

ANNUAL FINANCIAL REPORT

RHEA COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2018



DIVISION OF LOCAL GOVERNMENT AUDIT



**ANNUAL FINANCIAL REPORT
RHEA COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

RHEA COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Rhea County, Tennessee
For the Year Ended June 30, 2018

Scope

We have audited the basic financial statements of Rhea County as of and for the year ended June 30, 2018.

Results

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

Our audit resulted in seven 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:

OFFICES OF FINANCE DIRECTOR AND COUNTY EXECUTIVE

- ◆ Special projects collections were used in a questionable manner.

OFFICE OF FINANCE DIRECTOR

- ◆ The Finance Department had deficiencies in budget operations.
- ◆ A significant journal entry was posted in the General Fund with no supporting documentation.
- ◆ Competitive bids were not solicited for the purchase of a patching machine for the Highway Department.

OFFICE OF SHERIFF

- ◆ Some funds were not deposited within three days of collection.
 - ◆ Employees shared a username and password.
-

OFFICES OF FINANCE DIRECTOR AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Rhea County Officials

June 30, 2018

Officials

George Thacker, County Executive
Glen Varner, 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
Bill Graham, Finance Director

Board of County Commissioners

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

Financial Management Committee

Jim Reed, Chairman	Bill DaVault
George Thacker, County Executive	Emmaly Fisher
Glen Varner, Highway Supervisor	Tommy Smith
Jerry Levensgood, Director of Schools	

Board of Education

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

Audit Committee

Jim Reed, Chairman	Caroline Housley
Gary Bemm	Perry Massengill
Daryle Cochran	Kelly Mickel
Brandon Germany	Tom Solomon
Bill Hollin	

FINANCIAL SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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, 2018, 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, a discretely presented component unit. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Rhea Medical Center is based solely on the reports of the other auditors. We were unable to determine Rhea Medical Center's respective percentage of the assets, net position, and revenues of the aggregate discretely presented component units because the Rhea County Emergency Communications 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Rhea County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Emphasis of Matter

We draw attention to Note I.D.10. to the financial statements, which describes restatements reducing the beginning net position of the Governmental Activities of the primary government and the discretely presented Rhea County School Department by \$395,129 and \$2,457,969, respectively, on the Government-wide Statement of Activities. These restatements were necessary because of the transitional requirements of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 schedule of changes in the county's net pension liability (asset) and related ratios, schedules of county and school contributions, schedule of school's proportionate share of the net pension liability (asset), schedules of county and school changes in OPEB liability and related ratios on pages 114-122 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 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), miscellaneous schedules, and the other information such as the introductory section and management's corrective action plans presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is 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), schedule of expenditures of federal awards, and miscellaneous schedules are the responsibility of management and were derived from and relate directly to

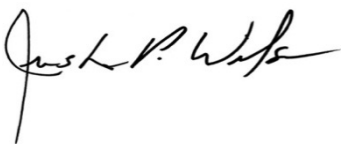
the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly 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. In our opinion the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Rhea County School Department (a discretely presented component unit), schedule of expenditures of federal awards, and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and management's corrective action plans have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rhea County's 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

January 31, 2019

JPW/yu

BASIC FINANCIAL STATEMENTS

Exhibit A

Rhea County, Tennessee
Statement of Net Position
June 30, 2018

	Primary Government Governmental Activities	Component Units	
		Rhea County School Department	Rhea Medical Center
<u>ASSETS</u>			
Cash	\$ 38,887	\$ 0	\$ 7,129,416
Equity in Pooled Cash and Investments	12,932,150	6,385,123	0
Investments - Current	0	0	7,954,459
Inventories	0	72,724	417,703
Accounts Receivable	77,522	7,657	4,889,823
Allowance for Uncollectible	0	0	(2,350,000)
Due from Other Governments	636,021	1,037,720	0
Due from Component Units	3,247,656	0	0
Property Taxes Receivable	9,943,622	4,968,045	0
Allowance for Uncollectible Property Taxes	(764,166)	(381,790)	0
Prepaid Items	0	0	162,773
Other Current Assets	0	0	141,179
Net Pension Asset - Agent Plan	1,006,348	829,705	491,304
Net Pension Asset - Teacher Retirement Plan	0	53,878	0
Net Pension Asset - Teacher Legacy Plan	0	136,016	0
Investments - Noncurrent	0	0	6,407,070
Assets Not Depreciated:			
Land	1,344,415	939,515	2,417,796
Construction in Progress	892,222	293,117	824,000
Assets Net of Accumulated Depreciation:			
Buildings and Improvements	2,394,801	57,926,845	16,275,459
Infrastructure	1,983,706	0	0
Other Capital Assets	1,937,181	2,147,491	1,133,586
Total Assets	\$ 35,670,365	\$ 74,416,046	\$ 45,894,568
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Pension Changes in Experience	\$ 16,394	\$ 97,404	\$ 8,004
Pension Changes in Assumptions	404,250	1,489,982	197,357
Pension Changes in Investment Earnings	0	20,647	0
Pension Other Deferrals	0	179,112	0
Pension Contributions After Measurement Date	442,699	1,764,529	189,753
OPEB Contributions After Measurement Date	10,696	97,764	0
Total Deferred Outflows of Resources	\$ 874,039	\$ 3,649,438	\$ 395,114
<u>LIABILITIES</u>			
Accounts Payable	\$ 332,612	\$ 1,836	\$ 1,090,641
Accrued Payroll	1,888	0	578,404
Payroll Deductions Payable	2,060	76,195	0
Accrued Interest Payable	363,751	0	0
Due to Primary Government	0	3,247,656	0
Due to State of Tennessee	0	256	0
Due to Litigants, Heirs, and Others	40,800	0	0
Other Current Liabilities	0	0	3,298,574
Noncurrent Liabilities:			
Due Within One Year	2,497,643	18,179	910,000
Due in More Than One Year	38,504,883	2,930,225	17,227,049
Total Liabilities	\$ 41,743,637	\$ 6,274,347	\$ 23,104,668

(Continued)

Exhibit A

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

		Component Units	
	Primary Government Governmental Activities	Rhea County School Department	Rhea Medical Center
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Current Property Taxes	\$ 8,557,754	\$ 4,275,570	\$ 0
Pension Changes in Experience	501,152	3,225,280	244,665
Pension Changes in Investment Earnings	3,845	6,070	1,879
Pension Other Deferrals	0	3,064	0
OPEB Changes in Assumptions	16,631	116,554	13,758
Total Deferred Inflows of Resources	<u>\$ 9,079,382</u>	<u>\$ 7,626,538</u>	<u>\$ 260,302</u>
<u>NET ASSETS</u>			
Net Investment in Capital Assets	\$ 4,868,411	\$ 61,306,968	\$ 2,777,841
Restricted for:			
General Government	52,875	0	0
Finance	22,806	0	0
Administration of Justice	2,064,943	0	0
Public Safety	3,059,261	0	0
Public Health and Welfare	689,327	0	0
Highways/Public Works	1,179,136	0	0
Debt Service	2,018,254	0	0
Education	0	3,332,213	0
Pensions	1,006,348	1,019,599	491,304
Unrestricted	<u>(29,239,976)</u>	<u>(1,494,181)</u>	<u>19,655,567</u>
Total Net Position	<u>\$ (14,278,615)</u>	<u>\$ 64,164,599</u>	<u>\$ 22,924,712</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, 2018

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	\$ 2,761,184	\$ 475,267	\$ 46,541	\$ 22,824	\$ (2,216,552)	\$ 0	\$ 0
Finance	1,334,977	822,163	43,242	0	(469,572)	0	0
Administration of Justice	1,193,327	882,211	9,000	0	(302,116)	0	0
Public Safety	5,361,412	360,033	677,088	0	(4,324,291)	0	0
Public Health and Welfare	997,979	348,076	232,536	0	(417,367)	0	0
Social, Cultural, and Recreational Services	196,438	0	0	0	(196,438)	0	0
Agriculture and Natural Resources	162,295	0	0	0	(162,295)	0	0
Highways/Public Works	1,649,867	1,095	1,901,242	54,170	306,640	0	0
Interest on Long-term Debt	1,407,402	0	0	707,936	(699,466)	0	0
Total Primary Government	<u>\$ 15,064,881</u>	<u>\$ 2,888,845</u>	<u>\$ 2,909,649</u>	<u>\$ 784,930</u>	<u>\$ (8,481,457)</u>	<u>\$ 0</u>	<u>\$ 0</u>
Component Units:							
Rhea County School Department	\$ 38,345,042	\$ 243,015	\$ 5,830,013	\$ 0	\$ 0	\$ (32,272,014)	\$ 0
Rhea Medical Center	22,494,719	20,294,392	36,070	0	0	0	(2,164,257)
Total Component Units	<u>\$ 60,839,761</u>	<u>\$ 20,537,407</u>	<u>\$ 5,866,083</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (32,272,014)</u>	<u>\$ (2,164,257)</u>

(Continued)

Exhibit B

Rhea County, Tennessee
Statement of Activities (Cont.)

					Net (Expense) Revenue and Changes in Net Position		
					Component Units		
		Program Revenues			Total Governmental Activities	Rhea County School Department	Rhea Medical Center
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
General Revenues:							
Taxes:							
Property Taxes Levied for General Purposes					\$ 8,097,669	\$ 4,910,058	\$ 0
Property Taxes Levied for Debt Service					1,676,721	0	0
Local Option Sales Taxes					560,315	3,551,943	0
Hotel/Motel Tax					218,178	0	0
Litigation Tax - General					112,657	0	0
Litigation Tax - Jail, Workhouse, or Courthouse					70,764	0	0
Business Tax					289,790	0	0
Mineral Severance Tax					56,267	0	0
Wholesale Beer Tax					129,796	0	0
Mixed Drink Tax					0	10,716	0
Interstate Telecommunications Tax					1,908	0	0
Other Local Taxes					5,012	0	0
Grants and Contributions Not Restricted to Specific Programs					700,829	25,129,081	0
Unrestricted Investment Earnings					112,285	3,249	124,420
Sale of Equipment					5,000	0	0
Miscellaneous					77,125	47,800	659,496
Total General Revenues					<u>\$ 12,114,316</u>	<u>\$ 33,652,847</u>	<u>\$ 783,916</u>
Insurance Recovery							
					<u>\$ 1,175</u>	<u>\$ 112,616</u>	<u>\$ 0</u>
Change in Net Position							
Net Position, July 1, 2017					\$ 3,634,034	\$ 1,493,449	\$ (1,380,341)
Prior-period Adjustment - See Note I.D.9					(19,502,520)	67,114,119	24,552,123
Restatements - See Note I.D.10					1,985,000	(1,985,000)	0
Restatement - For the Medical Center's adoption of GASB 75					(395,129)	(2,457,969)	0
					<u>0</u>	<u>0</u>	<u>(247,070)</u>
Net Position, June 30, 2018							
					<u>\$ (14,278,615)</u>	<u>\$ 64,164,599</u>	<u>\$ 22,924,712</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, 2018

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 100	\$ 0	\$ 0	\$ 0	\$ 38,787	\$ 38,887
Equity in Pooled Cash and Investments	4,630,227	982,725	2,219,642	2,678,090	2,421,466	12,932,150
Accounts Receivable	26,562	357	0	0	50,603	77,522
Due from Other Governments	318,236	203,665	55,878	0	58,242	636,021
Due from Other Funds	2,450	0	0	0	11,011	13,461
Property Taxes Receivable	8,030,391	210,091	1,703,140	0	0	9,943,622
Allowance for Uncollectible Property Taxes	(617,134)	(16,146)	(130,886)	0	0	(764,166)
Total Assets	<u>\$ 12,390,832</u>	<u>\$ 1,380,692</u>	<u>\$ 3,847,774</u>	<u>\$ 2,678,090</u>	<u>\$ 2,580,109</u>	<u>\$ 22,877,497</u>
<u>LIABILITIES</u>						
Accounts Payable	\$ 40,646	\$ 195	\$ 0	\$ 184,915	\$ 106,856	\$ 332,612
Accrued Payroll	1,888	0	0	0	0	1,888
Payroll Deductions Payable	1,709	243	0	0	108	2,060
Due to Other Funds	10,543	0	0	0	2,918	13,461
Due to Litigants, Heirs, and Others	0	0	0	0	40,800	40,800
Total Liabilities	<u>\$ 54,786</u>	<u>\$ 438</u>	<u>\$ 0</u>	<u>\$ 184,915</u>	<u>\$ 150,682</u>	<u>\$ 390,821</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 6,911,175	\$ 180,810	\$ 1,465,769	\$ 0	\$ 0	\$ 8,557,754
Deferred Delinquent Property Taxes	481,142	12,588	102,045	0	0	595,775
Total Deferred Inflows of Resources	<u>\$ 7,392,317</u>	<u>\$ 193,398</u>	<u>\$ 1,567,814</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,153,529</u>

(Continued)

Exhibit C-1

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

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	Total Governmental Funds
<u>FUND BALANCES</u>						
Restricted:						
Restricted for General Government	\$ 49,875	\$ 0	\$ 0	\$ 0	\$ 0	\$ 49,875
Restricted for Finance	22,806	0	0	0	0	22,806
Restricted for Administration of Justice	370,622	0	0	0	1,694,321	2,064,943
Restricted for Public Safety	566,086	0	0	2,493,175	0	3,059,261
Restricted for Public Health and Welfare	111,113	0	0	0	578,214	689,327
Restricted for Highways/Public Works	0	1,186,856	0	0	0	1,186,856
Restricted for Debt Service	0	0	2,279,960	0	0	2,279,960
Restricted for Other Purposes	3,000	0	0	0	0	3,000
Committed:						
Committed for Public Health and Welfare	7,992	0	0	0	48,724	56,716
Committed for Agriculture and Natural Resources	49,299	0	0	0	0	49,299
Assigned:						
Assigned for General Government	1,725	0	0	0	0	1,725
Assigned for Finance	0	0	0	0	36,337	36,337
Assigned for Administration of Justice	207,760	0	0	0	0	207,760
Assigned for Public Safety	1,002,964	0	0	0	71,831	1,074,795
Assigned for Public Health and Welfare	9,851	0	0	0	0	9,851
Assigned for Other Purposes	572,581	0	0	0	0	572,581
Unassigned	1,968,055	0	0	0	0	1,968,055
Total Fund Balances	<u>\$ 4,943,729</u>	<u>\$ 1,186,856</u>	<u>\$ 2,279,960</u>	<u>\$ 2,493,175</u>	<u>\$ 2,429,427</u>	<u>\$ 13,333,147</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,390,832</u>	<u>\$ 1,380,692</u>	<u>\$ 3,847,774</u>	<u>\$ 2,678,090</u>	<u>\$ 2,580,109</u>	<u>\$ 22,877,497</u>

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

Exhibit C-2

Rhea County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2018

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)		\$ 13,333,147
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Add: land	\$ 1,344,415	
Add: construction in progress	892,222	
Add: buildings and improvements net of accumulated depreciation	2,394,801	
Add: infrastructure net of accumulated depreciation	1,983,706	
Add: other capital assets net of accumulated depreciation	<u>1,937,181</u>	8,552,325
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Less: bonds payable	\$ (33,910,000)	
Less: notes payable	(5,240,656)	
Less: other loans payable	(497,000)	
Less: capital leases payable	(5,914)	
Less: compensated absences payable	(440,800)	
Less: other postemployment benefits liability	(412,679)	
Less: unamortized premium on debt issuances	(495,477)	
Less: accrued interest on bonds and notes	(363,751)	
Add: debt to be contributed by the School Department	<u>3,247,656</u>	(38,118,621)
(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	\$ 863,343	
Less: deferred inflows of resources related to pensions	(504,997)	
Add: deferred outflows of resources related to OPEB	10,696	
Less: deferred inflows of resources related to OPEB	<u>(16,631)</u>	352,411
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.		1,006,348
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>595,775</u>
Net position of governmental activities (Exhibit A)		<u>\$ (14,278,615)</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, 2018

	Major Funds				Nonmajor Funds	
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>						
Local Taxes	\$ 8,169,345	\$ 259,613	\$ 2,259,894	\$ 0	\$ 490,350	\$ 11,179,202
Licenses and Permits	190,311	0	0	0	0	190,311
Fines, Forfeitures, and Penalties	200,320	0	0	0	107,852	308,172
Charges for Current Services	212,104	0	0	0	487,585	699,689
Other Local Revenues	458,174	3,302	112,285	0	65,537	639,298
Fees Received From County Officials	1,234,500	0	0	0	0	1,234,500
State of Tennessee	863,164	2,053,732	0	0	235,252	3,152,148
Federal Government	98,597	74,170	0	0	0	172,767
Other Governments and Citizens Groups	293,888	0	1,157,680	0	5,057	1,456,625
Total Revenues	\$ 11,720,403	\$ 2,390,817	\$ 3,529,859	\$ 0	\$ 1,391,633	\$ 19,032,712
<u>Expenditures</u>						
Current:						
General Government	\$ 2,296,825	\$ 0	\$ 0	\$ 0	\$ 107,869	\$ 2,404,694
Finance	1,208,738	0	0	0	182,931	1,391,669
Administration of Justice	1,264,534	0	0	0	0	1,264,534
Public Safety	5,590,686	0	0	0	39,881	5,630,567
Public Health and Welfare	406,541	0	0	0	569,565	976,106
Social, Cultural, and Recreational Services	19,122	0	0	0	0	19,122
Agriculture and Natural Resources	163,882	0	0	0	0	163,882
Other Operations	431,239	0	0	503,825	12,806	947,870
Highways	0	1,887,454	0	0	0	1,887,454
Debt Service:						
Principal on Debt	0	0	1,867,744	0	0	1,867,744
Interest on Debt	0	0	1,384,502	0	0	1,384,502
Other Debt Service	0	0	48,029	3,000	0	51,029

(Continued)

Exhibit C-3

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

	Major Funds				Nonmajor Funds		
	General	Highway / Public Works	General Debt Service	Other Capital Projects	Other Govern- mental Funds	Total Governmental Funds	
<u>Expenditures (Cont.)</u>							
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 0	\$ 222,500	\$ 222,500	
Total Expenditures	\$ 11,381,567	\$ 1,887,454	\$ 3,300,275	\$ 506,825	\$ 1,135,552	\$ 18,211,673	
Excess (Deficiency) of Revenues Over Expenditures	\$ 338,836	\$ 503,363	\$ 229,584	\$ (506,825)	\$ 256,081	\$ 821,039	
<u>Other Financing Sources (Uses)</u>							
Notes Issued	\$ 0	\$ 0	\$ 0	\$ 3,000,000	\$ 0	\$ 3,000,000	
Insurance Recovery	1,175	0	0	0	0	1,175	
Transfers In	0	0	242,471	0	300,000	542,471	
Transfers Out	(300,000)	(242,471)	0	0	0	(542,471)	
Total Other Financing Sources (Uses)	\$ (298,825)	\$ (242,471)	\$ 242,471	\$ 3,000,000	\$ 300,000	\$ 3,001,175	
Net Change in Fund Balances	\$ 40,011	\$ 260,892	\$ 472,055	\$ 2,493,175	\$ 556,081	\$ 3,822,214	
Fund Balance, July 1, 2017	4,903,718	925,964	1,807,905	0	1,873,346	9,510,933	
Fund Balance, June 30, 2018	\$ 4,943,729	\$ 1,186,856	\$ 2,279,960	\$ 2,493,175	\$ 2,429,427	\$ 13,333,147	

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, 2018

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

Net change in fund balances - total governmental funds (Exhibit C-3)		\$ 3,822,214
(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	\$ 1,500,633	
Less: current-year depreciation expense	<u>(499,230)</u>	1,001,403
(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		(20,778)
(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, 2018	\$ 595,775	
Less: deferred delinquent property taxes and other deferred June 30, 2017	<u>(543,510)</u>	52,265
(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	\$ (3,000,000)	
Add: principal payments on bonds	1,455,000	
Add: principal payments on notes	360,744	
Add: principal payments on other loans	52,000	
Add: principal payments on capital leases	5,593	
Less: contributions from the School Department for notes and other loans	(449,744)	
Less: change in deferred amount on refunding	(63,957)	
Add: change in premium on debt issuances	<u>40,214</u>	(1,600,150)
(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	\$ (22,900)	
Change in compensated absences payable	(6,700)	
Change in net pension liability/asset	626,553	
Change in deferred outflows related to pensions	(388,307)	
Change in deferred inflows related to pensions	193,716	
Change in net OPEB liability (net of restatement)	(17,347)	
Change in deferred outflows related to OPEB	10,696	
Change in deferred inflows related to OPEB	<u>(16,631)</u>	379,080
Change in net position of governmental activities (Exhibit B)		<u>\$ 3,634,034</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 8,169,345	\$ 7,796,380	\$ 7,838,380	\$ 330,965
Licenses and Permits	190,311	144,600	144,600	45,711
Fines, Forfeitures, and Penalties	200,320	201,500	201,500	(1,180)
Charges for Current Services	212,104	130,650	130,650	81,454
Other Local Revenues	458,174	419,500	424,500	33,674
Fees Received From County Officials	1,234,500	1,227,266	1,071,266	163,234
State of Tennessee	863,164	402,300	526,456	336,708
Federal Government	98,597	62,671	37,449	61,148
Other Governments and Citizens Groups	293,888	269,000	269,000	24,888
Total Revenues	\$ 11,720,403	\$ 10,653,867	\$ 10,643,801	\$ 1,076,602
<u>Expenditures</u>				
<u>General Government</u>				
County Commission	\$ 253,125	\$ 135,054	\$ 177,053	\$ (76,072)
Board of Equalization	2,174	2,260	2,260	86
Other Boards and Committees	4,181	6,794	6,794	2,613
County Mayor/Executive	332,684	240,008	376,009	43,325
County Attorney	27,277	20,000	45,000	17,723
Election Commission	187,711	212,266	212,266	24,555
Register of Deeds	201,950	237,676	230,609	28,659
Planning	18,722	18,525	21,025	2,303
Building	41,050	32,100	42,100	1,050
County Buildings	427,891	426,839	549,819	121,928
Other Facilities	764,072	971,440	1,015,885	251,813
Preservation of Records	35,988	35,633	35,994	6
<u>Finance</u>				
Accounting and Budgeting	518,220	502,843	538,818	20,598
Property Assessor's Office	319,842	344,872	344,872	25,030
County Trustee's Office	55,141	222,789	58,581	3,440
County Clerk's Office	315,535	359,607	374,558	59,023
<u>Administration of Justice</u>				
Circuit Court	308,252	321,934	321,934	13,682
General Sessions Court	208,455	212,011	212,011	3,556
General Sessions Judge	411,312	420,458	439,456	28,144
Drug Court	0	20,000	27,060	27,060
Chancery Court	277,891	279,942	279,942	2,051
Courtroom Security	58,624	64,135	64,135	5,511
<u>Public Safety</u>				
Sheriff's Department	2,078,195	2,060,343	2,211,142	132,947
Administration of the Sexual Offender Registry	27,199	5,140	30,718	3,519
Jail	1,863,201	2,368,649	2,388,649	525,448
Juvenile Services	207,958	215,479	215,479	7,521
Fire Prevention and Control	274,684	312,668	391,720	117,036
Civil Defense	88,480	51,387	72,526	(15,954)
Rescue Squad	36,246	37,000	54,190	17,944
County Coroner/Medical Examiner	49,391	50,000	50,000	609
Public Safety Grants Program	42,021	0	43,245	1,224
Other Public Safety	923,311	974,823	974,823	51,512

(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	\$ 248,653	\$ 294,809	\$ 370,453	\$ 121,800
Rabies and Animal Control	101,365	106,690	104,290	2,925
Crippled Children Services	2,072	2,072	2,072	0
Other Waste Disposal	41,540	45,000	45,000	3,460
Other Public Health and Welfare	12,911	0	0	(12,911)
<u>Social, Cultural, and Recreational Services</u>				
Adult Activities	19,122	30,799	30,799	11,677
<u>Agriculture and Natural Resources</u>				
Agricultural Extension Service	126,634	131,232	131,232	4,598
Soil Conservation	37,248	37,738	37,738	490
<u>Other Operations</u>				
Other Economic and Community Development	17,828	18,000	18,000	172
Veterans' Services	116,996	103,705	123,705	6,709
Other Charges	191,917	198,954	198,954	7,037
Contributions to Other Agencies	53,000	53,000	53,000	0
Employee Benefits	51,498	61,500	61,500	10,002
Total Expenditures	\$ 11,381,567	\$ 12,246,174	\$ 12,985,416	\$ 1,603,849
Excess (Deficiency) of Revenues Over Expenditures	\$ 338,836	\$ (1,592,307)	\$ (2,341,615)	\$ 2,680,451
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 1,175	\$ 15,000	\$ 15,000	\$ (13,825)
Transfers Out	(300,000)	(300,000)	(300,000)	0
Total Other Financing Sources	\$ (298,825)	\$ (285,000)	\$ (285,000)	\$ (13,825)
Net Change in Fund Balance	\$ 40,011	\$ (1,877,307)	\$ (2,626,615)	\$ 2,666,626
Fund Balance, July 1, 2017	4,903,718	4,903,262	4,903,262	456
Fund Balance, June 30, 2018	\$ 4,943,729	\$ 3,025,955	\$ 2,276,647	\$ 2,667,082

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 259,613	\$ 282,702	\$ 282,702	\$ (23,089)
Other Local Revenues	3,302	10,000	10,000	(6,698)
State of Tennessee	2,053,732	2,195,252	2,195,252	(141,520)
Federal Government	74,170	0	74,170	0
Total Revenues	<u>\$ 2,390,817</u>	<u>\$ 2,487,954</u>	<u>\$ 2,562,124</u>	<u>\$ (171,307)</u>
<u>Expenditures</u>				
<u>Highways</u>				
Administration	\$ 161,785	\$ 233,443	\$ 209,397	\$ 47,612
Highway and Bridge Maintenance	915,364	1,138,178	1,038,124	122,760
Operation and Maintenance of Equipment	251,007	237,792	263,717	12,710
Other Charges	75,352	80,000	80,000	4,648
Employee Benefits	40,140	46,460	47,460	7,320
Capital Outlay	443,806	720,300	891,645	447,839
Total Expenditures	<u>\$ 1,887,454</u>	<u>\$ 2,456,173</u>	<u>\$ 2,530,343</u>	<u>\$ 642,889</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 503,363</u>	<u>\$ 31,781</u>	<u>\$ 31,781</u>	<u>\$ 471,582</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (242,471)	\$ (242,471)	\$ (242,471)	\$ 0
Total Other Financing Sources	<u>\$ (242,471)</u>	<u>\$ (242,471)</u>	<u>\$ (242,471)</u>	<u>\$ 0</u>
Net Change in Fund Balance	\$ 260,892	\$ (210,690)	\$ (210,690)	\$ 471,582
Fund Balance, July 1, 2017	<u>925,964</u>	<u>925,957</u>	<u>925,957</u>	<u>7</u>
Fund Balance, June 30, 2018	<u>\$ 1,186,856</u>	<u>\$ 715,267</u>	<u>\$ 715,267</u>	<u>\$ 471,589</u>

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

Exhibit D-1

Rhea County, Tennessee
Statement of Revenues, Expenses, and
Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund Central Maintenance/ Garage
<u>Operating Revenues</u>	
Charges for Current Services	\$ 42,293
Total Operating Revenues	\$ 42,293
<u>Operating Expenses</u>	
<u>General Government</u>	
<u>Other Facilities</u>	
Communication	\$ 221
Water and Sewer	13
Building and Contents Insurance	7,044
Liability Insurance	2,571
Vehicle and Equipment Insurance	7,731
Workers' Compensation Insurance	22,519
Total Other Facilities	\$ 40,099
<u>Other Operations</u>	
<u>Other Charges</u>	
Custodial Supplies	\$ 2,194
Total Other Charges	\$ 2,194
Total Operating Expenses	\$ 42,293
Operating Income (Loss)	\$ 0
Change in Net Position	\$ 0
Net Position, July 1, 2017	0
Net Position, June 30, 2018	\$ 0

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

Exhibit D-2

Rhea County, Tennessee
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Governmental Activities - Internal Service Fund
	Central Maintenance/ Garage
<u>Cash Flows from Operating Activities</u>	
Receipts from Interfund Services Provided	\$ 42,293
Central Maintenance Garage Activity - Uses	(42,593)
Net Cash Provided By (Used In) Operating Activities	<u>\$ (300)</u>
Net Increase (Decrease) in Cash	\$ (300)
Cash, July 1, 2017	<u>300</u>
Cash, June 30, 2018	<u><u>\$ 0</u></u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used In) Operating Activities</u>	
Operating Income (Loss)	\$ 0
Adjustment to Reconcile Net Operating Income to Net Cash Provided By (Used In) Operating Activities:	
Change in Assets and Liabilities:	
Increase (Decrease) in Due to Other Funds	(207)
Increase (Decrease) in Due to Component Units	<u>(93)</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (300)</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, 2018

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 1,249,000
Equity in Pooled Cash and Investments	106,174
Due from Other Governments	396,426
Taxes Receivable	471,219
Allowance for Uncollectible Taxes	<u>(36,217)</u>
Total Assets	<u>\$ 2,186,602</u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 893,622
Due to Litigants, Heirs, and Others	<u>1,292,980</u>
Total Liabilities	<u>\$ 2,186,602</u>

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

RHEA COUNTY, TENNESSEE

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RHEA COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

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 financial statements of the Rhea County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of their omission did not affect the independent auditor's opinion thereon. 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 Rhea 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 material to the component units' opinion and therefore have been omitted from this report.

The Rhea County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the Rhea County School Department are included in this report as listed in the table of contents. 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. However, when applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. 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. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2018.

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 funds 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.

Other Capital Projects Fund – This fund is used to account for expenditures associated with the construction of a new jail.

Additionally, Rhea County reports the following fund types:

Internal Service Fund – The Central Maintenance/Garage Fund is used to account for the central maintenance program activities that are provided to the various departments on a cost reimbursement basis. This fund was closed in August 2017.

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 renovations.

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 amortized cost using a stable net asset value. 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 with an allowance for uncollectibles. The allowance for uncollectible property taxes is equal to 3.25 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 acquisition 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	40 - 50
Bridges	20 - 40

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

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government 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, pension changes in assumptions, pension changes in investment earnings, pension changes in proportionate share of contributions, employer contributions made to the pension plan after the measurement date, and the OPEB contributions made after the measurement date reported in the government-wide Statement of Net Position.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so

will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, pension changes in investment earnings, pension changes in proportionate share of contributions, OPEB changes in assumptions, and various receivables for revenues, which do not meet the availability criteria in governmental funds. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. **Compensated Absences**

Employees of Rhea County, other than the Sheriff and Highway Departments, must use all leave by June 30.

Highway Department employees may accumulate up to 120 hours vacation leave. Any outstanding balance over 120 hours is paid to the employee on the last check issued in June each year.

Sheriff's Department employees can accumulate the following amount of vacation time depending on their years of service:

<u>Length of Service</u>	<u>Hours per Month</u>
First Three Years	3.36 Hours
Four to Nine Years	6.67 Hours
Ten Years to Nineteen	10 Hours
Twenty Years or more	13.34 Hours

There is no cap on hours that can be accumulated for Sheriff's Department employees. Unused vacation leave will be paid upon retirement, resignation, or termination.

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 \$65 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 are 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.

As of June 30, 2018, Rhea County had \$35,969,656 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. Prior-period Adjustment

Beginning net position was increased in the primary government and decreased in the discretely presented Rhea County School Department by \$1,985,000. In the prior year, liabilities for long-term debt being contributed by the School Department were understated and the liabilities to be paid from the primary government were overstated by this amount.

10. Restatements

In prior years, the government was required to recognize a liability for its other postemployment benefits under Governmental Accounting Standards Board (GASB) Statement No. 45. As of July 1, 2017, Rhea County has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Restatements reducing the beginning net position of the Governmental Activities of the primary government and the discretely presented Rhea County School Department by \$395,129 and \$2,457,969, respectively, have been recognized to account for the transitional requirements.

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.

F. Other Postemployment Benefit (OPEB) Plans

Primary Government

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by Rhea County. For this purpose, Rhea County recognizes benefit payments when due and payable in accordance with benefit terms. Rhea County's OPEB plan is not administered through a trust.

Discretely Presented Rhea County School Department

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined on the same basis as they are reported by the discretely presented Rhea County School Department. For this purpose, the School Department recognizes benefit payments when due and payable in accordance with benefit terms. The School Department's OPEB plan is not administered through a trust.

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

A. Budgetary Information

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

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may

not legally exceed appropriations authorized by the county commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the 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.

B. Expenditures Exceeded Appropriations

Expenditures exceeded total appropriations approved by the county commission in the Other Special Revenue Fund by \$12,147.

Expenditures exceeded appropriations approved by the county commission in certain major appropriation categories (the legal level of control) of the General Fund. These over expenditures are reflected in the following table:

<u>Fund/Major Appropriation Category</u>	<u>Amount Overspent</u>
General:	
County Commission	\$ 76,072
Civil Defense	15,954
Other Public Health and Welfare	12,911

Expenditures that exceed appropriations are a violation of state statutes. These expenditures in excess of appropriations were funded by available fund balance.

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, 2018.

B. Capital Assets

Capital assets activity for the year ended June 30, 2018, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 1,344,415	\$	\$ 0	\$ 1,344,415
Construction in Progress	98,665	793,557	0	892,222
Total Capital Assets Not Depreciated	\$ 1,443,080	\$ 793,557	\$ 0	\$ 2,236,637
Capital Assets Depreciated:				
Buildings and Improvements	\$ 3,407,455	\$ 0	\$ 0	\$ 3,407,455
Infrastructure	12,326,980	0	0	12,326,980
Other Capital Assets	4,587,723	707,076	(65,232)	5,229,567
Total Capital Assets Depreciated	\$ 20,322,158	\$ 707,076	\$ (65,232)	\$ 20,964,002
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 967,964	\$ 44,690	\$ 0	\$ 1,012,654
Infrastructure	10,160,035	183,239	0	10,343,274
Others Capital Assets	3,065,539	271,301	(44,454)	3,292,386
Total Accumulated Depreciation	\$ 14,193,538	\$ 499,230	\$ (44,454)	\$ 14,648,314
Total Capital Assets Depreciated, Net	\$ 6,128,620	\$ 207,846	\$ (20,778)	\$ 6,315,688
Governmental Activities Capital Assets, Net	\$ 7,571,700	\$ 1,001,403	\$ (20,778)	\$ 8,552,325

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

Governmental Activities:

General Government	\$	40,617
Finance		3,685
Administration of Justice		1,140
Public Safety		133,880
Public Health and Welfare		30,532
Highways/Public Works		<u>289,376</u>

Total Depreciation Expense - Governmental Activities	\$	<u><u>499,230</u></u>
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Discretely Presented Rhea County School Department**Governmental Activities:**

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18
Capital Assets Not Depreciated:				
Land	\$ 939,515	\$ 0	\$ 0	\$ 939,515
Construction in Progress	286,009	7,108	0	293,117
Total Capital Assets Not Depreciated	<u>\$ 1,225,524</u>	<u>\$ 7,108</u>	<u>\$ 0</u>	<u>\$ 1,232,632</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 71,559,789	\$ 0	\$ 0	\$ 71,559,789
Other Capital Assets	6,126,453	405,266	(61,825)	6,469,894
Total Capital Assets Depreciated	<u>\$ 77,686,242</u>	<u>\$ 405,266</u>	<u>\$ (61,825)</u>	<u>\$ 78,029,683</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 12,582,100	\$ 1,050,844	\$ 0	\$ 13,632,944
Others Capital Assets	4,085,673	285,417	(48,687)	4,322,403
Total Accumulated Depreciation	<u>\$ 16,667,773</u>	<u>\$ 1,336,261</u>	<u>\$ (48,687)</u>	<u>\$ 17,955,347</u>
Total Capital Assets Depreciated, Net	<u>\$ 61,018,469</u>	<u>\$ (930,995)</u>	<u>\$ (13,138)</u>	<u>\$ 60,074,336</u>
Governmental Activities Capital Assets, Net	<u>\$ 62,243,993</u>	<u>\$ (923,887)</u>	<u>\$ (13,138)</u>	<u>\$ 61,306,968</u>

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

Governmental Activities:

Instruction	\$ 909,855
Support Services	415,309
Operation of Non-instructional Services	<u>11,097</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,336,261</u></u>

C. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2018, was as follows:

Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
Primary Government:		
General	Nonmajor governmental	\$ 2,450
Nonmajor governmental	General	10,543
Nonmajor governmental	Nonmajor governmental	468

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

Due to/from Primary Government and Component Unit:

Receivable	Payable	Amount
Primary Government:	Component Unit:	
Governmental Activities	School Department:	
	Governmental Activities	\$ 3,247,656

The Due to Primary Government consists of the balance of capital outlay notes (\$1,562,656) and bonds (\$1,685,000) issued for the School Department. The School Department has agreed to contribute funds annually to retire the debt. This long-term debt obligation is reflected in the governmental activities on the Statement of Net Position.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2018, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In		Purpose
	General Debt Service Fund	Nonmajor govern- mental fund	
General Fund	\$ 0	\$ 300,000	Justice Center construction
Highway/Public Works Fund	242,471	0	Debt retirement
Total	<u>\$ 242,471</u>	<u>\$ 300,000</u>	

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

D. Operating Leases

Discretely Presented Rhea County School Department

The Rhea County School Department leases an outdoor lighting system for Spring City Middle School from the local electric co-op. The rent expenditures for the year ended June 30, 2018, were \$11,820 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
2019	11,820
2020	11,820
2021	11,820
2022	11,820
2023	11,820
2024-2025	<u>22,655</u>
Total	<u>\$ 81,755</u>

E. Capital Leases

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 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, 2018, were as follows:

Year Ending June 30	Governmental Funds
2019	\$ 6,254
Total Minimum Lease Payments	\$ 6,254
Less: Amount Representing Interest	(340)
Present Value of Minimum Lease Payments	\$ 5,914

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, 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 12 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, 2018, will be retired from the General Debt Service Fund.

General obligation bonds, notes, other loans, and capital leases outstanding as of June 30, 2018, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-18
General Obligation Bonds -	2 to 4.25%	2-1-34	\$ 33,000,000	\$ 32,225,000
General Obligation Bonds - Refunding	1.98	4-1-23	2,270,000	1,685,000
Notes	2.48 to 3.54	4-1-27	7,000,000	5,240,656
Other Loans	various	5-25-26	1,000,000	497,000
Capital Leases	5.75	1-15-19	21,797	5,914

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, 2018, the variable interest rate was 1.51 percent and other fees totaled approximately .15 percent (letter of credit), .08 percent (remarketing) on the outstanding loan principal, and a trustee fee of \$85 per month.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2018, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 1,510,000	\$ 1,272,019	\$ 2,782,019
2020	1,600,000	1,229,881	2,829,881
2021	1,685,000	1,185,196	2,870,196
2022	1,800,000	1,138,063	2,938,063
2023	1,915,000	1,073,133	2,988,133
2024-2028	9,450,000	4,479,532	13,929,532
2029-2033	12,950,000	2,312,314	15,262,314
2034	3,000,000	127,500	3,127,500
Total	<u>\$ 33,910,000</u>	<u>\$ 12,817,638</u>	<u>\$ 46,727,638</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 705,497	\$ 135,058	\$ 840,555
2020	717,870	102,416	820,286
2021	2,729,868	83,896	2,813,764
2022	168,494	15,441	183,935
2023	173,250	13,049	186,299
2024-2027	745,677	26,847	772,524
Total	<u>\$ 5,240,656</u>	<u>\$ 376,707</u>	<u>\$ 5,617,363</u>

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2019	\$ 54,000	\$ 7,505	\$ 2,163	\$ 63,668
2020	56,000	6,689	2,039	64,728
2021	58,000	5,844	1,910	65,754
2022	61,000	4,968	1,777	67,745
2023	63,000	4,047	1,636	68,683
2024-2026	205,000	6,266	4,015	215,281
Total	<u>\$ 497,000</u>	<u>\$ 35,319</u>	<u>\$ 13,540</u>	<u>\$ 545,859</u>

There is \$2,279,960 available in the General Debt Service Fund to service long-term debt. Bonded debt per capita totaled \$1,066, based on the 2010 federal census. Total debt per capita, including bonds, notes, other loans, capital leases, and unamortized debt premiums, totaled \$1,262, 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.

Description of Indebtedness	Outstanding 6-30-18
<u>Notes Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
Energy Efficiency Project	\$ 1,562,656
<u>Bonds Payable</u>	
<u>Contributions from the General Purpose School Fund</u>	
Rural School Refunding Bonds, Series 2016B	<u>1,685,000</u>
Total	<u><u>\$ 3,247,656</u></u>

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2018, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2017	\$ 35,365,000	\$ 2,601,400	\$ 549,000
Additions	0	3,000,000	0
Reductions	(1,455,000)	(360,744)	(52,000)
Balance, June 30, 2018	<u>\$ 33,910,000</u>	<u>\$ 5,240,656</u>	<u>\$ 497,000</u>
Balance Due Within One Year	<u>\$ 1,510,000</u>	<u>\$ 705,497</u>	<u>\$ 54,000</u>

	Capital Leases	Compensated Absences	Other Postemployment Benefits*
Balance, July 1, 2017	\$ 11,507	\$ 434,100	\$ 395,332
Additions	0	262,952	43,513
Reductions	(5,593)	(256,252)	(26,166)
Balance, June 30, 2018	<u>\$ 5,914</u>	<u>\$ 440,800</u>	<u>\$ 412,679</u>
Balance Due Within One Year	<u>\$ 5,914</u>	<u>\$ 222,232</u>	<u>\$ 0</u>

* Restated beginning balance – See Note I.D.10.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 40,507,049
Less: Balance Due Within One Year	(2,497,643)
Add: Unamortized Premium on Debt	<u>495,477</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 38,504,883</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, 2018, was as follows:

	Compensated Absences	Other Postemployment Benefits*	Net Pension Liability - Cost-sharing Plan#
Balance, July 1, 2017	\$ 399,555	\$ 2,538,796	\$ 2,559,100
Additions	97,020	258,431	66,034
Reductions	(132,999)	(212,399)	(2,761,150)
Balance, June 30, 2018	\$ 363,576	\$ 2,584,828	\$ (136,016)
Balance Due Within One Year	\$ 18,179	\$ 0	\$ 0

* Restated beginning balance – See Note I.D.10.

Teacher Legacy Plan had net pension asset at June 30, 2018

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2018	\$ 2,948,404
Less: Balance Due Within One Year	(18,179)
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 2,930,225</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

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 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, 2018, were \$53,628 and \$37,498, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Rhea County and the discretely presented Rhea County School Department are exposed to various risks related to general liability, property, casualty, and workers' compensation losses. The county and the School Department participate in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The county and the School Department pay annual premiums to the TN-RMT for their general liability, property, casualty, and workers' compensation insurance coverage. The creation of TN-RMT provides for it to be self-sustaining through member premiums.

Primary Government

Rhea County participates in the Local Government Group Insurance Fund (LGGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local governments and quasi-governmental entities that was established for the primary purpose of providing services for or on behalf of state and local governments. In accordance with Section 8-27-207, *Tennessee Code Annotated (TCA)*, all local governments and quasi-governmental entities described above are eligible to participate. The LGGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. The state statute provides for the LGGIF to be self-sustaining through member premiums.

Discretely Presented Rhea County School Department

The discretely presented Rhea County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, *Irrevocable Split-Interest Agreements*; Statement No. 85, *Omnibus 2017*; and Statement No. 86, *Certain Debt Extinguishment Issues* became effective for the year ended June 30, 2018.

GASB Statement No. 75, establishes accounting and reporting requirements for postemployment benefits other than pensions (other postemployment benefits or OPEB), which are included in the general purpose financial reports of state and local governmental OPEB plans. This statement replaces GASB Statements No. 45 and No. 57. The scope of this statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

GASB Statement No. 81, establishes accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary.

GASB Statement No. 85, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement No. 86, establishes guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also provides guidance for accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

C. Contingent Liabilities

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

D. 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 (.94 percent at June 30, 2018). The outstanding principal balance of this loan agreement at June 30, 2018, was \$17,049,000.

E. Changes in Administration

On July 7, 2017, Kim Blaylock left the Office of Finance Director and was succeeded by Kaley Walker. On October 18, 2017, Kaley Walker left the Office of Finance Director and was succeeded by Bill Graham.

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 2024. 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 \$3,646,510 at June 30, 2018, 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 2018. 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, 2018.

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, non-certified employees of the discretely presented Rhea County School Department, and employees of the discretely presented Rhea County Health and Rehab 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 43.24 percent, the non-certified employees of the discretely presented School Department comprise 35.65 percent, and the discretely presented Rhea County Medical Center comprise 21.11 percent of the plan based on contribution 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.

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, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	287
Inactive Employees Entitled to But Not Yet Receiving	
Benefits	473
Active Employees	449
Total	<hr/> <hr/> 1,209

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. 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, 2018, the employer contribution for Rhea County was \$1,009,287 based on a rate of 7.17

percent of covered 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 contributions (ADC) 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, 2017, 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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 (Asset) (a)-(b)
Balance, July 1, 2016	\$ 48,643,559	\$ 49,543,977	\$ (900,418)
Changes for the Year:			
Service Cost	\$ 1,218,267	\$ 0	\$ 1,218,267
Interest	3,650,751	0	3,650,751
Differences Between Expected and Actual Experience	47,392	0	47,392
Changes in Assumptions	1,168,623	0	1,168,623
Contributions-Employer	0	1,281,937	(1,281,937)
Contributions-Employees	0	679,714	(679,714)
Net Investment Income	0	5,589,055	(5,589,055)
Benefit Payments, Including Refunds of Employee Contributions	(2,370,296)	(2,370,296)	0
Administrative Expense	0	(38,555)	38,555
Other Changes	0	(178)	178
Net Changes	\$ 3,714,737	\$ 5,141,677	\$ (1,426,940)
Balance, June 30, 2017	\$ 52,358,296	\$ 54,685,654	\$ (2,327,358)

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

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	43.24%	\$ 22,639,727	\$ 23,646,077	\$ (1,006,350)
Medical Center	21.11%	11,052,836	11,544,142	(491,305)
School Department	35.65%	18,665,733	19,495,436	(829,703)
Total		\$ 52,358,296	\$ 54,685,654	\$ (2,327,358)

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 7.25 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
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Net Pension Liability \$ 4,153,826 \$ (2,327,358) \$ (7,721,102)

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

Pension Expense or Negative Pension Expense. For the year ended June 30, 2018, Rhea County recognized pension expense of \$46,593.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, 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
Difference Between Expected and Actual Experience	\$ 37,914	\$ 1,159,000
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	8,895
Changes in Assumptions	934,898	0
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	1,009,287	N/A
Total	<u>\$ 1,982,099</u>	<u>\$ 1,167,895</u>

- (1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” 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	\$ 863,343	\$ 504,998
Medical Center	395,114	246,543
School Department	723,642	416,354
Total	<u>\$ 1,982,099</u>	<u>\$ 1,167,895</u>

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

Year Ending June 30	Amount
2019	\$ (482,422)
2020	323,609
2021	98,530
2022	(134,804)
2023	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 43.24 percent, the

non-certified employees of the discretely presented School Department comprise 35.65 percent, and the discretely presented Rhea County Medical Center comprise 21.11 percent of the plan based on contribution 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 publicly available financial report that can be obtained at 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 with an unreduced benefit 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. 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 60 or pursuant to the rule of 80. 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 percent and one percent. Members who leave 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 or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. 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, 2018, to the Teacher Retirement Plan were \$86,693, which is four percent of covered 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 (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$53,878) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion of the net pension liability (asset) was based on the School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .204211 percent. The proportion as of June 30, 2016, was .215712 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$24,232.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
Difference Between Expected and Actual Experience	\$ 1,888	\$ 4,052
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	0	2,899
Changes in Assumptions	4,733	0
Changes in Proportion of Net Pension Liability (Asset)	1,273	3,064
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	86,693	N/A
Total	\$ 94,587	\$ 10,015

The School Department's employer contributions of \$86,693, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as an increase of net pension asset in the year ending June 30, 2019. 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
2019	\$ (464)
2020	(464)
2021	(630)
2022	(1,375)
2023	(8)
Thereafter	819

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based on actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS investment policy target asset allocation for each major class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity	5.69	31
Developed Market		
International Equity	5.29	14
Emerging Market		
International Equity	6.36	4
Private Equity and		
Strategic Lending	5.79	20
U.S. Fixed Income	2.01	20
Real Estate	4.32	10
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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 the School

Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 10,749	\$ (53,878)	\$ (101,283)

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

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 publicly available financial report that can be obtained at 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. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs 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 are required to contribute five percent of their salaries. 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, 2018, to the Teacher Legacy Pension Plan were \$1,301,001, which is 9.07 percent of covered 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 Liability (Assets). At June 30, 2018, the School Department reported a liability (asset) of (\$136,016) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The School Department's proportion

of the net pension liability (asset) was based on the School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2017, the School Department's proportion was .415711 percent. The proportion measured at June 30, 2016, was .409492 percent.

Pension Expense. For the year ended June 30, 2018, the School Department recognized pension expense of \$66,034.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the 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
Difference Between Expected and Actual Experience	\$ 81,999	\$ 2,808,044
Changes in Assumptions	1,151,957	0
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	20,647	0
Changes in Proportion of Net Pension Liability (Asset)	177,839	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2017	1,301,001	N/A
Total	<u>\$ 2,733,443</u>	<u>\$ 2,808,044</u>

The School Department's employer contributions of \$1,301,001 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease in net pension liability in the year ending June 30, 2019. 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
2019	\$ (908,786)
2020	482,660
2021	(286,064)
2022	(663,414)
2023	0
Thereafter	0

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, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates are based actual experience including an adjustment for some anticipated improvement.

The actuarial assumptions used in the June 30, 2017, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. 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, 2016, actuarial experience study. A blend of future capital market projections and historic market returns was used in a building-block method in which a best-estimate of expected future real rates of return (expected returns, net of pension plan investments expense and inflation) is developed for each major asset class. These best-estimates are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target allocation percentage and by adding expected inflation of 2.5 percent. The best-estimates of geometric real rates of return and the TCRS

investment policy target asset allocation for each major 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	5.69 %	31 %
International Equity Emerging Market	5.29	14
International Equity Private Equity and Strategic Lending	6.36	4
U.S. Fixed Income	5.79	20
Real Estate	2.01	20
Short-term Securities	4.32	10
	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 7.25 percent based on a blending of the factors described above.

Changes of Assumptions. In 2017, the following assumptions were changed: decreased inflation rate from 3.0 percent to 2.5 percent; decreased the investment rate of return from 7.5 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.5 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.0 percent; and modified the mortality assumptions.

Discount Rate. The discount rate used to measure the total pension liability was 7.25 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 the School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.25 percent, as well as what the 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 (6.25%) or one percentage point higher (8.25%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability	\$ 12,204,306	\$ (136,016)	\$ (10,336,101)

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 School Department are required to participate in a hybrid pension plan consisting of a defined benefit portion, which is detailed in the pensions footnote above and is managed by the Tennessee Consolidated Retirement System, and a defined contribution portion which is placed into the state's 401 (K) plan and is managed by the employee. The defined contribution portion of the plan requires that the School Department contribute five percent of each teacher's salary into their deferred compensation plan. In addition, teachers are required to contribute two percent of their salaries into this deferred compensation plan, unless they opt out of the employee portion. During the year, the School Department contributed \$107,382 and teachers contributed \$126,601 to this deferred compensation plan.

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

Rhea County and the discretely presented Rhea County School Department provide OPEB benefits to its retirees through state administered public entity risk pools, for reporting purposes the plans are all considered single employer defined benefit OPEB plans based on criteria in Statement No. 75 of the Governmental Accounting Standards Board (GASB). The plans are funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75.

Retirees of Rhea Medical Center are provided healthcare under separate Local Government Plans (LGPs) until they reach Medicare eligibility. The retirees of Rhea Medical Center may then join the Tennessee Plan – Medicare (TN-Ms), which provides supplemental medical insurance for retirees with Medicare. The primary government’s LGPs are combined and the Primary Government’s TN-Ms are combined for presentation purposes. Likewise, the School Department provides healthcare benefits to its employees under the Local Education Plan (LEP) until they reach Medicare eligibility. Certified and noncertified employees of the School Department may then join the Tennessee Plan - Medicare (TNM) which provides supplemental medical insurance for retirees with Medicare.

The county and the School Department’s total OPEB liability for each plan was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The total OPEB liability in the June 30, 2017, actuarial valuation of each plan was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Salary Increases	Salary increases used in the July 1, 2107 TCRS actuarial valuation; 3.44% to 8.72%, including inflation
Discount Rate	3.56%
Healthcare Cost Trend Rates	LGP and LEP: Based on the Getzen Model, with trend starting starting 7.5% for the 2018 calendar year, and gradually decreasing 33-year period to an ultimate trend of rate of 3.53 percent with .18% adds to approximate the effect of the excise tax TN-Ms: The premium subsidies provided to retirees are assumed to remain unchanged for the entire projection; therefore, trend rates are not applicable
Retirees Share of Benefit Related Cost	Discussed under each plan

The discount rate was 3.56%, based on the daily rate of Fidelity’s 20-year Municipal GO AA index closest to but not later than the measurement date.

Mortality rates were based on the results of a statewide experience study undertaken on behalf of the Tennessee Consolidated Retirement System

(TCRS). These mortality rates were used in the July 1, 2017, actuarial valuation of the TCRS.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017, Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 - June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Changes in Assumptions. The discount rate changed from 2.92 percent as of the beginning of the measurement period to 3.56 percent as of the measurement date of June 30, 2017.

Closed Local Government OPEB Plan (Primary Government)

Plan Description. Employees of Rhea County who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government Plan (LGP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. Rhea County offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. With the exception of a small group of grandfathered individuals, retirees are required to discontinue coverage under the LGP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with *Tennessee Code Annotated (TCA)* 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for

the retiree premiums. Rhea County does not provide a direct subsidy and is only subject to the implicit subsidy.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently	
Receiving Benefits	2
Inactive Employees Entitled to But Not Yet	
Receiving Benefits	0
Active Employees	146
Total	<u>148</u>

An insurance committee, created in accordance with TCA 8-27-701, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the county paid \$16,281 to the LGP for OPEB benefits as they came due.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance July 1, 2016	<u>\$ 395,332</u>
Changes for the Year:	
Service Cost	\$ 31,169
Interest	12,344
Changes in Benefit Terms	0
Difference between Expected and Actuarial Experience	0
Changes in Assumption and Other Inputs	(18,635)
Benefit Payments	<u>(7,531)</u>
Net Changes	<u>\$ 17,347</u>
Balance June 30, 2017	<u>\$ 412,679</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the county recognized OPEB expense of \$41,509. At June 30, 2018, the county reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	16,631
Net Difference Between Projected and Benefits Paid After the Measurement Date	10,696	0
Total	<u>\$ 10,696</u>	<u>\$ 16,631</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	County
2019	\$ (2,004)
2020	(2,004)
2021	(2,004)
2022	(2,004)
2023	(2,004)
Thereafter	(6,611)

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the county calculated using the current discount rate as well as what the OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	\$ 441,882	\$ 412,679	\$ 385,112

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the total OPEB liability of the county calculated using the current healthcare cost trend rate, as well as what the OPEB liability

would be if it was calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease 6 to 3.77%	Current Trend Rates 7 to 4.77%	1% Increase 8 to 5.77%
Total OPEB Liability	\$ 369,091	\$ 412,679	\$ 464,399

Closed Local Education (LEP) OPEB Plan (Discretely Presented School Department)

Plan Description. Employees of the Rhea County School Department who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Education Plan (LEP) administered by the Tennessee Department of Finance and Administration. All eligible pre-65 retired teachers, support staff, and disability participants of local education agencies, who choose coverage, participate in the LEP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015.

Benefits Provided. The Rhea County School Department offers the LEP to provide health insurance coverage to eligible pre-65 retirees, support staff, and disabled participants of local education agencies. Retirees are required to discontinue coverage under the LEP upon obtaining Medicare eligibility. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-301 establishes and amends the benefit terms of the LEP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members of the LEP receive the same plan benefits as active employees at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for retiree premiums. Rhea County School Department does not provide a direct subsidy and is only subject to the implicit subsidy. The state, as a governmental non-employer contributing entity, provides a direct subsidy for eligible retiree's premiums based on years of service. Therefore, retirees with 30 or more years of service will receive 45%; 20 but less than 30 years, 35%; and less than 20 years, 20% of the scheduled premium.

Employees Covered by Benefit Terms

At the measurement date of June 30, 2017, the following employees were covered by the benefit terms:

	<u>School Department</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	15
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	492
Total	<u><u>507</u></u>

A state insurance committee, created in accordance with *TCA 8-27-301*, establishes the required payments to the LEP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. Administrative costs are allocated to plan participants. Employers contribute towards employee costs based on their own developed policies. During the current reporting period, the School Department paid \$97,764 to the LEP for OPEB benefits as they came due.

Changes in the Collective Total OPEB Liability

	<u>Share of Collective Liability</u>		
	Rhea County School Department 65.76%	State of TN 34.24%	Total OPEB Liability
Balance July 1, 2016	\$ 2,538,796	\$ 1,321,950	\$ 3,860,746
Changes for the Year:			
Service Cost	\$ 180,251	\$ 93,856	\$ 274,107
Interest	78,180	40,708	118,888
Changes in Benefit Terms	0	0	0
Difference between Expected and Actuarial Experience	0	0	0
Changes in Assumption and Other Inputs	(129,087)	(67,215)	(196,302)
Benefit Payments	(83,312)	(43,380)	(126,692)
Net Changes	<u>\$ 46,032</u>	<u>\$ 23,969</u>	<u>\$ 70,001</u>
Balance June 30, 2017	<u>\$ 2,584,828</u>	<u>\$ 1,345,919</u>	<u>\$ 3,930,747</u>

The Rhea County School Department has a special funding situation related to benefits paid by the State of Tennessee for its eligible retired employees participating in the LEP. The Rhea County School Department's proportionate

share of the collective total OPEB liability was based on a projection of the employer's long-term share of benefit payments to the OPEB plan relative to the projected share of benefit payments of all participating employers and nonemployer contributing entities, actuarially determined. The School Department recognized \$128,039 in revenue for subsidies provided by nonemployer contributing entities for benefits paid by the LEP for School Department retirees.

During the year, the Rhea County School Department's proportionate share of the collective OPEB liability was 65.76% and the State of Tennessee's share was 34.24%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2018, the School Department recognized OPEB expense of \$373,937, including the state's share of the expense. At June 30, 2018, the School Department reported deferred outflows of resources and deferred inflows of resources related to its proportionate share of OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	116,554
Changes in Proportion and Differences Between Amounts Paid as Benefits Came Due and Proportionate Share Amounts Paid by the Employees and Nonemployer Contributors As Benefits Came Due	0	0
Benefits Paid After the Measurement Date	97,764	0
Total	<u>\$ 97,764</u>	<u>\$ 116,554</u>

Amounts reported as deferred inflows and deferred outflows of resources (excluding benefits paid after the measurement date) related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending June 30</u>	<u>School Department</u>
2019	\$ (12,532)
2020	(12,532)
2021	(12,532)
2022	(12,532)
2023	(12,532)
Thereafter	(53,894)

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

Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Discount Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate.

<u>Discount Rate</u>	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
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Proportionate Share of the Collective Total OPEB Liability	\$ 2,788,388	\$ 2,584,828	\$ 2,391,018
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Sensitivity of Proportionate Share of the Collective Total OPEB Liability to Changes in the Healthcare Cost Trend Rate. The following presents the School Department's proportionate share of the collective total OPEB liability related to the LEP, as well as what the proportionate share of the collective total OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current healthcare cost trend rate.

<u>Healthcare Cost Trend Rate</u>	1% Decrease 6.5 to 2.71%	Curent Rates 7.5 to 3.71%	1% Increase 8.5 to 4.71%
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Proportionate Share of the Collective Total OPEB Liability	\$ 2,260,957	\$ 2,584,828	\$ 2,970,878
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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 \$25,000 be based on competitive bids.

L. Subsequent Events

Gladys Best left the Office of Register of Deeds on August 31, 2018, and was succeeded by Teresa Hulan.

VI. OTHER NOTES – DISCRETELY PRESENTED RHEA MEDICAL CENTER

A. Summary of Significant Accounting Policies

1. Organization

Rhea Medical Center (the 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.

Revenue from the Medicare and Medicaid programs accounted for approximately 5 and 14 percent, respectively, for the year ended June 30, 2018, 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 realizable value.

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, 2018.

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.

Investment in Rhea Medical Center Pain Management, LLC, is recorded using the equity method.

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 2018.

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, 2018.

Capital Assets, net of accumulated depreciation	\$ 20,650,841
Less:	
Current Portion of Long-term Debt Related to the Acquisition of Capital Assets	(910,000)
Long-term Debt, Excluding Current Portion Relating to the Acquisition of Capital Assets	<u>(16,963,000)</u>
Net Investment in Capital Assets	<u>\$ 2,777,841</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, 2018, the medical center had deferred outflows of \$395,114. As of June 30, 2018, the medical center had a deferred inflow of \$260,302.

17. Pensions

During 2015, the medical center adopted the provisions of GASB Statement No. 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.

18. Other Postemployment Benefits

On July 1, 2017, the medical center adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Although the medical Center presents comparative information within its statement of revenues, expenses, and changes in net position, the medical center has elected to implement GASB 75 as of July 1, 2017, because it was not practical to implement as of July 1, 2016, due to lack of available information to prepare comparative financial statements related to the implementation.

19. Reclassifications

Certain reclassifications have been made to prior year financial statements to conform to classifications used in the current year. These reclassifications had no impact on net position, the change in net position, or cash flows as previously reported.

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. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the medical center's agent in the medical center's name, or by the Federal Reserve Banks acting as third party agents.

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 \$7,567,527 at June 30, 2018. The bank balances held in cash accounts and a repurchase agreement are either insured by the Federal Deposit Insurance Corporation (\$250,000 at June 30, 2018) or collateralized by the Tennessee Bank Collateral Pool (\$7,467,928 at June 30, 2018) 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:

	Balance 6-30-18
<u>Investments</u>	
Insured by FDIC	\$ 14,134,234
Uninsured	<u>213,780</u>
Total Investments	<u>\$ 14,348,014</u>

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

	Balance 6-30-18
Carrying Amount:	
Deposits	\$ 7,128,316
Money Market Funds	213,779
Certificates of Deposit	14,134,235
Cash on Hand	<u>1,100</u>
Total	<u>\$ 21,477,430</u>
Included in the Following Balance Sheet Captions:	
Cash	\$ 7,129,416
Current Investments	7,954,459
Noncurrent Investments	<u>6,393,555</u>
Total	<u>\$ 21,477,430</u>

The certificates of deposit are with various U.S. financial institutions and mature with various terms through July 2020.

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	\$ 53,191,274
Less: Allowances for Contractual Adjustments	(29,309,498)
Provisions for Bad Debts	<u>(3,805,840)</u>
Net Patient Service Revenue	<u><u>\$ 20,075,936</u></u>

D. Inventories

Inventories at June 30, 2018, consisted of the following:

	Balance 6-30-18
Pharmacy	\$ 127,301
General Supplies	80,862
Dietary	11,073
Laboratory	64,376
X-ray	9,546
Surgery	124,545
Total	<u>\$ 417,703</u>

E. Capital Assets

A summary of changes in capital assets follows:

	Balance 7-1-17	Additions	Decreases	Balance 6-30-18
Land	\$ 2,463,248	\$ 0	\$ (45,452)	\$ 2,417,796
Construction in Progress	62,258	824,000	(62,258)	824,000
Land Improvements	172,200	0	(65,951)	106,249
Buildings and Improvements	28,128,619	0	(4,363,776)	23,764,843
Major Movable Equipment	13,417,655	262,281	(5,216,083)	8,463,853
Fixed Equipment	941,525	0	(941,525)	0
Total at Historical Cost	<u>\$ 45,185,505</u>	<u>\$ 1,086,281</u>	<u>\$ (10,695,045)</u>	<u>\$ 35,576,741</u>
Less Accumulated Depreciation For:				
Land Improvements	\$ 90,281	\$ 7,234	\$ (65,668)	\$ 31,847
Buildings and Improvements	10,145,492	630,077	(3,211,783)	7,563,786
Major Movable Equipment	11,739,537	442,758	(4,852,028)	7,330,267
Fixed Equipment	811,115	1,916	(813,031)	0
Total Accumulated Depreciation	<u>\$ 22,786,425</u>	<u>\$ 1,081,985</u>	<u>\$ (8,942,510)</u>	<u>\$ 14,925,900</u>
Property and Equipment, Net	<u>\$ 22,399,080</u>	<u>\$ 4,296</u>	<u>\$ (1,752,535)</u>	<u>\$ 20,650,841</u>

The medical center capital assets above include idle property at June 30, 2017, as follows: buildings and improvements of \$761,000, fixed equipment of \$130,000, and major moveable equipment of \$578,000. During 2018, the

medical center transferred ownership of the idle property and other land, buildings, and equipment to Rhea County.

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, 2018, the assets totaled \$46,229 net of accumulated amortization.

Other assets also include various lease deposits and prepayments totaling \$94,950 at June 30, 2018.

G. Investment in Rhea Medical Center Pain Management, LLC

Rhea Medical Center Pain Management, LLC, is a Tennessee limited liability company organized on March 31, 2017. The medical center invested \$51,000 for the purpose of acquiring a 51% ownership interest in the company. As such, the medical center records its investment using the equity method and records its share of earnings or loss on the statements of revenues, expenses, and changes in net position as equity in earnings or loss. The changes in the recorded amount of the investment for the year ended June 30, 2018, are summarized as follows:

Investment at beginning of year	\$ 0
Purchase of 51% ownership interest	51,000
Equity in loss (not to exceed investment)	(37,485)
Investment at end of year	<u><u>\$ 13,515</u></u>

Summarized financial information from the financial statements of Rhea Medical Center Pain Management, LLC, at June 30, 2018, follows.

<u>Balance Sheet</u>	<u>2018</u>
Assets	
Cash	\$ 99,649
Patient accounts receivable due from hospital	61,007
Total Assets	<u>\$ 160,656</u>
Liabilities	
Payables to medical center	\$ 42,006
Payable to other member	92,150
Total Liabilities	<u>\$ 134,156</u>
Members' Equity	<u>\$ 26,500</u>
Total Liabilities and Member's Deficit	<u>\$ 160,656</u>
<u>Statement of Operations</u>	
Net patient service revenue	<u>\$ 312,483</u>
Expenses	
Salaries and benefits	\$ 186,393
Medical supplies and drugs	15,057
Other supplies	35,788
Insurance	7,168
Other expenses	141,577
Total Expenses	<u>\$ 385,983</u>
Operating Loss	<u>\$ (73,500)</u>

H. Long-term Debt

Long-term debt as of June 30, 2018, consists of the following:

	<u>Balance 6-30-18</u>
Loan Agreement	\$ 17,049,000
Capital Lease	<u>824,000</u>
Total Long-term Debt	\$ 17,873,000
Less: Current Maturities of Long-term Debt	<u>(910,000)</u>
Long-term Debt, Net of Current Maturities	<u>\$ 16,963,000</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 (0.94 percent at June 30, 2018).

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

The capital lease is for MRI equipment to be installed during fiscal year 2019. The Medical Center has made a down-payment of \$15,587, which is included in prepaid expenses. The imputed interest rate on the lease is 5.1%. It will be secured by the MRI equipment. The lease requires 60 monthly payments of \$15,587. Payments will commence once the equipment is installed and in operation. Because of the uncertainty of the lease payment period, the amounts are not included in the scheduled payments by year and no current portion has been calculated.

Scheduled payments on long-term debt are as follows:

Year Ending June 30	Other Loans	
	Principal	Interest*
2019	\$ 910,000	\$ 250,569
2020	938,000	236,617
2021	967,000	222,234
2022	997,000	207,406
2023-2027	5,470,000	192,117
2028-2032	6,372,000	714,079
2033	1,395,000	254,021
Total	<u>\$ 17,049,000</u>	<u>\$ 2,077,043</u>

* - Future interest payments are based on the loan amounts outstanding and interest rates in effect at June 30, 2018, and do not necessarily represent the payments that will be required.

Activity for long-term debt for 2018 follows:

	Balance 7-1-17	Increases	Decreases	Balance 6-30-18	Amounts Due Within One Year
Bonds Payable	\$ 17,931,000	\$ 0	\$ (882,000)	\$ 17,049,000	\$ 910,000
Capital Lease	0	824,000	0	824,000	0
Total Long-term Debt	<u>\$ 17,931,000</u>	<u>\$ 824,000</u>	<u>\$ (882,000)</u>	<u>\$ 17,873,000</u>	<u>\$ 910,000</u>

I. 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 \$269,846 for 2018, and are included with accrued payroll in current liabilities.

J. Charity Care

The medical center estimates that the cost of providing care under the charity care policy was approximately \$319,513 during the year ended June 30, 2018. 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.

K. 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 employees of the medical center comprise 21.11 percent of the plan based on contribution 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.

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

The plan is closed to new entrants. At June 30, 2017, there were 59 employees active in the plan.

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 their salary. The medical center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2018, the Actuarial Determined Contribution (ADC) for the medical center was \$189,753 based on a rate of 7.24 percent of covered 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 ADC 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) – The medical center’s net pension asset was measured as of June 30, 2017, and the total pension asset used to calculate net pension asset was determined by an actuarial valuation as of that date. At June 30, 2018, the medical center reported an asset of \$491,304. The medical center’s proportion of the net pension asset was based on the amount of contributions by the medical center relative to the total contributions for all of the employers in the plan at June 30, 2017. At the June 30, 2017, measurement date, the medical center’s proportion was 21.11.

Actuarial Assumptions – The total pension liability as of the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary Increases	Graded Salary Ranges from 8.72% to 3.46% Based on Age, Including Inflation, Averaging 4.00%
Investment Rate of Return	7.25%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.25%

Mortality rates were based on actual experience including an adjustment for some anticipated improvement. The actuarial assumptions used in the June 30, 2017, actuarial valuations were based on the results of an actuarial experience study performed for the period July 1, 2012, through June 30, 2016. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

Changes of Assumptions – In 2017, the following assumptions were changed: decreased inflation rate from 3.00 percent to 2.50 percent; decreased the investment rate of return from 7.50 percent to 7.25 percent; decreased the cost-of-living adjustment from 2.50 percent to 2.25 percent; decreased salary growth graded ranges from an average of 4.25 percent to an average of 4.00 percent; and modified mortality assumptions.

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, 2016 actuarial experience study. A blend of future capital market projections and historical market returns was used in a building-block method in which a best estimate of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) is developed for each major asset class. These best-estimates are combined to produce 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 expected inflation of 2.5 percent.

The best estimates of geometric real rates of return and the TCRS investment policy target asset allocation 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	5.69	%	31	%
Developed Market				
International Equity	5.29		14	
Emerging Market				
International Equity	6.36		4	
Private Equity and				
Strategic Lending	5.79		20	
U.S. Fixed Income	2.01		20	
Real Estate	4.32		10	
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 7.25 percent based on a blending of the three factors described above.

Discount Rate – The discount rate used to measure the total pension liability was 7.25 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 the medical center 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.

The following table represents the medical center’s proportionate share of the net pension liability (asset):

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Medical Center	\$ 11,052,836	\$ 11,544,140	\$ (491,304)
Total	\$ 11,052,836	\$ 11,544,140	\$ (491,304)

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, 2016	\$ 12,311,685	\$ 12,539,581	\$ (227,896)
Changes for the Year:			
Service Cost	\$ 257,176	\$ 0	\$ 257,176
Interest	770,674	0	770,674
Differences Between Expected and Actual Experience	10,004	0	10,004
Changes in Assumptions	246,696	0	246,696
Contributions-Employer	0	270,617	(270,617)
Contributions-Employees	0	143,488	(143,488)
Net Investment Income	0	1,179,850	(1,179,850)
Benefit Payments, Including Refunds of Employee Contributions	(500,369)	(500,369)	0
Administrative Expense	0	(8,139)	8,139
Other Changes-Change in Allocation	(2,043,030)	(2,080,850)	37,820
Other Changes	0	(38)	38
Net Changes	\$ (1,258,849)	\$ (995,441)	\$ (263,408)
Balance, June 30, 2017	\$ 11,052,836	\$ 11,544,140	\$ (491,304)

Sensitivity of the Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate – The following presents the net pension liability (asset) of the medical center calculated using the discount rate of 7.25 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Net Pension Liability (Asset)	\$ 876,873	\$ (491,304)	\$ (1,629,925)

Pension Expense – For the year ended June 30, 2018, the medical center recognized pension expense of \$34,972.

Deferred Outflows of Resources and Deferred Inflows of Resources – For the year ended June 30, 2018, 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
Difference Between Expected and Actual Experience	\$ 8,004	\$ 244,665
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	197,357	1,879
Contributions Subsequent to the Measurement Date of June 30, 2017 (1)	189,753	0
Total	<u>\$ 395,114</u>	<u>\$ 246,544</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2017,” 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 2016-2017 fiscal year, which relates to pensions for the 2017-2018 fiscal year and are not necessarily based on census data proration.

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

Year Ending June 30	Amount
2019	\$ (101,839)
2020	116,024
2021	68,314
2022	20,800
2023	(28,457)
Thereafter	0

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

Payable to the Pension Plan - At June 30, 2018, the medical center reported a payable of \$6,947 for the outstanding amount of contributions to the pension plan required at the year ended June 30, 2018.

457(b) retirement plan

Effective July 1, 2012, the medical center established a deferred compensation 457(b) retirement plan for the benefit of its employees. Any employee who has been continuously employed by the medical center for three months before their entry date is eligible to participate. Employees elect to contribute a portion of their salary, and the medical center makes contributions to the employees at its discretion.

Contributions to the 457(b) plan by the medical center totaled \$53,399 in 2018.

L. Other Postemployment Benefits

Plan description - Employees of the medical center, who were hired prior to July 1, 2015, are provided with pre-65 retiree health insurance benefits through the closed Local Government OPEB Plan (LGP) administered by the Tennessee Department of Finance and Administration. This plan is considered to be multiple-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB). However, for accounting purposes, this plan will be treated as a single-employer plan. All eligible pre-65 retired employees and disability participants of local governments, who choose coverage, participate in the LGP. This plan is closed to the employees of all participating employers that were hired on or after July 1, 2015. The medical center ceased participation in the plan on December 31, 2017.

Benefits provided - The medical center offers the LGP to provide health insurance coverage to eligible pre-65 retirees and disabled participants of local governments. Insurance coverage is the only postemployment benefit provided to retirees. An insurance committee created in accordance with TCA 8-27-701 establishes and amends the benefit terms of the LGP. All members have the option of choosing between the premier preferred provider organization (PPO), standard PPO, limited PPO or the wellness health savings consumer-driven health plan (CDHP) for healthcare benefits. Retired plan members, of the LGP, receives the same plan benefits as active employees, at a blended premium rate that considers the cost of all participants. This creates an implicit subsidy for retirees. Participating employers determine their own policy related to direct subsidies provided for the retiree premiums. The medical center does not directly subsidize pre-65 retiree insurance and is only subject to the implicit subsidy. The LGP is funded on a pay-as-you-go basis and there are no assets accumulating in a trust that meets the criteria of paragraph 4 of GASB Statement No.75.

Employees covered by benefit terms - At July 1, 2017, the following employees of the medical center were covered by the benefit terms of the LGP:

Inactive Employees or Beneficiaries Currently Receiving Benefits	1
Inactive Employees Entitled to But Not Yet Receiving Benefits	0
Active Employees	154
Total	<u>155</u>

An insurance committee, created in accordance with *TCA 8-27-701*, establishes the required payments to the LGP by member employers and employees through the blended premiums established for active and retired employees. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. For the fiscal year ended June 30, 2018, the medical center paid approximately \$2,500 to the LGP for OPEB benefits as they came due.

Actuarial Assumptions - The total OPEB liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary Increases	Graded salary ranges from 3.44% to 8.72% based on age, including inflation, averaging 4%
Healthcare Cost Trend Rates	7.5% for 2018, decreasing annually over a 33 year period to an ultimate rate of 3.71%
Retirees Share of Benefit Related Cost	Members are required to make monthly contributions in order to maintain their coverage. For the purpose of this valuation a weighted average has been used with weights derived from the current distribution of members among plans offered.

Unless noted otherwise, the actuarial demographic assumptions used in the June 30, 2017, valuations were the same as those employed in the July 1, 2017. Pension Actuarial Valuation of the Tennessee Consolidated Retirement System (TCRS). These assumptions were developed by TCRS based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The demographic assumptions were adjusted to more closely reflect

actual and expected future experience. Mortality tables are used to measure the probabilities of participants dying before and after retirement. The mortality rates employed in this valuation are taken from the RP-2014 Healthy Participant Mortality Table for Annuitants for non-disabled post-retirement mortality, with mortality improvement projected to all future years using Scale MP-2016. Post-retirement tables are Blue Collar and adjusted with a 2% load for males and a -3% load for females. Mortality rates for impaired lives are the same as those used by TCRS and are taken from a gender distinct table published in the IRS Ruling 96-7 for disabled lives with a 10% load.

Discount rate - The discount rate used to measure the total OPEB liability was 3.56%. This rate reflects the interest rate derived from yields on a 20-year, tax-exempt general obligation municipal bonds, prevailing on the measurement date, with an average rating of AA/Aa as shown on the Fidelity 20-Year Municipal GO AA index.

	Total OPEB Liability
Balance July 1, 2016	\$ 251,995
Changes for the Year:	
Service Cost	\$ 24,416
Interest	7,999
Changes in	
Benefit Terms	0
Difference between	
Expected and Actuarial	
Experience	0
Changes in Assumption	
and Other Inputs	(15,436)
Benefit Payments	(4,925)
Net Changes	\$ 12,054
Balance June 30, 2017	\$ 264,049

Change in Assumptions - The discount rate was changed from 2.92% as of the beginning of the measurement period to 3.56% as of June 30, 2017. This change in assumption decreased the total OPEB liability.

Sensitivity of Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability related to the LGP, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate.

	1% Decrease 2.56%	Current Discount Rate 3.56%	1% Increase 4.56%
Total OPEB Liability	\$ 285,535	\$ 264,049	\$ 433

Sensitivity of Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability related to the LGP, as well as what the total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.5% decreasing to 2.71%) or 1-percentage-point higher (8.5% decreasing to 4.71%) than the current healthcare cost trend rate.

Healthcare Cost Trend Rate

	1% Decrease 6.5 to 2.71%	Current Rates 7.5 to 3.71%	1% Increase 8.5 to 4.71%
Total OPEB Liability	\$ 229,055	\$ 264,049	\$ 305,825

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

OPEB Expense - For the fiscal year ended June 30, 2018, the medical center recognized OPEB expense of \$30,737.

Deferred Outflows of Resources and Deferred Inflows of Resources - For the fiscal year ended June 30, 2018, the medical center reported deferred outflows of resources and deferred inflows of resources related to OPEB benefits in the LGP from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 0
Changes of Assumptions/Inputs	0	13,758
Benefits Paid After the Measurement Date	0	0
Total	\$ 0	\$ 13,758

The amounts shown above for “Employer payments subsequent to the measurement date” will be recognized as a reduction to total OPEB liability in the following measurement period. Amounts reported as deferred outflows of

resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30		
2019	\$	(1,678)
2020		(1,678)
2021		(1,678)
2022		(1,678)
2023		(1,678)
Thereafter		(5,368)

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

M. Working Capital

Net working capital at June 30, 2018, was \$12,959,038.

N. Commitments and Contingencies

1. Operating Leases

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

The medical center leases equipment under operating lease agreements. Rental expenses included in operations amounted to \$213,340 in 2018.

The medical center leases space to physicians and others under leases with various terms. Total rental income for all operating leases was \$88,665 for 2018.

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:

	Amount
Cost	\$ 390,933
Accumulated Depreciation	(366,089)
Total	<u>\$ 24,844</u>

2. Professional Liability and Workers' Compensation 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 for each occurrence and \$3,000,000 in the aggregate. The medical center also has excess liability insurance under a claims made policy covering up to \$5,000,000 for each occurrence and in the aggregate. 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 renewed in April 2015, with effective dates through February 28, 2022. The annual fee is \$266,917 for the contract year beginning March 1, 2009, increasing 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 \$336,105 in 2018.

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 3 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 \$552,593 for 2018.

4. Litigation

The medical center is subject to claims and suits, which arise in the ordinary course of business. In the opinion of management, the ultimate resolution of such pending legal proceedings has been adequately provided for in its financial statements, and will not have a material effect on the medical center's results of operations or financial position.

O. Concentrations of Credit Risk

The medical center is located in Rhea County, Tennessee. The medical center grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2018, follows:

	<u>2018</u>
Medicare	12%
Medicaid/TennCare	4
Blue Cross	7
Commercial	14
Private Pay	<u>63</u>
Total	<u><u>100%</u></u>

P. Gain on Lawsuit Settlement

The medical center received \$659,496 during 2018 as settlement of a lawsuit for defects in the construction of the medical center's building.

Q. 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.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2014	2015	2016	2017
Total Pension Liability				
Service Cost	\$ 1,287,326	\$ 1,242,785	\$ 1,228,055	\$ 1,218,267
Interest	3,275,842	3,434,436	3,551,376	3,650,751
Differences Between Actual and Expected Experience	(357,048)	(953,415)	(1,177,044)	47,392
Changes in Assumptions	0	0	0	1,168,623
Benefit Payments, Including Refunds of Employee Contributions	(1,959,159)	(2,134,849)	(2,164,905)	(2,370,296)
Net Change in Total Pension Liability	\$ 2,246,961	\$ 1,588,957	\$ 1,437,482	\$ 3,714,737
Total Pension Liability, Beginning	43,370,159	45,617,120	47,206,077	48,643,559
Total Pension Liability, Ending (a)	\$ 45,617,120	\$ 47,206,077	\$ 48,643,559	\$ 52,358,296
Plan Fiduciary Net Position				
Contributions - Employer	\$ 1,231,490	\$ 1,330,448	\$ 1,316,570	\$ 1,281,937
Contributions - Employee	698,137	741,992	700,280	679,714
Net Investment Income	6,703,016	1,448,764	1,282,579	5,589,055
Benefit Payments, Including Refunds of Employee Contributions	(1,959,159)	(2,134,849)	(2,164,905)	(2,370,296)
Administrative Expense	(18,748)	(24,240)	(35,218)	(38,555)
Other	0	0	4,899	(178)
Net Change in Plan Fiduciary Net Position	\$ 6,654,736	\$ 1,362,115	\$ 1,104,205	\$ 5,141,677
Plan Fiduciary Net Position, Beginning	40,422,921	47,077,657	48,439,772	49,543,977
Plan Fiduciary Net Position, Ending (b)	\$ 47,077,657	\$ 48,439,772	\$ 49,543,977	\$ 54,685,654
Net Pension Liability (Asset), Ending (a - b)	\$ (1,460,537)	\$ (1,233,695)	\$ (900,418)	\$ (2,327,358)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.20%	102.61%	101.85%	104.45%
Covered Payroll	\$ 13,962,694	\$ 14,078,588	\$ 13,930,749	\$ 13,594,248
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(10.46)%	(8.76)%	(6.46)%	(17.12)%

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

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

Exhibit F-2

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

	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$ 1,231,490	\$ 1,330,448	\$ 1,316,570	\$ 1,281,937	\$ 1,009,287
Less Contributions in Relation to the					
Actuarially Determined Contribution	(1,231,490)	(1,330,448)	(1,316,570)	(1,281,937)	(1,009,287)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 13,962,694	\$ 14,078,588	\$ 13,930,749	\$ 13,594,248	\$ 14,076,190
Contributions as a Percentage of Covered Payroll	8.82%	9.45%	9.45%	9.43%	7.17%

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

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

Exhibit F-3

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

	2015	2016	2017	2018
Contractually Required Contribution	\$ 8,194	\$ 37,966	\$ 53,613	\$ 86,693
Less Contributions in Relation to the Contractually Required Contribution	(8,194)	(37,966)	(53,613)	(86,693)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 204,857	\$ 949,132	\$ 1,437,559	\$ 2,167,317
Contributions as a Percentage of Covered Payroll	4.00%	4.00%	3.73%	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

	2014	2015	2016	2017	2018
Contractually Required Contribution	\$ 1,384,566	\$ 1,364,710	\$ 1,336,279	\$ 1,328,445	\$ 1,301,001
Less Contributions in Relation to the					
Contractually Required Contribution	(1,384,566)	(1,364,710)	(1,336,279)	(1,328,445)	(1,301,001)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 15,591,954	\$ 15,096,354	\$ 14,781,845	\$ 14,597,937	\$ 14,342,440
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%	9.10%	9.07%

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

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

	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.096563%	0.215712%	0.204211%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (3,967)	\$ (22,456)	\$ (53,878)
Covered Payroll	\$ 204,857	\$ 949,132	\$ 1,437,559
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94)%	(2.37)%	(3.75)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%	121.88%	126.81%

* 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 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 *

	2015	2016	2017	2018
School Department's Proportion of the Net Pension Liability/Asset	0.397248%	0.403268%	0.409492%	0.415711%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (66,154)	\$ 165,192	\$ 2,559,100	\$ (136,016)
Covered Payroll	\$ 15,591,954	\$ 15,096,354	\$ 14,781,845	\$ 14,597,937
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(0.41)%	1.09%	17.31%	(0.93)%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%	97.14%	100.14%

* 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-7

Rhea County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Primary Government
For the Fiscal Year Ended June 30 *

	<u>2017</u>
Total OPEB Liability	
Service Cost	\$ 31,169
Interest	12,344
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(18,635)
Benefit Payments	<u>(7,531)</u>
Net Change in Total OPEB Liability	\$ 17,347
Total OPEB Liability, Beginning	<u>395,332</u>
Total OPEB Liability, Ending	<u><u>\$ 412,679</u></u>
 Covered Employee Payroll	 \$ 14,076,190
Net OPEB Liability as a Percentage of Covered Employee Payroll	2.93%

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2016	2.92%
2017	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Rhea County, Tennessee
Schedule of Changes in the Total OPEB Liability and Related Ratios - Local Education Plans
Discretely Presented Rhea County School Department
June 30, 2018

Local Education Plan

	2017
Total OPEB Liability	
Service Cost	\$ 274,107
Interest	118,888
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(196,302)
Benefit Payments	(126,692)
Net Change in Total OPEB Liability	\$ 70,001
Total OPEB Liability, Beginning	3,860,746
Total OPEB Liability, Ending	<u>\$ 3,930,747</u>
Nonemployer Contributing Entity Proportionate Share of the Total OPEB Liability	\$ 1,345,919
Employer Proportionate Share of the Total OPEB Liability	\$ 2,584,828
Covered Employee Payroll	\$ 16,509,757
Total OPEB Liability as a Percentage of Covered Employee Payroll	23.81%

State Administered Medicare Plan

	2017
Total OPEB Liability	
Service Cost	\$ 24,842
Interest	29,217
Changes in Benefit Terms	0
Differences Between Actual and Expected Experience	0
Changes in Assumptions or Other Inputs	(82,891)
Benefit Payments	(36,450)
Net Change in Total OPEB Liability	\$ (65,282)
Total OPEB Liability, Beginning	993,978
Total OPEB Liability, Ending	<u>\$ 928,696</u>
Covered Employee Payroll	\$ N/A
Total OPEB Liability as a Percentage of Covered Employee Payroll	N/A

Notes:

Note 1: Ten years of data will be presented when available.

Note 2: Changes in assumptions. Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2016	2.92%
2017	3.56%

Note 3: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

RHEA COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2018

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the June 30, 2016, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Varies by Year
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
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%

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Solid Waste/Sanitation Fund – The Solid Waste/Sanitation 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.

Other Special Revenue Fund – The Other Special Revenue Fund is used to account for fees generated by approved activities to be used for funding special projects benefiting the citizens of the county.

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

Capital Projects Fund

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

Other Capital Projects Fund – The Other Capital Projects Fund is used to account for the construction of a new Justice Center.

Exhibit G-1

Rhea County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

Special Revenue Funds					
	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 0	\$ 38,787	\$ 38,787
Equity in Pooled Cash and Investments	498,841	112,631	56,958	0	668,430
Accounts Receivable	50,603	0	0	0	50,603
Due from Other Governments	19,592	0	0	0	19,592
Due from Other Funds	10,543	0	468	0	11,011
Total Assets	<u>\$ 579,579</u>	<u>\$ 112,631</u>	<u>\$ 57,426</u>	<u>\$ 38,787</u>	<u>\$ 788,423</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 789	\$ 0	\$ 8,702	\$ 0	\$ 9,491
Payroll Deductions Payable	108	0	0	0	108
Due to Other Funds	468	0	0	2,450	2,918
Due to Litigants, Heirs, and Others	0	40,800	0	0	40,800
Total Liabilities	<u>\$ 1,365</u>	<u>\$ 40,800</u>	<u>\$ 8,702</u>	<u>\$ 2,450</u>	<u>\$ 53,317</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Administration of Justice	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Restricted for Public Health and Welfare	578,214	0	0	0	578,214
Committed:					
Committed for Public Health and Welfare	0	0	48,724	0	48,724
Assigned:					
Assigned for Finance	0	0	0	36,337	36,337

(Continued)

Exhibit G-1

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

	Special Revenue Funds				
	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total
<u>FUND BALANCES (Cont.)</u>					
Assigned (Cont.):					
Assigned for Public Safety	\$ 0	\$ 71,831	\$ 0	\$ 0	\$ 71,831
Total Fund Balances	\$ 578,214	\$ 71,831	\$ 48,724	\$ 36,337	\$ 735,106
Total Liabilities and Fund Balances	\$ 579,579	\$ 112,631	\$ 57,426	\$ 38,787	\$ 788,423

(Continued)

Exhibit G-1

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

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Other Capital Projects -	
<u>ASSETS</u>		
Cash	\$ 0	\$ 38,787
Equity in Pooled Cash and Investments	1,753,036	2,421,466
Accounts Receivable	0	50,603
Due from Other Governments	38,650	58,242
Due from Other Funds	0	11,011
Total Assets	<u>\$ 1,791,686</u>	<u>\$ 2,580,109</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 97,365	\$ 106,856
Payroll Deductions Payable	0	108
Due to Other Funds	0	2,918
Due to Litigants, Heirs, and Others	0	40,800
Total Liabilities	<u>\$ 97,365</u>	<u>\$ 150,682</u>
<u>FUND BALANCES</u>		
Restricted:		
Restricted for Administration of Justice	\$ 1,694,321	\$ 1,694,321
Restricted for Public Health and Welfare	0	578,214
Committed:		
Committed for Public Health and Welfare	0	48,724
Assigned:		
Assigned for Finance	0	36,337

(Continued)

Exhibit G-1

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

FUND BALANCES (Cont.)

Assigned (Cont.):

Assigned for Public Safety
Total Fund Balances

Total Liabilities and Fund Balances

Capital Projects Fund	Total Nonmajor Governmental Funds
Other Capital Projects -	

\$	0	\$	71,831
\$	1,694,321	\$	2,429,427
\$	1,791,686	\$	2,580,109

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, 2018

	Special Revenue Funds				
	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Total
<u>Revenues</u>					
Local Taxes	\$ 419,586	\$ 0	\$ 0	\$ 0	\$ 419,586
Fines, Forfeitures, and Penalties	0	36,551	0	0	36,551
Charges for Current Services	219,228	0	83,130	185,227	487,585
Other Local Revenues	65,300	193	44	0	65,537
State of Tennessee	33,921	0	0	0	33,921
Other Governments and Citizens Groups	5,057	0	0	0	5,057
Total Revenues	\$ 743,092	\$ 36,744	\$ 83,174	\$ 185,227	\$ 1,048,237
<u>Expenditures</u>					
Current:					
General Government	\$ 73,996	\$ 0	\$ 33,873	\$ 0	\$ 107,869
Finance	0	0	0	182,931	182,931
Public Safety	0	39,881	0	0	39,881
Public Health and Welfare	569,565	0	0	0	569,565
Other Operations	12,229	0	577	0	12,806
Capital Projects	0	0	0	0	0
Total Expenditures	\$ 655,790	\$ 39,881	\$ 34,450	\$ 182,931	\$ 913,052
Excess (Deficiency) of Revenues Over Expenditures	\$ 87,302	\$ (3,137)	\$ 48,724	\$ 2,296	\$ 135,185
<u>Other Financing Sources (Uses)</u>					
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Change in Fund Balances	\$ 87,302	\$ (3,137)	\$ 48,724	\$ 2,296	\$ 135,185
Fund Balance, July 1, 2017	490,912	74,968	0	34,041	599,921
Fund Balance, June 30, 2018	\$ 578,214	\$ 71,831	\$ 48,724	\$ 36,337	\$ 735,106

(Continued)

Exhibit G-2

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

	Capital Projects Fund Other Capital Projects -	Total Nonmajor Governmental Funds
<u>Revenues</u>		
Local Taxes	\$ 70,764	\$ 490,350
Fines, Forfeitures, and Penalties	71,301	107,852
Charges for Current Services	0	487,585
Other Local Revenues	0	65,537
State of Tennessee	201,331	235,252
Other Governments and Citizens Groups	0	5,057
Total Revenues	<u>\$ 343,396</u>	<u>\$ 1,391,633</u>
<u>Expenditures</u>		
Current:		
General Government	\$ 0	\$ 107,869
Finance	0	182,931
Public Safety	0	39,881
Public Health and Welfare	0	569,565
Other Operations	0	12,806
Capital Projects	222,500	222,500
Total Expenditures	<u>\$ 222,500</u>	<u>\$ 1,135,552</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 120,896</u>	<u>\$ 256,081</u>
<u>Other Financing Sources (Uses)</u>		
Transfers In	\$ 300,000	\$ 300,000
Total Other Financing Sources (Uses)	<u>\$ 300,000</u>	<u>\$ 300,000</u>
Net Change in Fund Balances	\$ 420,896	\$ 556,081
Fund Balance, July 1, 2017	1,273,425	1,873,346
Fund Balance, June 30, 2018	<u><u>\$ 1,694,321</u></u>	<u><u>\$ 2,429,427</u></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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 419,586	\$ 398,750	\$ 398,750	\$ 20,836
Charges for Current Services	219,228	172,600	215,913	3,315
Other Local Revenues	65,300	57,300	57,300	8,000
State of Tennessee	33,921	40,000	50,000	(16,079)
Other Governments and Citizens Groups	5,057	3,950	3,950	1,107
Total Revenues	<u>\$ 743,092</u>	<u>\$ 672,600</u>	<u>\$ 725,913</u>	<u>\$ 17,179</u>
<u>Expenditures</u>				
<u>General Government</u>				
Other Facilities	\$ 73,996	\$ 66,300	\$ 118,700	\$ 44,704
<u>Public Health and Welfare</u>				
Waste Pickup	569,565	604,223	622,831	53,266
<u>Other Operations</u>				
Other Charges	5,474	7,001	7,001	1,527
Employee Benefits	6,755	7,445	7,445	690
Total Expenditures	<u>\$ 655,790</u>	<u>\$ 684,969</u>	<u>\$ 755,977</u>	<u>\$ 100,187</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 87,302</u>	<u>\$ (12,369)</u>	<u>\$ (30,064)</u>	<u>\$ 117,366</u>
Net Change in Fund Balance	\$ 87,302	\$ (12,369)	\$ (30,064)	\$ 117,366
Fund Balance, July 1, 2017	<u>490,912</u>	<u>424,768</u>	<u>424,768</u>	<u>66,144</u>
Fund Balance, June 30, 2018	<u><u>\$ 578,214</u></u>	<u><u>\$ 412,399</u></u>	<u><u>\$ 394,704</u></u>	<u><u>\$ 183,510</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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 36,551	\$ 39,850	\$ 39,850	\$ (3,299)
Other Local Revenues	193	950	950	(757)
Other Governments and Citizens Groups	0	1,650	1,650	(1,650)
Total Revenues	<u>\$ 36,744</u>	<u>\$ 42,450</u>	<u>\$ 42,450</u>	<u>\$ (5,706)</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 39,881	\$ 31,550	\$ 46,340	\$ 6,459
Total Expenditures	<u>\$ 39,881</u>	<u>\$ 31,550</u>	<u>\$ 46,340</u>	<u>\$ 6,459</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (3,137)</u>	<u>\$ 10,900</u>	<u>\$ (3,890)</u>	<u>\$ 753</u>
Net Change in Fund Balance	\$ (3,137)	\$ 10,900	\$ (3,890)	\$ 753
Fund Balance, July 1, 2017	<u>74,968</u>	<u>74,968</u>	<u>74,968</u>	<u>0</u>
Fund Balance, June 30, 2018	<u>\$ 71,831</u>	<u>\$ 85,868</u>	<u>\$ 71,078</u>	<u>\$ 753</u>

Exhibit G-5

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Other Special Revenue Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 83,130	\$ 0	\$ 22,303	\$ 60,827
Other Local Revenues	44	0	0	44
Total Revenues	<u>\$ 83,174</u>	<u>\$ 0</u>	<u>\$ 22,303</u>	<u>\$ 60,871</u>
<u>Expenditures</u>				
<u>General Government</u>				
County Mayor/Executive	\$ 33,873	\$ 0	\$ 22,303	\$ (11,570)
<u>Other Operations</u>				
Other Charges	577	0	0	(577)
Total Expenditures	<u>\$ 34,450</u>	<u>\$ 0</u>	<u>\$ 22,303</u>	<u>\$ (12,147)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 48,724</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 48,724</u>
Net Change in Fund Balance	\$ 48,724	\$ 0	\$ 0	\$ 48,724
Fund Balance, July 1, 2017	0	0	0	0
Fund Balance, June 30, 2018	<u><u>\$ 48,724</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 48,724</u></u>

Major Governmental Fund

Debt Service Fund

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

Exhibit H

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,259,894	\$ 2,021,354	\$ 2,021,354	\$ 238,540
Other Local Revenues	112,285	0	0	112,285
Other Governments and Citizens Groups	1,157,680	1,157,680	1,157,680	0
Total Revenues	\$ 3,529,859	\$ 3,179,034	\$ 3,179,034	\$ 350,825
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 52,000	\$ 52,000	\$ 52,000	\$ 0
Highways and Streets	211,000	211,000	211,000	0
Education	1,604,744	1,604,744	1,604,744	0
<u>Interest on Debt</u>				
General Government	6,974	21,960	21,960	14,986
Highways and Streets	31,471	31,471	31,471	0
Education	1,346,057	1,346,059	1,346,059	2
<u>Other Debt Service</u>				
General Government	47,854	60,900	60,900	13,046
Education	175	600	600	425
Total Expenditures	\$ 3,300,275	\$ 3,328,734	\$ 3,328,734	\$ 28,459
Excess (Deficiency) of Revenues Over Expenditures	\$ 229,584	\$ (149,700)	\$ (149,700)	\$ 379,284
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 242,471	\$ 242,471	\$ 242,471	\$ 0
Total Other Financing Sources	\$ 242,471	\$ 242,471	\$ 242,471	\$ 0
Net Change in Fund Balance	\$ 472,055	\$ 92,771	\$ 92,771	\$ 379,284
Fund Balance, July 1, 2017	1,807,905	1,735,791	1,735,791	72,114
Fund Balance, June 30, 2018	\$ 2,279,960	\$ 1,828,562	\$ 1,828,562	\$ 451,398

Fiduciary Funds

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

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

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

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register 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, 2018

	Agency Funds				
	Cities - Sales Tax	City School ADA -	Constitu - tional Officers - Agency	District Attorney General	Total
<u>ASSETS</u>					
Cash	\$ 0	\$ 0	\$ 1,249,000	\$ 0	\$ 1,249,000
Equity in Pooled Cash and Investments	0	63,113	0	43,061	106,174
Due from Other Governments	331,753	63,754	0	919	396,426
Property Taxes Receivable	0	471,219	0	0	471,219
Allowance for Uncollectible Property Taxes	0	(36,217)	0	0	(36,217)
Total Assets	<u>\$ 331,753</u>	<u>\$ 561,869</u>	<u>\$ 1,249,000</u>	<u>\$ 43,980</u>	<u>\$ 2,186,602</u>
<u>LIABILITIES</u>					
Due to Other Taxing Units	\$ 331,753	\$ 561,869	\$ 0	\$ 0	\$ 893,622
Due to Litigants, Heirs, and Others	0	0	1,249,000	43,980	1,292,980
Total Liabilities	<u>\$ 331,753</u>	<u>\$ 561,869</u>	<u>\$ 1,249,000</u>	<u>\$ 43,980</u>	<u>\$ 2,186,602</u>

Exhibit I-2

Rhea County, TennesseeCombining Statement of Changes in Assets and Liabilities - All Agency FundsFor the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 3,700,710	\$ 3,700,710	\$ 0
Due from Other Governments	632,925	331,753	632,925	331,753
Total Assets	\$ 632,925	\$ 4,032,463	\$ 4,333,635	\$ 331,753
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 632,925	\$ 4,032,463	\$ 4,333,635	\$ 331,753
Total Liabilities	\$ 632,925	\$ 4,032,463	\$ 4,333,635	\$ 331,753
<u>City School ADA - Dayton City Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 65,129	\$ 1,164,089	\$ 1,166,105	\$ 63,113
Due from Other Governments	119,341	63,754	119,341	63,754
Taxes Receivable	467,575	471,219	467,575	471,219
Allowance for Uncollectible Taxes	(28,430)	(36,217)	(28,430)	(36,217)
Total Assets	\$ 623,615	\$ 1,662,845	\$ 1,724,591	\$ 561,869
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 623,615	\$ 1,662,845	\$ 1,724,591	\$ 561,869
Total Liabilities	\$ 623,615	\$ 1,662,845	\$ 1,724,591	\$ 561,869
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 1,720,520	\$ 7,064,099	\$ 7,535,619	\$ 1,249,000
Total Assets	\$ 1,720,520	\$ 7,064,099	\$ 7,535,619	\$ 1,249,000
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 1,720,520	\$ 7,064,099	\$ 7,535,619	\$ 1,249,000
Total Liabilities	\$ 1,720,520	\$ 7,064,099	\$ 7,535,619	\$ 1,249,000

(Continued)

Exhibit I-2

Rhea County, TennesseeCombining 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	\$ 38,741	\$ 19,857	\$ 15,537	\$ 43,061
Due from Other Governments	2,432	919	2,432	919
Total Assets	\$ 41,173	\$ 20,776	\$ 17,969	\$ 43,980
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 41,173	\$ 20,776	\$ 17,969	\$ 43,980
Total Liabilities	\$ 41,173	\$ 20,776	\$ 17,969	\$ 43,980
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 1,720,520	\$ 7,064,099	\$ 7,535,619	\$ 1,249,000
Equity in Pooled Cash and Investments	103,870	4,884,656	4,882,352	106,174
Due from Other Governments	754,698	396,426	754,698	396,426
Taxes Receivable	467,575	471,219	467,575	471,219
Allowance for Uncollectible Taxes	(28,430)	(36,217)	(28,430)	(36,217)
Total Assets	\$ 3,018,233	\$ 12,780,183	\$ 13,611,814	\$ 2,186,602
<u>Totals - All Agency Funds</u>				
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 1,256,540	\$ 5,695,308	\$ 6,058,226	\$ 893,622
Due to Litigants, Heirs, and Others	1,761,693	7,084,875	7,553,588	1,292,980
Total Liabilities	\$ 3,018,233	\$ 12,780,183	\$ 13,611,814	\$ 2,186,602

Rhea County School Department

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

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

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

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

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

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

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

Exhibit J-1

Rhea County, Tennessee
Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 21,776,076	\$ 0	\$ 3,269,395	\$ (18,506,681)
Support Services	13,475,983	47,194	0	(13,428,789)
Operation of Non-instructional Services	3,092,983	195,821	2,560,618	(336,544)
Total Governmental Activities	<u>\$ 38,345,042</u>	<u>\$ 243,015</u>	<u>\$ 5,830,013</u>	<u>\$ (32,272,014)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 4,910,058
Local Option Sales Taxes				3,551,943
Mixed Drink Tax				10,716
Grants and Contributions Not Restricted to Specific Programs				25,129,081
Unrestricted Investment Earnings				3,249
Miscellaneous				47,800
Total General Revenues				<u>\$ 33,652,847</u>
Insurance Recovery				<u>\$ 112,616</u>
Change in Net Position				1,493,449
Net Position, July 1, 2017				67,114,119
Prior-period Adjustment - See Note I.D.9.				(1,985,000)
Restatement - See Note I.D.10.				<u>(2,457,969)</u>
Net Position, June 30, 2018				<u>\$ 64,164,599</u>

Exhibit J-2

Rhea County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2018

	Major Funds		Nonmajor Funds	
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>				
Equity in Pooled Cash and Investments	\$ 2,992,078	\$ 1,350,595	\$ 2,042,450	\$ 6,385,123
Inventories	0	0	72,724	72,724
Accounts Receivable	7,640	17	0	7,657
Due from Other Governments	946,095	0	91,625	1,037,720
Property Taxes Receivable	2,485,466	2,482,579	0	4,968,045
Allowance for Uncollectible Property Taxes	(191,004)	(190,786)	0	(381,790)
Total Assets	<u>\$ 6,240,275</u>	<u>\$ 3,642,405</u>	<u>\$ 2,206,799</u>	<u>\$ 12,089,479</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 1,424	\$ 0	\$ 412	\$ 1,836
Payroll Deductions Payable	67,290	113	8,792	76,195
Due to State of Tennessee	0	0	256	256
Total Liabilities	<u>\$ 68,714</u>	<u>\$ 113</u>	<u>\$ 9,460</u>	<u>\$ 78,287</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,138,994	\$ 2,136,576	\$ 0	\$ 4,275,570
Deferred Delinquent Property Taxes	148,985	148,745	0	297,730
Total Deferred Inflows of Resources	<u>\$ 2,287,979</u>	<u>\$ 2,285,321</u>	<u>\$ 0</u>	<u>\$ 4,573,300</u>
<u>FUND BALANCES</u>				
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 72,724	\$ 72,724

(Continued)

Exhibit J-2

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

	Major Funds		Nonmajor Funds	
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	Total Governmental Funds
<u>FUND BALANCES (Cont.)</u>				
Restricted:				
Restricted for Education	\$ 77,903	\$ 1,356,971	\$ 1,824,615	\$ 3,259,489
Committed:				
Committed for Education	0	0	300,000	300,000
Assigned:				
Assigned for Education	114,428	0	0	114,428
Unassigned	3,691,251	0	0	3,691,251
Total Fund Balances	<u>\$ 3,883,582</u>	<u>\$ 1,356,971</u>	<u>\$ 2,197,339</u>	<u>\$ 7,437,892</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,240,275</u>	<u>\$ 3,642,405</u>	<u>\$ 2,206,799</u>	<u>\$ 12,089,479</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, 2018

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)		\$ 7,437,892
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in in the governmental funds.		
Add: land	\$ 939,515	
Add: construction in progress	293,117	
Add: buildings and improvements net of accumulated depreciation	57,926,845	
Add: other capital assets net of accumulated depreciation	<u>2,147,491</u>	61,306,968
(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	\$ (3,247,656)	
Less: compensated absences payable	(363,576)	
Less: other postemployment benefits liability	<u>(2,584,828)</u>	(6,196,060)
(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	\$ 3,551,674	
Less: deferred inflows of resources related to pensions	(3,234,414)	
Add: deferred outflows of resources related to OPEB	97,764	
Less: deferred inflows of resources related to OPEB	<u>(116,554)</u>	298,470
(4) Net pension assets are not current financial resources and therefore are not reported in the governmental funds.		
Add: net pension assets - agent plan	\$ 829,705	
Add: net pension assets - teacher retirement plan	53,878	
Add: net pension assets - teacher legacy plan	<u>136,016</u>	1,019,599
(5) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.		<u>297,730</u>
Net position of governmental activities (Exhibit A)		<u>\$ 64,164,599</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, 2018

	Major Funds		Nonmajor Funds	
	General Purpose School	School Transpor - tation	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 5,481,323	\$ 2,401,738	\$ 816,850	\$ 8,699,911
Licenses and Permits	1,909	0	0	1,909
Charges for Current Services	0	0	195,821	195,821
Other Local Revenues	74,403	47,362	4,616	126,381
State of Tennessee	25,447,542	0	23,401	25,470,943
Federal Government	133,388	0	5,302,963	5,436,351
Total Revenues	<u>\$ 31,138,565</u>	<u>\$ 2,449,100</u>	<u>\$ 6,343,651</u>	<u>\$ 39,931,316</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 19,636,432	\$ 0	\$ 2,054,584	\$ 21,691,016
Support Services	10,596,382	2,120,519	713,769	13,430,670
Operation of Non-Instructional Services	414,216	0	2,740,043	3,154,259
Debt Service:				
Other Debt Service	537,680	0	620,000	1,157,680
Capital Projects	0	0	98,978	98,978
Total Expenditures	<u>\$ 31,184,710</u>	<u>\$ 2,120,519</u>	<u>\$ 6,227,374</u>	<u>\$ 39,532,603</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (46,145)</u>	<u>\$ 328,581</u>	<u>\$ 116,277</u>	<u>\$ 398,713</u>
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 96,233	\$ 16,383	\$ 0	\$ 112,616
Total Other Financing Sources (Uses)	<u>\$ 96,233</u>	<u>\$ 16,383</u>	<u>\$ 0</u>	<u>\$ 112,616</u>
Net Change in Fund Balances	\$ 50,088	\$ 344,964	\$ 116,277	\$ 511,329
Fund Balance, July 1, 2017	3,833,494	1,012,007	2,081,062	6,926,563
Fund Balance, June 30, 2018	<u><u>\$ 3,883,582</u></u>	<u><u>\$ 1,356,971</u></u>	<u><u>\$ 2,197,339</u></u>	<u><u>\$ 7,437,892</u></u>

Exhibit J-5

Rhea County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
Discretely Presented Rhea County School Department
For the Year Ended June 30, 2018

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)		\$	511,329
(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	\$	412,374	
Less: current-year depreciation expense		<u>(1,336,261)</u>	(923,887)
(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			(13,138)
(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, 2018	\$	297,730	
Less: deferred delinquent property taxes and other deferred June 30, 2017		<u>(490,033)</u>	(192,303)
(4) The contributions of long-term debt (e.g., notes, bonds, leases) by the primary government provide current financial resources to governmental funds, while the contributions by the School Department of the principal of long-term debt consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal contributions on debt to primary government			449,744
(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	\$	35,979	
Change in OPEB liability		(46,032)	
Change in deferred outflows related to OPEB		97,764	
Change in deferred inflows related to OPEB		(116,554)	
Change in net pension asset - teacher legacy plan		2,695,116	
Change in net pension asset - agent plan		536,977	
Change in net pension asset - teacher retirement plan		31,422	
Change in deferred outflows related to pensions		(1,981,235)	
Change in deferred inflows related to pensions		<u>408,267</u>	<u>1,661,704</u>
Change in net position of governmental activities (Exhibit B)		\$	<u><u>1,493,449</u></u>

Exhibit J-6

Rhea County, Tennessee
Combining Balance Sheet - Nonmajor Governmental Funds
Discretely Presented Rhea County School Department
June 30, 2018

	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	\$ 290,556	\$ 1,087,153	\$ 1,377,709	\$ 664,741	\$ 2,042,450
Inventories	0	72,724	72,724	0	72,724
Due from Other Governments	18,063	0	18,063	73,562	91,625
Total Assets	<u>\$ 308,619</u>	<u>\$ 1,159,877</u>	<u>\$ 1,468,496</u>	<u>\$ 738,303</u>	<u>\$ 2,206,799</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 412	\$ 0	\$ 412	\$ 0	\$ 412
Payroll Deductions Payable	6,837	1,955	8,792	0	8,792
Due to State of Tennessee	256	0	256	0	256
Total Liabilities	<u>\$ 7,505</u>	<u>\$ 1,955</u>	<u>\$ 9,460</u>	<u>\$ 0</u>	<u>\$ 9,460</u>
<u>FUND BALANCES</u>					
Nonspendable:					
Inventory	\$ 0	\$ 72,724	\$ 72,724	\$ 0	\$ 72,724
Restricted:					
Restricted for Education	1,114	1,085,198	1,086,312	738,303	1,824,615
Committed:					
Committed for Education	300,000	0	300,000	0	300,000
Total Fund Balances	<u>\$ 301,114</u>	<u>\$ 1,157,922</u>	<u>\$ 1,459,036</u>	<u>\$ 738,303</u>	<u>\$ 2,197,339</u>
Total Liabilities and Fund Balances	<u>\$ 308,619</u>	<u>\$ 1,159,877</u>	<u>\$ 1,468,496</u>	<u>\$ 738,303</u>	<u>\$ 2,206,799</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, 2018

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	School Federal Projects	Central Cafeteria	Total	Capital Projects	
<u>Revenues</u>					
Local Taxes	\$ 0	\$ 0	\$ 0	\$ 816,850	\$ 816,850
Charges for Current Services	0	195,821	195,821	0	195,821
Other Local Revenues	0	4,616	4,616	0	4,616
State of Tennessee	0	23,401	23,401	0	23,401
Federal Government	2,765,746	2,537,217	5,302,963	0	5,302,963
Total Revenues	<u>\$ 2,765,746</u>	<u>\$ 2,761,055</u>	<u>\$ 5,526,801</u>	<u>\$ 816,850</u>	<u>\$ 6,343,651</u>
<u>Expenditures</u>					
Current:					
Instruction	\$ 2,054,584	\$ 0	\$ 2,054,584	\$ 0	\$ 2,054,584
Support Services	713,769	0	713,769	0	713,769
Operation of Non-Instructional Services	0	2,740,043	2,740,043	0	2,740,043
Debt Service:					
Other Debt Service	0	0	0	620,000	620,000
Capital Projects	0	0	0	98,978	98,978
Total Expenditures	<u>\$ 2,768,353</u>	<u>\$ 2,740,043</u>	<u>\$ 5,508,396</u>	<u>\$ 718,978</u>	<u>\$ 6,227,374</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (2,607)</u>	<u>\$ 21,012</u>	<u>\$ 18,405</u>	<u>\$ 97,872</u>	<u>\$ 116,277</u>
Net Change in Fund Balances	<u>\$ (2,607)</u>	<u>\$ 21,012</u>	<u>\$ 18,405</u>	<u>\$ 97,872</u>	<u>\$ 116,277</u>
Fund Balance, July 1, 2017	<u>303,721</u>	<u>1,136,910</u>	<u>1,440,631</u>	<u>640,431</u>	<u>2,081,062</u>
Fund Balance, June 30, 2018	<u>\$ 301,114</u>	<u>\$ 1,157,922</u>	<u>\$ 1,459,036</u>	<u>\$ 738,303</u>	<u>\$ 2,197,339</u>

Exhibit J-8

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Rhea County School Department
General Purpose School Fund
For the Year Ended June 30, 2018

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Revenues</u>						
Local Taxes	\$ 5,481,323	\$ 0	\$ 5,481,323	\$ 5,260,940	\$ 5,260,940	\$ 220,383
Licenses and Permits	1,909	0	1,909	1,970	1,970	(61)
Other Local Revenues	74,403	0	74,403	37,705	45,868	28,535
State of Tennessee	25,447,542	0	25,447,542	24,525,470	25,460,275	(12,733)
Federal Government	133,388	0	133,388	62,399	127,501	5,887
Total Revenues	\$ 31,138,565	\$ 0	\$ 31,138,565	\$ 29,888,484	\$ 30,896,554	\$ 242,011
<u>Expenditures</u>						
<u>Instruction</u>						
Regular Instruction Program	\$ 16,335,657	\$ 0	\$ 16,335,657	\$ 16,491,828	\$ 16,581,050	\$ 245,393
Special Education Program	2,417,824	0	2,417,824	2,557,562	2,485,288	67,464
Career and Technical Education Program	882,951	0	882,951	784,840	885,967	3,016
<u>Support Services</u>						
Health Services	404,982	0	404,982	317,384	408,381	3,399
Other Student Support	1,204,436	0	1,204,436	1,205,351	1,262,026	57,590
Regular Instruction Program	501,970	0	501,970	481,487	525,184	23,214
Special Education Program	444,886	0	444,886	403,537	464,599	19,713
Technology	834,589	0	834,589	843,978	851,051	16,462
Other Programs	372,445	0	372,445	293,730	393,901	21,456
Board of Education	458,872	0	458,872	540,945	504,755	45,883
Director of Schools	645,034	0	645,034	697,977	694,444	49,410
Office of the Principal	2,062,859	0	2,062,859	2,014,653	2,066,104	3,245
Operation of Plant	2,716,984	0	2,716,984	2,704,341	2,783,117	66,133
Maintenance of Plant	936,315	(9,018)	927,297	752,109	969,180	41,883
Transportation	13,010	0	13,010	31,447	21,092	8,082

(Continued)

Exhibit J-8

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

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2017	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
				Original	Final	
<u>Expenditures (Cont.)</u>						
<u>Operation of Non-Instructional Services</u>						
Early Childhood Education	\$ 414,216	\$ 0	\$ 414,216	\$ 4,669	\$ 417,004	\$ 2,788
<u>Other Debt Service</u>						
Education	537,680	0	537,680	537,680	537,680	0
Total Expenditures	\$ 31,184,710	\$ (9,018)	\$ 31,175,692	\$ 30,663,518	\$ 31,850,823	\$ 675,131
Excess (Deficiency) of Revenues Over Expenditures	\$ (46,145)	\$ 9,018	\$ (37,127)	\$ (775,034)	\$ (954,269)	\$ 917,142
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 96,233	\$ 0	\$ 96,233	\$ 0	\$ 77,304	\$ 18,929
Total Other Financing Sources	\$ 96,233	\$ 0	\$ 96,233	\$ 0	\$ 77,304	\$ 18,929
Net Change in Fund Balance	\$ 50,088	\$ 9,018	\$ 59,106	\$ (775,034)	\$ (876,965)	\$ 936,071
Fund Balance, July 1, 2017	3,833,494	(9,018)	3,824,476	3,809,123	3,809,123	15,353
Fund Balance, June 30, 2018	\$ 3,883,582	\$ 0	\$ 3,883,582	\$ 3,034,089	\$ 2,932,158	\$ 951,424

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Federal Government	\$ 2,765,746	\$ 107,928	\$ 3,207,988	\$ (442,242)
Total Revenues	\$ 2,765,746	\$ 107,928	\$ 3,207,988	\$ (442,242)
<u>Expenditures</u>				
<u>Instruction</u>				
Regular Instruction Program	\$ 1,249,862	\$ 0	\$ 1,266,695	\$ 16,833
Special Education Program	716,336	14,731	779,530	63,194
Career and Technical Education Program	88,386	72,783	88,387	1
<u>Support Services</u>				
Other Student Support	78,253	16,914	316,018	237,765
Regular Instruction Program	487,055	0	570,387	83,332
Special Education Program	129,170	0	162,866	33,696
Career and Technical Education Program	663	3,500	663	0
Transportation	18,628	0	23,440	4,812
Total Expenditures	\$ 2,768,353	\$ 107,928	\$ 3,207,986	\$ 439,633
Excess (Deficiency) of Revenues Over Expenditures	\$ (2,607)	\$ 0	\$ 2	\$ (2,609)
Net Change in Fund Balance	\$ (2,607)	\$ 0	\$ 2	\$ (2,609)
Fund Balance, July 1, 2017	303,721	279,687	279,687	24,034
Fund Balance, June 30, 2018	\$ 301,114	\$ 279,687	\$ 279,689	\$ 21,425

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, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Charges for Current Services	\$ 195,821	\$ 231,242	\$ 231,242	\$ (35,421)
Other Local Revenues	4,616	1,600	1,600	3,016
State of Tennessee	23,401	24,000	24,000	(599)
Federal Government	2,537,217	2,626,400	2,626,400	(89,183)
Total Revenues	<u>\$ 2,761,055</u>	<u>\$ 2,883,242</u>	<u>\$ 2,883,242</u>	<u>\$ (122,187)</u>
<u>Expenditures</u>				
<u>Operation of Non-Instructional Services</u>				
Food Service	\$ 2,740,043	\$ 2,926,280	\$ 3,016,280	\$ 276,237
Total Expenditures	<u>\$ 2,740,043</u>	<u>\$ 2,926,280</u>	<u>\$ 3,016,280</u>	<u>\$ 276,237</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 21,012</u>	<u>\$ (43,038)</u>	<u>\$ (133,038)</u>	<u>\$ 154,050</u>
Net Change in Fund Balance	\$ 21,012	\$ (43,038)	\$ (133,038)	\$ 154,050
Fund Balance, July 1, 2017	1,136,910	1,140,518	1,140,518	(3,608)
Fund Balance, June 30, 2018	<u><u>\$ 1,157,922</u></u>	<u><u>\$ 1,097,480</u></u>	<u><u>\$ 1,007,480</u></u>	<u><u>\$ 150,442</u></u>

Exhibit J-11

Rhea County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Discretely Presented Rhea County School Department
School Transportation Fund
For the Year Ended June 30, 2018

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 2,401,738	\$ 2,303,367	\$ 2,303,367	\$ 98,371
Other Local Revenues	47,362	38,107	38,107	9,255
Total Revenues	\$ 2,449,100	\$ 2,341,474	\$ 2,341,474	\$ 107,626
<u>Expenditures</u>				
<u>Support Services</u>				
Board of Education	\$ 47,714	\$ 55,500	\$ 55,500	\$ 7,786
Transportation	2,072,805	2,285,974	2,285,974	213,169
Total Expenditures	\$ 2,120,519	\$ 2,341,474	\$ 2,341,474	\$ 220,955
Excess (Deficiency) of Revenues Over Expenditures	\$ 328,581	\$ 0	\$ 0	\$ 328,581
<u>Other Financing Sources (Uses)</u>				
Insurance Recovery	\$ 16,383	\$ 0	\$ 0	\$ 16,383
Total Other Financing Sources	\$ 16,383	\$ 0	\$ 0	\$ 16,383
Net Change in Fund Balance	\$ 344,964	\$ 0	\$ 0	\$ 344,964
Fund Balance, July 1, 2017	1,012,007	1,013,657	1,013,657	(1,650)
Fund Balance, June 30, 2018	\$ 1,356,971	\$ 1,013,657	\$ 1,013,657	\$ 343,314

Rhea County, Tennessee
Statement of Fiduciary Net Position
Discretely Presented Rhea County School Department
Fiduciary Fund
June 30, 2018

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MISCELLANEOUS SCHEDULES

Exhibit K-1

Rhea County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases
For the Year Ended June 30, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
BONDS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
GBO School Refunding Bonds, Series 2016A	\$ 1,895,000	1.41 %	6-22-16	4-1-18	\$ 955,000	\$ 0	\$ 955,000	\$ 0
General Obligation School Bonds, Series 2012	33,000,000	2 to 4.25	1-5-12	2-1-34	32,425,000	0	200,000	32,225,000
Total Payable through General Debt Service Fund					<u>\$ 33,380,000</u>	<u>\$ 0</u>	<u>\$ 1,155,000</u>	<u>\$ 32,225,000</u>
<u>Contributions Due by the School Department from the General</u>								
<u>Purpose School Fund to the General Debt Service Fund</u>								
Rural School Refunding Bonds, Series 2016B	(1) 2,270,000	1.98	6-22-16	4-1-23	\$ 1,985,000	\$ 0	\$ 300,000	\$ 1,685,000
Total Contributions Due by the School Department from the General					<u>\$ 1,985,000</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 1,685,000</u>
Purpose School Fund to the General Debt Service Fund								
					<u>\$ 35,365,000</u>	<u>\$ 0</u>	<u>\$ 1,455,000</u>	<u>\$ 33,910,000</u>
Total Bonds Payable								
NOTES PAYABLE								
<u>Payable through General Debt Service Fund</u>								
Highway Paving	2,000,000	3.54	4-21-11	4-1-21	\$ 889,000	\$ 0	\$ 211,000	\$ 678,000
General Obligation Capital Outlay Notes, Series 2017	3,000,000	2.48	12-21-17	3-1-21	0	3,000,000	0	3,000,000
Total Payable through General Debt Service Fund					<u>\$ 889,000</u>	<u>\$ 3,000,000</u>	<u>\$ 211,000</u>	<u>\$ 3,678,000</u>
<u>Contributions Due by the School Department from the General</u>								
<u>Purpose School Fund to the General Debt Service Fund</u>								
Energy Efficiency Project	2,000,000	2.84	7-7-15	4-1-27	\$ 1,712,400	\$ 0	\$ 149,744	\$ 1,562,656
Total Contributions Due by the School Department from the General					<u>\$ 1,712,400</u>	<u>\$ 0</u>	<u>\$ 149,744</u>	<u>\$ 1,562,656</u>
Purpose School Fund to the General Debt Service Fund								
					<u>\$ 2,601,400</u>	<u>\$ 3,000,000</u>	<u>\$ 360,744</u>	<u>\$ 5,240,656</u>
Total Notes Payable								
OTHER LOANS PAYABLE								
<u>Payable through General Debt Service Fund</u>								
School Sewer Project	1,000,000	Various	5-15-06	5-25-26	\$ 549,000	\$ 0	\$ 52,000	\$ 497,000
Total Payable through General Debt Service Fund					<u>\$ 549,000</u>	<u>\$ 0</u>	<u>\$ 52,000</u>	<u>\$ 497,000</u>
Total Other Loans Payable					<u>\$ 549,000</u>	<u>\$ 0</u>	<u>\$ 52,000</u>	<u>\$ 497,000</u>

(Continued)

Exhibit K-1

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

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-17	Issued During Period	Paid and/or Matured During Period	Outstanding 6-30-18
<u>CAPITAL LEASES PAYABLE</u>								
<u>Payable through General Fund</u>								
Radios	\$ 21,797	5.75 %	1-15-15	1-15-19	\$ 11,507	\$ 0	\$ 5,593	\$ 5,914
Total Capital Leases Payable					\$ 11,507	\$ 0	\$ 5,593	\$ 5,914

- (1) In prior years, this debt was shown as payable through the General Debt Service Fund; however, the School Department is contributing funds to the county to retire that debt. At June 30, 2017, the outstanding amount of this debt was \$1,985,000; therefore, a prior period adjustment for that amount has been reflected on the Statement of Activities in this report.
(See Exhibit B and Note I.D.9.)

Exhibit K-2

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

Year Ending June 30	Bonds		
	Principal	Interest	Total
2019	\$ 1,510,000	\$ 1,272,019	\$ 2,782,019
2020	1,600,000	1,229,881	2,829,881
2021	1,685,000	1,185,196	2,870,196
2022	1,800,000	1,138,063	2,938,063
2023	1,915,000	1,073,133	2,988,133
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>\$ 33,910,000</u>	<u>\$ 12,817,638</u>	<u>\$ 46,727,638</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2019	\$ 705,497	\$ 135,058	\$ 840,555
2020	717,870	102,416	820,286
2021	2,729,868	83,896	2,813,764
2022	168,494	15,441	183,935
2023	173,250	13,049	186,299
2024	178,142	10,589	188,731
2025	184,174	8,059	192,233
2026	189,347	5,444	194,791
2027	194,014	2,755	196,769
Total	<u>\$ 5,240,656</u>	<u>\$ 376,707</u>	<u>\$ 5,617,363</u>

(Continued)

Exhibit K-2

Rhea County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2019	\$ 54,000	\$ 7,505	\$ 2,163	\$ 63,668
2020	56,000	6,689	2,039	64,728
2021	58,000	5,844	1,910	65,754
2022	61,000	4,968	1,777	67,745
2023	63,000	4,047	1,636	68,683
2024	66,000	3,096	1,492	70,588
2025	68,000	2,099	1,340	71,439
2026	71,000	1,071	1,183	73,254
Total	\$ 497,000	\$ 35,319	\$ 13,540	\$ 545,859

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2019	\$ 5,914	\$ 340	\$ 6,254
Total	\$ 5,914	\$ 340	\$ 6,254

Exhibit K-3

Rhea County, Tennessee
Schedule of Transfers
Primary Government and Discretely Presented Rhea County School Department
For the Year Ended June 30, 2018

From Fund	To Fund	Purpose	Amount
<u>PRIMARY GOVERNMENT</u>			
General	Other Capital Projects	Justice Center construction	\$ 300,000
Highway/Public Works	General Debt Service	Debt reimbursement	<u>242,471</u>
Total Transfers Primary Government			<u>\$ 542,471</u>

Exhibit K-4

Rhea County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Rhea County School Department
For the Year Ended June 30, 2018

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <i>TCA</i>	\$ 83,946	\$ 100,000	Cincinnati Insurance Companies
Highway Supervisor	Section 8-24-102, <i>TCA</i>	79,950	(3)	
Director of Schools	State Board of Education and Rhea County Board of Education	105,795 (1)	(3)	
Trustee	Section 8-24-102, <i>TCA</i>	72,682	1,600,000	Cincinnati Insurance Companies
Assessor of Property	Section 8-24-102, <i>TCA</i>	72,682	(3)	
Finance Director				
Kim Blaylock (7-1-17 through 7-7-17)	County Commission	7,262	(3)	
Vacant (7-8-17 through 8-9-17)				
Kaley Walker (8-10-17 through 10-18-17)	County Commission	17,887	100,000	Cincinnati Insurance Companies
Bill Graham (10-19-17 through 6-30-18)	County Commission	56,631	(3)	
County Clerk	Section 8-24-102, <i>TCA</i>	72,682	100,000	Cincinnati Insurance Companies
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> , and Chancery Court Judge	72,682	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	72,682	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	79,950 (2)	100,000	"
Employee Blanket Bond Coverage:				
All County Departments			400,000	Tennessee Risk Management Trust

- (1) Does not include additional compensation equivalent to the contribution to the Tennessee Consolidated Retirement System of \$5,389 or a chief executive officer training supplement of \$1,000.
(2) Does not include a law enforcement training supplement of \$600.
(3) These officials were covered by the \$400,000 blanket bond.

Exhibit K-5

Rhea County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2018

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 7,090,975	\$ 0	\$ 0	\$ 0	\$ 0	\$ 185,508
Trustee's Collections - Prior Year	266,864	0	0	0	0	6,981
Trustee's Collections - Bankruptcy	2,018	0	0	0	0	69
Circuit Clerk/Clerk and Master Collections - Prior Years	260,534	0	0	0	0	7,270
Interest and Penalty	48,530	0	0	0	0	1,271
Payments in-Lieu-of Taxes - Local Utilities	111,296	0	0	0	0	772
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	0
Hotel/Motel Tax	218,178	0	0	0	0	0
Litigation Tax - General	112,657	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	0	0	0	0	0	0
Business Tax	0	289,790	0	0	0	0
Mineral Severance Tax	0	0	0	0	0	56,267
<u>Statutory Local Taxes</u>						
Bank Excise Tax	56,385	0	0	0	0	1,475
Wholesale Beer Tax	0	129,796	0	0	0	0
Interstate Telecommunications Tax	1,908	0	0	0	0	0
Total Local Taxes	\$ 8,169,345	\$ 419,586	\$ 0	\$ 0	\$ 0	\$ 259,613
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Cable TV Franchise	\$ 118,902	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Permits</u>						
Beer Permits	1,979	0	0	0	0	0
Building Permits	69,430	0	0	0	0	0
Total Licenses and Permits	\$ 190,311	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 1,027	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	17,000	0	0	0	0	0
Drug Control Fines	15,044	0	2	0	0	0
Jail Fees	246	0	0	0	0	0
DUI Treatment Fines	760	0	0	0	0	0
Data Entry Fee - Circuit Court	3,571	0	0	0	0	0
Courtroom Security Fee	0	0	0	0	0	0
<u>Criminal Court</u>						
DUI Treatment Fines	808	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	17,930	0	0	0	0	0
Fines for Littering	2	0	0	0	0	0
Officers Costs	82,598	0	0	0	0	0
Game and Fish Fines	429	0	0	0	0	0
Drug Control Fines	11,322	0	12,456	0	0	0
Jail Fees	24,529	0	0	0	0	0
DUI Treatment Fines	5,642	0	0	0	0	0
Data Entry Fee - General Sessions Court	5,373	0	0	0	0	0
Courtroom Security Fee	0	0	0	0	0	0
<u>Juvenile Court</u>						
Fines	24	0	0	0	0	0
Jail Fees	3,442	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	2,143	0	0	0	0	0
Data Entry Fee - Chancery Court	4,894	0	0	0	0	0
Courtroom Security Fee	0	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitutional Officers - Fees	Highway / Public Works
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Judicial District Drug Program</u>						
Data Entry Fee - Other Courts	\$ 3,536	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	24,093	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 200,320	\$ 0	\$ 36,551	\$ 0	\$ 0	\$ 0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	\$ 0	\$ 23,130	\$ 0	\$ 0
Surcharge - Host Agency	0	199,602	0	60,000	0	0
Surcharge - Waste Tire Disposal	0	19,626	0	0	0	0
Work Release Charges for Board	28,794	0	0	0	0	0
<u>Fees</u>						
Copy Fees	1,836	0	0	0	0	0
Greenbelt Late Application Fee	200	0	0	0	0	0
Telephone Commissions	29,029	0	0	0	0	0
Vending Machine Collections	147	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	0	185,227	0
Data Processing Fee - Register	9,350	0	0	0	0	0
Probation Fees	129,510	0	0	0	0	0
Data Processing Fee - Sheriff	6,503	0	0	0	0	0
Sexual Offender Registration Fee - Sheriff	6,280	0	0	0	0	0
Data Processing Fee - County Clerk	165	0	0	0	0	0
Vehicle Insurance Coverage and Reinstatement Fees	290	0	0	0	0	0
Total Charges for Current Services	\$ 212,104	\$ 219,228	\$ 0	\$ 83,130	\$ 185,227	\$ 0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
Lease/Rentals	103,408	0	0	0	0	0
Sale of Materials and Supplies	0	0	0	0	0	1,095
Commissary Sales	18,904	0	0	0	0	0
Sale of Recycled Materials	0	3,697	0	44	0	0
Sale of Animals/Livestock	470	0	0	0	0	0
Miscellaneous Refunds	1,173	0	0	0	0	362
Expenditure Credits	32	0	0	0	0	0
<u>Nonrecurring Items</u>						
Sale of Property	5,000	0	0	0	0	0
Damages Recovered from Individuals	314	0	0	0	0	0
<u>Other Local Revenues</u>						
Other Local Revenues	328,873	61,603	193	0	0	1,845
Total Other Local Revenues	\$ 458,174	\$ 65,300	\$ 193	\$ 44	\$ 0	\$ 3,302
<u>Fees Received From County Officials</u>						
<u>Excess Fees</u>						
Trustee	\$ 283,618	\$ 0	\$ 0	\$ 0	\$ 0	0
<u>Fees In-Lieu-of Salary</u>						
County Clerk	330,774	0	0	0	0	0
Circuit Court Clerk	277,596	0	0	0	0	0
General Sessions Court Clerk	33,263	0	0	0	0	0
Clerk and Master	157,763	0	0	0	0	0
Register	127,432	0	0	0	0	0
Sheriff	11,449	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
<u>Fees Received From County Officials (Cont.)</u>						
<u>Fees In-Lieu-of Salary (Cont.)</u>						
Trustee	\$ 12,605	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Fees Received From County Officials	\$ 1,234,500	\$ 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	9,273	0	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	16,799	0	0	0	0	0
<u>Health and Welfare Grants</u>						
Public Health Nurses	169,716	0	0	0	0	0
<u>Public Works Grants</u>						
Litter Program	0	33,921	0	0	0	0
<u>Other State Revenues</u>						
Income Tax	79,373	0	0	0	0	0
Beer Tax	17,839	0	0	0	0	0
Vehicle Certificate of Title Fees	9,774	0	0	0	0	0
Alcoholic Beverage Tax	63,036	0	0	0	0	0
State Revenue Sharing - T.V.A.	323,282	0	0	0	0	0
State Revenue Sharing - Telecommunications	42,672	0	0	0	0	0
Contracted Prisoner Boarding	0	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	0	2,030,670
Petroleum Special Tax	0	0	0	0	0	22,952
Registrar's Salary Supplement	3,791	0	0	0	0	0
Other State Grants	100,880	0	0	0	0	0

(Continued)

Exhibit K-5

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

	Special Revenue Funds					
	General	Solid Waste / Sanitation	Drug Control	Other Special Revenue	Constitu - tional Officers - Fees	Highway / Public Works
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Other State Revenues	\$ 17,729	\$ 0	\$ 0	\$ 0	\$ 0	\$ 110
Total State of Tennessee	<u>\$ 863,164</u>	<u>\$ 33,921</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,053,732</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
Appalachian Regional Commission	\$ 19,879	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	2,945	0	0	0	0	74,170
Homeland Security Grants	35,041	0	0	0	0	0
Law Enforcement Grants	40,732	0	0	0	0	0
Total Federal Government	<u>\$ 98,597</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,170</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 260,888	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Services	30,000	0	0	0	0	0
<u>Citizens Groups</u>						
Donations	3,000	0	0	0	0	0
<u>Other</u>						
Other	0	5,057	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 293,888</u>	<u>\$ 5,057</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total	<u>\$ 11,720,403</u>	<u>\$ 743,092</u>	<u>\$ 36,744</u>	<u>\$ 83,174</u>	<u>\$ 185,227</u>	<u>\$ 2,390,817</u>

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	Other Capital Projects -	Total
<hr/>			
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$ 1,503,911	\$ 0	\$ 8,780,394
Trustee's Collections - Prior Year	56,598	0	330,443
Trustee's Collections - Bankruptcy	472	0	2,559
Circuit Clerk/Clerk and Master Collections - Prior Years	58,940	0	326,744
Interest and Penalty	10,318	0	60,119
Payments in-Lieu-of Taxes - Local Utilities	6,260	0	118,328
<u>County Local Option Taxes</u>			
Local Option Sales Tax	611,436	0	611,436
Hotel/Motel Tax	0	0	218,178
Litigation Tax - General	0	0	112,657
Litigation Tax - Jail, Workhouse, or Courthouse	0	70,764	70,764
Business Tax	0	0	289,790
Mineral Severance Tax	0	0	56,267
<u>Statutory Local Taxes</u>			
Bank Excise Tax	11,959	0	69,819
Wholesale Beer Tax	0	0	129,796
Interstate Telecommunications Tax	0	0	1,908
Total Local Taxes	<u>\$ 2,259,894</u>	<u>\$ 70,764</u>	<u>\$ 11,179,202</u>
<hr/>			
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Cable TV Franchise	\$ 0	\$ 0	\$ 118,902
<u>Permits</u>			
Beer Permits	0	0	1,979
Building Permits	0	0	69,430
Total Licenses and Permits	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 190,311</u>

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	Other Capital Projects -	Total
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	\$ 0	\$ 0	\$ 1,027
Officers Costs	0	0	17,000
Drug Control Fines	0	0	15,046
Jail Fees	0	0	246
DUI Treatment Fines	0	0	760
Data Entry Fee - Circuit Court	0	0	3,571
Courtroom Security Fee	0	8,341	8,341
<u>Criminal Court</u>			
DUI Treatment Fines	0	0	808
<u>General Sessions Court</u>			
Fines	0	0	17,930
Fines for Littering	0	0	2
Officers Costs	0	0	82,598
Game and Fish Fines	0	0	429
Drug Control Fines	0	0	23,778
Jail Fees	0	0	24,529
DUI Treatment Fines	0	0	5,642
Data Entry Fee - General Sessions Court	0	0	5,373
Courtroom Security Fee	0	58,567	58,567
<u>Juvenile Court</u>			
Fines	0	0	24
Jail Fees	0	0	3,442
<u>Chancery Court</u>			
Officers Costs	0	0	2,143
Data Entry Fee - Chancery Court	0	0	4,894
Courtroom Security Fee	0	4,393	4,393

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	Other Capital Projects -	Total
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Judicial District Drug Program</u>			
Data Entry Fee - Other Courts	\$ 0	\$ 0	\$ 3,536
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property	0	0	24,093
Total Fines, Forfeitures, and Penalties	\$ 0	\$ 71,301	\$ 308,172
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Commercial and Industrial Waste Collection Charge	\$ 0	\$ 0	\$ 23,130
Surcharge - Host Agency	0	0	259,602
Surcharge - Waste Tire Disposal	0	0	19,626
Work Release Charges for Board	0	0	28,794
<u>Fees</u>			
Copy Fees	0	0	1,836
Greenbelt Late Application Fee	0	0	200
Telephone Commissions	0	0	29,029
Vending Machine Collections	0	0	147
Constitutional Officers' Fees and Commissions	0	0	185,227
Data Processing Fee - Register	0	0	9,350
Probation Fees	0	0	129,510
Data Processing Fee - Sheriff	0	0	6,503
Sexual Offender Registration Fee - Sheriff	0	0	6,280
Data Processing Fee - County Clerk	0	0	165
Vehicle Insurance Coverage and Reinstatement Fees	0	0	290
Total Charges for Current Services	\$ 0	\$ 0	\$ 699,689

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	Other Capital Projects -	Total
<hr/>			
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$ 112,285	\$ 0	\$ 112,285
Lease/Rentals	0	0	103,408
Sale of Materials and Supplies	0	0	1,095
Commissary Sales	0	0	18,904
Sale of Recycled Materials	0	0	3,741
Sale of Animals/Livestock	0	0	470
Miscellaneous Refunds	0	0	1,535
Expenditure Credits	0	0	32
<u>Nonrecurring Items</u>			
Sale of Property	0	0	5,000
Damages Recovered from Individuals	0	0	314
<u>Other Local Revenues</u>			
Other Local Revenues	0	0	392,514
Total Other Local Revenues	<u>\$ 112,285</u>	<u>\$ 0</u>	<u>\$ 639,298</u>
<hr/>			
<u>Fees Received From County Officials</u>			
<u>Excess Fees</u>			
Trustee	\$ 0	\$ 0	\$ 283,618
<u>Fees In-Lieu-of Salary</u>			
County Clerk	0	0	330,774
Circuit Court Clerk	0	0	277,596
General Sessions Court Clerk	0	0	33,263
Clerk and Master	0	0	157,763
Register	0	0	127,432
Sheriff	0	0	11,449

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	Other Capital Projects -	Total
<hr/>			
<u>Fees Received From County Officials (Cont.)</u>			
<u>Fees In-Lieu-of Salary (Cont.)</u>			
Trustee	\$ 0	\$ 0	\$ 12,605
Total Fees Received From County Officials	\$ 0	\$ 0	\$ 1,234,500
<hr/>			
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$ 0	\$ 0	\$ 9,000
Child Restraint Program	0	0	9,273
<u>Public Safety Grants</u>			
Law Enforcement Training Programs	0	0	16,799
<u>Health and Welfare Grants</u>			
Public Health Nurses	0	0	169,716
<u>Public Works Grants</u>			
Litter Program	0	0	33,921
<u>Other State Revenues</u>			
Income Tax	0	0	79,373
Beer Tax	0	0	17,839
Vehicle Certificate of Title Fees	0	0	9,774
Alcoholic Beverage Tax	0	0	63,036
State Revenue Sharing - T.V.A.	0	0	323,282
State Revenue Sharing - Telecommunications	0	0	42,672
Contracted Prisoner Boarding	0	201,331	201,331
Gasoline and Motor Fuel Tax	0	0	2,030,670
Petroleum Special Tax	0	0	22,952
Registrar's Salary Supplement	0	0	3,791
Other State Grants	0	0	100,880

(Continued)

Exhibit K-5

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

	Debt Service Fund	Capital Projects Fund	
	General Debt Service	Other Capital Projects -	Total
<hr/>			
<u>State of Tennessee (Cont.)</u>			
<u>Other State Revenues (Cont.)</u>			
Other State Revenues	\$ 0	\$ 0	\$ 17,839
Total State of Tennessee	<u>\$ 0</u>	<u>\$ 201,331</u>	<u>\$ 3,152,148</u>
<hr/>			
<u>Federal Government</u>			
<u>Federal Through State</u>			
Appalachian Regional Commission	\$ 0	\$ 0	\$ 19,879
Disaster Relief	0	0	77,115
Homeland Security Grants	0	0	35,041
Law Enforcement Grants	0	0	40,732
Total Federal Government	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 172,767</u>
<hr/>			
<u>Other Governments and Citizens Groups</u>			
<u>Other Governments</u>			
Contributions	\$ 1,157,680	\$ 0	\$ 1,418,568
Contracted Services	0	0	30,000
<u>Citizens Groups</u>			
Donations	0	0	3,000
<u>Other</u>			
Other	0	0	5,057
Total Other Governments and Citizens Groups	<u>\$ 1,157,680</u>	<u>\$ 0</u>	<u>\$ 1,456,625</u>
<hr/>			
Total	<u>\$ 3,529,859</u>	<u>\$ 343,396</u>	<u>\$ 19,032,712</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, 2018

	General Purpose School	Special Revenue Funds			Capital Projects Fund	
		School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 2,194,729	\$ 0	\$ 0	\$ 2,192,166	\$ 0	\$ 4,386,895
Trustee's Collections - Prior Year	82,635	0	0	81,468	0	164,103
Trustee's Collections - Bankruptcy	699	0	0	637	0	1,336
Circuit Clerk/Clerk and Master Collections - Prior Years	86,508	0	0	85,913	0	172,421
Interest and Penalty	15,047	0	0	14,998	0	30,045
Payments in-Lieu-of Taxes - Local Utilities	9,139	0	0	9,125	0	18,264
<u>County Local Option Taxes</u>						
Local Option Sales Tax	3,064,390	0	0	0	816,850	3,881,240
Mixed Drink Tax	10,716	0	0	0	0	10,716
<u>Statutory Local Taxes</u>						
Bank Excise Tax	17,460	0	0	17,431	0	34,891
Total Local Taxes	\$ 5,481,323	\$ 0	\$ 0	\$ 2,401,738	\$ 816,850	\$ 8,699,911
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 1,909	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,909
Total Licenses and Permits	\$ 1,909	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,909
<u>Charges for Current Services</u>						
<u>Education Charges</u>						
Lunch Payments - Adults	\$ 0	\$ 0	\$ 18,958	\$ 0	\$ 0	\$ 18,958
A la Carte Sales	0	0	176,863	0	0	176,863
Total Charges for Current Services	\$ 0	\$ 0	\$ 195,821	\$ 0	\$ 0	\$ 195,821

(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	
		School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 0	\$ 0	\$ 3,249	\$ 0	\$ 0	\$ 3,249
Lease/Rentals	0	0	0	47,194	0	47,194
Miscellaneous Refunds	0	0	1,367	0	0	1,367
<u>Nonrecurring Items</u>						
Damages Recovered from Individuals	140	0	0	0	0	140
Contributions and Gifts	15,000	0	0	0	0	15,000
<u>Other Local Revenues</u>						
Other Local Revenues	59,263	0	0	168	0	59,431
Total Other Local Revenues	\$ 74,403	\$ 0	\$ 4,616	\$ 47,362	\$ 0	\$ 126,381
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
On-behalf Contributions for OPEB	\$ 91,126	\$ 0	\$ 0	\$ 0	\$ 0	\$ 91,126
<u>State Education Funds</u>						
Basic Education Program	23,234,000	0	0	0	0	23,234,000
Early Childhood Education	409,129	0	0	0	0	409,129
School Food Service	0	0	23,401	0	0	23,401
Driver Education	9,474	0	0	0	0	9,474
Other State Education Funds	294,076	0	0	0	0	294,076
Career Ladder Program	94,556	0	0	0	0	94,556
Vocational Equipment	74,028	0	0	0	0	74,028
<u>Other State Revenues</u>						
State Revenue Sharing - T.V.A.	1,158,357	0	0	0	0	1,158,357
Other State Grants	58,330	0	0	0	0	58,330

(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	
		School Federal Projects	Central Cafeteria	School Transpor - tation	Education Capital Projects	Total
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
Safe Schools	\$ 24,466	\$ 0	\$ 0	\$ 0	\$ 0	\$ 24,466
Total State of Tennessee	\$ 25,447,542	\$ 0	\$ 23,401	\$ 0	\$ 0	\$ 25,470,943
<u>Federal Government</u>						
<u>Federal Through State</u>						
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,641,349	\$ 0	\$ 0	\$ 1,641,349
USDA - Commodities	0	0	234,548	0	0	234,548
Breakfast	0	0	642,453	0	0	642,453
USDA - Other	0	0	5,664	0	0	5,664
USDA Food Service Equipment Grant	0	0	13,203	0	0	13,203
Vocational Education - Basic Grants to States	0	97,021	0	0	0	97,021
Title I Grants to Local Education Agencies	0	1,428,935	0	0	0	1,428,935
Special Education - Grants to States	65,102	849,871	0	0	0	914,973
Special Education Preschool Grants	0	14,361	0	0	0	14,361
English Language Acquisition Grants	0	17,495	0	0	0	17,495
Rural Education	0	113,351	0	0	0	113,351
Education for Homeless Children and Youth	0	15,756	0	0	0	15,756
Eisenhower Professional Development State Grants	0	228,956	0	0	0	228,956
<u>Direct Federal Revenue</u>						
ROTC Reimbursement	68,286	0	0	0	0	68,286
Total Federal Government	\$ 133,388	\$ 2,765,746	\$ 2,537,217	\$ 0	\$ 0	\$ 5,436,351
Total	\$ 31,138,565	\$ 2,765,746	\$ 2,761,055	\$ 2,449,100	\$ 816,850	\$ 39,931,316

Exhibit K-7

Rhea County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2018

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	43,200	
Social Security		2,672	
Employer Medicare		625	
Audit Services		11,769	
Contributions		22,000	
Dues and Memberships		1,650	
Travel		1,893	
Other Contracted Services		2,060	
Other Supplies and Materials		795	
Medical Claims		2,530	
Other Charges		163,931	
Total County Commission			\$ 253,125

Board of Equalization

Board and Committee Members Fees	\$	2,020	
Social Security		125	
Employer Medicare		29	
Total Board of Equalization			2,174

Other Boards and Committees

Secretary(ies)	\$	210	
Board and Committee Members Fees		2,520	
Social Security		136	
Pensions		15	
Employer Medicare		40	
Printing, Stationery, and Forms		1,260	
Total Other Boards and Committees			4,181

County Mayor/Executive

County Official/Administrative Officer	\$	83,946	
Accountants/Bookkeepers		31,631	
Part-time Personnel		2,016	
Social Security		6,794	
Pensions		8,368	
Life Insurance		91	
Medical Insurance		10,776	
Employer Medicare		1,618	
Communication		1,495	
Consultants		11,404	
Contracts with Private Agencies		5,239	
Contributions		131,034	
Dues and Memberships		1,552	
Operating Lease Payments		1,767	
Other Contracted Services		22,377	
Gasoline		986	
Office Supplies		505	
Vehicle and Equipment Insurance		344	
Other Charges		10,741	
Total County Mayor/Executive			332,684

(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	\$	27,277	
Total County Attorney			\$ 27,277

Election Commission

County Official/Administrative Officer	\$	65,414	
Assistant(s)		36,376	
Part-time Personnel		810	
Overtime Pay		722	
Election Commission		2,370	
Election Workers		2,152	
Social Security		6,446	
Pensions		7,422	
Life Insurance		91	
Medical Insurance		10,776	
Employer Medicare		1,508	
Communication		1,034	
Dues and Memberships		225	
Operating Lease Payments		2,172	
Legal Notices, Recording, and Court Costs		1,953	
Maintenance Agreements		14,010	
Maintenance and Repair Services - Equipment		2,434	
Rentals		750	
Travel		4,183	
Other Contracted Services		23,483	
Office Supplies		1,897	
Other Supplies and Materials		1,483	
Total Election Commission			187,711

Register of Deeds

County Official/Administrative Officer	\$	72,682	
Assistant(s)		37,075	
Accountants/Bookkeepers		45,675	
Social Security		9,267	
Pensions		4,772	
Life Insurance		143	
Medical Insurance		18,996	
Employer Medicare		2,167	
Data Processing Services		6,756	
Dues and Memberships		688	
Operating Lease Payments		1,673	
Office Supplies		2,056	
Total Register of Deeds			201,950

Planning

Board and Committee Members Fees	\$	4,325	
Social Security		266	
Pensions		69	

(Continued)

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

General Fund (Cont.)

General Government (Cont.)

Planning (Cont.)

Employer Medicare	\$	62	
Other Contracted Services		14,000	
Total Planning			\$ 18,722

Building

Other Contracted Services	\$	39,276	
Other Supplies and Materials		1,774	
Total Building			41,050

County Buildings

Custodial Personnel	\$	7,500	
Social Security		465	
Employer Medicare		109	
Communication		50,185	
Dues and Memberships		10,179	
Operating Lease Payments		5,455	
Postal Charges		41,525	
Other Contracted Services		8,254	
Electricity		197,013	
Natural Gas		24,096	
Water and Sewer		49,072	
Other Supplies and Materials		1,018	
Building and Contents Insurance		19,587	
Other Charges		13,433	
Total County Buildings			427,891

Other Facilities

Accountants/Bookkeepers	\$	31,631	
Foremen		49,690	
Mechanic(s)		69,430	
Maintenance Personnel		196,768	
Part-time Personnel		2,718	
Social Security		21,146	
Pensions		25,044	
Life Insurance		410	
Medical Insurance		48,492	
Employer Medicare		4,945	
Communication		4,551	
Operating Lease Payments		984	
Towing Services		650	
Other Contracted Services		89,532	
Custodial Supplies		32,955	
Diesel Fuel		3,845	
Electricity		5,068	
Gasoline		12,357	
Lubricants		2,103	
Natural Gas		2,022	

(Continued)

Exhibit K-7

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

General Fund (Cont.)General Government (Cont.)Other Facilities (Cont.)

Office Supplies	\$	1,735	
Tires and Tubes		21,429	
Uniforms		2,529	
Vehicle Parts		37,594	
Water and Sewer		80	
Other Supplies and Materials		51,964	
Building and Contents Insurance		7,044	
Liability Insurance		2,571	
Vehicle and Equipment Insurance		7,731	
Workers' Compensation Insurance		22,756	
Maintenance Equipment		4,298	
Total Other Facilities			\$ 764,072

Preservation of Records

Supervisor/Director	\$	25,525	
Social Security		1,537	
Pensions		1,848	
Life Insurance		46	
Medical Insurance		5,814	
Employer Medicare		359	
Communication		859	
Total Preservation of Records			35,988

FinanceAccounting and Budgeting

Assistant(s)	\$	39,094	
Supervisor/Director		81,780	
Accountants/Bookkeepers		236,146	
Social Security		21,419	
Pensions		24,547	
Life Insurance		424	
Medical Insurance		56,316	
Employer Medicare		5,009	
Data Processing Services		21,940	
Dues and Memberships		158	
Operating Lease Payments		4,611	
Legal Notices, Recording, and Court Costs		5,125	
Travel		204	
Other Contracted Services		474	
Office Supplies		8,894	
In Service/Staff Development		779	
Other Charges		488	
Data Processing Equipment		10,492	
Office Equipment		320	
Total Accounting and Budgeting			518,220

(Continued)

Exhibit K-7

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

General Fund (Cont.)Finance (Cont.)Property Assessor's Office

County Official/Administrative Officer	\$	72,682	
Assistant(s)		37,075	
Accountants/Bookkeepers		110,908	
Social Security		12,358	
Pensions		15,622	
Life Insurance		270	
Medical Insurance		31,902	
Unemployment Compensation		2,270	
Employer Medicare		2,890	
Data Processing Services		4,677	
Dues and Memberships		1,895	
Operating Lease Payments		2,088	
Travel		3,626	
Other Contracted Services		14,828	
Gasoline		1,452	
Office Supplies		2,992	
Vehicle and Equipment Insurance		344	
In Service/Staff Development		600	
Data Processing Equipment		1,023	
Furniture and Fixtures		340	
Total Property Assessor's Office			\$ 319,842

County Trustee's Office

Life Insurance	\$	137	
Medical Insurance		16,164	
Data Processing Services		24,562	
Dues and Memberships		578	
Operating Lease Payments		1,350	
Legal Notices, Recording, and Court Costs		449	
Other Contracted Services		9,874	
Office Supplies		2,027	
Total County Trustee's Office			55,141

County Clerk's Office

County Official/Administrative Officer	\$	72,682	
Assistant(s)		36,376	
Accountants/Bookkeepers		103,421	
Part-time Personnel		4,528	
Social Security		13,135	
Pensions		15,242	
Life Insurance		228	
Medical Insurance		26,940	
Employer Medicare		3,107	
Communication		1,200	
Data Processing Services		21,021	
Dues and Memberships		728	
Operating Lease Payments		2,087	
Office Supplies		14,840	
Total County Clerk's Office			315,535

(Continued)

Exhibit K-7

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

General Fund (Cont.)Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	72,682	
Assistant(s)		36,376	
Accountants/Bookkeepers		84,827	
Part-time Personnel		9,972	
Jury and Witness Expense		176	
Social Security		12,417	
Pensions		14,037	
Life Insurance		228	
Medical Insurance		26,940	
Employer Medicare		2,904	
Data Processing Services		21,418	
Dues and Memberships		578	
Operating Lease Payments		2,730	
Other Contracted Services		17,108	
Office Supplies		5,859	
Total Circuit Court			\$ 308,252

General Sessions Court

Assistant(s)	\$	36,376	
Accountants/Bookkeepers		114,653	
Social Security		9,259	
Pensions		10,934	
Life Insurance		228	
Medical Insurance		21,552	
Employer Medicare		2,165	
Operating Lease Payments		1,762	
Other Contracted Services		200	
Office Supplies		4,266	
Data Processing Equipment		7,060	
Total General Sessions Court			208,455

General Sessions Judge

Judge(s)	\$	135,786	
Probation Officer(s)		102,750	
Youth Service Officer(s)		30,710	
Accountants/Bookkeepers		30,710	
Social Security		17,481	
Pensions		21,717	
Life Insurance		319	
Medical Insurance		32,328	
Employer Medicare		4,088	
Communication		1,556	
Data Processing Services		3,120	
Operating Lease Payments		2,178	
Travel		4,211	
Other Contracted Services		240	
Office Supplies		4,075	

(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 Judge (Cont.)

Other Supplies and Materials	\$ 2,934	
Other Equipment	17,109	
Total General Sessions Judge		\$ 411,312

Chancery Court

County Official/Administrative Officer	\$ 72,682	
Assistant(s)	37,055	
Accountants/Bookkeepers	95,501	
Social Security	12,132	
Pensions	14,766	
Life Insurance	228	
Medical Insurance	26,940	
Employer Medicare	2,837	
Data Processing Services	9,568	
Dues and Memberships	578	
Operating Lease Payments	1,982	
Office Supplies	3,622	
Total Chancery Court		277,891

Courtroom Security

Deputy(ies)	\$ 54,433	
Social Security	3,375	
Pensions	27	
Employer Medicare	789	
Total Courtroom Security		58,624

Public SafetySheriff's Department

County Official/Administrative Officer	\$ 79,950	
Assistant(s)	52,601	
Deputy(ies)	585,224	
Investigator(s)	172,327	
Sergeant(s)	210,875	
School Resource Officer	182,998	
Educational Incentive - Other County Employees	16,800	
Social Security	79,046	
Pensions	87,411	
Life Insurance	1,395	
Medical Insurance	158,278	
Employer Medicare	18,487	
Communication	946	
Dues and Memberships	2,555	
Operating Lease Payments	5,773	
Rentals	688	
Towing Services	2,725	
Travel	1,727	
Other Contracted Services	8,988	

(Continued)

Exhibit K-7

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

General Fund (Cont.)Public Safety (Cont.)Sheriff's Department (Cont.)

Diesel Fuel	\$	1,364	
Gasoline		101,569	
Office Supplies		3,190	
Uniforms		11,010	
Other Supplies and Materials		10,182	
Liability Insurance		23,822	
Vehicle and Equipment Insurance		29,320	
Liability Claims		300	
In Service/Staff Development		4,999	
Other Charges		434	
Principal on Capital Leases		5,593	
Interest on Capital Leases		661	
Data Processing Equipment		3,973	
Motor Vehicles		207,659	
Other Equipment		5,325	
Total Sheriff's Department			\$ 2,078,195

Administration of the Sexual Offender Registry

Communication	\$	452	
Other Charges		26,747	
Total Administration of the Sexual Offender Registry			27,199

Jail

Lieutenant(s)	\$	42,630	
Sergeant(s)		181,985	
Accountants/Bookkeepers		34,830	
Guards		218,139	
Clerical Personnel		65,016	
Part-time Personnel		38,769	
Social Security		35,624	
Pensions		36,654	
Life Insurance		746	
Medical Insurance		81,200	
Unemployment Compensation		5,000	
Employer Medicare		8,395	
Communication		892	
Contracts with Government Agencies		760,127	
Operating Lease Payments		1,660	
Medical and Dental Services		123,490	
Travel		1,873	
Other Contracted Services		10,897	
Drugs and Medical Supplies		38,656	
Food Preparation Supplies		5,264	
Food Supplies		130,912	
Gasoline		20,000	
Office Supplies		1,342	
Prisoners Clothing		2,276	

(Continued)

Exhibit K-7

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

General Fund (Cont.)Public Safety (Cont.)Jail (Cont.)

Uniforms	\$	6,735	
Other Supplies and Materials		1,985	
In Service/Staff Development		441	
Other Charges		7,663	
Total Jail			\$ 1,863,201

Juvenile Services

Sergeant(s)	\$	65,268	
Guards		89,498	
Social Security		9,168	
Pensions		10,847	
Life Insurance		224	
Medical Insurance		26,514	
Employer Medicare		2,144	
Operating Lease Payments		971	
Other Contracted Services		840	
Office Supplies		47	
Prisoners Clothing		574	
Uniforms		1,800	
Other Supplies and Materials		63	
Total Juvenile Services			207,958

Fire Prevention and Control

Supervisor/Director	\$	52,876	
Other Salaries and Wages		1,326	
Social Security		3,301	
Pensions		3,788	
Life Insurance		46	
Medical Insurance		5,388	
Employer Medicare		772	
Communication		181	
Contracts with Government Agencies		2,000	
Dues and Memberships		200	
Travel		975	
Other Contracted Services		2,195	
Diesel Fuel		6,200	
Electricity		31,870	
Gasoline		6,626	
Natural Gas		20,861	
Office Supplies		96	
Water and Sewer		3,023	
Other Supplies and Materials		65,606	
Liability Insurance		917	
Vehicle and Equipment Insurance		20,036	
In Service/Staff Development		6,120	
Other Charges		11,979	
Other Capital Outlay		28,302	
Total Fire Prevention and Control			274,684

(Continued)

Exhibit K-7

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

General Fund (Cont.)Public Safety (Cont.)Civil Defense

Part-time Personnel	\$	14,275	
Other Salaries and Wages		35,329	
Social Security		2,962	
Pensions		2,443	
Life Insurance		38	
Medical Insurance		4,962	
Employer Medicare		693	
Other Equipment		27,778	
Total Civil Defense			\$ 88,480

Rescue Squad

Contributions	\$	36,246	
Total Rescue Squad			36,246

County Coroner/Medical Examiner

Contracts with Private Agencies	\$	49,391	
Total County Coroner/Medical Examiner			49,391

Public Safety Grants Program

Overtime Pay	\$	19,799	
Social Security		1,227	
Pensions		1,386	
Employer Medicare		287	
In Service/Staff Development		2,147	
Other Charges		17,175	
Total Public Safety Grants Program			42,021

Other Public Safety

Assistant(s)	\$	48,726	
Supervisor/Director		63,285	
Dispatchers/Radio Operators		554,279	
Social Security		40,360	
Pensions		45,396	
Life Insurance		816	
Medical Insurance		95,372	
Unemployment Compensation		1,259	
Employer Medicare		9,439	
Maintenance Agreements		45,000	
Custodial Supplies		305	
Electricity		8,340	
Gasoline		1,916	
Natural Gas		458	
Office Supplies		300	
Water and Sewer		426	
Building and Contents Insurance		5,498	
Liability Insurance		1,068	
Vehicle and Equipment Insurance		1,068	
Total Other Public Safety			923,311

(Continued)

Exhibit K-7

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

General Fund (Cont.)Public Health and WelfareLocal Health Center

Custodial Personnel	\$	7,395	
Other Salaries and Wages		112,086	
Social Security		7,296	
Pensions		8,027	
Life Insurance		213	
Medical Insurance		25,144	
Employer Medicare		1,693	
Contributions		69,392	
Travel		3,274	
Other Charges		14,133	
Total Local Health Center			\$ 248,653

Rabies and Animal Control

Other Salaries and Wages	\$	61,868	
Social Security		3,825	
Pensions		4,479	
Life Insurance		91	
Medical Insurance		12,076	
Employer Medicare		894	
Operating Lease Payments		708	
Other Contracted Services		7,171	
Animal Food and Supplies		3,940	
Gasoline		4,733	
Office Supplies		10	
Uniforms		720	
Other Supplies and Materials		850	
Total Rabies and Animal Control			101,365

Crippled Children Services

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

Other Waste Disposal

Access Fees	\$	41,540	
Total Other Waste Disposal			41,540

Other Public Health and Welfare

Other Supplies and Materials	\$	12,911	
Total Other Public Health and Welfare			12,911

Social, Cultural, and Recreational ServicesAdult Activities

Other Salaries and Wages	\$	11,745	
Social Security		618	
Employer Medicare		170	
Office Supplies		544	
Other Supplies and Materials		6,045	
Total Adult Activities			19,122

(Continued)

Exhibit K-7

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

General Fund (Cont.)Agriculture and Natural ResourcesAgricultural Extension Service

Contributions	\$	91,205	
Dues and Memberships		470	
Operating Lease Payments		2,018	
Other Contracted Services		13,701	
Electricity		9,087	
Natural Gas		2,690	
Water and Sewer		716	
Other Supplies and Materials		6,747	
Total Agricultural Extension Service			\$ 126,634

Soil Conservation

Other Salaries and Wages	\$	25,869	
Social Security		1,557	
Pensions		1,873	
Life Insurance		44	
Medical Insurance		5,388	
Employer Medicare		364	
Dues and Memberships		310	
Travel		790	
Office Supplies		555	
Other Charges		498	
Total Soil Conservation			37,248

Other OperationsOther Economic and Community Development

Contributions	\$	17,828	
Total Other Economic and Community Development			17,828

Veterans' Services

Supervisor/Director	\$	59,444	
Accountants/Bookkeepers		32,239	
Part-time Personnel		82	
Social Security		5,623	
Pensions		5,619	
Life Insurance		95	
Medical Insurance		7,092	
Employer Medicare		1,316	
Data Processing Services		399	
Operating Lease Payments		897	
Travel		2,081	
Office Supplies		2,109	
Total Veterans' Services			116,996

Other Charges

Liability Insurance	\$	15,276	
Premiums on Corporate Surety Bonds		240	
Trustee's Commission		170,729	
Other Charges		5,672	
Total Other Charges			191,917

(Continued)

Exhibit K-7

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

General Fund (Cont.)Other Operations (Cont.)Contributions to Other Agencies

Contributions	\$ 53,000	
Total Contributions to Other Agencies		\$ 53,000

Employee Benefits

Workers' Compensation Insurance	\$ 51,498	
Total Employee Benefits		51,498

Total General Fund		\$ 11,381,567
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Solid Waste/Sanitation FundGeneral GovernmentOther Facilities

Communication	\$ 3	
Towing Services	1,800	
Other Contracted Services	21,128	
Custodial Supplies	2,076	
Lubricants	1,176	
Tires and Tubes	18,779	
Vehicle Parts	21,706	
Other Supplies and Materials	7,328	
Total Other Facilities		\$ 73,996

Public Health and WelfareWaste Pickup

Supervisor/Director	\$ 31,256
Deputy(ies)	30,710
Truck Drivers	83,430
Other Salaries and Wages	187,775
Social Security	20,044
Pensions	11,367
Life Insurance	208
Medical Insurance	26,940
Employer Medicare	4,815
Communication	2,462
Contributions	8,100
Rentals	900
Disposal Fees	37,764
Other Contracted Services	2,740
Custodial Supplies	35
Diesel Fuel	43,666
Electricity	12,745
Gasoline	4,744
Natural Gas	838
Uniforms	360
Water and Sewer	3,196
Other Supplies and Materials	3,702
Building and Contents Insurance	5,192

(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.)

Liability Insurance	\$	1,679	
Trustee's Commission		932	
Vehicle and Equipment Insurance		8,400	
Workers' Compensation Insurance		238	
Other Charges		35,327	
Total Waste Pickup			\$ 569,565

Other OperationsOther Charges

Trustee's Commission	\$	5,474	
Total Other Charges			5,474

Employee Benefits

Workers' Compensation Insurance	\$	6,755	
Total Employee Benefits			6,755

Total Solid Waste/Sanitation Fund \$ 655,790

Drug Control FundPublic SafetyDrug Enforcement

Communication	\$	6,024	
Confidential Drug Enforcement Payments		3,000	
Legal Notices, Recording, and Court Costs		175	
Maintenance and Repair Services - Equipment		5,490	
Towing Services		1,350	
Travel		355	
Other Contracted Services		11,467	
Other Supplies and Materials		10,206	
Trustee's Commission		538	
Other Charges		587	
Law Enforcement Equipment		689	
Total Drug Enforcement			\$ 39,881

Total Drug Control Fund 39,881

Other Special Revenue FundGeneral GovernmentCounty Mayor/Executive

Other Supplies and Materials	\$	10,995	
Other Charges		22,878	
Total County Mayor/Executive			\$ 33,873

Other OperationsOther Charges

Trustee's Commission	\$	577	
Total Other Charges			577

Total Other Special Revenue Fund 34,450

(Continued)

Exhibit K-7

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

Constitutional Officers - Fees FundFinanceCounty Trustee's Office

Constitutional Officers' Operating Expenses	\$ 182,931	
Total County Trustee's Office		\$ 182,931

Total Constitutional Officers - Fees Fund \$ 182,931

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$ 79,950	
Secretary(ies)	34,172	
Social Security	7,076	
Pensions	8,190	
Medical Insurance	10,776	
Employer Medicare	1,655	
Other Fringe Benefits	146	
Communication	2,408	
Dues and Memberships	2,605	
Maintenance Agreements	300	
Postal Charges	20	
Travel	720	
Other Contracted Services	52	
Custodial Supplies	730	
Electricity	4,218	
Gasoline	4,305	
Natural Gas	2,522	
Office Supplies	503	
Water and Sewer	219	
Other Supplies and Materials	795	
Office Equipment	423	
Total Administration		\$ 161,785

Highway and Bridge Maintenance

Equipment Operators	\$ 105,308	
Equipment Operators - Light	253,825	
Truck Drivers	168,011	
Social Security	31,690	
Pensions	34,815	
Medical Insurance	79,777	
Employer Medicare	7,408	
Asphalt	125,963	
Crushed Stone	92,031	
Fertilizer, Lime, and Seed	12	
Pipe	11,963	
Road Signs	1,587	
Other Supplies and Materials	2,974	
Total Highway and Bridge Maintenance		915,364

(Continued)

Exhibit K-7

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

Highway/Public Works Fund (Cont.)Highways (Cont.)Operation and Maintenance of Equipment

Foremen	\$	78,446	
Social Security		4,842	
Pensions		5,579	
Medical Insurance		10,776	
Employer Medicare		1,132	
Towing Services		200	
Other Contracted Services		4,045	
Diesel Fuel		58,827	
Gasoline		22,924	
Lubricants		1,658	
Small Tools		4,198	
Tires and Tubes		12,544	
Vehicle Parts		44,244	
Other Supplies and Materials		1,592	
Total Operation and Maintenance of Equipment			\$ 251,007

Other Charges

Building and Contents Insurance	\$	5,726	
Liability Insurance		17,179	
Trustee's Commission		24,611	
Vehicle and Equipment Insurance		24,990	
Liability Claims		2,345	
Other Charges		501	
Total Other Charges			75,352

Employee Benefits

Life Insurance	\$	874	
Unemployment Compensation		67	
Medical and Dental Services		150	
Uniforms		6,041	
Workers' Compensation Insurance		33,008	
Total Employee Benefits			40,140

Capital Outlay

Bridge Construction	\$	19,175	
Highway Equipment		424,631	
Total Capital Outlay			443,806

Total Highway/Public Works Fund \$ 1,887,454

General Debt Service FundPrincipal on DebtGeneral Government

Principal on Other Loans	\$	52,000	
Total General Government			\$ 52,000

(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	\$ 211,000	
Total Highways and Streets		\$ 211,000

Education

Principal on Bonds	\$ 1,455,000	
Principal on Notes	149,744	
Total Education		1,604,744

Interest on DebtGeneral Government

Interest on Other Loans	\$ 6,974	
Total General Government		6,974

Highways and Streets

Interest on Notes	\$ 31,471	
Total Highways and Streets		31,471

Education

Interest on Bonds	\$ 1,297,425	
Interest on Notes	48,632	
Total Education		1,346,057

Other Debt ServiceGeneral Government

Trustee's Commission	\$ 39,438	
Other Charges	3,781	
Other Debt Service	4,635	
Total General Government		47,854

Education

Other Debt Service	\$ 175	
Total Education		175

Total General Debt Service Fund		\$ 3,300,275
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Other Capital Projects #1 FundCapital ProjectsAdministration of Justice Projects

Architects	\$ 222,500	
Total Administration of Justice Projects		\$ 222,500

Total Other Capital Projects #1 Fund		222,500
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Other Capital Projects FundOther OperationsMiscellaneous

Other Contracted Services	\$ 498,288	
Other Supplies and Materials	5,537	
Total Miscellaneous		\$ 503,825

(Continued)

Exhibit K-7

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

<u>Other Capital Projects Fund (Cont.)</u>			
<u>Other Debt Service</u>			
<u>General Government</u>			
Other Debt Issuance Charges	\$	3,000	
Total General Government			\$ 3,000
Total Other Capital Projects Fund			\$ 506,825
Total Governmental Funds - Primary Government			\$ 18,211,673

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, 2018

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$ 10,949,136	
Career Ladder Program	72,000	
Homebound Teachers	19,571	
Paraprofessionals	24,808	
Salary Supplements	4,339	
Educational Assistants	592,083	
Certified Substitute Teachers	32,460	
Non-certified Substitute Teachers	113,246	
Social Security	699,490	
Pensions	1,029,435	
Life Insurance	12,758	
Medical Insurance	2,117,995	
Unemployment Compensation	9,355	
Employer Medicare	164,007	
Other Fringe Benefits	79,034	
Other Contracted Services	8,879	
Instructional Supplies and Materials	138,230	
Textbooks - Bound	165,689	
Software	91,754	
Other Charges	6,516	
Regular Instruction Equipment	4,872	
Total Regular Instruction Program		\$ 16,335,657

Special Education Program

Teachers	\$ 1,017,886	
Career Ladder Program	5,000	
Homebound Teachers	1,279	
Educational Assistants	548,450	
Speech Pathologist	141,799	
Other Salaries and Wages	15,000	
Certified Substitute Teachers	3,000	
Non-certified Substitute Teachers	17,210	
Social Security	104,386	
Pensions	135,468	
Life Insurance	2,104	
Medical Insurance	321,666	
Employer Medicare	24,514	
Other Fringe Benefits	8,520	
Contracts with Private Agencies	40,096	
Evaluation and Testing	12,661	
Maintenance and Repair Services - Equipment	816	
Instructional Supplies and Materials	3,824	
Other Supplies and Materials	6,595	
Other Charges	1,918	
Special Education Equipment	5,632	
Total Special Education Program		2,417,824

(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.)Career and Technical Education Program

Teachers	\$	537,534	
Certified Substitute Teachers		3,200	
Non-certified Substitute Teachers		5,748	
Social Security		31,812	
Pensions		50,035	
Life Insurance		628	
Medical Insurance		128,275	
Employer Medicare		7,462	
Instructional Supplies and Materials		41,447	
In Service/Staff Development		320	
Other Charges		2,462	
Vocational Instruction Equipment		74,028	
Total Career and Technical Education Program			\$ 882,951

Support ServicesHealth Services

Supervisor/Director	\$	44,821	
Medical Personnel		232,583	
Other Salaries and Wages		9,102	
Social Security		17,630	
Pensions		20,943	
Life Insurance		379	
Medical Insurance		43,243	
Employer Medicare		4,125	
Other Fringe Benefits		2,130	
Travel		5,134	
Other Supplies and Materials		20,551	
In Service/Staff Development		1,046	
Data Processing Equipment		1,358	
Other Equipment		1,937	
Total Health Services			404,982

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		451,528	
Secretary(ies)		49,876	
Clerical Personnel		24,938	
Educational Assistants		59,480	
Other Salaries and Wages		108,655	
Certified Substitute Teachers		100	
Non-certified Substitute Teachers		468	
Social Security		41,794	
Pensions		60,164	
Life Insurance		709	
Medical Insurance		146,256	
Employer Medicare		9,775	

(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.)

Other Fringe Benefits	\$	8,590	
Communication		1,953	
Evaluation and Testing		29,631	
Travel		3,544	
Gasoline		572	
Instructional Supplies and Materials		110,000	
Other Supplies and Materials		71,241	
In Service/Staff Development		8,988	
Furniture and Fixtures		174	
Other Equipment		15,000	
Total Other Student Support			\$ 1,204,436

Regular Instruction Program

Supervisor/Director	\$	2,800	
Career Ladder Program		3,000	
Librarians		297,999	
Social Security		17,959	
Pensions		27,367	
Life Insurance		247	
Medical Insurance		53,847	
Employer Medicare		4,200	
Communication		8,975	
Library Books/Media		58,888	
Periodicals		3,058	
Other Supplies and Materials		2,605	
In Service/Staff Development		1,819	
Other Charges		19,206	
Total Regular Instruction Program			501,970

Special Education Program

Supervisor/Director	\$	77,122	
Psychological Personnel		110,579	
Secretary(ies)		29,926	
Social Security		12,247	
Pensions		16,683	
Life Insurance		182	
Medical Insurance		36,879	
Employer Medicare		2,864	
Consultants		3,844	
Travel		13,854	
Other Contracted Services		132,179	
Other Supplies and Materials		1,976	
In Service/Staff Development		6,551	
Total Special Education Program			444,886

(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.)Technology

Supervisor/Director	\$	66,791	
Computer Programmer(s)		249,640	
Instructional Computer Personnel		68,624	
Certified Substitute Teachers		400	
Non-certified Substitute Teachers		3,982	
Social Security		23,488	
Pensions		29,114	
Life Insurance		291	
Medical Insurance		60,979	
Employer Medicare		5,495	
Other Fringe Benefits		2,439	
Communication		5,503	
Dues and Memberships		270	
Maintenance and Repair Services - Equipment		3,500	
Internet Connectivity		41,896	
Travel		5,715	
Other Contracted Services		80,309	
Instructional Supplies and Materials		4,957	
Other Supplies and Materials		13,000	
Other Charges		16,718	
Data Processing Equipment		151,478	
Total Technology			\$ 834,589

Other Programs

Salary Supplements	\$	217,610	
Social Security		13,004	
Pensions		16,420	
Medical Insurance		25,691	
Employer Medicare		3,073	
On-behalf Payments to OPEB		91,126	
Other Charges		5,521	
Total Other Programs			372,445

Board of Education

Teachers	\$	58,388	
Board and Committee Members Fees		43,200	
Social Security		6,278	
Employer Medicare		1,468	
Audit Services		10,900	
Dues and Memberships		13,370	
Legal Services		17,896	
Travel		23,186	
Other Contracted Services		20	
Liability Insurance		55,188	
Trustee's Commission		131,515	
Workers' Compensation Insurance		95,936	
Liability Claims		1,527	
Total Board of Education			458,872

(Continued)

Exhibit K-8

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

General Purpose School Fund (Cont.)Support Services (Cont.)Director of Schools

County Official/Administrative Officer	\$	105,795	
Assistant(s)		110,543	
Supervisor/Director		74,582	
Career Ladder Program		2,000	
Materials Supervisor		30,524	
Paraprofessionals		22,574	
Secretary(ies)		59,851	
Other Salaries and Wages		49,879	
Social Security		27,164	
Pensions		38,308	
Life Insurance		330	
Medical Insurance		72,731	
Employer Medicare		6,353	
Other Fringe Benefits		3,202	
Dues and Memberships		2,777	
Legal Notices, Recording, and Court Costs		3,224	
Postal Charges		2,655	
Travel		15,388	
Other Contracted Services		7,814	
Gasoline		1,724	
Office Supplies		7,421	
Other Charges		195	
Total Director of Schools			\$ 645,034

Office of the Principal

Principals	\$	530,648	
Career Ladder Program		3,800	
Accountants/Bookkeepers		195,996	
Assistant Principals		488,809	
Secretary(ies)		291,487	
Social Security		90,026	
Pensions		127,743	
Life Insurance		1,366	
Medical Insurance		235,348	
Employer Medicare		21,081	
Other Fringe Benefits		12,906	
Communication		58,877	
Maintenance and Repair Services - Equipment		2,811	
Other Contracted Services		1,961	
Total Office of the Principal			2,062,859

Operation of Plant

Custodial Personnel	\$	860,359	
Social Security		51,129	
Pensions		48,985	
Life Insurance		1,536	

(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.)

Medical Insurance	\$	218,436	
Employer Medicare		12,291	
Other Fringe Benefits		5,178	
Operating Lease Payments		11,820	
Maintenance and Repair Services - Equipment		1,801	
Rentals		2,476	
Other Contracted Services		20,419	
Custodial Supplies		57,140	
Electricity		1,166,627	
Natural Gas		138,120	
Water and Sewer		109,973	
Other Supplies and Materials		7,147	
Plant Operation Equipment		3,547	
Total Operation of Plant			\$ 2,716,984

Maintenance of Plant

Maintenance Personnel	\$	217,410	
Social Security		13,142	
Pensions		15,319	
Life Insurance		276	
Medical Insurance		36,802	
Employer Medicare		3,074	
Other Fringe Benefits		1,002	
Communication		97	
Other Contracted Services		351,013	
Diesel Fuel		2,053	
Gasoline		8,920	
Uniforms		819	
Vehicle Parts		161	
Other Supplies and Materials		96,351	
Building and Contents Insurance		165,566	
Maintenance Equipment		1,498	
Motor Vehicles		12,812	
Other Equipment		10,000	
Total Maintenance of Plant			936,315

Transportation

Contracts with Parents	\$	13,010	
Total Transportation			13,010

Operation of Non-Instructional ServicesEarly Childhood Education

Teachers	\$	175,229	
Salary Supplements		4,000	
Educational Assistants		78,662	
Other Salaries and Wages		29,263	

(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.)Operation of Non-Instructional Services (Cont.)Early Childhood Education (Cont.)

Social Security	\$	17,144	
Pensions		23,404	
Life Insurance		365	
Medical Insurance		67,989	
Employer Medicare		4,009	
Instructional Supplies and Materials		11,909	
Other Charges		2,242	
Total Early Childhood Education			\$ 414,216

Other Debt ServiceEducation

Debt Service Contribution to Primary Government	\$	537,680	
Total Education			537,680

Total General Purpose School Fund \$ 31,184,710

School Federal Projects FundInstructionRegular Instruction Program

Teachers	\$	694,910	
Educational Assistants		59,194	
Other Salaries and Wages		9,442	
Certified Substitute Teachers		6,100	
Non-certified Substitute Teachers		4,785	
Social Security		44,189	
Pensions		63,784	
Life Insurance		827	
Medical Insurance		146,239	
Unemployment Compensation		511	
Employer Medicare		10,688	
Other Fringe Benefits		1,002	
Instructional Supplies and Materials		948	
Other Supplies and Materials		12,125	
Regular Instruction Equipment		195,118	
Total Regular Instruction Program			\$ 1,249,862

Special Education Program

Teachers	\$	51,864	
Educational Assistants		429,323	
Social Security		28,227	
Pensions		32,651	
Life Insurance		1,177	
Medical Insurance		155,925	
Unemployment Compensation		623	
Employer Medicare		6,357	
Other Fringe Benefits		7,446	

(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.)Special Education Program (Cont.)

Instructional Supplies and Materials	\$ 1,395	
Other Charges	1,348	
Total Special Education Program		\$ 716,336

Career and Technical Education Program

Other Supplies and Materials	\$ 7,780	
Vocational Instruction Equipment	80,606	
Total Career and Technical Education Program		88,386

Support ServicesOther Student Support

Other Salaries and Wages	\$ 39,466	
Social Security	2,290	
Pensions	1,951	
Life Insurance	54	
Medical Insurance	6,120	
Unemployment Compensation	85	
Employer Medicare	535	
Travel	932	
Other Supplies and Materials	7,123	
In Service/Staff Development	10,785	
Other Charges	8,912	
Total Other Student Support		78,253

Regular Instruction Program

Supervisor/Director	\$ 73,520	
Secretary(ies)	29,926	
Other Salaries and Wages	215,909	
Social Security	17,241	
Pensions	25,520	
Life Insurance	255	
Medical Insurance	39,995	
Unemployment Compensation	150	
Employer Medicare	4,448	
Other Fringe Benefits	4,260	
Other Supplies and Materials	8,342	
In Service/Staff Development	67,279	
Other Equipment	210	
Total Regular Instruction Program		487,055

Special Education Program

Secretary(ies)	\$ 92,136	
Social Security	5,532	
Pensions	6,789	
Life Insurance	43	
Medical Insurance	17,868	

(Continued)

Exhibit K-8

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

School Federal Projects Fund (Cont.)Support Services (Cont.)Special Education Program (Cont.)

Unemployment Compensation	\$	128	
Employer Medicare		1,551	
Other Supplies and Materials		1,975	
In Service/Staff Development		3,148	
Total Special Education Program			\$ 129,170

Career and Technical Education Program

In Service/Staff Development	\$	663	
Total Career and Technical Education Program			663

Transportation

Bus Drivers	\$	16,187	
Social Security		1,004	
Pensions		1,161	
Unemployment Compensation		41	
Employer Medicare		235	
Total Transportation			18,628

Total School Federal Projects Fund \$ 2,768,353

Central Cafeteria FundOperation of Non-Instructional ServicesFood Service

Supervisor/Director	\$	63,391	
Clerical Personnel		43,642	
Cafeteria Personnel		848,242	
Social Security		56,737	
Pensions		51,792	
Life Insurance		1,714	
Medical Insurance		240,101	
Unemployment Compensation		140	
Employer Medicare		13,541	
Other Fringe Benefits		2,130	
Dues and Memberships		1,076	
Maintenance and Repair Services - Equipment		53,187	
Travel		8,747	
Other Contracted Services		18,257	
Food Preparation Supplies		76,901	
Food Supplies		869,957	
USDA - Commodities		234,548	
Other Supplies and Materials		17,607	
Workers' Compensation Insurance		24,342	
Food Service Equipment		113,991	
Total Food Service			\$ 2,740,043

Total Central Cafeteria Fund 2,740,043

(Continued)

Exhibit K-8

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

School Transportation FundSupport ServicesBoard of Education

Trustee's Commission	\$	47,714	
Total Board of Education			\$ 47,714

Transportation

Supervisor/Director	\$	47,416	
Foremen		41,339	
Mechanic(s)		34,694	
Bus Drivers		914,347	
Secretary(ies)		29,926	
Other Salaries and Wages		100,817	
Social Security		69,402	
Pensions		42,038	
Life Insurance		182	
Medical Insurance		23,994	
Unemployment Compensation		2,877	
Employer Medicare		16,720	
Other Fringe Benefits		1,002	
Communication		2,181	
Medical and Dental Services		3,017	
Towing Services		3,450	
Travel		1,953	
Other Contracted Services		20,290	
Custodial Supplies		74	
Diesel Fuel		194,584	
Electricity		3,428	
Gasoline		5,531	
Lubricants		10,581	
Natural Gas		2,049	
Office Supplies		131	
Tires and Tubes		27,836	
Uniforms		486	
Vehicle Parts		95,345	
Water and Sewer		67	
Other Supplies and Materials		6,211	
Vehicle and Equipment Insurance		48,458	
Workers' Compensation Insurance		31,104	
Other Charges		9,569	
Transportation Equipment		281,706	
Total Transportation			<u>2,072,805</u>

Total School Transportation Fund			\$ 2,120,519
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Education Capital Projects FundOther Debt ServiceEducation

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

(Continued)

Exhibit K-8

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

<u>Education Capital Projects Fund (Cont.)</u>			
<u>Capital Projects</u>			
<u>Education Capital Projects</u>			
Other Contracted Services	\$	98,978	
Total Education Capital Projects			\$ 98,978
Total Education Capital Projects Fund			\$ 718,978
Total Governmental Funds - Rhea County School Department			\$ 39,532,603

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, 2018

	Cities - Sales Tax Fund	City School ADA - Dayton City Fund	Total
<u>Cash Receipts</u>			
Current Property Taxes	\$ 0	\$ 416,070	\$ 416,070
Trustee's Collections - Prior Years	0	15,955	15,955
Trustee's Collections - Bankruptcy	0	124	124
Circuit/Clerk and Master Collections - Prior Years	0	16,904	16,904
Interest and Penalty	0	2,842	2,842
Payments in-Lieu-of Taxes - Local Utilities	0	1,728	1,728
Local Option Sales Tax	3,700,710	706,796	4,407,506
Bank Excise Tax	0	3,300	3,300
Marriage Licenses	0	370	370
Total Cash Receipts	<u>\$ 3,700,710</u>	<u>\$ 1,164,089</u>	<u>\$ 4,864,799</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 3,663,703	\$ 1,150,099	\$ 4,813,802
Trustee's Commission	37,007	16,006	53,013
Total Cash Disbursements	<u>\$ 3,700,710</u>	<u>\$ 1,166,105</u>	<u>\$ 4,866,815</u>
<u>Excess of Cash Receipts Over (Under)</u>			
Cash Disbursements	\$ 0	\$ (2,016)	\$ (2,016)
Cash Balance, July 1, 2017	0	65,129	65,129
Cash Balance, June 30, 2018	<u>\$ 0</u>	<u>\$ 63,113</u>	<u>\$ 63,113</u>

SINGLE AUDIT SECTION



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

**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, 2018, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements, and have issued our report thereon dated January 31, 2019. Our report includes a reference to other auditors who audited the financial statements of the Rhea Medical Center, 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. However, this report, insofar as it relates to the results of the other auditors, is based solely on the report of the other 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 identify 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: 2018-001, 2018-002(A), 2018-003, 2018-006, and 2018-007.

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: 2018-002(B,C), 2018-004, and 2018-005.

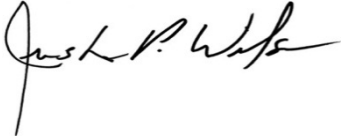
Rhea County's Responses to the Findings

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 result 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,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 31, 2019

JPW/yu



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

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 the Uniform Guidance

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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

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 the Uniform Guidance, 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.

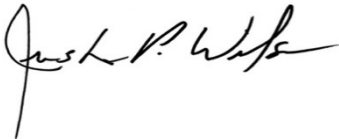
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the

requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, 2018, and the related notes to the financial statements, which collectively comprise Rhea County's basic financial statements. We issued our report thereon dated January 31, 2019, 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 the Uniform Guidance 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.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

January 31, 2019

JPW/yu

Rhea County, Tennessee, and the Rhea County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year Ended June 30, 2018

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:			
Child Nutrition Cluster (4):			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	\$ 234,548 (5)
Passed-through State Department of Education:			
Child Nutrition Cluster (4):			
School Breakfast Program	10.553	N/A	642,453
National School Lunch Program	10.555	N/A	1,647,013 (5)
Child Nutrition Discretionary Grants Limited Availability	10.579	N/A	13,203
Total U.S. Department of Agriculture			<u>\$ 2,537,217</u>
U.S. Department of Defense:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program (Noncash Assistance)	12.U01	N/A	\$ 8,000 (6)
Total U.S. Department of Defense			<u>\$ 8,000</u>
U.S. Department of Transportation:			
Passed-through State Department of Safety and Homeland Security:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	(7)	\$ 19,326
Alcohol Open Container Requirements	20.607	(8)	21,406
Total U.S. Department of Transportation			<u>\$ 40,732</u>
Appalachian Regional Commission:			
Direct Programs:			
Appalachian Area Development	23.002	N/A	\$ 19,879
Total Appalachian Regional Commission			<u>\$ 19,879</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,428,595
Special Education Cluster (4):			
Special Education - Grants to States	84.027	N/A	914,875
Special Education - Preschool Grants	84.173	N/A	14,361
Career and Technical Education - Basic Grants to States	84.048	N/A	100,066
Education for Homeless Children and Youth	84.196	N/A	15,756
Rural Education	84.358	(3)	113,351
English Language Acquisition Grants	84.365	(3)	17,495
Improving Teacher Quality State Grants	84.367	(3)	228,956
Total U.S. Department of Education			<u>\$ 2,833,455</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Education:			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	(3)	\$ 48,873
Total U.S. Department of Health and Human Services			<u>\$ 48,873</u>
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	(3)	\$ 77,115
Emergency Management Performance Grants	97.042	(3)	20,000
Homeland Security Grant Program	97.067	(3)	15,041
Total U.S. Department of Homeland Security			<u>\$ 112,156</u>
Total Expenditures of Federal Awards			<u><u>\$ 5,600,312</u></u>

(Continued)

Rhea County, Tennessee, and the Rhea County School Department
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-through Agency/State Grantor Program Title	Federal CFDA Number	Contract Number	Expenditures
<u>State Grants</u>			
Local Health Services - State Department of Health	N/A	(3)	\$ 169,716
Disaster Grant - State Department of Military	N/A	(3)	6,323
Court Security Program - State Administrative Office of the Courts	N/A	(3)	15,398
Child Safety Seat Grant - State Department of Health	N/A	(3)	9,273
Juvenile Services Program - State Commission on Children and Youth	N/A	(3)	9,000
Emergency Preparedness - State Department of Military	N/A	(3)	63,187
Archives Development Program - State Library and Archives	N/A	(3)	4,985
Tourism Enhancement - State Department of Economic and Community Development	N/A	(3)	1,790
Clean Tennessee Energy Program - State Department of Environment and Conservation	N/A	(3)	9,197
Litter Program - State Department of Transportation	N/A	Z-18-LIT072	33,921
CTE Equipment Grant	N/A	(3)	74,028
Read to be Ready Coaching Network Grant - State Department of Education	N/A	(3)	9,457
ConnecTenn - State Department of Education	N/A	(3)	11,151
Coordinated School Health - State Department of Education	N/A	(3)	89,926
Safe Schools Act - State Department of Education	N/A	(3)	24,466
Early Childhood Education - State Department of Education	N/A	(3)	409,129
Total State Grants			<u>\$ 940,947</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) Rhea County elected not to use the 10% de minimis cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Child Nutrition Cluster total \$2,524,014; Special Education Cluster total \$929,236.
- (5) Total for CFDA No. 10.555 is \$1,881,561.
- (6) During the year ended June 30, 2018, Rhea County received excess military equipment from the U.S. Department of Defense valued at \$8,000.
- (7) Z-17-THS-057: \$7,393; Z-18-THS-260: \$11,933.
- (8) Z-17-THS-283: \$5,690; Z-18-THS-259: \$15,716.

Rhea County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2018

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or not. Presented below are financial statement findings along with their current status from the Annual Financial Report for Rhea County, Tennessee, for the year ended June 30, 2018.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
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OFFICE OF FINANCE DIRECTOR AND COUNTY EXECUTIVE

2017	207	2017-001	Solid Waste/Sanitation Fund collections were used in a questionable manner	N/A	Not Corrected - See Explanation on Corrective Action Plan
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OFFICE OF FINANCE DIRECTOR

2017	209	2017-002	Expenditures exceeded appropriations	N/A	Not Corrected - See Explanation on Corrective Action Plan
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2017	210	2017-003	The Probation Office did not deposit some funds within three days of collection	N/A	Corrected
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OFFICE OF HIGHWAY SUPERVISOR

2017	211	2017-004	The highway supervisor had not formally documented internal controls	N/A	Corrected
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OFFICE OF REGISTER OF DEEDS

2017	211	2017-005	The office did not reconcile general ledger accounts with subsidiary records	N/A	Corrected
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OFFICE OF SHERIFF

2017	212	2017-006	Some funds were not deposited within three days of collection	N/A	Not Corrected - See Explanation on Corrective Action Plan
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OFFICES OF FINANCE DIRECTOR, COUNTY EXECUTIVE AND SHERIFF

2017	212	2017-007	Duties were not segregated adequately - Finance Director and Sheriff	N/A	Not Corrected - See Explanation on Corrective Action Plan
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2017	212	2017-007	Duties were not segregated adequately - County Executive	N/A	Corrected
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Prior-year Federal Awards Findings

There were no prior-year federal award findings to report.

RHEA COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of Rhea County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs. **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Number: 84.010 Title I Grants to Local Educational Agencies
8. Dollar threshold used to distinguish between Type A and Type B Programs. **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses for all findings are paraphrased and presented following each finding and recommendation. Management's corrective action plans, whether related to the financial statements or federal awards, are presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report. Findings relating specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICES OF FINANCE DIRECTOR AND COUNTY EXECUTIVE

FINDING 2018-001

SPECIAL PROJECTS COLLECTIONS WERE USED IN A QUESTIONABLE MANNER

(Internal Control – Reportable Condition Under *Government Auditing Standards*)

On April 21, 2015, the county commission adopted a resolution giving the county executive authority to “coordinate approved activities that generate fees to be used for funding special projects benefiting the citizens of Rhea County.” During the year ended June 30, 2018, the county identified the fees assessed local companies for dumpster rental and service of those dumpsters (\$23,130) and the fees paid by the county's landfill operator for the handling of waste from the State of Tennessee (\$60,000) as funds to be used for special projects as noted in the resolution. These fees and the subsequent expenditures were originally accounted for in the county's Solid Waste/Sanitation Fund. However, subsequent to February 2018, the fees and expenditures were accounted for in the Other Special Revenue Fund, which is a special revenue fund created to account for these transactions.

During the year examined, expenditures totaled \$68,440 (Solid Waste/Sanitation Fund \$33,990 and Other Special Revenue Fund \$34,450); however, some expenditures do not appear to benefit the citizens of Rhea County as required by the county commission's resolution. Questionable expenditures included a donation to the Campbell Memorial Scottish Highland games, a vehicle purchased for use by the county executive, a Christmas party for employees, flowers for an employee, pagers and service fees for the county executive and Emergency Management Agency director, and gifts and gift cards for employees. The following is a list of questionable expenditures associated with the above-noted special projects collections:

Date	Payee	Amount	Items
10/19/17	Regions Financial	\$ 96.29	Credit card payment to The Rhea Floral and Gift. Flowers for employee.
10/31/17	Gwinnett Motor Company	8,999.00	2007 Ford Expedition (to replace County Executive's official vehicle)
11/7/17	Rhea County Clerk	17.50	Registration for 2007 Ford Expedition
12/8/17	Kenneth & Evelyn M. Haw	700.00	Catering for Christmas Dinner for county employees
1/19/18	Regions Financial	1,371.47	Credit card payment to Lowes - Christmas gifts for party including tools and \$825 in gift cards
1/19/18	Regions Financial	3,563.70	Credit card payment to Lowes - Christmas gifts for party including Google Minis, small kitchen appliances, and \$250 in gift cards
1/19/18	Regions Financial	419.00	Credit card payment to Chappell's Food Value. Christmas hams
6/15/2018	Dalton Communications, Inc.	1,215.00	Pager/services for County Executive and EMA Director.
Donations:			
9/19/2017	Kent L. Slawson	1,000.00	Games
Total for Year Ended June 30, 2018		<u>\$ 17,381.96</u>	

The following deficiencies were noted from our examination of these collections and expenditures:

- A. Many of the expenditures noted-above do not appear to benefit the citizens of Rhea County, but rather appear to benefit only the employees of the county.
- B. Gifts were purchased and distributed to county employees without properly accounting for their use. The practice of purchasing items to be distributed as gifts without adequate documentation increases the risks of fraud and abuse. Also, we found no documentation in the minutes of the County Commission that indicates approval of catered parties or the purchase and distribution of gifts to county employees.
- C. Donations were made to nonprofit and civic organizations without the specific approval of the county commission. Section 5-9-109, *Tennessee Code Annotated*, sets out the requirements for donations to nonprofit entities and gives the authority to approve such donations to the county legislative body.

These deficiencies were the result of a lack of management oversight, the failure to correct the finding noted in the prior-year audit report, and management's failure to implement its corrective action plan.

RECOMMENDATION

Revenues associated with special projects collections should be used for the specific purposes outlined in the approved resolution. Expenditures of the special project fees should benefit the citizens of Rhea County. Any gifts distributed to employees should be properly approved, and the distribution adequately documented. All donations made to nonprofit and civic organizations should be approved by the county commission.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR AND COUNTY EXECUTIVE

I concur with this finding.

OFFICE OF FINANCE DIRECTOR

FINDING 2018-002

THE FINANCE DEPARTMENT HAD DEFICIENCIES IN BUDGET OPERATIONS

(A. – Internal Control – Significant Deficiency Under *Government Auditing Standards*; B. and C. – Noncompliance Under *Government Auditing Standards*)

Our examination revealed the following deficiencies in budget operations of the office.

- A. Several budget amendments were posted in the General and Solid Waste/Sanitation funds that were not approved by the county commission. Also, several budget amendments that were approved by the county commission were not posted to the county's records. Accurate budgetary statements are necessary to provide county officials and departments with available spending limits. We have presented adjustments to the county that they have accepted to properly present the budget amendments approved by the county commission in the financial statements of this report.
- B. Expenditures exceeded total appropriations approved by the county commission in the Other Special Revenue Fund by \$12,147.
- C. Expenditures exceeded appropriations approved by the county commission in three of 46 major appropriation categories (the legal level of control) of the General Fund. These over expenditures are reflected in the following table:

<u>Major Appropriation Category</u>	<u>Amount Overspent</u>
County Commission	\$ 76,072
Civil Defense	15,954
Other Public Health and Welfare	12,911

Section 5-9-401, *Tennessee Code Annotated*, states that “All funds from whatever source derived, including, but not limited to, taxes, county aid funds, federal funds, and fines, that are to be used in the operation and respective programs for the various departments, commissions, institutions, boards, offices, and agencies of county governments shall be appropriated to such use by the county legislative bodies.” These deficiencies exist because management failed to hold spending to the limits authorized by the county commission, which resulted in unauthorized expenditures, and because management failed to correct the finding noted in the prior-year audit report and management’s failure to implement its corrective action plan.

RECOMMENDATION

Budget amendments should be properly posted to the accounting records after approval by the county commission. Expenditures should be held within appropriations approved by the county commission.

MANAGEMENT’S RESPONSE – FINANCE DIRECTOR

I concur with this finding.

FINDING 2018-003

A SIGNIFICANT JOURNAL ENTRY WAS POSTED IN THE GENERAL FUND WITH NO SUPPORTING DOCUMENTATION
(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

During our review of journal entries posted to the General Fund, we discovered an entry totaling \$331,259 with no supporting documentation. Employees of the Finance Department could not explain the purpose of this journal entry or identify the items that made up the total dollar amount. Through additional audit procedures, we were able to identify this entry as a combination of various posting errors, the reversal of prior-year receivables, and the posting of trustee’s commissions. The posting errors have been corrected and properly reflected in the financial statements of this report. Sound business practices dictate that financial transactions should be accurately posted and documented in accordance with generally accepted accounting principles. Journal entries without adequate documentation, indicate a weakness in internal controls related to recording financial transactions. This deficiency exists because management failed to provide sufficient oversight.

RECOMMENDATION

Adequate supporting documentation should be maintained for all journal entries.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

I concur with this finding.

FINDING 2018-004

COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF A PATCHING MACHINE FOR THE HIGHWAY DEPARTMENT

(Noncompliance Under *Government Auditing Standards*)

As part of our audit procedures for determining whether the purchasing process was operating as designed, we selected a sample of 60 disbursements totaling \$3,762,809 from a population of 6,964 vendor checks totaling \$20,656,618. Our examination revealed that competitive bids were not solicited for the purchase of a patching machine for the Highway Department that cost \$56,500. Pursuant to provisions of Section 5-21-120, *Tennessee Code Annotated*, the Financial Management Committee, together with the finance director, established purchasing procedures for Rhea County. These procedures require that purchases exceeding \$25,000 are to be made based on competitive bids. The failure to solicit competitive bids could result in the department paying more than the most competitive price.

RECOMMENDATION

Competitive bids should be solicited for all purchases exceeding \$25,000 as required by state statute and county purchasing procedures.

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

I concur with this finding.

OFFICE OF SHERIFF

FINDING 2018-005

SOME FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION

(Noncompliance Under *Government Auditing Standards*)

The sheriff did not deposit some funds to the office bank account within three days of collection as required by Section 5-8-207, *Tennessee Code Annotated*. We judgmentally selected receipts for the months of September 2017 through April 2018, to examine receipts and deposits. The office did not deposit some funds to the bank account within three days of collection in six of 55 deposits during these months. The delay in depositing funds weakens internal controls over collections and increases the risks of fraud and misappropriation. This deficiency is the result of a lack of management oversight, management's failure to correct

the finding noted in the prior-year audit report, and management's failure to implement its corrective action plan.

RECOMMENDATION

All funds should be deposited to the office bank account within three days of collection as required by state statute.

MANAGEMENT'S RESPONSE – SHERIFF

I concur with this finding.

<u>FINDING 2018-006</u>	EMPLOYEES SHARED A USERNAME AND PASSWORD (Internal Control – Significant Deficiency Under <i>Government Auditing Standards</i>)
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Although each employee had been assigned a unique username and password for accessing the office's accounting software, two employees of the office shared a username and password. If inappropriate activity were to occur, the employee responsible for this activity would not be easily identified because of the shared username and password. Sound business practices dictate that each transaction be identified to the individual creating the transaction. This deficiency was the result of a lack of management oversight.

RECOMMENDATION

Each employee should access the application using his or her unique username and password to ensure that transactions are properly identified to that employee. Usernames and passwords should be confidential and should not be shared among employees.

MANAGEMENT'S RESPONSE – SHERIFF

I concur with this finding.

OFFICES OF FINANCE DIRECTOR AND SHERIFF

FINDING 2018-007

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 Finance Director 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 and management's failure to implement its corrective action plan.

RECOMMENDATION

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

MANAGEMENT'S RESPONSE – FINANCE DIRECTOR

I concur with this finding.

MANAGEMENT'S RESPONSE – SHERIFF

I concur with this finding.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2018.

Rhea County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2018

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented in this section and have been indexed below. The corrective action plans were prepared by management and have been presented as they were submitted.

Finding Number	Title of Finding	Corrective Action Plan Page Number
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OFFICES OF FINANCE DIRECTOR AND COUNTY EXECUTIVE

2018-001	Special Projects Collections were Used in a Questionable Manner	228
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OFFICE OF FINANCE DIRECTOR

2018-002	The Finance Department had Deficiencies in Budget Operations	228
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2018-003	A Significant Journal Entry was Posted in the General Fund with No Supporting Documentation	229
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OFFICE OF SHERIFF

2018-005	Some Funds were not Deposited within Three Days of Collection	232
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2018-007	Duties were not Segregated Adequately	232
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2018-006	Employees Shared a Username and Password	234
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AUDITOR'S COMMENTS ON CORRECTIVE ACTION PLANS

2018-007	Duties were not Segregated Adequately - Sheriff	235
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RHEA COUNTY FINANCE DEPARTMENT

Corrective Action Plan

FINDING: SPECIAL PROJECTS COLLECTIONS WERE USED IN A QUESTIONABLE MANNER

Response and Corrective Action Plan Prepared by:
Kelley Morgan, Assistant Finance Director

Person Responsible for Implementing the Corrective Action:
Kelley Morgan, Assistant Finance Director
Bill Graham, Finance Director

Anticipated Completion Date of Corrective Action:
Already corrected

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:

Planned Corrective Action:

This finding has already been corrected. No employee gifts or catered meals were purchased in the current year. I have spoken to all involved parties and stressed the importance that expenditures must benefit the citizens of Rhea. Any charitable donations must go through the proper steps before the donation is made. Going forward we will work together and communicate to ensure this takes place.

FINDING: THE FINANCE DEPARTMENT HAD DEFICIENCIES IN BUDGET OPERATIONS

Response and Corrective Action Plan Prepared by:
Kelley Morgan, Assistant Finance Director)

Person Responsible for Implementing the Corrective Action:
Kelley Morgan, Assistant Finance Director
Bill Graham, Finance Director

Anticipated Completion Date of Corrective Action:

Already corrected

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

N/A

Planned Corrective Action:

The Finance Director will be reviewing the accounts and noting what accounts need to have amendments completed. The deputy director will write up the amendments and give those back to the finance director to check for accuracy, and the Finance Director will take those to the commission. The Finance Director will sign off on those amendments after commission approval and prior to being entered into the system. The Finance Director will also work together with the deputy to ensure that expenditures do not exceed appropriations on a monthly basis. It is a necessity to educate department heads the importance of their budget and staying within those limits. If one on one time is needed with department heads to help assist with understanding and reading their budget the finance office is more than willing to accommodate those needs.

FINDING:

A SIGNIFICANT JOURNAL ENTRY WAS POSTED IN THE GENERAL FUND WITH NO SUPPORTING DOCUMENTATION

Response and Corrective Action Plan Prepared by:

Kelley Morgan, Assistant Finance Director

Person Responsible for Implementing the Corrective Action:

Kelley Morgan, Assistant Finance Director

Bill Graham, Finance Director

Anticipated Completion Date of Corrective Action:

Already Completed

Repeat Finding:

No

Reason Corrective Action was Not Taken in the Prior Year:

N/A

Planned Corrective Action:

This finding has already been corrected. The Assistant Finance Director or Finance Director must approve and sign off on all journal entries before they are keyed into the system. The journal entries should include proper back-up documentation before approval is given.

FINDING: COMPETITIVE BIDS WERE NOT SOLICITED FOR THE PURCHASE OF A PATCHING MACHINE FOR THE HIGHWAY DEPARTMENT

Response and Corrective Action Plan Prepared by:
Kelley Morgan, Assistant Finance Director

Person Responsible for Implementing the Corrective Action:
Kelley Morgan, Assistant Finance Director
Bill Graham, Finance Director

Anticipated Completion Date of Corrective Action:
2-1-19

Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
I will communicate with the HWY department and stress the importance of the BID process. Anything over the amount of \$25,000 must and will be bid out. We will work together to ensure this happens.

FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:
Kelley Morgan, Assistant Finance Director

Person Responsible for Implementing the Corrective Action:
Kelley Morgan, Assistant Finance Director
Bill Graham, Finance Director

Anticipated Completion Date of Corrective Action:
2-1-19

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
Lack of time and training

Planned Corrective Action:

The Assistant Finance Director has already started work on the Internal Controls. Implementing this checklist in the Finance Office will give a clear understanding of job descriptions and who is to do what. This checklist will be a process, but the process has already begun with the secretary, bookkeeper and deputy director. The purchasing department and payroll will be next.

Signature: Bill Graham
Finance Director

Rhea County Sheriff's Department
444 second Avenue
Dayton, TN 37321
<http://www.rheacountytn.gov>

Sheriff's Office: 423-775-7837
Jail: 423-775-7838
Fax: 423-775-5463
Dispatch: 423-775-2442

Corrective Action Plan

FINDING: SOME FUNDS WERE NOT DEPOSITED WITHIN THREE DAYS OF COLLECTION

Response and Corrective Action Plan Prepared by:
Pam Hixson, Finance Director

Person Responsible for Implementing the Corrective Action:
Pam Hixson, Finance Director

Anticipated Completion Date of Corrective Action:
No anticipated date until personnel becomes available.

Repeat Finding:
Yes

Reason Corrective Action was Not Taken in the Prior Year:
We were unfortunately not able to correct this issue last year. However, We continue to have a shortage of staff and will do our best if additional staff becomes available.

Planned Corrective Action:
Unless additional staff becomes available, we will not be able to correct this finding.

FINDING: DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:
Pam Hixson, Finance Director

Person Responsible for Implementing the Corrective Action:
Pam Hixson, Finance Director

Anticipated Completion Date of Corrective Action:
No anticipated date until additional personnel become available.

Repeat Finding:

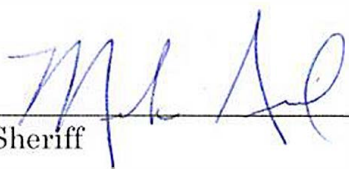
Yes

Reason Corrective Action was Not Taken in the Prior Year:

We still do not have enough personnel

Planned Corrective Action:

We do not have the capability of correcting this finding unless more personnel become available.



Sheriff

1-31-19

Date

Rhea County Sheriff's Department
444 second Avenue
Dayton, TN 37321
<http://www.rheacountytn.gov>

Sheriff's Office: 423-775-7837
Jail: 423-775-7838
Fax: 423-775-5463
Dispatch: 423-775-2442

Corrective Action Plan

FINDING: EMPLOYEES SHARED USERNAME AND PASSWORD

Response and Corrective Action Plan Prepared by:
Pam Hixson, Finance Director

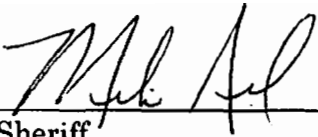
Person Responsible for Implementing the Corrective Action:
Pam Hixson

Anticipated Completion Date of Corrective Action:
01/31/2019

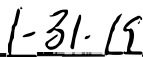
Repeat Finding:
No

Reason Corrective Action was Not Taken in the Prior Year:
N/A

Planned Corrective Action:
We will no longer share user names or passwords and will strive to keep our passwords up to date



Sheriff



Date

AUDITOR'S COMMENTS ON CORRECTIVE ACTION PLAN

**FINDING 2018-007 DUTIES WERE NOT SEGREGATED ADEQUATELY -
SHERIFF'S OFFICE**

The Comptroller's Office and the County Technical Assistance Service have provided guidelines to assist officials in properly segregating duties. These guidelines include suggestions for small offices with as few as two employees. We have not recommended hiring additional employees. We realize that due to limited resources and personnel, management may not be able to fully segregate duties among employees. However, duties should be segregated to the extent possible.