29,140	37,140	950
Public Safety Grant Programs	31,524	0	31,524	0	39,187	7,663
Other Public Safety	739,102	0	739,102	776,267	783,109	44,007
<u>Public Health and Welfare</u>						
Local Health Center	189,378	0	189,378	71,111	201,012	11,634
Rabies and Animal Control	98,821	0	98,821	0	116,726	17,905

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Public Health and Welfare (Cont.)</u>						
Crippled Children Services	\$ 2,072	\$ 0	\$ 2,072	\$ 2,072	\$ 2,072	0
Other Waste Disposal	37,755	0	37,755	35,834	48,084	10,329
Other Public Health and Welfare	2,903	0	2,903	0	29,735	26,832
<u>Agriculture and Natural Resources</u>						
Agriculture Extension Service	111,714	0	111,714	115,870	115,870	4,156
Soil Conservation	39,714	0	39,714	83,411	42,111	2,397
<u>Other Operations</u>						
Other Economic and Community Development	102,969	0	102,969	102,181	119,181	16,212
Veterans' Services	101,343	0	101,343	102,115	102,227	884
Other Charges	136,491	0	136,491	130,553	137,053	562
Contributions to Other Agencies	63,950	0	63,950	65,200	65,200	1,250
Employee Benefits	39,273	0	39,273	42,510	39,273	0
<u>Capital Projects</u>						
Administration of Justice Projects	162,750	(162,750)	0	0	169,550	169,550
Total Expenditures	\$ 9,019,043	\$ (162,750)	\$ 8,856,293	\$ 9,091,175	\$ 9,750,115	\$ 893,822
<u>Excess (Deficiency) of Revenues</u>						
Over Expenditures	\$ (39,041)	\$ 162,750	\$ 123,709	\$ (649,663)	\$ (1,243,197)	\$ 1,366,906
<u>Other Financing Sources (Uses)</u>						
Proceeds from Sale of Capital Assets	\$ 2,459	\$ 0	\$ 2,459	\$ 0	\$ 0	\$ 2,459
Insurance Recovery	22,580	0	22,580	0	18,113	4,467
Transfers Out	(25,000)	0	(25,000)	0	(25,000)	0
Total Other Financing Sources	\$ 39	\$ 0	\$ 39	\$ 0	\$ (6,887)	\$ 6,926

(Continued)

Exhibit C-5

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
Net Change in Fund Balance	\$ (39,002) \$	162,750 \$	123,748 \$	(649,663) \$	(1,250,084) \$	1,373,832
Fund Balance, July 1, 2012	2,071,596	(162,750)	1,908,846	2,301,584	2,301,584	(392,738)
Fund Balance, June 30, 2013	\$ 2,032,594 \$	0 \$	2,032,594 \$	1,651,921 \$	1,051,500 \$	981,094

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

Exhibit C-6

Rhea County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 265,761	\$ 230,000	\$ 230,000	\$ 35,761
Other Local Revenues	32,445	6,000	15,158	17,287
State of Tennessee	1,697,141	2,032,929	2,032,929	(335,788)
Federal Government	1,622	0	0	1,622
Total Revenues	<u>\$ 1,996,969</u>	<u>\$ 2,268,929</u>	<u>\$ 2,278,087</u>	<u>\$ (281,118)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 211,831	\$ 213,472	\$ 218,478	\$ 6,647
Highway and Bridge Maintenance	920,052	821,608	934,625	14,573
Operation and Maintenance of Equipment	223,425	213,330	234,819	11,394
Other Charges	65,114	63,869	67,419	2,305
Employee Benefits	35,378	166,251	38,653	3,275
Capital Outlay	372,946	795,682	690,370	317,424
<u>Other Debt Service</u>				
Highways and Streets	500	0	500	0
Total Expenditures	<u>\$ 1,829,246</u>	<u>\$ 2,274,212</u>	<u>\$ 2,184,864</u>	<u>\$ 355,618</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 167,723</u>	<u>\$ (5,283)</u>	<u>\$ 93,223</u>	<u>\$ 74,500</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 120,534	\$ 0	\$ 120,534	\$ 0
Transfers Out	(243,601)	0	(243,602)	1
Total Other Financing Sources	<u>\$ (123,067)</u>	<u>\$ 0</u>	<u>\$ (123,068)</u>	<u>\$ 1</u>
Net Change in Fund Balance	\$ 44,656	\$ (5,283)	\$ (29,845)	\$ 74,501
Fund Balance, July 1, 2012	<u>397,732</u>	<u>397,731</u>	<u>397,731</u>	<u>1</u>
Fund Balance, June 30, 2013	<u><u>\$ 442,388</u></u>	<u><u>\$ 392,448</u></u>	<u><u>\$ 367,886</u></u>	<u><u>\$ 74,502</u></u>

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

Exhibit D-1

Rhea County, Tennessee
Statement of Net Position
Proprietary Fund
June 30, 2013

	<u>Governmental Activities - Internal Service Fund</u> <u>Central Maintenance/ Garage</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ <u>7,296</u>
Total Assets	\$ <u>7,296</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Payroll Deductions Payable	\$ <u>7,296</u>
Total Liabilities	\$ <u>7,296</u>
<u>NET POSITION</u>	
Unrestricted	\$ <u><u>0</u></u>

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 Position
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,637,444
Total Operating Revenues	<u>\$ 1,637,444</u>
<u>Operating Expenses</u>	
General Government	\$ 284,855
Other Charges	367,719
Miscellaneous	984,870
Total Operating Expenses	<u>\$ 1,637,444</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Position	\$ 0
Net Position, July 1, 2012	<u>0</u>
Net Position, June 30, 2013	<u><u>\$ 0</u></u>

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

Exhibit D-3

Rhea County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,637,749
Central Maintenance Garage Activity - Uses	(1,638,802)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (1,053)</u>
Net Increase (Decrease) in Cash	\$ (1,053)
Cash, July 1, 2012	<u>8,349</u>
Cash, June 30, 2013	<u><u>\$ 7,296</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 0
Adjustment to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) Decrease in Due from Other Governments	305
Increase (Decrease) in Payroll Deductions Payable	<u>(1,358)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (1,053)</u></u>

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

Exhibit E

Rhea County, Tennessee
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,551,340
Equity in Pooled Cash and Investments	79,811
Due from Other Governments	643,693
Taxes Receivable	373,276
Allowance for Uncollectible Taxes	<u>(20,754)</u>
Total Assets	<u>\$ 2,627,366</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,049,914
Due to Litigants, Heirs, and Others	<u>1,577,452</u>
Total Liabilities	<u>\$ 2,627,366</u>

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

RHEA COUNTY, TENNESSEE
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RHEA COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2013

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, 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
9400 Rhea County Highway
Dayton, TN 37321

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

Related Organization – The Rhea County Industrial Development Board is a related organization of Rhea County. The County Commission’s Steering Committee nominates and the Rhea County Commission confirms the board members, but the county’s accountability for the organization does not extend beyond making the appointments.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position 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 totaling \$224,509 were contributed by the county to the School Department during the year ended June 30, 2013.

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, deferred outflow of resources, liabilities, deferred inflow of resources, 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.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

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

Additionally, Rhea County reports the following fund types:

Capital Project Fund – The Education Capital Projects Fund accounts for debt issued by Rhea County that is subsequently contributed to the discretely presented Rhea County School Department for construction and renovation projects.

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 and restricted revenues held for the benefit of the Office of District Attorney General. 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 special revenue fund is used to account for operations of the school transportation system. Local taxes are the foundational revenues of this fund.

Education Capital Projects Fund – This 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.

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

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.

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.

D. Assets, Liabilities, Deferred Outflows/Inflows or Resources, and Net Position/Fund Balance

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 position 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 are reported at cost. Investments in the State Treasurer's Investment Pool are reported at fair value. 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. Accordingly, the pool qualifies as a 2a7-like pool and is reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. 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.

All property taxes receivable are shown net of an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.05 percent of total taxes levied.

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 a deferred inflow of resources 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 as a deferred inflow of resources 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.

Most payables are disaggregated on the face of the financial statements.

Retainage payable in the discretely presented Rhea County School Department's Education Capital Projects Fund represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the Education Capital Projects Fund.

3. Inventories

Inventories of the discretely presented Rhea County School Department are recorded at cost, determined on the first-in, first-out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories are offset in the nonspendable fund balance account in governmental funds.

4. Capital Assets

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

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$15,000 or more and an estimated useful life of more than three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources,

represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These revenues are from the following sources: current and delinquent property taxes and various receivables for revenue, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. 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 School Department does not allow its 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.

7. **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 Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner 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.

8. **Net Position and Fund Balance**

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

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that does not meet the definition of restricted or net investment in capital assets.

On the government-wide Statement of Net Position (Exhibit A), the account Restricted for General Purposes for the primary government consists of various restrictions totaling \$547,922, with the primary restrictions being for: (1) alcohol and drug treatment (\$116,673); (2) litigation tax - jail, workhouse, or courthouse (\$88,608); (3) computer systems for various offices (\$131,987); (4) animal shelter (\$11,143); (5) fire departments and rescue squad (\$105,574); and (6) drug court (\$9,257). For the discretely presented School Department, the account balance in Restricted for General Purposes totaling \$141,056 consists of: (1) restrictions for technology (\$68,661); (2) reading program (\$25,119); (3) adult education (\$16,960); and (4) career ladder programs (\$24,089).

As of June 30, 2013, Rhea County had \$42,936,136 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 position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county’s highest level of decision-making authority and the Board of Education, the School Department’s highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county’s intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission has by resolution authorized the county’s Financial Management Committee to make assignments for the general government. The Board of Education makes assignments for the School Department.

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

9. Restatement

Prior to July 1, 2012, debt issuances costs were deferred and amortized over the life of the debt; however, with the implementation of Governmental Accounting Standards Board Statement No. 65, debt issuance costs became period costs. A restatement to beginning net position totaling \$511,276 has been recognized for accumulated debt issuance costs on the government-wide financial statements.

10. Reclassification

In prior years, the District Attorney General Fund was classified as a special revenue fund; however, effective July 1, 2012, this fund has been reclassified as an agency fund to better reflect the control of these funds by the district attorney.

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 Position

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 Position.

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 Position.

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 position 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 position of governmental activities reported in the government-wide Statement of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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 County 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 position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position 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 Comptroller’s Office 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 fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2013.

B. Capital Assets

Capital assets activity for the year ended June 30, 2013, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Not Depreciated:				
Land	\$ 1,028,831	\$ 0	\$ 0	\$ 1,028,831
Construction in Progress	0	0	0	0
Total Capital Assets Not Depreciated	\$ 1,028,831	\$ 0	\$ 0	\$ 1,028,831

Governmental Activities (Cont):

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 3,114,476	\$ 73,384	\$ 0	\$ 3,187,860
Infrastructure	11,880,767	0	0	11,880,767
Other Capital Assets	3,478,388	398,733	(251,716)	3,625,405
Total Capital Assets				
Depreciated	<u>\$ 18,473,631</u>	<u>\$ 472,117</u>	<u>\$ (251,716)</u>	<u>\$ 18,694,032</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 768,027	\$ 36,704	\$ 0	\$ 804,731
Infrastructure	9,141,209	213,371	0	9,354,580
Others Capital Assets	2,424,035	265,213	(218,423)	2,470,825
Total Accumulated				
Depreciation	<u>\$ 12,333,271</u>	<u>\$ 515,288</u>	<u>\$ (218,423)</u>	<u>\$ 12,630,136</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 6,140,360</u>	<u>\$ (43,171)</u>	<u>\$ (33,293)</u>	<u>\$ 6,063,896</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 7,169,191</u>	<u>\$ (43,171)</u>	<u>\$ (33,293)</u>	<u>\$ 7,092,727</u>

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

Governmental Activities:

General Government	\$ 87,108
Finance	4,134
Public Safety	109,405
Public Health and Welfare	16,769
Highways	<u>297,872</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 515,288</u></u>

Discretely Presented Rhea County School Department

Governmental Activities:

	Balance 7-1-12	Increases	Decreases	Balance 6-30-13
	<hr/>			<hr/>
Capital Assets Not Depreciated:				
Land	\$ 939,515	\$ 0	\$ 0	\$ 939,515
Construction in Progress	10,850,978	15,910,621	(1,012,071)	25,749,528
Total Capital Assets Not Depreciated	<hr/> \$ 11,790,493	\$ 15,910,621	\$ (1,012,071)	<hr/> \$ 26,689,043
Capital Assets Depreciated:				
Buildings and Improvements	\$ 36,362,358	\$ 1,012,071	\$ 0	\$ 37,374,429
Other Capital Assets	5,362,106	331,980	(285,934)	5,408,152
Total Capital Assets Depreciated	<hr/> \$ 41,724,464	\$ 1,344,051	\$ (285,934)	<hr/> \$ 42,782,581
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 9,209,334	\$ 578,051	\$ 0	\$ 9,787,385
Others Capital Assets	2,993,286	325,708	(257,340)	3,061,654
Total Accumulated Depreciation	<hr/> \$ 12,202,620	\$ 903,759	\$ (257,340)	<hr/> \$ 12,849,039
Total Capital Assets Depreciated, Net	<hr/> \$ 29,521,844	\$ 440,292	\$ (28,594)	<hr/> \$ 29,933,542
Governmental Activities Capital Assets, Net	<hr/> \$ 41,312,337	\$ 16,350,913	\$ (1,040,665)	<hr/> \$ 56,622,585

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

Governmental Activities:

Instruction	\$ 460,529
Support Services	429,289
Operation of Non-Instructional Services	<hr/> 13,941
Total Depreciation Expense - Governmental Activities	<hr/> <hr/> \$ 903,759

C. Insurance Recoveries

Primary Government

During the year, Rhea County had damage to various vehicles. Insurance recovery of \$22,639 was used to repair the damaged vehicles.

Discretely Presented Rhea County School Department

During the year, the Rhea County School Department had damage to various vehicles. Insurance recovery of \$7,558 was used to repair the damaged vehicles.

D. Construction Commitments

At June 30, 2013, the discretely presented Rhea County School Department had uncompleted construction contracts of approximately \$4,601,789 for the construction of a high school. Funding has been received for these future expenditures.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2013, was as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Government:		
General	Nonmajor governmental	\$ 24
Discretely Presented School Department:		
School Transportation	Nonmajor governmental	35

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.

Due to/from Primary Government and Component Unit:

<u>Receivable</u>	<u>Payable</u>	<u>Amount</u>
Primary Government:	Component Unit:	
Governmental Activities	School Department	\$ 274,822

The Due to Primary Government is the balance of an other loan issued by the county for the School Department. The School Department has agreed to contribute the funds annually to retire this debt. This long-term obligation is reflected in the governmental activities on the Statement of Net Position.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2013, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	General Debt Service Fund	Nonmajor Governmental Fund
General Fund	\$ 0	\$ 25,000
Highway/Public Works Fund	243,601	0
Total	\$ 243,601	\$ 25,000

Discretely Presented Rhea County School Department

Transfer Out	Transfer In
	School Transportation Fund
General Purpose School Fund	\$ 20,200

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, 2013, 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
2014	\$ 15,168
2015	15,168
2016	<u>11,080</u>
Total	<u>\$ 41,416</u>

G. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loan

Rhea County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. In addition, general obligation bonds have been issued to refund other general obligation bonds. Capital outlay notes are issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 22 years for bonds, up to ten 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 and notes included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund. Other loans included in long-term debt as of June 30, 2013, will be retired from the General Debt Service Fund and by contributions from the School Department's General Purpose School Fund to the primary government.

General obligation bonds, capital outlay notes, and other loans outstanding as of June 30, 2013, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-13
General Obligation Bond -	2 to 4.25%	2-1-34	\$ 33,000,000	\$ 33,000,000
General Obligation Bonds - Refunding	3.375 to 4	4-1-23	9,795,000	7,595,000
Capital Outlay Notes	2.37 to 4.17	6-20-22	3,750,534	3,062,719
Other Loans	various	5-25-26	1,792,322	1,287,822

In previous years, Rhea County entered into a loan agreement with the Tennessee State School Bond Authority. Under this loan agreement, the authority loaned \$517,500 in Qualified Zone Academy Bonds to Rhea County for an energy construction project, school renovations, repairs, and equipment. This loan is 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, 2013, the variable interest rate was .49 percent and other fees totaled approximately .15 percent (letter of credit), .08 percent (remarketing) on the outstanding loan principal, and a trustee fee of \$85 per month.

Also, in previous years, Rhea County entered into a loan agreement for an energy efficient loan program for schools. Under this loan agreement the county is authorized to borrow up to \$314,322. The loan is repayable at zero percent interest and payments are due to begin as soon as all the money is borrowed. The county has drawn down \$274,822 as of June 30, 2013.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2013, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2014	\$ 1,230,000	\$ 1,551,533	\$ 2,781,533
2015	1,310,000	1,504,833	2,814,833
2016	1,345,000	1,455,433	2,800,433
2017	1,365,000	1,406,120	2,771,120
2018	1,440,000	1,356,664	2,796,664
2019-2023	8,505,000	5,999,389	14,504,389
2024-2028	9,450,000	4,479,532	13,929,532
2029-2033	12,950,000	2,312,314	15,262,314
2034	3,000,000	127,500	3,127,500
Total	\$ 40,595,000	\$ 20,193,318	\$ 60,788,318

Year Ending June 30	Notes		
	Principal	Interest	Total
2014	\$ 382,091	\$ 93,963	\$ 476,054
2015	395,367	81,649	477,016
2016	407,245	68,887	476,132
2017	326,195	56,364	382,559
2018	337,217	46,155	383,372
2019-2022	1,214,604	75,573	1,290,177
Total	\$ 3,062,719	\$ 422,591	\$ 3,485,310

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2014	\$ 117,760	\$ 3,611	\$ 2,715	\$ 124,086
2015	119,760	3,396	2,614	125,770
2016	121,760	3,170	2,508	127,438
2017	123,761	2,935	2,398	129,094
2018	125,761	2,690	2,284	130,735
2019-2023	474,020	9,427	9,532	492,979
2024-2026	205,000	2,034	4,098	211,132
Total	\$ 1,287,822	\$ 27,263	\$ 26,149	\$ 1,341,234

There is \$559,127 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, and other loans totaled \$1,413, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government. In the prior year, this debt was reflected as debt of the School Department; however, this debt has been reclassified as debt of the primary government because the primary government is legally obligated to repay the debt.

Description of Indebtedness	Outstanding 6-30-13
<u>Other Loan Payable</u>	
<u>Contributed through General Purpose School Fund</u>	
Energy Efficiency Loan Program	\$ 274,822

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2013, was as follows:

Governmental Activities:

	Bonds	Notes	Capital Leases
Balance, July 1, 2012	\$ 41,620,000	\$ 3,275,000	\$ 171,510
Additions	0	120,534	0
Reductions	(1,025,000)	(332,815)	(171,510)
Balance, June 30, 2013	<u>\$ 40,595,000</u>	<u>\$ 3,062,719</u>	<u>\$ 0</u>
Balance Due Within One Year	<u>\$ 1,230,000</u>	<u>\$ 382,091</u>	<u>\$ 0</u>

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 1,090,500	\$ 352,310	\$ 154,866
Reclassification of School Debt	50,313	0	0
Additions	224,509	186,810	48,620
Reductions	(77,500)	(175,713)	(13,298)
Balance, June 30, 2013	<u>\$ 1,287,822</u>	<u>\$ 363,407</u>	<u>\$ 190,188</u>
Balance Due Within One Year	<u>\$ 117,760</u>	<u>\$ 141,264</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 45,499,136
Less: Balance Due Within One Year	(1,871,115)
Add: Unamortized Premium on Debt	<u>688,999</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 44,317,020</u>

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

Discretely Presented Rhea County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Rhea County School Department for the year ended June 30, 2013, was as follows:

	Other Loans	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2012	\$ 50,313	\$ 487,277	\$ 425,627
Additions	0	124,395	310,953
Reductions	0	(181,926)	(270,907)
Reclassification of School Debt	(50,313)	0	0
Balance, June 30, 2013	<u>\$ 0</u>	<u>\$ 429,746</u>	<u>\$ 465,673</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 81,073</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2013	\$ 895,419
Less: Balance Due Within One Year	<u>(81,073)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 814,346</u>

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

H. 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, 2013, were \$47,226 and \$25,645, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

I. Short-term Debt

Rhea County issued tax anticipation notes of \$500,000 from the General Purpose School Fund in advance of property tax collections and deposited the proceeds in the General Fund (\$456,238) and the School Transportation Fund (\$43,762). These notes were necessary because funds were not available to meet obligations coming due before current tax collections. Short-term debt activity for the year ended June 30, 2013, was as follows:

	Balance			Balance
	7-1-12	Issued	Paid	6-30-13
Tax Anticipation Note	\$ 0	\$ 500,000	\$ (500,000)	\$ 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 participate in 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. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; Statement No. 61, *The Financial Reporting Entity: Omnibus (an amendment of GASB Statements No. 14 and No. 34)*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; and Statement No. 63, *Reporting Deferred Outflows, Deferred Inflows and Net Position* became effective for the year ended June 30, 2013. Rhea County early implemented Statement No. 65, *Items Previously Reported as Assets and Liabilities* and Statement No. 66, *Technical Corrections-2012-an amendment of GASB Statements No. 10 and No. 62*, which have an effective date of June 30, 2014.

GASB Statement No. 60 provides accounting and financial reporting guidance related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The standard establishes criteria for determining whether a SCA exists, how to account for SCAs, and requires certain disclosures associated with a SCA.

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedure issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, *Elements of Financial Statements*. Previous financial reporting standards did not include guidance for reporting those financial statement elements, which are distinct from assets and

liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66 resolves conflicting guidance by removing the provision that limits fund based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. Under Statement No. 66 decisions about fund type classifications are based on the nature of the activity to be reported as required by Statements No. 54 and No. 34. This statement also modifies guidance on operating lease payments, purchased loans, and servicing fees related to mortgage loans.

C. Subsequent Events

Finance Director Bill Graham resigned August 15, 2013, and was succeeded by William Watson effective November 18, 2013.

On September 25, 2013, the School Department's General Purpose School Fund issued a \$787,724 tax anticipation note to the General (\$597,568) and School Transportation (\$190,156) funds for temporary operating funds.

On January 1, 2014, Rhea County changed the county employees' health insurance from the State of Tennessee plan to a commercial provider.

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.

Rhea County is contingently liable for a loan agreement of the Rhea County Medical Center. 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 (.49 percent at June 30, 2013). The outstanding principal balance of this loan agreement on June 30, 2013, was \$21,203,000.

E. Change in Administration

On March 23, 2013, Assessor of Property Julene Purser died. This position was not filled until September 1, 2013, when Debbie Byrd assumed the Office of Assessor of Property.

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 landfill. 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 costs 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. In the event the contract with Santek is not renewed, the county must assume liability for closure and postclosure care costs of the landfills. The estimated closure and postclosure costs of the landfills totaling \$2,637,648 at June 30, 2013, 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 2013. 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 Twelfth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Twelfth Judicial District; Bledsoe, Franklin, Grundy, Marion, Rhea, 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, 2013.

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, 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

District Attorney General
Twelfth Judicial District Drug Task Force
375 Church Street, Suite 300
Dayton, TN 37321

H. Retirement Commitments

Plan Description

Employees of Rhea County are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979, become vested after five years of service, and members joining prior to July 1, 1979, were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapters 34-37 of *Tennessee Code Annotated*. State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Rhea County participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to the Tennessee Treasury

Department, Consolidated Retirement System, 10th Floor, Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

Funding Policy

Rhea County requires employees to contribute five percent of their earnable compensation to the plan. The county is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 8.82 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the county is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, Rhea County’s annual pension cost of \$1,291,561 to TCRS was equal to the county’s required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 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 ten-year period. The 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, 2011, was three years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$1,291,561	100%	\$0
6-30-12	1,281,466	100	0
6-30-11	1,291,866	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.27 percent funded. The actuarial accrued liability for benefits was

\$39.01 million, and the actuarial value of assets was \$37.17 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.84 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.95 million, and the ratio of the UAAL to the covered payroll was 12.34 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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/Schools.

Funding Policy

Most teachers are required by state statute to contribute five percent of their salaries to the plan. The employer contribution rate for the School Department is established at an actuarially determined rate. The employer rate for the fiscal year ended June 30, 2013, was 8.88 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, 2013, 2012, and 2011, were \$1,335,078, \$1,360,780, and \$1,346,495, 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 between the standard or partnership preferred provider organization (PPO) 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://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 plan is 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 employer in the plan develops a 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 does provide 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. Rhea County retirees' contributions vary depending on the insurance options they select, ranging from \$581 to \$1,224 per month. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$282 to \$884 per month. During the year ended June 30, 2013, the county and the discretely presented School Department contributed \$13,298 and \$270,907, respectively, for postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan	Local Government Group Plan
ARC	\$ 312,000	\$ 49,000
Interest on the NOPEBO	17,025	6,195
Adjustment to the ARC	(18,072)	(6,575)
Annual OPEB cost	\$ 310,953	\$ 48,620
Amount of contribution	(270,907)	(13,298)
Increase/decrease in NOPEBO	\$ 40,046	\$ 35,322
Net OPEB obligation, 7-1-12	425,627	154,866
Net OPEB obligation, 6-30-13	\$ 465,673	\$ 190,188

Fiscal Year Ended	Plans	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-11	Local Government Group	\$ 73,153	32%	\$ 113,843
6-30-12	"	53,720	24	154,866
6-30-13	"	48,620	27	190,188
6-30-11	Local Education Group	259,923	111	359,930
6-30-12	"	324,115	80	425,627
6-30-13	"	310,953	87	465,673

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2011, was as follows:

	Local Education Group Plan	Local Government Group Plan
Actuarial valuation date	7-1-11	7-1-11
Actuarial accrued liability (AAL)	\$ 2,683,000	\$ 365,000
Actuarial value of plan assets	\$ 0	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 2,683,000	\$ 365,000
Actuarial value of assets as a % of the AAL	0%	0%
Covered payroll (active plan members)	\$ 18,779,232	\$ 5,498,864
UAAL as a % of covered payroll	14.29%	6.64%

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 multi-year 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, 2011, actuarial valuation for the Local Government Plan and the Local Education Plan, the projected unit credit actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 8.75 percent for fiscal year 2013. The trend rate will decrease to 8.25 percent in fiscal year 2014 and then be reduced by decrements to an ultimate rate of five percent by fiscal year 2021. Both rates include a 2.5 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 July 1, 2007.

J. Office of Central Accounting, Budgeting, and Purchasing

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 Law

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. Summary of Significant Accounting Policies

1. Organization

The Rhea Medical Center is a public corporation. It was created February 7, 1957, by an act of the State of Tennessee General Assembly to operate, control, and manage the general short-term hospital 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 Rhea County, Tennessee.

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. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

4. 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. Net patient service revenue increased by approximately \$76,000 in 2013, due to prior-year retroactive adjustments in excess of amounts previously estimated.

Revenue from the Medicare and Medicaid programs accounted for approximately 26 and 12 percent, respectively, for the year ended

June 30, 2013, of the medical center's net patient service revenue. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

5. 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.

6. Operating Revenues and Expenses

The medical center's Statement of Revenues, Expenses, and Changes in Net Position 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 interest, grants, and contributions are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

7. Income Taxes

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

8. Inventories

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

9. 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 patients to make required payments. Management considers the following factors when determining the collectibility of patient accounts: payor credit-worthiness, past transaction history with the payor, current economic industry trends, and changes in payor payment terms. If the financial condition of the medical center's payors or patients 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.

10. Cash and Cash Equivalents

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 an original maturity of three months or less to be cash equivalents. Cash and cash equivalents exclude amounts held by trustees under bond indenture agreements and amounts restricted by donors. There were no cash equivalents at June 30, 2013.

11. Noncurrent Cash and Investments

Noncurrent investments include the portion of the medical center's investments in certificates of deposit, annuities, and other investment vehicles that are not expected to mature within the coming year. There was no noncurrent cash in 2013.

12. Capital Assets

Assets with a useful life of greater than one year and a cost of greater than \$5,000 are recorded as capital assets and are stated at cost. Depreciation is calculated over the estimated useful lives using the straight-line method. Expenditures for maintenance, repairs, renewals, and betterments that do not significantly extend the useful lives of the assets are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the books, and any resulting gain or loss is reflected in income for the period.

A summary of estimated useful lives follows:

<u>Assets</u>	<u>Years</u>
Land Improvements	10 - 15
Buildings and Improvements	10 - 50
Major Movable Equipment	5 - 25
Fixed 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 2013.

14. Bond Issuance Costs

For the year ended June 30, 2013, the medical center adopted the provisions of GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. Under this guidance, debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred. As a result, bond issuance costs and related accumulated amortization were written off to net position in the current year.

15. Risk Management

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

16. Net Position

Net position of the medical center are classified into four components:

- a. *Net investment in capital assets* - consists 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 position* - are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the medical center.
- c. *Restricted nonexpendable net position* - equals the principal portion of permanent endowments.
- d. *Unrestricted net position* – is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

There were no restricted assets at June 30, 2013.

17. Deferred Outflows/Inflows of Resources

During the current year, the medical center adopted the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Under this Statement, GASB has defined deferred outflows of resources and deferred inflows of resources as follows:

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period.

As of June 30, 2013, the medical center did not have any deferred outflows or inflows of resources. This statement had no significant impact of the medical center.

B. Deposits and Investments

Deposits. State statutes authorize the medical center to invest in obligations of the U.S. Treasury, bank certificates of deposit, state approved repurchase agreements and pooled investment funds, and state or local bonds rated A or higher by a nationally recognized rating service.

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 \$7,169,925 at June 30, 2013. 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 medical center invests in numerous certificates of deposit through investment companies and a local financial institution. The medical center does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates, except to comply with state statutes.

Custodial risk - investments. The medical center's investment is subject to custodial risk as follows:

	Balance
<u>Investments</u>	<u>6-30-13</u>
Insured by FDIC	\$ 13,841,322

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

	Balance 6-30-13
Carrying Amount:	
Deposits	\$ 6,990,290
Certificates of Deposit	13,841,322
Cash on Hand	1,000
	<hr/>
Total	\$ 20,832,612
	<hr/> <hr/>
Included in the Following Balance Sheet Captions:	
Cash	\$ 6,991,290
Current Investments	7,893,667
Noncurrent Investments	5,947,655
	<hr/>
Total	\$ 20,832,612
	<hr/> <hr/>

The certificates of deposit are with various U.S. financial institutions and mature with various terms through June 2015.

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.

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.

The following table summarizes net patient service revenue:

Gross Revenues from Patients	\$ 45,243,503
Less: Allowances for Contractual Adjustments	22,269,139
Provisions for Bad Debts	<u>4,245,775</u>
Net Patient Service Revenue	<u><u>\$ 18,728,589</u></u>

D. Electronic Health Records (EHR) Incentive Payments

Medicare provides electronic health records (EHR) incentive payments, which are recored as net patient service revenue because the payments are directly linked to the payments they receive for providing care to Medicare beneficiaries. During 2013, the medical center recognized \$109,596 in EHR incentive payments.

E. Inventories

Inventories at June 30, 2013, consisted of the following:

	<u>Balance 6-30-13</u>
Pharmacy	\$ 154,192
General Supplies	80,722
Dietary	14,762
Laboratory	33,258
X-ray	10,467
Surgery	<u>147,786</u>
Total	<u><u>\$ 441,187</u></u>

F. Cash and Investments Internally Designated for Capital Acquisitions

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

G. Capital Assets

A summary of changes in capital assets follows:

	Balance 7-1-12	Additions	Retire- ments	Transfers	Balance 6-30-13
Land	\$ 2,362,513	\$ 0	\$ 0	\$ 0	\$ 2,362,513
Construction in Progress	497,935	0	0	(497,935)	0
Land Improvements	134,095	0	0	0	134,095
Buildings and Improvements	27,565,700	57,289	0	490,823	28,113,812
Major Movable Equipment	12,105,281	588,798	(78,021)	7,112	12,623,170
Capital Equipment	941,525	0	0	0	941,525
Total at Historical Cost	\$ 43,607,049	\$ 646,087	\$ (78,021)	\$ 0	\$ 44,175,115
Less Accumulated Depreciation For:					
Land Improvements	\$ 65,891	\$ 4,944	\$ 0	\$ 0	\$ 70,835
Buildings and Improvements	6,790,977	669,194	0	0	7,460,171
Major Movable Equipment	9,261,723	578,494	(78,021)	0	9,762,196
Capital Equipment	805,182	1,484	0	0	806,666
Total Accumulated Depreciation	\$ 16,923,773	\$ 1,254,116	\$ (78,021)	\$ 0	\$ 18,099,868
Property and Equipment, Net	\$ 26,683,276	\$ (608,029)	\$ 0	\$ 0	\$ 26,075,247

The medical center capital assets above include idle property at June 30, 2013, as follows: buildings and improvement of \$740,000, capital equipment of \$126,000, and major moveable equipment of \$305,000. Idle property is not being depreciated. Management estimates the value of the idle property is not impaired below recorded value.

H. 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, 2013, the assets totaled \$140,019, net of accumulated amortization.

Other assets also included various lease deposits and prepayments totaling \$317,270 at June 30, 2013.

I. Long-term Debt

	Balance 6-30-13
	<hr/>
Loan Agreement	\$ 21,203,000
Total Long-term Debt	<hr/> \$ 21,203,000
Less: Current Maturities of Long-term Debt	<hr/> (781,000)
Long-term Debt, Net of Current Maturities	<hr/> <hr/> \$ 20,422,000

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. Variable interest is calculated daily as set forth in the loan agreement (.49 percent at June 30, 2013).

The loan agreement is a general obligation of Rhea County, Tennessee.

The capital lease obligation 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 no carrying value at June 30, 2013.

Scheduled payments on long-term debt are as follows:

Year Ending June 30	Other Loans	
	Principal	Interest*
2014	\$ 781,000	\$ 101,981
2015	805,000	98,096
2016	830,000	94,090
2017	856,000	89,959
2018	882,000	85,701
2019-2023	4,840,000	359,856
2024-2028	5,640,000	231,721
2029-2033	<hr/> 6,569,000	<hr/> 82,430
Total	<hr/> <hr/> \$ 21,203,000	<hr/> <hr/> \$ 1,143,834

* - Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2013, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2013 follows:

	Balance		Amounts Due	
	7-1-12	Decreases	6-30-13	Within One Year
Bonds Payable	\$ 21,961,000	\$ (758,000)	\$ 21,203,000	\$ 781,000
Capital Lease	29,783	(29,783)	0	0
Total Long-term Debt	<u>\$ 21,990,783</u>	<u>\$ (787,783)</u>	<u>\$ 21,203,000</u>	<u>\$ 781,000</u>

J. 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 \$294,296 for 2013 and are included with accrued payroll in current liabilities.

K. Charity Care

The medical center estimates that the cost of providing care under the charity care policy was approximately \$297,000 during the year ended June 30, 2013. This is the cost of supplies and services provided to patients for which payment was foregone under the charity care policy, based on current cost to charge ratio for the medical center.

L. 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 or after January 1, 1990, are required to participate in the TCRS pension plan. 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. 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.

The medical center discontinued participation in TCRS for new employees effective July 1, 2012.

Effective July 1, 2012, the medical center established a deferred compensation 457(b) retirement plan for the benefit of its employees. Any employee who has been continuously employed by the medical center for three months before their entry date is eligible to participate. Employees elect to contribute a portion of their salary and the medical center makes contributions to the employees at their discretion. For any taxable year of the participant, employer contributions shall not exceed the lesser of 1) the applicable dollar amount, or 2) 100 percent of the participant's includible compensation for the taxable year.

Contributions to both plans by the medical center totaled \$500,560 in 2013. Contributions to both plans by medical center employees totaled \$311,159 in 2013.

M. Working Capital

Net working capital at June 30, 2013, was \$9,991,413.

N. Commitments and Contingencies

1. Operating Leases

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

The medical center leases equipment under operating lease agreements. Rental expenses included in operations amounted to \$214,822 in 2013.

Future minimum lease payments under operating leases are as follows:

For the year ending:	<u>Amount</u>
6-30-2014	\$ 52,008
6-30-2015	52,008
6-30-2016	52,008
6-30-2017	<u>47,674</u>
Total	<u>\$ 203,698</u>

The medical center leases space to physicians and others under leases with various terms. Total rental income for all operating leases was \$390,072 for 2013.

Rental income is included in other operating revenue in the accompanying financial statements. The cost and accumulated depreciation related to the professional building and other rental property is included in property and equipment as follows:

	<u>Amount</u>
Cost	\$ 3,985,190
Accumulated Depreciation	<u>(3,336,851)</u>
Net Book Value	<u>\$ 648,339</u>

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. The primary level of coverage is \$1,000,000. Coverage for workers' compensation insurance is provided on a claims-made basis. The primary level of coverage is \$500,000 per claim, \$500,000 per employee, and \$500,000 in the aggregate. 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 \$304,059 in 2013.

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 administrative compensation and other services was \$411,919 for 2013.

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, 2013, was as follows:

	<u>6-30-13</u>
Medicare	21%
Medicaid/TennCare	4
Blue Cross	5
Commercial	10
Private Pay	<u>60</u>
Total	<u><u>100%</u></u>

P. Restatement

The medical center had adopted the provision of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current period outflows and inflows. Under this guidance, debt issue costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

Prior to the issuance of the statement, bond premiums and discounts, as well as issuance costs, were deferred and amortized over the life of the bonds. Bonds payable were reported net of the applicable bond premium or discount. Bond issuance costs were reported as deferred charges and amortized over the term of the related debt.

The medical center has restated its beginning net position for the year ended June 30, 2013, to comply with the provisions of GASB Statement No. 65. The effect on beginning fund balance is a decrease of \$131,211. Beginning bond issue costs for the current year have been decreased by the same amount.

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

A. **Summary of Significant Accounting Policies**

1. **Organization**

The Rhea County Emergency Communications District was established on September 13, 1990, for the purpose of providing 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**

Rhea County Emergency Communications District follows the provisions of Statement No. 34 of the Government Accounting Standards Board's *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments*. Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

The district is accounted for as an enterprise fund type using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business and where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

3. **Recently Adopted New Accounting Pronouncements**

GASB Statement No. 61 amends Statements No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organizations for which the elected official are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component

units. The adoption of GASB Statement No. 61 did not have any impact on the district's financial statements.

GASB Statement No. 62 incorporates into GASB's literature the provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' Committee on Accounting Procedures issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements. The option to use subsequent FASB guidance has been removed.

GASB Statement No. 63 amends the net asset reporting requirements in Statement No. 34 and other pronouncements. Under these new standards, financial statements include deferred outflows of resources and deferred inflows of resources, in addition to assets and liabilities, and will report net position instead of net assets. GASB Statement No. 63 requires the classification of net position into three components – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. These classifications are defined as follows:

- a. Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in the component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- b. Restricted net position – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.
- c. Unrestricted net position – consists of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of invested in capital assets, net of related debt, or the restricted component of net position.

Implementation of GASB Statement No. 63 had no effect on the district's net position or changes in net position for the fiscal year ended June 30, 2013.

4. 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:

<u>Assets</u>	<u>Years</u>
Vehicles	5
Furniture and Equipment	5 - 7
Building	10 - 40
Fence	15

5. 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 asset cost is over the term of years as follows:

<u>Description</u>	<u>Cost</u>	<u>Years</u>
Mapping/Imagery Software	\$ 66,136	3

6. 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.

7. Budgets and Budgetary Accounting

The Rhea County Emergency Communications District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

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	\$ 23,142	\$ 23,142
Local Government Investment Pool	61,787	61,787
Total Investments	<u>\$ 84,929</u>	<u>\$ 84,929</u>

At year-end, all deposits of the 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 ended June 30, 2013:

	Balance			Balance
	7-1-12	Increases	Decreases	6-30-13
Capital and Intangible Assets, Depreciated:				
Buildings and Improvements	\$ 367,463	\$ 0	\$ 0	\$ 367,463
Furniture and Fixtures	90,864	0	0	90,864
Office Equipment	5,089	0	0	5,089
Communications Equipment	406,544	26,253	0	432,797
Vehicles	65,759	0	(21,261)	44,498
Database Development	100,872	0	0	100,872
Total Capital and Intangible Assets, Depreciated	<u>\$ 1,036,591</u>	<u>\$ 26,253</u>	<u>\$ (21,261)</u>	<u>\$ 1,041,583</u>
Less Accumulated Depreciation/ Amortization For:				
Buildings and Improvements	\$ 84,520	\$ 14,214	\$ 0	\$ 98,734
Furniture and Fixtures	68,855	8,263	0	77,118
Office Equipment	4,014	485	0	4,499
Communications Equipment	384,935	39,063	0	423,998
Vehicles	46,571	7,675	(21,261)	32,985
Database Development	43,274	14,178	0	57,452
Total Accumulated Depreciation	<u>\$ 632,169</u>	<u>\$ 83,878</u>	<u>\$ (21,261)</u>	<u>\$ 694,786</u>
Total Capital and Intangible Assets, Depreciated/ Amortized	<u>\$ 404,422</u>	<u>\$ (57,625)</u>	<u>\$ 0</u>	<u>\$ 346,797</u>

E. Retirement Plan

Plan Description

Employees of Rhea County Emergency Communications District 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 Emergency Communications District 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 district withdrew from TCRS effective July 1, 2012. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and services in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

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

Funding Policy

The district requires employees to contribute five percent of their earnable compensation.

The district is required to contribute at an actuarially determined rate; the rate for the fiscal year ended June 30, 2013, was 8.82 percent of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for the district is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ended June 30, 2013, the district's annual pension cost of \$8,820 to TCRS was equal to the district's required and actual contributions. The required contribution was determined as part of the July 1, 2011, 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 three percent annual rate of inflation, (c) 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), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected postretirement increases of 2.5 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 ten-year period. The district's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011, was three years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6-30-13	\$ 8,820	100 %	\$ 0
6-30-12	7,143	100	0
6-30-11	7,143	100	0

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 95.27 percent percent funded. The actuarial accrued liability for benefits was \$39.01 million, and the actuarial value of assets was \$37.17 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.84 million. The covered payroll (annual payroll of active employees covered by the plan) was \$14.95 million, and the ratio of the UAAL to the covered payroll was 12.34 percent.

The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

F. 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, worker's compensation, employee health and accident, and environmental. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

G. 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.

H. 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, 2013, was \$6,583.

I. Impact Payment

The district will make impact payments annually to Rhea County in the amount agreed upon between the two. Impact payments for the year ended June 30, 2013, totaled \$180,000. The impact payment covers all salaries, payroll related items, insurance, maintenance and utility expenses. There was an adjustment made to current year impact payment for the reversal of the prior year compensated absences accrual, which amounted to \$7,385. This is the difference between the audited income statement and actual payment.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Exhibit F-1

Rhea County, Tennessee
Schedule of Funding Progress – Pension Plan
Primary Government and Discretely Presented Rhea County School Department
June 30, 2013

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Frozen 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)
7-1-11	\$ 37,167	\$ 39,011	\$ 1,844	95.27 %	\$ 14,949	12.34 %
7-1-09	30,045	32,160	2,115	93.42	14,653	14.44
7-1-07	27,416	29,765	2,349	92.11	13,595	17.28

Exhibit F-2

Rhea County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plans
Primary Government and Discretely Presented Rhea County School Department
June 30, 2013

(Dollar amounts in thousands)

Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit (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 Group	7-1-09	\$ 0	\$ 438	\$ 438	0	\$ 5,360	8.17
"	7-1-10	0	473	473	0	5,226	9.05
"	7-1-11	0	365	365	0	5,499	6.64
Local Education Group	7-1-09	0	2,197	2,197	0	18,413	11.93
"	7-1-10	0	2,291	2,291	0	17,342	13.21
"	7-1-11	0	2,683	2,683	0	18,779	14.29

RHEA COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2013

BUDGETARY INFORMATION

In prior years, the budgetary statements for the General Fund and major special revenue funds were presented as required supplementary information in the financial statements of its external financial report. Effective for the year ended June 30, 2013, these budgetary statements are presented as part of the basic financial statements. This change in presentation was done to be consistent in the presentation of the information for both municipal and county governments in Tennessee.

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

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

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

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 - In prior years, the District Attorney General Fund was classified as a special revenue fund; however, effective July 1, 2012, this fund has been reclassified as an agency fund to better reflect the control of these funds by the district attorney.

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 of deeds, and sheriff.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Education Capital Projects Fund – The Education Capital Projects Fund is used to account for debt issued by Rhea County that is subsequently contributed to the discretely presented Polk County School Department for equipment purchases.

Exhibit G-1

Rhea County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu- tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 92,401	\$ 92,401
Equity in Pooled Cash and Investments	12,275	22,167	0	34,442
Accounts Receivable	44,932	0	24	44,956
Due from Other Governments	14,185	0	0	14,185
Total Assets	<u>\$ 71,392</u>	<u>\$ 22,167</u>	<u>\$ 92,425</u>	<u>\$ 185,984</u>
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 3,121	\$ 0	\$ 0	\$ 3,121
Due to Other Funds	0	0	24	24
Due to Litigants, Heirs, and Others	0	10,317	0	10,317
Total Liabilities	<u>\$ 3,121</u>	<u>\$ 10,317</u>	<u>\$ 24</u>	<u>\$ 13,462</u>
<u>FUND BALANCES</u>				
Committed:				
Committed for Public Health and Welfare	\$ 62,504	\$ 0	\$ 0	\$ 62,504
Assigned:				
Assigned for Finance	0	0	92,401	92,401
Assigned for Public Safety	0	11,850	0	11,850
Assigned for Other Purposes	5,767	0	0	5,767
Total Fund Balances	<u>\$ 68,271</u>	<u>\$ 11,850</u>	<u>\$ 92,401</u>	<u>\$ 172,522</u>
Total Liabilities and Fund Balances	<u>\$ 71,392</u>	<u>\$ 22,167</u>	<u>\$ 92,425</u>	<u>\$ 185,984</u>

Exhibit G-2

Rhea County, Tennessee
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 Nonmajor Governmental Funds
 For the Year Ended June 30, 2013

	Special Revenue Funds					Capital Projects Fund	Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	District Attorney	Constitu- tional Officers - Fees	Total		
Revenues							
Fines, Forfeitures, and Penalties	\$ 0	\$ 23,941	\$ 0	\$ 0	\$ 23,941	\$ 0	\$ 23,941
Charges for Current Services	164,430	0	0	338,716	503,146	0	503,146
Other Local Revenues	81,012	1,134	0	0	82,146	0	82,146
State of Tennessee	47,914	0	0	0	47,914	0	47,914
Federal Government	41	0	0	0	41	0	41
Other Governments and Citizens Groups	10,692	2,522	0	0	13,214	0	13,214
Total Revenues	\$ 304,089	\$ 27,597	\$ 0	\$ 338,716	\$ 670,402	\$ 0	\$ 670,402
Expenditures							
Current:							
Finance	\$ 0	\$ 0	\$ 0	\$ 338,839	\$ 338,839	\$ 0	\$ 338,839
Administration of Justice	0	0	0	4	4	0	4
Public Safety	0	33,911	0	166	34,077	0	34,077
Public Health and Welfare	543,207	0	0	0	543,207	0	543,207
Other Operations	7,346	0	0	0	7,346	0	7,346
Capital Projects - Donated	0	0	0	0	0	224,509	224,509
Total Expenditures	\$ 550,553	\$ 33,911	\$ 0	\$ 339,009	\$ 923,473	\$ 224,509	\$ 1,147,982
Excess (Deficiency) of Revenues Over Expenditures	\$ (246,464)	\$ (6,314)	\$ 0	\$ (293)	\$ (253,071)	\$ (224,509)	\$ (477,580)
Other Financing Sources (Uses)							
Other Loans Issued	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 224,509	\$ 224,509
Insurance Recovery	59	0	0	0	59	0	59
Transfers In	25,000	0	0	0	25,000	0	25,000
Total Other Financing Sources (Uses)	\$ 25,059	\$ 0	\$ 0	\$ 0	\$ 25,059	\$ 224,509	\$ 249,568
Net Change in Fund Balances Reclassification	\$ (221,405)	\$ (6,314)	\$ 0	\$ (293)	\$ (228,012)	\$ 0	\$ (228,012)
Fund Balance, July 1, 2012	0	0	(26,203)	0	(26,203)	0	(26,203)
Fund Balance, July 1, 2012	289,676	18,164	26,203	92,694	426,737	0	426,737
Fund Balance, June 30, 2013	\$ 68,271	\$ 11,850	\$ 0	\$ 92,401	\$ 172,522	\$ 0	\$ 172,522

Exhibit G-3

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 164,430	\$ 188,768	\$ 188,768	\$ (24,338)
Other Local Revenues	81,012	60,146	60,146	20,866
State of Tennessee	47,914	0	59,480	(11,566)
Federal Government	41	0	0	41
Other Governments and Citizens Groups	10,692	0	13,676	(2,984)
Total Revenues	<u>\$ 304,089</u>	<u>\$ 248,914</u>	<u>\$ 322,070</u>	<u>\$ (17,981)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 543,207	\$ 514,419	\$ 603,524	\$ 60,317
<u>Other Operations</u>				
Other Charges	1,678	2,025	2,025	347
Employee Benefits	5,668	5,669	5,669	1
Total Expenditures	<u>\$ 550,553</u>	<u>\$ 522,113</u>	<u>\$ 611,218</u>	<u>\$ 60,665</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (246,464)</u>	<u>\$ (273,199)</u>	<u>\$ (289,148)</u>	<u>\$ 42,684</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 59	\$ 0	\$ 0	\$ 59
Transfers In	25,000	0	25,000	0
Total Other Financing Sources	<u>\$ 25,059</u>	<u>\$ 0</u>	<u>\$ 25,000</u>	<u>\$ 59</u>
Net Change in Fund Balance	<u>\$ (221,405)</u>	<u>\$ (273,199)</u>	<u>\$ (264,148)</u>	<u>\$ 42,743</u>
Fund Balance, July 1, 2012	<u>289,676</u>	<u>286,017</u>	<u>286,017</u>	<u>3,659</u>
Fund Balance, June 30, 2013	<u>\$ 68,271</u>	<u>\$ 12,818</u>	<u>\$ 21,869</u>	<u>\$ 46,402</u>

Exhibit G-4

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 23,941	\$ 20,946	\$ 20,946	\$ 2,995
Other Local Revenues	1,134	830	830	304
Other Governments and Citizens Groups	2,522	2,470	2,470	52
Total Revenues	<u>\$ 27,597</u>	<u>\$ 24,246</u>	<u>\$ 24,246</u>	<u>\$ 3,351</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 33,911	\$ 28,629	\$ 36,254	\$ 2,343
Total Expenditures	<u>\$ 33,911</u>	<u>\$ 28,629</u>	<u>\$ 36,254</u>	<u>\$ 2,343</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (6,314)</u>	<u>\$ (4,383)</u>	<u>\$ (12,008)</u>	<u>\$ 5,694</u>
Net Change in Fund Balance	\$ (6,314)	\$ (4,383)	\$ (12,008)	\$ 5,694
Fund Balance, July 1, 2012	18,164	18,166	18,166	(2)
Fund Balance, June 30, 2013	<u>\$ 11,850</u>	<u>\$ 13,783</u>	<u>\$ 6,158</u>	<u>\$ 5,692</u>

Major Governmental Fund

Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,776,817	\$ 1,688,028	\$ 1,688,028	\$ 88,789
Other Local Revenues	62,855	6,100	6,100	56,755
State of Tennessee	174,484	174,484	174,484	0
Other Governments and Citizens Groups	1,183,248	1,433,224	1,191,158	(7,910)
Total Revenues	\$ 3,197,404	\$ 3,301,836	\$ 3,059,770	\$ 137,634
<u>Expenditures</u>				
<u>Other Operations</u>				
Contributions to Other Agencies	\$ 0	\$ 3,500	\$ 0	\$ 0
<u>Principal on Debt</u>				
General Government	65,129	65,129	65,129	0
Highways and Streets	177,000	177,000	177,000	0
Education	1,364,696	1,364,697	1,364,697	1
<u>Interest on Debt</u>				
General Government	9,125	37,558	37,558	28,433
Highways and Streets	66,601	65,066	66,602	1
Education	1,926,832	1,926,833	1,926,833	1
<u>Other Debt Service</u>				
General Government	42,208	37,225	43,225	1,017
Education	591	2,050	1,050	459
Total Expenditures	\$ 3,652,182	\$ 3,679,058	\$ 3,682,094	\$ 29,912
Excess (Deficiency) of Revenues Over Expenditures	\$ (454,778)	\$ (377,222)	\$ (622,324)	\$ 167,546
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 243,601	\$ 0	\$ 243,602	\$ (1)
Total Other Financing Sources	\$ 243,601	\$ 0	\$ 243,602	\$ (1)
Net Change in Fund Balance	\$ (211,177)	\$ (377,222)	\$ (378,722)	\$ 167,545
Fund Balance, July 1, 2012	770,304	770,303	770,303	1
Fund Balance, June 30, 2013	\$ 559,127	\$ 393,081	\$ 391,581	\$ 167,546

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.

Community Development - Agency Fund – The Community Development - Agency Fund is used to account for a small community development project for the county. These revenues received were from a grant and funds were remitted as soon as they were received. This fund was opened and closed during the year.

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.

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

Exhibit I-1

Rhea County, Tennessee
Combining Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2013

	Agency Funds					Total
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	District Attorney General		
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 1,551,340	\$ 0	\$ 1,551,340	
Equity in Pooled Cash and Investments	0	53,893	0	25,918	79,811	
Due from Other Governments	547,236	96,263	0	194	643,693	
Taxes Receivable	0	373,276	0	0	373,276	
Allowance for Uncollectible Taxes	0	(20,754)	0	0	(20,754)	
Total Assets	\$ 547,236	\$ 502,678	\$ 1,551,340	\$ 26,112	\$ 2,627,366	
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 547,236	\$ 502,678	\$ 0	\$ 0	\$ 1,049,914	
Due to Litigants, Heirs, and Others	0	0	1,551,340	26,112	1,577,452	
Total Liabilities	\$ 547,236	\$ 502,678	\$ 1,551,340	\$ 26,112	\$ 2,627,366	

Exhibit I-2

Rhea County, Tennessee
Combining Statement of Changes in Assets and Liabilities - All Agency Funds
For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,096,400	\$ 3,096,400	\$ 0
Due from Other Governments	531,028	547,236	531,028	547,236
Total Assets	\$ 531,028	\$ 3,643,636	\$ 3,627,428	\$ 547,236
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 531,028	\$ 3,643,636	\$ 3,627,428	\$ 547,236
Total Liabilities	\$ 531,028	\$ 3,643,636	\$ 3,627,428	\$ 547,236
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 70,862	\$ 53,893	\$ 70,862	\$ 53,893
Due from Other Governments	95,286	96,263	95,286	96,263
Taxes Receivable	364,208	373,276	364,208	373,276
Allowance for Uncollectible Taxes	(21,413)	(20,754)	(21,413)	(20,754)
Total Assets	\$ 508,943	\$ 502,678	\$ 508,943	\$ 502,678
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 508,943	\$ 502,678	\$ 508,943	\$ 502,678
Total Liabilities	\$ 508,943	\$ 502,678	\$ 508,943	\$ 502,678
<u>Community Development - Agency Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 49,778	\$ 49,778	\$ 0
Total Assets	\$ 0	\$ 49,778	\$ 49,778	\$ 0
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 0	\$ 49,778	\$ 49,778	\$ 0
Total Liabilities	\$ 0	\$ 49,778	\$ 49,778	\$ 0
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,980,631	\$ 5,197,861	\$ 5,627,152	\$ 1,551,340
Total Assets	\$ 1,980,631	\$ 5,197,861	\$ 5,627,152	\$ 1,551,340
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,980,631	\$ 5,197,861	\$ 5,627,152	\$ 1,551,340
Total Liabilities	\$ 1,980,631	\$ 5,197,861	\$ 5,627,152	\$ 1,551,340

(Continued)

Exhibit I-2

Rhea County, Tennessee

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

	Beginning Balance	Additions	Deductions	Ending Balance
<u>District Attorney General</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 25,398	\$ 22,675	\$ 22,155	\$ 25,918
Due from Other Governments	805	194	805	194
Total Assets	\$ 26,203	\$ 22,869	\$ 22,960	\$ 26,112
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 26,203	\$ 22,869	\$ 22,960	\$ 26,112
Total Liabilities	\$ 26,203	\$ 22,869	\$ 22,960	\$ 26,112
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,980,631	\$ 5,197,861	\$ 5,627,152	\$ 1,551,340
Equity in Pooled Cash and Investments	96,260	3,222,746	3,239,195	79,811
Due from Other Governments	627,119	643,693	627,119	643,693
Taxes Receivable	364,208	373,276	364,208	373,276
Allowance for Uncollectible Taxes	(21,413)	(20,754)	(21,413)	(20,754)
Total Assets	\$ 3,046,805	\$ 9,416,822	\$ 9,836,261	\$ 2,627,366
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,039,971	\$ 4,146,314	\$ 4,136,371	\$ 1,049,914
Due to Litigants, Heirs, and Others	2,006,834	5,270,508	5,699,890	1,577,452
Total Liabilities	\$ 3,046,805	\$ 9,416,822	\$ 9,836,261	\$ 2,627,366

Rhea County School Department

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

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

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

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

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

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

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

Exhibit J-1

Rhea County, Tennessee
Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2013

Functions/Programs	Program Revenues			Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:								
Instruction	\$ 23,624,921	\$ 3,370,820	\$ 224,509	\$ 51,360	\$ 3,370,820	\$ 224,509	\$	\$ (19,978,232)
Support Services	9,012,735	0	0	43,480	0	0		(8,969,255)
Operation of Non-Instructional Services	2,702,378	1,740,657	0	688,474	1,740,657	0		(273,247)
Capital Outlay	611,952	0	0	0	0	0		(611,952)
Other Debt Service	1,183,248	0	0	0	0	0		(1,183,248)
Total Governmental Activities	\$ 37,135,234	\$ 5,111,477	\$ 224,509	\$ 783,314	\$ 5,111,477	\$ 224,509	\$	\$ (31,015,934)
General Revenues:								
Taxes:								
Property Taxes Levied for General Purposes							\$	3,496,125
Local Option Sales Taxes							\$	3,160,260
Other Local Taxes								2,300
Grants and Contributions Not Restricted to Specific Programs								22,134,033
Unrestricted Investment Earnings								14,281
Miscellaneous								27,754
Total General Revenues							\$	28,834,753
Change in Net Position							\$	(2,181,181)
Net Position, July 1, 2012								70,980,659
Net Position, June 30, 2013							\$	68,799,478

Exhibit J-2

Rhea County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Education Capital Projects	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 701	\$ 701
Equity in Pooled Cash and Investments	3,916,776	308,745	9,112,692	1,228,328	14,566,541
Inventories	0	0	0	73,681	73,681
Accounts Receivable	7,175	1,158	0	0	8,333
Due from Other Governments	613,331	1,465	109,822	88,031	812,649
Due from Other Funds	0	35	0	0	35
Property Taxes Receivable	2,057,040	1,634,523	0	0	3,691,563
Allowance for Uncollectible Property Taxes	(121,152)	(96,287)	0	0	(217,439)
Total Assets	<u>\$ 6,473,170</u>	<u>\$ 1,849,639</u>	<u>\$ 9,222,514</u>	<u>\$ 1,390,741</u>	<u>\$ 18,936,064</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 48,030	\$ 0	\$ 48,030
Accrued Payroll	4,159	0	0	0	4,159
Payroll Deductions Payable	466,493	11,259	0	63,312	541,064
Contracts Payable	0	0	1,575,853	0	1,575,853
Retainage Payable	0	0	82,888	0	82,888
Due to Other Funds	0	0	0	35	35
Due to State of Tennessee	0	0	0	2,190	2,190
Total Liabilities	<u>\$ 470,652</u>	<u>\$ 11,259</u>	<u>\$ 1,706,771</u>	<u>\$ 65,537</u>	<u>\$ 2,254,219</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 1,858,218	\$ 1,476,493	\$ 0	\$ 0	\$ 3,334,711
Deferred Delinquent Property Taxes	74,170	57,743	0	0	131,913
Other Deferred/Unavailable Revenue	204,045	0	53,766	0	257,811
Total Deferred Inflows of Resources	<u>\$ 2,136,433</u>	<u>\$ 1,534,236</u>	<u>\$ 53,766</u>	<u>\$ 0</u>	<u>\$ 3,724,435</u>
<u>FUND BALANCES</u>					
Nonspendable:					
Inventory	\$ 0	\$ 0	\$ 0	\$ 73,681	\$ 73,681
Restricted:					
Restricted for Education	141,056	295,635	7,461,977	951,523	8,850,191
Committed:					
Committed for Education	0	0	0	300,000	300,000
Assigned:					
Assigned for Education	503,356	8,509	0	0	511,865
Unassigned	3,221,673	0	0	0	3,221,673
Total Fund Balances	<u>\$ 3,866,085</u>	<u>\$ 304,144</u>	<u>\$ 7,461,977</u>	<u>\$ 1,325,204</u>	<u>\$ 12,957,410</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,473,170</u>	<u>\$ 1,849,639</u>	<u>\$ 9,222,514</u>	<u>\$ 1,390,741</u>	<u>\$ 18,936,064</u>

Exhibit J-3

Rhea County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Discretely Presented Rhea County School Department
June 30, 2013

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

Total fund balances - balance sheet - governmental funds (Exhibit J-2)		\$ 12,957,410	
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	939,515	
Add: construction in progress		25,749,528	
Add: buildings and improvements net of accumulated depreciation		27,587,044	
Add: other capital assets net of accumulated depreciation		<u>2,346,498</u>	56,622,585
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: principal on other loans to be contributed on primary government debt	\$	(274,822)	
Less: compensated absences payable		(429,746)	
Less: other postemployment benefits liability		<u>(465,673)</u>	(1,170,241)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>389,724</u>
Net position of governmental activities (Exhibit A)			<u>\$ 68,799,478</u>

Exhibit J-4

Rhea County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2013

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Education Capital Projects	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 4,494,864	\$ 1,566,690	\$ 656,710	\$ 0	\$ 6,718,264
Licenses and Permits	2,306	0	0	0	2,306
Charges for Current Services	18,020	0	0	688,474	706,494
Other Local Revenues	102,586	44,407	12,500	3,963	163,456
State of Tennessee	22,359,244	0	332,050	21,172	22,712,466
Federal Government	252,298	0	0	4,450,166	4,702,464
Other Governments and Citizens Groups	224,509	0	0	0	224,509
Total Revenues	<u>\$ 27,453,827</u>	<u>\$ 1,611,097</u>	<u>\$ 1,001,260</u>	<u>\$ 5,163,775</u>	<u>\$ 35,229,959</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 17,355,701	\$ 0	\$ 0	\$ 1,946,618	\$ 19,302,319
Support Services	8,313,518	1,754,582	0	784,063	10,852,163
Operation of Non-Instructional Services	398,759	0	0	2,288,427	2,687,186
Capital Outlay	279,902	0	332,050	0	611,952
Debt Service:					
Other Debt Service	511,450	51,798	620,000	0	1,183,248
Capital Projects	0	0	17,854,693	0	17,854,693
Total Expenditures	<u>\$ 26,859,330</u>	<u>\$ 1,806,380</u>	<u>\$ 18,806,743</u>	<u>\$ 5,019,108</u>	<u>\$ 52,491,561</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 594,497</u>	<u>\$ (195,283)</u>	<u>\$ (17,805,483)</u>	<u>\$ 144,667</u>	<u>\$ (17,261,602)</u>
<u>Other Financing Sources (Uses)</u>					
Proceeds from Sale of Capital Assets	\$ 0	\$ 8,035	\$ 0	\$ 0	\$ 8,035
Insurance Recovery	453	7,105	0	0	7,558
Transfers In	0	20,200	0	0	20,200
Transfers Out	(20,200)	0	0	0	(20,200)
Total Other Financing Sources (Uses)	<u>\$ (19,747)</u>	<u>\$ 35,340</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 15,593</u>
Net Change in Fund Balances	\$ 574,750	\$ (159,943)	\$ (17,805,483)	\$ 144,667	\$ (17,246,009)
Fund Balance, July 1, 2012	<u>3,291,335</u>	<u>464,087</u>	<u>25,267,460</u>	<u>1,180,537</u>	<u>30,203,419</u>
Fund Balance, June 30, 2013	<u>\$ 3,866,085</u>	<u>\$ 304,144</u>	<u>\$ 7,461,977</u>	<u>\$ 1,325,204</u>	<u>\$ 12,957,410</u>

Exhibit J-5

Rhea County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2013

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)		\$ (17,246,009)
(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	\$ 16,242,601	
Less: current-year depreciation expense	<u>(903,759)</u>	15,338,842
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: loss on disposal of capital assets		(28,594)
(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, 2013	\$ 389,724	
Less: deferred delinquent property taxes and other deferred June 30, 2012	<u>(428,120)</u>	(38,396)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans capital 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 position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:		
Less: other loan proceeds contributed from primary government		(224,509)
(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 the governmental funds.		
Change in compensated absences payable	\$ 57,531	
Change in other postemployment benefits liability	<u>(40,046)</u>	<u>17,485</u>
Change in net position of governmental activities (Exhibit B)		<u>\$ (2,181,181)</u>

Exhibit J-6

Rhea County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2013

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>ASSETS</u>			
Cash	\$ 0	\$ 701	\$ 701
Equity in Pooled Cash and Investments	266,423	961,905	1,228,328
Inventories	0	73,681	73,681
Due from Other Governments	87,312	719	88,031
Total Assets	<u>\$ 353,735</u>	<u>\$ 1,037,006</u>	<u>\$ 1,390,741</u>
<u>LIABILITIES</u>			
Payroll Deductions Payable	\$ 51,510	\$ 11,802	\$ 63,312
Due to Other Funds	35	0	35
Due to State of Tennessee	2,190	0	2,190
Total Liabilities	<u>\$ 53,735</u>	<u>\$ 11,802</u>	<u>\$ 65,537</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventory	\$ 0	\$ 73,681	\$ 73,681
Restricted:			
Restricted for Education	0	951,523	951,523
Committed:			
Committed for Education	300,000	0	300,000
Total Fund Balances	<u>\$ 300,000</u>	<u>\$ 1,025,204</u>	<u>\$ 1,325,204</u>
Total Liabilities and Fund Balances	<u>\$ 353,735</u>	<u>\$ 1,037,006</u>	<u>\$ 1,390,741</u>

Exhibit J-7

Rhea County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2013

	<u>Special Revenue Funds</u>		Total
	School	Central	Nonmajor
	Federal	Cafeteria	Governmental
	Projects		Funds
<u>Revenues</u>			
Charges for Current Services	\$ 0	\$ 688,474	\$ 688,474
Other Local Revenues	0	3,963	3,963
State of Tennessee	0	21,172	21,172
Federal Government	2,730,681	1,719,485	4,450,166
Total Revenues	\$ 2,730,681	\$ 2,433,094	\$ 5,163,775
<u>Expenditures</u>			
Current:			
Instruction	\$ 1,946,618	\$ 0	\$ 1,946,618
Support Services	784,063	0	784,063
Operation of Non-Instructional Services	0	2,288,427	2,288,427
Total Expenditures	\$ 2,730,681	\$ 2,288,427	\$ 5,019,108
Excess (Deficiency) of Revenues			
Over Expenditures	\$ 0	\$ 144,667	\$ 144,667
Net Change in Fund Balances	\$ 0	\$ 144,667	\$ 144,667
Fund Balance, July 1, 2012	300,000	880,537	1,180,537
Fund Balance, June 30, 2013	\$ 300,000	\$ 1,025,204	\$ 1,325,204

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, 2013

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Revenues							
Local Taxes	\$ 4,494,864	\$ 0	\$ 0	\$ 4,494,864	\$ 4,224,701	\$ 4,309,701	\$ 185,163
Licenses and Permits	2,306	0	0	2,306	2,000	2,000	306
Charges for Current Services	18,020	0	0	18,020	25,000	25,000	(6,980)
Other Local Revenues	102,586	0	0	102,586	37,563	56,423	46,163
State of Tennessee	22,359,244	0	0	22,359,244	21,493,557	22,064,109	295,135
Federal Government	252,298	0	0	252,298	56,000	253,322	(1,224)
Other Governments and Citizens Groups	224,509	0	0	224,509	0	0	224,509
Total Revenues	\$ 27,453,827	\$ 0	\$ 0	\$ 27,453,827	\$ 25,838,821	\$ 26,710,755	\$ 743,072
Expenditures							
<u>Instruction</u>							
Regular Instruction Program	\$ 14,371,385	\$ (5,967)	\$ 0	\$ 14,365,418	\$ 14,872,116	\$ 14,837,965	\$ 472,547
Special Education Program	2,193,990	0	0	2,193,990	2,251,470	2,301,329	107,339
Vocational Education Program	754,045	0	0	754,045	757,679	760,583	6,538
Adult Education Program	36,281	0	0	36,281	9,323	53,820	17,539
<u>Support Services</u>							
Health Services	191,036	0	0	191,036	186,452	192,094	1,058
Other Student Support	1,577,778	0	0	1,577,778	1,570,901	1,673,496	95,718
Regular Instruction Program	383,156	0	0	383,156	345,263	400,355	17,199
Special Education Program	412,297	0	0	412,297	394,835	430,548	18,251
Vocational Education Program	320	0	0	320	1,200	320	0
Adult Programs	122,116	0	0	122,116	18,246	131,042	8,926
Other Programs	307,200	0	0	307,200	199,273	310,828	3,628
Board of Education	358,965	0	0	358,965	348,803	361,915	2,950
Director of Schools	468,509	0	0	468,509	461,202	479,225	10,716
Office of the Principal	1,672,870	0	0	1,672,870	1,710,379	1,737,202	64,332
Operation of Plant	2,184,584	0	3,356	2,187,940	2,334,262	2,367,762	179,822
Maintenance of Plant	610,208	0	0	610,208	614,849	765,989	155,781

(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 7/1/2012	Add: Encumbrances 6/30/2013	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Support Services (Cont.)</u>							
Transportation	\$ 24,479	\$ 0	\$ 0	\$ 24,479	\$ 27,000	\$ 34,482	\$ 10,003
<u>Operation of Non-Instructional Services</u>							
Early Childhood Education	398,759	0	0	398,759	4,662	406,218	7,459
<u>Capital Outlay</u>							
Regular Capital Outlay	279,902	(267,509)	0	12,393	0	12,487	94
<u>Other Debt Service</u>							
Education	511,450	0	0	511,450	519,360	519,360	7,910
Total Expenditures	\$ 26,859,330	\$ (273,476)	\$ 3,356	\$ 26,589,210	\$ 26,627,275	\$ 27,777,020	\$ 1,187,810
<u>Excess (Deficiency) of Revenues</u>							
Over Expenditures	\$ 594,497	\$ 273,476	\$ (3,356)	\$ 864,617	\$ (788,454)	\$ (1,066,265)	\$ 1,930,882
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 453	\$ 0	\$ 0	\$ 453	\$ 0	\$ 5,948	\$ (5,495)
Transfers Out	(20,200)	0	0	(20,200)	0	(20,200)	0
Total Other Financing Sources	\$ (19,747)	\$ 0	\$ 0	\$ (19,747)	\$ 0	\$ (14,252)	\$ (5,495)
Net Change in Fund Balance	\$ 574,750	\$ 273,476	\$ (3,356)	\$ 844,870	\$ (788,454)	\$ (1,080,517)	\$ 1,925,387
Fund Balance, July 1, 2012	3,291,335	(273,476)	0	3,017,859	2,071,779	2,071,779	946,080
Fund Balance, June 30, 2013	\$ 3,866,085	\$ 0	\$ (3,356)	\$ 3,862,729	\$ 1,283,325	\$ 991,262	\$ 2,871,467

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,730,681	\$ 740,661	\$ 3,591,332	\$ (860,651)
Total Revenues	\$ 2,730,681	\$ 740,661	\$ 3,591,332	\$ (860,651)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,029,377	\$ 279,974	\$ 1,166,128	\$ 136,751
Special Education Program	830,638	193,577	1,002,532	171,894
Vocational Education Program	86,603	73,922	86,624	21
<u>Support Services</u>				
Other Student Support	100,011	72,066	462,598	362,587
Regular Instruction Program	658,230	99,799	801,742	143,512
Special Education Program	445	9,016	18,500	18,055
Vocational Education Program	1,028	3,000	1,028	0
Transportation	24,349	9,303	52,179	27,830
Total Expenditures	\$ 2,730,681	\$ 740,657	\$ 3,591,331	\$ 860,650
Excess (Deficiency) of Revenues Over Expenditures	\$ 0	\$ 4	\$ 1	\$ (1)
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 20,791	\$ 7,584	\$ (7,584)
Transfers Out	0	(20,791)	(7,584)	7,584
Total Other Financing Sources	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 4	\$ 1	\$ (1)
Fund Balance, July 1, 2012	300,000	0	0	300,000
Fund Balance, June 30, 2013	\$ 300,000	\$ 4	\$ 1	\$ 299,999

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, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 688,474	\$ 694,854	\$ 694,854	\$ (6,380)
Other Local Revenues	3,963	6,000	6,000	(2,037)
State of Tennessee	21,172	20,000	20,000	1,172
Federal Government	1,719,485	1,656,053	1,672,571	46,914
Total Revenues	<u>\$ 2,433,094</u>	<u>\$ 2,376,907</u>	<u>\$ 2,393,425</u>	<u>\$ 39,669</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,288,427	\$ 2,418,954	\$ 2,435,472	\$ 147,045
Total Expenditures	<u>\$ 2,288,427</u>	<u>\$ 2,418,954</u>	<u>\$ 2,435,472</u>	<u>\$ 147,045</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 144,667</u>	<u>\$ (42,047)</u>	<u>\$ (42,047)</u>	<u>\$ 186,714</u>
Net Change in Fund Balance	\$ 144,667	\$ (42,047)	\$ (42,047)	\$ 186,714
Fund Balance, July 1, 2012	<u>880,537</u>	<u>822,092</u>	<u>822,092</u>	<u>58,445</u>
Fund Balance, June 30, 2013	<u>\$ 1,025,204</u>	<u>\$ 780,045</u>	<u>\$ 780,045</u>	<u>\$ 245,159</u>

Exhibit J-11

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Rhea County School Department
School Transportation Fund
For the Year Ended June 30, 2013

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,566,690	\$ 1,493,137	\$ 1,505,137	\$ 61,553
Other Local Revenues	44,407	55,000	55,550	(11,143)
Total Revenues	<u>\$ 1,611,097</u>	<u>\$ 1,548,137</u>	<u>\$ 1,560,687</u>	<u>\$ 50,410</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Other Programs	\$ 0	\$ 4,054	\$ 0	\$ 0
Board of Education	31,145	29,500	32,000	855
Operation of Plant	1,415	1,845	2,045	630
Transportation	1,722,022	1,800,108	1,882,657	160,635
<u>Other Debt Service</u>				
Education	51,798	51,798	51,798	0
Total Expenditures	<u>\$ 1,806,380</u>	<u>\$ 1,887,305</u>	<u>\$ 1,968,500</u>	<u>\$ 162,120</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (195,283)</u>	<u>\$ (339,168)</u>	<u>\$ (407,813)</u>	<u>\$ 212,530</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 8,035	\$ 0	\$ 0	\$ 8,035
Insurance Recovery	7,105	0	6,554	551
Transfers In	20,200	0	0	20,200
Total Other Financing Sources	<u>\$ 35,340</u>	<u>\$ 0</u>	<u>\$ 6,554</u>	<u>\$ 28,786</u>
Net Change in Fund Balance	<u>\$ (159,943)</u>	<u>\$ (339,168)</u>	<u>\$ (401,259)</u>	<u>\$ 241,316</u>
Fund Balance, July 1, 2012	<u>464,087</u>	<u>464,089</u>	<u>464,089</u>	<u>(2)</u>
Fund Balance, June 30, 2013	<u><u>\$ 304,144</u></u>	<u><u>\$ 124,921</u></u>	<u><u>\$ 62,830</u></u>	<u><u>\$ 241,314</u></u>

Exhibit J-12

Rhea County, Tennessee
Statement of Fiduciary Net Position
Discretely Presented Rhea County School Department
Fiduciary Fund
June 30, 2013

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 253,366
Total Assets	<u>\$ 253,366</u>
<u>NET POSITION</u>	
Funds Held in Trust for Scholarships	<u>\$ 253,366</u>
Total Net Position	<u><u>\$ 253,366</u></u>

Exhibit J-13

Rhea County, Tennessee
Statement of Changes in Fiduciary Net Position
Discretely Presented Rhea County School Department
Fiduciary Fund
For the Year Ended June 30, 2013

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 3,962
Contributions and Gifts	<u>50,500</u>
Total Additions	<u>\$ 54,462</u>
<u>DEDUCTIONS</u>	
Awards	<u>\$ 3,194</u>
Total Deductions	<u>\$ 3,194</u>
Change in Net Position	\$ 51,268
Net Position, July 1, 2012	<u>202,098</u>
Net Position, June 30, 2013	<u><u>\$ 253,366</u></u>

MISCELLANEOUS SCHEDULES

Exhibit K-1

Rhea County, Tennessee
 Schedule of Changes in Long-term Notes, Capital Leases, Other Loans, and Bonds
 For the Year Ended June 30, 2013

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-12	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-13
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Buses	\$ 380,000	4.17 %	1-22-07	1-22-16	\$ 187,000	\$ 0	\$ 44,000	\$ 143,000
Highway Paving	2,000,000	3.54	4-21-11	4-1-21	1,838,000	0	177,000	1,661,000
Track, Football Field, and Multi Sports Facility	1,000,000	2.37	6-20-12	6-20-22	1,000,000		89,686	910,314
Fire Department	250,000	2.65	6-20-12	6-20-22	250,000		22,129	227,871
Dump Trucks	120,534	2.82	10-10-12	9-1-15	0	120,534	0	120,534
Total Notes Payable					\$ 3,275,000	\$ 120,534	\$ 332,815	\$ 3,062,719
CAPITAL LEASES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Modular Buildings	868,018	9.64	2-28-08	5-1-13	\$ 171,510	\$ 0	\$ 171,510	\$ 0
Total Capital Leases Payable					\$ 171,510	\$ 0	\$ 171,510	\$ 0
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	\$ 310,500	\$ 0	\$ 34,500	\$ 276,000
Sewer Project	1,000,000	Various	5-15-06	5-25-26	780,000	0	43,000	737,000
Total Payable through General Debt Service Fund					\$ 1,090,500	\$ 0	\$ 77,500	\$ 1,013,000
<u>Payable by School Department Contributions from the General Purpose School Fund</u>								
Energy Efficiency Loan Program	(1)	0	Various	(2)	\$ 50,313	\$ 224,509	\$ 0	\$ 274,822
Total Payable by School Department Contributions from the General Purpose School Fund					\$ 50,313	\$ 224,509	\$ 0	\$ 274,822
Total Other Loans Payable					\$ 1,140,813	\$ 224,509	\$ 77,500	\$ 1,287,822
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Refunding Bonds, Series 2006	6,180,000	3.375 to 3.75	2-1-06	4-1-18	\$ 5,335,000	\$ 0	\$ 780,000	\$ 4,555,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	3,285,000	0	245,000	3,040,000
General Obligation School Bonds, Series 2013	33,000,000	2 to 4.25	1-15-12	2-1-34	33,000,000	0	0	33,000,000
Total Bonds Payable					\$ 41,620,000	\$ 0	\$ 1,025,000	\$ 40,595,000

(1) Total amount available under this Energy Efficiency Loan Program is \$514,322, of which \$39,500 had not been drawn as of June 30, 2013.

(2) Final maturity will be seven years after last draw down.

Exhibit K-2

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

Year Ending June 30	Notes		Total
	Principal	Interest	
2014	\$ 382,091	\$ 93,963	\$ 476,054
2015	395,367	81,649	477,016
2016	407,245	68,887	476,132
2017	326,195	56,364	382,559
2018	337,217	46,155	383,372
2019	347,314	35,589	382,903
2020	358,486	24,700	383,186
2021	369,737	13,449	383,186
2022	139,067	1,835	140,902
Total	\$ 3,062,719	\$ 422,591	\$ 3,485,310

Year Ending June 30	Other Loans			Total
	Principal	Interest	Other Fees	
2014	\$ 117,760	\$ 3,611	\$ 2,715	\$ 124,086
2015	119,760	3,396	2,614	125,770
2016	121,760	3,170	2,508	127,438
2017	123,761	2,935	2,398	129,094
2018	125,761	2,690	2,284	130,735
2019	127,760	2,435	2,165	132,360
2020	129,760	2,171	2,041	133,972
2021	92,500	1,896	1,911	96,307
2022	61,000	1,612	1,778	64,390
2023	63,000	1,313	1,637	65,950
2024	66,000	1,005	1,493	68,498
2025	68,000	681	1,341	70,022
2026	71,000	348	1,264	72,612
Total	\$ 1,287,822	\$ 27,263	\$ 26,149	\$ 1,341,234

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		Total
	Principal	Interest	
2014	\$ 1,230,000	\$ 1,551,533	\$ 2,781,533
2015	1,310,000	1,504,833	2,814,833
2016	1,345,000	1,455,433	2,800,433
2017	1,365,000	1,406,120	2,771,120
2018	1,440,000	1,356,664	2,796,664
2019	1,505,000	1,304,165	2,809,165
2020	1,600,000	1,256,575	2,856,575
2021	1,685,000	1,205,812	2,890,812
2022	1,800,000	1,152,331	2,952,331
2023	1,915,000	1,080,506	2,995,506
2024	1,650,000	1,019,406	2,669,406
2025	1,750,000	967,844	2,717,844
2026	1,850,000	897,844	2,747,844
2027	2,050,000	833,094	2,883,094
2028	2,150,000	761,344	2,911,344
2029	2,275,000	675,344	2,950,344
2030	2,425,000	561,594	2,986,594
2031	2,575,000	464,594	3,039,594
2032	2,725,000	361,594	3,086,594
2033	2,950,000	249,188	3,199,188
2034	3,000,000	127,500	3,127,500
Total	\$ 40,595,000	\$ 20,193,318	\$ 60,788,318

Exhibit K-3

Rhea County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Rhea County School Department
For the Year Ended June 30, 2013

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General Highway/Public Works	Solid Waste/Sanitiation General Debt Service	Operations Debt Reimbursement	\$ 25,000 243,601
Total Transfers Primary Government			<u>\$ 268,601</u>
<u>DISCRETELY PRESENTED RHEA COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Transportation	Salary Reimbursement	\$ 20,200
Total Transfers Discretely Presented Rhea County School Department			<u>\$ 20,200</u>

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, 2013

Official	Authorization for Salary	\$	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, TCA	\$	72,463	\$ 50,000	Travelers Casualty and Surety Company of America
Highway Supervisor	Section 8-24-102, TCA		69,013	100,000	"
Director of Schools	State Board of Education and Rhea County Board of Education		96,701 (1)	(2)	
Trustee	Section 8-24-102, TCA		62,739	1,480,000	"
Assessor of Property	Section 8-24-102, TCA		52,283 (4)	50,000	"
Finance Director	County Commission		62,739	50,000	"
County Clerk	Section 8-24-102, TCA		62,739	50,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, TCA		62,739	50,000	"
Clerk and Master	Section 8-24-102, TCA		62,739	50,000	"
Register of Deeds	Section 8-24-102, TCA		62,739	25,000	"
Sheriff	Section 8-24-102, TCA		69,013 (3)	25,000	"
Employee Blanket Bond Coverage:					
All County Departments				150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000.
- (2) Director of schools was covered by the \$150,000 employee blanket bond.
- (3) Does not include a law enforcement training supplement of \$557.
- (4) The prior Assessor of Property Julene Purser died on March 23, 2013. The position remained vacant until September 1, 2013, when Debbie Byrd took office.

Exhibit K-5

Rhea County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 For the Year Ended June 30, 2013

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
Local Taxes								
County Property Taxes								
Current Property Tax	\$ 5,059,266	\$ 0	\$ 0	\$ 0	\$ 170,381	\$ 1,201,964	\$ 6,431,611	
Trustee's Collections - Prior Year	207,255	0	0	0	6,754	50,515	264,524	
Trustee's Collections - Bankruptcy	1,716	0	0	0	20	314	2,050	
Circuit/Clerk & Master Collections - Prior Years	219,472	0	0	0	7,383	52,166	279,021	
Interest and Penalty	43,757	0	0	0	1,462	10,376	55,595	
Payments in-Lieu-of Taxes - T.V.A.	3,236	0	0	0	109	769	4,114	
Payments in-Lieu-of Taxes - Local Utilities	64,153	0	0	0	2,158	15,248	81,559	
Payments in-Lieu-of Taxes - Other	8,020	0	0	0	270	1,906	10,196	
County Local Option Taxes								
Local Option Sales Tax	0	0	0	0	0	434,542	434,542	
Hotel/Motel Tax	147,368	0	0	0	0	0	147,368	
Litigation Tax - General	116,760	0	0	0	0	0	116,760	
Litigation Tax - Jail, Workhouse, or Courthouse	44,768	0	0	0	0	0	44,768	
Business Tax	303,673	0	0	0	0	0	303,673	
Mineral Severance Tax	0	0	0	0	76,203	0	76,203	
Statutory Local Taxes								
Bank Excise Tax	30,356	0	0	0	1,021	7,215	38,592	
Wholesale Beer Tax	127,864	0	0	0	0	0	127,864	
Interstate Telecommunications Tax	0	0	0	0	0	1,802	1,802	
Total Local Taxes	\$ 6,377,664	\$ 0	\$ 0	\$ 0	\$ 265,761	\$ 1,776,817	\$ 8,420,242	
Licenses and Permits								
Licenses								
Cable TV Franchise	\$ 74,150	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 74,150	
Permits								
Beer Permits	3,016	0	0	0	0	0	3,016	
Building Permits	31,660	0	0	0	0	0	31,660	
Other Permits	6,537	0	0	0	0	0	6,537	
Total Licenses and Permits	\$ 115,363	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 115,363	
Fines, Forfeitures, and Penalties								
Circuit Court								
Fines	\$ 3,154	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,154	
Officers Costs	7,299	0	0	0	0	0	7,299	
Drug Control Fines	5,526	0	2,205	0	0	0	7,731	
Drug Court Fees	1,246	0	0	0	0	0	1,246	

(Continued)

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

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service		
<u>Fines, Forfeitures, and Penalties (Cont.)</u>								
<u>Circuit Court (Cont.)</u>								
Jail Fees	5,597	0	0	0	0	0	0	5,597
DUI Treatment Fines	902	0	0	0	0	0	0	902
Data Entry Fee - Circuit Court	1,756	0	0	0	0	0	0	1,756
Courtroom Security Fee	3,287	0	0	0	0	0	0	3,287
<u>General Sessions Court</u>								
Fines	19,491	0	0	0	0	0	0	19,491
Officers Costs	54,929	0	0	0	0	0	0	54,929
Game and Fish Fines	430	0	0	0	0	0	0	430
Drug Control Fines	13,527	0	13,519	0	0	0	0	27,046
Drug Court Fees	8,011	0	0	0	0	0	0	8,011
Jail Fees	27,630	0	0	0	0	0	0	27,630
DUI Treatment Fines	7,344	0	0	0	0	0	0	7,344
Data Entry Fee - General Sessions Court	9,035	0	0	0	0	0	0	9,035
Courtroom Security Fee	19,657	0	0	0	0	0	0	19,657
<u>Juvenile Court</u>								
Jail Fees	18,004	0	0	0	0	0	0	18,004
<u>Chancery Court</u>								
Officers Costs	4,751	0	0	0	0	0	0	4,751
Data Entry Fee - Chancery Court	3,214	0	0	0	0	0	0	3,214
Courtroom Security Fee	2,197	0	0	0	0	0	0	2,197
<u>Other Fines, Forfeitures, and Penalties</u>								
Proceeds from Confiscated Property	6,275	0	8,217	0	0	0	0	14,492
Total Fines, Forfeitures, and Penalties	223,262	0	23,941	0	0	0	0	247,203
<u>Charges for Current Services</u>								
<u>General Service Charges</u>								
Commercial and Industrial Waste Collection Charge	0	13,400	0	0	0	0	0	13,400
Surcharge - Host Agency	0	151,030	0	0	0	0	0	151,030
Work Release Charges for Board Fees	8,574	0	0	0	0	0	0	8,574
Copy Fees	2,658	0	0	0	0	0	0	2,658
Telephone Commissions	14,250	0	0	0	0	0	0	14,250
Vending Machine Collections	326	0	0	0	0	0	0	326
Constitutional Officers' Fees and Commissions	0	0	0	338,716	0	0	0	338,716
Data Processing Fee - Register	9,552	0	0	0	0	0	0	9,552
Data Processing Fee - Sheriff	5,070	0	0	0	0	0	0	5,070

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>Charges for Current Services (Cont.)</u>								
<u>Fees (Cont.)</u>								
Sexual Offender Registration Fees - Sheriff	\$ 6,890	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,890
Total Charges for Current Services	\$ 47,320	\$ 164,430	\$ 0	\$ 338,716	\$ 0	\$ 0	\$ 0	\$ 550,466
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	\$ 195	\$ 0	\$ 0	\$ 0	\$ 0	\$ 62,855	\$ 0	\$ 63,050
Lease/Rentals	96,025	0	0	0	0	0	0	96,025
Sale of Materials and Supplies	528	0	0	0	31,101	0	0	31,629
Commissary Sales	14,759	0	0	0	0	0	0	14,759
Sale of Recycled Materials	0	5,146	0	0	0	0	0	5,146
Sale of Animals/Livestock	13,661	0	0	0	0	0	0	13,661
Miscellaneous Refunds	17,620	0	0	0	0	0	0	17,620
<u>Nonrecurring Items</u>								
Sale of Equipment	1,755	29	0	0	0	0	0	1,784
Damages Recovered from Individuals	1,188	0	0	0	1,344	0	0	2,532
Contributions and Gifts	44,894	0	0	0	0	0	0	44,894
<u>Other Local Revenues</u>								
Other Local Revenues	212,586	75,837	1,134	0	0	0	0	289,557
Total Other Local Revenues	\$ 403,211	\$ 81,012	\$ 1,134	\$ 0	\$ 32,445	\$ 62,855	\$ 0	\$ 580,657
<u>Fees Received from County Officials</u>								
<u>Excess Fees</u>								
County Clerk	\$ 65,359	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 65,359
Trustee	239,668	0	0	0	0	0	0	239,668
<u>Fees in-Lieu-of Salary</u>								
Circuit Court Clerk	128,465	0	0	0	0	0	0	128,465
General Sessions Court Clerk	179,840	0	0	0	0	0	0	179,840
Clerk and Master	126,666	0	0	0	0	0	0	126,666
Register	116,792	0	0	0	0	0	0	116,792
Sheriff	5,167	0	0	0	0	0	0	5,167
Total Fees Received from County Officials	\$ 861,957	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 861,957
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,000
Child Restraint Program	7,599	0	0	0	0	0	0	7,599
Other General Government Grants	10,170	0	0	0	0	0	0	10,170

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund		Total
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt	Service	
<u>State of Tennessee (Cont.)</u>								
Public Safety Grants								
Law Enforcement Training Programs	\$ 18,600	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 18,600
Drug Control Grants	339	0	0	0	0	0	0	339
Health and Welfare Grants								
Public Health Nurses	114,200	0	0	0	0	0	0	114,200
Public Works Grants	0	0	0	0	0	0	0	0
State Aid Program	0	0	0	0	132,527	0	0	132,527
Litter Program	0	42,671	0	0	0	0	0	42,671
Other State Revenues								
Income Tax	114,150	0	0	0	0	0	0	114,150
Beer Tax	18,586	0	0	0	0	0	0	18,586
Alcoholic Beverage Tax	49,624	0	0	0	0	0	0	49,624
State Revenue Sharing - T.V.A.	130,374	0	0	0	0	174,484	0	304,858
Contracted Prisoner Boarding	133,898	0	0	0	0	0	0	133,898
Gasoline and Motor Fuel Tax	0	0	0	0	1,541,662	0	0	1,541,662
Petroleum Special Tax	0	0	0	0	22,952	0	0	22,952
Registrar's Salary Supplement	15,164	0	0	0	0	0	0	15,164
Other State Grants	51,359	5,243	0	0	0	0	0	56,602
Other State Revenues	11,039	0	0	0	0	0	0	11,039
Total State of Tennessee	\$ 684,102	\$ 47,914	\$ 0	\$ 0	\$ 1,697,141	\$ 174,484	\$ 0	\$ 2,603,641
<u>Federal Government</u>								
Federal through State								
Homeland Security Grants	\$ 9,548	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 9,548
Law Enforcement Grants	31,523	0	0	0	0	0	0	31,523
Other Federal through State	1,209	41	0	0	1,622	0	0	2,872
Total Federal Government	\$ 42,280	\$ 41	\$ 0	\$ 0	\$ 1,622	\$ 0	\$ 0	\$ 43,943
<u>Other Governments and Citizens Groups</u>								
Contributions	\$ 224,843	\$ 0	\$ 2,522	\$ 0	\$ 0	\$ 1,183,248	\$ 0	\$ 1,410,613
Other	0	10,692	0	0	0	0	0	10,692
Total Other Governments and Citizens Groups	\$ 224,843	\$ 10,692	\$ 2,522	\$ 0	\$ 0	\$ 1,183,248	\$ 0	\$ 1,421,305
Total	\$ 8,980,002	\$ 304,089	\$ 27,597	\$ 338,716	\$ 1,996,969	\$ 3,197,404	\$ 0	\$ 14,844,777

Rhea County, Tennessee
 Schedule of Detailed Revenues -
 All Governmental Fund Types
 Discretely Presented Rhea County School Department
 For the Year Ended June 30, 2013

	Special Revenue Funds					Capital Projects Fund		Total
	General Purpose School	School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects			
<u>Local Taxes</u>								
<u>County Property Taxes</u>								
Current Property Tax	\$ 1,768,500	\$ 0	\$ 0	\$ 1,406,424	\$ 0	\$ 0	\$ 0	\$ 3,174,924
Trustee's Collections - Prior Year	73,476	0	0	57,182	0	0	0	130,658
Trustee's Collections - Bankruptcy	624	0	0	492	0	0	0	1,116
Circuit/Clerk & Master Collections - Prior Years	76,991	0	0	61,018	0	0	0	138,009
Interest and Penalty	15,311	0	0	12,169	0	0	0	27,480
Payments in-Lieu-of Taxes - T.V.A.	1,138	0	0	988	0	0	0	2,126
Payments in-Lieu-of Taxes - Local Utilities	22,446	0	0	17,747	0	0	0	40,193
Payments in-Lieu-of Taxes - Other	2,806	0	0	2,230	0	0	0	5,036
<u>County Local Option Taxes</u>								
Local Option Sales Tax	2,520,655	0	0	0	656,710	0	0	3,177,365
<u>Statutory Local Taxes</u>								
Bank Excise Tax	10,617	0	0	8,440	0	0	0	19,057
Interstate Telecommunications Tax	2,300	0	0	0	0	0	0	2,300
Total Local Taxes	\$ 4,494,864	\$ 0	\$ 0	\$ 1,566,690	\$ 656,710	\$ 0	\$ 0	\$ 6,718,264
<u>Licenses and Permits</u>								
<u>Licenses</u>								
Marriage Licenses	2,306	0	0	0	0	0	0	2,306
Total Licenses and Permits	\$ 2,306	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 2,306
<u>Charges for Current Services</u>								
<u>Education Charges</u>								
Tuition - Other	18,020	0	0	0	0	0	0	18,020
Lunch Payments - Children	0	0	452,460	0	0	0	0	452,460
Lunch Payments - Adults	0	0	56,145	0	0	0	0	56,145
Income from Breakfast	0	0	4,909	0	0	0	0	4,909
A la carte Sales	0	0	174,960	0	0	0	0	174,960
Total Charges for Current Services	\$ 18,020	\$ 0	\$ 688,474	\$ 0	\$ 0	\$ 0	\$ 0	\$ 706,494
<u>Other Local Revenues</u>								
<u>Recurring Items</u>								
Investment Income	0	0	1,781	0	0	12,500	0	14,281
Lease/Rentals	60	0	0	43,420	0	0	0	43,480
Refund of Telecommunication and Internet Fees (E-Rate)	33,340	0	0	0	0	0	0	33,340
Miscellaneous Refunds	584	0	1,175	550	0	0	0	2,309

(Continued)

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

	General Purpose School	Special Revenue Funds			School Transportation	Capital Projects Fund		Total
		School Federal Projects	Central Cafeteria			Education Capital Projects		
<u>Other Local Revenues (Cont.)</u>								
<u>Nonrecurring Items</u>								
Sale of Equipment	178 \$	0 \$	0 \$	417 \$	0 \$	0 \$	0 \$	595
Contributions and Gifts	31,600	0	0	0	0	0	0	31,600
<u>Other Local Revenues</u>								
Other Local Revenues	36,824	0	1,007	20	0	0	0	37,851
<u>Total Other Local Revenues</u>	<u>102,586 \$</u>	<u>0 \$</u>	<u>3,963 \$</u>	<u>44,407 \$</u>	<u>12,500 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>163,456</u>
<u>State of Tennessee</u>								
<u>General Government Grants</u>								
On-Behalf Contributions for OPEB	72,871 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0 \$	72,871
<u>State Education Funds</u>								
Basic Education Program	20,420,896	0	0	0	0	0	0	20,420,896
Early Childhood Education	393,782	0	0	0	0	0	0	393,782
School Food Service	0	0	21,172	0	0	0	0	21,172
Driver Education	13,495	0	0	0	0	0	0	13,495
Other State Education Funds	103,481	0	0	0	0	0	0	103,481
Career Ladder Program	161,394	0	0	0	0	0	0	161,394
Career Ladder - Extended Contract	36,600	0	0	0	0	0	0	36,600
<u>Other State Revenues</u>								
State Revenue Sharing - T.V.A.	1,146,610	0	0	0	0	332,050	0	1,478,660
Other State Grants	10,115	0	0	0	0	0	0	10,115
<u>Total State of Tennessee</u>	<u>22,359,244 \$</u>	<u>0 \$</u>	<u>21,172 \$</u>	<u>0 \$</u>	<u>0 \$</u>	<u>332,050 \$</u>	<u>0 \$</u>	<u>22,712,466</u>
<u>Federal Government</u>								
<u>Federal through State</u>								
USDA School Lunch Program	0 \$	0 \$	1,167,112 \$	0 \$	0 \$	0 \$	0 \$	1,167,112
USDA - Commodities	0	0	121,465	0	0	0	0	121,465
Breakfast	0	0	430,908	0	0	0	0	430,908
Adult Education State Grant Program	124,811	0	0	0	0	0	0	124,811
Vocational Education - Basic Grants to States	0	92,451	0	0	0	0	0	92,451
Title I Grants to Local Education Agencies	0	1,025,915	0	0	0	0	0	1,025,915
Special Education - Grants to States	71,939	833,980	0	0	0	0	0	905,919
Special Education Preschool Grants	0	14,899	0	0	0	0	0	14,899
English Language Acquisition Grants	0	5,591	0	0	0	0	0	5,591
Rural Education	0	89,287	0	0	0	0	0	89,287
Eisenhower Professional Development State Grants	0	158,882	0	0	0	0	0	158,882

(Continued)

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

	General Purpose School	Special Revenue Funds				Capital Projects Fund		Total
		School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects			
<u>Federal Government (Cont.)</u>								
<u>Federal through State (Cont.)</u>								
Race-to-the-Top - ARRA	\$ 0	\$ 486,190	\$ 0	\$ 0	\$ 0	\$ 0	\$ 486,190	
Other Federal through State	0	23,486	0	0	0	0	23,486	
<u>Direct Federal Revenue</u>								
ROTC Reimbursement	55,548	0	0	0	0	0	55,548	
Total Federal Government	\$ 252,298	\$ 2,730,681	\$ 1,719,485	\$ 0	\$ 0	\$ 0	\$ 4,702,464	
<u>Other Governments and Citizens Groups</u>								
<u>Other Governments</u>								
Contributions	\$ 224,509	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 224,509	
Total Other Governments and Citizens Groups	\$ 224,509	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 224,509	
Total	\$ 27,453,827	\$ 2,730,681	\$ 2,433,094	\$ 1,611,097	\$ 1,001,260	\$ 0	\$ 35,229,959	

Exhibit K-7

Rhea County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2013

General Fund

General Government

County Commission

Board and Committee Members Fees	\$	43,200	
Social Security		2,678	
Employer Medicare		626	
Audit Services		9,543	
Contributions		22,500	
Dues and Memberships		8,774	
Travel		3,080	
Other Contracted Services		1,264	
Other Supplies and Materials		4,355	
Liability Claims		2,500	
Other Charges		1,088	
Total County Commission			\$ 99,608

Board of Equalization

Board and Committee Members Fees	\$	1,700	
Social Security		105	
Employer Medicare		25	
Total Board of Equalization			1,830

Other Boards and Committees

Secretary(ies)	\$	120	
Board and Committee Members Fees		1,800	
Social Security		119	
State Retirement		11	
Employer Medicare		28	
Printing, Stationery, and Forms		210	
Total Other Boards and Committees			2,288

County Mayor/Executive

County Official/Administrative Officer	\$	72,463	
Accountants/Bookkeepers		21,799	
Mechanic(s)		664	
Part-time Personnel		915	
Social Security		5,728	
State Retirement		7,773	
Life Insurance		96	
Medical Insurance		15,817	
Employer Medicare		1,340	
Communication		807	
Dues and Memberships		1,650	
Operating Lease Payments		1,811	
Travel		2,018	
Gasoline		3,239	
Office Supplies		663	
Vehicle Parts		3,985	
Vehicle and Equipment Insurance		323	
Data Processing Equipment		200	
Total County Mayor/Executive			141,291

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Attorney

Legal Services	\$ 17,368	
Total County Attorney		\$ 17,368

Election Commission

County Official/Administrative Officer	\$ 61,563	
Assistant(s)	27,470	
Part-time Personnel	15,417	
Overtime Pay	3,839	
Election Commission	2,650	
Election Workers	6,360	
Social Security	7,219	
State Retirement	7,565	
Life Insurance	96	
Medical Insurance	14,847	
Employer Medicare	1,688	
Communication	1,034	
Dues and Memberships	225	
Operating Lease Payments	12,332	
Legal Notices, Recording, and Court Costs	6,371	
Maintenance Agreements	12,980	
Maintenance and Repair Services - Equipment	1,992	
Rentals	664	
Travel	5,244	
Other Contracted Services	27,865	
Office Supplies	2,072	
Other Supplies and Materials	4,761	
Total Election Commission		224,254

Register of Deeds

County Official/Administrative Officer	\$ 62,739	
Assistant(s)	30,720	
Clerical Personnel	26,713	
Social Security	7,427	
State Retirement	5,065	
Life Insurance	144	
Medical Insurance	23,258	
Employer Medicare	1,737	
Data Processing Services	6,329	
Dues and Memberships	478	
Operating Lease Payments	1,859	
Office Supplies	3,472	
Total Register of Deeds		169,941

Planning

Other Contracted Services	\$ 9,250	
Total Planning		9,250

Building

Other Contracted Services	\$ 10,992	
Total Building		10,992

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

County Buildings

Custodial Personnel	\$	3,998	
Maintenance Personnel		157,202	
Social Security		9,988	
State Retirement		13,641	
Life Insurance		52	
Medical Insurance		8,386	
Employer Medicare		2,336	
Communication		39,622	
Dues and Memberships		10,179	
Postal Charges		38,179	
Other Contracted Services		230,536	
Custodial Supplies		28,338	
Electricity		171,770	
Natural Gas		20,547	
Water and Sewer		35,287	
Other Supplies and Materials		24,914	
Building and Contents Insurance		17,419	
Total County Buildings			\$ 812,394

Finance

Accounting and Budgeting

Assistant(s)	\$	33,289	
Supervisor/Director		62,739	
Accountants/Bookkeepers		148,150	
Purchasing Personnel		113,882	
Social Security		21,034	
State Retirement		31,581	
Life Insurance		528	
Medical Insurance		77,527	
Employer Medicare		4,919	
Data Processing Services		15,176	
Operating Lease Payments		9,494	
Legal Notices, Recording, and Court Costs		2,161	
Travel		886	
Office Supplies		13,191	
In Service/Staff Development		445	
Data Processing Equipment		4,517	
Office Equipment		855	
Total Accounting and Budgeting			540,374

Property Assessor's Office

County Official/Administrative Officer	\$	52,283	
Assistant(s)		34,863	
Accountants/Bookkeepers		21,145	
Mechanic(s)		46	
Clerical Personnel		54,290	
Part-time Personnel		62	
Social Security		9,119	
State Retirement		11,979	
Life Insurance		268	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

Property Assessor's Office (Cont.)

Medical Insurance	\$	43,170	
Unemployment Compensation		7,150	
Employer Medicare		2,133	
Communication		3	
Data Processing Services		4,616	
Dues and Memberships		1,850	
Operating Lease Payments		2,201	
Towing Services		530	
Travel		3,296	
Other Contracted Services		15,175	
Gasoline		1,977	
Lubricants		9	
Office Supplies		2,174	
Vehicle Parts		24	
Vehicle and Equipment Insurance		323	
Data Processing Equipment		200	
Motor Vehicles		12,588	
Office Equipment		439	
Total Property Assessor's Office	\$		281,913

County Trustee's Office

Life Insurance	\$	140	
Medical Insurance		13,606	
Data Processing Services		26,247	
Dues and Memberships		478	
Operating Lease Payments		1,500	
Legal Notices, Recording, and Court Costs		206	
Postal Charges		4,760	
Other Contracted Services		176	
Office Supplies		2,093	
Data Processing Equipment		7,691	
Total County Trustee's Office			56,897

County Clerk's Office

Life Insurance	\$	244	
Medical Insurance		39,348	
Communication		605	
Data Processing Services		11,417	
Dues and Memberships		628	
Operating Lease Payments		1,859	
Office Supplies		2,904	
Other Charges		126	
Total County Clerk's Office			57,131

Administration of Justice

Circuit Court

County Official/Administrative Officer	\$	62,739	
Assistant(s)		26,105	
Clerical Personnel		67,642	
Part-time Personnel		6,801	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Circuit Court (Cont.)

Jury and Witness Expense	\$	198	
Social Security		9,490	
State Retirement		13,177	
Life Insurance		236	
Medical Insurance		38,095	
Employer Medicare		2,219	
Data Processing Services		13,658	
Dues and Memberships		993	
Operating Lease Payments		2,730	
Other Contracted Services		8,501	
Office Supplies		2,634	
Total Circuit Court			\$ 255,218

General Sessions Court

Assistant(s)	\$	30,720	
Clerical Personnel		99,378	
Social Security		7,877	
State Retirement		11,333	
Life Insurance		240	
Medical Insurance		39,075	
Employer Medicare		1,842	
Operating Lease Payments		1,859	
Other Contracted Services		600	
Office Supplies		3,077	
Data Processing Equipment		4,837	
Total General Sessions Court			200,838

General Sessions Judge

Judge(s)	\$	127,183	
Probation Officer(s)		52,742	
Youth Service Officer(s)		26,713	
Secretary(ies)		26,713	
Social Security		13,422	
State Retirement		19,730	
Life Insurance		248	
Medical Insurance		40,030	
Employer Medicare		3,224	
Communication		358	
Data Processing Services		3,119	
Operating Lease Payments		1,140	
Travel		6,967	
Office Supplies		1,304	
Other Supplies and Materials		1,686	
Total General Sessions Judge			324,579

Drug Court

Fines, Assessments, and Penalties	\$	7,852	
Total Drug Court			7,852

(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

County Official/Administrative Officer	\$	62,739	
Assistant(s)		33,289	
Clerical Personnel		80,138	
Social Security		10,700	
State Retirement		15,538	
Life Insurance		240	
Medical Insurance		39,075	
Employer Medicare		2,502	
Data Processing Services		6,799	
Dues and Memberships		478	
Operating Lease Payments		1,981	
Travel		350	
Office Supplies		4,359	
Data Processing Equipment		2,984	
Other Capital Outlay		976	
Total Chancery Court			\$ 262,148

Courtroom Security

Deputy(ies)	\$	36,480	
Social Security		1,518	
Employer Medicare		529	
Other Supplies and Materials		1,291	
Total Courtroom Security			39,818

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	69,013	
Assistant(s)		46,710	
Deputy(ies)		568,143	
Investigator(s)		112,879	
Lieutenant(s)		36,852	
Sergeant(s)		143,837	
Mechanic(s)		16,705	
School Resource Officer		134,014	
Educational Incentive - Other County Employees		17,278	
Other Salaries and Wages		284	
Social Security		70,637	
State Retirement		91,532	
Life Insurance		1,428	
Medical Insurance		240,706	
Employer Medicare		16,520	
Communication		1,356	
Dues and Memberships		2,245	
Operating Lease Payments		5,812	
Legal Notices, Recording, and Court Costs		80	
Rentals		960	
Towing Services		2,625	
Travel		2,255	
Remittance of Revenue Collected		1,248	
Other Contracted Services		16,334	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Sheriff's Department (Cont.)

Diesel Fuel	\$	1,414	
Gasoline		162,019	
Lubricants		2,219	
Office Supplies		1,793	
Tires and Tubes		17,962	
Uniforms		10,650	
Vehicle Parts		25,992	
Other Supplies and Materials		7,649	
Liability Insurance		22,251	
Vehicle and Equipment Insurance		27,413	
In Service/Staff Development		2,330	
Other Charges		1,294	
Communication Equipment		1,551	
Data Processing Equipment		6,731	
Law Enforcement Equipment		3,471	
Motor Vehicles		105,830	
Total Sheriff's Department			\$ 2,000,022

Administration of the Sexual Offender Registry

Office Supplies	\$	1,020	
Other Charges		2,310	
Total Administration of the Sexual Offender Registry			3,330

Jail

Lieutenant(s)	\$	36,852	
Sergeant(s)		141,156	
Accountants/Bookkeepers		30,110	
Guards		182,836	
Clerical Personnel		55,693	
Social Security		27,650	
State Retirement		38,589	
Life Insurance		816	
Medical Insurance		124,656	
Unemployment Compensation		2,727	
Employer Medicare		6,467	
Communication		762	
Operating Lease Payments		1,626	
Medical and Dental Services		77,604	
Travel		2,724	
Other Contracted Services		6,913	
Drugs and Medical Supplies		31,730	
Food Supplies		169,299	
Office Supplies		247	
Prisoners Clothing		2,470	
Uniforms		5,685	
Other Supplies and Materials		7,693	
In Service/Staff Development		805	
Total Jail			955,110

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services

Sergeant(s)	\$	56,422	
Guards		82,251	
Social Security		8,613	
State Retirement		11,688	
Life Insurance		236	
Medical Insurance		39,109	
Employer Medicare		2,014	
Operating Lease Payments		1,097	
Prisoners Clothing		1,000	
Uniforms		2,160	
Total Juvenile Services			\$ 204,590

Fire Prevention and Control

Supervisor/Director	\$	39,412	
Mechanic(s)		153	
Other Salaries and Wages		6,000	
Social Security		2,792	
State Retirement		3,490	
Life Insurance		48	
Medical Insurance		7,753	
Employer Medicare		653	
Communication		265	
Contracts with Government Agencies		2,000	
Dues and Memberships		325	
Other Contracted Services		4,502	
Diesel Fuel		13,327	
Electricity		21,921	
Gasoline		8,422	
Lubricants		62	
Natural Gas		20,569	
Office Supplies		45	
Vehicle Parts		156	
Water and Sewer		1,832	
Other Supplies and Materials		130,885	
Liability Insurance		858	
Vehicle and Equipment Insurance		16,905	
In Service/Staff Development		4,033	
Other Charges		14,212	
Building Construction		28,577	
Motor Vehicles		46,300	
Other Capital Outlay		11,810	
Total Fire Prevention and Control			387,307

Civil Defense

Dues and Memberships	\$	50	
Other Equipment		27,926	
Total Civil Defense			27,976

Rescue Squad

Contributions	\$	28,775	
Total Rescue Squad			28,775

(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	\$ 36,190	
Total County Coroner/Medical Examiner		\$ 36,190

Public Safety Grant Programs

Overtime Pay	\$ 15,386	
Social Security	944	
State Retirement	1,411	
Medical Insurance	40	
Employer Medicare	221	
Other Capital Outlay	13,522	
Total Public Safety Grant Programs		31,524

Other Public Safety

Assistant(s)	\$ 35,000	
Supervisor/Director	50,000	
Dispatchers/Radio Operators	391,244	
Maintenance Personnel	395	
Part-time Personnel	6,847	
Social Security	29,556	
State Retirement	39,386	
Life Insurance	776	
Medical Insurance	121,450	
Employer Medicare	6,912	
Maintenance Agreements	35,117	
Custodial Supplies	486	
Electricity	9,336	
Gasoline	3,890	
Natural Gas	384	
Office Supplies	933	
Water and Sewer	296	
Building and Contents Insurance	5,127	
Liability Insurance	984	
Vehicle and Equipment Insurance	983	
Total Other Public Safety		739,102

Public Health and Welfare

Local Health Center

Custodial Personnel	\$ 7,130	
Other Salaries and Wages	74,010	
Social Security	4,984	
State Retirement	5,966	
Life Insurance	144	
Medical Insurance	23,258	
Employer Medicare	1,166	
Contributions	67,502	
Travel	5,018	
Other Supplies and Materials	200	
Total Local Health Center		189,378

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare (Cont.)

Rabies and Animal Control

Other Salaries and Wages	\$	31,788	
Social Security		1,973	
State Retirement		2,333	
Life Insurance		48	
Medical Insurance		7,753	
Employer Medicare		461	
Operating Lease Payments		733	
Animal Food and Supplies		805	
Gasoline		5,095	
Uniforms		360	
Other Supplies and Materials		2,664	
Building Construction		44,808	
Total Rabies and Animal Control			\$ 98,821

Crippled Children Services

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

Other Waste Disposal

Access Fees	\$	37,755	
Total Other Waste Disposal			37,755

Other Public Health and Welfare

Other Supplies and Materials	\$	2,903	
Total Other Public Health and Welfare			2,903

Agriculture and Natural Resources

Agriculture Extension Service

Contributions	\$	94,041	
Dues and Memberships		245	
Other Contracted Services		1,740	
Electricity		2,470	
Office Supplies		1,000	
Water and Sewer		299	
Other Supplies and Materials		10,919	
Data Processing Equipment		1,000	
Total Agriculture Extension Service			111,714

Soil Conservation

Other Salaries and Wages	\$	24,384	
Social Security		1,481	
State Retirement		2,151	
Life Insurance		48	
Medical Insurance		7,753	
Employer Medicare		346	
Dues and Memberships		1,075	
Travel		1,818	
Office Supplies		58	
Other Charges		600	
Total Soil Conservation			39,714

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations

Other Economic and Community Development

Contributions	\$	88,421	
Other Charges		14,548	
Total Other Economic and Community Development			\$ 102,969

Veterans' Services

Supervisor/Director	\$	40,000	
Accountants/Bookkeepers		28,947	
Part-time Personnel		776	
Social Security		4,290	
State Retirement		6,081	
Life Insurance		96	
Medical Insurance		15,505	
Employer Medicare		1,003	
Data Processing Services		1,854	
Operating Lease Payments		897	
Travel		1,163	
Office Supplies		731	
Total Veterans' Services			101,343

Other Charges

Liability Insurance	\$	10,053	
Premiums on Corporate Surety Bonds		709	
Trustee's Commission		125,729	
Total Other Charges			136,491

Contributions to Other Agencies

Contributions	\$	63,950	
Total Contributions to Other Agencies			63,950

Employee Benefits

Workers' Compensation Insurance	\$	39,273	
Total Employee Benefits			39,273

Capital Projects

Administration of Justice Projects

Architects	\$	162,750	
Total Administration of Justice Projects			162,750

Total General Fund \$ 9,019,043

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$	28,604	
Deputy(ies)		26,061	
Mechanic(s)		3,543	
Truck Drivers		68,913	
Maintenance Personnel		4,708	
Other Salaries and Wages		147,587	
Social Security		17,251	

(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.)

State Retirement	\$	11,051	
Life Insurance		236	
Medical Insurance		38,885	
Employer Medicare		4,036	
Communication		3,378	
Medical and Dental Services		126	
Rentals		900	
Towing Services		500	
Disposal Fees		26,844	
Other Contracted Services		15,768	
Custodial Supplies		2,398	
Diesel Fuel		54,280	
Electricity		10,917	
Gasoline		6,167	
Lubricants		782	
Natural Gas		402	
Tires and Tubes		10,804	
Uniforms		360	
Vehicle Parts		10,929	
Water and Sewer		3,305	
Other Supplies and Materials		7,489	
Building and Contents Insurance		4,837	
Liability Insurance		1,564	
Vehicle and Equipment Insurance		7,853	
Liability Claims		500	
Other Charges		20,649	
Other Equipment		1,580	
Total Waste Pickup			\$ 543,207

Other Operations

Other Charges

Trustee's Commission	\$	1,678	
Total Other Charges			1,678

Employee Benefits

Workers' Compensation Insurance	\$	5,668	
Total Employee Benefits			5,668

Total Solid Waste/Sanitation Fund \$ 550,553

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	2,272	
Confidential Drug Enforcement Payments		5,000	
Legal Notices, Recording, and Court Costs		64	
Maintenance Agreements		5,490	
Towing Services		825	
Other Contracted Services		3,335	
Other Supplies and Materials		6,216	

(Continued)

Exhibit K-7

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

<u>Drug Control Fund (Cont.)</u>			
<u>Public Safety (Cont.)</u>			
<u>Drug Enforcement (Cont.)</u>			
Trustee's Commission	\$	209	
Law Enforcement Equipment		<u>10,500</u>	
Total Drug Enforcement			<u>\$ 33,911</u>
Total Drug Control Fund			\$ 33,911
 <u>Constitutional Officers - Fees Fund</u>			
<u>Finance</u>			
<u>County Trustee's Office</u>			
Constitutional Officers' Operating Expenses	\$	<u>134,234</u>	
Total County Trustee's Office			\$ 134,234
 <u>County Clerk's Office</u>			
Constitutional Officers' Operating Expenses	\$	<u>204,605</u>	
Total County Clerk's Office			204,605
 <u>Administration of Justice</u>			
<u>General Sessions Court Clerk</u>			
Constitutional Officers' Operating Expenses	\$	<u>4</u>	
Total General Sessions Court Clerk			4
 <u>Public Safety</u>			
<u>Sheriff's Department</u>			
Constitutional Officers' Operating Expenses	\$	<u>166</u>	
Total Sheriff's Department			<u>166</u>
Total Constitutional Officers - Fees Fund			339,009
 <u>Highway/Public Works Fund</u>			
<u>Highways</u>			
<u>Administration</u>			
County Official/Administrative Officer	\$	69,013	
Assistant(s)		50,410	
Secretary(ies)		27,882	
Social Security		8,374	
State Retirement		12,136	
Medical Insurance		19,331	
Employer Medicare		1,958	
Communication		4,411	
Dues and Memberships		2,605	
Maintenance Agreements		400	
Postal Charges		184	
Travel		1,104	
Other Contracted Services		276	
Electricity		3,501	
Gasoline		4,019	
Natural Gas		2,498	
Office Supplies		903	
Water and Sewer		263	
Other Supplies and Materials		1,038	

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Administration (Cont.)

Premiums on Corporate Surety Bonds	\$	350	
Communication Equipment		1,000	
Office Equipment		175	
Total Administration			\$ 211,831

Highway and Bridge Maintenance

Equipment Operators	\$	62,548	
Equipment Operators - Light		165,656	
Truck Drivers		175,972	
Social Security		24,749	
State Retirement		34,574	
Medical Insurance		93,073	
Employer Medicare		5,788	
Asphalt		194,117	
Concrete		873	
Crushed Stone		148,601	
Fertilizer, Lime, and Seed		4,142	
Pipe		4,190	
Road Signs		4,087	
Other Supplies and Materials		1,682	
Total Highway and Bridge Maintenance			920,052

Operation and Maintenance of Equipment

Foremen	\$	33,886	
Social Security		2,119	
State Retirement		2,933	
Medical Insurance		7,753	
Employer Medicare		495	
Diesel Fuel		77,407	
Gasoline		31,265	
Lubricants		6,590	
Tires and Tubes		18,269	
Vehicle Parts		42,708	
Total Operation and Maintenance of Equipment			223,425

Other Charges

Building and Contents Insurance	\$	5,345	
Liability Insurance		16,036	
Trustee's Commission		20,081	
Vehicle and Equipment Insurance		23,163	
Other Charges		489	
Total Other Charges			65,114

Employee Benefits

Life Insurance	\$	832	
Unemployment Compensation		3,397	
Uniforms		3,753	
Workers' Compensation Insurance		27,396	
Total Employee Benefits			35,378

(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

Other Contracted Services	\$	23,220	
Highway Construction		169,192	
Highway Equipment		180,534	
Total Capital Outlay			\$ 372,946

Other Debt Service

Highways and Streets

Other Debt Issuance Charges	\$	500	
Total Highways and Streets			500

Total Highway/Public Works Fund \$ 1,829,246

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$	22,129	
Principal on Other Loans		43,000	
Total General Government			\$ 65,129

Highways and Streets

Principal on Notes	\$	177,000	
Total Highways and Streets			177,000

Education

Principal on Bonds	\$	1,025,000	
Principal on Notes		133,686	
Principal on Capital Leases		171,510	
Principal on Other Loans		34,500	
Total Education			1,364,696

Interest on Debt

General Government

Interest on Notes	\$	6,358	
Interest on Other Loans		2,767	
Total General Government			9,125

Highways and Streets

Interest on Notes	\$	66,601	
Total Highways and Streets			66,601

Education

Interest on Bonds	\$	1,893,331	
Interest on Notes		30,528	
Interest on Capital Leases		2,973	
Total Education			1,926,832

Other Debt Service

General Government

Trustee's Commission	\$	32,375	
Other Charges		3,458	
Other Debt Service		6,375	
Total General Government			42,208

(Continued)

Exhibit K-7

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

<u>General Debt Service Fund (Cont.)</u>			
<u>Other Debt Service (Cont.)</u>			
<u>Education</u>			
Other Debt Service	\$	591	
Total Education			\$ 591
Total General Debt Service Fund			\$ 3,652,182
<u>Education Capital Projects Fund</u>			
<u>Capital Projects - Donated</u>			
<u>Capital Projects Donated to School Department</u>			
Contributions	\$	224,509	
Total Capital Projects Donated to School Department			\$ 224,509
Total Education Capital Projects Fund			224,509
Total Governmental Funds - Primary Government			<u>\$ 15,648,453</u>

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, 2013

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,618,724	
Career Ladder Program	98,880	
Career Ladder Extended Contracts	18,500	
Homebound Teachers	12,116	
Paraprofessionals	17,026	
Salary Supplements	4,340	
Secretary(ies)	8,758	
Educational Assistants	384,461	
Other Salaries and Wages	3,482	
Certified Substitute Teachers	5,470	
Non-certified Substitute Teachers	153,808	
Social Security	614,752	
State Retirement	889,967	
Life Insurance	11,900	
Medical Insurance	1,691,890	
Unemployment Compensation	69	
Employer Medicare	143,794	
Other Contracted Services	15,299	
Instructional Supplies and Materials	120,047	
Textbooks	453,496	
Other Supplies and Materials	8,008	
Other Charges	10,481	
Data Processing Equipment	73,924	
Regular Instruction Equipment	12,193	
Total Regular Instruction Program		\$ 14,371,385

Special Education Program

Teachers	\$ 1,184,286	
Career Ladder Program	13,000	
Career Ladder Extended Contracts	4,600	
Homebound Teachers	6,849	
Educational Assistants	230,986	
Speech Pathologist	95,778	
Other Salaries and Wages	11,997	
Certified Substitute Teachers	82	
Non-certified Substitute Teachers	22,550	
Social Security	91,194	
State Retirement	132,852	
Life Insurance	1,966	
Medical Insurance	266,435	
Employer Medicare	21,342	
Contracts with Private Agencies	59,456	
Evaluation and Testing	7,239	
Maintenance and Repair Services - Equipment	857	
Other Contracted Services	13,634	
Instructional Supplies and Materials	17,044	
Other Supplies and Materials	1,992	
Other Charges	2,708	
Special Education Equipment	7,143	
Total Special Education Program		2,193,990

(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.)

Vocational Education Program

Teachers	\$	532,683	
Career Ladder Program		2,000	
Non-certified Substitute Teachers		9,652	
Social Security		32,318	
State Retirement		46,463	
Life Insurance		640	
Medical Insurance		94,360	
Employer Medicare		7,570	
Instructional Supplies and Materials		28,359	
Total Vocational Education Program			\$ 754,045

Adult Education Program

Teachers	\$	28,204	
Social Security		1,504	
State Retirement		1,099	
Life Insurance		96	
Employer Medicare		409	
Communication		2,189	
Operating Lease Payments		1,800	
Travel		497	
Other Supplies and Materials		483	
Total Adult Education Program			36,281

Support Services

Health Services

Medical Personnel	\$	131,080	
Social Security		7,872	
State Retirement		10,534	
Life Insurance		264	
Medical Insurance		30,448	
Employer Medicare		1,863	
Travel		1,081	
Other Supplies and Materials		6,516	
Data Processing Equipment		1,378	
Total Health Services			191,036

Other Student Support

Supervisor/Director	\$	63,000	
Career Ladder Program		1,500	
Computer Programmer(s)		215,700	
Guidance Personnel		419,580	
Instructional Computer Personnel		64,935	
Mechanic(s)		92	
Secretary(ies)		17,700	
Clerical Personnel		22,822	
Educational Assistants		49,708	
Other Salaries and Wages		29,151	
Non-certified Substitute Teachers		550	
Social Security		51,515	

(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.)

State Retirement	\$	73,405	
Life Insurance		1,084	
Medical Insurance		159,285	
Employer Medicare		12,382	
Communication		1,870	
Evaluation and Testing		35,358	
Maintenance and Repair Services - Equipment		5,659	
Travel		9,508	
Other Contracted Services		131,142	
Gasoline		931	
Instructional Supplies and Materials		85,916	
Lubricants		35	
Vehicle Parts		125	
Other Supplies and Materials		63,639	
In Service/Staff Development		4,272	
Other Charges		400	
Data Processing Equipment		55,089	
Regular Instruction Equipment		1,425	
Total Other Student Support			\$ 1,577,778

Regular Instruction Program

Supervisor/Director	\$	1,158	
Career Ladder Program		3,000	
Librarians		235,995	
Secretary(ies)		760	
Social Security		14,393	
State Retirement		20,505	
Life Insurance		226	
Medical Insurance		41,388	
Employer Medicare		3,366	
Travel		9,241	
Library Books/Media		43,986	
Periodicals		498	
Other Supplies and Materials		1,835	
Other Charges		6,805	
Total Regular Instruction Program			383,156

Special Education Program

Supervisor/Director	\$	59,254	
Career Ladder Program		5,000	
Psychological Personnel		104,368	
Career Ladder Extended Contracts		800	
Secretary(ies)		34,940	
Social Security		11,161	
State Retirement		17,394	
Life Insurance		190	
Medical Insurance		30,844	
Employer Medicare		2,731	
Consultants		12,340	

(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.)

Travel	\$	13,000	
Other Contracted Services		117,765	
Other Supplies and Materials		681	
In Service/Staff Development		1,829	
Total Special Education Program			\$ 412,297

Vocational Education Program

Travel	\$	320	
Total Vocational Education Program			320

Adult Programs

Supervisor/Director	\$	52,855	
Other Salaries and Wages		41,714	
Social Security		5,671	
State Retirement		6,670	
Medical Insurance		8,663	
Employer Medicare		1,303	
Communication		13	
Refunds		20	
In Service/Staff Development		5,207	
Total Adult Programs			122,116

Other Programs

Salary Supplements	\$	181,373	
Social Security		10,844	
State Retirement		13,946	
Medical Insurance		20,542	
Employer Medicare		2,536	
On-Behalf Payments to OPEB		72,871	
Other Charges		5,088	
Total Other Programs			307,200

Board of Education

Board and Committee Members Fees	\$	42,800	
Social Security		2,654	
Employer Medicare		621	
Audit Services		7,350	
Dues and Memberships		9,128	
Legal Services		1,218	
Travel		21,770	
Other Contracted Services		15	
Liability Insurance		58,934	
Premiums on Corporate Surety Bonds		250	
Trustee's Commission		117,716	
Workers' Compensation Insurance		94,819	
Liability Claims		1,690	
Total Board of Education			358,965

(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.)

Director of Schools

County Official/Administrative Officer	\$	96,701	
Assistant(s)		78,546	
Supervisor/Director		64,709	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		4,600	
Materials Supervisor		27,386	
Paraprofessionals		4,379	
Mechanic(s)		61	
Secretary(ies)		54,773	
Social Security		20,055	
State Retirement		29,412	
Life Insurance		288	
Medical Insurance		42,302	
Employer Medicare		4,690	
Dues and Memberships		2,299	
Legal Notices, Recording, and Court Costs		1,195	
Postal Charges		3,285	
Travel		9,213	
Other Contracted Services		6,842	
Gasoline		3,201	
Lubricants		37	
Office Supplies		9,006	
Other Charges		529	
Total Director of Schools			\$ 468,509

Office of the Principal

Principals	\$	415,068	
Career Ladder Program		9,000	
Accountants/Bookkeepers		146,850	
Career Ladder Extended Contracts		1,200	
Assistant Principals		447,996	
Secretary(ies)		220,310	
Social Security		73,022	
State Retirement		106,604	
Life Insurance		1,340	
Medical Insurance		187,034	
Employer Medicare		15,162	
Communication		43,529	
Maintenance and Repair Services - Equipment		3,839	
Other Contracted Services		1,496	
Other Charges		420	
Total Office of the Principal			1,672,870

Operation of Plant

Custodial Personnel	\$	675,842
Social Security		40,872
State Retirement		45,827
Life Insurance		1,292
Medical Insurance		163,930

(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.)

Operation of Plant (Cont.)

Employer Medicare	\$	9,559	
Operating Lease Payments		15,168	
Maintenance and Repair Services - Equipment		2,313	
Rentals		5,364	
Other Contracted Services		41,937	
Custodial Supplies		48,544	
Electricity		891,205	
Natural Gas		165,919	
Water and Sewer		69,817	
Other Supplies and Materials		6,995	
Total Operation of Plant			\$ 2,184,584

Maintenance of Plant

Maintenance Personnel	\$	141,174	
Social Security		8,753	
State Retirement		12,452	
Employer Medicare		2,047	
Licenses		9,695	
Other Contracted Services		250,774	
Other Supplies and Materials		102,798	
Building and Contents Insurance		72,242	
In Service/Staff Development		4,350	
Other Equipment		5,923	
Total Maintenance of Plant			610,208

Transportation

Contracts with Parents	\$	24,479	
Total Transportation			24,479

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$	165,404	
Salary Supplements		4,000	
Bus Drivers		27,859	
Educational Assistants		75,260	
Other Salaries and Wages		10,402	
Non-certified Substitute Teachers		3,850	
Social Security		16,385	
State Retirement		22,545	
Life Insurance		384	
Medical Insurance		54,329	
Employer Medicare		3,832	
Other Fringe Benefits		1,955	
Travel		173	
Other Contracted Services		3,645	
Diesel Fuel		1,999	
Instructional Supplies and Materials		5,985	
Data Processing Equipment		752	
Total Early Childhood Education			398,759

(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.)

Capital Outlay

Regular Capital Outlay

Architects	\$ 12,393	
Other Equipment	267,509	
Total Regular Capital Outlay		\$ 279,902

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 511,450	
Total Education		511,450

Total General Purpose School Fund \$ 26,859,330

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 281,497	
Educational Assistants	161,952	
Other Salaries and Wages	261,733	
Certified Substitute Teachers	82	
Non-certified Substitute Teachers	4,125	
Social Security	39,316	
State Retirement	53,604	
Life Insurance	938	
Medical Insurance	126,891	
Unemployment Compensation	3,003	
Employer Medicare	9,886	
Other Fringe Benefits	2,529	
Instructional Supplies and Materials	83,821	
Total Regular Instruction Program		\$ 1,029,377

Special Education Program

Teachers	\$ 92,160	
Educational Assistants	483,403	
Non-certified Substitute Teachers	1,210	
Social Security	34,362	
State Retirement	48,794	
Life Insurance	1,308	
Medical Insurance	156,750	
Unemployment Compensation	2,695	
Employer Medicare	8,035	
Other Fringe Benefits	1,738	
Maintenance and Repair Services - Equipment	118	
Other Contracted Services	65	
Total Special Education Program		830,638

Vocational Education Program

Other Supplies and Materials	\$ 43,222	
Vocational Instruction Equipment	43,381	
Total Vocational Education Program		86,603

(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	\$	75,678	
Social Security		4,669	
State Retirement		6,463	
Life Insurance		32	
Medical Insurance		6,066	
Unemployment Compensation		139	
Employer Medicare		1,092	
Other Fringe Benefits		213	
Travel		4,119	
Other Contracted Services		700	
Other Equipment		840	
Total Other Student Support			\$ 100,011

Regular Instruction Program

Supervisor/Director	\$	69,598	
Secretary(ies)		27,386	
Other Salaries and Wages		372,289	
Non-certified Substitute Teachers		8,882	
Social Security		28,732	
State Retirement		41,643	
Life Insurance		454	
Medical Insurance		56,812	
Unemployment Compensation		1,097	
Employer Medicare		6,720	
Other Fringe Benefits		1,009	
Travel		26,322	
Other Contracted Services		631	
Other Supplies and Materials		986	
In Service/Staff Development		8,104	
Other Charges		6,946	
Other Equipment		619	
Total Regular Instruction Program			658,230

Special Education Program

Travel	\$	445	
Total Special Education Program			445

Vocational Education Program

Travel	\$	1,028	
Total Vocational Education Program			1,028

Transportation

Bus Drivers	\$	18,645	
Social Security		1,156	
State Retirement		1,346	
Unemployment Compensation		129	
Employer Medicare		270	
Other Fringe Benefits		441	
Diesel Fuel		2,362	
Total Transportation			24,349

Total School Federal Projects Fund \$ 2,730,681

(Continued)

Exhibit K-8

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

Central Cafeteria Fund

Operation of Non-Instructional Services

Food Service

Supervisor/Director	\$	59,957	
Clerical Personnel		51,263	
Cafeteria Personnel		641,571	
Social Security		45,524	
State Retirement		53,420	
Life Insurance		1,604	
Medical Insurance		194,124	
Employer Medicare		10,757	
Communication		1,486	
Dues and Memberships		787	
Licenses		1,900	
Maintenance and Repair Services - Equipment		23,559	
Travel		8,490	
Other Contracted Services		13,876	
Food Preparation Supplies		61,808	
Food Supplies		940,391	
USDA - Commodities		121,465	
Other Supplies and Materials		19,201	
Workers' Compensation Insurance		14,310	
Food Service Equipment		22,934	
Total Food Service			\$ 2,288,427

Total Central Cafeteria Fund \$ 2,288,427

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$	31,145	
Total Board of Education			\$ 31,145

Operation of Plant

Communication	\$	1,155	
Other Contracted Services		260	
Total Operation of Plant			1,415

Transportation

Supervisor/Director	\$	43,392	
Mechanic(s)		45,535	
Bus Drivers		734,644	
Secretary(ies)		27,388	
Other Salaries and Wages		45,102	
Social Security		54,435	
State Retirement		46,595	
Life Insurance		96	
Medical Insurance		12,431	
Unemployment Compensation		11	
Employer Medicare		12,991	
Medical and Dental Services		6,103	
Towing Services		1,561	

(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.)

Transportation (Cont.)

Travel	\$	1,639	
Other Contracted Services		197,930	
Diesel Fuel		277,559	
Gasoline		2,648	
Lubricants		10,538	
Tires and Tubes		37,920	
Vehicle Parts		59,048	
Other Supplies and Materials		1,116	
Vehicle and Equipment Insurance		60,026	
Other Charges		21,196	
Communication Equipment		22,118	
Total Transportation			\$ 1,722,022

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	51,798	
Total Education			51,798

Total School Transportation Fund \$ 1,806,380

Education Capital Projects Fund

Capital Outlay

Regular Capital Outlay

Other Charges	\$	70	
Transportation Equipment		331,980	
Total Regular Capital Outlay			\$ 332,050

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$	620,000	
Total Education			620,000

Capital Projects

Education Capital Projects

Accounting Services	\$	1,200	
Architects		174,956	
Legal Services		6,784	
Other Contracted Services		307,983	
Other Supplies and Materials		666	
Building Construction		16,261,764	
Data Processing Equipment		199,627	
Furniture and Fixtures		51,488	
Other Construction		850,225	
Total Education Capital Projects			17,854,693

Total Education Capital Projects Fund 18,806,743

Total Governmental Funds - Rhea County School Department \$ 52,491,561

Exhibit K-9

Rhea County, Tennessee
Schedule of Detailed Revenues and Expenses
Proprietary Fund
For the Year Ended June 30, 2013

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Revenues</u>	
<u>Charges for Current Services</u>	
<u>General Services Charges</u>	
Other General Service Charges	\$ 1,637,444
	<hr/>
Total Revenues	\$ 1,637,444
	<hr/> <hr/>
<u>Expenses</u>	
<u>General Government</u>	
Foremen	\$ 81,733
Secretary(ies)	26,713
Social Security	6,776
State Retirement	9,565
Life Insurance	144
Medical Insurance	23,881
Employer Medicare	1,585
Communication	6,197
Operating Lease Payments	1,044
Travel	21
Other Contracted Services	1,617
Custodial Supplies	1,046
Diesel Fuel	3,005
Electricity	14,311
Gasoline	35,515
Lubricants	3,407
Natural Gas	5,675
Office Supplies	1,508
Tires and Tubes	1,825
Uniforms	4,145
Vehicle Parts	4,487
Water and Sewer	220
Other Supplies and Materials	11,786
Building and Contents Insurance	6,728
Liability Insurance	2,090

(Continued)

Exhibit K-9

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

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Expenses (Cont.)</u>	
<u>General Government (Cont.)</u>	
Vehicle and Equipment Insurance	\$ 7,218
Workers' Compensation Insurance	18,893
Data Processing Equipment	3,032
Maintenance Equipment	688
Total General Government	<hr/> \$ 284,855 <hr/>
<u>Other Charges</u>	
Mechanic(s)	\$ 95,285
Social Security	5,882
State Retirement	8,404
Life Insurance	144
Medical Insurance	24,192
Employer Medicare	1,376
Towing Services	3,267
Other Contracted Services	47,255
Lubricants	14,354
Tires and Tubes	66,686
Vehicle Parts	100,259
Other Supplies and Materials	615
Total Other Charges	<hr/> \$ 367,719 <hr/>
<u>Miscellaneous</u>	
Maintenance Personnel	\$ 380,874
Social Security	23,363
State Retirement	33,355
Life Insurance	560
Medical Insurance	91,306
Unemployment Compensation	7,150
Employer Medicare	5,464
Other Contracted Services	226,569
Custodial Supplies	30,735
Other Supplies and Materials	185,494
Total Miscellaneous	<hr/> \$ 984,870 <hr/>
Total Expenses	<hr/> <hr/> \$ 1,637,444 <hr/> <hr/>

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, 2013

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 96,497	\$ 96,497
Trustee's Collections - Prior Years	0	14,596	14,596
Trustee's Collections - Bankruptcy Circuit/Clerk and Master Collections - Prior Years	0	106	106
Interest and Penalty	0	13,552	13,552
Payments in-Lieu-of Taxes - T.V.A	0	2,743	2,743
Payments in-Lieu-of Taxes - Local Utilities	0	197	197
Payments in-Lieu-of Taxes - Other	0	7,256	7,256
Local Option Sales Tax	0	503	503
Bank Excise Tax	3,096,400	552,416	3,648,816
Interstate Telecommunications Tax	0	1,907	1,907
Marriage Licenses	0	394	394
Cable TV Franchise	0	461	461
	0	37	37
Total Cash Receipts	\$ 3,096,400	\$ 690,665	\$ 3,787,065
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,065,436	\$ 695,192	\$ 3,760,628
Trustee's Commission	30,964	12,442	43,406
Total Cash Disbursements	\$ 3,096,400	\$ 707,634	\$ 3,804,034
Excess of Cash Receipts Over (Under)			
Cash Disbursements	\$ 0	\$ (16,969)	\$ (16,969)
Cash Balance, July 1, 2012	0	70,862	70,862
Cash Balance, June 30, 2013	\$ 0	\$ 53,893	\$ 53,893

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT 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***

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, 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, 2013, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements, and have issued our report thereon dated February 27, 2014. Our report includes a reference to other auditors who audited the financial statements of the Rhea Medical Center and the Rhea Emergency Communications District, 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 of the financial statements, we considered Rhea County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of Rhea County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider a deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness: 2013-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies: 2013-003, 2013-004, 2013-005, and 2013-008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rhea County's financial statements are free from 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: 2013-002, 2013-006, and 2013-007.

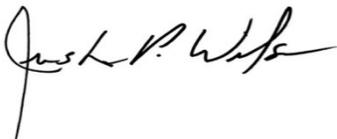
Rhea County's Responses to Findings

Rhea County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Rhea County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rhea County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 27, 2014

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditor's Report

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

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Rhea County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rhea County's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rhea County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Rhea County's compliance.

Opinion on Each Major Federal Program

In our opinion, Rhea County's complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Rhea County's is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rhea County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

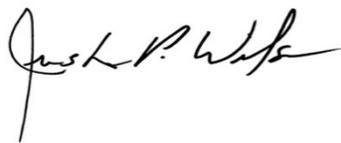
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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, 2013, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements. We issued our report thereon dated February 27, 2014, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

February 27, 2014

JPW/sb

Rhea County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1)
For the Year Ended June 30, 2013

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 121,465 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	430,908
National School Lunch Program	10.555	N/A	1,167,112 (3)
Total U.S. Department of Agriculture			<u>\$ 1,719,485</u>
U.S. Department of Housing and Urban Development:			
Passed-through State Department of Economic and Community Development:			
Community Development Block Grants/State's Program	14.228	GG-13-33684	\$ 49,778
Total U.S. Department of Housing and Urban Development			<u>\$ 49,778</u>
U.S. Department of Interior:			
Passed-through State Department of Environment and Conservation:			
Historic Preservation Fund Grants-In-Aid	15.904	N/A	\$ 798
Total U.S. Department of Interior			<u>\$ 798</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(4)	\$ 31,523
Total U.S. Department of Transportation			<u>\$ 31,523</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,025,915
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	905,919
Special Education - Preschool Grants	84.173	N/A	14,899
Career and Technical Education - Basic Grants to States	84.048	N/A	92,451
Rural Education	84.358	(2)	89,287
English Language Acquisition Grants	84.365	(2)	5,591
Improving Teacher Quality State Grants	84.367	(2)	158,882
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive			
Grants, Recovery Act	84.395	(2)	486,191
Education Jobs Fund	84.410	N/A	23,486
Passed-through State Department of Labor and Workforce Development:			
Adult Education - Basic Grants to States	84.002	(2)	124,811
Total U.S. Department of Education			<u>\$ 2,927,432</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(2)	\$ 2,074
Homeland Security Grant Program	97.067	EMW-2012-22-00107	9,548
Total U.S. Department of Homeland Security			<u>\$ 11,622</u>
Total Expenditures of Federal Awards			<u>\$ 4,740,638</u>

(Continued)

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

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Local Health Services - State Department of Health	N/A	GG-1339138	\$ 114,200
Juvenile Justice State Supplement Funds - State Commission on Children and Youth	N/A	(2)	9,000
Emergency Preparedness - State Department of Military	N/A	GG-1030613	51,359
Child Safety Seat Grant - State Department of Health	N/A	(2)	2,903
Certified Voting Equipment Grant - State Department of Elections	N/A	(2)	10,170
Tennessee Meth Task Force - Tennessee Bureau of Investigations	N/A	BU34800	339
Litter Program - State Department of Environment and Conservation	N/A	(2)	42,671
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	5,243
ConnecTenn - State Department of Education	N/A	(2)	13,881
Student Ticket Subsidy - Tennessee Arts Commission	N/A	(2)	420
Coordinated School Health Initiative - State Department of Education	N/A	(2)	89,600
Safe Schools Act - State Department of Education	N/A	(2)	9,695
Total State Grants			<u>\$ 349,481</u>

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

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Information not available.
- (3) Total for CFDA No. 10.555 is \$1,288,577.
- (4) Z-13-GHS258: \$21,707; DG-1234990: \$9,816.

Rhea County, Tennessee
Schedule of Audit Findings Not Corrected
June 30, 2013

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, 2012, which have not been corrected.

OFFICE OF FINANCE DIRECTOR

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.04	180	Some sheriff and circuit court clerk employees' time records were not signed by a supervisor

OFFICE OF CLERK AND MASTER

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.05	180	Multiple employees operated from the same cash drawer

OFFICE OF REGISTER OF DEEDS

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.06	181	Deficiencies were noted in the maintenance of accounting records

OFFICE OF SHERIFF

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
12.08	182	Some collections were not deposited within three days of receipt
12.09	182	The office did not prepare an annual financial report

**OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS
COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF**

Finding Number	Page Number	Subject
12.10	183	Duties were not segregated adequately

RHEA COUNTY, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

PART I, SUMMARY OF AUDITOR'S RESULTS

1. Our report on the financial statements of Rhea County is unmodified.
2. The audit of the financial statements of Rhea County disclosed significant deficiencies in internal control. One of these deficiencies was considered to be a material weakness.
3. The audit disclosed one instance of noncompliance that was material to the financial statements of Rhea County.
4. The audit disclosed no significant deficiency in internal control over major programs.
5. An unmodified opinion was issued on compliance for major programs.
6. The audit revealed no findings that are required to be reported under Section 510(a) of OMB Circular A-133.
7. The Child Nutrition Cluster: School Breakfast Program and National School Lunch Program (CFDA Nos. 10.553 and 10.555), the Special Education Cluster: Special Education – Grants to States and Special Education – Preschool Grants (CFDA Nos. 84.027 and 84.173), and the State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grant, Recovery Act (CFDA No. 84.395) 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 director of finance provided written responses on certain findings, which are paraphrased in this report. Other management officials did not provide responses for inclusion in this report.

OFFICE OF FINANCE DIRECTOR

FINDING 2013-001

THE EDUCATION CAPITAL PROJECTS FUND REQUIRED MATERIAL AUDIT ADJUSTMENTS FOR PROPER FINANCIAL STATEMENT PRESENTATION (Internal Control – Material Weakness Under *Government Auditing Standards*)

At June 30, 2013, certain general ledger account balances in the Education Capital Projects Fund were not materially correct. Audit adjustments totaling \$1,706,771, were required for the financial statements to be materially correct at year-end. Generally accepted accounting principles require Rhea County to have adequate internal controls over the maintenance of its accounting records. This material audit adjustment was required because the county's financial reporting system did not prevent, detect, or correct potential misstatements in the accounting records. It is a strong indicator of a material weakness in internal controls if the county has ineffective controls over the maintenance of its accounting records, which are used to prepare the financial statements, including the related notes to the financial statements. This deficiency is the result of management's failure to correctly post contract and retainage payables for the year-end. We presented audit adjustments to management that they approved and posted to properly present the financial statements in this report.

RECOMMENDATION

Rhea County should have appropriate processes in place to ensure that its general ledgers are materially correct.

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

I concur. The adjustments should have appeared on the closing entries for June 30, 2013. Going forward, management will pay special attention to year-end adjustments to prevent this error from recurring. This large amount is related to the new school building project and will not appear on next year's ending financial reports since all monies will be distributed before June 30, 2014.

FINDING 2013-002

COMPETITIVE BIDS WERE NOT SOLICITED FOR A BOILER AND LABOR TO INSTALL THE BOILER PURCHASED FOR THE HIGH SCHOOL

(Material Noncompliance Under *Government Auditing Standards*)

Competitive bids were not solicited for a boiler and the labor to install the boiler purchased for the high school totaling \$146,550. School Department purchasing procedures are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, *Tennessee Code Annotated*, which requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000. This deficiency exists because the director was informed that this vendor was a sole source provider. The failure to solicit competitive bids could result in the county paying more than the most competitive price.

RECOMMENDATION

Purchases exceeding \$10,000 should be competitively bid as required by state statute.

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

I feel as if this should not be a finding because this whole process of the Energy Efficiency Grant was handled by Townsend Engineering (selected by the state of Tennessee) in conjunction with the vendor (EMS), and we had no say so in the project other than inspection and disbursement of money when invoices were submitted. We were informed by Townsend that EMS would be considered a sole source provider. Rhea County was never given the opportunity to bid any materials that were used in this project.

AUDITOR'S COMMENT

School Department purchasing procedures are governed by purchasing laws applicable to the schools as set forth in Section 49-2-203, *Tennessee Code Annotated*, which requires competitive bids to be solicited through newspaper advertisement on all purchases exceeding \$10,000. Therefore, the county should have bid the project in compliance with the statute. No documentation was provided to support the vendor as a sole source purchase other than a recommendation by Townsend Engineering.

FINDING 2013-003

SOME SHERIFF, CIRCUIT COURT CLERK, AND CLERK AND MASTER EMPLOYEES' TIME RECORDS WERE NOT SIGNED BY A SUPERVISOR

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

In some instances, supervisors in the Offices of Sheriff, Circuit Court Clerk, and Clerk and Master did not sign employees' time records as evidence of review and approval. Also, no time records could be found for some employees in the Sheriff's Office. Sound business

practices dictate that payroll time records should be on hand and properly reviewed and approved. This deficiency is due to the failure of management to correct the finding noted in the prior-year audit report. If supervisors do not review and approve time records, risks increase that improper payments could result.

RECOMMENDATION

Supervisors should sign the employees' time records as evidence of review and approval, and time records should be available for audit inspection.

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

There is constant effort to have all non-exempt employees sign-in, sign-out, and have supervisors verify their hours. The County Commission in conjunction with the Purchase and Finance Committee is attempting to have all employees comply with wage and hour laws. They have pledged to even further their efforts toward compliance after being notified of this finding.

OFFICE OF CLERK AND MASTER

FINDING 2013-004

MULTIPLE EMPLOYEES OPERATED FROM THE SAME CASH DRAWER

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Multiple employees operated from the same cash drawer in the Office of Clerk and Master. Sound internal controls dictate that each employee have their own cash drawer, start the day with a standard fixed amount of cash, and remove all but that beginning amount at the end of each day. This amount should be verified to the employee's receipts at the end of each day. Failure to adhere to this control regimen greatly increases the risk that a cash shortage may not be detected in a timely manner. Furthermore, in the event of a cash shortage, the official would not be able to determine who was responsible for the shortage because multiple employees were working from one cash drawer. This deficiency has been a management decision resulting in a loss of control over assets. This deficiency can also be attributed to the failure of management to correct this finding noted in the prior-year audit report.

RECOMMENDATION

The clerk and master should assign each employee their own cash drawer.

OFFICE OF REGISTER OF DEEDS

FINDING 2013-005

DEFICIENCIES WERE NOTED IN THE MAINTENANCE OF ACCOUNTING RECORDS

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination disclosed the following deficiencies in the maintenance of accounting records. These deficiencies are considered significant deficiencies that increase the risk of fraud and abuse and the risk that errors will not be discovered and corrected in a timely manner. Also, these deficiencies are the result of management's failure to correct the finding noted in the prior-year audit report. Additional audit procedures were performed, and adjustments for errors were presented to the register for her approval to correctly reflect the financial statements in this report.

- A. The office did not reconcile bank statements with the cash journal during the fiscal year. Instead, the official only reviewed the monthly bank statements.
- B. The beginning balances for general ledger accounts were not posted in the cash journal. The official did not carry forward the ending balances from the prior fiscal year.
- C. The detailed listing of accounts receivable did not match the accounts receivable balance shown on the general ledger.

RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly, and any errors discovered should be corrected promptly. The fiscal year ending balances for all general ledger accounts should be carried forward to the next year. The detailed listing of accounts receivable should agree with the accounts receivable balance presented on the general ledger.

OFFICE OF SHERIFF

FINDING 2013-006

SOME COLLECTIONS WERE NOT DEPOSITED WITHIN THREE DAYS OF RECEIPT

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for obtaining reasonable assurance that funds were deposited to the bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*, we judgmentally selected the month of August to examine receipts and deposits. The office did not deposit funds to the bank account within three days of collection in 117 of 148 receipts issued during this month. This deficiency exists because management failed to correct the finding noted in the prior-year audit report. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation.

RECOMMENDATION

All collections should be deposited to the office bank account within three days of receipt.

FINDING 2013-007

THE OFFICE DID NOT PREPARE AN ANNUAL FINANCIAL REPORT

(Noncompliance Under *Government Auditing Standards*)

The office did not prepare an annual financial report. Section 5-8-505, *Tennessee Code Annotated*, states, “All appointive or elective county public officials, official county boards, committees and commissions ... having in their charge and custody public funds or moneys are required to file with the county executive and with the county clerk ... an annual financial report ...”. This deficiency is the result of management’s failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

The office should prepare an annual financial report as required by state statute.

OFFICES OF TRUSTEE, COUNTY CLERK, CIRCUIT AND GENERAL SESSIONS COURTS CLERK, CLERK AND MASTER, REGISTER OF DEEDS, AND SHERIFF

FINDING 2013-008

DUTIES WERE NOT SEGREGATED ADEQUATELY

(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 of Deeds, 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

Officials should segregate duties to the extent possible using available resources.

BEST PRACTICE

RHEA COUNTY SHOULD ESTABLISH AN AUDIT COMMITTEE

Rhea County does not have an Audit Committee. A resolution to establish the committee was approved by the County Commission and Comptroller of the Treasury in March 2013. However, an Audit Committee has not been appointed as of the date of this report. An Audit Committee should assist the County Commission by providing independent and objective reviews of the financial reporting process, internal controls, the audit function, and being responsible for monitoring management's plans to address various risks.

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

There were no findings and questioned costs for federal programs.

RHEA COUNTY, TENNESSEE
AUDITEE REPORTING RESPONSIBILITIES
For the Year Ended June 30, 2013

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