

# ANNUAL FINANCIAL REPORT

## RHEA COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2015



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT  
RHEA COUNTY, TENNESSEE  
FOR THE YEAR ENDED JUNE 30, 2015**

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

***DIVISION OF LOCAL GOVERNMENT AUDIT  
JAMES R. ARNETTE  
Director***

***STEVE REEDER, CPA, CGFM, CFE  
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***JESSICA COX, CPA, CGFM  
JENI PALADENI, CISA  
State Auditors***

This financial report is available at [www.comptroller.tn.gov](http://www.comptroller.tn.gov)

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# ***Summary of Audit Findings***

Annual Financial Report  
Rhea County, Tennessee  
For the Year Ended June 30, 2015

## ***Scope***

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2015.

## ***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***

The following are summaries of the audit findings:

### **OFFICE OF FINANCE DIRECTOR**

- ◆ The office had deficiencies related to time records.

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### **OFFICES OF FINANCE DIRECTOR AND DIRECTOR OF SCHOOLS**

- ◆ The School Department entered into a contract that was not properly approved.

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### **OFFICE OF TRUSTEE**

- ◆ All employees and other individuals have unsupervised access to the vault.

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### **OFFICE OF COUNTY CLERK**

- ◆ Deficiencies were noted in depositing and maintaining cash collections.
-

## **OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

- ◆ Some funds were not deposited within three days of collection.
- 

## **OFFICE OF REGISTER OF DEEDS**

- ◆ The office did not reconcile general ledger accounts with subsidiary records.
- 

## **OFFICE OF SHERIFF**

- ◆ Some funds were not deposited within three days of collection.
- 

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

- ◆ Duties were not segregated adequately.

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# INTRODUCTORY SECTION

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# Rhea County Officials

## June 30, 2015

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### **Officials**

George Thacker, County Executive  
Tommy Snyder, Highway Supervisor  
Jerry Levensgood, Director of Schools  
Neva Webb, Trustee  
Debbie Byrd, 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  
William Watson, Finance Director

### **Board of County Commissioners**

Harold Fisher, Chairman	Bill Hollin
Terry Broyles	Doyle Montgomery
Bill DaVault	Jim Reed
Emmaly Fisher	Tommy Smith
Caroline Housley	

### **Financial Management Committee**

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

### **Board of Education**

John Mincy, Chairman	Harold McCawley
Dale Harris	Benny McCoy
Carroll Henderson	Chip Pendergrass
Paul Hill	Dr. Henry Reid
Perry Massengill	

### **Audit Committee**

Jim Reed, Chairman	Walter Laughrey
Gary Bemm	Kelly Mickel
Brandon Germany	Tom Solomon
Bill Hollin	Bob Vincent
Caroline Housley	

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## **FINANCIAL SECTION**

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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 County, Tennessee, as of and for the year ended June 30, 2015, 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. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rhea Medical Center is based solely on the report of the other auditors. We were unable to determine Rhea County Medical Center's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Rhea County Emergency Communication District, a component unit requiring discrete presentation, was not included in the county's financial statements.

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 report 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, 2015, and the respective changes in financial position 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.

### ***Change in Accounting Principle***

As described in Note V.B., Rhea County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*; GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*; and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to these matters.

### ***Emphasis of Matter***

We draw attention to Note I.D.9. to the financial statements, which describes a restatement decreasing the beginning Governmental Activities net position by \$601,369 and the discretely presented Rhea County School Department's net position by \$5,744,994 on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to these matters.

## ***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 – schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefit plans on pages 103 - 109 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, based on our audit and the procedures performed as described above, 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 it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, 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

November 23, 2015

JPW/yu

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# BASIC FINANCIAL STATEMENTS

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Exhibit A

Rhea County, Tennessee  
Statement of Net Position  
June 30, 2015

	Primary Governmental Activities	Component Units	
		Rhea County School Department	Rhea Medical Center
<u>ASSETS</u>			
Cash	\$ 33,389	\$ 0	\$ 6,346,405
Equity in Pooled Cash and Investments	4,827,044	7,241,819	0
Investments - Current	0	0	6,125,668
Inventories	0	68,838	434,405
Accounts Receivable	139,668	2,592	4,626,549
Allowance for Uncollectible	0	0	(2,350,000)
Due from Other Governments	688,475	857,168	0
Due from Component Units	255,190	0	0
Property Taxes Receivable	8,967,268	4,462,679	0
Allowance for Uncollectible Property Taxes	(748,275)	(388,751)	0
Prepaid Items	0	0	93,471
Other Current Assets	0	0	181,967
Net Pension Asset - Agent Plan	511,918	640,738	307,881
Net Pension Asset - Cost-sharing Plan	0	64,551	0
Investments - Noncurrent	0	0	7,866,019
Other Noncurrent Assets	0	0	361,785
Assets Not Depreciated:			
Land	1,273,763	939,515	2,463,248
Construction in Progress	1,165	29,038,697	68,948
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,362,195	29,288,588	19,351,675
Infrastructure	2,566,352	0	0
Other Capital Assets	1,118,200	2,106,244	2,314,503
Total Assets	<u>\$ 21,996,352</u>	<u>\$ 74,322,678</u>	<u>\$ 48,192,524</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	\$ 94,599	\$ 0	\$ 0
Pension Changes in Experience	0	156,714	0
Pension Other Deferrals	0	137,475	0
Pension Contributions After Measurement Date	533,600	1,774,381	402,846
Total Deferred Outflows of Resources	<u>\$ 628,199</u>	<u>\$ 2,068,570</u>	<u>\$ 402,846</u>
<u>LIABILITIES</u>			
Accounts Payable	\$ 2,594	\$ 786	\$ 527,521
Accrued Payroll	0	0	572,800
Payroll Deductions Payable	80,876	520,655	0
Accrued Interest Payable	373,665	0	0
Due to Primary Government	0	255,190	0
Due to State of Tennessee	0	1,453	0
Due to Litigants, Heirs, and Others	4,482	0	0
Other Current Liabilities	0	0	3,031,246
Noncurrent Liabilities:			
Due Within One Year	2,160,381	82,257	830,000
Due in More Than One Year (net of unamortized premium on debt)	40,864,596	592,355	18,787,000
Total Liabilities	<u>\$ 43,486,594</u>	<u>\$ 1,452,696</u>	<u>\$ 23,748,567</u>

(Continued)

Exhibit A

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

	Primary Government Governmental Activities	<u>Component Units</u>	
		Rhea County School Department	Rhea Medical Center
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 8,000,041	\$ 3,955,573	\$ 0
Pension Changes in Experience	100,116	125,309	60,213
Pension Changes in Investment Earnings	1,029,939	6,607,702	619,433
Total Deferred Inflows of Resources	<u>\$ 9,130,096</u>	<u>\$ 10,688,584</u>	<u>\$ 679,646</u>
<u>NET ASSETS</u>			
Net Investment in Capital Assets	\$ 5,481,341	\$ 61,373,044	\$ 4,581,374
Restricted for:			
General Government	44,452	0	0
Finance	6,825	0	0
Administration of Justice	407,438	0	0
Public Safety	182,062	0	0
Public Health and Welfare	78,783	0	0
Highways/Public Works	693,398	0	0
Debt Service	1,132,566	0	0
Education	0	3,175,522	0
Other Purposes	511,918	0	0
Unrestricted	<u>(38,530,922)</u>	<u>(298,598)</u>	<u>19,585,783</u>
Total Net Position	<u>\$ (29,992,139)</u>	<u>\$ 64,249,968</u>	<u>\$ 24,167,157</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, 2015

Functions/Programs						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Program Revenues			Total Governmental Activities	Component Units		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Rhea County School Department	Rhea Medical Center	
Primary Government:								
Governmental Activities:								
General Government	\$ 2,720,061	\$ 1,400,243	\$ 175,653	\$ 0	\$ (1,144,165)	\$ 0	\$ 0	
Finance	1,264,949	723,722	0	0	(541,227)	0	0	
Administration of Justice	1,046,717	748,431	9,000	0	(289,286)	0	0	
Public Safety	4,386,671	98,984	497,303	16,148	(3,774,236)	0	0	
Public Health and Welfare	1,134,137	173,462	315,510	0	(645,165)	0	0	
Social, Cultural, and Recreational Services	253,164	0	182,330	0	(70,834)	0	0	
Agriculture and Natural Resources	159,433	0	0	0	(159,433)	0	0	
Highways/Public Works	1,732,347	15,585	1,637,276	3,349	(76,137)	0	0	
Education	270,000	0	0	2,192,872	1,922,872	0	0	
Interest on Long-term Debt	1,581,980	0	0	0	(1,581,980)	0	0	
<b>Total Primary Government</b>	<b>\$ 14,549,459</b>	<b>\$ 3,160,427</b>	<b>\$ 2,817,072</b>	<b>\$ 2,212,369</b>	<b>\$ (6,359,591)</b>	<b>\$ 0</b>	<b>\$ 0</b>	
Component Units:								
Rhea County School Department	\$ 36,047,466	\$ 451,147	\$ 5,285,478	\$ 270,000	\$ 0	\$ (30,040,841)	\$ 0	
Rhea Medical Center	19,157,081	21,385,551	7,606	0	0	0	2,236,076	
<b>Total Component Units</b>	<b>\$ 55,204,547</b>	<b>\$ 21,836,698</b>	<b>\$ 5,293,084</b>	<b>\$ 270,000</b>	<b>\$ 0</b>	<b>\$ (30,040,841)</b>	<b>\$ 2,236,076</b>	

(Continued)

Exhibit B

Rhea County, Tennessee  
Statement of Activities (Cont.)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	Component Units	
						Rhea County School Department	Rhea Medical Center
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 6,707,148	\$ 4,473,335	\$ 0
Property Taxes Levied for Debt Service					1,516,924	0	0
Local Option Sales Taxes					463,878	3,522,610	0
Hotel/Motel Tax					163,849	0	0
Litigation Tax - General					129,634	0	0
Litigation Tax - Jail, Workhouse, or Courthouse					75,349	0	0
Business Tax					273,615	0	0
Mineral Severance Tax					60,937	0	0
Wholesale Beer Tax					152,709	0	0
Other Local Taxes					1,075	12,776	0
Grants and Contributions Not Restricted to Specific Programs					369,273	23,697,958	0
Unrestricted Investment Earnings					8,157	1,615	78,511
Proceeds from Sale of Equipment					5,789	5,324	0
Miscellaneous					32,269	48,137	0
Pension Income					0	32,448	0
Total General Revenues					<u>\$ 9,960,606</u>	<u>\$ 31,794,203</u>	<u>\$ 78,511</u>
Change in Net Position							
Change in Net Position					\$ 3,601,015	\$ 1,753,362	\$ 2,314,587
Net Position, July 1, 2014					(32,991,785)	68,241,600	22,214,251
Restatement - See Note I.D.9.					(601,369)	(5,744,994)	0
Restatement - See Note VI.N.					0	0	(361,681)
Net Position, June 30, 2015					<u>\$ (29,992,139)</u>	<u>\$ 64,249,968</u>	<u>\$ 24,167,157</u>

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

Exhibit C-1

Rhea County, Tennessee  
Balance Sheet  
Governmental Funds  
June 30, 2015

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>ASSETS</u>					
Cash	\$ 100	\$ 0	\$ 0	\$ 33,289	\$ 33,389
Equity in Pooled Cash and Investments	2,772,535	456,437	1,379,963	218,049	4,826,984
Accounts Receivable	78,007	9,833	0	41,240	129,080
Due from Other Governments	269,542	313,713	85,926	19,294	688,475
Due from Other Funds	2,298	0	0	0	2,298
Property Taxes Receivable	7,057,436	234,978	1,674,854	0	8,967,268
Allowance for Uncollectible Property Taxes	(591,140)	(18,314)	(138,821)	0	(748,275)
Total Assets	\$ 9,588,778	\$ 996,647	\$ 3,001,922	\$ 311,872	\$ 13,899,219
<u>LIABILITIES</u>					
Accounts Payable	\$ 684	\$ 0	\$ 0	\$ 79	\$ 763
Payroll Deductions Payable	61,780	7,689	0	2,590	72,059
Due to Other Funds	0	0	0	2,298	2,298
Due to Litigants, Heirs, and Others	0	0	0	4,482	4,482
Total Liabilities	\$ 62,464	\$ 7,689	\$ 0	\$ 9,449	\$ 79,602
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Deferred Current Property Taxes	\$ 6,292,664	\$ 211,687	\$ 1,495,690	\$ 0	\$ 8,000,041
Deferred Delinquent Property Taxes	153,632	4,577	36,343	0	194,552
Other Deferred/Unavailable Revenue	46,403	153,216	39,200	4,385	243,204
Total Deferred Inflows of Resources	\$ 6,492,699	\$ 369,480	\$ 1,571,233	\$ 4,385	\$ 8,437,797

(Continued)

Exhibit C-1

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>FUND BALANCES</u>					
Restricted:					
Restricted for General Government	\$ 42,452	\$ 0	\$ 0	\$ 0	\$ 42,452
Restricted for Finance	6,825	0	0	0	6,825
Restricted for Administration of Justice	407,438	0	0	0	407,438
Restricted for Public Safety	182,062	0	0	0	182,062
Restricted for Public Health and Welfare	78,783	0	0	0	78,783
Restricted for Highways/Public Works	0	559,178	0	0	559,178
Restricted for Debt Service	0	0	1,430,689	0	1,430,689
Restricted for Other Purposes	2,000	0	0	0	2,000
Committed:					
Committed for Public Health and Welfare	97,419	0	0	206,966	304,385
Committed for Agriculture and Natural Resources	44,816	0	0	0	44,816
Assigned:					
Assigned for General Government	1,310	0	0	0	1,310
Assigned for Finance	0	0	0	31,339	31,339
Assigned for Administration of Justice	117,169	0	0	0	117,169
Assigned for Public Safety	174,013	0	0	53,966	227,979
Assigned for Other Purposes	169,245	60,300	0	5,767	235,312
Unassigned	1,710,083	0	0	0	1,710,083
Total Fund Balances	\$ 3,033,615	\$ 619,478	\$ 1,430,689	\$ 298,038	\$ 5,381,820
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,588,778	\$ 996,647	\$ 3,001,922	\$ 311,872	\$ 13,899,219

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, 2015

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)		\$	5,381,820
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds			
Add: land	\$	1,273,763	
Add: construction in progress		1,165	
Add: buildings and improvements net of accumulated depreciation		2,362,195	
Add: infrastructure net of accumulated depreciation		2,566,352	
Add: other capital assets net of accumulated depreciation		1,118,200	7,321,675
(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	\$	(2,807,261)	
Less: capital leases payable		(21,797)	
Less: other loans payable		(1,109,190)	
Less: bonds payable		(38,055,000)	
Less: deferred premium on debt issuances		(612,345)	
Less: compensated absences payable		(382,135)	
Less: other postemployment benefits liability		(37,249)	
Less: accrued interest on bonds and notes		(373,665)	
Add: deferred amount on refunding		94,599	
Add: debt to be contributed by the School Department		255,190	(43,048,853)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	533,600	
Less: deferred inflows of resources related to pensions		(1,130,055)	(596,455)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			511,918
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			437,756
Net position of governmental activities (Exhibit A)		\$	<u>(29,992,139)</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, 2015

	Major Funds			Nonmajor	Total
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
<u>Revenues</u>					
Local Taxes	\$ 6,943,827	\$ 374,352	\$ 2,023,133	\$ 426,324	\$ 9,767,636
Licenses and Permits	127,910	0	0	0	127,910
Fines, Forfeitures, and Penalties	283,445	0	0	37,068	320,513
Charges for Current Services	54,065	0	0	292,597	346,662
Other Local Revenues	369,132	15,485	8,157	68,307	461,081
Fees Received from County Officials	1,160,085	0	0	0	1,160,085
State of Tennessee	735,230	1,614,466	0	39,681	2,389,377
Federal Government	67,619	0	0	182,330	249,949
Other Governments and Citizens Groups	230,339	0	2,192,872	12,375	2,435,586
Total Revenues	\$ 9,971,652	\$ 2,004,303	\$ 4,224,162	\$ 1,058,682	\$ 17,258,799
<u>Expenditures</u>					
Current:					
General Government	\$ 1,525,232	\$ 0	\$ 0	\$ 0	\$ 1,525,232
Finance	1,142,113	0	0	184,538	1,326,651
Administration of Justice	1,100,360	0	0	1,475	1,101,835
Public Safety	4,433,155	0	0	20,688	4,453,843
Public Health and Welfare	380,734	0	0	712,139	1,092,873
Agriculture and Natural Resources	161,173	0	0	0	161,173
Other Operations	470,777	0	0	194,746	665,523
Highways	0	1,606,840	0	0	1,606,840
Debt Service:					
Principal on Debt	0	0	1,944,499	0	1,944,499
Interest on Debt	0	0	1,598,406	0	1,598,406
Other Debt Service	0	0	46,301	0	46,301
Capital Projects - Donated	0	0	0	270,000	270,000
Total Expenditures	\$ 9,213,544	\$ 1,606,840	\$ 3,589,206	\$ 1,383,586	\$ 15,793,176

(Continued)

Exhibit C-3

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

	Major Funds			Nonmajor Funds	Total Governmental Funds
	General	Highway / Public Works	General Debt Service	Other Govern- mental Funds	
Excess (Deficiency) of Revenues Over Expenditures	\$ 758,108	\$ 397,463	\$ 634,956	\$ (324,904)	\$ 1,465,623
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 390,000	\$ 390,000
Capital Leases Issued	21,797	0	0	0	21,797
Proceeds from Sale of Capital Assets	0	18,950	0	0	18,950
Insurance Recovery	28,919	0	0	229	29,148
Transfers In	5,000	0	354,432	0	359,432
Transfers Out	(69,373)	(285,059)	0	(5,000)	(359,432)
Total Other Financing Sources (Uses)	\$ (13,657)	\$ (266,109)	\$ 354,432	\$ 385,229	\$ 459,895
Net Change in Fund Balances	\$ 744,451	\$ 131,354	\$ 989,388	\$ 60,325	\$ 1,925,518
Fund Balance, July 1, 2014	2,289,164	488,124	441,301	237,713	3,456,302
Fund Balance, June 30, 2015	\$ 3,033,615	\$ 619,478	\$ 1,430,689	\$ 298,038	\$ 5,381,820

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, 2015

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)		\$ 1,925,518
(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	\$ 350,652	
Less: current-year depreciation expense	<u>(470,991)</u>	(120,339)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.		
Less: book value of capital assets disposed		(162,400)
(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, 2015	\$ 437,756	
Less: deferred delinquent property taxes and other deferred June 30, 2014	<u>(446,360)</u>	(8,604)
(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	\$ (390,000)	
Less: capital lease proceeds	(21,797)	
Less: contributions from School Department other loans	(19,632)	
Less: change in deferred amount on refunding	(43,425)	
Add: change in premium on debt issuances	38,327	
Add: principal payments on notes	534,367	
Add: principal payments on other loans	100,132	
Add: principal payments on bonds	<u>1,310,000</u>	1,507,972
(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 accrued interest payable	\$ 16,426	
Change in compensated absences payable	(37,141)	
Change in net pension liability/asset	1,113,287	
Change in deferred outflows related to pensions	533,600	
Change in deferred inflows related to pensions	(1,130,055)	
Change in other postemployment benefits liability	<u>(37,249)</u>	458,868
Change in net position of governmental activities (Exhibit B)		<u>\$ 3,601,015</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 and Budget  
General Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 6,943,827	\$ 6,316,710	\$ 6,456,110	\$ 487,717
Licenses and Permits	127,910	126,050	126,150	1,760
Fines, Forfeitures, and Penalties	283,445	217,800	223,000	60,445
Charges for Current Services	54,065	56,850	56,850	(2,785)
Other Local Revenues	369,132	339,325	363,611	5,521
Fees Received from County Officials	1,160,085	1,236,435	1,056,807	103,278
State of Tennessee	735,230	226,500	592,168	143,062
Federal Government	67,619	0	78,977	(11,358)
Other Governments and Citizens Groups	230,339	218,000	219,434	10,905
<b>Total Revenues</b>	<b>\$ 9,971,652</b>	<b>\$ 8,737,670</b>	<b>\$ 9,173,107</b>	<b>\$ 798,545</b>
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 106,953	\$ 130,305	\$ 130,305	\$ 23,352
Board of Equalization	2,046	2,262	2,262	216
Other Boards and Committees	3,998	7,021	7,021	3,023
County Mayor/Executive	143,430	163,548	163,548	20,118
County Attorney	17,160	17,450	17,450	290
Election Commission	194,412	232,159	232,159	37,747
Register of Deeds	185,138	188,472	192,340	7,202
Planning	9,250	9,250	9,250	0
Building	20,354	24,000	24,100	3,746
County Buildings	841,091	950,602	956,202	115,111
Other General Administration	1,400	0	1,400	0
<u>Finance</u>				
Accounting and Budgeting	543,972	555,269	558,005	14,033
Property Assessor's Office	311,638	315,888	316,063	4,425
County Trustee's Office	59,935	208,129	60,627	692
County Clerk's Office	226,568	325,786	293,660	67,092
<u>Administration of Justice</u>				
Circuit Court	273,639	301,960	298,460	24,821
General Sessions Court	191,052	198,964	202,464	11,412
General Sessions Judge	307,872	307,334	322,218	14,346
Drug Court	7,713	7,900	7,900	187
Chancery Court	269,355	271,146	271,146	1,791
Courtroom Security	50,729	58,441	58,441	7,712
<u>Public Safety</u>				
Sheriff's Department	1,992,624	1,977,292	2,070,975	78,351
Administration of the Sexual Offender Registry	2,609	3,200	5,200	2,591
Jail	1,000,920	1,044,727	1,063,187	62,267
Juvenile Services	214,176	215,050	215,050	874
Fire Prevention and Control	266,752	327,614	385,359	118,607
Civil Defense	49,167	50	64,495	15,328
Rescue Squad	23,831	31,000	31,000	7,169
County Coroner/Medical Examiner	43,300	29,000	54,800	11,500
Public Safety Grants Program	36,607	0	47,826	11,219
Other Public Safety	803,169	914,220	937,106	133,937

(Continued)

## Exhibit C-5

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

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Expenditures (Cont.)</u>				
<u>Public Health and Welfare</u>				
Local Health Center	\$ 262,068	\$ 88,098	\$ 393,101	\$ 131,033
Rabies and Animal Control	66,305	72,765	77,756	11,451
Crippled Children Services	2,072	2,072	2,072	0
Other Waste Disposal	48,759	47,000	48,759	0
Other Public Health and Welfare	1,530	0	29,357	27,827
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	123,380	127,412	127,412	4,032
Soil Conservation	37,793	41,031	41,031	3,238
<u>Other Operations</u>				
Other Economic and Community Development	98,219	58,000	98,219	0
Veterans' Services	103,357	105,940	105,721	2,364
Other Charges	169,177	133,959	183,848	14,671
Contributions to Other Agencies	50,500	51,500	51,500	1,000
Employee Benefits	49,524	49,413	49,524	0
<u>Capital Projects</u>				
Administration of Justice Projects	0	0	20,000	20,000
Total Expenditures	<u>\$ 9,213,544</u>	<u>\$ 9,595,229</u>	<u>\$ 10,228,319</u>	<u>\$ 1,014,775</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 758,108</u>	<u>\$ (857,559)</u>	<u>\$ (1,055,212)</u>	<u>\$ 1,813,320</u>
<u>Other Financing Sources (Uses)</u>				
Capital Leases Issued	\$ 21,797	\$ 0	\$ 21,797	\$ 0
Insurance Recovery	28,919	0	842	28,077
Transfers In	5,000	0	5,000	0
Transfers Out	(69,373)	0	(69,374)	1
Total Other Financing Sources	<u>\$ (13,657)</u>	<u>\$ 0</u>	<u>\$ (41,735)</u>	<u>\$ 28,078</u>
Net Change in Fund Balance	\$ 744,451	\$ (857,559)	\$ (1,096,947)	\$ 1,841,398
Fund Balance, July 1, 2014	<u>2,289,164</u>	<u>2,324,777</u>	<u>2,324,777</u>	<u>(35,613)</u>
Fund Balance, June 30, 2015	<u>\$ 3,033,615</u>	<u>\$ 1,467,218</u>	<u>\$ 1,227,830</u>	<u>\$ 1,805,785</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 374,352	\$ 334,878	\$ 334,878	\$ 39,474
Other Local Revenues	15,485	10,000	10,000	5,485
State of Tennessee	1,614,466	1,968,952	1,970,252	(355,786)
Total Revenues	<u>\$ 2,004,303</u>	<u>\$ 2,313,830</u>	<u>\$ 2,315,130</u>	<u>\$ (310,827)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 244,582	\$ 246,634	\$ 253,464	\$ 8,882
Highway and Bridge Maintenance	914,414	980,273	982,348	67,934
Operation and Maintenance of Equipment	216,592	228,093	228,093	11,501
Other Charges	72,532	67,710	72,710	178
Employee Benefits	36,980	40,056	38,056	1,076
Capital Outlay	121,740	440,000	535,373	413,633
Total Expenditures	<u>\$ 1,606,840</u>	<u>\$ 2,002,766</u>	<u>\$ 2,110,044</u>	<u>\$ 503,204</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 397,463</u>	<u>\$ 311,064</u>	<u>\$ 205,086</u>	<u>\$ 192,377</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Assets	\$ 18,950	\$ 0	\$ 0	\$ 18,950
Transfers Out	(285,059)	(285,060)	(285,060)	1
Total Other Financing Sources	<u>\$ (266,109)</u>	<u>\$ (285,060)</u>	<u>\$ (285,060)</u>	<u>\$ 18,951</u>
Net Change in Fund Balance	\$ 131,354	\$ 26,004	\$ (79,974)	\$ 211,328
Fund Balance, July 1, 2014	488,124	488,124	488,124	0
Fund Balance, June 30, 2015	<u>\$ 619,478</u>	<u>\$ 514,128</u>	<u>\$ 408,150</u>	<u>\$ 211,328</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, 2015

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$          60
Accounts Receivable	<u>10,588</u>
Total Assets	<u>\$      10,648</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$         1,831
Payroll Deductions Payable	<u>8,817</u>
Total Liabilities	<u>\$      10,648</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, 2015

	Governmental Activities - Internal Service Fund <hr/> Central Maintenance/ Garage <hr/>
<u>Operating Revenues</u>	
Charges for Current Services	\$ 1,642,967
Total Operating Revenues	<u>\$ 1,642,967</u>
<u>Operating Expenses</u>	
<u>General Government</u>	
<u>Other Facilities</u>	
Foremen	\$ 84,185
Secretary(ies)	27,514
Social Security	6,983
Pensions	10,555
Life Insurance	144
Medical Insurance	19,586
Employer Medicare	1,633
Other Fringe Benefits	139
Communication	9,064
Operating Lease Payments	984
Towing Services	75
Travel	70
Other Contracted Services	2,906
Custodial Supplies	497
Diesel Fuel	4,009
Electricity	14,889
Gasoline	21,499
Lubricants	3,537
Natural Gas	7,079
Office Supplies	1,291
Tires and Tubes	2,154
Uniforms	3,306
Vehicle Parts	3,221
Water and Sewer	147
Other Supplies and Materials	13,672
Building and Contents Insurance	7,357
Liability Insurance	2,277
Vehicle and Equipment Insurance	7,883
Workers' Compensation Insurance	21,961
Maintenance Equipment	4,000
Motor Vehicles	33,485
Total Other Facilities	<u>\$ 316,102</u>

(Continued)

Exhibit D-2

Rhea County, Tennessee  
Statement of Revenues, Expenses, and  
Changes in Net Position  
Proprietary Fund (Cont.)

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
<u>Other Operations</u>	
<u>Other Charges</u>	
Mechanic(s)	\$ 90,353
Social Security	5,579
Pensions	8,539
Life Insurance	144
Medical Insurance	19,028
Employer Medicare	1,305
Towing Services	3,925
Other Contracted Services	37,140
Lubricants	17,418
Tires and Tubes	60,178
Vehicle Parts	117,734
Other Supplies and Materials	551
Total Other Charges	<u>\$ 361,894</u>
<u>Miscellaneous</u>	
Maintenance Personnel	\$ 384,227
Social Security	23,499
Pensions	35,680
Life Insurance	580
Medical Insurance	79,457
Employer Medicare	5,496
Other Fringe Benefits	3,184
Other Contracted Services	272,198
Custodial Supplies	34,082
Other Supplies and Materials	126,568
Total Miscellaneous	<u>\$ 964,971</u>
Total Operating Expenses	<u>\$ 1,642,967</u>
Operating Income (Loss)	<u>\$ 0</u>
Change in Net Position	\$ 0
Net Position, July 1, 2014	<u>0</u>
Net Position, June 30, 2015	<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, 2015

	Governmental Activities - Internal Service Fund
	<u>Central Maintenance/ Garage</u>
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 1,636,566
Central Maintenance Garage Activity - Uses	(1,644,289)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (7,723)</u>
Net Increase (Decrease) in Cash	\$ (7,723)
Cash, July 1, 2014	<u>7,783</u>
Cash, June 30, 2015	<u><u>\$ 60</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 Accounts Receivable	(10,588)
(Increase) Decrease in Due from Other Funds	1,406
(Increase) Decrease in Due from Component Units	2,781
Increase (Decrease) in Accounts Payable	(2,356)
Increase (Decrease) in Payroll Deductions Payable	<u>1,034</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (7,723)</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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,367,152
Equity in Pooled Cash and Investments	90,614
Due from Other Governments	747,418
Taxes Receivable	436,206
Allowance for Uncollectible Taxes	<u>(35,734)</u>
Total Assets	<u>\$ 2,605,656</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 1,208,144
Due to Litigants, Heirs, and Others	<u>1,397,512</u>
Total Liabilities	<u>\$ 2,605,656</u>

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

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**RHEA COUNTY, TENNESSEE**  
**Index of Notes to the Financial Statements**

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**RHEA COUNTY, TENNESSEE**  
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**RHEA COUNTY, TENNESSEE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Year Ended June 30, 2015**

**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 financial statements of the Rhea County Emergency Communications District were not available from other auditors in time for inclusion in this report; however, in our opinion, this omission is not material to the aggregate discretely presented component units' opinion unit.

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

Administrative Offices:

Rhea Medical Center  
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 \$270,000 were contributed by the county to the School Department during the year ended June 30, 2015.

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

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

**Agency Funds** – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Rhea County, 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.

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

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

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

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 4.19 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.

## 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 \$10,000 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. Deferred outflows of resources represent 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 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 items are for pension changes in experience, changes in proportionate share of contributions, employer contributions made to the pension plan after the measurement date, and the deferred charge on refunding.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent 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 items are from the following sources: current and delinquent property taxes, pension changes in experience, and pension changes in investment earnings. 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. A county employee may accumulate up to 20 days vacation leave. Any outstanding balance over 20 days will be credited towards the employees sick leave balance. A county Highway Department employee may accumulate up to 120 hours vacation leave. Any outstanding balance over 120 hours is paid to the employee on the last check in June. 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 Other Purposes for the primary government consists of pension obligations.

As of June 30, 2015, Rhea County had \$40,152,914 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**

In prior years, the government was not required to recognize a liability for its defined benefit pension plans. However, with the implementation of GASB Statement No. 68, government employers are required to recognize a net pension liability in their Statement of Net Position. Therefore, a restatement decreasing Rhea County's and the Rhea County School Department's beginning net position has been recognized on the Statement of Activities by \$601,369 and \$5,744,994, respectively.

**E. Pension Plans**

**Primary Government**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Rhea County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Rhea County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

**Discretely Presented Rhea County School Department**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

**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**

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, 2015.

**B. Capital Assets**

Capital assets activity for the year ended June 30, 2015, was as follows:

**Primary Government**

**Governmental Activities:**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 1,393,763	\$ 0	\$ (120,000)	\$ 1,273,763
Construction in Progress	457,629	4,186	(460,650)	1,165
Total Capital Assets Not Depreciated	\$ 1,851,392	\$ 4,186	\$ (580,650)	\$ 1,274,928

**Governmental Activities (Cont.):**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Depreciated:				
Buildings and				
Improvements	\$ 3,208,081	\$ 38,020	\$ 0	\$ 3,246,101
Infrastructure	11,880,767	460,650	(14,424)	12,326,993
Other Capital Assets	3,748,950	308,446	(222,476)	3,834,920
Total Capital Assets				
Depreciated	<u>\$ 18,837,798</u>	<u>\$ 807,116</u>	<u>\$ (236,900)</u>	<u>\$ 19,408,014</u>
Less Accumulated				
Depreciation For:				
Buildings and				
Improvements	\$ 843,425	\$ 40,481	\$ 0	\$ 883,906
Infrastructure	9,557,383	216,240	(12,982)	9,760,641
Others Capital Assets	2,683,968	214,270	(181,518)	2,716,720
Total Accumulated				
Depreciation	<u>\$ 13,084,776</u>	<u>\$ 470,991</u>	<u>\$ (194,500)</u>	<u>\$ 13,361,267</u>
Total Capital Assets				
Depreciated, Net	<u>\$ 5,753,022</u>	<u>\$ 336,125</u>	<u>\$ (42,400)</u>	<u>\$ 6,046,747</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 7,604,414</u>	<u>\$ 340,311</u>	<u>\$ (623,050)</u>	<u>\$ 7,321,675</u>

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

**Governmental Activities:**

General Government	\$ 48,302
Finance	4,423
Public Safety	117,378
Public Health and Welfare	23,718
Highways/Public Works	<u>277,170</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 470,991</u>

**Discretely Presented Rhea County School Department**

**Governmental Activities:**

	Balance 7-1-14	Increases	Decreases	Balance 6-30-15
Capital Assets Not Depreciated:				
Land	\$ 939,515	\$ 0	\$ 0	\$ 939,515
Construction in Progress	31,803,312	33,810	(2,798,425)	29,038,697
Total Capital Assets Not Depreciated	<u>\$ 32,742,827</u>	<u>\$ 33,810</u>	<u>\$ (2,798,425)</u>	<u>\$ 29,978,212</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 37,374,429	\$ 2,831,942	\$ 0	\$ 40,206,371
Other Capital Assets	5,477,805	279,274	(105,974)	5,651,105
Total Capital Assets Depreciated	<u>\$ 42,852,234</u>	<u>\$ 3,111,216</u>	<u>\$ (105,974)</u>	<u>\$ 45,857,476</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 10,351,710	\$ 566,073	\$ 0	\$ 10,917,783
Others Capital Assets	3,359,275	280,963	(95,377)	3,544,861
Total Accumulated Depreciation	<u>\$ 13,710,985</u>	<u>\$ 847,036</u>	<u>\$ (95,377)</u>	<u>\$ 14,462,644</u>
Total Capital Assets Depreciated, Net	<u>\$ 29,141,249</u>	<u>\$ 2,264,180</u>	<u>\$ (10,597)</u>	<u>\$ 31,394,832</u>
Governmental Activities Capital Assets, Net	<u>\$ 61,884,076</u>	<u>\$ 2,297,990</u>	<u>\$ (2,809,022)</u>	<u>\$ 61,373,044</u>

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

**Governmental Activities:**

Instruction	\$ 428,790
Support Services	403,352
Operation of Non-instructional Services	<u>14,894</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 847,036</u></u>

**C. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2015, was as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 2,298

This balance 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:**

Receivable Fund	Payable Fund	Amount
Primary Government		
	Component Unit: School Department	\$ 255,190

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

**Interfund Transfers:**

Interfund transfers for the year ended June 30, 2015, consisted of the following amounts:

**Primary Government**

Transfers Out	Transfers In	
	General Fund	General Debt Service Fund
General Fund	\$ 0	\$ 69,373
Highway/Public Works Fund	0	285,059
Nonmajor governmental fund	5,000	0
<b>Total</b>	<b>\$ 5,000</b>	<b>\$ 354,432</b>

**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.

**D. 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, 2015, were \$13,497 for the governmental funds. There are no provisions for contingent or sublease rentals in the agreements. The future minimum lease payments for these leases are as follows:

Year Ending June 30	Amount
2016	\$ 19,020
2017	19,020
2018	11,820
2019	11,820
2020	11,820
2021-2025	58,115
Total	\$ 131,615

**E. Capital Lease**

On January 15, 2015, Rhea County entered into a four-year lease-purchase agreement for radios for the Sheriff's Department. The terms of the agreement require total lease payments of \$21,797 plus interest of 5.75 percent. Title to the radios transferred to the county immediately upon acceptance of each radio. The General Debt Service Fund is making the lease payments. In the government-wide financial statements, the radios were expensed in the year of acquisition because those items did not meet criteria of the county's capitalization policy.

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2015, were as follows:

Year Ending June 30	Governmental Funds
2016	\$ 6,254
2017	6,254
2018	6,254
2019	6,254
Total Minimum Lease Payments	\$ 25,016
Less: Amount Representing Interest	(3,219)
Present Value of Minimum Lease Payments	<u>\$ 21,797</u>

**F. Long-term Obligations**

**Primary Government**

**General Obligation Bonds, Notes, and Other Loans**

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 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, capital outlay notes, and other loans included in long-term debt as of June 30, 2015, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital lease outstanding as of June 30, 2015, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-15
General Obligation Bond - General Obligation Bonds - Refunding	2 to 4.25%	2-1-34	\$ 33,000,000	\$ 32,725,000
Capital Outlay Notes	3.375 to 4	4-1-23	9,795,000	5,330,000
Other Loans	1.5 to 4.17	6-20-22	4,440,534	2,807,261
Other Loans	0	11-1-21	792,322	462,190
Other Loans	various	5-25-26	1,000,000	647,000
Capital Lease	5.75	1-15-19	21,797	21,797

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, 2015, the variable interest rate was .26 percent and other fees totaled approximately .536 percent (letter of credit), .075 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 borrowed \$274,822. The loan is repayable at zero percent interest.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2015, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
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
2021-2025	8,800,000	5,425,899	14,225,899
2026-2030	10,750,000	3,729,220	14,479,220
2031-2034	11,250,000	1,202,876	12,452,876
Total	<u>\$ 38,055,000</u>	<u>\$ 17,136,952</u>	<u>\$ 55,191,952</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 545,245	\$ 80,730	\$ 625,975
2017	464,195	64,853	529,048
2018	475,217	51,250	526,467
2019	455,314	37,306	492,620
2020	358,486	24,700	383,186
2021-2022	508,804	15,284	524,088
Total	<u>\$ 2,807,261</u>	<u>\$ 274,123</u>	<u>\$ 3,081,384</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 121,764	\$ 1,682	\$ 4,973	\$ 128,419
2017	123,764	1,557	4,680	130,001
2018	125,764	1,427	4,374	131,565
2019	127,764	1,292	4,057	133,113
2020	129,764	1,152	3,727	134,643
2021-2025	409,370	3,453	13,214	426,037
2026	71,000	185	1,454	72,639
Total	<u>\$ 1,109,190</u>	<u>\$ 10,748</u>	<u>\$ 36,479</u>	<u>\$ 1,156,417</u>

There is \$1,430,689 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital lease totaled \$1,320, based on the 2010 federal census.

The School Department is currently contributing funds to service 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.

<u>Description of Indebtedness</u>	<u>Outstanding 6-30-15</u>
<u>Other Loan Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficiency Loan Program	\$ 255,190

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2015, was as follows:

Governmental Activities:

	<u>Bonds</u>	<u>Notes</u>	<u>Capital Lease</u>
Balance, July 1, 2014	\$ 39,365,000	\$ 2,951,628	\$ 0
Additions	0	390,000	21,797
Reductions	(1,310,000)	(534,367)	0
Balance, June 30, 2015	<u>\$ 38,055,000</u>	<u>\$ 2,807,261</u>	<u>\$ 21,797</u>
Balance Due Within One Year	<u>\$ 1,345,000</u>	<u>\$ 545,245</u>	<u>\$ 5,001</u>

	<u>Other Loans</u>	<u>Compensated Absences</u>	<u>Other Postemployment Benefits</u>
Balance, July 1, 2014	\$ 1,209,322	\$ 344,994	\$ 0
Additions	0	228,756	40,588
Reductions	(100,132)	(191,615)	(3,339)
Balance, June 30, 2015	<u>\$ 1,109,190</u>	<u>\$ 382,135</u>	<u>\$ 37,249</u>
Balance Due Within One Year	<u>\$ 121,764</u>	<u>\$ 143,371</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 42,412,632
Less: Balance Due Within One Year	(2,160,381)
Add: Unamortized Premium on Debt	<u>612,345</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 40,864,596</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, 2015, was as follows:

	Compensated Absences	Other Postemployment Benefits
Balance, July 1, 2014	\$ 398,400	\$ 385,317
Additions	142,388	205,397
Reductions	<u>(159,504)</u>	<u>(297,386)</u>
Balance, June 30, 2015	<u>\$ 381,284</u>	<u>\$ 293,328</u>
Balance Due Within One Year	<u>\$ 82,257</u>	<u>\$ 0</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2015	\$ 674,612
Less: Balance Due Within One Year	<u>(82,257)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 592,355</u>

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

**G. On-Behalf Payments**

**Primary Government**

The State of Tennessee pays health insurance premiums for retired employees on-behalf of Rhea County. These payments are made by the state to the Medicare Supplement Plan. This plan is administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Medicare Supplement Plan for the year ended June 30, 2015, were \$1,400. The county has recognized these on-behalf payments as revenues and expenditures in the General Fund.

**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, 2015, were \$65,771 and \$26,425, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

**H. Short-term Debt**

Rhea County issued tax anticipation notes of \$578,836 from the General Purpose School Fund in advance of property tax collections and deposited the proceeds in the General Fund (\$262,040) and the School Transportation Fund (\$316,796). 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, 2015, was as follows:

	Balance			Balance
	7-1-14	Issued	Paid	6-30-15
Tax Anticipation Note	\$ 0	\$ 578,836	\$ (578,836)	\$ 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 a commercial health insurance plan for its employees. Rhea County's plan was administered by Blue Cross/Blue Shield. As of June 30, 2015, settled claims have not exceeded this commercial insurance.

### **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, *Tennessee Code Annotated (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. 68, *Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27*; Statement No. 69, *Government Combinations and Disposals of Government Operations*; and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68* became effective for the year ended June 30, 2015.

GASB Statement No. 68, replaces the requirements of Statements No. 27 and No. 50 as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this statement. This statement establishes standards for measuring and recognizing liabilities, deferred outflows/inflows, and expenses/expenditures.

GASB Statement No. 69, establishes accounting and financial reporting standards related to government combinations and disposals of government operations such as mergers, acquisitions, and transfer of operations.

GASB Statement No. 71, addresses issues related to amounts of contributions made by a state or local government employer or nonemployer contributing

entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

**C. Subsequent Event**

On July 7, 2015, Rhea County issued a \$2,000,000 capital outlay note for an energy savings project for the School Department.

**D. Contingent Liabilities**

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

**E. Financial Guarantees**

Rhea County is contingently liable for a loan agreement of the Rhea 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 (.83 percent at June 30, 2015). The outstanding principal balance of this loan agreement at June 30, 2015, was \$19,617,000.

**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 Rhea 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 \$2,919,812 at June 30, 2015, 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 2015. 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, 2015.

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

### 1. Tennessee Consolidated Retirement System (TCRS)

#### Primary Government

##### **General Information About the Pension Plan**

*Plan Description.* Employees of Rhea County and non-certified employees of the discretely presented Rhea County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 35.05 percent, the non-certified employees of the discretely present School Department comprise 43.87 percent, and employees of the discretely presented Rhea County Medical Center comprise 21.08 percent of the plan based on census data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and

applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Employees Covered by Benefit Terms.* At the measurement date of June 30, 2014, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	243
Inactive Employees Entitled to But Not Yet Receiving Benefits	425
Active Employees	465
 Total	 <u>1,133</u>

*Contributions.* Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Rhea County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for Rhea County were \$1,335,941 based on a rate of 9.03 percent of pensionable payroll. By law, employer contributions are required to be paid. The TCRS may intercept Rhea County’s state shared taxes if required employer contributions are not remitted. The employer’s actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net Pension Liability (Asset)**

Rhea County’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions.* The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	%	Percentage Target Allocations	%
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income Real Estate	4.61		8	
Real Estate	0.98		29	
Short-term Securities	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Rhea County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 43,370,159	\$ 40,422,921	\$ 2,947,238
Changes for the year:			
Service Cost	\$ 1,287,326	\$ 0	\$ 1,287,326
Interest	3,275,842	0	3,275,842
Differences Between Expected and Actual Experience	(357,048)	0	(357,048)
Contributions-Employer	0	1,231,490	(1,231,490)
Contributions-Employees	0	698,137	(698,137)
Net Investment Income	0	6,703,016	(6,703,016)
Benefit Payments, Including Refunds of Employee Contributions	(1,959,159)	(1,959,159)	0
Administrative Expense	0	(18,748)	18,748
Other Changes	0	0	0
Net Changes	\$ 2,246,961	\$ 6,654,736	\$ (4,407,775)
Balance, June 30, 2014	\$ 45,617,120	\$ 47,077,657	\$ (1,460,537)

### Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	35.05%	\$ 15,988,801	\$ 16,500,719	\$ (511,918)
Medical Center	21.08%	9,616,089	9,923,970	(307,881)
School Department	43.87%	20,012,231	20,652,968	(640,738)
Total		\$ 45,617,120	\$ 47,077,657	\$ (1,460,537)

*Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents the net pension liability (asset) of Rhea County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

Rhea County	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$ 4,281,696	\$ (1,460,537)	\$ (6,233,872)

**Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions**

*Pension Expense.* For the year ended June 30, 2015, Rhea County recognized pension expense of \$47,839.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2015, Rhea County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 285,638
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,938,486
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	1,335,941	N/A
Total	\$ 1,335,941	\$ 3,224,124

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and  
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 533,600	\$ 1,130,055
Medical Center	402,846	679,645
School Department	399,495	1,414,423
Total	<u>\$ 1,335,941</u>	<u>\$ 3,224,124</u>

Amounts reported as deferred outflows of resources, with the exception of contributions after the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (806,031)
2017	(806,031)
2018	(806,031)
2019	(806,031)
2020	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

**Discretely Presented Rhea County School Department**

**Non-certified Employees**

**General Information About the Pension Plan**

*Plan Description.* As noted above under the primary government, employees of Rhea County, non-certified employees of the discretely presented Rhea County School Department, and employees of the discretely presented Rhea County Medical Center are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 35.05 percent, the non-certified employees of the discretely present School Department

comprise 43.87 percent, and employees of the discretely presented Rhea County Medical Center comprise 21.08 percent of the plan based on census data.

### **Certified Employees**

### **Teacher Retirement Plan**

#### **General Information About the Pension Plan**

*Plan Description.* Teachers of the Rhea County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Members of the Teachers Retirement Plan are entitled to receive unreduced service retirement benefits, which are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves

employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2015, to the Teacher Retirement Plan were \$6,995, which is four percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Liabilities.* Since the measurement date is June 30, 2014, which is prior to the July 1, 2014, inception of the Teacher Retirement Plan, there is no net pension liability to report at June 30, 2015.

*Pension Expense.* Since the measurement date is June 30, 2014, the Rhea County School Department did not recognize any pension expense at June 30, 2015.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ending June 30, 2015, the Rhea County School Department reported deferred outflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	Deferred Inflows of Resources
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LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	\$	6,995	N/A
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The Rhea County School Department’s employer contributions of \$6,995 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ending June 30, 2016.

**Teacher Legacy Pension Plan**

**General Information About the Pension Plan**

*Plan Description.* Teachers of the Rhea County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

*Benefits Provided.* TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member’s highest five consecutive year average compensation and the member’s years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety

of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

*Contributions.* Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers contribute five percent of salary. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Rhea County School Department for the year ended June 30, 2015, to the Teacher Legacy Pension Plan were \$1,367,891, which is 9.04 percent of pensionable payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

### **Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

*Pension Assets.* At June 30, 2015, the Rhea County School Department reported an asset of \$64,551 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Rhea County School Department's proportion of the net pension asset was based on the Rhea County School Department's employer contributions to the pension plan during the year ended June 30, 2014, relative to the contributions of all LEAs for the year ended June 30, 2014. At the June 30, 2014, measurement date, the Rhea County School Department's proportion was 0.397248 percent. The proportion measured as of June 30, 2013, was 0.387502 percent.

*Pension Income.* For the year ended June 30, 2015, the Rhea County School Department recognized a pension income of \$32,448.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ending June 30, 2015, the Rhea County School Department

reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 156,714	\$ 0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	5,318,590
Changes in Proportion and Differences Between LEA's Contributions and Proportionate Share of Contributions LEAs Contributions Subsequent to the Measurement Date of June 30, 2014	137,475	0
	<u>1,367,891</u>	<u>N/A</u>
Total	<u>\$ 1,662,080</u>	<u>\$ 5,318,590</u>

The Rhea County School Department's employer contributions of \$1,367,891 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase in net pension asset in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2016	\$ (1,280,616)
2017	(1,280,616)
2018	(1,280,616)
2019	(1,280,616)
2020	49,032
Thereafter	49,032

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

*Actuarial Assumptions.* The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
	0.98	29
	4.73	7
Short-term Securities	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the four factors described above.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate.* The following presents Rhea County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what Rhea County School Department's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability      \$ 10,887,251    \$ (64,551)    \$ (9,131,456)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan’s fiduciary net position is available in a separately issued TCRS financial report.

**2. Deferred Compensation**

Teachers hired after July 1, 2014, by the discretely presented Rhea County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Rhea County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Rhea County School Department contributed \$8,743 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

**I. Other Postemployment Benefits (OPEB)**

**Primary Government – Commercial Healthcare Plan**

Plan Description

Rhea County uses a commercial healthcare benefits plan administered by Blue Cross/Blue Shield for medical benefits for retirees and their beneficiaries. For accounting purposes, the plan is a single-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee established by the County Commission.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is purchased commercially and financed on a pay-as-you-go basis. The county develops its own contribution policy in terms of subsidizing active employees or retired employees’ premiums. The county’s plan allows county employees (including the Highway Department) to continue insurance coverage after retirement, provided the

retiree has met certain employment requirements, until Medicare coverage begins. Eligible employees must retire from Tennessee Consolidated Retirement System (TCRS) and have at least ten years of service, and retirees are responsible for 100 percent of the medical premium. Spouses may also participate as long as they are under Medicare eligibility age. As of June 30, 2015, annual premiums for retirees in Rhea County range between \$6,689, for single coverage, and \$13,996, for retiree and spouse.

Annual OPEB Cost and Net OPEB Obligation

	Primary Government Commercial Plan
	<hr/>
ARC	\$ 40,588
Interest on the NOPEBO	0
Adjustment to the ARC	0
	<hr/>
Annual OPEB cost	\$ 40,588
Less amount of contribution	(3,339)
	<hr/>
Increase/decrease in NOPEBO	\$ 37,249
Net OPEB obligation, 7-1-14	0
	<hr/>
Net OPEB obligation, 6-30-15	<u>\$ 37,249</u>

Fiscal Year Ended *	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
<hr/>				
6-30-15	Commercial	\$ 40,588	8	% \$ 37,249

\* - data not available for two preceding years

## Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, was as follows:

	<u>Primary Government Commercial Plan</u>
Actuarial valuation date	7-1-14
Actuarial accrued liability (AAL)	\$ 282,747
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 282,747
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 5,476,508
UAAL as a % of covered payroll	5%

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, 2014, actuarial valuation for the commercial plan, the entry age actuarial cost method was used, and the actuarial assumptions included a four percent investment rate of return and an annual health care cost trend rate of nine percent for fiscal year 2014. The trend will decrease by decrements to an ultimate rate of five percent by fiscal year 2018. 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 June 30, 2014.

## Discretely Presented Rhea County School Department

### Plan Description

The School Department participates in the state-administered 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 8-27-302, *Tennessee Code Annotated (TCA)*, for local education employees. 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 health care 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 plans are self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop 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. School Department retirees' contributions vary depending on the insurance options they select, ranging from \$297 to \$1,144 per month. The School Department recognized expenditures of \$297,386 for postemployment health care during the year ended June 30, 2015.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
	<hr/>
ARC	\$ 205,000
Interest on the NOPEBO	15,413
Adjustment to the ARC	(15,016)
Annual OPEB cost	<hr/> \$ 205,397
Amount of contribution	(297,386)
Increase/decrease in NOPEBO	<hr/> \$ (91,989)
Net OPEB obligation, 7-1-14	<hr/> 385,317
Net OPEB obligation, 6-30-15	<hr/> <hr/> \$ 293,328

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-13	Local Education Group	\$ 310,953	87 %	\$ 465,673
6-30-14	"	198,480	141	385,317
6-30-15	"	205,397	145	293,328

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

	Local Education Group Plan
	<hr/>
Actuarial valuation date	7-1-13
Actuarial accrued liability (AAL)	\$ 1,687,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,687,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 15,454,595
UAAL as a % of covered payroll	11%

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, 2013, actuarial valuation for 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 health care cost trend rate of seven percent for fiscal year 2015. The trend rate will decrease to 6.5 percent in 2016, and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2044. Both rates includes 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

Rhea Medical Center is a public corporation. It was created February 7, 1957, by an act of the State of Tennessee 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 Trustee 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### 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 revenues increased by approximately \$95,000 in 2015 due to prior year retroactive adjustments in excess of amounts previously estimated.

Revenue from the Medicare and Medicaid programs accounted for approximately 19 and 22 percent, respectively, for the year ended

June 30, 2015, 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, Tennessee, 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 collectability 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, 2015.

**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.

**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 2015.

14. **Risk Management**

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

15. **Net 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, 2015

Capital Assets, net of accumulated depreciation	\$ 24,198,374
Less:	
Current Portion of Long-term Debt Related to the Acquisition of Property and Equipment	(830,000)
Long-term Debt, Excluding Current Portion Relating to the Acquisition of Property and Equipment	<u>(18,787,000)</u>
Net Investment in Capital Assets	<u>\$ 4,581,374</u>

The medical center first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

16. **Deferred Outflows/Inflows of Resources**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* defines

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, 2015, the medical center had deferred outflows of \$402,846. As of June 30, 2015, the medical center had a deferred inflow of \$679,646.

## 17. Pensions

During the year, the medical center adopted the provisions of GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*. Under this statement, GASB has established standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the medical center's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the medical center's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

## 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 \$7,963,598 at June 30, 2015. The bank balances held in cash accounts and a repurchase agreement are either insured by the Federal Deposit Insurance Corporation (\$263,772 at June 30, 2015) or collateralized by the Tennessee Bank Collateral Pool (\$7,699,826 at June 30, 2015) 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 investments are subject to custodial risk as follows:

Investments	Balance 6-30-15
Insured by FDIC	\$ 13,934,704
Uninsured	<u>56,983</u>
Total Investments	<u><u>\$ 13,991,687</u></u>

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

	Balance 6-30-15
Carrying Amount:	
Deposits	\$ 6,348,348
Money Market Funds	56,983
Certificates of Deposit	13,931,511
Cash on Hand	<u>1,250</u>
Total	<u><u>\$ 20,338,092</u></u>
Included in the Following Balance Sheet Captions:	
Cash	\$ 6,346,405
Current Investments	6,125,668
Noncurrent Investments	<u>7,866,019</u>
Total	<u><u>\$ 20,338,092</u></u>

The certificates of deposit are with various U.S. financial institutions and mature with various terms through June 2016.

### C. Net Patient Service Revenue

The medical center has agreements with third-party payors that provide for payments to the medical center at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs

represent the difference between the medical center's established rates for services and amounts reimbursed by third-party payors. The Hospital obtained critical access status effective February 1, 2005. A summary of the basis of reimbursement with major third-party payors follows.

Medicare – Inpatient acute care services, outpatient services, inpatient nonacute services, and medical education costs related to Medicare beneficiaries are paid based upon a cost reimbursement methodology. The medical center is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the medical center and reviewed 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	\$ 47,160,553
Less: Allowances for Contractual Adjustments	(21,463,826)
Provisions for Bad Debts	<u>(4,550,671)</u>
Net Patient Service Revenue	<u>\$ 21,146,056</u>

**D. Inventories**

Inventories at June 30, 2015, consisted of the following:

	<u>Balance 6-30-15</u>
Pharmacy	\$ 165,193
General Supplies	85,695
Dietary	10,093
Laboratory	34,788
X-ray	10,631
Surgery	<u>128,005</u>
 Total	 <u><u>\$ 434,405</u></u>

**E. Capital Assets**

A summary of changes in capital assets follows:

	<u>Balance 7-1-14</u>	Additions	Transfers	<u>Balance 6-30-15</u>
Land	\$ 2,463,248	\$ 0	\$ 0	\$ 2,463,248
Construction in Progress	28,585	145,673	(105,310)	68,948
Land Improvements	134,095	0	0	134,095
Buildings and Improvements	28,113,812	0	0	28,113,812
Major Movable Equipment	12,778,915	76,556	105,310	12,960,781
Fixed Equipment	<u>941,525</u>	<u>0</u>	<u>0</u>	<u>941,525</u>
 Total at Historical Cost	 <u>\$ 44,460,180</u>	 <u>\$ 222,229</u>	 <u>\$ 0</u>	 <u>\$ 44,682,409</u>
 Less Accumulated Depreciation For:				
Land Improvements	\$ 74,821	\$ 3,507	\$ 0	\$ 78,328
Buildings and Improvements	8,154,210	663,694	0	8,817,904
Major Movable Equipment	10,274,001	504,170	0	10,778,171
Fixed Equipment	<u>808,149</u>	<u>1,483</u>	<u>0</u>	<u>809,632</u>
 Total Accumulated Depreciation	 <u>\$ 19,311,181</u>	 <u>\$ 1,172,854</u>	 <u>\$ 0</u>	 <u>\$ 20,484,035</u>
 Property and Equipment, Net	 <u>\$ 25,148,999</u>	 <u>\$ (950,625)</u>	 <u>\$ 0</u>	 <u>\$ 24,198,374</u>

The medical center capital assets above include idle property at June 30, 2015, as follows: buildings and improvements of \$742,000, fixed equipment of \$126,000, and major moveable equipment of \$300,000. Idle property is not being depreciated. Management estimates the value of the idle property is not impaired below recorded value.

**F. 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 physician's contracts. At June 30, 2015, the assets totaled \$472,789, net of accumulated amortization.

Other assets also include various lease deposits and prepayments totaling \$70,963 at June 30, 2015.

**G. Long-term Debt**

	<u>Balance 6-30-15</u>
Loan Agreement	\$ 19,617,000
Total Long-term Debt	<u>\$ 19,617,000</u>
Less: Current Maturities of Long-term Debt	<u>(830,000)</u>
Long-term Debt, Net of Current Maturities	<u><u>\$ 18,787,000</u></u>

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 (0.83% at June 30, 2015).

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

Scheduled payments on long-term debt are as follows:

Year Ending June 30	Other Loans	
	Principal	Interest*
2016	\$ 830,000	\$ 159,377
2017	856,000	152,380
2018	882,000	145,167
2019	910,000	137,730
2020	938,000	130,061
2021-2025	5,145,000	526,698
2026-2030	5,995,000	324,213
2031-2033	4,061,000	22,982
Total	<u>\$ 19,617,000</u>	<u>\$ 1,598,608</u>

\* - Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2015, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2015 follows:

	Balance		Amounts Due	
	7-1-14	Decreases	6-30-15	Within One Year
Bonds Payable	\$ 20,422,000	\$ (805,000)	\$ 19,617,000	\$ 830,000
Total Long-term Debt	<u>\$ 20,442,000</u>	<u>\$ 0</u>	<u>\$ 19,617,000</u>	<u>\$ 830,000</u>

#### H. Accrued Leave

Medical center employees are paid for vacation and absence due to sickness by a prescribed formula based on length of service. The costs of these compensated absences are accrued as earned. The accumulated vacation and sick leave benefits accrued totaled \$309,905 for 2015, and are included with accrued payroll in current liabilities.

#### I. Charity Care

The medical center estimates that the cost of providing care under the charity care policy was approximately \$373,000 during the year ended June 30, 2015. 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.

## J. Pension Plans

**Plan description** – Employees of the medical center who were employed before July 1, 2012. are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)* Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at [www.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

**Benefits provided** – *TCA*, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

**Contributions** – Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of salary. Rhea County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, employer contributions for the medical center were \$402,846 based on a rate of 9.45 percent of pensionable payroll. By law, employer contributions are required to be paid. The employer's actuarially determined contribution and member contributions are expected to finance the costs of benefits earned by

members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

**Net pension liability (asset)** – Rhea County’s net pension liability (asset) was measured as of June 30, 2014, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* – The total pension liability as of the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2014, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3.0 percent.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income Real Estate	4.61	8
Short-term Securities	0.98	29
	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

*Discount Rate* – The discount rate used to measure the total pension liability was 7.5 percent. The projection on cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all employees will be made at the actuarially determined contribution rate pursuant to an actuarial evaluation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Allocation of Agent Plan Changes in the Net Pension Liability (Asset)* – The following table represents the medical center’s proportionate share of the net pension liability (asset) as of June 30, 2014:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Medical Center	\$ 9,616,089	\$ 9,923,970	\$ (307,881)

*Changes in the Net Pension Liability (Asset)* – The following table represents the changes in the medical center’s net pension liability (asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2013	\$ 9,142,430	\$ 8,521,152	\$ 621,278
Changes for the year:			
Service Cost	\$ 271,368	\$ 0	\$ 271,368
Interest	690,548	0	690,548
Differences Between Expected and Actual Experience	(75,266)	0	(75,266)
Contributions-Employer	0	259,598	(259,598)
Contributions-Employees	0	147,167	(147,167)
Net Investment Income	0	1,412,996	(1,412,996)
Benefit Payments, Including Refunds of Employee Contributions	(412,991)	(412,991)	0
Administrative Expense	0	(3,952)	3,952
Net Changes	\$ 473,659	\$ 1,402,818	\$ (929,159)
Balance, June 30, 2014	\$ 9,616,089	\$ 9,923,970	\$ (307,881)

*Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate* – The following presents the medical center’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (6.5 percent) or 1 percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
	Net Pension Liability	\$ 902,581	\$ (307,881)

**Pension expense** – For the year ended June 30, 2015, the medical center recognized pension expense of \$10,084.

**Deferred outflows of resources and deferred inflows of resources** – For the year ended June 30, 2015, the medical center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 0	\$ 60,213
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	619,433
Contributions Subsequent to the Measurement Date of June 30, 2014 (1)	<u>402,846</u>	<u>N/A</u>
Total	<u>\$ 402,846</u>	<u>\$ 679,646</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2014,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Deferred outflow of resources are the actual contributions made during the 2014-2015 fiscal year, which relates to pensions for the 2015-2016 fiscal year and are not necessarily based on census data proration.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 402,846	\$ (169,911)
2017	0	(169,911)
2018	0	(169,912)
2019	0	(169,912)

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

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 the entry date is eligible to participate. Employees may elect to contribute a portion of applicable compensation as defined by the plan. The medical center may make contributions at its discretion. Participants are automatically vested in all employer and employee contributions and are entitled to benefits totaling their vested benefits and earnings thereon. These benefits may be paid out in a variety of methods as described in the plan.

Contributions to the 457(b) plan by employees totaled \$109,734 for the year ended June 30, 2015. Contributions to the 457(b) plan by the medical center were \$39,167 for the year ended June 30, 2015.

**K. Working Capital**

Net working capital at June 30, 2015, was \$10,804,779.

**L. 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 \$232,560 in 2015.

Future minimum lease payments under operating leases are as follows:

Year Ending June 30	Amount
2016	\$ 52,008
2017	<u>47,674</u>
Total	<u><u>\$ 99,682</u></u>

The medical center leases space to physicians and others under leases with various terms. Total rental income for all operating leases was \$153,972 for 2015.

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 capital assets as follows:

	<u>Amount</u>
Cost	\$ 3,973,190
Accumulated Depreciation	<u>(3,398,321)</u>
Total	<u>\$ 574,869</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 is \$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 of 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. Total management fees paid to Quorum were \$370,388 in 2015.

The management services provided pursuant to the fixed fee include budget assistance, accounting supervision, human resources consultations, and access to 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 these 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 \$441,310 for 2015.

**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.

**M. 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, 2015, follows:

	<u>6-30-15</u>
Medicare	24%
Medicaid/TennCare	5
Blue Cross	5
Commercial	11
Private Pay	<u>55</u>
Total	<u><u>100%</u></u>

**N. Prior-period Adjustment and Restatement**

The medical center’s financial activities have been restated to record the effects of implementing GASB 68 and GASB 71 for the year ended June 30, 2014. The prior-period adjustment resulted in the initial establishment of a net pension liability of \$621,279 and a deferred outflow from pensions of \$259,598. The net effect of the restatement was a decrease in unrestricted net position of \$361,681. The restatement was recorded as of July 1, 2014.

**O. Subsequent Events**

The medical center noted no transactions that would provide evidence about material conditions that did not exist at the statement of net position date but arose subsequently, through the date these financial statements were available to be issued.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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Exhibit F-1

Rhea County, Tennessee  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on  
Participation in the Public Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>
<b>Total Pension Liability (Asset)</b>	
Service Cost	\$ 1,287,326
Interest	3,275,842
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	(357,048)
Changes in Assumptions	0
Benefit Payments, Including Refunds of Employee Contributions	<u>(1,959,159)</u>
Net Change in Total Pension Liability (Asset)	\$ 2,246,961
Total Pension Liability (Asset), Beginning	<u>43,370,159</u>
Total Pension Liability (Asset), Ending (a)	<u>\$ 45,617,120</u>
<b>Plan Fiduciary Net Position</b>	
Contributions - Employer	\$ 1,231,490
Contributions - Employee	698,137
Net Investment Income	6,703,016
Benefit Payments, Including Refunds of Employee Contributions	(1,959,159)
Administrative Expense	<u>(18,748)</u>
Net Change in Plan Fiduciary Net Position	\$ 6,654,736
Plan Fiduciary Net Position, Beginning	<u>40,422,921</u>
Plan Fiduciary Net Position, Ending (b)	<u>\$ 47,077,657</u>
Net Pension Liability (Asset), Ending (a - b)	<u>\$ (1,460,537)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.20%
Covered Employee Payroll	\$ 13,962,694
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	10.46%

Note: ten years of data will be presented when available.

Note: data presented includes primary government, discretely presented non-certified employees of the School Department, and discretely presented Rhea County Medical Center.

Exhibit F-2

Rhea County, Tennessee  
Schedule of Contributions Based on Participations in the Public  
Employee Pension Plan of TCRS  
Primary Government  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,231,490	\$ 1,333,941
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,231,490)</u>	<u>(1,333,941)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 13,962,694	\$ 14,774,119
Contributions as a Percentage of Covered Employee Payroll	8.82%	9.03%

Note: ten years of data will be presented when available.

Note: data presented includes primary government, discretely presented non-certified employees of the School Department, and discretely presented Rhea County Medical Center.

Exhibit F-3

Rhea County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Retirement Plan of TCRS  
Discretely Presented Rhea County School Department  
For the Fiscal Year Ended June 30

	<u>2015</u>
Actuarially Determined Contribution	\$ 4,372
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(6,995)</u>
Contribution Deficiency (Excess)	<u>\$ (2,623)</u>
Covered Employee Payroll	\$ 174,886
Contributions as a Percentage of Covered Employee Payroll	4.00%

Note: ten years of data will be presented when available.

Exhibit F-4

Rhea County, Tennessee  
Schedule of Contributions Based on Participation in the Teacher  
Legacy Pension Plan of TCRS  
Discretely Presented Rhea County School Department  
For the Fiscal Year Ended June 30

	<u>2014</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 1,384,566	\$ 1,367,891
Less Contributions in Relation to the Actuarially Determined Contribution	<u>(1,384,566)</u>	<u>(1,367,891)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>
Covered Employee Payroll	\$ 15,591,926	\$ 15,240,602
Contributions as a Percentage of Covered Employee Payroll	8.88%	8.98%

Note: ten years of data will be presented when available.

Exhibit F-5

Rhea County, Tennessee  
Schedule of Proportionate Share of the Net Pension Asset  
in the Teacher Legacy Pension Plan of TCRS  
Discretely Presented Rhea County School Department  
For the Fiscal Year Ended June 30 \*

	<u>2014</u>
School Department's Proportion of the Net Pension Asset	0.397248%
School Department's Proportionate Share of the Net Pension Asset	\$ 64,551
Covered Employee Payroll	\$ 15,591,926
School Department's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Employee Payroll	0.41%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%

\* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit F-6

Rhea County, Tennessee  
Schedule of Funding Progress – Other Postemployment Benefits Plan  
Primary Government and Discretely Presented Bradley County School Department  
June 30, 2015

(Dollar amounts in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) 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)
<u>PRIMARY GOVERNMENT *</u>							
Commercial	7-1-14	\$ 0	\$ 283	\$ 283	0 %	\$ 5,476	5 %
<u>DISCRETELY PRESENTED RHEA COUNTY SCHOOL DEPARTMENT</u>							
Local Education Group	7-1-10	0	\$ 2,291	2,291	0	17,342	13
"	7-1-11	0	2,683	2,683	0	18,779	14
"	7-1-13	0	1,687	1,687	0	15,454	11

\* - data not available for two preceding years.

**RHEA COUNTY, TENNESSEE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended June 30, 2015**

**TENNESSEE CONSOLIDATED RETIREMENT SYSTEM**

*Valuation Date:* Actuarially determined contribution rates for 2015 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	5 Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

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

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# Nonmajor Governmental Funds

## Special Revenue Funds

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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.

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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.

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 Funds

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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.

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HUD Grant Projects Fund – The HUD Grant Projects Fund is used to account for the Home Investment Partnership Program. This fund was closed during the year.

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 Rhea County School Department for construction and renovation projects.

Exhibit G-1

Rhea County, Tennessee  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2015

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 33,289	\$ 33,289
Equity in Pooled Cash and Investments	159,522	58,527	0	218,049
Accounts Receivable	40,892	0	348	41,240
Due from Other Governments	19,294	0	0	19,294
Total Assets	<u>\$ 219,708</u>	<u>\$ 58,527</u>	<u>\$ 33,637</u>	<u>\$ 311,872</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 79	\$ 0	\$ 79
Payroll Deductions Payable	2,590	0	0	2,590
Due to Other Funds	0	0	2,298	2,298
Due to Litigants, Heirs, and Others	0	4,482	0	4,482
Total Liabilities	<u>\$ 2,590</u>	<u>\$ 4,561</u>	<u>\$ 2,298</u>	<u>\$ 9,449</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Other Deferred/Unavailable Revenue	\$ 4,385	\$ 0	\$ 0	\$ 4,385
Total Deferred Inflows of Resources	<u>\$ 4,385</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,385</u>
<u>FUND BALANCES</u>				
Committed:				
Committed for Public Health and Welfare	\$ 206,966	\$ 0	\$ 0	\$ 206,966

(Continued)

Exhibit G-1

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

FUND BALANCES (Cont.)

Assigned:

Assigned for Finance

Assigned for Public Safety

Assigned for Other Purposes

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

<u>Special Revenue Funds</u>			Constitu - tional Officers - Fees	Total Nonmajor Governmental Funds
Solid Waste / Sanitation	Drug Control			
\$ 0	\$ 0	\$ 31,339	\$ 31,339	
0	53,966	0	53,966	
5,767	0	0	5,767	
<u>\$ 212,733</u>	<u>\$ 53,966</u>	<u>\$ 31,339</u>	<u>\$ 298,038</u>	
<u>\$ 219,708</u>	<u>\$ 58,527</u>	<u>\$ 33,637</u>	<u>\$ 311,872</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, 2015

	Special Revenue Funds				Capital
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	HUD Grant Projects
<u>Revenues</u>					
Local Taxes	\$ 426,324	\$ 0	\$ 0	\$ 426,324	\$ 0
Fines, Forfeitures, and Penalties	0	37,068	0	37,068	0
Charges for Current Services	167,061	0	125,536	292,597	0
Other Local Revenues	67,340	967	0	68,307	0
State of Tennessee	39,681	0	0	39,681	0
Federal Government	0	0	0	0	182,330
Other Governments and Citizens Groups	10,715	1,660	0	12,375	0
Total Revenues	<u>\$ 711,121</u>	<u>\$ 39,695</u>	<u>\$ 125,536</u>	<u>\$ 876,352</u>	<u>\$ 182,330</u>
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 0	\$ 184,538	\$ 184,538	\$ 0
Administration of Justice	0	0	1,475	1,475	0
Public Safety	0	20,688	0	20,688	0
Public Health and Welfare	712,139	0	0	712,139	0
Other Operations	12,416	0	0	12,416	182,330
Capital Projects - Donated	0	0	0	0	0
Total Expenditures	<u>\$ 724,555</u>	<u>\$ 20,688</u>	<u>\$ 186,013</u>	<u>\$ 931,256</u>	<u>\$ 182,330</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,434)</u>	<u>\$ 19,007</u>	<u>\$ (60,477)</u>	<u>\$ (54,904)</u>	<u>\$ 0</u>

(Continued)

Exhibit G-2

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

	Special Revenue Funds				Capital
	Solid Waste / Sanitation	Drug Control	Constitu - tional Officers - Fees	Total	HUD Grant Projects
<u>Other Financing Sources (Uses)</u>					
Notes Issued	\$ 120,000	\$ 0	\$ 0	\$ 120,000	\$ 0
Insurance Recovery	229	0	0	229	0
Transfers Out	0	(5,000)	0	(5,000)	0
Total Other Financing Sources (Uses)	<u>\$ 120,229</u>	<u>\$ (5,000)</u>	<u>\$ 0</u>	<u>\$ 115,229</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 106,795	\$ 14,007	\$ (60,477)	\$ 60,325	\$ 0
Fund Balance, July 1, 2014	<u>105,938</u>	<u>39,959</u>	<u>91,816</u>	<u>237,713</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 212,733</u>	<u>\$ 53,966</u>	<u>\$ 31,339</u>	<u>\$ 298,038</u>	<u>\$ 0</u>

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
	Education Capital Projects	Total	
<u>Revenues</u>			
Local Taxes	\$ 0	\$ 0	\$ 426,324
Fines, Forfeitures, and Penalties	0	0	37,068
Charges for Current Services	0	0	292,597
Other Local Revenues	0	0	68,307
State of Tennessee	0	0	39,681
Federal Government	0	182,330	182,330
Other Governments and Citizens Groups	0	0	12,375
Total Revenues	<u>\$ 0</u>	<u>\$ 182,330</u>	<u>\$ 1,058,682</u>
<u>Expenditures</u>			
Current:			
Finance	\$ 0	\$ 0	\$ 184,538
Administration of Justice	0	0	1,475
Public Safety	0	0	20,688
Public Health and Welfare	0	0	712,139
Other Operations	0	182,330	194,746
Capital Projects - Donated	270,000	270,000	270,000
Total Expenditures	<u>\$ 270,000</u>	<u>\$ 452,330</u>	<u>\$ 1,383,586</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (270,000)</u>	<u>\$ (270,000)</u>	<u>\$ (324,904)</u>

(Continued)

Exhibit G-2

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

	<u>Capital Projects Funds (Cont.)</u>		Total Nonmajor Governmental Funds
	Education Capital Projects	Total	
<u>Other Financing Sources (Uses)</u>			
Notes Issued	\$ 270,000	\$ 270,000	\$ 390,000
Insurance Recovery	0	0	229
Transfers Out	0	0	(5,000)
Total Other Financing Sources (Uses)	<u>\$ 270,000</u>	<u>\$ 270,000</u>	<u>\$ 385,229</u>
Net Change in Fund Balances	\$ 0	\$ 0	\$ 60,325
Fund Balance, July 1, 2014	<u>0</u>	<u>0</u>	<u>237,713</u>
Fund Balance, June 30, 2015	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 298,038</u>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 426,324	\$ 435,000	\$ 435,000	\$ (8,676)
Charges for Current Services	167,061	155,000	164,064	2,997
Other Local Revenues	67,340	59,206	59,206	8,134
State of Tennessee	39,681	0	45,757	(6,076)
Other Governments and Citizens Groups	10,715	0	14,696	(3,981)
Total Revenues	<u>\$ 711,121</u>	<u>\$ 649,206</u>	<u>\$ 718,723</u>	<u>\$ (7,602)</u>
<u>Expenditures</u>				
<u>Public Health and Welfare</u>				
Waste Pickup	\$ 712,139	\$ 601,703	\$ 789,892	\$ 77,753
<u>Other Operations</u>				
Other Charges	5,828	4,500	5,828	0
Employee Benefits	6,588	6,588	6,588	0
Total Expenditures	<u>\$ 724,555</u>	<u>\$ 612,791</u>	<u>\$ 802,308</u>	<u>\$ 77,753</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (13,434)</u>	<u>\$ 36,415</u>	<u>\$ (83,585)</u>	<u>\$ 70,151</u>
<u>Other Financing Sources (Uses)</u>				
Notes Issued	\$ 120,000	\$ 0	\$ 120,000	\$ 0
Insurance Recovery	229	0	0	229
Total Other Financing Sources	<u>\$ 120,229</u>	<u>\$ 0</u>	<u>\$ 120,000</u>	<u>\$ 229</u>
Net Change in Fund Balance	\$ 106,795	\$ 36,415	\$ 36,415	\$ 70,380
Fund Balance, July 1, 2014	<u>105,938</u>	<u>98,421</u>	<u>98,421</u>	<u>7,517</u>
Fund Balance, June 30, 2015	<u><u>\$ 212,733</u></u>	<u><u>\$ 134,836</u></u>	<u><u>\$ 134,836</u></u>	<u><u>\$ 77,897</u></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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 37,068	\$ 31,000	\$ 31,000	\$ 6,068
Other Local Revenues	967	850	850	117
Other Governments and Citizens Groups	1,660	1,950	1,950	(290)
Total Revenues	<u>\$ 39,695</u>	<u>\$ 33,800</u>	<u>\$ 33,800</u>	<u>\$ 5,895</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 20,688	\$ 28,200	\$ 41,050	\$ 20,362
Total Expenditures	<u>\$ 20,688</u>	<u>\$ 28,200</u>	<u>\$ 41,050</u>	<u>\$ 20,362</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 19,007</u>	<u>\$ 5,600</u>	<u>\$ (7,250)</u>	<u>\$ 26,257</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (5,000)	\$ 0	\$ (5,000)	\$ 0
Total Other Financing Sources	<u>\$ (5,000)</u>	<u>\$ 0</u>	<u>\$ (5,000)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 14,007	\$ 5,600	\$ (12,250)	\$ 26,257
Fund Balance, July 1, 2014	<u>39,959</u>	<u>39,959</u>	<u>39,959</u>	<u>0</u>
Fund Balance, June 30, 2015	<u>\$ 53,966</u>	<u>\$ 45,559</u>	<u>\$ 27,709</u>	<u>\$ 26,257</u>

# Major Governmental Fund

## Debt Service Fund

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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.

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Exhibit H

Rhea County, Tennessee  
Schedule of Revenues, Expenditures, and Changes  
in Fund Balance - Actual and Budget  
General Debt Service Fund  
For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,023,133	\$ 1,952,318	\$ 1,972,528	\$ 50,605
Other Local Revenues	8,157	0	0	8,157
Other Governments and Citizens Groups	2,192,872	1,560,606	2,200,238	(7,366)
Total Revenues	<u>\$ 4,224,162</u>	<u>\$ 3,512,924</u>	<u>\$ 4,172,766</u>	<u>\$ 51,396</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 153,332	\$ 99,332	\$ 153,333	\$ 1
Highways and Streets	231,000	231,000	231,000	0
Education	1,560,167	1,486,536	1,560,168	1
<u>Interest on Debt</u>				
General Government	16,313	42,256	42,602	26,289
Highways and Streets	54,059	54,060	54,060	1
Education	1,528,034	1,527,293	1,528,070	36
<u>Other Debt Service</u>				
General Government	45,710	41,241	60,860	15,150
Education	591	0	591	0
Total Expenditures	<u>\$ 3,589,206</u>	<u>\$ 3,481,718</u>	<u>\$ 3,630,684</u>	<u>\$ 41,478</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 634,956</u>	<u>\$ 31,206</u>	<u>\$ 542,082</u>	<u>\$ 92,874</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 354,432	\$ 905,060	\$ 315,060	\$ 39,372
Total Other Financing Sources	<u>\$ 354,432</u>	<u>\$ 905,060</u>	<u>\$ 315,060</u>	<u>\$ 39,372</u>
Net Change in Fund Balance	\$ 989,388	\$ 936,266	\$ 857,142	\$ 132,246
Fund Balance, July 1, 2014	<u>441,301</u>	<u>405,676</u>	<u>405,676</u>	<u>35,625</u>
Fund Balance, June 30, 2015	<u><u>\$ 1,430,689</u></u>	<u><u>\$ 1,341,942</u></u>	<u><u>\$ 1,262,818</u></u>	<u><u>\$ 167,871</u></u>

# Fiduciary Funds

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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.

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

City School ADA - Dayton Fund – The City School ADA - Dayton Fund is used to account for the city school system's share of education revenues collected by the county, which must be apportioned between the school systems on an average daily attendance basis. These collections are remitted to the city school system on a monthly basis.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, 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, 2015

	Agency Funds					Total
	Cities - Sales Tax	City School ADA - Dayton	Constitu- tional Officers - Agency	District Attorney General		
<u>ASSETS</u>						
Cash	\$ 0	\$ 0	\$ 1,367,152	\$ 0	\$ 1,367,152	
Equity in Pooled Cash and Investments	0	60,740	0	29,874	90,614	
Due from Other Governments	638,139	108,793	0	486	747,418	
Taxes Receivable	0	436,206	0	0	436,206	
Allowance for Uncollectible Taxes	0	(35,734)	0	0	(35,734)	
Total Assets	<u>\$ 638,139</u>	<u>\$ 570,005</u>	<u>\$ 1,367,152</u>	<u>\$ 30,360</u>	<u>\$ 2,605,656</u>	
<u>LIABILITIES</u>						
Due to Other Taxing Units	\$ 638,139	\$ 570,005	\$ 0	\$ 0	\$ 1,208,144	
Due to Litigants, Heirs, and Others	0	0	1,367,152	30,360	1,397,512	
Total Liabilities	<u>\$ 638,139</u>	<u>\$ 570,005</u>	<u>\$ 1,367,152</u>	<u>\$ 30,360</u>	<u>\$ 2,605,656</u>	

Exhibit I-2

Rhea County, Tennessee  
Combining Statement of Changes in Assets and Liabilities - All Agency Funds  
For the Year Ended June 30, 2015

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,376,751	\$ 3,376,751	\$ 0
Due from Other Governments	569,053	638,139	569,053	638,139
<b>Total Assets</b>	<b>\$ 569,053</b>	<b>\$ 4,014,890</b>	<b>\$ 3,945,804</b>	<b>\$ 638,139</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 569,053	\$ 4,014,890	\$ 3,945,804	\$ 638,139
<b>Total Liabilities</b>	<b>\$ 569,053</b>	<b>\$ 4,014,890</b>	<b>\$ 3,945,804</b>	<b>\$ 638,139</b>
<u>City School ADA - Dayton Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 49,447	\$ 60,740	\$ 49,447	\$ 60,740
Due from Other Governments	99,398	108,793	99,398	108,793
Taxes Receivable	369,768	436,206	369,768	436,206
Allowance for Uncollectible Taxes	(26,182)	(35,734)	(26,182)	(35,734)
<b>Total Assets</b>	<b>\$ 492,431</b>	<b>\$ 570,005</b>	<b>\$ 492,431</b>	<b>\$ 570,005</b>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 492,431	\$ 570,005	\$ 492,431	\$ 570,005
<b>Total Liabilities</b>	<b>\$ 492,431</b>	<b>\$ 570,005</b>	<b>\$ 492,431</b>	<b>\$ 570,005</b>
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,372,224	\$ 6,018,307	\$ 6,023,379	\$ 1,367,152
<b>Total Assets</b>	<b>\$ 1,372,224</b>	<b>\$ 6,018,307</b>	<b>\$ 6,023,379</b>	<b>\$ 1,367,152</b>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,372,224	\$ 6,018,307	\$ 6,023,379	\$ 1,367,152
<b>Total Liabilities</b>	<b>\$ 1,372,224</b>	<b>\$ 6,018,307</b>	<b>\$ 6,023,379</b>	<b>\$ 1,367,152</b>

(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 Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 29,853	\$ 19,377	\$ 19,356	\$ 29,874
Due from Other Governments	225	486	225	486
Total Assets	<u>\$ 30,078</u>	<u>\$ 19,863</u>	<u>\$ 19,581</u>	<u>\$ 30,360</u>
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 30,078	\$ 19,863	\$ 19,581	\$ 30,360
Total Liabilities	<u>\$ 30,078</u>	<u>\$ 19,863</u>	<u>\$ 19,581</u>	<u>\$ 30,360</u>
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,372,224	\$ 6,018,307	\$ 6,023,379	\$ 1,367,152
Equity in Pooled Cash and Investments	79,300	3,456,868	3,445,554	90,614
Due from Other Governments	668,676	747,418	668,676	747,418
Taxes Receivable	369,768	436,206	369,768	436,206
Allowance for Uncollectible Taxes	(26,182)	(35,734)	(26,182)	(35,734)
Total Assets	<u>\$ 2,463,786</u>	<u>\$ 10,623,065</u>	<u>\$ 10,481,195</u>	<u>\$ 2,605,656</u>
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,061,484	\$ 4,584,895	\$ 4,438,235	\$ 1,208,144
Due to Litigants, Heirs, and Others	1,402,302	6,038,170	6,042,960	1,397,512
Total Liabilities	<u>\$ 2,463,786</u>	<u>\$ 10,623,065</u>	<u>\$ 10,481,195</u>	<u>\$ 2,605,656</u>

# Rhea County School Department

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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.

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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, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:					
Instruction	\$ 21,142,603	\$ 153,178	\$ 2,736,937	\$ 0	\$ (18,252,488)
Support Services	11,924,474	50,274	242,408	270,000	(11,361,792)
Operation of Non-instructional Services	2,980,389	247,695	2,306,133	0	(426,561)
<b>Total Governmental Activities</b>	<b>\$ 36,047,466</b>	<b>\$ 451,147</b>	<b>\$ 5,285,478</b>	<b>\$ 270,000</b>	<b>\$ (30,040,841)</b>
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes					\$ 4,473,335
Local Option Sales Taxes					3,522,610
Other Local Taxes					12,776
Grants and Contributions Not Restricted to Specific Programs					23,697,958
Unrestricted Investment Earnings					1,615
Proceeds from Sale of Equipment					5,324
Miscellaneous					48,137
Pension Income					32,448
<b>Total General Revenues</b>					<b>\$ 31,794,203</b>
Change in Net Position					\$ 1,753,362
Net Position, July 1, 2014					68,241,600
Restatement - See Note I. D. 9					(5,744,994)
<b>Net Position, June 30, 2015</b>					<b>\$ 64,249,968</b>

Exhibit J-2

Rhea County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Rhea County School Department  
June 30, 2015

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Other</u>	
	<u>Purpose</u>	<u>Transpor -</u>	<u>Govern-</u>	<u>Governmental</u>
	<u>School</u>	<u>tation</u>	<u>mental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<b><u>ASSETS</u></b>				
Equity in Pooled Cash and Investments	\$ 4,876,520	\$ 566,585	\$ 1,798,714	\$ 7,241,819
Inventories	0	0	68,838	68,838
Accounts Receivable	1,025	1,069	498	2,592
Due from Other Governments	589,070	2	268,096	857,168
Property Taxes Receivable	2,470,852	1,991,827	0	4,462,679
Allowance for Uncollectible Property Taxes	(205,239)	(183,512)	0	(388,751)
Total Assets	<u>\$ 7,732,228</u>	<u>\$ 2,375,971</u>	<u>\$ 2,136,146</u>	<u>\$ 12,244,345</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	\$ 695	\$ 91	\$ 0	\$ 786
Payroll Deductions Payable	458,032	12,562	50,061	520,655
Due to State of Tennessee	0	0	1,453	1,453
Total Liabilities	<u>\$ 458,727</u>	<u>\$ 12,653</u>	<u>\$ 51,514</u>	<u>\$ 522,894</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Deferred Current Property Taxes	\$ 2,205,836	\$ 1,749,510	\$ 0	\$ 3,955,346
Deferred Delinquent Property Taxes	53,376	51,805	0	105,181
Other Deferred/Unavailable Revenue	221,760	0	57,275	279,035
Total Deferred Inflows of Resources	<u>\$ 2,480,972</u>	<u>\$ 1,801,315</u>	<u>\$ 57,275</u>	<u>\$ 4,339,562</u>
<b><u>FUND BALANCES</u></b>				
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 68,838	\$ 68,838

(Continued)

Exhibit J-2

Rhea County, Tennessee  
Balance Sheet - Governmental Funds  
Discretely Presented Rhea County School Department (Cont.)

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Transpor -</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>tation</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	
<u>FUND BALANCES (Cont.)</u>				
Restricted:				
Restricted for Education	\$ 192,806	\$ 550,068	\$ 1,658,519	\$ 2,401,393
Committed:				
Committed for Education	0	3,426	300,000	303,426
Assigned:				
Assigned for Education	523,406	8,509	0	531,915
Unassigned	4,076,317	0	0	4,076,317
Total Fund Balances	<u>\$ 4,792,529</u>	<u>\$ 562,003</u>	<u>\$ 2,027,357</u>	<u>\$ 7,381,889</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 7,732,228</u>	<u>\$ 2,375,971</u>	<u>\$ 2,136,146</u>	<u>\$ 12,244,345</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, 2015

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)		\$ 7,381,889
(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	29,038,697	
Add: buildings and improvements net of accumulated depreciation	29,288,588	
Add: other capital assets net of accumulated depreciation	<u>2,106,244</u>	61,373,044
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: contributions due on primary government debt for other loans	\$ (255,190)	
Less: compensated absences payable	(381,284)	
Less: other postemployment benefits liability	<u>(293,328)</u>	(929,802)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:		
Add: deferred outflows of resources related to pensions	\$ 2,068,570	
Less: deferred inflows of resources related to pensions	<u>(6,733,011)</u>	(4,664,441)
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension assets - agent plan	\$ 640,738	
Add: net pension assets - cost-sharing plan	<u>64,551</u>	705,289
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>383,989</u>
Net position of governmental activities (Exhibit A)		<u>\$ 64,249,968</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, 2015

	Major Funds		Nonmajor Funds	Total Governmental Funds
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	
<u>Revenues</u>				
Local Taxes	\$ 5,098,351	\$ 2,241,117	\$ 720,492	\$ 8,059,960
Licenses and Permits	1,989	0	0	1,989
Charges for Current Services	67,558	0	247,695	315,253
Other Local Revenues	97,056	52,377	7,926	157,359
State of Tennessee	24,202,578	0	22,477	24,225,055
Federal Government	140,411	0	4,580,852	4,721,263
Other Governments and Citizens Groups	0	270,000	0	270,000
Total Revenues	<u>\$ 29,607,943</u>	<u>\$ 2,563,494</u>	<u>\$ 5,579,442</u>	<u>\$ 37,750,879</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 18,134,939	\$ 0	\$ 2,018,271	\$ 20,153,210
Support Services	9,662,895	2,099,037	293,141	12,055,073
Operation of Non-instructional Services	399,037	0	2,578,298	2,977,335
Capital Outlay	16,066	0	0	16,066
Debt Service:				
Principal on Debt	19,632	0	0	19,632
Other Debt Service	506,568	52,045	1,614,627	2,173,240
Capital Projects	0	0	33,809	33,809
Total Expenditures	<u>\$ 28,739,137</u>	<u>\$ 2,151,082</u>	<u>\$ 6,538,146</u>	<u>\$ 37,428,365</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 868,806</u>	<u>\$ 412,412</u>	<u>\$ (958,704)</u>	<u>\$ 322,514</u>

(Continued)

Exhibit J-4

Rhea County, Tennessee  
Statement of Revenues, Expenditures,  
and Changes in Fund Balances -  
Governmental Funds  
Discretely Presented Rhea County School Department (Cont.)

	<u>Major Funds</u>		<u>Nonmajor</u>	<u>Total</u>
	<u>General</u>	<u>School</u>	<u>Funds</u>	
	<u>Purpose</u>	<u>Transpor -</u>	<u>Other</u>	<u>Governmental</u>
	<u>School</u>	<u>tation</u>	<u>Governmental</u>	<u>Funds</u>
			<u>Funds</u>	<u>Funds</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 44,111	\$ 9,300	\$ 0	\$ 53,411
Transfers In	0	20,200	0	20,200
Transfers Out	(20,200)	0	0	(20,200)
Total Other Financing Sources (Uses)	\$ 23,911	\$ 29,500	\$ 0	\$ 53,411
Net Change in Fund Balances	\$ 892,717	\$ 441,912	\$ (958,704)	\$ 375,925
Fund Balance, July 1, 2014	3,899,812	120,091	2,986,061	7,005,964
Fund Balance, June 30, 2015	\$ 4,792,529	\$ 562,003	\$ 2,027,357	\$ 7,381,889

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, 2015

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)		\$	375,925
(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	\$	346,601	
Less: current-year depreciation expense		<u>(847,036)</u>	(500,435)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Less: book value on capital assets disposed			(10,597)
(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, 2015	\$	383,989	
Less: deferred delinquent property taxes and other deferred June 30, 2014		<u>(410,099)</u>	(26,110)
(4) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provides current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal contributions on notes to primary government			19,632
(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	\$	17,116	
Change in other postemployment benefits liability		91,989	
Change in net pension liability/asset		6,450,283	
Change in deferred outflows related to pensions		2,068,570	
Change in deferred inflows related to pensions		<u>(6,733,011)</u>	<u>1,894,947</u>
Change in net position of governmental activities (Exhibit B)			<u>\$ 1,753,362</u>

Exhibit J-6

Rhea County, Tennessee  
Combining Balance Sheet - Nonmajor Governmental Funds  
Discretely Presented Rhea County School Department  
June 30, 2015

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Education Capital Projects	
<u>ASSETS</u>					
Equity in Pooled Cash and Investments	\$ 197,432	\$ 925,043	\$ 1,122,475	\$ 676,239	\$ 1,798,714
Inventories	0	68,838	68,838	0	68,838
Accounts Receivable	0	498	498	0	498
Due from Other Governments	142,231	4	142,235	125,861	268,096
Total Assets	<u>\$ 339,663</u>	<u>\$ 994,383</u>	<u>\$ 1,334,046</u>	<u>\$ 802,100</u>	<u>\$ 2,136,146</u>
<u>LIABILITIES</u>					
Payroll Deductions Payable	\$ 36,360	\$ 13,701	\$ 50,061	\$ 0	\$ 50,061
Due to State of Tennessee	1,453	0	1,453	0	1,453
Total Liabilities	<u>\$ 37,813</u>	<u>\$ 13,701</u>	<u>\$ 51,514</u>	<u>\$ 0</u>	<u>\$ 51,514</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Other Deferred/Unavailable Revenue	\$ 0	\$ 0	\$ 0	\$ 57,275	\$ 57,275
Total Deferred Inflows of Resources	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 57,275</u>	<u>\$ 57,275</u>
<u>FUND BALANCES</u>					
Nonspendable:					
Inventory	\$ 0	\$ 68,838	\$ 68,838	\$ 0	\$ 68,838
Restricted:					
Restricted for Education	1,850	911,844	913,694	744,825	1,658,519
Committed:					
Committed for Education	\$ 300,000	\$ 0	\$ 300,000	\$ 0	\$ 300,000
Total Fund Balances	<u>\$ 301,850</u>	<u>\$ 980,682</u>	<u>\$ 1,282,532</u>	<u>\$ 744,825</u>	<u>\$ 2,027,357</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 339,663</u>	<u>\$ 994,383</u>	<u>\$ 1,334,046</u>	<u>\$ 802,100</u>	<u>\$ 2,136,146</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, 2015

	<u>Special Revenue Funds</u>			<u>Capital</u>	<u>Total</u>
	<u>School</u>	<u>Central</u>	<u>Total</u>	<u>Projects Fund</u>	
	<u>Federal</u>	<u>Cafeteria</u>		<u>Capital</u>	<u>Nonmajor</u>
	<u>Projects</u>			<u>Projects</u>	<u>Governmental</u>
					<u>Funds</u>
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 720,492	\$ 720,492
Charges for Current Services	0	247,695	247,695	0	247,695
Other Local Revenues	0	7,926	7,926	0	7,926
State of Tennessee	0	22,477	22,477	0	22,477
Federal Government	2,313,262	2,267,590	4,580,852	0	4,580,852
<b>Total Revenues</b>	<b>\$ 2,313,262</b>	<b>\$ 2,545,688</b>	<b>\$ 4,858,950</b>	<b>\$ 720,492</b>	<b>\$ 5,579,442</b>
<u>Expenditures</u>					
Current:					
Instruction	\$ 2,018,271	\$ 0	\$ 2,018,271	\$ 0	\$ 2,018,271
Support Services	293,141	0	293,141	0	293,141
Operation of Non-instructional Services	0	2,578,298	2,578,298	0	2,578,298
Debt Service:					
Other Debt Service	0	0	0	1,614,627	1,614,627
Capital Projects	0	0	0	33,809	33,809
<b>Total Expenditures</b>	<b>\$ 2,311,412</b>	<b>\$ 2,578,298</b>	<b>\$ 4,889,710</b>	<b>\$ 1,648,436</b>	<b>\$ 6,538,146</b>
Excess (Deficiency) of Revenues					
Over Expenditures	\$ 1,850	\$ (32,610)	\$ (30,760)	\$ (927,944)	\$ (958,704)
Net Change in Fund Balances	\$ 1,850	\$ (32,610)	\$ (30,760)	\$ (927,944)	\$ (958,704)
Fund Balance, July 1, 2014	300,000	1,013,292	1,313,292	1,672,769	2,986,061
Fund Balance, June 30, 2015	\$ 301,850	\$ 980,682	\$ 1,282,532	\$ 744,825	\$ 2,027,357

Exhibit J-8

Rhea County, Tennessee  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance - Actual and Budget  
 Discretely Presented Rhea County School Department  
 General Purpose School Fund  
 For the Year Ended June 30, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<b>Revenues</b>				
Local Taxes	\$ 5,098,351	\$ 4,720,296	\$ 4,720,296	\$ 378,055
Licenses and Permits	1,989	2,120	2,120	(131)
Charges for Current Services	67,558	60,000	60,000	7,558
Other Local Revenues	97,056	63,000	83,000	14,056
State of Tennessee	24,202,578	23,382,154	24,625,680	(423,102)
Federal Government	140,411	666,000	147,681	(7,270)
<b>Total Revenues</b>	<b>\$ 29,607,943</b>	<b>\$ 28,893,570</b>	<b>\$ 29,638,777</b>	<b>\$ (30,834)</b>
<b>Expenditures</b>				
<u>Instruction</u>				
Regular Instruction Program	\$ 14,979,025	\$ 15,199,605	\$ 15,197,537	\$ 218,512
Special Education Program	2,392,911	2,512,880	2,594,385	201,474
Vocational Education Program	763,003	760,994	765,962	2,959
<u>Support Services</u>				
Health Services	315,605	228,038	318,039	2,434
Other Student Support	1,810,823	1,791,511	1,898,605	87,782
Regular Instruction Program	461,126	474,054	492,776	31,650
Special Education Program	366,639	465,428	460,038	93,399
Vocational Education Program	32	0	32	0
Adult Programs	17,268	29,382	31,174	13,906
Other Programs	315,200	231,727	329,617	14,417
Board of Education	414,574	418,140	434,340	19,766
Director of Schools	581,415	576,467	592,168	10,753
Office of the Principal	1,860,249	1,875,709	1,878,881	18,632
Operation of Plant	2,729,249	2,822,150	2,937,868	208,619
Maintenance of Plant	760,351	781,034	902,023	141,672
Transportation	30,364	27,500	37,500	7,136
<u>Operation of Non-Instructional Services</u>				
Early Childhood Education	399,037	420,984	521,376	122,339
<u>Capital Outlay</u>				
Regular Capital Outlay	16,066	0	16,066	0
<u>Principal on Debt</u>				
Education	19,632	0	19,632	0
<u>Other Debt Service</u>				
Education	506,568	514,560	514,560	7,992
<b>Total Expenditures</b>	<b>\$ 28,739,137</b>	<b>\$ 29,130,163</b>	<b>\$ 29,942,579</b>	<b>\$ 1,203,442</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ 868,806	\$ (236,593)	\$ (303,802)	\$ 1,172,608
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 44,111	\$ 0	\$ 23,940	\$ 20,171
Transfers Out	(20,200)	(20,200)	(20,200)	0
<b>Total Other Financing Sources</b>	<b>\$ 23,911</b>	<b>\$ (20,200)</b>	<b>\$ 3,740</b>	<b>\$ 20,171</b>
Net Change in Fund Balance	\$ 892,717	\$ (256,793)	\$ (300,062)	\$ 1,192,779
Fund Balance, July 1, 2014	3,899,812	3,903,936	3,903,936	(4,124)
<b>Fund Balance, June 30, 2015</b>	<b>\$ 4,792,529</b>	<b>\$ 3,647,143</b>	<b>\$ 3,603,874</b>	<b>\$ 1,188,655</b>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,313,262	\$ 0	\$ 2,909,359	\$ (596,097)
Total Revenues	\$ 2,313,262	\$ 0	\$ 2,909,359	\$ (596,097)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,112,299	\$ 0	\$ 1,255,342	\$ 143,043
Special Education Program	835,463	0	937,795	102,332
Vocational Education Program	70,509	0	70,509	0
<u>Support Services</u>				
Other Student Support	24,989	0	180,024	155,035
Regular Instruction Program	247,860	0	428,518	180,658
Special Education Program	0	0	16,500	16,500
Vocational Education Program	2,159	0	2,159	0
Transportation	18,133	0	18,514	381
Total Expenditures	\$ 2,311,412	\$ 0	\$ 2,909,361	\$ 597,949
Excess (Deficiency) of Revenues Over Expenditures	\$ 1,850	\$ 0	\$ (2)	\$ 1,852
Net Change in Fund Balance	\$ 1,850	\$ 0	\$ (2)	\$ 1,852
Fund Balance, July 1, 2014	300,000	300,000	300,000	0
Fund Balance, June 30, 2015	\$ 301,850	\$ 300,000	\$ 299,998	\$ 1,852

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 247,695	\$ 241,064	\$ 241,064	\$ 6,631
Other Local Revenues	7,926	5,000	5,000	2,926
State of Tennessee	22,477	21,000	21,000	1,477
Federal Government	2,267,590	2,186,912	2,191,254	76,336
<b>Total Revenues</b>	<b>\$ 2,545,688</b>	<b>\$ 2,453,976</b>	<b>\$ 2,458,318</b>	<b>\$ 87,370</b>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,578,298	\$ 2,675,253	\$ 2,703,042	\$ 124,744
<b>Total Expenditures</b>	<b>\$ 2,578,298</b>	<b>\$ 2,675,253</b>	<b>\$ 2,703,042</b>	<b>\$ 124,744</b>
Excess (Deficiency) of Revenues Over Expenditures	\$ (32,610)	\$ (221,277)	\$ (244,724)	\$ 212,114
Net Change in Fund Balance	\$ (32,610)	\$ (221,277)	\$ (244,724)	\$ 212,114
Fund Balance, July 1, 2014	1,013,292	1,014,687	1,014,687	(1,395)
<b>Fund Balance, June 30, 2015</b>	<b>\$ 980,682</b>	<b>\$ 793,410</b>	<b>\$ 769,963</b>	<b>\$ 210,719</b>

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, 2015

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,241,117	\$ 2,027,912	\$ 2,080,912	\$ 160,205
Other Local Revenues	52,377	45,000	45,000	7,377
Other Governments and Citizens Groups	270,000	0	270,000	0
Total Revenues	<u>\$ 2,563,494</u>	<u>\$ 2,072,912</u>	<u>\$ 2,395,912</u>	<u>\$ 167,582</u>
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 44,363	\$ 36,000	\$ 55,374	\$ 11,011
Operation of Plant	1,426	1,575	1,775	349
Transportation	2,053,248	1,851,326	2,155,969	102,721
<u>Other Debt Service</u>				
Education	52,045	52,044	52,045	0
Total Expenditures	<u>\$ 2,151,082</u>	<u>\$ 1,940,945</u>	<u>\$ 2,265,163</u>	<u>\$ 114,081</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 412,412</u>	<u>\$ 131,967</u>	<u>\$ 130,749</u>	<u>\$ 281,663</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 9,300	\$ 0	\$ 1,218	\$ 8,082
Transfers In	20,200	20,200	20,200	0
Total Other Financing Sources	<u>\$ 29,500</u>	<u>\$ 20,200</u>	<u>\$ 21,418</u>	<u>\$ 8,082</u>
Net Change in Fund Balance	\$ 441,912	\$ 152,167	\$ 152,167	\$ 289,745
Fund Balance, July 1, 2014	120,091	120,123	120,123	(32)
Fund Balance, June 30, 2015	<u>\$ 562,003</u>	<u>\$ 272,290</u>	<u>\$ 272,290</u>	<u>\$ 289,713</u>

Exhibit J-12

Rhea County, Tennessee  
Statement of Fiduciary Net Position  
Discretely Presented Rhea County School Department  
Fiduciary Fund  
June 30, 2015

	<u>Private Purpose Trust Fund</u> <u>Other Trust Fund</u>
<u>ASSETS</u>	
Current Assets:	
Equity in Pooled Cash and Investments	\$ 256,059
Total Assets	<u>\$ 256,059</u>
<u>NET POSITION</u>	
Funds Held in Trust for Scholarships	<u>\$ 256,059</u>
Total Net Position	<u><u>\$ 256,059</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, 2015

	Private Purpose Trust Fund
	<u>Other Trust Fund</u>
<u>ADDITIONS</u>	
Investment Income	\$ 2,887
Total Additions	<u>\$ 2,887</u>
<u>DEDUCTIONS</u>	
Awards	\$ 1,000
Total Deductions	<u>\$ 1,000</u>
Change in Net Position	\$ 1,887
Net Position, July 1, 2014	<u>254,172</u>
Net Position, June 30, 2015	<u><u>\$ 256,059</u></u>

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## MISCELLANEOUS SCHEDULES

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Exhibit K-1

Rhea County, Tennessee  
Schedule of Changes in Long-term Notes, Other Loans, Bonds, and Capital Lease  
For the Year Ended June 30, 2015

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-14	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-15
<b>NOTES PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Buses	\$ 380,000	4.17 %	1-22-07	1-1-16	\$ 97,000	\$ 0	\$ 48,000	\$ 49,000
Highway Paving	2,000,000	3.54	4-21-11	4-1-21	1,478,000	0	190,000	1,288,000
Track, Football Field, and Multi-Sports Facility	1,000,000	2.37	6-20-12	6-20-22	818,479	0	94,035	724,444
Fire Department	250,000	2.65	6-20-12	6-20-22	205,149	0	23,332	181,817
Dump Trucks	120,534	2.82	10-10-12	9-1-15	83,000	0	41,000	42,000
Land for Jail	300,000	3.68	7-30-13	7-30-18	270,000	0	60,000	210,000
School Buses/Solid Waste Trucks	390,000	1.5	1-14-15	4-1-19	0	390,000	78,000	312,000
Total Notes Payable					<u>\$ 2,951,628</u>	<u>\$ 390,000</u>	<u>\$ 534,367</u>	<u>\$ 2,807,261</u>
<b>OTHER LOANS PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
School Renovation, Repair, and Equipment	517,500	0	12-28-05	12-28-20	\$ 241,500	\$ 0	\$ 34,500	\$ 207,000
Sewer Project	1,000,000	Various	5-15-06	5-25-26	693,000	0	46,000	647,000
Total Payable through General Debt Service Fund					<u>\$ 934,500</u>	<u>\$ 0</u>	<u>\$ 80,500</u>	<u>\$ 854,000</u>
<u>Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund</u>								
Energy Efficiency Loan Program	274,822	0	Various	11-1-21	\$ 274,822	\$ 0	\$ 19,632	\$ 255,190
Total Contributions Due by the School Department from the General Purpose School Fund to the General Debt Service Fund					<u>\$ 274,822</u>	<u>\$ 0</u>	<u>\$ 19,632</u>	<u>\$ 255,190</u>
Total Other Loans Payable					<u>\$ 1,209,322</u>	<u>\$ 0</u>	<u>\$ 100,132</u>	<u>\$ 1,109,190</u>
<b>BONDS PAYABLE</b>								
<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	\$ 3,700,000	\$ 0	\$ 900,000	\$ 2,800,000
County District School Refunding Bonds, Series 2006	3,615,000	3.375 to 4	2-1-06	4-1-23	2,790,000	0	260,000	2,530,000
General Obligation School Bonds, Series 2014	33,000,000	2 to 4.25	1-5-12	2-1-34	32,875,000	0	150,000	32,725,000
Total Bonds Payable					<u>\$ 39,365,000</u>	<u>\$ 0</u>	<u>\$ 1,310,000</u>	<u>\$ 38,055,000</u>
<b>CAPITAL LEASE PAYABLE</b>								
<u>Payable through General Debt Service Fund</u>								
Radios	21,797	5.75	1-15-15	1-15-19	\$ 0	\$ 21,797	\$ 0	\$ 21,797
Total Capital Lease Payable					<u>\$ 0</u>	<u>\$ 21,797</u>	<u>\$ 0</u>	<u>\$ 21,797</u>

Exhibit K-2

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

Year Ending June 30	Notes		
	Principal	Interest	Total
2016	\$ 545,245	\$ 80,730	\$ 625,975
2017	464,195	64,853	529,048
2018	475,217	51,250	526,467
2019	455,314	37,306	492,620
2020	358,486	24,700	383,186
2021	369,737	13,449	383,186
2022	139,067	1,835	140,902
Total	<u>\$ 2,807,261</u>	<u>\$ 274,123</u>	<u>\$ 3,081,384</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2016	\$ 121,764	\$ 1,682	\$ 4,973	\$ 128,419
2017	123,764	1,557	4,680	130,001
2018	125,764	1,427	4,374	131,565
2019	127,764	1,292	4,057	133,113
2020	129,764	1,152	3,727	134,643
2021	131,764	1,007	3,385	136,156
2022	80,606	855	3,030	84,491
2023	63,000	697	2,657	66,354
2024	66,000	533	2,273	68,806
2025	68,000	361	1,869	70,230
2026	71,000	185	1,454	72,639
Total	<u>\$ 1,109,190</u>	<u>\$ 10,748</u>	<u>\$ 36,479</u>	<u>\$ 1,156,417</u>

(Continued)

Exhibit K-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
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	<u>\$ 38,055,000</u>	<u>\$ 17,136,952</u>	<u>\$ 55,191,952</u>

Year Ending June 30	Capital Lease		
	Principal	Interest	Total
2016	\$ 5,001	\$ 1,253	\$ 6,254
2017	5,289	965	6,254
2018	5,593	661	6,254
2019	5,914	340	6,254
Total	<u>\$ 21,797</u>	<u>\$ 3,219</u>	<u>\$ 25,016</u>

Exhibit K-3

Rhea County, Tennessee  
Schedule of Transfers  
Primary Government and Discretely Presented Rhea County School Department  
For the Year Ended June 30, 2015

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
<u>PRIMARY GOVERNMENT</u>			
General	General Debt Service	Debt Reimbursement	\$ 69,373
Highway/Public Works	"	"	285,059
Drug Control	General	Grant Match	<u>5,000</u>
Total Transfers Primary Government			<u>\$ 359,432</u>
<u>DISCRETELY PRESENTED RHEA</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Transportation	Salary Reimbursement	<u>\$ 20,200</u>
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, 2015

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <i>TCA</i>	\$ 78,358	\$ 100,000	Cincinnati Insurance Companies
Highway Supervisor	Section 8-24-102, <i>TCA</i>	74,628	100,000	Travelers Casualty and Surety Company of America
Director of Schools	State Board of Education and Rhea County Board of Education	98,635 (1)	50,000	"
Trustee	Section 8-24-102, <i>TCA</i>	67,843	1,600,000	Cincinnati Insurance Companies
Assessor of Property	Section 8-24-102, <i>TCA</i>	67,843	50,000	Travelers Casualty and Surety Company of America
Finance Director	County Commission	67,843	100,000	Cincinnati Insurance Companies
County Clerk	Section 8-24-102, <i>TCA</i>	67,843	100,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	67,843	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> , and Chancery Court Judge	67,843 (2)	100,000	Travelers Casualty and Surety Company of America
Register of Deeds	Section 8-24-102, <i>TCA</i>	67,843	100,000	Cincinnati Insurance Companies
Sheriff	Section 8-24-102, <i>TCA</i>	74,628 (3)	100,000	"
Employee Blanket Bond Coverage: All County Departments			150,000	Tennessee Risk Management Trust

(1) Does not include a chief executive officer training supplement of \$1,000.

(2) Does not include special commissioner fees of \$1,475.

(3) Does not include a law enforcement training supplement of \$557.

Exhibit K-5

Rhea County, Tennessee  
Schedule of Detailed Revenues -  
All Governmental Fund Types  
For the Year Ended June 30, 2015

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 6,018,872	\$ 0	\$ 0	\$ 0	292,539	\$ 1,426,704
Trustee's Collections - Prior Year	181,701	0	0	0	6,473	43,133
Trustee's Collections - Bankruptcy	1,135	0	0	0	23	233
Circuit/Clerk and Master Collections - Prior Years	216,767	0	0	0	7,292	51,523
Interest and Penalty	37,513	0	0	0	1,439	8,903
Payments in-Lieu-of Taxes - T.V.A.	3,109	0	0	0	151	736
Payments in-Lieu-of Taxes - Local Utilities	83,302	0	0	0	3,911	19,740
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	462,345
Hotel/Motel Tax	163,849	0	0	0	0	0
Litigation Tax - General	129,634	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	75,349	0	0	0	0	0
Business Tax	0	273,615	0	0	0	0
Mineral Severance Tax	0	0	0	0	60,937	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	32,596	0	0	0	1,587	7,721
Wholesale Beer Tax	0	152,709	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	2,095
<b>Total Local Taxes</b>	<b>\$ 6,943,827</b>	<b>\$ 426,324</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>374,352</b>	<b>\$ 2,023,133</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 88,903	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Permits</u>						
Beer Permits	2,573	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Licenses and Permits (Cont.)</u>						
<u>Permits (Cont.)</u>						
Building Permits	\$ 27,810	\$ 0	\$ 0	\$ 0	\$ 0	0
Other Permits	8,624	0	0	0	0	0
Total Licenses and Permits	<u>\$ 127,910</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 1,214	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	8,587	0	0	0	0	0
Drug Control Fines	13,845	0	504	0	0	0
Drug Court Fees	1,167	0	0	0	0	0
Jail Fees	6,557	0	0	0	0	0
DUI Treatment Fines	1,808	0	0	0	0	0
Data Entry Fee - Circuit Court	1,955	0	0	0	0	0
Courtroom Security Fee	7,635	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	21,029	0	0	0	0	0
Fines for Littering	24	0	0	0	0	0
Officers Costs	63,898	0	0	0	0	0
Game and Fish Fines	724	0	0	0	0	0
Drug Control Fines	13,400	0	13,056	0	0	0
Drug Court Fees	8,101	0	0	0	0	0
Jail Fees	27,118	0	0	0	0	0
DUI Treatment Fines	7,365	0	0	0	0	0
Data Entry Fee - General Sessions Court	11,276	0	0	0	0	0
Courtroom Security Fee	62,058	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Jail Fees	\$ 1,456	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Chancery Court</u>						
Officers Costs	5,578	0	0	0	0	0
Data Entry Fee - Chancery Court	3,798	0	0	0	0	0
Courtroom Security Fee	4,272	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	10,480	0	23,508	0	0	0
Other Fines, Forfeitures, and Penalties	100	0	0	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 283,445	\$ 0	\$ 37,068	\$ 0	\$ 0	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 19,570	\$ 0	\$ 0	\$ 0	0
Surcharge - Host Agency	0	133,410	0	0	0	0
Surcharge - Waste Tire Disposal	0	14,081	0	0	0	0
Work Release Charges for Board	11,058	0	0	0	0	0
<u>Fees</u>						
Copy Fees	2,225	0	0	0	0	0
Telephone Commissions	19,985	0	0	0	0	0
Vending Machine Collections	280	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	124,061	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	1,475	0	0
Data Processing Fee - Register	8,344	0	0	0	0	0
Data Processing Fee - Sheriff	6,261	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	5,700	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	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>						
Data Processing Fee - County Clerk	\$ 212	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Charges for Current Services	\$ 54,065	\$ 167,061	\$ 0	\$ 125,536	\$ 0	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 8,157
Lease/Rentals	99,158	0	0	0	0	0
Sale of Materials and Supplies	100	0	0	0	15,485	0
Commissary Sales	11,853	0	0	0	0	0
Sale of Recycled Materials	0	6,401	0	0	0	0
Sale of Animals/Livestock	3,389	0	0	0	0	0
Miscellaneous Refunds	12,344	0	0	0	0	0
<u>Nonrecurring Items</u>						
Sale of Equipment	5,785	4	0	0	0	0
Damages Recovered from Individuals	1,230	0	0	0	0	0
Contributions and Gifts	3,160	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	232,113	60,935	967	0	0	0
Total Other Local Revenues	\$ 369,132	\$ 67,340	\$ 967	\$ 0	\$ 15,485	\$ 8,157
<u>Fees Received from County Officials</u>						
<u>Excess Fees</u>						
County Clerk	\$ 249,699	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Trustee	273,719	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service
	General	Solid Waste / Sanitation	Drug Control	Constitutional - Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received from County Officials (Cont.)</u>						
<u>Fees in-Lieu-of Salary</u>						
County Clerk	\$ 67,695	\$ 0	\$ 0	\$ 0	\$ 0	0
Circuit Court Clerk	119,925	0	0	0	0	0
General Sessions Court Clerk	201,659	0	0	0	0	0
Clerk and Master	138,947	0	0	0	0	0
Register	101,791	0	0	0	0	0
Sheriff	6,650	0	0	0	0	0
Total Fees Received from County Officials	\$ 1,160,085	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 9,000	\$ 0	\$ 0	\$ 0	\$ 0	0
Child Restraint Program	6,848	0	0	0	0	0
On-behalf Contributions for OPEB	1,400	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	18,000	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Public Health Nurses	204,179	0	0	0	0	0
<u>Public Works Grants</u>						
Bridge Program	0	0	0	0	3,349	0
Litter Program	0	35,100	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	55,692	0	0	0	0	0
Beer Tax	18,055	0	0	0	0	0
Vehicle Certificate of Title Fees	8,336	0	0	0	0	0
Alcoholic Beverage Tax	54,283	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
State Revenue Sharing - T.V.A.	\$ 52,088	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Prisoner Boarding	134,856	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,586,865	0
Petroleum Special Tax	0	0	0	0	22,952	0
Registrar's Salary Supplement	7,582	0	0	0	0	0
Other State Grants	41,729	4,581	0	0	0	0
Other State Revenues	123,182	0	0	0	1,300	0
Total State of Tennessee	<u>\$ 735,230</u>	<u>\$ 39,681</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,614,466</u>	<u>\$ 0</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
Homeland Security Grants	\$ 16,148	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Law Enforcement Grants	51,471	0	0	0	0	0
Other Federal through State	0	0	0	0	0	0
Total Federal Government	<u>\$ 67,619</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 230,339	\$ 0	\$ 1,660	\$ 0	\$ 0	\$ 2,192,872
<u>Other</u>						
Other	0	10,715	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 230,339</u>	<u>\$ 10,715</u>	<u>\$ 1,660</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,192,872</u>
Total	<u>\$ 9,971,652</u>	<u>\$ 711,121</u>	<u>\$ 39,695</u>	<u>\$ 125,536</u>	<u>\$ 2,004,303</u>	<u>\$ 4,224,162</u>

(Continued)

Exhibit K-5

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

	Capital Projects Fund HUD Grant Projects	Total
<u>Local Taxes</u>		
<u>County Property Taxes</u>		
Current Property Tax	\$ 0	\$ 7,738,115
Trustee's Collections - Prior Year	0	231,307
Trustee's Collections - Bankruptcy	0	1,391
Circuit/Clerk and Master Collections - Prior Years	0	275,582
Interest and Penalty	0	47,855
Payments in-Lieu-of Taxes - T.V.A.	0	3,996
Payments in-Lieu-of Taxes - Local Utilities	0	106,953
<u>County Local Option Taxes</u>		
Local Option Sales Tax	0	462,345
Hotel/Motel Tax	0	163,849
Litigation Tax - General	0	129,634
Litigation Tax - Jail, Workhouse, or Courthouse	0	75,349
Business Tax	0	273,615
Mineral Severance Tax	0	60,937
<u>Statutory Local Taxes</u>		
Bank Excise Tax	0	41,904
Wholesale Beer Tax	0	152,709
Interstate Telecommunications Tax	0	2,095
Total Local Taxes	<u>\$ 0</u>	<u>\$ 9,767,636</u>
<u>Licenses and Permits</u>		
<u>Licenses</u>		
Cable TV Franchise	\$ 0	\$ 88,903
<u>Permits</u>		
Beer Permits	0	2,573

(Continued)

Exhibit K-5

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

	Capital Projects Fund HUD Grant Projects	Total
<u>Licenses and Permits (Cont.)</u>		
<u>Permits (Cont.)</u>		
Building Permits	\$ 0	\$ 27,810
Other Permits	0	8,624
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 127,910</u>
<u>Fines, Forfeitures, and Penalties</u>		
<u>Circuit Court</u>		
Fines	\$ 0	\$ 1,214
Officers Costs	0	8,587
Drug Control Fines	0	14,349
Drug Court Fees	0	1,167
Jail Fees	0	6,557
DUI Treatment Fines	0	1,808
Data Entry Fee - Circuit Court	0	1,955
Courtroom Security Fee	0	7,635
<u>General Sessions Court</u>		
Fines	0	21,029
Fines for Littering	0	24
Officers Costs	0	63,898
Game and Fish Fines	0	724
Drug Control Fines	0	26,456
Drug Court Fees	0	8,101
Jail Fees	0	27,118
DUI Treatment Fines	0	7,365
Data Entry Fee - General Sessions Court	0	11,276
Courtroom Security Fee	0	62,058

(Continued)

Exhibit K-5

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

	Capital Projects Fund HUD Grant Projects	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>		
<u>Juvenile Court</u>		
Jail Fees	\$ 0	\$ 1,456
<u>Chancery Court</u>		
Officers Costs	0	5,578
Data Entry Fee - Chancery Court	0	3,798
Courtroom Security Fee	0	4,272
<u>Other Fines, Forfeitures, and Penalties</u>		
Proceeds from Confiscated Property	0	33,988
Other Fines, Forfeitures, and Penalties	0	100
Total Fines, Forfeitures, and Penalties	<u>\$ 0</u>	<u>\$ 320,513</u>
<u>Charges for Current Services</u>		
<u>General Service Charges</u>		
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 19,570
Surcharge - Host Agency	0	133,410
Surcharge - Waste Tire Disposal	0	14,081
Work Release Charges for Board	0	11,058
<u>Fees</u>		
Copy Fees	0	2,225
Telephone Commissions	0	19,985
Vending Machine Collections	0	280
Constitutional Officers' Fees and Commissions	0	124,061
Special Commissioner Fees/Special Master Fees	0	1,475
Data Processing Fee - Register	0	8,344
Data Processing Fee - Sheriff	0	6,261
Sexual Offender Registration Fee - Sheriff	0	5,700

(Continued)

Exhibit K-5

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

	Capital Projects Fund HUD Grant Projects	Total
<u>Charges for Current Services (Cont.)</u>		
<u>Fees (Cont.)</u>		
Data Processing Fee - County Clerk	\$ 0	\$ 212
Total Charges for Current Services	<u>\$ 0</u>	<u>\$ 346,662</u>
<u>Other Local Revenues</u>		
<u>Recurring Items</u>		
Investment Income	\$ 0	\$ 8,157
Lease/Rentals	0	99,158
Sale of Materials and Supplies	0	15,585
Commissary Sales	0	11,853
Sale of Recycled Materials	0	6,401
Sale of Animals/Livestock	0	3,389
Miscellaneous Refunds	0	12,344
<u>Nonrecurring Items</u>		
Sale of Equipment	0	5,789
Damages Recovered from Individuals	0	1,230
Contributions and Gifts	0	3,160
<u>Other Local Revenues</u>		
Other Local Revenues	0	294,015
Total Other Local Revenues	<u>\$ 0</u>	<u>\$ 461,081</u>
<u>Fees Received from County Officials</u>		
<u>Excess Fees</u>		
County Clerk	\$ 0	\$ 249,699
Trustee	0	273,719

(Continued)

Exhibit K-5

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

	Capital Projects Fund HUD Grant Projects	Total
<u>Fees Received from County Officials (Cont.)</u>		
<u>Fees in-Lieu-of Salary</u>		
County Clerk	\$ 0	\$ 67,695
Circuit Court Clerk	0	119,925
General Sessions Court Clerk	0	201,659
Clerk and Master	0	138,947
Register	0	101,791
Sheriff	0	6,650
Total Fees Received from County Officials	<u>\$ 0</u>	<u>\$ 1,160,085</u>
<u>State of Tennessee</u>		
<u>General Government Grants</u>		
Juvenile Services Program	\$ 0	\$ 9,000
Child Restraint Program	0	6,848
On-behalf Contributions for OPEB	0	1,400
<u>Public Safety Grants</u>		
Law Enforcement Training Programs	0	18,000
<u>Health and Welfare Grants</u>		
Public Health Nurses	0	204,179
<u>Public Works Grants</u>		
Bridge Program	0	3,349
Litter Program	0	35,100
<u>Other State Revenues</u>		
Income Tax	0	55,692
Beer Tax	0	18,055
Vehicle Certificate of Title Fees	0	8,336
Alcoholic Beverage Tax	0	54,283

(Continued)

Exhibit K-5

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

	Capital Projects Fund HUD Grant Projects	Total
<u>State of Tennessee (Cont.)</u>		
<u>Other State Revenues (Cont.)</u>		
State Revenue Sharing - T.V.A.	\$ 0	\$ 52,088
Contracted Prisoner Boarding	0	134,856
Gasoline and Motor Fuel Tax	0	1,586,865
Petroleum Special Tax	0	22,952
Registrar's Salary Supplement	0	7,582
Other State Grants	0	46,310
Other State Revenues	0	124,482
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 2,389,377</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Homeland Security Grants	\$ 0	\$ 16,148
Law Enforcement Grants	0	51,471
Other Federal through State	182,330	182,330
Total Federal Government	<u>\$ 182,330</u>	<u>\$ 249,949</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Contributions	\$ 0	\$ 2,424,871
<u>Other</u>		
Other	0	10,715
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 2,435,586</u>
Total	<u>\$ 182,330</u>	<u>\$ 17,258,799</u>

Exhibit K-6

Rhea County, Tennessee  
 Schedule of Detailed Revenues -  
 All Governmental Fund Types  
 Discretely Presented Rhea County School Department  
 For the Year Ended June 30, 2015

	General Purpose School	Special Revenue Funds			Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,098,335	\$ 0	\$ 0	\$ 2,076,887	\$ 0	\$ 4,175,222
Trustee's Collections - Prior Year	67,075	0	0	51,975	0	119,050
Trustee's Collections - Bankruptcy	406	0	0	321	0	727
Circuit/Clerk and Master Collections - Prior Years	75,908	0	0	60,266	0	136,174
Interest and Penalty	13,152	0	0	11,228	0	24,380
Payments in-Lieu-of Taxes - T.V.A.	1,086	0	0	1,073	0	2,159
Payments in-Lieu-of Taxes - Local Utilities	29,227	0	0	28,112	0	57,339
<u>County Local Option Taxes</u>						
Local Option Sales Tax	2,788,671	0	0	0	720,492	3,509,163
Mixed Drink Tax	10,419	0	0	0	0	10,419
<u>Statutory Local Taxes</u>						
Bank Excise Tax	11,715	0	0	11,255	0	22,970
Interstate Telecommunications Tax	2,357	0	0	0	0	2,357
<b>Total Local Taxes</b>	<b>\$ 5,098,351</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 2,241,117</b>	<b>\$ 720,492</b>	<b>\$ 8,059,960</b>
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,989	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,989
<b>Total Licenses and Permits</b>	<b>\$ 1,989</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,989</b>
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Tuition - Other	\$ 67,558	\$ 0	\$ 0	\$ 0	\$ 0	\$ 67,558
Lunch Payments - Adults	0	0	54,860	0	0	54,860

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds			Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	
<u>Charges for Current Services (Cont.)</u>						
<u>Education Charges (Cont.)</u>						
A la carte Sales	\$ 0	\$ 0	\$ 192,835	\$ 0	\$ 0	\$ 192,835
Total Charges for Current Services	\$ 67,558	\$ 0	\$ 247,695	\$ 0	\$ 0	\$ 315,253
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 1,615	\$ 0	\$ 0	\$ 1,615
Lease/Rentals	0	0	0	50,274	0	50,274
E-Rate Funding	42,425	0	0	0	0	42,425
Miscellaneous Refunds	136	0	601	1,575	0	2,312
<u>Nonrecurring Items</u>						
Sale of Equipment	87	0	4,710	527	0	5,324
Damages Recovered from Individuals	615	0	0	0	0	615
Contributions and Gifts	10,000	0	0	0	0	10,000
<u>Other Local Revenues</u>						
Other Local Revenues	43,793	0	1,000	1	0	44,794
Total Other Local Revenues	\$ 97,056	\$ 0	\$ 7,926	\$ 52,377	\$ 0	\$ 157,359
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	\$ 92,196	\$ 0	\$ 0	\$ 0	\$ 0	\$ 92,196
<u>State Education Funds</u>						
Basic Education Program	21,497,441	0	0	0	0	21,497,441
Early Childhood Education	394,371	0	0	0	0	394,371
School Food Service	0	0	22,477	0	0	22,477

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds			Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	School Transportation	Education Capital Projects	
<u>State of Tennessee (Cont.)</u>						
<u>State Education Funds (Cont.)</u>						
Energy Efficient School Initiative	\$ 16,066	\$ 0	\$ 0	\$ 0	\$ 0	16,066
Driver Education	18,988	0	0	0	0	18,988
Other State Education Funds	232,140	0	0	0	0	232,140
Career Ladder Program	153,478	0	0	0	0	153,478
Career Ladder - Extended Contract	28,870	0	0	0	0	28,870
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	1,167,614	0	0	0	0	1,167,614
Other State Grants	1,414	0	0	0	0	1,414
Other State Revenues	600,000	0	0	0	0	600,000
Total State of Tennessee	\$ 24,202,578	\$ 0	\$ 22,477	\$ 0	\$ 0	24,225,055
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,553,466	\$ 0	\$ 0	1,553,466
USDA - Commodities	0	0	134,503	0	0	134,503
Breakfast	0	0	564,603	0	0	564,603
Vocational Education - Basic Grants to States	0	87,751	0	0	0	87,751
Title I Grants to Local Education Agencies	0	1,048,228	0	0	0	1,048,228
Special Education - Grants to States	81,681	832,468	0	0	0	914,149
Special Education Preschool Grants	0	21,126	0	0	0	21,126
English Language Acquisition Grants	0	15,251	0	0	0	15,251
Rural Education	0	52,636	0	0	0	52,636
Education for Homeless Children and Youth	0	15,906	0	0	0	15,906
Eisenhower Professional Development State Grants	0	118,186	0	0	0	118,186

(Continued)

Exhibit K-6

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

	General Purpose School	Special Revenue Funds			Capital Projects Fund	Total
		School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	
<u>Federal Government (Cont.)</u>						
<u>Federal Through State (Cont.)</u>						
Race to the Top - ARRA	\$ 0	\$ 121,710	\$ 0	\$ 0	\$ 0	\$ 121,710
Other Federal through State	0	0	15,018	0	0	15,018
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	58,730	0	0	0	0	58,730
Total Federal Government	<u>\$ 140,411</u>	<u>\$ 2,313,262</u>	<u>\$ 2,267,590</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,721,263</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 0	\$ 0	\$ 0	\$ 270,000	\$ 0	\$ 270,000
Total Other Governments and Citizens Groups	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 270,000</u>	<u>\$ 0</u>	<u>\$ 270,000</u>
Total	<u>\$ 29,607,943</u>	<u>\$ 2,313,262</u>	<u>\$ 2,545,688</u>	<u>\$ 2,563,494</u>	<u>\$ 720,492</u>	<u>\$ 37,750,879</u>

Exhibit K-7

Rhea County, Tennessee  
Schedule of Detailed Expenditures -  
All Governmental Fund Types  
For the Year Ended June 30, 2015

General Fund

General Government

County Commission

Board and Committee Members Fees	\$ 42,400	
Social Security	2,629	
Employer Medicare	615	
Other Fringe Benefits	2,647	
Audit Services	9,543	
Contributions	36,650	
Dues and Memberships	5,702	
Travel	4,010	
Other Contracted Services	1,291	
Other Supplies and Materials	1,166	
Other Charges	300	
Total County Commission		\$ 106,953

Board of Equalization

Board and Committee Members Fees	\$ 1,900	
Social Security	118	
Employer Medicare	28	
Total Board of Equalization		2,046

Other Boards and Committees

Secretary(ies)	\$ 225	
Board and Committee Members Fees	2,520	
Social Security	170	
Pensions	21	
Employer Medicare	40	
Printing, Stationery, and Forms	1,022	
Total Other Boards and Committees		3,998

County Mayor/Executive

County Official/Administrative Officer	\$ 78,358	
Accountants/Bookkeepers	22,700	
Mechanic(s)	165	
Part-time Personnel	1,754	
Social Security	5,912	
Pensions	9,566	
Life Insurance	96	
Medical Insurance	14,317	
Employer Medicare	1,383	
Communication	874	
Dues and Memberships	515	
Operating Lease Payments	1,858	
Travel	952	
Gasoline	2,562	
Office Supplies	491	
Tires and Tubes	551	
Vehicle Parts	432	
Vehicle and Equipment Insurance	701	
Data Processing Equipment	243	
Total County Mayor/Executive		143,430

(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	\$ 17,160	
Total County Attorney		\$ 17,160

Election Commission

County Official/Administrative Officer	\$ 61,059	
Assistant(s)	31,641	
Part-time Personnel	6,387	
Overtime Pay	1,139	
Election Commission	2,975	
Election Workers	7,819	
Social Security	6,767	
Pensions	8,868	
Life Insurance	96	
Medical Insurance	13,057	
Employer Medicare	1,583	
Other Fringe Benefits	1,650	
Communication	961	
Dues and Memberships	175	
Operating Lease Payments	1,911	
Legal Notices, Recording, and Court Costs	5,675	
Maintenance Agreements	13,750	
Maintenance and Repair Services - Equipment	85	
Rentals	1,050	
Travel	4,179	
Other Contracted Services	20,775	
Office Supplies	1,459	
Other Supplies and Materials	1,307	
Data Processing Equipment	44	
Total Election Commission		194,412

Register of Deeds

County Official/Administrative Officer	\$ 67,843	
Assistant(s)	35,209	
Accountants/Bookkeepers	30,617	
Social Security	8,235	
Pensions	5,881	
Life Insurance	144	
Medical Insurance	19,586	
Employer Medicare	1,926	
Other Fringe Benefits	129	
Data Processing Services	6,003	
Dues and Memberships	478	
Operating Lease Payments	1,859	
Office Supplies	2,818	
Furniture and Fixtures	4,410	
Total Register of Deeds		185,138

(Continued)

Exhibit K-7

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

General Fund (Cont.)

General Government (Cont.)

Planning

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

Building

Other Contracted Services	\$ 20,254	
Refunds	100	
Total Building		20,354

County Buildings

Custodial Personnel	\$ 7,270	
Maintenance Personnel	154,984	
Social Security	10,024	
Pensions	14,527	
Life Insurance	48	
Medical Insurance	6,529	
Employer Medicare	2,344	
Communication	45,687	
Dues and Memberships	10,179	
Postal Charges	36,943	
Other Contracted Services	225,321	
Custodial Supplies	31,708	
Electricity	177,330	
Natural Gas	23,342	
Water and Sewer	46,552	
Other Supplies and Materials	27,678	
Building and Contents Insurance	19,033	
Data Processing Equipment	1,592	
Total County Buildings		841,091

Other General Administration

On-behalf Payments to OPEB	\$ 1,400	
Total Other General Administration		1,400

Finance

Accounting and Budgeting

Assistant(s)	\$ 36,265
Supervisor/Director	67,843
Accountants/Bookkeepers	147,156
Purchasing Personnel	108,373
Social Security	20,994
Pensions	33,731
Life Insurance	520
Medical Insurance	72,741
Employer Medicare	4,910
Other Fringe Benefits	5,383
Data Processing Services	18,512
Dues and Memberships	400

(Continued)

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

General Fund (Cont.)

Finance (Cont.)

Accounting and Budgeting (Cont.)

Operating Lease Payments	\$	5,376	
Legal Notices, Recording, and Court Costs		2,415	
Travel		627	
Office Supplies		13,297	
In Service/Staff Development		335	
Other Charges		54	
Data Processing Equipment		4,680	
Office Equipment		360	
Total Accounting and Budgeting			\$ 543,972

Property Assessor's Office

County Official/Administrative Officer	\$	67,843	
Assistant(s)		34,287	
Accountants/Bookkeepers		28,947	
Mechanic(s)		109	
Clerical Personnel		64,411	
Part-time Personnel		629	
Social Security		11,015	
Pensions		18,484	
Life Insurance		288	
Medical Insurance		40,525	
Employer Medicare		2,576	
Other Fringe Benefits		5,103	
Data Processing Services		4,632	
Dues and Memberships		1,825	
Operating Lease Payments		2,151	
Travel		3,123	
Other Contracted Services		18,640	
Gasoline		1,808	
Lubricants		10	
Office Supplies		2,836	
Tires and Tubes		539	
Vehicle Parts		123	
Vehicle and Equipment Insurance		701	
In Service/Staff Development		810	
Data Processing Equipment		223	
Total Property Assessor's Office			311,638

County Trustee's Office

Life Insurance	\$	144	
Medical Insurance		19,585	
Other Fringe Benefits		1,708	
Data Processing Services		22,880	
Dues and Memberships		478	
Operating Lease Payments		1,500	
Legal Notices, Recording, and Court Costs		94	
Other Contracted Services		9,787	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Finance (Cont.)

County Trustee's Office (Cont.)

Office Supplies	\$ 2,797	
Data Processing Equipment	962	
Total County Trustee's Office		\$ 59,935

County Clerk's Office

County Official/Administrative Officer Assistant(s)	\$ 56,536	
Accountants/Bookkeepers	28,499	
Clerical Personnel	18,917	
Part-time Personnel	34,215	
Social Security	349	
Pensions	8,414	
Life Insurance	13,057	
Medical Insurance	240	
Employer Medicare	32,163	
Other Fringe Benefits	1,966	
Communication	2,309	
Data Processing Services	1,020	
Dues and Memberships	17,574	
Operating Lease Payments	628	
Office Supplies	2,087	
Data Processing Equipment	5,454	
Total County Clerk's Office	3,140	226,568

Administration of Justice

Circuit Court

County Official/Administrative Officer Assistant(s)	\$ 67,843	
Clerical Personnel	33,289	
Part-time Personnel	69,117	
Social Security	6,253	
Pensions	10,555	
Life Insurance	16,418	
Medical Insurance	240	
Employer Medicare	32,788	
Other Fringe Benefits	2,469	
Data Processing Services	1,650	
Dues and Memberships	15,388	
Operating Lease Payments	478	
Other Contracted Services	2,730	
Office Supplies	8,323	
Total Circuit Court	6,098	273,639

General Sessions Court

Assistant(s)	\$ 31,641
Clerical Personnel	97,137
Social Security	7,840

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

General Sessions Court (Cont.)

Pensions	\$	12,170	
Life Insurance		240	
Medical Insurance		26,114	
Employer Medicare		1,834	
Other Fringe Benefits		3,442	
Operating Lease Payments		1,859	
Other Contracted Services		600	
Office Supplies		4,911	
Data Processing Equipment		3,264	
Total General Sessions Court			\$ 191,052

General Sessions Judge

Judge(s)	\$	131,991	
Probation Officer(s)		51,226	
Youth Service Officer(s)		19,984	
Secretary(ies)		23,643	
Social Security		13,283	
Pensions		17,262	
Life Insurance		244	
Medical Insurance		26,429	
Unemployment Compensation		1,517	
Employer Medicare		3,107	
Other Fringe Benefits		1,875	
Communication		92	
Data Processing Services		3,600	
Operating Lease Payments		1,132	
Travel		5,982	
Office Supplies		1,640	
Other Supplies and Materials		3,825	
Data Processing Equipment		1,040	
Total General Sessions Judge			307,872

Drug Court

Drug Treatment	\$	7,713	
Total Drug Court			7,713

Chancery Court

County Official/Administrative Officer	\$	67,843	
Assistant(s)		34,287	
Clerical Personnel		82,542	
Social Security		10,843	
Pensions		17,452	
Life Insurance		240	
Medical Insurance		33,388	
Employer Medicare		2,536	
Other Fringe Benefits		4,152	
Data Processing Services		7,725	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Administration of Justice (Cont.)

Chancery Court (Cont.)

Dues and Memberships	\$	478	
Operating Lease Payments		1,979	
Travel		59	
Office Supplies		4,352	
Data Processing Equipment		1,479	
Total Chancery Court			\$ 269,355

Courtroom Security

Deputy(ies)	\$	47,438	
Social Security		2,604	
Employer Medicare		687	
Total Courtroom Security			50,729

Public Safety

Sheriff's Department

County Official/Administrative Officer	\$	74,628	
Assistant(s)		48,455	
Deputy(ies)		574,999	
Investigator(s)		161,127	
Lieutenant(s)		44,246	
Sergeant(s)		150,849	
Mechanic(s)		13,092	
School Resource Officer		153,830	
Educational Incentive - Other County Employees		16,721	
Social Security		74,956	
Pensions		112,961	
Life Insurance		1,472	
Medical Insurance		204,522	
Employer Medicare		17,530	
Other Fringe Benefits		2,459	
Communication		1,168	
Dues and Memberships		2,555	
Operating Lease Payments		5,813	
Rentals		808	
Towing Services		4,200	
Travel		1,468	
Remittance of Revenue Collected		3,385	
Other Contracted Services		19,034	
Diesel Fuel		1,424	
Gasoline		119,755	
Lubricants		1,773	
Office Supplies		1,840	
Tires and Tubes		17,320	
Vehicle Parts		32,591	
Other Supplies and Materials		9,116	
Liability Insurance		24,292	
Vehicle and Equipment Insurance		29,896	

(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.)

Liability Claims	\$	5,000	
In Service/Staff Development		6,449	
Other Charges		245	
Communication Equipment		408	
Law Enforcement Equipment		24,240	
Other Equipment		6,200	
Total Sheriff's Department			\$ 1,970,827

Administration of the Sexual Offender Registry

Other Contracted Services	\$	1,059	
Other Charges		1,550	
Total Administration of the Sexual Offender Registry			2,609

Jail

Lieutenant(s)	\$	40,330	
Sergeant(s)		122,476	
Accountants/Bookkeepers		32,951	
Guards		227,907	
Clerical Personnel		59,817	
Social Security		29,618	
Pensions		42,400	
Life Insurance		764	
Medical Insurance		95,805	
Employer Medicare		6,928	
Other Fringe Benefits		7,542	
Communication		995	
Operating Lease Payments		1,564	
Medical and Dental Services		105,764	
Travel		1,300	
Other Contracted Services		10,262	
Drugs and Medical Supplies		41,225	
Food Preparation Supplies		5,407	
Food Supplies		158,466	
Office Supplies		1,012	
Prisoners Clothing		897	
Other Supplies and Materials		6,570	
In Service/Staff Development		920	
Total Jail			1,000,920

Juvenile Services

Sergeant(s)	\$	61,747	
Guards		86,830	
Social Security		9,078	
Pensions		14,041	
Life Insurance		220	
Medical Insurance		32,643	
Employer Medicare		2,123	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Safety (Cont.)

Juvenile Services (Cont.)

Other Fringe Benefits	\$ 5,231	
Operating Lease Payments	1,059	
Prisoners Clothing	1,204	
Total Juvenile Services		\$ 214,176

Fire Prevention and Control

Supervisor/Director	\$ 41,110	
Mechanic(s)	100	
Other Salaries and Wages	6,180	
Social Security	2,892	
Pensions	3,894	
Life Insurance	48	
Medical Insurance	6,529	
Employer Medicare	677	
Communication	70	
Contracts with Government Agencies	2,000	
Dues and Memberships	230	
Travel	146	
Other Contracted Services	700	
Diesel Fuel	6,819	
Electricity	21,546	
Gasoline	6,285	
Lubricants	11	
Natural Gas	19,834	
Office Supplies	196	
Vehicle Parts	50	
Water and Sewer	2,596	
Other Supplies and Materials	74,781	
Liability Insurance	935	
Vehicle and Equipment Insurance	17,750	
In Service/Staff Development	3,086	
Other Charges	13,842	
Motor Vehicles	26,000	
Other Capital Outlay	8,445	
Total Fire Prevention and Control		266,752

Civil Defense

Other Salaries and Wages	\$ 23,299	
Social Security	1,445	
Pensions	1,667	
Employer Medicare	338	
Total Civil Defense		26,749

Sheriff's Department

Communication Equipment	\$ 21,797	
Total Sheriff's Department		21,797

(Continued)

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

General Fund (Cont.)

Public Safety (Cont.)

Civil Defense

Other Equipment	\$ 22,418	
Total Civil Defense		\$ 22,418

Rescue Squad

Contributions	\$ 23,831	
Total Rescue Squad		23,831

County Coroner/Medical Examiner

Contracts with Private Agencies	\$ 43,300	
Total County Coroner/Medical Examiner		43,300

Public Safety Grants Programs

Overtime Pay	\$ 14,789	
Social Security	893	
Pensions	1,398	
Employer Medicare	209	
Other Supplies and Materials	19,318	
Total Public Safety Grants Programs		36,607

Other Public Safety

Assistant(s)	\$ 42,231	
Supervisor/Director	56,558	
Dispatchers/Radio Operators	431,822	
Maintenance Personnel	560	
Part-time Personnel	9,095	
Social Security	33,011	
Pensions	46,079	
Life Insurance	800	
Medical Insurance	104,692	
Unemployment Compensation	422	
Employer Medicare	7,720	
Other Fringe Benefits	3,624	
Maintenance Agreements	41,439	
Other Contracted Services	1,646	
Custodial Supplies	789	
Electricity	10,558	
Gasoline	2,886	
Natural Gas	455	
Office Supplies	614	
Water and Sewer	383	
Building and Contents Insurance	5,605	
Liability Insurance	1,090	
Vehicle and Equipment Insurance	1,090	
Total Other Public Safety		803,169

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Public Health and Welfare

Local Health Center

Custodial Personnel	\$	7,257	
Other Salaries and Wages		131,652	
Social Security		8,515	
Pensions		9,214	
Life Insurance		240	
Medical Insurance		32,643	
Employer Medicare		1,992	
Other Fringe Benefits		658	
Contributions		39,663	
Travel		3,548	
Other Contracted Services		4,430	
Other Supplies and Materials		3,276	
In Service/Staff Development		658	
Other Charges		18,322	
Total Local Health Center			\$ 262,068

Rabies and Animal Control

Other Salaries and Wages	\$	45,376	
Social Security		2,787	
Pensions		2,735	
Life Insurance		48	
Medical Insurance		5,998	
Employer Medicare		652	
Operating Lease Payments		708	
Other Contracted Services		121	
Animal Food and Supplies		1,538	
Gasoline		3,179	
Office Supplies		26	
Other Supplies and Materials		3,137	
Total Rabies and Animal Control			66,305

Crippled Children Services

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

Other Waste Disposal

Access Fees	\$	48,759	
Total Other Waste Disposal			48,759

Other Public Health and Welfare

Other Supplies and Materials	\$	1,530	
Total Other Public Health and Welfare			1,530

Agriculture and Natural Resources

Agricultural Extension Service

Contributions	\$	76,232	
Dues and Memberships		435	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Agriculture and Natural Resources (Cont.)

Agricultural Extension Service (Cont.)

Operating Lease Payments	\$	526	
Other Contracted Services		2,275	
Electricity		3,224	
Gasoline		88	
Water and Sewer		279	
Other Supplies and Materials		40,321	
Total Agricultural Extension Service			\$ 123,380

Soil Conservation

Other Salaries and Wages	\$	25,116	
Social Security		1,525	
Pensions		2,373	
Life Insurance		48	
Medical Insurance		6,529	
Employer Medicare		357	
Dues and Memberships		300	
Travel		489	
Office Supplies		456	
Other Charges		600	
Total Soil Conservation			37,793

Other Operations

Other Economic and Community Development

Contributions	\$	81,925	
Other Charges		16,294	
Total Other Economic and Community Development			98,219

Veterans' Services

Supervisor/Director	\$	41,200	
Accountants/Bookkeepers		29,815	
Part-time Personnel		538	
Social Security		4,402	
Pensions		6,711	
Life Insurance		96	
Medical Insurance		13,057	
Employer Medicare		1,030	
Other Fringe Benefits		1,468	
Data Processing Services		1,863	
Operating Lease Payments		897	
Travel		237	
Office Supplies		633	
Data Processing Equipment		1,410	
Total Veterans' Services			103,357

Other Charges

Liability Insurance	\$	10,959	
Premiums on Corporate Surety Bonds		11,275	

(Continued)

Exhibit K-7

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

General Fund (Cont.)

Other Operations (Cont.)

Other Charges (Cont.)

Trustee's Commission	\$ 146,443	
Liability Claims	500	
Total Other Charges		\$ 169,177

Contributions to Other Agencies

Contributions	\$ 50,500	
Total Contributions to Other Agencies		50,500

Employee Benefits

Workers' Compensation Insurance	\$ 49,524	
Total Employee Benefits		49,524

Total General Fund \$ 9,213,544

Solid Waste/Sanitation Fund

Public Health and Welfare

Waste Pickup

Supervisor/Director	\$ 29,462	
Deputy(ies)	26,843	
Mechanic(s)	3,113	
Truck Drivers	72,203	
Maintenance Personnel	12,458	
Other Salaries and Wages	151,589	
Social Security	18,341	
Pensions	13,616	
Life Insurance	240	
Medical Insurance	32,643	
Unemployment Compensation	539	
Employer Medicare	4,289	
Other Fringe Benefits	563	
Communication	4,585	
Operating Lease Payments	25,200	
Maintenance and Repair Services - Vehicles	20,774	
Rentals	900	
Towing Services	200	
Travel	126	
Disposal Fees	25,742	
Other Contracted Services	37,663	
Custodial Supplies	2,373	
Diesel Fuel	48,882	
Electricity	11,504	
Gasoline	4,434	
Lubricants	1,971	
Natural Gas	502	
Tires and Tubes	9,938	
Uniforms	360	
Vehicle Parts	14,690	

(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.)

Water and Sewer	\$	4,091	
Other Supplies and Materials		5,104	
Building and Contents Insurance		5,294	
Liability Insurance		1,713	
Vehicle and Equipment Insurance		9,061	
Other Charges		13,983	
Solid Waste Equipment		<u>97,150</u>	
Total Waste Pickup			\$ 712,139

Other Operations

Other Charges

Trustee's Commission	\$	<u>5,828</u>	
Total Other Charges			5,828

Employee Benefits

Workers' Compensation Insurance	\$	<u>6,588</u>	
Total Employee Benefits			<u>6,588</u>

Total Solid Waste/Sanitation Fund \$ 724,555

Drug Control Fund

Public Safety

Drug Enforcement

Communication	\$	2,906	
Legal Notices, Recording, and Court Costs		409	
Maintenance and Repair Services - Equipment		4,942	
Towing Services		375	
Travel		766	
Other Contracted Services		1,304	
Other Supplies and Materials		5,718	
Trustee's Commission		270	
Law Enforcement Equipment		<u>3,998</u>	
Total Drug Enforcement			<u>\$ 20,688</u>

Total Drug Control Fund 20,688

Constitutional Officers - Fees Fund

Finance

County Trustee's Office

Constitutional Officers' Operating Expenses	\$	<u>148,819</u>	
Total County Trustee's Office			\$ 148,819

County Clerk's Office

Constitutional Officers' Operating Expenses	\$	<u>35,719</u>	
Total County Clerk's Office			35,719

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees Fund (Cont.)

Administration of Justice

Chancery Court

Special Commissioner Fees/Special Master Fees	\$ 1,475	
Total Chancery Court		\$ 1,475

Total Constitutional Officers - Fees Fund \$ 186,013

Highway/Public Works Fund

Highways

Administration

County Official/Administrative Officer	\$ 74,628	
Assistant(s)	53,854	
Secretary(ies)	41,089	
Social Security	10,035	
Pensions	15,656	
Medical Insurance	20,331	
Employer Medicare	2,347	
Other Fringe Benefits	1,650	
Communication	4,101	
Dues and Memberships	2,605	
Maintenance Agreements	400	
Postal Charges	49	
Travel	998	
Other Contracted Services	1,527	
Custodial Supplies	117	
Drugs and Medical Supplies	110	
Electricity	3,170	
Gasoline	3,616	
Natural Gas	2,948	
Office Supplies	565	
Water and Sewer	355	
Other Supplies and Materials	1,398	
Premiums on Corporate Surety Bonds	350	
Office Equipment	2,683	
Total Administration		\$ 244,582

Highway and Bridge Maintenance

Equipment Operators	\$ 69,480
Equipment Operators - Light	210,509
Truck Drivers	159,756
Social Security	26,834
Pensions	38,830
Medical Insurance	79,145
Employer Medicare	6,276
Other Fringe Benefits	2,689
Asphalt	178,524
Crushed Stone	119,286
Fertilizer, Lime, and Seed	2,999
Pipe	6,520

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)

Highways (Cont.)

Highway and Bridge Maintenance (Cont.)

Road Signs	\$ 5,569	
Salt	5,953	
Other Supplies and Materials	2,044	
Total Highway and Bridge Maintenance		\$ 914,414

Operation and Maintenance of Equipment

Foremen	\$ 35,294	
Social Security	2,175	
Pensions	3,154	
Medical Insurance	6,529	
Employer Medicare	509	
Other Fringe Benefits	1,832	
Towing Services	575	
Diesel Fuel	58,644	
Gasoline	22,532	
Lubricants	10,966	
Tires and Tubes	23,842	
Vehicle Parts	50,540	
Total Operation and Maintenance of Equipment		216,592

Other Charges

Building and Contents Insurance	\$ 5,838	
Liability Insurance	17,518	
Medical Claims	75	
Trustee's Commission	22,844	
Vehicle and Equipment Insurance	25,303	
Other Charges	954	
Total Other Charges		72,532

Employee Benefits

Life Insurance	\$ 884	
Uniforms	4,252	
Workers' Compensation Insurance	31,844	
Total Employee Benefits		36,980

Capital Outlay

Other Contracted Services	\$ 10,137	
Bridge Construction	4,186	
Highway Equipment	107,417	
Total Capital Outlay		121,740

Total Highway/Public Works Fund \$ 1,606,840

General Debt Service Fund

Principal on Debt

General Government

Principal on Notes	\$ 107,332	
Principal on Other Loans	46,000	
Total General Government		\$ 153,332

(Continued)

Exhibit K-7

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

General Debt Service Fund (Cont.)

Principal on Debt (Cont.)

Highways and Streets

Principal on Notes	\$ 231,000	
Total Highways and Streets		\$ 231,000

Education

Principal on Bonds	\$ 1,310,000	
Principal on Notes	196,035	
Principal on Other Loans	54,132	
Total Education		1,560,167

Interest on Debt

General Government

Interest on Notes	\$ 14,872	
Interest on Other Loans	1,441	
Total General Government		16,313

Highways and Streets

Interest on Notes	\$ 54,059	
Total Highways and Streets		54,059

Education

Interest on Bonds	\$ 1,504,832	
Interest on Notes	23,202	
Total Education		1,528,034

Other Debt Service

General Government

Trustee's Commission	\$ 34,951	
Other Charges	4,954	
Other Debt Service	5,805	
Total General Government		45,710

Education

Other Debt Service	\$ 591	
Total Education		591

Total General Debt Service Fund		\$ 3,589,206
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HUD Grant Projects Fund

Other Operations

Housing and Urban Development

Contracts with Other Public Agencies	\$ 30,403	
Other Charges	151,927	
Total Housing and Urban Development		\$ 182,330

Total HUD Grant Projects Fund		182,330
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(Continued)

Exhibit K-7

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

<u>Education Capital Projects Fund</u>		
<u>Capital Projects - Donated</u>		
<u>Capital Projects Donated to School Department</u>		
Contributions	<u>\$ 270,000</u>	
Total Capital Projects Donated to School Department		<u>\$ 270,000</u>
 Total Education Capital Projects Fund		 <u>\$ 270,000</u>
 Total Governmental Funds - Primary Government		 <u><u>\$ 15,793,176</u></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, 2015

General Purpose School Fund

Instruction

Regular Instruction Program

Teachers	\$ 9,966,755	
Career Ladder Program	93,500	
Career Ladder Extended Contracts	15,700	
Homebound Teachers	21,364	
Paraprofessionals	26,993	
Salary Supplements	4,340	
Educational Assistants	420,507	
Certified Substitute Teachers	7,618	
Non-certified Substitute Teachers	136,015	
Social Security	631,631	
Pensions	947,030	
Life Insurance	12,311	
Medical Insurance	1,933,400	
Unemployment Compensation	11,432	
Employer Medicare	147,769	
Other Contracted Services	9,582	
Instructional Supplies and Materials	119,560	
Textbooks	386,359	
Other Supplies and Materials	7,866	
Other Charges	19,443	
Data Processing Equipment	59,850	
Total Regular Instruction Program		\$ 14,979,025

Special Education Program

Teachers	\$ 1,202,460	
Career Ladder Program	14,000	
Career Ladder Extended Contracts	2,600	
Homebound Teachers	6,014	
Educational Assistants	319,259	
Speech Pathologist	120,009	
Certified Substitute Teachers	192	
Non-certified Substitute Teachers	25,075	
Social Security	98,213	
Pensions	141,553	
Life Insurance	2,002	
Medical Insurance	309,643	
Employer Medicare	22,972	
Contracts with Private Agencies	86,260	
Evaluation and Testing	6,704	
Maintenance and Repair Services - Equipment	1,000	
Other Contracted Services	35	
Instructional Supplies and Materials	11,356	
Other Supplies and Materials	7,121	
Other Charges	2,359	
Special Education Equipment	14,084	
Total Special Education Program		2,392,911

(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	\$ 529,235	
Career Ladder Program	2,000	
Non-certified Substitute Teachers	12,650	
Social Security	32,416	
Pensions	47,997	
Life Insurance	624	
Medical Insurance	100,535	
Employer Medicare	7,581	
Instructional Supplies and Materials	29,965	
Total Vocational Education Program		\$ 763,003

Support Services

Health Services

Medical Personnel	\$ 159,154	
Other Salaries and Wages	48,691	
Social Security	12,754	
Pensions	17,320	
Life Insurance	380	
Medical Insurance	43,820	
Employer Medicare	2,983	
Travel	2,291	
Other Supplies and Materials	27,723	
Other Equipment	489	
Total Health Services		315,605

Other Student Support

Supervisor/Director	\$ 60,724
Career Ladder Program	1,000
Computer Programmer(s)	229,096
Guidance Personnel	428,770
Instructional Computer Personnel	64,935
Mechanic(s)	109
Secretary(ies)	19,573
Clerical Personnel	23,508
Educational Assistants	56,557
School Resource Officer	4,270
Other Salaries and Wages	95,531
Non-certified Substitute Teachers	798
Social Security	57,981
Pensions	87,396
Life Insurance	1,104
Medical Insurance	197,688
Employer Medicare	13,667
Communication	3,023
Evaluation and Testing	20,778
Maintenance and Repair Services - Equipment	2,703

(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.)

Travel	\$ 5,562	
Other Contracted Services	143,773	
Gasoline	558	
Instructional Supplies and Materials	104,616	
Lubricants	11	
Vehicle Parts	102	
Other Supplies and Materials	66,155	
In Service/Staff Development	16,996	
Other Charges	1,465	
Data Processing Equipment	102,174	
Regular Instruction Equipment	200	
Total Other Student Support		\$ 1,810,823

Regular Instruction Program

Supervisor/Director	\$ 1,270	
Career Ladder Program	3,000	
Librarians	280,458	
Secretary(ies)	782	
Social Security	17,176	
Pensions	25,813	
Life Insurance	286	
Medical Insurance	39,480	
Employer Medicare	4,017	
Communication	9,653	
Dues and Memberships	180	
Travel	7,282	
Library Books/Media	58,205	
Periodicals	3,697	
Other Supplies and Materials	2,779	
In Service/Staff Development	2,708	
Other Charges	4,340	
Total Regular Instruction Program		461,126

Special Education Program

Supervisor/Director	\$ 59,142	
Career Ladder Program	5,000	
Psychological Personnel	105,353	
Career Ladder Extended Contracts	800	
Secretary(ies)	31,379	
Other Salaries and Wages	11,916	
Social Security	11,912	
Pensions	17,987	
Life Insurance	190	
Medical Insurance	34,187	
Employer Medicare	2,843	
Consultants	480	

(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	\$ 13,075	
Other Contracted Services	67,308	
Other Supplies and Materials	1,982	
In Service/Staff Development	3,085	
Total Special Education Program		\$ 366,639

Vocational Education Program

Travel	\$ 32	
Total Vocational Education Program		32

Adult Programs

Other Salaries and Wages	\$ 14,366	
Social Security	888	
Pensions	294	
Employer Medicare	208	
Communication	27	
Refunds	1,485	
Total Adult Programs		17,268

Other Programs

Salary Supplements	\$ 170,497	
Social Security	10,018	
Pensions	13,813	
Medical Insurance	20,608	
Employer Medicare	2,375	
On-behalf Payments to OPEB	92,196	
Other Charges	5,693	
Total Other Programs		315,200

Board of Education

Board and Committee Members Fees	\$ 42,400	
Social Security	2,629	
Employer Medicare	615	
Audit Services	9,500	
Dues and Memberships	13,302	
Legal Services	2,630	
Travel	16,231	
Other Contracted Services	12	
Liability Insurance	84,340	
Trustee's Commission	124,535	
Workers' Compensation Insurance	118,380	
Total Board of Education		414,574

Director of Schools

County Official/Administrative Officer	\$ 98,635
Assistant(s)	78,546

(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 (Cont.)

Supervisor/Director	\$	132,392	
Career Ladder Program		5,000	
Career Ladder Extended Contracts		600	
Materials Supervisor		28,210	
Paraprofessionals		19,288	
Mechanic(s)		31	
Secretary(ies)		56,419	
Social Security		25,116	
Pensions		36,492	
Life Insurance		340	
Medical Insurance		53,931	
Employer Medicare		5,874	
Dues and Memberships		3,236	
Legal Notices, Recording, and Court Costs		1,217	
Maintenance and Repair Services - Equipment		98	
Postal Charges		3,477	
Travel		11,945	
Other Contracted Services		9,182	
Gasoline		2,704	
Lubricants		22	
Office Supplies		6,713	
Vehicle Parts		8	
Furniture and Fixtures		1,939	
Total Director of Schools			\$ 581,415

Office of the Principal

Principals	\$	519,597	
Career Ladder Program		6,500	
Accountants/Bookkeepers		182,574	
Career Ladder Extended Contracts		1,200	
Assistant Principals		375,719	
Secretary(ies)		272,998	
Social Security		78,282	
Pensions		122,605	
Life Insurance		1,500	
Medical Insurance		215,656	
Employer Medicare		18,636	
Communication		59,540	
Maintenance and Repair Services - Equipment		2,094	
Other Contracted Services		1,934	
Other Charges		1,414	
Total Office of the Principal			1,860,249

Operation of Plant

Custodial Personnel	\$	815,030
Social Security		48,659

(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.)

Pensions	\$ 60,738	
Life Insurance	1,692	
Medical Insurance	242,939	
Unemployment Compensation	175	
Employer Medicare	11,597	
Operating Lease Payments	13,497	
Maintenance and Repair Services - Equipment	1,964	
Other Contracted Services	12,183	
Custodial Supplies	56,722	
Electricity	1,173,491	
Natural Gas	162,230	
Water and Sewer	108,253	
Other Supplies and Materials	11,244	
Plant Operation Equipment	8,835	
Total Operation of Plant		\$ 2,729,249

Maintenance of Plant

Maintenance Personnel	\$ 157,547	
Social Security	9,768	
Pensions	14,888	
Employer Medicare	2,284	
Other Contracted Services	353,445	
Other Supplies and Materials	98,252	
Building and Contents Insurance	103,383	
Other Equipment	20,784	
Total Maintenance of Plant		760,351

Transportation

Contracts with Parents	\$ 30,364	
Total Transportation		30,364

Operation of Non-Instructional Services

Early Childhood Education

Teachers	\$ 163,951	
Salary Supplements	4,000	
Educational Assistants	76,587	
Other Salaries and Wages	32,405	
Non-certified Substitute Teachers	2,228	
Social Security	16,211	
Pensions	23,653	
Life Insurance	384	
Medical Insurance	53,228	
Employer Medicare	3,791	
Other Fringe Benefits	2,332	
Other Contracted Services	3,039	
Instructional Supplies and Materials	9,165	
Other Equipment	8,063	
Total Early Childhood Education		399,037

(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

Other Contracted Services	\$ 16,066	
Total Regular Capital Outlay		\$ 16,066

Principal on Debt

Education

Debt Service Contribution to Primary Government	\$ 19,632	
Total Education		19,632

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 506,568	
Total Education		<u>506,568</u>

Total General Purpose School Fund \$ 28,739,137

School Federal Projects Fund

Instruction

Regular Instruction Program

Teachers	\$ 496,915	
Educational Assistants	160,325	
Other Salaries and Wages	75,665	
Certified Substitute Teachers	55	
Non-certified Substitute Teachers	6,348	
Social Security	42,415	
Pensions	58,683	
Life Insurance	904	
Medical Insurance	144,368	
Unemployment Compensation	2,047	
Employer Medicare	10,278	
Other Fringe Benefits	2,545	
Instructional Supplies and Materials	100,729	
Other Supplies and Materials	<u>11,022</u>	
Total Regular Instruction Program		\$ 1,112,299

Special Education Program

Teachers	\$ 50,564	
Educational Assistants	519,611	
Non-certified Substitute Teachers	605	
Social Security	34,504	
Pensions	50,975	
Life Insurance	1,336	
Medical Insurance	163,884	
Unemployment Compensation	2,300	
Employer Medicare	8,086	
Other Fringe Benefits	1,812	
Maintenance and Repair Services - Equipment	119	
Instructional Supplies and Materials	<u>1,667</u>	
Total Special Education Program		835,463

(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.)

Instruction (Cont.)

Vocational Education Program

Other Supplies and Materials	\$ 5,801	
Vocational Instruction Equipment	64,708	
Total Vocational Education Program		\$ 70,509

Support Services

Other Student Support

Other Salaries and Wages	\$ 9,410	
Social Security	583	
Pensions	51	
Unemployment Compensation	75	
Employer Medicare	136	
Other Fringe Benefits	32	
Travel	13,174	
In Service/Staff Development	95	
Other Charges	1,433	
Total Other Student Support		24,989

Regular Instruction Program

Supervisor/Director	\$ 69,598	
Secretary(ies)	28,210	
Other Salaries and Wages	67,591	
Social Security	7,877	
Pensions	12,314	
Life Insurance	116	
Medical Insurance	20,264	
Unemployment Compensation	375	
Employer Medicare	2,260	
Other Fringe Benefits	619	
Other Supplies and Materials	551	
In Service/Staff Development	37,586	
Other Equipment	499	
Total Regular Instruction Program		247,860

Vocational Education Program

Travel	\$ 1,646	
In Service/Staff Development	103	
Other Charges	410	
Total Vocational Education Program		2,159

Transportation

Bus Drivers	\$ 15,335	
Social Security	951	
Pensions	1,449	
Unemployment Compensation	72	
Employer Medicare	222	
Other Fringe Benefits	104	
Total Transportation		18,133

Total School Federal Projects Fund \$ 2,311,412

(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	54,069	
Cafeteria Personnel	767,496	
Social Security	54,013	
Pensions	65,778	
Life Insurance	1,729	
Medical Insurance	239,834	
Unemployment Compensation	3	
Employer Medicare	12,632	
Communication	1,765	
Dues and Memberships	1,177	
Maintenance and Repair Services - Equipment	37,935	
Travel	8,831	
Other Contracted Services	13,005	
Food Preparation Supplies	85,727	
Food Supplies	941,041	
USDA - Commodities	134,503	
Other Supplies and Materials	9,376	
Workers' Compensation Insurance	21,936	
Food Service Equipment	67,491	
Total Food Service		<u>\$ 2,578,298</u>

Total Central Cafeteria Fund \$ 2,578,298

School Transportation Fund

Support Services

Board of Education

Trustee's Commission	\$ 44,363	
Total Board of Education		\$ 44,363

Operation of Plant

Communication	\$ 1,050	
Other Contracted Services	376	
Total Operation of Plant		1,426

Transportation

Supervisor/Director	\$ 44,694
Mechanic(s)	43,072
Bus Drivers	800,734
Secretary(ies)	28,276
Other Salaries and Wages	58,750
Social Security	57,756
Pensions	48,305
Life Insurance	96
Medical Insurance	13,907
Unemployment Compensation	167

(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.)

Employer Medicare	\$ 14,136	
Medical and Dental Services	5,512	
Towing Services	2,850	
Travel	1,627	
Other Contracted Services	203,791	
Diesel Fuel	244,851	
Gasoline	3,249	
Lubricants	12,817	
Tires and Tubes	31,831	
Vehicle Parts	69,737	
Other Supplies and Materials	894	
Vehicle and Equipment Insurance	84,340	
Other Charges	15,282	
Transportation Equipment	<u>266,574</u>	
Total Transportation		\$ 2,053,248

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 52,045	
Total Education		<u>52,045</u>

Total School Transportation Fund \$ 2,151,082

Education Capital Projects Fund

Other Debt Service

Education

Debt Service Contribution to Primary Government	\$ 1,614,627	
Total Education		\$ 1,614,627

Capital Projects

Education Capital Projects

Other Contracted Services	\$ 33,809	
Total Education Capital Projects		<u>33,809</u>

Total Education Capital Projects Fund 1,648,436

Total Governmental Funds - Rhea County School Department \$ 37,428,365

Exhibit K-9

Rhea County, Tennessee  
Schedule of Detailed Receipts, Disbursements,  
and Changes in Cash Balances - City Agency Funds  
For the Year Ended June 30, 2015

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 361,246	\$ 361,246
Trustee's Collections - Prior Years	0	12,342	12,342
Trustee's Collections - Bankruptcy Circuit/Clerk and Master Collections - Prior Years	0	71	71
Interest and Penalty	0	13,520	13,520
Payments in-Lieu-of Taxes - Local Utilities	0	2,283	2,283
Local Option Sales Tax	0	5,500	5,500
Bank Excise Tax	3,376,751	585,478	3,962,229
Interstate Telecommunications Tax	0	2,015	2,015
Marriage Licenses	0	455	455
Marriage Licenses	0	386	386
<b>Total Cash Receipts</b>	<b>\$ 3,376,751</b>	<b>\$ 983,296</b>	<b>\$ 4,360,047</b>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,342,984	\$ 958,485	\$ 4,301,469
Trustee's Commission	33,767	13,518	47,285
<b>Total Cash Disbursements</b>	<b>\$ 3,376,751</b>	<b>\$ 972,003</b>	<b>\$ 4,348,754</b>
<u>Excess of Cash Receipts Over (Under)</u>			
Cash Disbursements	\$ 0	\$ 11,293	\$ 11,293
Cash Balance, July 1, 2014	0	49,447	49,447
<b>Cash Balance, June 30, 2015</b>	<b>\$ 0</b>	<b>\$ 60,740</b>	<b>\$ 60,740</b>

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## **SINGLE AUDIT SECTION**

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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, 2015, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements, and have issued our report thereon dated November 23, 2015. Our report includes a reference to other auditors who audited the financial statements of the Rhea County Nursing Home 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.

*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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not report any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2015-001, 2015-003, 2015-004, 2015-006, and 2015-008.

### **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: 2015-002, 2015-005, and 2015-007.

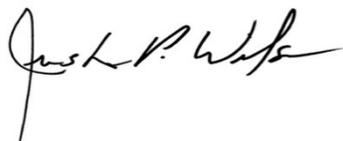
### **Rhea County's Responses to Findings**

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

November 23, 2015

JPW/yu



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 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, 2015. 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 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, 2015.

### **Report on Internal Control Over Compliance**

Management of Rhea County 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.

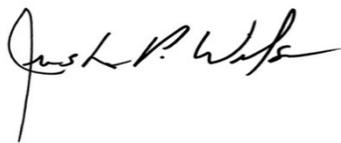
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any 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, 2015, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements. We issued our report thereon dated November 23, 2015, 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 basic 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 basic financial statements. The 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson  
Comptroller of the Treasury  
Nashville, Tennessee

November 23, 2015

JPW/yu

Rhea County, Tennessee  
Schedule of Expenditures of Federal Awards and State Grants (1)  
For the Year Ended June 30, 2015

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	\$ 134,503 (3)
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	564,603
National School Lunch Program	10.555	N/A	1,553,466 (3)
Child Nutrition Direct Certification Performance Awards	10.589	N/A	10,000
Total U.S. Department of Agriculture			<u>\$ 2,262,572</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Home Investment Partnerships Program	14.239	(2)	<u>\$ 182,330</u>
Total U.S. Department of Housing and Urban Development			<u>\$ 182,330</u>
U.S. Department of Justice:			
Passed-through State Department of Finance and Administration:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	25324	<u>\$ 14,877</u>
Total U.S. Department of Justice			<u>\$ 14,877</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Alcohol Open Container Requirements	20.607	(4)	<u>\$ 36,594</u>
Total U.S. Department of Transportation			<u>\$ 36,594</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,046,378
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	914,149
Special Education - Preschool Grants	84.173	N/A	21,126
Career and Technical Education - Basic Grants to States	84.048	N/A	87,751
Education for Homeless Children and Youth	84.196	N/A	15,906
Rural Education	84.358	(2)	52,636
English Language Acquisition Grants	84.365	(2)	15,251
Improving Teacher Quality State Grants	84.367	(2)	118,186
State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	(2)	121,710
Total U.S. Department of Education			<u>\$ 2,393,093</u>

(Continued)

Rhea County, Tennessee

Schedule of Expenditures of Federal Awards and State Grants (1) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Passed-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Homeland Security Grant Program	97.067	(2)	\$ 16,148
Total U.S. Department of Homeland Security			<u>\$ 16,148</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,905,614</u></u>
<u>State Grants</u>			
		<u>Contract Number</u>	
Local Health Services - State Department of Health	N/A	(2)	\$ 204,179
Juvenile Services Program - State Commission on Children and Youth	N/A	(2)	9,000
Tobacco - State Department of Health	N/A	(2)	33,507
Emergency Preparedness - State Department of Military	N/A	GG-1030613	41,729
Child Safety Seat Grant - State Department of Health	N/A	(2)	6,848
Litter Program - State Department of Environment and Conservation	N/A	(2)	35,100
Waste Tire Grant - State Department of Environment and Conservation	N/A	(2)	4,581
ConnecTenn - State Department of Education	N/A	(2)	12,534
Student Ticket Subsidy - Tennessee Arts Commission	N/A	(2)	1,414
Coordinated School Health Initiative - State Department of Education	N/A	(2)	89,799
Safe Schools Act - State Department of Education	N/A	(2)	26,831
Early Childhood Education - State Department of Education	N/A	(2)	394,371
Energy Efficient Schools Initiative - State Department of Education	N/A	(2)	<u>16,066</u>
Total State Grants			<u><u>\$ 875,959</u></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 \$1,687,969.

(4) Z-14-GHS285: \$6,651; Z-15-GHS291: \$29,943.

Rhea County, Tennessee  
Schedule of Audit Findings Not Corrected  
June 30, 2015

*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, 2014, which have not been corrected.

**OFFICE OF FINANCE DIRECTOR**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-003	186	The office had deficiencies related to time records

**OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-005	187	The office did not deposit some funds within three days of collection

**OFFICE OF REGISTER OF DEEDS**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-006(B)	188	The office had deficiencies in the maintenance of accounting records

**OFFICE OF SHERIFF**

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-009	189	The office did not deposit some funds within three days of collection

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

<u>Finding Number</u>	<u>Page Number</u>	<u>Subject</u>
2014-010	190	Duties were not segregated adequately

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**RHEA COUNTY, TENNESSEE**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For the Year Ended June 30, 2015**

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**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. None of these deficiencies was considered to be a material weakness.
3. The audit reported no instances of noncompliance that were material to the financial statements of Rhea County.
4. The audit reported no significant deficiencies 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 Title I Grants to Local Educational Agencies (CFDA No. 84.010), 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 trustee and county clerk 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 2015-001**

#### **THE OFFICE HAD DEFICIENCIES RELATED TO TIME RECORDS**

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

In some instances, the Finance Department did not have time records on hand to support payments made to employees of the Sheriff's Department, and in other instances, the time records used to support payments made to employees of the Sheriff's Department did not include a supervisor's signature as evidence that the time reflected had been reviewed and approved. Sound business practices dictate that payroll time records should be on hand for all employees, and these records should be reviewed and approved by supervisors. If supervisors do not review and approve time records, risks increase that improper payments could result. This deficiency is due to the failure of management to correct the finding noted in the prior-year audit report.

#### **RECOMMENDATION**

Time records should be on hand to support all payments to employees and should be available for audit inspection. Supervisors should sign the employees' time records as evidence of review and approval.

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### **OFFICES OF FINANCE DIRECTOR AND DIRECTOR OF SCHOOLS**

#### **FINDING 2015-002**

#### **THE SCHOOL DEPARTMENT ENTERED INTO A CONTRACT THAT WAS NOT PROPERLY APPROVED**

(Noncompliance Under *Government Auditing Standards*)

Near the end of construction of a high school, it was discovered that a road to the high school had been built on land owned by private citizens. The director of schools advised auditors that he had entered into an oral agreement with these citizens. Under the agreement, the School Department would, in exchange for a deed to the property the road was built on, build a fence around a cemetery near the property and tar and chip a parking lot near the property. This agreement was not evidenced in writing, was not entered into with the knowledge of the county's finance director, nor approved by the County Commission. Section 7-51-904, *Tennessee Code Annotated (TCA)*, requires contracts for real property to be approved by resolution of the County Commission. The failure to secure a written contract for transactions involving real property creates a potential for loss for the county in the event of a dispute

between parties. As of the date of this report, the School Department has built the access road and performed the work agreed upon at the cemetery; however, the School Department does not have the deed to the land upon which the road was built. This deficiency is the result of a lack of management oversight.

RECOMMENDATION

All contracts for real property should be entered into in accordance with state statutes.

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OFFICE OF TRUSTEE

FINDING 2015-003

**ALL EMPLOYEES AND OTHER INDIVIDUALS HAVE UNSUPERVISED ACCESS TO THE OFFICE VAULT**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination disclosed that the trustee did not adequately control access to the office vault. Employees and other individuals who were not office employees had unsupervised access to the office vault where cash is maintained. Sound business practices dictate that unsupervised access to the office vault weakens internal controls over assets and creates the potential for misuse or theft. This deficiency is the result of a management decision.

RECOMMENDATION

The trustee should restrict access to the office vault to only authorized employees.

MANAGEMENT'S RESPONSE – TRUSTEE

Other than office employees, only three people from other county offices have access to the vault. These are county employees that I allow to store computer backups in the vault, and I am aware of when they enter and exit for this purpose. I did not feel that this was a problem since cash is kept in a smaller vault inside the bigger vault. I will personally store and retrieve the backups from now on to avoid allowing access to the vault. Also, I have purchased key lock security bags to store excess cash within the smaller vault.

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OFFICE OF COUNTY CLERK

FINDING 2015-004

**DEFICIENCIES WERE NOTED IN DEPOSITING AND MAINTAINING CASH COLLECTIONS**  
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Our examination of the clerk's cash collection procedures revealed the following deficiencies:

- A. The office did not deposit collections intact, which means funds collected during a specific period of time were not deposited together. Sound business practices dictate that collections be deposited intact to enhance internal controls.
- B. The office maintained some cash on hand in a vault. Auditors observed that the vault was left open during business hours, and all employees had access to the vault.

These deficiencies have been a management decision by the official resulting in a loss of control over assets.

#### RECOMMENDATION

To strengthen internal controls over collections and deposits, the county clerk should deposit all collections intact. The office vault should be locked and access limited to authorized employees.

#### MANAGEMENT'S RESPONSE – COUNTY CLERK

I have taken steps to correct this finding.

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#### OFFICE OF CIRCUIT AND GENERAL SESSIONS COURTS CLERK

##### FINDING 2015-005

##### **SOME FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION**

(Noncompliance Under *Government Auditing Standards*)

The clerk did not deposit some collections to the office bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. This statute requires that county officials deposit all funds within three days of collection. We judgmentally selected the months of August 2014 and January 2015 to examine receipts and deposits in Circuit and General Sessions Courts. The clerk did not deposit some funds to the bank account within three days of collection in eight of 131 deposits made during these months. This deficiency is the result of a lack of management oversight and management's failure 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 accounts within three days of receipt as required by state statute.

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**OFFICE OF REGISTER OF DEEDS**

**FINDING 2015-006**

**THE OFFICE DID NOT RECONCILE GENERAL LEDGER ACCOUNTS WITH SUBSIDIARY RECORDS**

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

Our examination disclosed that the detailed listing of accounts receivable maintained by the register of deeds did not reconcile with the accounts receivable balance reflected on the general ledger at June 30, 2015. This deficiency increases the risk that errors will not be discovered and corrected in a timely manner. This deficiency is the result of a lack of management oversight and management’s failure to correct the finding noted in the prior-year audit report.

**RECOMMENDATION**

The detailed listing of accounts receivable should reconcile with the accounts receivable reflected on the general ledger.

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**OFFICE OF SHERIFF**

**FINDING 2015-007**

**SOME FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION**

(Noncompliance Under *Government Auditing Standards*)

The sheriff did not deposit some collections to the office bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. This statute requires that county officials deposit all funds within three days of collection. We judgmentally selected the month of January 2015 to examine receipts and deposits. The office did not deposit some funds to the bank account within three days of collection for 14 of 73 receipts issued during this month. This deficiency is the result of a lack of management oversight and management’s failure 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 as required by state statute.

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

**FINDING 2015-008**

**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, Circuit and General Sessions Courts Clerk, 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.

**MANAGEMENT'S RESPONSE – TRUSTEE**

My office has segregated duties that we try our best to follow, but this is a three-person office, so during our busy time, we all do what we can to get the job done. I plan to attend a CTAS class on internal control in January, which I hope will be helpful.

**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, 2015**

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